CITY OF PAVO, GEORGIA

FINANCIAL STATEMENTS

FOR YEAR ENDED

DECEMBER 31, 2013

CITY OF PAVO, GEORGIA
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Pavo, Georgia

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the related notes to the financial statements of the City of Pavo, Georgia (hereinafter referred to as "the City") as of and for the year ended December 31, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Basis for Disclaimer of Opinion

The City does not have adequate documentation of receipts and disbursements. Management was unable to find invoices requested and documentation of revenues received. Some of the accounting records were missing. As a result, we were unable to apply audit procedures sufficient to determine if governmental revenues and expenditures and business type revenues and expenses are free of material misstatement.

Disclaimer of Opinion

Because of the matters discussed in the Basis for Disclaimer of Opinion paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Pavo, Georgia as of and for the year ended December 31, 2013.

Other Matters

Required Supplementary Information

The City of Pavo, Georgia has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has required to be presented to supplement the basic financial statements. Such missing information, although not required to be part of, the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 26, 2014, on our consideration of the City of Pavo, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pavo, Georgia's internal control over financial reporting and compliance.

Simmons, Mills & Simmons P.C.
Thomasville, Georgia

Simmons Mills & Simmons P.C.

June 26, 2014

BASIC FINANCIAL STATEMENTS

CITY OF PAVO, GEORGIA
Government-wide Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash investments	$ 388,331	$ 47,718	$ 436,049
Receivables (net of allowance for doubtful accounts):			
Taxes	52,589	-	52,589
Accounts	-	6,235	6,235
Intergovernmental receivable	21,291	-	21,291
Internal balances	997	(997)	-
Prepaid items	9,010	2,570	11,580
Capital assets:			
Land	34,854	-	34,854
Buildings	207,575	-	207,575
Equipment	123,658	11,937	135,595
Infrastructure	-	1,010,384	1,010,384
Accumulated depreciation	(202,754)	(217,917)	(420,671)
Total assets	635,551	859,930	1,495,481
Liabilities:			
Accounts payable	7,667	6,211	13,878
Accrued liabilities	3,083	-	3,083
Customer deposits	-	23,771	23,771
Interest payable	551	-	551
Unearned revenue	10,283	-	10,283
Noncurrent liabilities:			
Due within one year	6,750	-	6,750
Due in more than one year	7,017	-	7,017
Total liabilities	35,351	29,982	65,333
Net position:			
Net investment in capital assets	149,566	804,404	953,970
Unrestricted (deficit)	262,496	25,544	288,040
Restricted for:			
Capital projects	181,754	-	181,754
Housing and development	6,384	-	6,384
Total net position	$ 600,200	$ 829,948	$ 1,430,148

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Government-wide Statement of Activities
Year Ended December 31, 2013

Program Activities	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and changes in Net Position: Governmental Activities	Net (Expenses) Revenues and changes in Net Position: Business-type Activities	Net (Expenses) Revenues and changes in Net Position: Total
Governmental activities:							
General government	$ 53,001	$ 4,092	$ -	$ 16,099	$ (32,810)	$ -	$ (32,810)
Judicial	1,893	-	-	-	(1,893)	-	(1,893)
Public safety	122,233	14,831	-	26,505	(80,897)	-	(80,897)
Public works	70,803	-	-	53,028	(17,775)	-	(17,775)
Cultural and recreational	13,894	-	2,650	-	(11,244)	-	(11,244)
Housing and development	1,698	-	1,480	-	(218)	-	(218)
Interest on long-term debt	808	-	-	-	(808)	-	(808)
Total governmental activities	264,330	18,923	4,130	95,632	(145,645)	-	(145,645)
Business-type activities:							
Water	101,676	59,971	-	270,543	-	228,838	228,838
Solid waste	46,286	53,814	-	-	-	7,528	7,528
Total business-type activities	147,962	113,785	-	270,543	-	236,366	236,366
Total government	$ 412,292	$ 132,708	$ 4,130	$ 366,175	$ (145,645)	$ 236,366	$ 90,721
General revenues:							
Taxes:							
Property taxes					$ 124,009	$ -	$ 124,009
Sales taxes					45,896	-	45,896
Other taxes					33,150	-	33,150
Franchise fees					35,604	-	35,604
Investment earnings					52	4	56
Gain on sale of capital assets					21,590	-	21,590
Miscellaneous					5,795	8,436	14,231
Transfers					-	-	-
Total general revenues and transfers					266,096	8,440	274,536
Change in net position					120,451	244,806	365,257
Net position - beginning					479,749	585,142	1,064,891
Net position - ending					$ 600,200	$ 829,948	$ 1,430,148

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	SPLOST Fund	Hotel/Motel Tax Fund	Total Governmental Funds
Assets:				
Cash	$ 138,477	$ 243,477	$ 6,377	$ 388,331
Receivables (net of allowance for doubtful accounts):				
Taxes	52,589	-	-	52,589
Interfund receivable	4,998	-	-	4,998
Intergovernmental receivables	4,270	16,611	410	21,291
Prepaid items	9,010	-	-	9,010
Total assets	$ 209,344	$ 260,088	$ 6,787	$ 476,219
Liabilities, deferred inflows and fund balances:				
Liabilities:				
Accounts payable	$ 7,667	$ -	$ -	$ 7,667
Interfund payable	-	3,380	621	4,001
Accrued liabilities	3,083	-	-	3,083
Unearned revenue	10,283	-	-	10,283
Total liabilities	21,033	3,380	621	25,034
Deferred inflows - property taxes	42,594	-	-	42,594
Total liabilities and deferred inflows	63,627	3,380	621	67,628
Fund balances:				
Nonspendable:				
Prepaid items	9,010	-	-	9,010
Restricted for:				
Promotion of tourism	-	-	6,166	6,166
Capital projects funds	-	256,708	-	256,708
Unassigned	136,707	-	-	136,707
Total fund balances	145,717	256,708	6,166	408,591
Total liabilities, deferred inflows and fund balances	$ 209,344	$ 260,088	$ 6,787	$ 476,219

