# CITY OF PEARSON, GEORGIA

## FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED

## DECEMBER 31, 2020

# CITY OF PEARSON, GEORGIA

## FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

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# FINANCIAL SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

# INDEPENDENT AUDITOR'S REPORT

**The City Council**
**of the City of Pearson, Georgia**
**Pearson, Georgia**

**Report on the Financial Statements**
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Pearson, Georgia** (the "City"), as of and for the year ended December 31, 2020, 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 principles 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, and CDBG 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 ("MD&A") that accounting principles generally accepted in the United States of America requires 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia Annotated ("O.C.G.A.") §48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds 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 combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds 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 February 28, 2022, on our consideration of the City of PearsonCity'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 of PearsonCity'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 Pearson, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
February 28, 2022

# CITY OF PEARSON, GEORGIA

## STATEMENT OF NET POSITION
## DECEMBER 31, 2020

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | City of Pearson Industrial Authority |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 349,483 | $ 146,274 | $ 495,757 | $ 66,686 |
| Taxes receivable | 62,891 | - | 62,891 | - |
| Accounts receivable, net of allowances | 6,589 | 75,530 | 82,119 | - |
| Due from other governments | 42,797 | - | 42,797 | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 64,951 | 64,951 | - |
| Notes receivable | - | - | - | 5,396 |
| Capital assets: | | | | |
| Nondepreciable | 198,236 | 203,557 | 401,793 | 635,601 |
| Depreciable, net of accumulated depreciation | 2,125,678 | 4,544,413 | 6,670,091 | - |
| Total assets | 2,785,674 | 5,034,725 | 7,820,399 | 707,683 |
| **LIABILITIES** | | | | |
| Accounts payable | 34,680 | - | 34,680 | - |
| Accrued liabilities | 18,167 | 4,589 | 22,756 | - |
| Customer deposits | - | 81,669 | 81,669 | - |
| Compensated absences due in more than one year | 7,349 | 2,788 | 10,137 | - |
| Note payable due within one year | 5,396 | - | 5,396 | 5,134 |
| Note payable due in more than one year | - | - | - | 14,513 |
| Bonds payable due within one year | - | 122,882 | 122,882 | - |
| Bonds payable due in more than one year | - | 169,448 | 169,448 | - |
| Total liabilities | 65,592 | 381,376 | 446,968 | 19,647 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 2,318,518 | 4,455,640 | 6,774,158 | 615,954 |
| Restricted | | | | |
| Public safety | 8,405 | - | 8,405 | - |
| Housing and development | 98,567 | - | 98,567 | - |
| Capital projects | 58,713 | - | 58,713 | - |
| Unrestricted | 235,879 | 197,709 | 433,588 | 72,082 |
| Total net position | $ 2,720,082 | $ 4,653,349 | $ 7,373,431 | $ 688,036 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF PEARSON, GEORGIA

## STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary government** | | | | |
| Governmental activities: | | | | |
| General government | $ 547,465 | $ 258,032 | $ - | $ - |
| Judicial | 68,094 | - | - | - |
| Public works | 410,224 | - | - | 201,390 |
| Public safety | 430,517 | 240,371 | 6,816 | 64 |
| Health and welfare | 53,760 | - | - | - |
| Culture and recreation | 175,764 | - | - | - |
| Housing and development | 2,081 | - | - | 140,263 |
| Total governmental activities | 1,687,905 | 498,403 | 6,816 | 341,717 |
| Business-type activities: | | | | |
| Water and sewer | 738,847 | 639,126 | - | - |
| Total business-type activities | 738,847 | 639,126 | - | - |
| Total primary government | $ 2,426,752 | $ 1,137,529 | $ 6,816 | $ 341,717 |
| **Component unit:** | | | | |
| Downtown Development Authority | $ 23,357 | $ - | $ 11,400 | $ - |
| Total component unit | $ 23,357 | $ - | $ 11,400 | $ - |

| | |
|---|---|
| General revenues: | |
| Property taxes | |
| Sales taxes | |
| Alcoholic beverage taxes | |
| Other taxes | |
| Unrestricted investment earnings | |
| Gain on sale of capital assets | |
| Total general revenues | |
| Change in net position | |
| Net position, beginning of year | |
| Net position, end of year | |

**The accompanying notes are an integral part of these financial statements.**

| Net (Expenses) Revenues and Changes in Net Position | | | Component Unit |
|---|---|---|---|
| Governmental Activities | Business-type Activities | Total | Downtown Development Authority |
| $ (289,433) | $ - | $ (289,433) | $ - |
| (68,094) | | (68,094) | |
| (208,834) | - | (208,834) | - |
| (183,266) | - | (183,266) | - |
| (53,760) | - | (53,760) | - |
| (175,764) | - | (175,764) | - |
| 138,182 | | 138,182 | |
| (840,969) | - | (840,969) | - |
| - | (99,721) | (99,721) | - |
| - | (99,721) | (99,721) | - |
| (840,969) | (99,721) | (940,690) | - |
| - | - | - | (11,957) |
| - | - | - | (11,957) |
| 611,533 | - | 611,533 | - |
| 232,327 | - | 232,327 | - |
| 62,184 | - | 62,184 | - |
| 116,083 | - | 116,083 | - |
| 301 | 194 | 495 | 51 |
| - | - | - | 17,374 |
| 1,022,428 | 194 | 1,022,622 | 17,425 |
| 181,459 | (99,527) | 81,932 | 5,468 |
| 2,538,623 | 4,752,876 | 7,291,499 | 682,568 |
| $ 2,720,082 | $ 4,653,349 | $ 7,373,431 | $ 688,036 |

