CITY OF PAVO, GEORGIA

FINANCIAL STATEMENTS

FOR YEAR ENDED

DECEMBER 31, 2019

CITY OF PAVO, GEORGIA
Table of Contents
December 31, 2019

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	5
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
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	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – GAAP Basis – General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – GAAP Basis – Hotel/Motel Tax Fund	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – GAAP Basis – TSPLOST Fund	11
Proprietary Funds:	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Fund Net Position	13
Statement of Cash Flows	14-15
Notes to Basic Financial Statements	16-30
OTHER SUPPLEMENTARY INFORMATION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	31-32
Schedule of Findings and Responses	33-34
City of Pavo's Corrective Action Plan	35-36

CITY OF PAVO, GEORGIA
Table of Contents
December 31, 2019

	Page
Independent Auditor's Report on the Schedules of Special Purpose Local Option Sales Tax	37
Schedule of Special Purpose Local Option Sales Tax – Brooks County #5	38
Schedule of Special Purpose Local Option Sales Tax – Brooks County #6	39
Schedule of Special Purpose Local Option Sales Tax – Thomas County 2012	40
Schedule of Special Purpose Local Option Sales Tax – Thomas County 2017	41
Schedule of Special Purpose Local Option Sales Tax – Thomasville	42

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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 have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Pavo, Georgia (hereinafter referred to as "the City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, 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.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Pavo, Georgia as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Hotel/Motel Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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, August 17, 2020, 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 solely 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 effectiveness of the City's 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.

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

August 17, 2020

BASIC FINANCIAL STATEMENTS

CITY OF PAVO, GEORGIA
Government-wide Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash investments	$ 671,709	$ 156,584	$ 828,293
Receivables (net of allowance for doubtful accounts):			
Taxes	20,410	-	20,410
Accounts	-	12,063	12,063
Intergovernmental receivable	30,905	-	30,905
Internal balances	-	-	-
Prepaid items	13,573	3,798	17,371
Capital assets:			
Land	24,854	-	24,854
Buildings	482,656	-	482,656
Equipment	161,007	16,435	177,442
Infrastructure	-	1,021,831	1,021,831
Construction in Progress	-	140,540	140,540
Accumulated depreciation	(293,437)	(415,784)	(709,221)
Total assets	1,111,677	935,467	2,047,144
Liabilities:			
Accounts payable	2,242	73,945	76,187
Accrued liabilities	812	-	812
Customer deposits	-	30,918	30,918
Interest payable	-	-	-
Unearned revenue	-	-	-
Noncurrent liabilities:			
Due within one year	-	-	-
Due in more than one year	-	69,148	69,148
Total liabilities	3,054	174,011	177,065
Net position:			
Net investment in capital assets	375,080	693,874	1,068,954
Restricted for:			
Capital projects	339,813	-	339,813
Transportation projects	6,739	-	6,739
Housing and development	7,339	-	7,339
Unrestricted	379,652	67,582	447,234
Total net position	$ 1,108,623	$ 761,456	$ 1,870,079

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Government-wide Statement of Activities
Year Ended December 31, 2019

