MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
McDuffie County/City of Thomson, Georgia
Water and Sewer Commission
Thomson, Georgia

Opinion

We have audited the accompanying financial statements of the business-type activities of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 McDuffie County/City of Thomson, Georgia Water and Sewer Commission's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios – retirement plan, schedule of contributions – retirement plan, and schedule of changes in the total OPEB liability and related ratios – other postemployment benefits plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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 inquires, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 29, 2022 on our consideration of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission'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 McDuffie County/City of Thomson, Georgia Water and Sewer Commission'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 McDuffie County/City of Thomson, Georgia Water and Sewer Commission's internal control over financial reporting and compliance.

Thomson, Georgia
June 29, 2022

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MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Within this section of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's (the "Commission") annual financial report, the Commission's management is pleased to provide this narrative discussion and analysis of the financial activities of the Commission for the year ended December 31, 2021.

Financial Highlights

- Total assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $ 30,656,674 (net position). Of this amount, $ 4,238,524 (unrestricted net position) may be used to meet the Commission's ongoing obligations to citizens and creditors.

- The Commission's total net position increased by $ 594,578 during 2021.

- For the year ended December 31, 2021, the Commission recognized net income from operations of $ 727,593. Non-operating revenues decreased by $ 31,075, primarily due to a decrease in special local option sales tax funding, whereas, non-operating expenses increased by $ 76,035 as a result of loan origination fees paid on a new GEFA loan. Capital contributions decreased by $ 989,832 because no intergovernmental transfer of assets occurred in 2021.

- The Commission's total long-term debt decreased by $ 240,290.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Commission's financial statements. The financial statements include: (1) fund financial statements and (2) notes to the financial statements. Comparative data is presented when available.

Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Commission is comprised of a single proprietary fund which is accounted for as an enterprise fund. Enterprise funds use a perspective similar to that found in the private sector, whereby, the financial statements are prepared on the accrual basis of accounting.

The Commission's annual report includes three financial statements. These statements provide both long-term and short-term information about the Commission's overall financial status.

The first of these financial statements is the *Statement of Fund Net Position-Proprietary Fund.* This is a statement of financial position, which presents all of the Commission's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission as a whole is improving or deteriorating.

The second financial statement is the *Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Fund*, which reports how the Commission's net position changed during the current year.

The third financial statement is the *Statement of Cash Flows-Proprietary Fund*. This statement reports the cash provided by and used for operating activities, noncapital and capital financing activities, and investing activities with the difference reported as an increase or decrease in cash and cash equivalents for the year. Transactions not requiring the use of cash are reported as noncash investing, capital, and financing activities.

The financial statements are presented on pages 14 - 18 of this report.

(Continued)

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the Commission's financial statements. The notes to the financial statements begin on page 20 of this report.

Financial Analysis of the Commission as a Whole

As noted earlier, net position may serve over time, as a useful indicator of whether the financial position of the Commission is improving or deteriorating. As of December 31, 2021, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $ 30,656,674 (net position).

The following table presents a summary of the Commission's net position.

NET POSITION

	2021	2020	2019
Assets			
Unrestricted current assets	$ 5,775,802	$ 5,168,996	$ 4,467,054
Restricted assets	1,029,272	1,021,772	1,017,919
Water contracts	67,778	75,309	82,840
Capital assets, net of accumulated depreciation	33,702,620	33,928,696	33,568,115
Total assets	40,575,472	40,194,773	39,135,928
Deferred outflows of resources	189,673	432,051	148,010
Liabilities			
Current liabilities	1,084,266	935,708	924,443
Non-current liabilities	8,490,252	9,616,441	9,256,212
Total liabilities	9,574,518	10,552,149	10,180,655
Deferred inflows of resources	533,953	12,579	9,780
Net position			
Net investment in capital assets	25,388,878	25,343,216	24,857,593
Restricted for debt service	1,029,272	1,021,772	1,017,919
Unrestricted	4,238,524	3,697,108	3,217,991
Total net position	$ 30,656,674	$ 30,062,096	$ 29,093,503

(Continued)

Total net position increased by $ 594,578 during 2021. By far the largest portion of the Commission's net position (82.82 percent) reflects its investment in capital assets (e.g. land, buildings and improvements, plant and facilities, machinery and equipment, autos and trucks, and water capacity rights); less any related debt used to acquire those assets still outstanding. The Commission uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Commission's net position totaling $ 1,029,272 (3.36 percent) represents resources that are restricted for debt service. The remaining net position totaling $ 4,238,524 (13.82 percent) is unrestricted and as such, is available to meet the Commission's ongoing obligations to its customers and creditors.