# CITY OF PEARSON, GEORGIA

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## DECEMBER 31, 2020

| | General | CDBG Fund | Nonmajor Governmental Funds | Totals Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 201,284 | $ 329 | $ 147,870 | $ 349,483 |
| Taxes receivable | 62,891 | - | - | 62,891 |
| Accounts receivable | 6,589 | - | - | 6,589 |
| Due from other governments | 25,311 | - | 17,486 | 42,797 |
| Total assets | $ 296,075 | $ 329 | $ 165,356 | $ 461,760 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts payable | $ 34,680 | $ - | $ - | $ 34,680 |
| Accrued liabilities | 18,167 | - | - | 18,167 |
| Total liabilities | 52,847 | - | - | 52,847 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable revenue - property taxes | 36,380 | - | - | 36,380 |
| Total deferred inflows of resources | 36,380 | - | - | 36,380 |
| **FUND BALANCES** | | | | |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Public safety | - | - | 8,405 | 8,405 |
| Housing and development | - | - | 98,567 | 98,567 |
| Capital projects | - | 329 | 58,384 | 58,713 |
| Unassigned | 206,848 | - | - | 206,848 |
| Total fund balances | 206,848 | 329 | 165,356 | 372,533 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 296,075 | $ 329 | $ 165,356 | |

| | |
|---|---|
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 2,323,914 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 36,380 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (12,745) |
| Net position of governmental activities | $ 2,720,082 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF PEARSON, GEORGIA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| | General | CDBG Fund | Nonmajor Governmental Funds | Totals Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 881,235 | $ - | $ 154,903 | $ 1,036,138 |
| Licenses and permits | 35,130 | - | - | 35,130 |
| Intergovernmental | 201,390 | 140,263 | - | 341,653 |
| Charges for services | 220,336 | - | - | 220,336 |
| Fines and forfeitures | 240,371 | - | - | 240,371 |
| Interest and penalties | 178 | - | 187 | 365 |
| Other revenues | 2,566 | - | 6,816 | 9,382 |
| Total revenues | 1,581,206 | 140,263 | 161,906 | 1,883,375 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 536,319 | - | - | 536,319 |
| Judicial | 68,094 | - | - | 68,094 |
| Public works | 323,491 | - | - | 323,491 |
| Public safety | 400,216 | - | 3,837 | 404,053 |
| Health and welfare | 53,760 | - | - | 53,760 |
| Culture and recreation | 126,295 | - | - | 126,295 |
| Housing and development | 25,958 | 140,263 | - | 166,221 |
| Debt service: | | | | |
| Principal retirement | 6,000 | - | - | 6,000 |
| Capital outlay | - | - | 149,093 | 149,093 |
| Total expenditures | 1,540,133 | 140,263 | 152,930 | 1,833,326 |
| Excess of revenues over expenditures | 41,073 | - | 8,976 | 50,049 |
| Net change in fund balances | 41,073 | - | 8,976 | 50,049 |
| **Fund balances, beginning of year** | 165,775 | 329 | 156,380 | 322,484 |
| **Fund balances, end of year** | $ 206,848 | $ 329 | $ 165,356 | $ 372,533 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF PEARSON, GEORGIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | $ | 50,049 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays differed from depreciation in the current period. | | 138,400 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (14,011) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | 6,000 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the increase in compensated absences payable. | | 1,021 |
| | $ | 181,459 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF PEARSON, GEORGIA

## GENERAL FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| | Budget Amounts | | | Variance with Final |
|---|---|---|---|---|
| | Original | Final | Actual | Budget |
| **Revenues** | | | | |
| Taxes | $ 618,613 | $ 618,613 | $ 881,235 | $ 262,622 |
| Licenses and permits | 46,147 | 46,147 | 35,130 | (11,017) |
| Intergovernmental | - | - | 201,390 | 201,390 |
| Charges for services | 200,009 | 200,009 | 220,336 | 20,327 |
| Fines and forfeitures | 482,858 | 482,858 | 240,371 | (242,487) |
| Interest and penalties | 494 | 494 | 178 | (316) |
| Other revenues | 47,303 | 47,303 | 2,566 | (44,737) |
| Total revenues | 1,395,424 | 1,395,424 | 1,581,206 | 185,782 |
| **Expenditures** | | | | |
| **Current** | | | | |
| **General government:** | | | | |
| General Administration | 329,855 | 329,855 | 536,319 | (206,464) |
| Total general government | 329,855 | 329,855 | 536,319 | (206,464) |
| **Judicial:** | | | | |
| Municipal Court | 68,612 | 68,612 | 68,094 | 518 |
| Total Judicial | 68,612 | 68,612 | 68,094 | 518 |
| **Public Works:** | | | | |
| Highways and streets | 228,300 | 228,300 | 323,491 | (95,191) |
| Total public works | 228,300 | 228,300 | 323,491 | (95,191) |
| **Public Safety:** | | | | |
| Police Administration | 481,694 | 481,694 | 350,231 | 131,463 |
| Custody of Prisoners | 18,250 | 18,250 | 3,500 | 14,750 |
| Fire Department | 33,855 | 33,855 | 46,485 | (12,630) |
| Total public safety | 533,799 | 533,799 | 400,216 | 133,583 |
| **Health and Welfare:** | | | | |
| Community Center | 4,150 | 4,150 | 1,592 | 2,558 |
| Senior Citizens | 111,578 | 111,578 | 52,168 | 59,410 |
| Total Health and Welfare | 115,728 | 115,728 | 53,760 | 61,968 |
| **Culture and recreation:** | | | | |
| Recreation Center | 56,373 | 56,373 | 104,133 | (47,760) |
| Sports Facilities | 29,617 | 29,617 | 10,114 | 19,503 |
| Museum | 4,800 | 4,800 | 531 | 4,269 |
| Library | 15,140 | 15,140 | 11,517 | 3,623 |
| Total Culture and Recreation | 105,930 | 105,930 | 126,295 | (20,365) |
| **Housing and Development:** | | | | |
| Building Inspection | 10,000 | 10,000 | 23,099 | (13,099) |
| Economic Development | 3,200 | 3,200 | 2,859 | 341 |
| Total Housing and Development | 13,200 | 13,200 | 25,958 | (12,758) |