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	$ 67,022	$ 5,240	$ -	$ 17,751	$ (44,031)	$ -	$ (44,031)
Judicial	280	-	-	-	(280)	-	(280)
Public safety	171,778	43,580	-	274	(127,924)	-	(127,924)
Public works	86,605	-	19,262	115,590	48,247	-	48,247
Cultural and recreational	36,700	-	5,000	82	(31,618)	-	(31,618)
Housing and development	4,355	-	5,090	-	735	-	735
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	366,740	48,820	29,352	133,697	(154,871)	-	(154,871)
Business-type activities:							
Water	141,429	112,506	-	-	-	(28,923)	(28,923)
Solid waste	52,698	61,111	-	-	-	8,413	8,413
Total business-type activities	194,127	173,617	-	-	-	(20,510)	(20,510)
Total government	$ 560,867	$ 222,437	$ 29,352	$ 133,697	$ (154,871)	$ (20,510)	$ (175,381)
General revenues:							
Taxes:							
Property taxes					$ 119,456	$ -	$ 119,456
Sales taxes					52,945	-	52,945
Alcohol beverage excise					7,374	-	7,374
Other taxes					48,451	-	48,451
Franchise fees					30,287	-	30,287
Investment earnings					2,154	1,283	3,437
Gain on sale/retirement of capital assets					5,325	-	5,325
Miscellaneous					14,324	7,437	21,761
Transfers					(10,328)	10,328	-
Total general revenues and transfers					269,988	19,048	289,036
Change in net position					115,117	(1,462)	113,655
Net position - beginning					993,506	762,918	1,756,424
Net position - ending					$ 1,108,623	$ 761,456	$ 1,870,079

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	SPLOST Fund	Hotel/Motel Tax Fund	TSPLOST Fund	Total Governmental Funds
Assets:					
Cash	$ 343,412	$ 315,492	$ 6,506	$ 6,299	$ 671,709
Receivables (net of allowance for doubtful accounts):					
Taxes	20,410	-	-	-	20,410
Accounts	-	-	-	-	-
Interfund receivable	426	-	-	-	426
Intergovernmental receivables	4,885	24,321	1,259	440	30,905
Prepaid items	13,573	-	-	-	13,573
Total assets	$ 382,706	$ 339,813	$ 7,765	$ 6,739	$ 737,023
Liabilities, deferred inflows and fund balances:					
Liabilities:					
Accounts payable	$ 2,242	$ -	$ -	$ -	$ 2,242
Interfund payable	-	-	426	-	426
Accrued liabilities	812	-	-	-	812
Total liabilities	3,054	-	426	-	3,480
Deferred inflows - property taxes	11,282	-	-	-	11,282
Total liabilities and deferred inflows	14,336	-	426	-	14,762
Fund balances:					
Nonspendable:					
Prepaid items	13,573	-	-	-	13,573
Restricted for:					
Promotion of tourism	-	-	7,339	-	7,339
Transportation projects	-	-	-	6,739	6,739
Capital projects	18,141	339,813	-	-	357,954
Unassigned	336,656	-	-	-	336,656
Total fund balances	368,370	339,813	7,339	6,739	722,261
Total liabilities, deferred inflows and fund balances	$ 382,706	$ 339,813	$ 7,765	$ 6,739	$ 737,023

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, 2019

Total fund balances - total governmental funds		$ 722,261
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	$ 668,517	
Less accumulated depreciation	(293,437)	375,080
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.		11,282
Net position of governmental activities		$ 1,108,623

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, 2019

	General Fund	SPLOST Fund	Hotel/Motel Tax Fund	TSPLOST Fund	Total Governmental Funds
Revenues:					
General property taxes	$ 146,140	$ -	$ -	$ -	$ 146,140
Sales and use taxes	52,945	-	-		52,945
Alcoholic beverage excise	7,374	-	-	-	7,374
Other taxes	48,451	-	-	-	48,451
Licenses and permits	5,240	-	-	-	5,240
Intergovernmental	18,923	131,265	5,090	5,330	160,608
Interest income	2,154	2,432	-	9	4,595
Fines and forfeitures	43,580	-	-	-	43,580
Rental income	14,168	-	-	-	14,168
Miscellaneous revenues	156	-	-	-	156
Total revenues	339,131	133,697	5,090	5,339	483,257
Expenditures:					
Current:					
General government	59,443	-	-	-	59,443
Judicial	280	-	-	-	280
Public safety	162,258	-	-	-	162,258
Public works	80,179	-	-	-	80,179
Culture and recreation	19,638	-	-	-	19,638
Housing and development	-	-	4,355	-	4,355
Debt service:					-
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	-	74,882	-	-	74,882
Total expenditures	321,798	74,882	4,355	-	401,035
Excess (deficiency) of revenues over expenditures	17,333	58,815	735	5,339	82,222
Other Financing Sources (Uses):					
Proceeds from capital asset dispositions	8,700				8,700
Transfers in (out)	(10,328)	-	-	-	(10,328)
Total other financing sources (uses)	(1,628)	-	-	-	(1,628)
Net change in fund balances	15,705	58,815	735	5,339	80,594
Fund balances - beginning	352,665	280,998	6,604	1,400	641,667
Fund balances - ending	$ 368,370	$ 339,813	$ 7,339	$ 6,739	$ 722,261

