CITY OF PEARSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE CALENDAR YEAR ENDED

DECEMBER 31, 2015

CITY OF PEARSON, GEORGIA
TABLE OF CONTENTS
DECEMBER 31, 2015

Description	Page Number
Independent Auditor's Report	1
Basic Financial Statements:	
Government-Wide Statement of Net Position	4
Government-Wide Statement of Activities and Changes in Net Position	6
Combining Balance Sheet - Governmental Funds	8
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	11
Statement of Net Position - Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	14
Statement of Cash Flows - Proprietary Funds	16
Notes to the Financial Statements	18
Required Supplementary Information:	
General Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance General Fund -GAAP Basis	33
Notes to Required Supplementary Information	35
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	36
Statement of Revenues, Expenditures, and Changes in Fund Balance	37
Schedule of Projects Using Special Purpose Local Option Sales Tax Proceeds - 2006 SPLOST	38
Schedule of Projects Using Special Purpose Local Option Sales Tax Proceeds - 2012 SPLOST	39
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	40
Schedule of Findings and Responses	42

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
City of Pearson, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pearson, Georgia as of and for the year ended December 31, 2015 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 representation 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 from 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 risk 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 reasonable 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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pearson, Georgia, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33 and 34 be presented to supplement the basic financial statements. Such information, although not 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pearson's basic financial statements. The statements and schedules presented as Supplementary Information and the Schedule of Projects Constructed with Special Sales Tax Proceeds, as required by the Official Code of Georgia Annotated Section, 48-8-121, as described in the table of contents on pages 36 through 39, are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City of Pearson, Georgia.

The statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or

to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements and schedules presented as Supplementary Information and the Schedule of Projects Constructed with Special Sales Tax Proceeds, as required by the Official Code of Georgia Annotated Section, 48-8-121, have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2016, on our consideration of the City of Pearson, 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 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 Pearson, Georgia's internal control over financial reporting and compliance.



Herring CPA Group, P.C.
Tifton, GA
November 2, 2016

City of Pearson

Government-Wide Statement of Net Position

December 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	City of Pearson Industrial Authority
Assets				
Cash	$ 1,255,195	$ 421,745	$ 1,676,940	$ 19,376
Taxes receivable	51,104	0	51,104	0
Accounts receivable	11,822	54,941	66,763	0
Due from other governments	105,350	0	105,350	0
Internal Balances	46,400	53,673	100,073	0
Prepaid items	12,937	2,283	15,220	0
Other assets	32,494	0	32,494	0
Capital Assets - Nondepreciable	59,863	203,557	263,420	639,320
Capital assets - Depreciable net	905,232	5,348,441	6,253,673	0
TOTAL ASSETS	$ 2,480,397	$ 6,084,640	$ 8,565,037	$ 658,696
Current Liabilities				
Accounts payable	$ 34,165	$ 17,885	$ 52,050	$ 0
Accrued expenses	6,128	1,810	7,938	0
Salaries and wages payable	11,303	0	11,303	0
Due to other funds	71,439	28,634	100,073	0
Bonds payable-current	0	60,663	60,663	0
Consumers' deposits payable	0	71,313	71,313	0
Total Current Liabilities	123,035	180,305	303,340	0

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson

Government-Wide Statement of Net Position

December 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	City of Pearson Industrial Authority
Long-Term Liabilities				
Long term compensated absences	7,147	1,947	9,094	0
Bonds payable - non-current	0	798,284	798,284	0
Total Long-Term Liabilities	7,147	800,231	807,378	0
TOTAL LIABILITIES	130,182	980,536	1,110,718	0
Net Position				
Net investment in capital assets	$ 965,095	$ 4,693,051	$ 5,658,146	$ 639,320
Restricted for:				
Debt Retirement	0	129,990	129,990	0
Capital Projects	344,009	0	344,009	0
Public Safety	5,540	0	5,540	0
Housing and Development	194,665	0	194,665	0
Unrestricted	840,906	281,063	1,121,969	19,376
TOTAL NET POSITION	$ 2,350,215	$ 5,104,104	$ 7,454,319	$ 658,696

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson
Government-Wide State of Activities and Changes in Net Position
For the Year Ended December 31, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	$ 438,224	$ 34,742	$ 0	$ 0
Judicial	151,330	0	0	0
Public safety	352,933	383,293	0	23,013
Public works	330,232	0	0	116,912
Health and Social Services	29,786	0	0	0
Culture and recreation	83,816	20,719	0	24,455
Housing and Development	60,867	0	0	0
Total Governmental Activities	1,447,188	438,754	0	164,380
Business-Type Activities:				
Water and Sewer	651,520	624,303	0	0
Total Business-Type Activities	651,520	624,303	0	0
Total Primary Government	$ 2,098,708	$ 1,063,057	$ 0	$ 164,380
Component Unit:				
City of Pearson Industrial Authority	$ 1,986	$ 2,289	$ 0	$ 0
General Revenues and Transfers:				
Property taxes				
Other taxes				
Penalties and interest on delinquent taxes				
Intergovernmental revenue				
Interest				
Other revenue				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning of Year				
Net Position - End of Year				