**(Continued)**

# CITY OF PEARSON, GEORGIA

## GENERAL FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| | Budget Amounts | | | Variance with Final |
|---|---|---|---|---|
| | Original | Final | Actual | Budget |
| **Expenditures (Continued):** | | | | |
| **Debt service:** | | | | |
| Principal retirement | $ - | $ - | $ 6,000 | $ (6,000) |
| Total debt service | - | - | 6,000 | (6,000) |
| Total expenditures | 1,395,424 | 1,395,424 | 1,540,133 | (144,709) |
| Excess of revenues over expenditures | - | - | 41,073 | 41,073 |
| Net change in fund balances | - | - | 41,073 | 41,073 |
| **Fund balance, beginning of year** | 165,775 | 165,775 | 165,775 | - |
| **Fund balance, end of year** | $ 165,775 | $ 165,775 | $ 206,848 | $ 41,073 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF PEARSON, GEORGIA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## CDBG FUND
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| | Original and Final Budget | Actual | Variance |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental | $ - | $ 140,263 | $ 140,263 |
| Total revenues | - | 140,263 | 140,263 |
| **Expenditures** | | | |
| Housing and development | - | 140,263 | (140,263) |
| Total expenditures | - | 140,263 | (140,263) |
| Deficiency of revenues under expenditures | - | - | - |
| Net change in fund balance | - | - | - |
| **Fund balance, beginning of year** | 329 | 329 | - |
| **Fund balance, end of year** | $ 329 | $ 329 | $ - |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF PEARSON, GEORGIA

## STATEMENT OF NET POSITION
## PROPRIETARY FUNDS
## DECEMBER 31, 2020

| | Water and Sewer |
|---|---|
| **CURRENT ASSETS** | |
| Cash | $ 146,274 |
| Accounts receivable (net of allowance for uncollectibles) | 75,530 |
| Restricted assets: | |
| Cash | 64,951 |
| Total current assets | 286,755 |
| **NON-CURRENT ASSETS** | |
| Capital assets, at cost | |
| Land | 203,557 |
| Water and sewer system | 8,717,109 |
| Equipment | 315,176 |
| | 9,235,842 |
| Less accumulated depreciation | 4,487,872 |
| Total capital assets | 4,747,970 |
| Total non-current assets | 4,747,970 |
| Total assets | 5,034,725 |
| **CURRENT LIABILITIES** | |
| Accrued other expenses | 4,589 |
| Customer deposits | 81,669 |
| Revenue bonds payable, current | 122,882 |
| Total | 209,140 |
| Total current liabilities | 209,140 |
| **NON-CURRENT LIABILITIES** | |
| Compensated absences, long term | 2,788 |
| Revenue bonds payable, long term | 169,448 |
| Total non-current assets | 172,236 |
| Total liabilities | 381,376 |
| **NET POSITION** | |
| Investment in capital assets | 4,455,640 |
| Unrestricted | 197,709 |
| Total net position | $ 4,653,349 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF PEARSON, GEORGIA

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
## PROPRIETARY FUNDS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| | Water and Sewer |
|---|---|
| **Operating revenues** | |
| Charges for services: | |
| Water billings | $ 240,821 |
| Sewer billings | 398,305 |
| Total operating revenues | 639,126 |
| **Operating expenses** | |
| General and administrative | 4,980 |
| Salaries and wages | 139,134 |
| Utilities | 96,386 |
| Repairs and maintenance | 138,988 |
| Professional services | 79,528 |
| Operating supplies | 36,179 |
| Group insurance | 14,623 |
| Payroll taxes | 10,055 |
| Employee benefits | 1,260 |
| Communications | 1,276 |
| Gas, oil, and fuel | - |
| Total operating expenses | 522,409 |
| Operating income before depreciation | 116,717 |
| Depreciation expense | 206,824 |
| Operating loss | (90,107) |
| **Non-operating revenues (expenses)** | |
| Interest revenue | 194 |
| Interest expense | (9,614) |
| Total non-operating revenues (expenses) | (9,420) |
| Change in net position | (99,527) |
| **Net position, beginning of year** | 4,752,876 |
| **Net position, end of year** | $ 4,653,349 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF PEARSON, GEORGIA