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, 2019

Net change in fund balances - total governmental funds		$ 80,594
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.		72,485
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position.		-
Accrued interest expense recorded for the government-wide statements.		-
The book value of capital assets sold are reported on the government-wide statement of activities, but not reported in the governmental fund's operating statement less book value of traded-in assets capitalized.		(3,375)
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.		(38,190)
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 12/31/19	$ 11,282	
Deferred taxes 12/31/18	7,679	3,603
Change in net position of governmental activities		$ 115,117

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, 2019

	Budget			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues:				
General property taxes	$ 195,690	$ 197,790	$ 146,140	$ (51,650)
Sales and use taxes	49,000	53,000	52,945	(55)
Alcoholic beverage excise	6,500	7,500	7,374	(126)
Other taxes	47,500	50,500	48,451	(2,049)
Licenses and permits	3,812	6,400	5,240	(1,160)
Intergovernmental	18,923	18,923	18,923	-
Interest income	700	2,400	2,154	(246)
Fines and forfeitures	50,000	47,760	43,580	(4,180)
Rental income	9,300	14,600	14,168	(432)
Miscellaneous revenues	600	1,500	156	(1,344)
Carryover of funds	-	-	-	-
Total revenues	382,025	400,373	339,131	(61,242)
Expenditures:				
Current:				
General government	112,385	89,800	59,443	(30,357)
Judicial	1,900	1,900	280	(1,620)
Public safety	164,632	178,650	162,258	(16,392)
Public works	89,608	110,923	80,179	(30,744)
Culture and recreation	17,500	27,900	19,638	(8,262)
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	386,025	409,173	321,798	(87,375)
Excess (deficiency) of revenues over expenditures	(4,000)	(8,800)	17,333	26,133
Other financing sources (uses):				
Proceeds from capital asset dispositions	4,000	8,800	8,700	(100)
Transfers in (out)	-	-	(10,328)	(10,328)
Total other financing sources (uses)	4,000	8,800	(1,628)	(10,428)
Excess (deficiency) of revenues and other financing and other uses	-	-	15,705	15,705
Fund balances - beginning	352,665	352,665	352,665	352,665
Fund balances - ending	$ 352,665	$ 352,665	$ 368,370	$ 368,370

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, 2019

	Budget			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues:				
Intergovernmental	$ 7,000	$ 12,000	$ 5,090	$ (6,910)
Interest income	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	7,000	12,000	5,090	(6,910)
Expenditures:				
Current:				
Housing and development	7,000	12,000	4,355	(7,645)
Total expenditures	7,000	12,000	4,355	(7,645)
Excess (deficiency) of revenues over expenditures	-	-	735	735
Fund balances - beginning	6,604	6,604	6,604	6,604
Fund balances - ending	$ 6,604	$ 6,604	$ 7,339	$ 7,339

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
TSPOST Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
GAAP Basis
Year Ended December 31, 2019

	Budget			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues:				
Intergovernmental	$ 6,000	$ 7,000	$ 5,330	$ (1,670)
Interest income	-	-	9	9
Miscellaneous revenues	-	-	-	-
Total revenues	6,000	7,000	5,339	(1,661)
Expenditures:				
Current:				
Public works	6,000	7,000	-	(7,000)
Total expenditures	6,000	7,000	-	(7,000)
Excess (deficiency) of revenues over expenditures	-	-	5,339	5,339
Fund balances - beginning	1,400	1,400	1,400	1,400
Fund balances - ending	$ 1,400	$ 1,400	$ 6,739	$ 6,739