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson
Government-Wide State of Activities and Changes in Net Position
For the Year Ended December 31, 2015

Total	Governmental Activities	Business-Type Activities	Total	Component Unit: City of Pearson Industrial Authority
	Net (Expenses) Revenue and Changes in Net Position Primary Government			
$ 34,742	$ (403,482)	$ 0	$ (403,482)	$ 0
0	(151,330)	0	(151,330)	0
406,306	53,373	0	53,373	0
116,912	(213,320)	0	(213,320)	0
0	(29,786)	0	(29,786)	0
45,174	(38,642)	0	(38,642)	0
0	(60,867)	0	(60,867)	1,176
603,134	(844,054)	0	(844,054)	1,176
624,303	0	(27,217)	(27,217)	0
624,303	0	(27,217)	(27,217)	0
$ 1,227,437	(844,054)	(27,217)	(871,271)	0
$ 2,289	0	0	0	33
	226,047	0	226,047	0
	504,249	0	504,249	0
	23,737	0	23,737	0
	8,322	0	8,322	0
	579	440	1,019	0
	18,730	0	18,730	0
	781,664	440	782,104	0
	(62,390)	(26,777)	(89,167)	(1,143)
	2,412,605	5,130,881	7,543,486	659,839
	$ 2,350,215	$ 5,104,104	$ 7,454,319	$ 658,696

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Governmental Funds
Combining Balance Sheet
December 31, 2015

	General Fund	SPLOST Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	$ 833,169	$334,276	$ 1,000	$ 86,750	$ 1,255,195
Tax receivable	51,104	0	0	0	51,104
Accounts receivable	11,822	0	0	0	11,822
Due from other governments	18,547	22,608	0	64,195	105,350
Due from other funds	29,634	0	0	16,766	46,400
Other Assets	0	0	0	32,494	32,494
Total Assets	$ 944,276	$356,884	$ 1,000	$ 200,205	$ 1,502,365
Liabilities					
Accounts payable	21,290	12,875	0	0	34,165
Salaries and wages payable	11,303	0	0	0	11,303
Payroll deductions payable	6,128	0	0	0	6,128
Due to other funds	70,439	0	1,000	0	71,439
Total Liabilities	109,160	12,875	1,000	0	123,035
Deferred Inflows of Resources	45,441	0	0	0	45,441
Total Liabilities and Deferred Inflows of Resources	154,601	12,875	1,000	0	168,476
Fund Balance					
Restricted:					
Capital Projects	0	344,009	0	0	344,009
Public Safety	0	0	0	5,540	5,540
Housing and Development	0	0	0	194,665	194,665
Assigned:					
Public Works	69,888	0	0	0	69,888
Unassigned:	719,787	0	0	0	719,787
Total Fund Balance	789,675	344,009	0	200,205	1,333,889
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 944,276	$356,884	$ 1,000	$ 200,205	$ 1,502,365

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Reconciliation of the Governmental Funds Balance Sheet
To the Government-Wide Statement of Net Position
December 31, 2015

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 1,333,889
Amounts reported for governmental activities in the government-wide statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	965,095
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.	45,441
Prepaid expenses are recorded on the Statement of Net Position when an expense is incurred but will benefit a future period. In the governmental funds, the expense is recognized when paid.	12,937
Liabilities not due and payable in the current period and therefore are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net position.	
Balances at June 30, 2015 are:	
Compensated Absences	(7,147)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 2,350,215

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
December 31, 2015

	General Fund	SPLOST Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 250,654	$ 0	$ 0	$ 0	$ 250,654
Other taxes	504,249	0	0	0	504,249
Penalties and interest on taxes	23,737	0	0	0	23,737
Fines and forfeitures	382,677	0	0	616	383,293
Licenses and permits	34,742	0	0	0	34,742
Intergovernmental	8,322	148,210	7,651	0	164,183
Investment income	6	197	0	573	776
Charges for services	20,719	0	0	0	20,719
Other Revenues	25,041	0	0	2,011	27,052
Total Revenues	1,250,147	148,407	7,651	3,200	1,409,405
Expenditures					
Current					
General government	395,273	24,455	0	0	419,728
Judiciary	151,330	0	0	0	151,330
Public safety	325,815	11,229	0	625	337,669
Public works	217,313	107,295	7,651	0	332,259
Health and social services	29,786	0	0	0	29,786
Culture and recreation	96,703	0	0	0	96,703
Housing and development	60,867	0	0	0	60,867
Total Expenditures	1,277,087	142,979	7,651	625	1,428,342
Excess of Revenues Over Expenditures	(26,940)	5,428	0	2,575	(18,937)
Net Changes in Fund Balance	(26,940)	5,428	0	2,575	(18,937)
Fund Balance - Beginning of Year	816,615	338,581	0	197,630	1,352,826
Fund Balance - End of Year	$ 789,675	$ 344,009	$ 0	$ 200,205	$ 1,333,889