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| | Water and Sewer |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash received from customers, including deposits | $ 642,482 |
| Cash payments to: | |
| Suppliers and vendors | (463,729) |
| Employees | (106,011) |
| Net cash provided by operating activities | 72,742 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Retirement of bonds | (119,624) |
| Interest on bonds | (9,614) |
| Net cash used in capital and related financing activties | (129,238) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest received | 194 |
| Net cash provided by investing activities | 194 |
| Net decrease in cash | (56,302) |
| Cash and cash equivalents, January 1 | 267,527 |
| Cash and cash equivalents, December 31 | $ 211,225 |
| Classified as: | |
| Cash | $ 146,274 |
| Restricted assets: | |
| Cash | 64,951 |
| | $ 211,225 |

**(Continued)**

# CITY OF PEARSON, GEORGIA

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| | Water and Sewer |
|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES** | |
| Operating loss | $ (90,107) |
| Depreciation | 206,824 |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable | 3,356 |
| Decrease in compensated absences | 382 |
| Decrease in customer deposits | 3,477 |
| Increase in accrued other expenses | (545) |
| Increase in due to other funds | (50,645) |
| Net cash provided by operating activities | $ 72,742 |

**The accompanying notes are an integral part of these financial statements.**

# NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Pearson, Georgia (the "City") have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB"), is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

## A. Reporting Entity

The City 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 accompanying financial statements present the City and its component unit, entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The **City of Pearson, Georgia, Industrial Authority (the "Authority")** was created in 1969 and has been included as a discretely presented component unit in the accompanying financial statements. The Authority is responsible for industrial and commercial development with the City. The Authority board consists of five members, who are appointed by the City Council of Pearson, Georgia for terms that run concurrent with the terms of the City Council. The Authority maintains a general fund with limited activity. Separate financial statements for the Authority are not available.

## B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally 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. Likewise, the primary government is reported separately from the discretely presented component unit.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Government-wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resource measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Community Development Block Grant ("CDBG") Fund** is a special revenue fund which accounts for the financing and construction of various community development projects. Financing is provided by grants received from the U.S. Department of Housing and Urban Development.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Amounts reported as *program revenues* include: 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Budgets

Budgets are adopted on a basis consistent with GAAP. 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 and services. Encumbrances 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 appropriations - 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.

### E. Cash and Investments

It is the investment policy of the City 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) purchase 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 law of Georgia or the United States and domiciled in Georgia). For fiscal year ended December 31, 2019, all investments were in demand deposits and certificates of deposit with local banks and are stated at cost, which approximates market value.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

### G. Inventories and Prepaid Items

Inventories consist of expendable supplies and items acquired for infrastructure repair and maintenance or for possible future expansion. Inventories in governmental funds are stated at average cost. Proprietary funds’ inventories are stated at lower of average cost or market. The consumption method is used to account for inventories. Under the consumption method, budgetary authority is slated and expenditures are recorded in terms of authority to use or consume inventory items. Reported inventories are equally offset by a fund balance reserve in the fund financial statements.

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items in both the government-wide and fund financial statements.

### H. Other Assets

Other assets held are recorded and accounted for at cost.

### I. Restricted Assets

Proprietary funds, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. Customer deposits that must be refunded upon the termination of service are also restricted.

### J. 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 asset's lives are not capitalized.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J. Capital Assets (Continued)

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

| Assets | Years |
|---|---|
| Buildings | 25 – 50 |
| Water and Sewer System | 10 – 40 |
| Improvements | 25 |
| Equipment, Vehicles and Furniture | 7 – 10 |
| Infrastructure | 25 – 50 |

### K. Compensated Absences

Full-time, permanent employees are granted vacation benefits to specified maximums depending on tenure with the City. 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 proprietary fund are charged to expense and a corresponding liability.

### L. 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 are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable discount or premium. Any proprietary fund type loans payable are reported as liabilities at their outstanding value.

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 sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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. The City did not have any items that qualify for reporting in this category for the year ended December 31, 2020.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance 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 that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes not received within 60 days after year-end. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

### N. 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.”

***Fund Balances –*** Generally, fund balances represent the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Non-spendable*** – Fund balances are reported as non-spendable when amounts cannot be spent because they are either: a) not in spendable form (i.e., items that are not expected to be converted to cash), or b) legally or contractually required to be maintained intact.

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### N. Fund Equity (Continued)

***Fund Balances – (Continued)***

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission through the adoption of a resolution. Only the City Commission may modify or rescind the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City has not adopted a policy giving specific parties the power to assign fund balance. The only assigned fund balances are those mandated by GASB pronouncements.

- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when balances do not meet any of the above criterion. The City reports positive unassigned fund balances only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

***Net Position*** – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### O. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

### A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

| | | |
|---|---|---|
| Notes payable | $ | (5,396) |
| Compensated absences | | (7,349) |
| Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities* | $ | (12,745) |

### B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this difference are as follows:

| | | |
|---|---|---|
| Capital outlay | $ | 247,440 |
| Depreciation expense | | (109,040) |
| Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities* | $ | 138,400 |

## NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

### B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that "the issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this difference are as follows:

| | |
|---|---|
| Principal repayments | $ 6,000 |
| Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities* | $ 6,000 |

## NOTE 3. LEGAL COMPLIANCE - BUDGETS

**Excess Expenditures over Appropriations**

For the year ended December 31, 2020, expenditures exceeded budgeted appropriations, as follows:

| Fund or Department | Excess |
|---|---|
| **General Fund:** | |
| General Government: | |
| General Adminstrative | $ 206,464 |
| Public Works: | |
| Highways and Streets | 95,191 |
| Public Safety: | |
| Fire Department | 12,630 |
| Culture and Recreation: | |
| Recreation Center | 47,760 |
| Housing and Development: | |
| Building Inspection | 13,099 |
| Debt Service: | |
| Principal Retirement | 6,000 |
| **CDBG Fund:** | |
| Housing and Development | 140,263 |

These over-expenditures were funded by under-expenditures in other departments.

## NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2020, are summarized as follows:

| | | |
|---|---|---|
| As reported in the Statement of Net Position: | | |
| Primary government: | | |
| Cash and cash equivalents | $ | 495,757 |
| Restricted cash and cash equivalents | | 64,951 |
| | $ | 560,708 |
| Cash deposited with financial institutions | $ | 560,708 |
| | $ | 560,708 |
| Component unit: | | |
| Cash and cash equivalents | $ | 66,686 |
| Cash deposited with financial institutions | $ | 66,686 |

**Credit Risk.** State statutes authorize the City to invest in obligations of the State of Georgia or other states; 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; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

**Interest Rate Risk**. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2020, the City did not have any balances exposed to custodial credit risk as uninsured and uncollateralized.

**Fair Value Measurements.** The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

## NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

**Custodial Credit Risk – Investments.** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

## NOTE 5. RECEIVABLES

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 2020 was as follows:

Property taxes attached as an enforceable lien on property as of January 1, 2020. Taxes became due on December 20, 2020, and were delinquent on January 21, 2021.

Receivables at December 31, 2020, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Water and Sewer | Nonmajor Governmental Funds |
|---|---|---|---|
| Receivables: | | | |
| Taxes | $ 71,458 | $ 95,444 | $ - |
| Accounts | 6,589 | - | - |
| Due from other governments | 25,311 | - | 17,486 |
| Gross receivables | 103,358 | 95,444 | 17,486 |
| Less allowance for uncollectible | (8,567) | (19,914) | - |
| Net total receivables | $ 94,791 | $ 75,530 | $ 17,486 |

## NOTE 6. CAPITAL ASSETS

### Primary Government

Capital asset activity for the fiscal year ended December 31, 2020, is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 90,259 | $ - | $ - | $ 90,259 |
| Construction in progress | 623,837 | 234,140 | (750,000) | 107,977 |
| Total | 714,096 | 234,140 | (750,000) | 198,236 |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,182,113 | - | - | 1,182,113 |
| Improvements | 801,632 | - | 750,000 | 1,551,632 |
| Equipment, vehicles and furniture | 901,925 | 13,300 | - | 915,225 |
| Total | 2,885,670 | 13,300 | 750,000 | 3,648,970 |
| Less accumulated depreciation for: | | | | |
| Buildings | (336,350) | (27,886) | - | (364,236) |
| Improvements | (316,063) | (39,586) | - | (355,649) |
| Equipment, vehicles and furniture | (761,839) | (41,568) | - | (803,407) |
| Total | (1,414,252) | (109,040) | - | (1,523,292) |
| Total capital assets, being depreciated, net | 1,471,418 | (95,740) | 750,000 | 2,125,678 |
| Governmental activities capital assets, net | $ 2,185,514 | $ 138,400 | $ - | $ 2,323,914 |

## NOTE 6. CAPITAL ASSETS (CONTINUED)

### Primary Government (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Business-type activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 203,557 | $ - | $ - | $ 203,557 |
| Total | 203,557 | - | - | 203,557 |
| Capital assets, being depreciated: | | | | |
| Water and Sewer System and Plant | 8,717,109 | - | - | 8,717,109 |
| Equipment | 315,175 | - | - | 315,175 |
| Total | 9,032,284 | - | - | 9,032,284 |
| Less accumulated depreciation for: | | | | |
| Water and Sewer System and Plant | (4,067,751) | (201,310) | - | (4,269,061) |
| Equipment | (213,296) | (5,514) | - | (218,810) |
| Total | (4,281,047) | (206,824) | - | (4,487,871) |
| Total capital assets, being depreciated, net | 4,751,237 | (206,824) | - | 4,544,413 |
| Business-type activities capital assets, net | $ 4,954,794 | $ (206,824) | $ - | $ 4,747,970 |

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 3,850 |
| Public works | 40,202 |
| Public safety | 27,167 |
| Culture and recreation | 37,821 |
| Total depreciation expense - governmental activities | $ 109,040 |
| | |
| Business-type activities: | |
| Water and sewer | $ 206,824 |
| Total depreciation expense - business-type activities | $ 206,824 |

### Component Unit

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Component unit** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 652,157 | $ - | $ 16,556 | $ 635,601 |

## NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2020, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities** | | | | | |
| Note payable | $ 11,396 | $ - | $ 6,000 | $ 5,396 | $ 5,396 |
| Compensated absences | 8,370 | 6,113 | 7,134 | 7,349 | 7,349 |
| Governmental activity Long-term liabilities | $ 19,766 | $ 6,113 | $ 13,134 | $ 12,745 | $ 12,745 |
| **Business-type activities** | | | | | |
| Bonds payable | $ 411,954 | $ - | $ 119,624 | $ 292,330 | $ 122,882 |
| Compensated absences | 2,406 | 942 | 560 | 2,788 | 2,788 |
| Business-type activity Long-term liabilities | $ 414,360 | $ 942 | $ 120,184 | $ 295,118 | $ 125,670 |

For the governmental activities, compensated absences are generally liquidated by the General Fund.

For the business-type activities, compensated absences are generally liquidated by the Water and Sewer Fund.

**Note Payable**. During the year ended December 31, 2019, the City entered into an agreement with the City of Pearson Industrial Authority to provide funding for a portion of the purchase of a piece of property owned by the City of Pearson Industrial Authority. The note is as follows at December 31, 2020:

| Interest Rate | Term | Due Date | Amount | Amount |
|---|---|---|---|---|
| 0.00% | 3.5 years | 2021 | $ 15,396 | $ 5,396 |

The annual requirements to pay the outstanding note are as follows:

| Fiscal Year Ending December 31, | Principal |
|---|---|
| 2021 | $ 5,396 |

## NOTE 7. LONG-TERM DEBT (CONTINUED)

**Water and Sewer Revenue Bonds**

Revenue bond debt service requirements to maturity are as follows:

| Fiscal Year Ending December 31, | Total Amount of Bonds Payable | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2021 | $ 122,882 | $ 6,468 | $ 129,350 |
| 2022 | 126,164 | 3,074 | 129,238 |
| 2023 | 43,284 | 255 | 43,539 |
| | $ 292,330 | $ 9,797 | $ 302,127 |

**Notes Payable – Discretely Presented Component Unit**

The City of Pearson Industrial Authority originated a new loan to purchase land in 2016. The note on the loan is payable in 98 installments of $500 (annual interest rate of 5%) and began on June 10, 2016.

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ 5,134 | $ 866 | $ 6,000 |
| 2022 | 5,397 | 603 | 6,000 |
| 2023 | 5,673 | 327 | 6,000 |
| 2024 | 3,443 | 58 | 3,501 |
| | $ 19,647 | $ 1,854 | $ 21,501 |

## NOTE 8. CONTINGENCIES

### Grant Contingencies

The City participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At December 31, 2020, there were no known amounts questioned or earmarked for disallowance. Based upon prior experience, management of the City believes such disallowances, if any, will not have a material effect on any individual governmental fund or the overall financial position of the City.

## NOTE 8. CONTINGENCIES (CONTINUED)

### Litigation

As is the ordinary course of city government, the City is the defendant in several lawsuits in the nature of civil violations, claims for damages to persons and property and other similar types of suits. Liability, if any, which might result from these proceedings, would not, in the opinion of the Management and the City Commission, have a material adverse effect on the financial position of the City.

## NOTE 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 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 the Official Code of Georgia Annotated (“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.

## NOTE 10. JOINT VENTURES

Under Georgia Law, the City, in conjunction with other cities and counties in the 18 county South Georgia area, is a member of the Southern Georgia Regional Commission (“SGRC”) and is required to pay annual dues thereto. During the year ended December 31, 2020, the City paid $2,576 in such dues. Membership in SGRC is required by the O.C.G.A. §50-8-34 which provides for the organizational structure of Regional Commissions (“RCs”) in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. O.C.G.A. §50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from the Southern Georgia Regional Commission, 327 West Savannah Avenue, Valdosta, Georgia 31503.

## NOTE 11. 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 a 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 2020 to the 401(a) defined contribution plan was $709.

# COMBINING AND INDIVIDUAL FUND STATEMENTS

# NONMAJOR GOVERNMENTAL FUNDS

## Special Revenue Funds

**Drug Fund** – This fund is used to account for special fines collected by the court to be used by the City solely and exclusively for a drug program related to controlled substances and marijuana.

**Revolving Loan Fund** – This fund is used to account for a grant to the City to be loaned to individuals and companies for the purpose of generating low to moderate income jobs to help the City's economic development. The revenue generated is from the loan interest.

## Capital Projects Funds

The **SPLOST 2012 – 2017 Fund –** This fund is used to account for financing and construction of facilities and improvements in accordance with a sales tax referendum associated with the years 2012 through 2017.