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Statement of Net Position
Proprietary Funds
December 31, 2019

	Water & Sanitation	Totals
Assets:		
Current assets:		
Cash	$ 156,584	$ 156,584
Receivables (net where applicable of allowance for doubtful accounts):		
Accounts	12,063	12,063
Prepaid items	3,798	3,798
Total current assets	172,445	172,445
Noncurrent assets:		
Capital assets:		
Equipment	16,435	16,435
Infrastructure	1,021,831	1,021,831
Construction in Progress	140,540	140,540
Accumulated depreciation	(415,784)	(415,784)
Total capital assets, net of accumulated depreciation	763,022	763,022
Total assets	$ 935,467	$ 935,467
Liabilities:		
Current liabilities:		
Accounts payable	$ 73,945	$ 73,945
Customer deposits	30,918	30,918
Total current liabilities	104,863	104,863
Noncurrent liabilities:		
Note payable	69,148	69,148
Total liabilities	174,011	174,011
Net Position:		
Net investment in capital assets	693,874	693,874
Unrestricted	67,582	67,582
Total net position	$ 761,456	$ 761,456

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, 2019

	Water & Sanitation	Totals
Operating revenues:		
Charges for services - water	$ 112,506	$ 112,506
Charges for services - sanitation	61,111	61,111
Miscellaneous	7,437	7,437
Total operating revenues	181,054	181,054
Operating expenses:		
Personal services	48,391	48,391
Purchased/contracted services	81,504	81,504
Supplies	23,396	23,396
Depreciation	33,950	33,950
Total operating expenses	187,241	187,241
Income (loss) from operations	(6,187)	(6,187)
Non-operating revenues (expenses):		
Interest expense	(6,886)	(6,886)
Interest income	1,283	1,283
Total non-operating revenues (expenses)	(5,603)	(5,603)
Transfer in from other funds	10,328	10,328
Change in net positions	(1,462)	(1,462)
Net position - beginning	762,918	762,918
Net position - ending	$ 761,456	$ 761,456

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2019

	Water & Sanitation	Totals
Cash flows from operating activities:		
Cash received from customers	$ 181,871	$ 181,871
Cash payments to suppliers for goods and services	(42,507)	(42,507)
Cash payments to employees for services	(46,580)	(46,580)
Net cash provided (used) by operating activities	92,784	92,784
Cash flows from noncapital financing activities:		
Transfers from other funds	10,328	10,328
Increase(decrease) in interfund payable	-	-
Net cash provided (used) by noncapital financing activites	10,328	10,328
Cash flows from capital and related financing activities:		
Proceeds from debt	69,148	69,148
Interest paid on notes	(6,886)	(6,886)
Acquisition and construction of capital assets	(140,540)	(140,540)
Net cash provided (used) by capital and related financing activities	(78,278)	(78,278)
Cash flow from investing activities:		
Interest on cash and investments	1,283	1,283
Net increase (decrease) in cash and cash investments	26,117	26,117
Cash and cash investments, January 1	130,467	130,467
Cash and cash investments, December 31	$ 156,584	$ 156,584

See accompanying notes to basic financial statements

CITY OF PAVO, GEORGIA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2019

	Water & Sanitation	Totals
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	$ (6,187)	$ (6,187)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation and amortization	33,950	33,950
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	77	77
(Increase) decrease in prepaid items	(2,780)	(2,780)
Increase (decrease) in accounts payable	67,737	67,737
Increase (decrease) in accrued liabilities	(753)	(753)
Increase (decrease) in customer deposits payable	740	740
Net cash provided (used) by operating activities	$ 92,784	$ 92,784

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:

- Southern 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 RCs. 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.