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Reconciliation of the Governmental Funds Balance Sheet to the Government - Wide Statement of Net Position
Year Ended December 31, 2013

Total fund balances - total governmental funds		$ 408,591
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		
Cost	$ 366,087	
Less accumulated depreciation	(202,754)	163,333
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the City's year end.		42,594
To recognize interest accrual to year end on the General Fund notes payable.		(551)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(13,767)
Net position of governmental activities		$ 600,200

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2013

	General Fund	SPLOST Fund	Hotel/Motel Tax Fund	Total Governmental Funds
Revenues:				
General property taxes	$ 145,581	$ -	$ -	$ 145,581
Sales and use taxes	45,896	-	-	45,896
Other taxes	33,150	-	-	33,150
Licenses and permits	4,010	-	-	4,010
Intergovernmental	2,100	95,581	1,480	99,161
Charges for services	82	-	-	82
Interest income	52	51	-	103
Contributions from private sources	550	-	-	550
Fines and forfeitures	14,831	-	-	14,831
Rental income	4,575	-	-	4,575
Miscellaneous revenues	1,220	-	-	1,220
Total revenues	252,047	95,632	1,480	349,159
Expenditures:				
Current:				
General government	50,748	-	-	50,748
Judicial	1,893	-	-	1,893
Public safety	103,969	1,919	-	105,888
Public works	62,661	6,110	-	68,771
Culture and recreation	9,766	-	-	9,766
Housing and development	-	-	1,698	1,698
Debt service:				
Principal	-	11,610	-	11,610
Interest and other charges	-	1,039	-	1,039
Capital outlay	-	-	-	-
Total expenditures	229,037	20,678	1,698	251,413
Excess (deficiency) of revenues over expenditures	23,010	74,954	(218)	97,746
Other Financing Sources (Uses):				
Transfers in (out)	-	-	-	-
Proceeds from capital asset disposition	25,000	-	-	25,000
Total other financing sources (uses)	25,000	-	-	25,000
Net change in fund balances	48,010	74,954	(218)	122,746
Fund balances - beginning	97,707	181,754	6,384	285,845
Fund balances - ending	$ 145,717	$ 256,708	$ 6,166	$ 408,591

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
Year Ended December 31, 2013

Net change in fund balances - total government funds		$ 122,746
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		-
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position.		11,611
Accrued interest expense recorded for the government-wide statements.		230
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(24,758)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
Net effect of disposed assets		(3,410)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds.		
Deferred taxes 12/31/13	$ 42,594	
Deferred taxes 12/31/12	28,562	14,032
Change in net position of governmental activities		$ 120,451

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
GAAP Basis
Year Ended December 31, 2013

	Budget			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues:				
General property taxes	$ 169,941	$ 169,941	$ 145,581	$ (24,360)
Sales and use taxes	41,000	41,000	45,896	4,896
Other taxes	33,237	33,237	33,150	(87)
Licenses and permits	4,000	4,000	4,010	10
Intergovernmental	2,100	2,100	2,100	-
Charges for services	-	-	82	82
Interest income	-	-	52	52
Contributions from private sources	-	-	550	550
Fines and forfeitures	36,000	36,000	14,831	(21,169)
Rental income	4,500	4,500	4,575	75
Miscellaneous revenues	-	-	1,220	1,220
Carryover of funds	-	-	-	-
Total revenues	290,778	290,778	252,047	(38,731)
Expenditures:				
Current:				
General government	73,648	73,648	50,748	(22,900)
Judicial	1,425	1,425	1,893	468
Public safety	124,364	124,364	103,969	(20,395)
Public relations	1,200	1,200	-	-
Public works	69,612	69,612	62,661	(6,951)
Culture and recreation	7,950	7,950	9,766	1,816
Debt service:		-		
Principal	12,579	12,579	-	(12,579)
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	290,778	290,778	229,037	(60,541)
Excess (deficiency) of revenues over expenditures	-	-	23,010	23,010
Other financing sources (uses):				
Transfers in (out)	-	-	-	-
Proceeds from capital asset disposition	-	-	25,000	25,000
Total other financing sources (uses)	-	-	25,000	25,000
Excess (deficiency) of revenues and other financing and other uses	-	-	48,010	48,010
Fund balances - beginning	97,707	97,707	97,707	-
Fund balances - ending	$ 97,707	$ 97,707	$ 145,717	$ 48,010

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Hotel/Motel Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
GAAP Basis
Year Ended December 31, 2013

	Budget			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues:				
Intergovernmental	$ 2,000	$ 2,000	$ 1,480	$ (520)
Interest income	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	2,000	2,000	1,480	(520)
Expenditures:				
Current:				
Housing and development	2,000	2,000	1,698	(302)
Total expenditures	2,000	2,000	1,698	(302)
Excess (deficiency) of revenues over expenditures	-	-	(218)	(218)
Fund balances - beginning	6,384	6,384	6,384	-
Fund balances - ending	$ 6,384	$ 6,384	$ 6,166	$ (218)

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Statement of Net Position
Proprietary Funds
December 31, 2013