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
For the year ended December 31, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ (18,937)
Amounts reported for governmental activities in the government-wide statement of activites are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities , the cost of those assets is allocated over their estimated useful lives as depreciation expense.	64,788
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, by they do not require the use of current financial resources. Therefore, this amount of depreciation expense is not reported as expenditures in the governmental funds.	(83,876)
Some property taxes will not be collected for several months after the city's fiscal year ends, they are not considered "available" revenues, and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year.	(24,607)
The Statement of Activities recognizes expenditures for prepaid expenses when the related liability is incurred. Governmental funds recognize expenditures for prepaid expenses at the time of purchase. Prepaid expenses increase this amount this fiscal year.	4,535
Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.	
Long term compensated absences	(4,293)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (62,390)

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Proprietary Funds
Statement of Net Position
For the Year Ended December 31, 2015

	Water and Sewer
Assets:	
Current Assets:	
Cash	$ 291,755
Accounts receivable - net	54,941
Due from other funds	53,673
Prepaid Items	2,283
Total Current Assets	402,652
Restricted Assets:	
Cash	129,990
Non-Current Assets	
Capital Assets:	
Land	203,557
Water and sewer system	8,580,845
Equipment	206,936
Accumulated depreciation	(3,439,340)
Total Non-Current Assets	5,551,998
Total Assets	$ 6,084,640
Liabilities	
Current Liabilities:	
Accounts payable	$ 17,885
Accrued expenses	1,810
Due to other funds	28,634
Customer deposits	71,313
Revenue bonds payable, current	60,663
Total Current Liabilities	180,305

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Proprietary Funds
Statement of Net Position
For the Year Ended December 31, 2015

	Water and Sewer
Non-Current Liabilities	
Long term compensated absences	1,947
Revenue bonds, net of current portion	$ 798,284
Total Non-Current Liabilities	800,231
Total Liabilities	980,536
Net Position	
Invested in capital assets, net of related debt	4,693,051
Restricted for debt service	129,990
Unrestricted	281,063
Total Net Position	$ 5,104,104

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2015

	Water and Sewer
Operating Revenues:	
Charges for Services:	
Water Billings	$ 269,752
Sewer Billings	213,716
Garbage Billings	140,835
Total Operating Revenues	624,303
Operating Expenses:	
Salaries and wages	57,329
Depreciation	203,615
Utilities	97,563
Garbage disposal	118,101
Repairs and maintenance	31,707
Professional services	67,018
Operating supplies	15,400
Dues and fees	5,974
Group insurance	7,054
Payroll taxes	4,402
Employee benefits	3,341
Insurance	4,924
Communications	2,297
Postage	3,132
Gas, oil, and fuel	3,226
Bad Debt	1,599
Other expense	48
Total Operating Expenses	626,730
Income (Loss) from Operations	(2,427)
Nonoperating Revenues (Expenses)	
Interest expense	(24,790)
Interest revenue	440
Total Non-Operating Revenues (Expenses)	(24,350)
Net Loss Before Transfers	(26,777)

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2015

	Water and Sewer
Change in Net Position	(26,777)
Net Position, Beginning of Year	5,130,881
Net Position, End of Year	$ 5,104,104

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2015

	Water and Sewer
Cash Flows from Operating Activities	
Cash received from customers	$ 628,282
Cash payments to suppliers for goods and services	(356,116)
Cash payments to employees for services	(59,518)
Cash payments to other funds	(486,300)
Net Cash Provided by Operating Activities	(273,652)
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	(103,952)
Interest paid on capital debt	(24,790)
Decrease in Accued Interest Payable	(185)
Net Cash Used by Capital and Related Financing Activities	(128,927)
Cash Flows from Investing Activities	
Interest received	440
Net Cash Used by Investing Activities	440
Net Increase in Cash and Cash Equivalents	(402,139)
Cash and Cash Equivalents, Beginning of Year	823,884
Cash and Cash Equivalents, End of Year	$ 421,745

The accompanying notes to financial statements
are an integral part of this statement.

City of Pearson, Georgia
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2015

	Water and Sewer
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (loss)	$ (2,427)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	203,615
Changes in Assets and Liabilities:	
Decrease in accounts receivable	1,049
Increase in prepaid items	(800)
Decrease in interfund payable	(432,627)
Increase in interfund receivable	(53,673)
Increase in accounts payable	10,470
Decrease in accrued expenses	(573)
Decrease in long term compensated absences	(1,616)
Increase in customer deposits	2,930
Total Adjustments	(271,225)
Net Cash Provided by (Used in) Operating Activities	$ (273,652)

The accompanying notes to financial statements
are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Pearson, Georgia was incorporated under the laws of the State of Georgia and operates under a Mayor - Council form of government. The Mayor and a five member council govern the City and are elected to four-year terms.

The accounting principles of the City of Pearson conform to generally accepted accounting principles as applied to governments. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies:

A. Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

City of Pearson, Georgia, Industrial Authority – Created in 1969, the City of Pearson, Industrial Authority (the "Industrial Authority") is responsible for industrial and commercial development within the City of Pearson, Georgia. The Industrial Authority board consists of five members, who are appointed by the City Council of the City of Pearson, Georgia for terms that run concurrent with the terms of the City Council. The Authority meets the GASB 14 criteria for inclusion as a component unit. The financial statements of the component unit have been included as a discretely presented component unit. The year end of the component unit is December 31, 2015, which is the same year end as the City of Pearson, Georgia. Financial information of the component unit is reported in a column separate from the City's financial information to emphasize that it is legally separate from the City.