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.

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

C. Basis of Presentation

Fund Financial Statements:

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.

TSPLOST Fund –

The TSPLOST Fund is a special revenue fund used to account for transportation special district local option sales and use tax, 25% discretionary fund, revenues collected in Brooks County. The tax is to be used for transportation projects to maintain roads and bridges.

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 applies 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, Hotel/Motel Tax Fund, TSPLOST Fund and the Enterprise Fund. Amounts presented for these 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 known 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, 2019 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 are 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. Depreciation has been calculated on each class of depreciable property using the straight-line method.

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. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net positions.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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. Nature and Purpose of Reservations of Fund Equity

The fund equity reserves for prepaid items.

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

R. 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.

S. Adoption of New Accounting Pronouncement

For the year ended December 31, 2019, the City early adopted GASB Statement 89: *Accounting for Interest Cost During the Period of Construction.*

(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 adopt an annualized budget for the TSPLOST Fund. Since a budget was not adopted for this major special revenue fund, the budgetary comparison is not presented. This may be a possible noncompliance with Georgia State statutes.

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.

(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 1G). As of December 31, 2019, 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 $828,293 and the bank balance totaled $852,454.

Investments

As of December 31, 2019, the City had no investments.

(4) - RECEIVABLES

The receivables as of December 31, 2019 for the City's individual major funds are as follows:

	General Fund	SPLOST FUND	Hotel/Motel Fund	TSPLOST Fund	Water & Sanitation Fund	Total
Receivables						
Taxes	$ 23,010	$ -	$ -	$ -	$ -	$ 23,010
Accounts	-	-	-	-	15,063	15,063
Intergovernmental	4,885	24,321	1,259	440	-	30,905
Gross receivables	27,895	24,321	1,259	440	15,063	68,978
Less: Allowance for doubtful accounts	2,600	-	-	-	3,000	5,600
Net total receivables	$ 25,295	$ 24,321	$ 1,259	$ 440	$ 12,063	$ 63,378

Property taxes are levied as of September 24th on property values assessed as of January 1st. The bills were mailed by October 1st 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, 2019 was as follows:

	Balance Jan. 1	Additions	Deletions	Balance Dec. 31
Governmental activities:				
Capital assets not being depreciated				
Land	$ 24,854	$ -	$ -	$ 24,854
Total capital assets not being depreciated	24,854	-	-	24,854
Capital assets, being depreciated				
Buildings and improvements	477,025	5,631	-	482,656
Equipment	156,245	66,854	62,092	161,007
Total capital assets being depreciated	633,270	72,485	62,092	643,663
Less accumulated depreciation for:				
Buildings and improvements	177,181	26,208	-	203,389
Equipment	136,783	11,982	58,717	90,048
Total accumulated depreciation	313,964	38,190	58,717	293,437
Total capital assets, being depreciated, net	319,306	34,295	3,375	350,226
Governmental activities capital assets, net	$ 344,160	$ 34,295	$ 3,375	$ 375,080
Business-type activities:				
Capital assets not being depreciated				
Construction-in-progress	$ -	$ 140,540	$ -	$ 140,540
Total capital assets not being depreciated	-	140,540	-	140,540
Capital assets being depreciated				
Infrastructure	$ 1,021,831	$ -	$ -	$ 1,021,831
Equipment	16,435	-	-	16,435
Total capital assets, being depreciated	1,038,266	-	-	1,038,266
Less accumulated depreciation for:				
Infrastructure	369,522	30,952	-	400,474
Equipment	12,312	2,998	-	15,310
Total accumulated depreciation	381,834	33,950	-	415,784
Total capital assets, being depreciated, net	656,432	(33,950)	-	622,482
Business-type activities capital assets, net	$ 656,432	$ 106,590	$ -	$ 763,022