	Water & Sanitation	Totals
Assets:		
Current assets:		
Cash	$ 47,718	$ 47,718
Receivables (net where applicable of allowance for doubtful accounts):		
Accounts	6,235	6,235
Prepaid items	2,570	2,570
Total current assets	56,523	56,523
Noncurrent assets:		
Capital assets:		
Equipment	11,937	11,937
Infrastructure	1,010,384	1,010,384
Accumulated depreciation	(217,917)	(217,917)
Total capital assets, net of accumulated depreciation	804,404	804,404
Total assets	$ 860,927	$ 860,927
Liabilities:		
Current liabilities:		
Accounts payable	$ 6,211	$ 6,211
Interfund payables	997	997
Customer deposits	23,771	23,771
Total liabilities	30,979	30,979
Net Position:		
Net investment in capital assets	804,404	804,404
Unrestricted (deficit)	25,544	25,544
Total net position	$ 829,948	$ 829,948

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2013

	Water & Sanitation	Totals
Operating revenues:		
Charges for services - water	$ 59,971	$ 59,971
Charges for services - sanitation	53,814	53,814
Miscellaneous	8,436	8,436
Total operating revenues	122,221	122,221
Operating expenses:		
Personal services	24,062	24,062
Purchased/contracted services	76,872	76,872
Supplies	19,771	19,771
Depreciation	27,257	27,257
Total operating expenses	147,962	147,962
Income (loss) from operations	(25,741)	(25,741)
Non-operating revenues (expenses):		
Intergovernmental revenues	270,543	270,543
Interest income	4	4
Total non-operating revenues (expenses)	270,547	270,547
Transfer from other funds	-	-
Change in net positions	244,806	244,806
Net position - beginning	585,142	585,142
Net position - ending	$ 829,948	$ 829,948

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013

	Water & Sanitation	Totals
Cash flows from operating activities:		
Cash received from customers	$ 129,584	$ 129,584
Cash payments to suppliers for goods and services	(98,473)	(98,473)
Cash payments to employees for services	(22,354)	(22,354)
Net cash provided (used) by operating activities	8,757	8,757
Cash flows from noncapital financing activities:		
Transfers from other funds	-	-
Cash flows from capital and related financing activities:		
Intergovernmental revenue	268,543	268,543
Acquisition and construction of capital assets	(270,746)	(270,746)
Net cash provided (used) by capital and related financing activities	(2,203)	(2,203)
Cash flow from investing activities:		
Interest on cash and investments	4	4
Net increase (decrease) in cash and cash investments	6,558	6,558
Cash and cash investments, January 1	41,160	41,160
Cash and cash investments, December 31	$ 47,718	$ 47,718

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013

	Water & Sanitation	Totals
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	$ (25,741)	$ (25,741)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation and amortization	27,257	27,257
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	2,170	2,170
(Increase) decrease in prepaid items	(597)	(597)
Increase (decrease) in accounts payable	1,447	1,447
Increase (decrease) in accrued liabilities	(972)	(972)
Increase (decrease) in customer deposits payable	5,193	5,193
Net cash provided (used) by operating activities	$ 8,757	$ 8,757

See accompanying notes to basic financial statements

NOTES TO FINANCIAL STATEMENTS

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Pavo (the "City") was chartered in 1898. The City operates under a council/mayor form of government and provides the following services: public safety, highways and streets, recreation, public improvements and general and administrative services. In addition, the City operates public water and sanitation services for the incorporated and immediate surrounding areas.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City does not follow subsequent private-sector guidance for its enterprise funds.

The most significant of the City's accounting policies are described below.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Pavo has no component units.

Related organizations

The following is a list of related organizations for which the City of Pavo appoints one or more of the Board of Directors:

- South Georgia Regional Commission

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Financial Reporting Entity

Joint ventures and jointly governed organizations

The City of Pavo, in conjunction with thirty-three cities or counties in the South Georgia area is members of the Southern Georgia Regional Commission (SGRC). Membership in an SGRC is automatic of each municipality and county in the state. The Official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the SGRCs. Each county and municipality in the state is required by law to pay minimum annual dues to the SGRC. The SGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member for a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines SGRCs as "public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of an SGRC beyond its resources (O.C.G.A. 50-8-39.1).

Separately issued financial statements of the Southern Georgia Regional Commission are available at their administrative offices at 327 W. Savannah Ave., Valdosta, GA or by telephone at 229-333-5277.

C. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. The effect of Interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Basis of Presentation

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements: all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental funds typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund –

General Fund is the main operating fund of the City. This fund is used to account for all financial resources and not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

SPLOST Fund –

The SPLOST Fund is a capital projects fund used to account for Special Purpose Local Option Sales Tax collected for Brooks and Thomas Counties. This sales tax is to be used for capital outlay as allowed by the Official Code of Georgia Annotated Section 48-8-111.

Hotel/Motel Tax Fund –

The Hotel/Motel Tax Fund is a special revenue fund used to account for Hotel/Motel tax received from Thomas County. This tax is to be used for the promotion of tourism in the City.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water and Sanitation Fund –

Water and Sanitation Fund is used to account for the provision of water and sanitation operation (garbage and trash collection), to the residents of the City. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Basis of Presentation (Cont.)

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applied to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item of unavailable revenue which is reported only in the governmental funds balance sheet. This is property taxes which are reported as deferred inflows since they are recognized as receivables before the period for which the taxes are levied.

F. Budgets

All budgets, except for the Enterprise Fund, are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. Amounts presented for the General Fund are as amended by the City Council. All annual appropriations lapse at year end. A project-length budget was adopted for the Capital Projects Fund.