Complete financial statements for the individual component unit discussed above may be obtained at the following address:

City of Pearson, Georgia
City Hall
P.O. Box 295
Pearson, GA 31642

B. Basis of Presentation

Government-wide Statements: The statements of net position and the statements of activities display information about the primary government. These statements include the financial activities of the overall government, except the fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between expense and program revenues for the different business-type activities of the city and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Fund Financial Statement: The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

General Fund – The General Fund is the main operating fund of the City. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Funds:

SPLOST Fund – This fund accounts for the special purpose local option sales tax that is transferred in from the county to be used for various city capital outlay items.

CDBG Fund – This fund accounts for the City's community development block grant proceeds to be used for streets and water and sewer system improvements.

Proprietary Funds are accounted for using economic resources management 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 fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water, sewer, and solid waste services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water and sewer system, collection and disposal of solid waste, and billing and collection activities. All costs are financed through changes to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses result from exchange transactions associated with the principal activity of the fund. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Nonoperating expenses result from nonexchange transactions or ancillary activities.

D. Cash and Investments

It is the investment policy of the City of Pearson to invest all of its cash into demand deposits and negotiable certificates of deposit. The City is allowed to invest in (1) obligations of the State of Georgia or other states; (2) obligations issued by the U.S. government; (3) obligations fully insured or guaranteed by the U.S government or by a government agency of the United States; (4) obligations of any corporation of the U.S government; (5) prime banker acceptances; (6) the Local Government Pool established by the

State of Georgia; (7) repurchase agreements; (8) obligations of other political subdivisions of the State of Georgia; and (9) certificates of deposits or deposit accounts with eligible depository institutions (any commercial bank or trust company, mutual savings bank, savings and loan association, or building and loan association existing under the laws of Georgia or the United States and domiciled in Georgia.) For fiscal year ended December 31, 2015, all investments were in demand deposits and certificates of deposit with local banks and are stated at cost, which approximates market value.

E. Receivables

In the fund financial statements, material receivables in governmental funds include revenue accounts such as property taxes, grants and other similar intergovernmental revenues since they are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Accounts receivable account for the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

F. Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out (FIFO) method of accounting. Inventory of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items in both the government-wide and proprietary fund financial statements.

G. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The city's policy has set the capitalization threshold for reporting capital assets at $5,000 for machinery, equipment, and buildings, and $50,000 for infrastructure and distribution assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	25-50
Water and Sewer System	10-40
Improvements	25
Equipment, vehicles and furniture	7-10
Infrastructure	25-50

H. Compensated Absences

Full-time, permanent employees are granted vacation benefits to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled accrued vacation leave up to specific limits upon termination.

The estimated current portion of the liability for vested vacation benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective fund's financial statements. The amounts attributable to the propriety fund are charged to expense and a corresponding liability.

I. 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 position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the useful life of the bonds using the straight-line method.

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 debt issued is reported as other financing resources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position."

Generally, the fund balance represents the difference between the current assets and current liabilities. There are five fund balance classifications in the Fund Financial Statements. They are as follow:

1. Non-spendable Fund Balance – The non-spendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

2. Restricted Fund Balance – The restricted fund balance classification occurs when constraints are placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other government, or imposed by law through constitutional provisions or enabling legislation.

3. Committed Fund Balance – The committed fund balance classification occurs when amounts can only be used for specific purposes pursuant to constraints imposed by the formal action of the government's highest level of decision-making authority. Actions to establish, modify, or rescind a

committed fund balance must be formalized by a resolution and a majority approval of the city council.

4. Assigned Fund Balance – The assigned fund balance classification occurs when amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. The council or mayor is authorized to assign amounts to a specific purpose and is given this authority by resolution at a monthly meeting or special called meeting.

5. Unassigned Fund Balance – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the government will fund outlay for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, equity is classified as net position and displayed in three components as follows:

1. Invested in capital assets, net of related debt consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduce by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net position consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net position consist of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Revenues, expenditures, and expenses

1. Operating and non-operating revenues and expenses

   Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods or services. Also included are all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

2. Expenditures/expenses

   In the government-wide financial statements, expenses are classified by function for governmental activities. Administrative overhead charges are made to various functions and are included in direct expenses. In the fund financial statements, governmental fund expenditures are classified as by character i.e. current (further classified by function), debt service, and capital outlay. Proprietary fund expenses are classified as operating and non-operating.

L. Interfund transactions

Interfund transactions are reflected as loans, charges for services provided, reimbursements or transfers. Loan are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transfers are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

M. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and the related notes. Accordingly, actual results could differ from those estimates.

N. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All unencumbered annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function, and department. The Mayor may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of control for each legally adopted annual operating budget is at the department level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting- under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation- is

utilized in the governmental funds. Encumbrances outstanding at the year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrance accounting is not used by the City of Pearson.