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

Governmental activities:	
General government	$ 7,579
Public safety	7,123
Public works	6,426
Culture and recreation	17,062
Total depreciation expense - Governmental activities	$ 38,190
Business-type activities:	
Water	$ 33,950
Sanitation	-
Total depreciation expense - Business-type activities	$ 33,950

(6) – LONG-TERM DEBT

At December 31, 2019, the City had the following note payable:

	Business-Type
Note payable – Drinking Water State Revolving Loan Fund – The City signed this note for $680,000 dated July 25, 2019. The purpose of this loan was to finance part of the cost of a new 125,000 gallon elevated water storage tank, new water lines, installing a 500 gpm water well with chemical feed building along with the demolition of the existing 40,000 gallon elevated water tank. The total project cost is anticipated to be $2,675,000. The loan will be scheduled for repayment over a 40 year period at an interest rate of 2.375% calling for monthly installments of $2,197. The City secured the loan with a $680,000 Water Revenue Bond issued by the Georgia Environmental Financial Authority (GEFA). The difference between the principal and total amount received, $1,965,000, is accounted for as a USDA grant recognized after the total principal is drawn down from the Drinking Water State Revolving Loan Fund.	
The loan has a 1% ($680,000) loan origination fee paid during 2019. The construction period of the loan consists of drawdowns by the City. Construction interest will be charged and collected monthly only on the outstanding balance of funds distributed.	69,148
Total business-type long-term debt	$ 69,148

The City paid $6,886 in interest and loan origination fees during 2019.

The following is a summary of changes in long-term debt for the year ended December 31, 2019:

	Balance January 1	Issues or Additions	Payments or Expenditures	Balance December 31	Due in One Year
Business-Type Activities:					
Note payable - GEFA loan	$ -	$ 69,148	$ -	$ 69,148	$ -
Total business-type activites	-	69,148	-	69,148	-
Total government	$ -	$ 69,148	$ -	$ 69,148	$ -

(7) – INTERFUND BALANCES AND TRANSFERS

Interfund receivables, payables and transfers for the year ended December 31, 2019 were as follows:

Fund	Interfund Receivables	Interfund Payables	Transfers In	Transfers Out
General Fund	$ 426	$ -	$ -	$ 10,328
SPLOST Fund	-	-	-	-
Hotel/Motel Fund	-	426	-	-
TSPLOST Fund	-	-	-	-
Water & Sanitation Fund	-	-	10,328	-
Totals	$ 426	$ 426	$ 10,328	$ 10,328

Interfund payables and receivables are for prior year expenses paid for by the General Fund that will be reimbursed by the Hotel/Motel Fund. Transfers are used to move unrestricted revenue collected in one fund to finance various programs accounted for in other funds. The General Fund paid for some of the expenses for the GEFA water tower project with its reserve funds.

(8) – FUND BALANCES

The following is a summary of the fund balances for the governmental funds at December 31, 2019:

Nonspendable:		
Prepaid items - This is prepaid insurance in the general fund	$	13,573
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		81,033
SPLOST Fund - Restricted by state law and Thomas County		240,089
SPLOST Fund - Restricted by state law and the City of Thomasville for Recreation		18,691
General Fund - Local Maintenance & Improvement Grant (LMIG)		18,141
Restricted for promotion of tourism:		
Hotel/Motel Tax Fund - Restricted by state law		7,339
Restricted for transportation projects:		
TSPLOST Fund - Restricted by state law		6,739
Unassigned:		
This is the amount unassigned in the general fund		336,656
Total fund balance	$	722,261

(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.

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, 2019. No provisions have been made in the financial statements for the year ended December 31, 2019 for any estimate of potential unpaid claims.

(9) – RISK MANAGEMENT (CONT.)

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:	
Total insured values	$6,600,200
Automobile physical damage and mobile equipment	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. This tax increased to 8% on July 1, 2016.