G. Cash and Investments

Cash includes amounts in demand deposits, passbook savings as well as certificates of deposits with a maturity date of three months or less. Cash equivalents are short term, highly liquid investments that can be converted to know amounts of cash.

The City's deposit policy limits deposit choices to checking accounts, money market accounts and certificates of deposits with local banks. All deposits are to be secured as required by state statutes. The state statute requires the deposits to be secured at an amount equal to the total deposits less FDIC insurance, then multiplied by 110 percent.

The City's investing is limited to investments complying with state statues. These investments are limited to obligations of state, obligations issued by the U.S. government, obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States, obligations of any corporation of the U.S. government investment pool established by state law and obligations of other political subdivisions of the State of Georgia.

H. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. Inventories

Expendable supplies are recorded as expenditures at the time items are purchased. The City does not record inventories of supplies on the books. Any inventory of supplies at December 31, 2012 is considered immaterial.

J. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

K. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

L. Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2003. Improvements to capital assets are capitalized. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets are capitalized and the estimated useful lives are as follows:

	Life – Years	Threshold
Buildings	15-40	$ 15,000
Equipment	5-10	5,000
Vehicles	3-12	10,000
Improvements	7-15	5,000
System infrastructure	20-40	150,000

M. Compensated Absences

The City's policy does not allow employees to accumulate earned but unused vacation and sick pay benefits. At the end of the year, all earned but unused vacation and sick pay benefits are paid out to the employees at one fourth of their value. Therefore the City will not have an accrual of compensated absences.

(1) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

N. Nature and Purpose of Reservations and Designations of Fund Equity

The fund equity reserves for prepaid items.

Designations of fund equity are not legally required segregations but are segregated for a specific purpose. As of December 31, 2013 the City does not have any designations of fund equity.

O. Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consist of net positions that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net positions are reported in this category.

P. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council. Formal action by the City Council is required to be taken to establish (and modify or rescind) a formal balance commitment.

Assigned – Amounts that are designated by the City Council for a particular purpose. By motion, only the City Council can authorize an assignment of fund balances. Also, any of the fund balance reported at year-end that is included in the subsequent years' budget is reported as assigned.

Unassigned – All amounts not included in other spendable classifications.

Q. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(2) – LEGAL COMPLIANCE – BUDGETS

The City normally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least four months prior to year end, the City clerk and department heads start working on the proposed operating budget for the forthcoming fiscal year.

2. Sixty days prior to year end, the City clerk submits to the City Council a proposed operating budget for the forthcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.

3. Public hearings are conducted to obtain taxpayer comments.

4. As close to year end as possible, usually 30 days prior to year end, the budget is legally adopted by the City Council and made part of the City's minutes.

5. Any changes to the City's budget must be approved by the City Council. The City Council approves all expenditures each month, regardless of amount.

6. Appropriations lapse at year end.

7. Budget amendments, as needed, are proposed by the City clerk and approved by the City Council.

Budget amounts are as originally adopted or as amended by the City Council. The City did not amend the 2013 budgets.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level.

Excess of Expenditures over Appropriations

For the year ended December 31, 2013, expenditures exceed appropriations as follows:

General Fund:	
Judicial	$ 468
Culture and recreation	$ 1,816

(3) – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a deposit policy for custodial credit risk (Note 1F). As of December 31, 2013, all of the City's deposits were covered by either the Federal Depository Insurance Corporation (FDIC) or collateral pledged by the financial institution or a combination of the two.

As of year-end, the carrying amount of the City's bank balances totaled $436,049 and the bank balance totaled $439,932.

Investments

As of December 31, 2013 the City had no investments.

(4) - RECEIVABLES

The receivables as of December 31, 2013 for the City's individual major funds and non-major funds are as follows:

	General Fund	SPLOST Fund	Hotel/Motel Fund	Water & Sanitation Fund	Total
Receivables					
Taxes	$ 60,089	$ -	$ -	$ -	$ 60,089
Accounts	-	-	-	9,235	9,235
Intergovernmental	4,270	16,611	410	-	21,291
Gross receivables	64,359	16,611	410	9,235	90,615
Less: Allowance for doubtful accounts	7,500	-	-	3,000	10,500
Net total receivables	$ 56,859	$ 16,611	$ 410	$ 6,235	$ 80,115

Property taxes are levied as of September 19th on property values assessed as of January 1st. The bills were mailed by October 4th and are considered due upon receipt by the taxpayer; however, the actual due date is December 20th. After this date, the bill becomes delinquent and penalties and interest may be assessed.

(5) – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance Jan. 1	Additions	Deletions	Balance Dec. 31
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 34,854	$ -	$ -	$ 34,854
Total capital assets not being depreciated	34,854	-	-	34,854
Capital assets, being depreciated				
Buildings and improvements	207,575	-	-	207,575
Equipment	174,812	-	51,154	123,658
Total capital assets being depreciated	382,387	-	51,154	331,233
Less accumulated depreciation for:				
Buildings and improvements	99,664	7,948	-	107,612
Equipment	126,076	16,810	47,744	95,142
Total accumulated depreciation	225,740	24,758	47,744	202,754
Total capital assets, being depreciated, net	156,647	(24,758)	3,410	128,479
Governmental activities capital assets, net	$ 191,501	$ (24,758)	$ 3,410	$ 163,333
Business-type activities:				
Capital assets not being depreciated				
Construction in progress	$ 275,053	$ -	$ 275,053	$ -
Total capital assets not being depreciated	275,053	-	275,053	-
Capital assets being depreciated				
Infrastructure	591,931	418,453	-	1,010,384
Equipment	11,937	-	-	11,937
Total capital assets, being depreciated	603,868	418,453	-	1,022,321
Less accumulated depreciation for:				
Infrastructure	178,723	27,257	-	205,980
Equipment	11,937	-	-	11,937
Total accumulated depreciation	190,660	27,257	-	217,917
Total capital assets, being depreciated, net	413,208	391,196	-	804,404
Business-type activities capital assets, net	$ 688,261	$ 391,196	$ 275,053	$ 804,404