2. CASH AND INVESTMENTS

Deposits- The City's cash and investment policy limits deposits to demand and money market accounts and time deposits at local banks. The City's deposits shall be secured by Federal Depositary Insurance Corporation (FDIC) coverage and/or bank pledges. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 100 percent of the public funds held. All city deposits were covered by either FDIC coverage or were entirely collateralized with securities held by the city's agent in the city's name.

Custodial Credit Risk – Deposits – The custodial credit risk for deposits is the risk that, in the event of bank failure, the City's deposits may not be recovered.

Also, the City of Pearson Industrial Authority's deposits were covered either by FDIC coverage or were entirely insured or collateralized with securities held by the component unit's agent in the component unit's name.

Summary of Deposit and Investment Balances:

Primary Government:	
Cash on Hand	$ 1,782
Bank Deposits	1,675,158
Total Primary Government	$ 1,676,940
Component Unit:	
Bank Deposits	$ 19,376

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

3. INTERFUND BALANCES

Internal balances were as follows at December 31, 2015:

	Interfund Receivables	Interfund Payables
General Fund:		
Revolving Loan Fund	0	16,766
CDBG Fund	1,000	0
Water & Sewer Fund	28,634	53,673
Revolving Loan Fund:		
General Fund	16,766	0
CDBG Fund:		
General Fund	0	1,000
Water & Sewer Fund:		
General Fund	53,673	28,634
Total	100,073	100,073

4. RECEIVABLES

Accounts Receivable consists of taxes, accounts (including billings for user charges), and amounts due from other governmental entities. These amounts are reported net of an allowance for uncollectable accounts of $30,628 in the water and sewer fund.

5. PROPERTY TAXES

A major receivable of the City is property taxes receivable. Property is appraised and a lien on such property becomes enforceable 60 days after the final notification of delinquency of property taxes. Property tax millage rates are usually adopted in September and tax bill are rendered in October.

The City's property tax calendar for 2015 was as follows:
Property taxes attached as an enforceable lien on property as of January 1, 2015. **The tax levy of 12 mils was approved on August 25, 2015.** Taxes became due on December 20, 2015 and became delinquent on December 23, 2015.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balances	Increase	Decrease	Ending Balances
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$ 59,863	$ 0	$ 0	$ 59,863
Total Capital Assets not being Depreciated	59,863	0	0	59,863
Capital Assets being Depreciated:				
Buildings	726,022	0	0	726,022
Improvements	368,794	0	0	368,794
Equipment, vehicles, and furniture	966,525	64,788	0	1,031,313
Total Capital Assets being Depreciated	2,061,341	64,788	0	2,126,129
Less Accumulated Depreciation:				
Buildings	(224,436)	(16,731)	0	(241,167)
Improvements	(221,248)	(10,969)	0	(244,667)
Equipment, vehicles, and furniture	(691,337)	(56,176)	0	(735,063)
Total Accumulated Depreciation	(1,137,021)	(83,876)	0	(1,220,897)
Net Capital Assets being Depreciated	924,320	(19,088)	0	905,232
Net investment in capital assets:	$ 984,183	($ 19,088)	$ 0	$ 965,095

Depreciation expense of the general fund was charged to governmental functions as follows:

General Government	$ 18,738
Public Safety	35,697
Public Works	17,873
Culture and Recreation	11,568
Total	$ 83,876

	Beginning Balances	Increase	Decrease	Ending Balances
Business Type Activities:				
Capital Assets not being Depreciated:				
Land	$ 203,557	$ 0	$ 0	$ 203,557
Construction in Progress	427,944	0	427,944	0
Total Capital Assets not being Depreciated	$ 631,501	0	427,944	203,557
Capital Assets being Depreciated:				
Water & Sewer system and plant	8,178,597	427,944	25,696	8,580,845
Equipment	220,237	0	13,301	206,936
Total Capital Assets being Depreciated	8,398,834	427,944	38,997	8,787,781
Less Accumulated Depreciation:				
Water & Sewer system and plant	(3,098,528)	(196,042)	25,696	(3,268,874)
Equipment	(176,194)	(7,573)	13,301	(170,466)
Total Accumulated Depreciation	(3,274,722)	(203,615)	38,997	(3,439,340)
Net Capital Assets being Depreciated	5,124,112	224,329	0	5,348,441
Net investment in capital assets:	$ 5,755,613	$ 224,329	$427,944	$5,551,998

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

Discretely Presented Component Units

Capital assets activity for the City of Pearson Industrial Authority for the year ended December 31, 2015 was as follows:

	Beginning Balances	Increase	Decrease	Ending Balances
Business Type Activities:				
Capital Assets not being Depreciated:				
Land	$ 608,924	$ 30,396	$ 0	$ 639,320

7. LONG-TERM DEBT

A. Changes in Long-Term Obligations:

The following is a summary of the City's governmental funds for the fiscal year ended December 31, 2015:

	Beginning Balance	Addition	Payment/ Retirements	Ending Balance	Due in One year
Compensated absences	$ 2,854	$ 7,147	$ 2,854	$ 7,147	$ 0