Thomas County paid the City of Pavo, Georgia $5,090 from their Hotel/Motel Tax Fund in 2019. The City spent $4,355 of this money towards promotion of tourism for the City of Pavo in 2019.

(13) – TSPLOST TAX

In May 2019, Brooks County adopted the Transportation Investment Act Local Government 25% Discretionary Distributions (TSPLOST). Proceeds shall be used by local governments only for transportation projects as defined in paragraph (10) of O.C.G.A. 48-8-242.

(14) – SUBSEQUENT EVENTS

Subsequent events were evaluated through August 17, 2020, which is the date the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of April 2, 2020, Georgia Governor Brian P. Kemp issued a statewide Shelter in Place Executive Order to help slow the spread of COVID-19. He issued the closure of the physical location of every "non-life sustaining" ["non-essential"] business for what may be an extended period of time. There has been no immediate impact to our operations. Future potential impacts may include continued disruptions or restrictions on our employees' ability to work. The future effects of these issues are unknown. The order was lifted on April 30, 2020.

(14) – SUBSEQUENT EVENTS (CONT.)

Congress passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES" Act) on March 27, 2020 to provide vital resources to governments, businesses, and individuals in combating COVID-19. President Trump signed the Act into law, and his administration continues to provide guidance on the many federal funding streams included in the legislation.

Title V of the CARES Act created the Coronavirus Relief Fund ("CRF") to provide financial resources to state and local governments. The U.S. Treasury (Treasury) provided Georgia approximately $4.1 billion for coronavirus-related expenses based on the funding formula provided in the CARES Act. Treasury provided that up to 45% of Georgia's funding could be transferred to local governments if the transfer qualifies as a necessary expenditure incurred due to the public health emergency.

The first phase of funding will allocate 30% of the $1.23 billion to local governments that did not receive a direct allocation and are not located in a county that received a direct allocation established on a per capita basis using U.S. Census Bureau's vintage 2019 sub-county population ("Phase One"). Pavo is divided into two counties (Thomas & Brooks Counties). Pavo's 30% allocation is $3,691 Brooks County and $5,795 Thomas County. As of the audit report date, the City has not yet received any of these funds. The remaining 70% will be available on a reimbursement basis. Phase One funding should be used by September 1, 2020, or it may be recalled and reallocated for other uses. The City does not anticipate needing the remaining 70% allocation.

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 PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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, 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, 2019, and the related notes to the financial statements, which collectively comprise the City of Pavo, Georgia's basic financial statements and have issued our report thereon dated August 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pavo, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Pavo, Georgia's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency 2001-002.

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 findings and responses as item 2019-001.

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. The City of Pavo, Georgia's responses were not subject to the auditing procedures applied in the audit of the financial statements 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

August 17, 2020

Prior years findings and responses:

2001-002

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 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 corrective 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.

2018-001

Condition – The City did not adopt an annualized budget for the TSPLOST fund (special revenue fund) for the current year.

Criteria – Official Code of Georgia Annotated (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.

Recommendation – The City should adopt an annualized budget for the TSPLOST fund.

Effect – Possible noncompliance with above statute.

Status – The condition no longer exists. The City adopted an annual balanced budget for general and special revenue funds for the year ended December 31, 2019.

CITY OF PAVO, GEORGIA
Schedule of Findings and Responses
Year Ended December 31, 2019

Current year findings and responses:

2019-001

Condition – The City is located in Thomas County and partially located in Brooks County. The City used $7,802 in Brooks County SPLOST funds for improvements to a government building located in Thomas County.

Criteria – SPLOST money derived by the City of Pavo as a result from a Thomas County referendum can only be used in the Thomas County portion of the City. Likewise, monies derived from a Brooks County referendum can only be used in the Brooks County portion of the City.

Effect – The City is in violation of the Brooks County special purpose local option sales tax referendum by spending the funds on a City government building located in the Thomas County portion of the City.