# CITY OF PEARSON, GEORGIA

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
## DECEMBER 31, 2020

| | Special Revenue Funds | | Capital Projects Fund | |
|---|---|---|---|---|
| | Drug Fund | Revolving Loan Fund | SPLOST 2012 – 2017 Fund | Total Nonmajor Governmental Funds |
| **ASSETS** | | | | |
| Cash | $ 8,405 | $ 98,567 | $ 40,898 | $ 147,870 |
| Due from other governments | - | - | 17,486 | 17,486 |
| Total assets | 8,405 | 98,567 | 58,384 | 165,356 |
| **FUND BALANCES** | | | | |
| Restricted for: | | | | |
| Public safety | 8,405 | - | - | 8,405 |
| Housing and development | - | 98,567 | - | 98,567 |
| Capital projects | - | - | 58,384 | 58,384 |
| Total fund balances | $ 8,405 | $ 98,567 | $ 58,384 | $ 165,356 |

# CITY OF PEARSON, GEORGIA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| | Special Revenue Funds | | Capital Projects Fund | |
|---|---|---|---|---|
| | Drug Fund | Revolving Loan Fund | SPLOST 2012 – 2017 Fund | Total Nonmajor Governmental Funds |
| **Revenues** | | | | |
| Taxes | $ - | $ - | $ 154,903 | $ 154,903 |
| Interest and dividend income | 26 | 97 | 64 | 187 |
| Other revenues | 6,816 | - | - | 6,816 |
| Total revenues | 6,842 | 97 | 154,967 | 161,906 |
| **Expenditures** | | | | |
| Current: | | | | |
| Public safety | 3,837 | - | - | 3,837 |
| Capital outlay | - | - | 149,093 | 149,093 |
| Total expenditures | 3,837 | - | 149,093 | 152,930 |
| Excess (deficiency) of revenues over (under) expenditures | 3,005 | 97 | 5,874 | 8,976 |
| Net change in fund balances | 3,005 | 97 | 5,874 | 8,976 |
| **Fund balances, beginning of year** | 5,400 | 98,470 | 52,510 | 156,380 |
| **Fund balances, end of year** | $ 8,405 | $ 98,567 | $ 58,384 | $ 165,356 |

# CITY OF PEARSON, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

| No. | Project | Original and Current Estimated Cost | Prior Years | Current Year | Total |
|---|---|---|---|---|---|
| | | 2017 Referendum | | | |
| 1 | Public Safety - Equipment | $ 175,000 | $ 99,916 | $ 13,300 | $ 113,216 |
| 2 | Senior Center- Capital Improvement and Equipment | 50,000 | - | - | - |
| 3 | Renovation and Capital Repair of Buildings | 150,000 | 50,923 | 11,699 | 62,622 |
| 4 | Paving and Street Improvements | 100,000 | 83,260 | 85,749 | 169,009 |
| 5 | Water and Wasterwater Buildings and Equipment | 175,000 | 28,630 | 19,083 | 47,713 |
| 6 | Recreation Buildings, Equipment, and Improvements | 160,000 | 66,933 | 19,262 | 86,195 |
| | | $ 810,000 | $ 329,662 | $ 149,093 | $ 478,755 |

# COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

# 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*

**The City Council**
**of the City of Pearson, Georgia**
**Pearson, Georgia**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pearson, Georgia (the "City"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 28, 2022.

**Internal Control over Financial Reporting**
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 through 2020-006 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

**City of Pearson, Georgia's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City'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 City'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.

Mauldin & Jenkins, LLC

Macon, Georgia
February 28, 2022

# CITY OF PEARSON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

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## SECTION I
## SUMMARY OF AUDIT RESULTS

### *Financial Statements*

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | X Yes _____ None Reported |
| Significant deficiencies identified not considered to be material weaknesses? | _____ Yes X None Reported |
| Noncompliance material to financial statements noted? | _____ Yes X No |

### *Federal Awards*

There was not an audit of major federal award programs due to the total amount expended on federal programs being less than $750,000.

# CITY OF PEARSON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES

**2020-001 – General Accounting Matters/Close-Out Procedures**

**Criteria:** Internal control is a process designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control is also a process of safeguarding assets against unauthorized acquisition, use, or disposition, and includes controls related to financial reporting and operations objectives. Generally accepted accounting principles require assets, liabilities, revenues and expenditures to be recognized in the accounting period in which they become both measurable (and available). Further, a fundamental principle in accounting and financial reporting is the notion of timely recognition and recording of financial and non-financial transactions and activities.

**Condition**: During our audit, we noted an inordinate amount of accounting, reporting and reconciling was not properly performed and reviewed during the fiscal year which required a significant effort to close the City's 2020 fiscal year. Significant adjustments were determined and required to be recorded in the months that followed December 31, 2020. Further, and throughout the course of the audit process, we noted there was an overall lack of proper and adequate accounting on a timely basis. We noted deficiencies in timeliness, completeness, and accuracy. Specifically, we noted a lack of timely and accurate financial and non-financial information needed:

- to properly account for all bank accounts related to the City;
- to properly reconcile all cash accounts;
- to properly maintain the accounts payable on a periodic basis throughout the year;
- to accurately maintain and record the City's capital assets;
- to properly account for prior year audit entries;
- to properly maintain general ledgers, subsidiary ledgers, and related reconciliations; and
- to close-out and report activities, events and transactions on a periodic basis.

We believe it is important to note that we observed genuine interest by the City's accounting personnel in their desire to learn and assume greater responsibilities for the City's accounting and financial reporting and noticed great improvement subsequent to the current year's audit.

**Context:** We addressed the matter with the City to determine the appropriate steps are taken so as to properly complete general accounting matters and close-out procedures at December 31, 2020.

**Effects:** The ultimate effect of the above condition is the potential for errors and irregularities to occur and not to be detected and corrected in a timely manner.