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government	$ 2,253
Public safety	16,345
Public works	2,032
Culture and recreation	4,128
Total depreciation expense - Governmental activities	$ 24,758
Business-type activities:	
Water	$ 27,257
Sanitation	-
Total depreciation expense - Business-type activities	$ 27,257

(6) – LONG-TERM DEBT

At December 31, 2013, the City had the following notes payable:

	Governmental
Note payable USDA for the purchase of two police cars. Annual payments of $5,278 are due through May 22, 2013 at 4.375%. The note was issued on May 22, 2008 for $23,250.	$ -
Note payable USDA for the purchase of two police cars and a weather alert system. Annual payments of $7,301 are due through March 17, 2015 at 4%. The note was issued on March 17, 2010 for $32,500.	13,767
Total governmental long-term debt	$ 13,767

Annual debt service requirements to these notes payable as of December 31, 2013 follow:

	Governmental Activities		
Year	Principal	Interest	Total
2014	6,750	551	7,301
2015	7,017	284	7,301
Totals	$ 13,767	$ 835	$ 14,602

The following is a summary of changes in long-term debt for the year ended December 31, 2013:

	Balance January 1	Issues or Additions	Payments or Expenditures	Balance December 31	Due in One Year
Governmental Type Activities:					
Note payable - USDA	$ 5,120	$ -	$ 5,120	$ -	$ -
Note payable - USDA	20,258	-	6,491	13,767	6,750
Total governmental activites	25,378	-	11,611	13,767	6,750
Total government	$ 25,378	$ -	$ 11,611	$ 13,767	$ 6,750

(7) – INTERFUND BALANCES AND TRANSFERS

Interfund receivables, payables and transfers for the year ended December 31, 2013 were as follows:

Fund	Interfund Receivables	Interfund Payables	Transfers In	Transfers Out
General Fund	$ 4,998	$ -	$ -	$ -
SPLOST Fund	-	3,380	-	-
Hotel/Motel Fund	-	621	-	-
Water & Sanitation Fund	-	997	-	-
Totals	$ 4,998	$ 4,998	$ -	$ -

Interfund payables and receivables are due to restricted funds being spent for unapproved expenditures in the prior year as well as for expenses paid for by the General Fund that will be reimbursed by the Water & Sanitation Fund. Transfers are used to move unrestricted revenue collected in one fund to finance various programs accounted for in other funds.

(8) – FUND BALANCES

The following is a summary of the fund balances for the governmental funds at December 31, 2013:

Nonspendable:	
Prepaid items - This is prepaid insurance in the general fund	$ 9,010
Restricted for construction of capital assets - This is net assets restricted by state law as follows:	
SPLOST Fund - Restricted by state law and Brooks County	103,607
SPLOST Fund - Restricted by state law and Thomas County	117,925
SPLOST Fund - Restricted by state law and the City of Thomasville for Recreation	35,176
Restricted for promotion of tourism:	
Hotel/Motel Tax Fund - Restricted by state law	6,166
Unassigned:	
This is the amount assigned in the general fund	136,707
Total fund balance	$ 408,591

(9) – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim or loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

(9) – RISK MANAGEMENT (CONT.)

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims which the City is liable for (up to the applicable deductible) which were outstanding and unpaid at December 31, 2013. No provisions have been made in the financial statements for the year ended December 31, 2013 for any estimated of potential unpaid claims.

The City carries a combined property, casualty, and crime coverage with the Georgia Interlocal Risk Management Agency (GIRMA).

Coverage's are as follows:

Coverage description – property:	
Building and contents	$5,763,318
Boiler & machinery	5,763,318
Automobile physical damage	Per application on file with GIRMA
Coverage description – casualty:	
General liability	600,000
Personal and advertising liability	600,000
Law enforcement liability	600,000
Automobile liability	600,000
Errors and omissions (Public officials) liability	600,000
Employee benefits liability	600,000
Coverage description – crime:	
Blanket Bond/Employee dishonesty	500,000
Forgery or alteration	500,000
Computer crime	500,000
Money and securities	500,000
Deductible:	
General liability	10,000
Law enforcement liability	10,000
Automobile liability	10,000
Errors and omissions (Public officials) liability	10,000
Employee benefits liability	10,000
Property	2,500
Boiler & machinery	2,500
Automobile physical damage	2,500
Crime	2,500
Coverage's subject to a retroactive date:	
(Unless stated otherwise in the coverage exceptions)	
Public officials liability	4/15/1988
Employee benefits liability	4/15/1988

Coverage is subject to all terms, conditions and internal limits as specified in the GIRMA member coverage agreement.

(10) - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City has stated that it is not involved in any lawsuit that will have a material effect on the financial condition of the City.

(11) – EMPLOYEE RETIREMENT SYSTEM

The City does not provide any retirement, pension, or profit sharing plan for its employees.

(12) – HOTEL/MOTEL LODGING TAX

Pursuant to an ordinance on June 27, 2005, January 1, 2006 Thomas County began levying a 5% lodging tax in accordance with O.C.G.A. 48-13-51 and expends 50% of the hotel/motel tax collections for the purpose of promoting tourism.