Current assets represent amounts that are available to pay current liabilities. For the year ended December 31, 2021, unrestricted current assets totaled $ 5,775,802, an increase of $ 606,806 from 2020. The increase is attributable to an increase in cash of $ 636,721, accounts receivable of $ 2,036, accrued interest receivable of $ 1,116, prepaids of $ 1,533 and a decrease in intergovernmental receivables of $ 31,448, and inventories of $ 3,152.

Restricted assets held under covenants prescribed by the bond document increased by $ 7,500 during 2021.

Deferred outflows of resources, which include pension plan payments made subsequent to the measurement date, the difference between expected and actual experience on pension plan demographic and economic changes, and changes in assumptions, totaled $ 189,673 at December 31, 2021, representing a decrease of $ 242,378 from 2020.

Other liabilities, amounts due and payable within the next year, including current maturities of long-term debt, totaled $ 1,084,266 as of December 31, 2021, which represents an increase of $ 148,558 from 2020. The increase consists of increases in accounts payable, customer deposits, intergovernmental payables, accrued expenses, and the current portion of long-term debt of $ 97,638, $ 3,804, $ 11,006, $ 24,104, and $ 12,006, respectively.

The Commission is reporting deferred inflows of resources totaling $ 533,953 at December 31, 2021. These inflows represent deferred charges related to the pension plan and include the difference between expected and actual experience on pension plan demographic and economic changes, and the net difference between projected and actual earnings on pension plan investments This amount represents an increase of $ 521,374 from 2020 and primarily consist of investment related changes associated with pension plan investments.

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The following table provides a summary of the Commission’s changes in net position:

CHANGES IN NET POSITION

	2021	2020	2019
Revenues			
Operating revenues			
Charges for services	$ 5,887,173	$ 5,657,557	$ 5,516,187
Non-operating revenues			
Capital contributions	-	989,832	-
Special local option sales tax	95,528	154,992	67,375
Other	98,543	70,154	111,997
Total revenues	6,081,244	6,872,535	5,695,559
Expenses			
Operating expenses	5,159,580	5,652,891	5,194,986
Non-operating expenses			
Interest expense	242,247	251,051	262,068
Loan origination fees	84,839	-	-
Other	-	-	24,240
Total expenses	5,486,666	5,903,942	5,481,294
Change in net position	594,578	968,593	214,265
Net position, beginning of year,	30,062,096	29,093,503	28,879,238
Net position, end of year	$ 30,656,674	$ 30,062,096	$ 29,093,503

Revenues for charges and services increased in 2021 by $ 229,616, which represents an increase of 4.06 percent.

The City of Thomson, Georgia (the “City”) and McDuffie County, Georgia (the “County”) contribute capital assets funded with capital grants awarded in their names to the Commission upon completion of the projects. Capital contributions decreased by $ 989,832 in 2021 because no capital projects were completed and transferred during the year.

Proceeds from the special local option sales tax (SPLOST) are used to fund the local match on capital projects funded with federal and state capital grants, locally funded capital projects, and purchases of other water and sewer capital assets. The use of SPLOST funds is discretionary and is voted on and approved by the Commission. Accordingly, SPLOST proceeds recognized in a given year are dependent on the size and number of capital projects being undertaken by the Commission during the year. SPLOST funding received during 2021 totaled $ 95,528.

Other non-operating revenues increased by $ 28,389 which is attributable to increases in a contract settlement of $ 80,000, sales of surplus property of $ 7,728, insurance claims of $ 8,576 and decreases in intergovernmental revenues of $ 45,000, and interest income of $ 22,915.

Operating expenses decreased by $ 493,311 in 2021. This decrease includes reduced costs for personnel services and benefits of $ 457,916, repairs and maintenance of $ 81,663, and other purchased services of $ 53,797. Costs incurred for professional and technical services, supplies, intergovernmental, other costs, depreciation, and bad debts increased in 2021 by $ 11,122, $ 75, $ 45,104, $ 7,886, $ 33,196, and $ 2,682, respectively.