The following is a summary of the City's proprietary funds for the fiscal year ended December 31, 2015:

	Beginning Balance	Addition	Payment/ Retirements	Ending Balance	Due in One year
Bonds Payable	$ 962,899	$ 0	$ 103,952	$ 858,947	$60,663
Compensated Absences	$ 3,562	$ 1,946	$ 3,562	$ 1,946	$ 0
Total	$ 966,461	$ 1,946	$ 107,514	$ 860,893	$60,663

B. **Revenue Bonds**:

Water and Sewer Revenue Bonds

The annual requirements to amortize all revenue bonds outstanding at December 31, 2015 are as follows:

Year Ending	Principal June 30	Interest Due	Total Requirement
2016	$ 60,663	$ 22,361	$ 83,024
2017	62,315	20,709	83,024
2018	64,012	19,012	83,024
2019	65,755	17,269	83,024
2020	67,546	15,478	83,024
2021-2025	366,346	48,775	415,121
2026-2028	172,310	5,187	177,497
Total	$ 858,947	$ 148,791	$ 1,007,738

8. 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 maintains commercial

insurance coverage covering each of the above risks of loss. Management believes that coverage is adequate to preclude any significant uninsured risk exposure to the City.

For its workers compensation coverage, the City is a member of the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The fund operates under the authority of O.C.G.A. 34-9-150 et Seq. The City pays into the fund its share of the fund's projected obligation for workers' compensation liability, administrative expenses, and other costs incurred by the fund. The City's share is adjusted by the board of the fund according to the claims experience of each participating member in accordance with criteria set forth in the bylaws of the fund. The fund makes payments to the employees of the members for workers compensation benefits pursuant to and in accordance with the claims procedures set forth in title 34, chapter 9 of O.C.G.A. The City is jointly and severally liable for all legal obligations of the fund, including, but not limited to, any obligations of the fund to pay claims against the fund arising out of any occurrence, incident, or accident covered under title 34, chapter 9 of O.C.G.A.

9. CONTINGENT LIABILITIES AND LITIGATION

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 City expects such amounts, if any, to be immaterial.

The City is a defendant in various legal proceedings and litigations arising in the normal course of operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the city attorney, the resolution of these matters will not have a material adverse effect of the financial condition of the City.

10. JOINT VENTURES

The City of Pearson, Georgia, in conjunction with cities and counties in the eighteen county South Georgia area are members of the Southern Georgia Regional Commission (SGRC). Membership in a regional commission (RC) is automatic for each municipality and county in the state. The Official Code of Georgia Annotated 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 RC. The City paid annual dues in the amount of $2,600 to the SGRC for the year ended December 31, 2015. The SGRC council membership includes the chief elected official of each county and the chief elected official of one municipality in each county. Additional council members are appointed from the region by the Governor, Lieutenant Governor, and the Speaker of the House of Representatives. Separate financial statements are available at the following address: Southern Georgia Regional Commission. 327 West Savannah Avenue, Valdosta, GA 31503, or by calling 229-333-5277.

O.C.G.A. 50-8-32 defines regional commissions "public agencies and instrumentalities of their members". Georgia law also provides that member governments are liable for any debts or obligations of an RC beyond its resources (O.C.G.A. 50-8-39).

11. RELATED ORGINATIONS

Housing Authority of the City of Pearson – The Housing Authority of the City of Pearson is a public body created under the General Statutes of Georgia. The Housing Authority was created for the purpose of providing safe and sanitary housing for the low-income citizens of Pearson, Georgia. The Board of Commissioners of the Housing Authority is composed of five members who are appointed by the City of Pearson. The City has no significant influence over the management, budget, or policies of the Housing Authority of the City of Pearson. The Authority reports independently.

12. DEFINED CONTRIBUTION PLAN

The City of Pearson adopted the Georgia Municipal Association 401(a) Defined Contribution Plan on August 24, 2005. The plan is administered by the Georgia Municipal Association. To be eligible, an employee must work a minimum of 40 hours per week and must have minimum of 90 days of service with the City. The City will match employee contributions to the plan, but in no event will matching contributions made on behalf of a participant exceed 5% of the participant's includable compensation. Employer matching contributions are 100% vested after a participant has been employed as an eligible employee for 3 years. Matching contributions remain 0% vested until the participant satisfies the full vesting period. The total amount contributed by the City in 2015 to the 401(a) defined contribution plan was $2,551.

13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Several departments of the City exceeded their budgets during the year. The City absorbed these excesses in most cases as a result of other City departments not expending their total budgeted amounts. Controls have subsequently been established to help prevent such oversight in future years.

The following is a schedule of excesses for the year ended December 31, 2015.