Thomas County paid the City of Pavo, Georgia $1,480 from their Hotel/Motel Tax Fund in 2013. The City spent $1,698 of this money towards promotion of tourism for the City of Pavo in 2013.

OTHER SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMEDIN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members
of the City Council
City of Pavo, Georgia

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the related notes to the financial statements of the City of Pavo, Georgia, as of and for the year ended December 31, 2013, which collectively comprise the City of Pavo, Georgia's basic financial statements and have issued our report thereon dated June 26, 2014. Except as discussed in the *basis for disclaimer of opinion* section of our report on the financial statements, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Pavo, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pavo, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pavo, Georgia's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses. 2011-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be a significant deficiency. 2001-2 and 2013-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pavo, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of finding and responses as items 2013-1 and 2013-2.

The City of Pavo Georgia's Response to Findings

The City of Pavo, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses and the City's corrective action plan. We did not audit City of Pavo, Georgia's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Simmons, Mills & Simmons P.C.
Thomasville, Georgia

Simmons, Mills & Simmons P.C.

June 26, 2014

Prior years findings and responses:

2001-2

Condition – The City has a deficiency in its control structure due to a lack of segregation of duties.

Effect – The City clerk performs many of the accounting functions which gives her the ability to control the financial records and reports.

Recommendation – The City clerk position has turned over three times in 2012 and once in 2013. The Mayor and City Council should closely monitor and approve the monthly financial activity.

Status – Our test determined that this condition still exists.

Views of responsible officials and planned correction actions – The City's management concurs with the finding. The Mayor and City Council will continue to closely monitor and approve the monthly financial activity.

2011-1

Condition – The City did not have adequate documentation of receipts and disbursements. Management was unable to find all invoices requested or documentation of revenues received.

Criteria – This is a weakness in internal control.

Effect – This lack of documentation of revenues and expenditures is a scope limitation. As a result of this limitation we were unable to obtain proper documentation to determine appropriateness of expenditures or revenues.

Recommendation – The City should maintain proper documentation on all revenues and expenditures. This documentation should be filed in a manner that is easy to retrieve when requested.

Status – Our test determined that this condition still exists.

Views of responsible officials and planned corrective actions – The City's management concurs with the finding. The City has hired a new City clerk in December 2013 who has extensive prior bookkeeping experience. Management has instructed the clerk on proper record keeping and anticipates the 2014 records to be in order.

Prior year findings and responses (Continued):

2011-3

Condition – The City does not have adequate subsidiary ledgers or other records to support water security deposits received from utility customers during the year.

Cause – The City clerk did not maintain or update the separate ledger for customer deposits in 2011 through 2013.

Effect – The City does not have the ability to timely and correctly determine the security deposits amount payable to customers which results in a scope limitation.

Recommendation – The City needs to take the subsidiary ledger as of December 31, 2010 and update it for 2011, 2012, and 2013 activity. Once the ledger is updated it needs to be kept up to date as part of the perpetual bookkeeping on the Water and Sanitation Fund.

Status – The current clerk has gone in and recreated the customer deposits ledger based on the old ledger and updating it with the prior years' activities. The mayor and finance chair has reviewed and approved the updated list. They have approved to adjust the December 31, 2013 general ledger balance to agree with the new list. Therefore as of December 31, 2013 the condition no longer exists.

2011-6

Condition – The City does not have adequate internal controls to prepare and review its monthly bookkeeping reports. This allows for material misstatements to occur and not be detected.

Cause – The City clerk does not understand the use of the bookkeeping system in order to generate the proper reports that the Mayor and Council need to review.

Effect – The Council did not approve the monthly statements at the council meetings due to the fact that they were not reliable.

Recommendation – The City needs to hire a new clerk that has experience as a bookkeeper who can prepare monthly financial reports that are reliable.

Status – Our test determined that the condition no longer exists.

Prior year findings and responses (Continued):

2012-1

Condition – For the fiscal year ending December 31, 2012, the City did not comply with OCGA Section 48-8-121 as it commingled revenues from the General Fund, Hotel-Motel Fund, and the SPLOST Fund. Deposits were not made into the proper funds throughout 2012. This is how the due to other funds were derived among these funds.

Criteria – Official Code of Georgia Annotated (O.C.G.A.) Section 48-8-121: The proceeds received from the tax authorized by this part shall be used by the county and qualified municipalities within the special district receiving proceeds of the sales and use tax exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax. Such proceeds shall be kept in a separate account from other funds of such county and each qualified municipality receiving proceeds of the sales and use tax and shall not in any manner be commingled with other funds of such county and each qualified municipality receiving proceeds of the sales and use tax prior to the expenditure.

Recommendation – The City should transfer the appropriate funds from the corresponding fund they were deposited into in error. The City clerk should not commingle funds between the funds. She should reconcile internal balances and transfers monthly. The Clerk should make sure that the revenues are deposited into the proper funds and no longer commingle them.

Effect – Noncompliance with above statute.

Status – Our test determined that this condition no longer exists.

CITY OF PAVO, GEORGIA
Schedule of Findings and Responses
Year Ended December 31, 2013

Current year findings and responses:

2013-1

Condition – The City's expenditures exceeded appropriations in two of the General Fund's departments. The City did not amend its annual budget during 2013.

Criteria – Official Code of Georgia (O.C.G.A.). Section 36-81-3: Each unit of local government shall adopt and operate under an annual balanced budget for the General Fund, each special revenue fund, and each debt service fund in use by the local government. Nothing contained in this code section shall preclude a local government from amending its budget so as to adapt to changing governmental needs during the budget period.