(Continued)

Capital Assets

The Commission's investment in capital assets as of December 31, 2021 totaled $ 33,702,620 (net of accumulated depreciation) which represents a net decrease of $ 226,076. This investment in capital assets includes land, buildings and improvements, plant and facilities, machinery and equipment, autos and trucks, construction in progress, and water capacity rights.

During 2012, the Commission assumed all water and sewer related debts of the County and the Town of Dearing, Georgia (the "Town") in exchange for exclusive use of the underlying assets and all future revenues derived therefrom. The exclusive rights granted to the Commission totaled $ 6,083,014, which represents the total debt assumed, net of cash contributed by the County and the Town. These rights are described as "water capacity rights" and are accounted for as capital assets in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Water capacity rights are being amortized using the straight-line method. Amortization of water capacity rights totaled $ 293,157 for the year ended December 31, 2021 and is reported as part of depreciation expense in the financial statements.

Capital asset additions for 2021 include water and sewer system improvements totaling $ 30,868, purchase of new generator totaling $ 15,945, and the purchase of three service trucks totaling $ 115,892. Construction in progress as of December 31, 2021 totaled $ 1,835,289, which includes costs associated with the Sills Branch/Germany Creek gravity main project, the Augusta Road Water Treatment Plant and Usry Pond raw water pump project, the advanced metering infrastructure project, wastewater treatment plant improvements, SCADA project, raw water intake project, emergency bypass pump project, geospatial locator project, and Sweetwater Bridge line relocation project.

These additions were funded with water and sewer revenues, funds held in the renewal and extension fund, SPLOST proceeds, and loan proceeds from the Georgia Environmental Finance Authority (GEFA).

Capital assets with an original cost basis of $ 115,640 and a book basis of $ 0 were sold as surplus property. Proceeds and recognized gain on the sale of surplus property totaled $ 7,728 in 2021.

Annual depreciation expense, including amortization of water capacity rights described above, recorded in 2021 totaled $ 1,477,379.

There were no other significant capital asset transactions during the year.

Additional information on capital assets can be found in Note 4 to the financial statements of this report.

Debt Administration

On August 31, 2012, the City and the County, passed a joint resolution calling for the issuance of water and sewerage revenue refunding bonds (Series 2012A) to refinance, in part, all existing water and sewer related debt of the Commission, the County and the Town. Proceeds from the Series 2012A Bonds, after discounts of $ 70,906, totaled $ 9,799,094. As of December 31, 2021, the principal balance of the Series 2012A bonds was $ 7,570,000.

During 2016, the Commission, in conjunction with the City, entered into a capital lease to purchase equipment and a service vehicle. The Commission's proportionate share of the lease proceeds and quarterly payments totaled $ 75,842 and $ 4,047, respectively. This lease was paid in full as of December 31, 2021.

On June 8, 2018, the Commission entered into a capital lease to purchase equipment. Proceeds from the lease totaled $111,046 and the monthly payment of principal and interest is $ 2,005. As of December 31, 2021, the outstanding principal balance of this capital lease was $ 33,284.

(Continued)

On December 19, 2018, the City entered into a loan agreement with the Drinking Water State Revolving Fund administered by GEFA to finance upgrades and improvements at the Augusta Road Water Treatment Plant and the Usry Pond Raw Water Pump Station. Proceeds of this loan, as currently modified, total $ 1,352,900 and will be drawn down as construction on the project progresses. As of December 31, 2021, $ 149,626 has been advanced on this loan.

On July 30, 2019, the City entered into a loan agreement with the Drinking Water State Revolving Fund administered by GEFA to purchase and install advanced metering infrastructure. Proceeds of this loan, as currently modified, total $ 1,694,000 and will be drawn down as construction on the project progresses. As of December 31, 2021, $ 493,629 has been advanced on this loan.

On June 17, 2021, the City entered into a loan agreement with Clean Water State Revolving Fund administered by GEFA to finance upgrades and improvements at the wastewater treatment plant. Proceeds of this loan are estimated to be $ 8,361,000 and will be drawn down as construction on the project progresses. As of December 31, 2021, $ 78,699 has been advanced on this loan.

Advances on the GEFA loans, totaling $ 721,954, are described as “construction loan advances” and are reported as a noncurrent liability in the Statements of Fund Net Position-Proprietary Fund.

There was no other outstanding debt as of December 31, 2021.