Department	Amount
Clerk	$ 17,006
General Administration	$ 76,757
Municipal Court	$ 25,212
Police Administration	$ 13,240
Museum	$ 1,694
Building Inspection	$ 1,100
Special Facilities	$ 3,158
Economic Development	$ 40,001

14. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 2, 2016, the date when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Pearson, Georgia
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Ad Valorem taxes	$ 215,539	$ 215,539	$ 182,123	$ (33,416)
Mobile home and motor vehicle	58,597	58,597	68,531	9,934
Intangible tax	2,119	2,119	1,247	(872)
Real estate transfer tax	272	272	749	477
Franchise taxes	113,359	113,359	120,863	7,504
Local option sales and use taxes	182,661	182,661	192,932	10,271
Alcoholic beverage excise taxes	47,057	47,057	62,853	15,796
Insurance premium taxes	113,964	113,964	121,752	7,788
Financial Institution tax	2,000	2,000	2,770	770
Penalties and interest on taxes	4,566	4,566	23,737	19,171
Business licenses	25,531	25,531	24,012	(1,519)
Regulatory fees- building structures and equipment	4,000	4,000	10,730	6,730
Payment in lieu of taxes	1,083	1,083	1,083	0
Fines and forfeitures	318,284	318,284	382,677	64,393
Investment earnings	4,880	4,880	6	(4,874)
Other revenues	197,141	197,141	44,707	(152,434)
Rents and Royalties	8,250	8250	9,375	1,125
Total Revenues	1,299,303	1,299,303	1,250,147	(49,156)
Expenditures:				
General government				
Council	35,078	35,078	22,050	13,028
Mayor's office	38,550	38,550	37,901	649
Clerk	51,923	51,923	68,929	(17,006)
General Administration	189,636	189,636	266,393	(76,757)
Total general government	315,187	315,187	395,273	(80,086)
Judiciary				
Municipal Court	126,118	126,118	151,330	(25,212)
Total judiciary	126,118	126,118	151,330	(25,212)
Public Safety				
Police administration	52,922	52,922	66,162	(13,240)
Police patrol	281,858	281,858	234,762	47,096
Fire department	34,872	34,872	24,891	9,981
Total public safety	369,652	369,652	325,815	43,837

City of Pearson, Georgia
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Public Works				
Administration	105,658	105,658	21,231	84,427
Streets	227,081	227,081	196,082	30,999
Total public works	332,739	332,739	217,313	115,426
Health and social services				
Community center	1,500	1,500	1,181	319
Senior citizens center	29,283	29,283	28,605	678
Total health and social services	30,783	30,783	29,786	997
Culture and recreation				
Recreation center	91,016	91,016	83,680	7,336
Museum	1,250	1,250	2,944	(1,694)
Library	15,950	15,950	10,079	5,871
Total culture and recreation	108,216	108,216	96,703	11,513
Housing and development				
Building inspection	7,250	7,250	8,350	(1,100)
Special Facilities	6,705	6,705	9,863	(3,158)
Economic Development	2,653	2,653	42,654	(40,001)
Total housing and development	16,608	16,608	60,867	(44,259)
Total Expenditures	1,299,303	1,299,303	1,277,087	22,216
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	(26,940)	(26,940)
Other Financing Uses				
Transfer Out	0	0	0	0
Net Change in Fund Balance	$ -	$ -	$ (26,940)	$ (26,940)
Fund Balance, Beginning of Year			$ 816,615	
Fund Balance, End of Year			$ 789,675	

1. BUDGETARY BASIS:

The City of Pearson adopts its budget on the modified accrual basis of accounting and is in compliance with generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

City of Pearson, Georgia
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2015

	Drug Fund	Revolving Loan Fund	Total
Assets:			
Cash and cash equivalents	$ 5,540	$ 81,210	$ 86,750
Receivables - intergovernmental	0	64,195	64,195
Due From Other Funds	0	16,766	16,766
Other Assets	0	32,494	32,494
Total Assets	5,540	194,665	200,205
Fund Balance			
Restricted:			
Public Safety	5,540	0	5,540
Housing and Development	0	194,665	194,665
Total Fund Balance	$ 5,540	$ 194,665	$ 200,205

City of Pearson, Georgia
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2015

	Drug Fund	Revolving Loan Fund	Total
Revenues:			
Forfeitures	$ 616	$ 0	$ 616
Other Income	0	2,011	2,011
Investment Income	14	559	573
Total Revenues	630	2,570	3,200
Expenditures			
Public Safety	625	0	625
Total Expenditures	625	0	625
Excess (Deficiency) of Revenues Over (Under) Expenditures	5	2,570	2,575
Net Change in Fund Balance	5	2,570	2,575
Fund Balance, Beginning	5,535	192,095	197,630
Fund Balance, Ending	$ 5,540	$194,665	$ 200,205

City of Pearson, Georgia
Schedule of Projects Using Special
Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2015