Recommendation – The City should pay the Brooks County SPLOST back $7,802 out of the Thomas County SPLOST account for the government building improvements made in Thomas County.

Views of responsible officials and planned correction actions – The City's management concurs with the finding. The City will pay the Brooks County SPLOST account back out of the Thomas County SPLOST account before December 31, 2020.

City of Pavo

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August 17, 2020

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, 2019
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,

Marvin Bryan,
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, 2019

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 is located in Thomas County and partially located in Brooks County. SPLOST money derived by the City of Pavo as a result from a Thomas County referendum can only be used in the Thomas County portion of the City. Likewise, monies derived from a Brooks County referendum can only be used in the Brooks County portion of the City. The City spent $7,802 in Brooks County SPLOST funds for improvements to a government building in Thomas County portion of the City. This is in violation of the Brooks County special purpose local option sales tax referendum.

The City should pay the Brooks County SPLOST back $7,802 out of the Thomas County SPLOST account for the government building improvements made in Thomas County.

Corrective Action Plan/Management Response:

The City's management concurs with the finding. The City will pay the Brooks County SPLOST account back out of the Thomas County SPLOST account before December 31, 2020.

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, 2019. 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, 2019, in conformity with accounting principles generally accepted in the United States of America.

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

August 17, 2020

CITY OF PAVO, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Brooks County #5
Year Ended December 31, 2019

Project	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Government buildings capital outlay	$ 140,000	$ 86,309	$ -	$ 86,309
Totals	$ 140,000	$ 86,309	$ -	$ 86,309

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, 2019 was $0.

CITY OF PAVO, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Brooks County #6
Year Ended December 31, 2019

Project	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Government buildings capital outlay	$ 85,673	$ 11,874	$ -	$ 11,874
Totals	$ 85,673	$ 11,874	$ -	$ 11,874

Note: Beginning 2015, Brooks County began collecting for Special Purpose Local Option Sales Tax referendum number 6. Special Purpose Local Option Sales Tax revenue received from Brooks County, Georgia for the year ended December 31, 2019 was $17,370.

CITY OF PAVO, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Thomas County 2012
Year Ended December 31, 2019

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Capital Projects:					
Roads, streets, other	$ 200,000	$ 200,000	$ 128,488	$ 33,500	$ 161,988
Public safety	75,000	75,000	14,368	27,950	42,318
Government buildings	-	-	145,606	13,432	159,038
Water & Sewer	215,000	215,000	14,932	-	14,932
Totals	$ 490,000	$ 490,000	$ 303,394	$ 74,882	$ 378,276

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, 2019 was $0.

The City paid $7,802 for government building improvements out of the Brooks County SPLOST #5 account in error. The government building is located in Thomas County and should have been paid out of these funds. This violation is listed as finding 2019-001 in the Schedule of Findings and Responses. The City will reimburse the Brooks County SPLOST #5 account back out of the Thomas County SPLOST 2012 funds. These government building improvements are included in the current year expenditure listed in this schedule.

CITY OF PAVO, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Thomas County 2017
Year Ended December 31, 2019

Project	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Street repairs	$ 588,000	$ -	$ -	$ -
Totals	$ 588,000	$ -	$ -	$ -

Note: Beginning 2019, Thomas County began collecting for 2017 Special Purpose Local Option Sales Tax referendum Special Purpose Local Option Sales Tax revenue received from Thomas County, Georgia for the year ended December 31, 2019 was $113,895.

CITY OF PAVO, GEORGIA
Schedule of Special Purpose Local Option Sales Tax - Thomasville
Year Ended December 31, 2019

Project	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Recreation project - 1	$ 64,900	$ 64,900	$ -	$ 64,900
Recreation project - 2	27,600	11,897	-	11,897
Totals	$ 92,500	$ 76,797	$ -	$ 76,797

Note: Special Purpose Local Option Sales Tax revenue received from Thomasville, Georgia for the year ended December 31, 2019 was $0.