**Cause:** There was a lack of appropriate controls implemented at the City during the fiscal year to properly maintain financial and non-financial information and to properly close-out the year-end.

# CITY OF PEARSON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2020-001 – General Accounting Matters/Close-Out Procedures (Continued)**

**Recommendation:** We recommend the City consider a variety of options to address the above condition. In no particular order, the City needs to look at the respective staffing of the accounting function, and determine if an adequate number of staff are currently available to address the condition. The City also needs to consider and evaluate its strengths and weaknesses relative to the accounting function, and take measures to address the concerns noted above with a goal of providing timely recording, reconciling and reporting of City operations and financial and non-financial activities. We also recommend the City seek the expertise of a technician to come in and diagnose the issues with the City's accounting software related to the accounts payable and capital assets to improve the overall audit.

**Views of Responsible Officials and Planned Corrective Action:** We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate error and identify deficiencies from both operational and financial perspectives.

**2020-002 – Insufficient Internal Controls Regarding Procurement Processes**

**Criteria:** Internal controls surrounding procurement processes are a vital safeguard to the purchase of materials, supplies and/or services for the City.

**Condition:** The City was unable to show evidence of procurement processes designed to safeguard the City.

**Effect:** Lack of such sufficient safeguards can result in the misappropriation of funds, supplies and/or assets of the City.

**Recommendation:** The City should prepare and adopt a procurement policy. The policy should include clearly defined procedures for purchases exceeding certain established thresholds, including but not limited to – governing body approval prior to purchase and established methods of procurement.

**Views of Responsible Officials and Planned Corrective Action:** We concur with the finding. We will begin establishing such policies.

**2020-003 – 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.

# CITY OF PEARSON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

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## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2020-003 – Segregation of Duties (Continued)**

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

**Views of Responsible Officials and Planned Corrective Action:** We concur with the recommendation. We will implement oversight by the Mayor and Council. However, due to limited resources and personnel we cannot correct the lack of segregation of duties.

**2020-004 – 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.

**Views of Responsible Officials and Planned Corrective Action:** 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.

**2020-005 – Financial Statements Not Being Prepared**

**Criteria:** Financial statements are not being prepared by the City.

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

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

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

**Views of Responsible Officials and Planned Corrective Action:** We concur with the recommendation. The City will continue to use the auditing firm to assist in drafting the financial statements.

# CITY OF PEARSON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

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## SECTION II
## FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2020-006 – 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 budgets reports reviewed and budget amendments need to be approved as needed.

**Views of Responsible Officials and Planned Corrective Action:** We concur with the recommendation. We will implement budget preparation and oversight by Mayor and Council.

# CITY OF PEARSON, GEORGIA

## SCHEDULE OF PRIOR YEAR FINDINGS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

**2019-001 – General Accounting Matters/Close-Out Procedures**

**Criteria:** Internal control is a process designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control is also a process of safeguarding assets against unauthorized acquisition, use, or disposition, and includes controls related to financial reporting and operations objectives. Generally accepted accounting principles require assets, liabilities, revenues and expenditures to be recognized in the accounting period in which they become both measurable (and available). Further, a fundamental principle in accounting and financial reporting is the notion of timely recognition and recording of financial and non-financial transactions and activities.

**Condition**: During our audit, we noted an inordinate amount of accounting, reporting and reconciling was not properly performed and reviewed during the fiscal year which required a significant effort to close the City's 2020 fiscal year. Significant adjustments were determined and required to be recorded in the months that followed December 31, 2020. Further, and throughout the course of the audit process, we noted there was an overall lack of proper and adequate accounting on a timely basis. We noted deficiencies in timeliness, completeness, and accuracy. Specifically, we noted a lack of timely and accurate financial and non-financial information needed:

- to properly account for all bank accounts related to the City;
- to properly reconcile all cash accounts;
- to properly maintain the accounts payable on a periodic basis throughout the year;
- to accurately maintain and record the City's capital assets;
- to properly account for prior year audit entries;
- to properly maintain general ledgers, subsidiary ledgers, and related reconciliations; and
- to close-out and report activities, events and transactions on a periodic basis.

We believe it is important to note that we observed genuine interest by the City's accounting personnel in their desire to learn and assume greater responsibilities for the City's accounting and financial reporting and noticed great improvement subsequent to the current year's audit.

**Status:** Unresolved. This is included in current finding number 2020-001.

**2019-002 – Insufficient Internal Controls Regarding Procurement Processes**

**Criteria:** Internal controls surrounding procurement processes are a vital safeguard to the purchase of materials, supplies and/or services for the City.

**Condition:** The City was unable to show evidence of procurement processes designed to safeguard the City.

**Status:** Unresolved. This is included in current finding number 2020-002.

# CITY OF PEARSON, GEORGIA

## SCHEDULE OF PRIOR YEAR FINDINGS
## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

**2019-003 – 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.

**Status:** Unresolved. This is included in current finding number 2020-003.

**2019-004 – 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.

**Status:** Unresolved. This is included in current finding number 2020-004.

**2019-005 – Financial Statements Not Being Prepared**

**Criteria:** Financial statements are not being prepared by the City.

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

**Status:** Unresolved. This is included in current finding number 2020-005.

**2019-006 – 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.

**Status:** Unresolved. This is included in current finding number 2020-006.