Effect – Noncompliance with above statute:

Department	Budget	Actual	Variance
Judicial	$ 1,425	$ 1,893	$ 468
Culture and recreation	7,950	9,766	1,816

Recommendations – The City should more closely monitor the departmental expenses as compared to its budget and amend the budget as needed.

Views of Responsible Officials and Planned Corrective Action – The City's management concurs with the finding. The City will monitor expenditures and appropriations and amend the budgets as needed.

2013-2

Condition – The City spent $606 of the 2012 Georgia Department of Transportation LMIG funds on projects that were not listed in the approved project report.

Effect – The City's expenditures of these funds are in violation of the grant agreement.

Recommendation – The City should repay those funds back into the LMIG bank account. The City should verify the expenditure was spent for the approved project before making payments out of the LMIG account.

Views of responsible officials and planned correction actions – The City's management concurs with the finding. The City will pay back the $606 out of the General funds into the LMIG account before December 31, 2014. They will verify that the expense is within the approved project report prior to making any payments out of these funds.

2013-3

Condition – The City has not been enforcing the collection of outstanding property taxes.

Effect – The delinquent property taxes receivable amount have been increasing each year. As of December 31, 2013 delinquent property taxes receivable for digest years 2007-2012 was $28,323 and for the 2013 digest was $31,766 for a total of $60,089. The 60 day subsequent collections test only shows collections of $2,122 for digest years 2007-2012 and $7,872 for the 2013 digest for a total of $9,994.

Recommendation – The current management should consult with their legal representative to find out what legal steps they need to take to clear up the outstanding delinquent property taxes. The current clerk also needs additional training in the collection process of outstanding property taxes.

Views of responsible officials and planned correction actions – The City's management concurs with the finding. The City will consult with its attorney to find out what steps they need to take to collect the outstanding taxes. The City will also provide the Clerk with additional training on the property tax billing and collection process. We plan have these corrections in place by December 31, 2014.

City of Pavo

1010 E. Harris Street | *P. O. Box 157* | *Pavo, GA. 31778*
Phone 229-859-2110 | *Fax 229-859-2319* | *pavocity@windstream.net*

June 26, 2014

Mr. Greg S. Griffin,
State Auditor
Department of Audits and Accounts
270 Washington Street, S.W., Room 1-156
Atlanta, Ga.30334-8400

Re: City of Pavo
Year Ending December 31, 2013
Corrective Action Plan

Dear Mr. Griffin:

Enclosed is the City of Pavo's corrective action plan as required by Section 36-81-7 of the Official Code of Georgia Annotated. After reviewing this plan, I trust that you will find that it is in compliance with the above code. Please notify us of your decision.

Sincerely,

FWalker

Faye Walker
Mayor

The City of Pavo is an equal opportunity service provider and employer.

CITY OF PAVO, GEORGIA
CORRECTIVE ACTION PLAN
FOR YEAR ENDED DECEMBER 31, 2013

Finding/Recommendation:

The City does not have segregation of duties within its accounting system. The Mayor and the City Council should become more involved with the financial affairs and daily operations of the City.

Corrective Action Plan/Management Response:

We concur with this recommendation. The City cannot establish appropriate segregation of duties because it is not cost effective. The Mayor and City Council approves all invoices and reviews the monthly financial statements. We believe that a higher level of involvement with the financial affairs of the City by the Mayor and Council will help to overcome the weakness of no segregation of duties. We believe that this allows the City to comply with the audit recommendation.

Finding/Recommendation:

The City did not have adequate documentation of receipts and disbursements. Management was unable to find all invoices requested or documentation of revenues received. This lack of documentation of revenues and expenditures is a scope limitation. As a result of this limitation we were unable to obtain proper documentation to determine appropriateness of expenditures or revenues. The City should maintain proper documentation on all revenues and expenditures. This documentation should be filed in a manner that is easy to retrieve when requested.

Corrective Action Plan/Management Response:

We concur with this recommendation. The City has hired a new City clerk in December 2013 who has extensive prior bookkeeping experience. Management has instructed the clerk on proper record keeping and anticipates the 2014 records to be in order.

Finding/Recommendation:

The City's expenditures exceeded appropriations in two of the General Fund's departments. The City did not amend its annual budget during 2013. The City should more closely monitor the departmental expenses as compared to its budget and amend the budget as needed.

Corrective Action Plan/Management Response:

We concur with this recommendation. The City will monitor expenditures and appropriations and amend the budgets as needed.

Finding/Recommendation:

The City spent $606 of the 2012 Georgia Department of Transportation LMIG funds on projects that were not listed in the approved project report. The City should repay those funds back into the LMIG bank account. The City should verify the expenditure was spent for the approved project before making payments out of the LMIG account.

Corrective Action Plan/Management Response:

We concur with this recommendation. The City will pay back the $606 out of the General funds into the LMIG account by December 31, 2014. They will verify that the expense is within the approved project report prior to making any payments out of these funds.

Finding/Recommendation:

The City has not been enforcing the collection of outstanding property taxes. The delinquent property taxes receivable amounts have been increasing each year. As of December 31, 2013 delinquent property taxes receivable for digest years 2007-2012 was $28,323 and for the 2013 digest was $31,766 for a total of $60,089. The 60 day subsequent collections test only shows collections of $2,122 for digest years 2007-2012 and $7,872 for the 2013 digest for a total of $9,994. The current management should consult with their legal representative to find out what legal steps they need to take to clear up the outstanding delinquent property taxes. The current clerk also needs additional training in the collection process of outstanding property taxes.