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Prior Years	Current Year	Total To Date
2006 SPLOST:					
Administrative vehicle	$ 13,380	$ 13,380	$ 13,379	$ 0	$ 13,379
Public works vehicle	13,380	13,380	13,379	0	13,379
Recreation department vehicle	13,380	13,380	13,380	0	13,380
Police vehicle	24,967	24,967	25,446	0	25,446
Paving and Street Improvements	0	0	0	58,113	58,113
Senior citizen van	21,570	21,570	21,092	0	21,092
Recreation Department field lights, playground equipment, new police cars, city works trucks, generators for waste water lift stations and utility tractor and equipment	393,323	113,193	0	0	0
Fire truck	0	75,000	75,000	0	75,000
Fence and shelter - West St. Park	0	27,445	27,445	0	27,445
Sports complex fence	0	4,557	4,557	0	4,557
Public works mower	0	7,955	7,955	0	7,955
Public works utility vehicles	0	6,950	6,950	0	6,950
Public works tractor	0	29,178	29,178	0	29,178
Public works backhoe	0	17,288	17,288	0	17,288
Police vehicle	0	41,673	41,673	0	41,673
Civic center Improvements	0	8,107	8,107	0	8,107
Playground equipment	0	45,134	45,134	0	45,134
Recreation Department field lights	0	16,843	16,843	0	16,843
Total	$ 480,000	$480,000	$ 366,806	$ 58,113	$ 424,919

City of Pearson, Georgia
Schedule of Projects Using Special
Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2015

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Prior Years	Current Year	Total To Date
2012 SPLOST:					
Public works vehicles	$ 125,000	$ 125,000	$ 0	$ 19,900	$ 19,900
Tractor and equipment	41,667	41,667	24,812	0	24,812
Backhoe and accessories	100,000	100,000	0	0	0
Police equipment and vehicles	125,000	125,000	79,748	12,111	91,859
Paving and street improvements	0	0	0	25,820	25,820
Water and wastewater buildings and equipment	208,333	208,333	80,000	0	80,000
Recreation buildings, equipment, and vehicles	100,000	100,000	2,272	24,455	26,727
Fire equipment, buildings, and vehicles	50,000	50,000	0	2,580	2,580
Total	$ 750,000	$ 750,000	$ 186,832	84,866	$ 271,698

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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
Members of the City Council
City of Pearson, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pearson, Georgia as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Pearson's basic financial statements and have issued our report thereon dated November 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pearson'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 Pearson's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pearson's internal control.

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

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misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 15-1 and 15-3 to be material weaknesses.

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 as items 15-2, 15-4, and 15-5 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City of Pearson's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The City of Pearson's Response to Findings

The City of Pearson's responses to the findings identified in our audit are described in accompanying Schedule of Findings and Responses. The City of Pearson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Herring CPA Group, P.C.
Tifton, Georgia
November 2, 2016

CITY OF PEARSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS

2015-1 FINDING **Accounting Personnel, lack of complete segregation of duties.**

Criteria: Adequate number of personnel should be employed to reduce conflicting job duties.

Condition: Recording, collections, and reporting are being administered by the same employees.

Effect: Lack of complete segregation of duties can result in misappropriation of funds.

Recommendation: Additional personnel should be hired or procedures should be implemented requiring the segregation of duties of the accounting personnel.

Management's response: We concur with the recommendation. We will implement oversight by the Mayor and Council. However, due to limited resources and personnel we cannot completely correct the lack of segregation of duties.

2015-2 FINDING **Accounts Receivable and Accounts Payable not reconciled to general ledger.**

Criteria: Accounts receivable and payable ledgers need to be produced and reconciled to the general ledger on a monthly basis.

Condition: The subsidiary accounts receivable and payable ledgers are not being maintained for reconciliation to the general ledger.

Effect: Not reconciling subsidiary ledgers to general ledger can result in misappropriation of funds.

Recommendation: Reconcile and review monthly subsidiary accounts receivable ledgers to general ledger and review accounts before write-offs occur.

Management's response: We concur with the recommendation. Monthly reviews of the account receivables will be administered.

CITY OF PEARSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS

2015-3 FINDING Timely Financial Reporting to Management.

Criteria: Monthly financial statements and information needs to be presented to management and council.

Condition: Management, mayor, and council are not being provided adequate and timely financial data.

Effect: Failure to receive financial data can result in misappropriation and misuse of city resources, no budgetary control, and inefficiencies in properly running the City.

Recommendation: Management, mayor, and council should be provided accurate and reliable financial data on at least a monthly basis.

Management's response: Management concurs with the recommendation. We are currently installing new accounting software to aid in producing timely and accurate financial information for management, mayor, and council.

2015-4 FINDING Financial statements not being prepared.

Criteria: Financial statements are not prepared by the City.

Condition: City personnel do not have the knowledge or capability to properly prepare the financial statements.

Effect: Not having the adequate knowledge could result in misclassification of assets and liabilities.

Recommendation: The city should obtain outside assistance in drafting the financial statements.

Management's response: We concur with the recommendation. The City will continue to use the auditing firm to assist in drafting the financial statements.

2015-5 FINDING Budget Compliance.

Criteria: Annual budgets need to be adopted for all funds and compared to actual results.

Condition: Adopted budgets for the special revenue funds could not be produced and several departments of the General Fund exceeded their budgets.

Effect: Failure to approve and monitor budgets can result in the overspending and misuse of funds.

Recommendation: Annual budgets need to be adopted for the special revenue funds and monthly budget reports reviewed and budget amendments need to be approved as needed.

Management's response: We concur with the recommendation. We will implement budget preparation and oversight by Mayor and Council.