Corrective Action Plan/Management Response:

We concur with this recommendation. We will consult with its attorney to find out what steps they need to take to collect the outstanding taxes and provide the Clerk with additional training on the property tax billing and collection process. We will anticipate having a course of action in place by December 31, 2014.

SIMMONS, MILLS & SIMMONS P.C.

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INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

Honorable Mayor and Members
of the City Council
City of Pavo, Georgia

We have audited the accompanying Schedules of Special Purpose Local Option Sales Tax for the City of Pavo, Georgia for the year ended December 31, 2013. These schedules are the responsibility of the City of Pavo, Georgia's management. Our responsibility is to express an opinion on the Schedules of Special Purpose Local Option Sales Tax based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules of Special Purpose Local Option Sales Tax are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedules of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedules of Special Purpose Local Option Sales Tax is prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note 1 and is not intended to be a complete presentation of the City of Pavo's revenues and expenditures.

In our opinion, the Schedules of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project of the City of Pavo for the year ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Simmons, Mills & Simmons P.C.
Thomasville, Georgia

Simmons, Mills & Simmons P.C.

June 26, 2014

CITY OF PAVO, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Brooks County
Year Ended December 31, 2013

Project	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Government buildings capital outlay	$ 140,000	$ 6,423	$ -	$ 6,423
Totals	$ 140,000	$ 6,423	$ -	$ 6,423

Note: Beginning 2009, Brooks County began collecting for Special Purpose Local Option Sales Tax referendum number 5. Special Purpose Local Option Sales Tax revenue received from Brooks County, Georgia for the year ended December 31, 2013 was $16,086.

CITY OF PAVO, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Brooks County
Year Ended December 31, 2013

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Streets, roads & bridges	$ 12,439	$ 58,000	$ 25,447	$ -	$ 25,447
Improvements to City Hall	15,697	15,697	15,697	-	15,697
Improvements to water system	-	10,000	10,000	-	10,000
Equipment	-	16,303	15,953	3,229	19,182
Totals	$ 28,136	$ 100,000	$ 67,097	$ 3,229	$ 70,326

CITY OF PAVO, GEORGIA
Schedule of 2012 Special Purpose Local Option Sales Tax - Thomas County
Year Ended December 31, 2013

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Miscellaneous road, water, sewer, and public safety capital projects	$ 490,000	$ -	$ -	$ -	$ -
Totals	$ 490,000	$ -	$ -	$ -	$ -

Note: Beginning in 2013, Thomas County began collecting on the 2012 Thomas County Special Purpose Local Option Sales Tax referendum. Revenue received from this referendum for the year ended December 31, 2013 was $79,496.

CITY OF PAVO, GEORGIA
Schedule of 2006 Special Purpose Local Option Sales Tax - Thomas County
Year Ended December 31, 2013

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Miscellaneous road projects	$ 152,640	$ 127,640	$ 100,318	$ 260	$ 100,578
Capital outlay:					
Water capital projects	-	-	29,055	-	29,055
Police equipment	-	-	25,158	12,649	37,807
Other equipment	-	25,000	14,958	4,540	19,498
Totals	$ 152,640	$ 152,640	$ 169,489	$ 17,449	$ 186,938

CITY OF PAVO, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Thomasville
Year Ended December 31, 2013

Project	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Recreation facilities improvements	$ 64,900	$ 32,617	$ -	$ 32,617
Totals	$ 64,900	$ 32,617	$ -	$ 32,617

SIMMONS, MILLS & SIMMONS P.C.

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF SOURCE AND APPLICATION OF FUNDS AND SCHEDULE OF PROJECT COST APPLICABLE TO COMMUNITY DEVELOPMENT BLOCK GRANT

We have audited the accompanying Schedule of Source and Application of Funds and Schedule of Project Costs as of December 31, 2013 and for the year then ended. These financial statements are the responsibility of Pavo, Georgia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly the disposition and status of the Pavo, Georgia's Community Development Grant funds at December 31, 2013 for the year then ended in conformity with applicable financial reporting provisions of governmental regulations and accounting principles generally accepted in the United States of America.

This report covers Community Development Block Grant Number 10p-x-136-2-5328.

Simmons, Mills & Simmons P.C.
Thomasville, Georgia

Simmons, Mills & Simmons P.C.

June 26, 2014

CITY OF PAVO, GEORGIA
Community Development Block Grant
Source & Application of Funds Schedule
10p-x-136-2-5328
Year Ended December 31, 2013

Total grant	$	285,534
Less: Total funds drawn by recipient		285,534
Funds still available for grant resources	$	-
Cash on hand (overdraft), January 1, 2013	$	2,000
Total grant funds drawn and received by recipient during 2013		283,534
Less: Funds applied and expended to grant costs during 2013		270,543
Funds deobligated during 2013		14,991
Total program funds held by recipient at December 31, 2013	$	-

CITY OF PAVO, GEORGIA
Community Development Block Grant
Project Cost Schedule
10p-x-136-2-5328
Year Ended December 31, 2013

Program Activity	Activity Number	Approved Budget CDBG Funds	Accumulated Expenditures To Date CDBG Funds	Accumulated Expenditures To Date Other Funds	Grant Total Expenditures To Date	Questioned Costs
Contingencies - unprogramed funds	C-022-00	$ 20,600	$ -	$ -	$ -	$ -
Engineering - water improvements	T-03J-00	20,500	20,500	19,681	40,181	-
Water facilities	P-03J-01	338,900	344,509	-	344,509	-
Administration	A-21A-00	24,244	24,244	4,000	28,244	-
Totals		$ 404,244	$ 389,253	$ 23,681	$ 412,934	$ -