Additional information on long-term debt can be found in Note 5 to the financial statements of this report.

Economic Factors Affecting the Water and Sewer Commission

The Commission is committed to providing its customers with high quality drinking water, reliable sewage delivery systems, and facilities to treat wastewater in a safe and responsible manner. This commitment is demonstrated in the Commission’s efforts to provide operator training and certification, monitoring of the systems inflows and outflows, evaluation of existing systems, and exploring new technologies to enhance and improve its delivery systems.

While many state and local governments face legal challenges to water rights and struggle with the possibility of shortages in water supply, the Commission has planned for and positioned itself with an ample source of water for generations to come. The Commission’s two water treatment plants provide quality drinking water for a large majority of County residents. Additional revenues are generated through agreements with other local governments to purchase a limited amount of water from the system. These agreements provide a cost effective means of providing water to households and industries that might not have been available otherwise.

The Commission fully understands that access to adequate, reliable, and well maintained water and sewer systems is a key component in attracting new industries and residential developments to the community. Water and sewer services have been extended to a large majority of the local industrial parks and major improvements have been made to many residential neighborhoods throughout the service area. These expansions and improvements have been funded in large part by capital grants that do not have to be repaid, low interest loans with extended repayment terms, and a special local option sales tax that is funded in large part by individuals living outside of the community. The Commission, along with its participating local governments, actively pursue available low cost funding sources for future expansion and improvements to the system.

Request for Information

This financial report is designed to provide a general overview of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission’s finances for those with an interest in the Commission’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to John Waller, City Administrator, P.O. Box 1017, Thomson, Georgia 30824.

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FINANCIAL STATEMENTS

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF FUND NET POSITION-PROPRIETARY FUND

	December 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash	$ 4,989,555	$ 4,352,834
Restricted cash	268,068	260,568
Accounts receivable (net of allowance for uncollectible accounts of $ 350,089 for 2021 and $ 323,260 for 2020)	723,378	721,342
Interest receivable	1,688	572
Intergovernmental receivables	14,570	46,018
Inventories	19,202	22,354
Prepaids	27,409	25,876
Total current assets	6,043,870	5,429,564
Noncurrent assets		
Restricted cash	761,204	761,204
Water contracts	67,778	75,309
Capital assets		
Land	246,026	246,026
Buildings and improvements	101,137	101,137
Plant and facilities	51,939,521	51,916,281
Machinery and equipment	1,036,525	1,032,414
Autos and trucks	842,415	822,701
Water capacity rights	6,083,014	6,083,014
Construction in progress	1,835,289	746,691
Less accumulated depreciation	(28,381,307)	(27,019,568)
Total capital assets (net of accumulated depreciation)	33,702,620	33,928,696
Total noncurrent assets	34,531,602	34,765,209
Total assets	40,575,472	40,194,773
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	189,673	432,051
Total deferred outflows of resources	189,673	432,051
Total assets and deferred outflows of resources	40,765,145	40,626,824

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

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF FUND NET POSITION-PROPRIETARY FUND

	December 31, 2021	December 31, 2020
LIABILITIES		
Current liabilities		
Accounts payable	214,591	116,953
Customer deposits	180,886	177,082
Intergovernmental payables	32,561	21,555
Accrued expenses	101,853	77,749
Current portion of capital lease payable	23,338	26,624
Current liabilities payable from restricted assets		
Current portion of revenue bonds payable	531,037	515,745
Total current liabilities	1,084,266	935,708
Noncurrent liabilities		
Capital lease payable	9,946	33,284
Revenue bonds payable	7,012,897	7,543,934
Construction loan advances	721,954	419,875
Net pension liability	348,498	1,169,276
Total OPEB liability	396,957	450,072
Total noncurrent liabilities	8,490,252	9,616,441
Total liabilities	9,574,518	10,552,149
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension plan	533,953	12,579
Total liabilities and deferred inflows of resources	10,108,471	10,564,728
NET POSITION		
Net investment in capital assets	25,388,878	25,343,216
Restricted for debt service	1,029,272	1,021,772
Unrestricted	4,238,524	3,697,108
Total net position	$ 30,656,674	$ 30,062,096

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

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION-
PROPRIETARY FUND

	For the Years Ended December 31, 2021	2020
OPERATING REVENUES		
Charges for sales and services		
Water and sewer sales	$ 5,680,206	$ 5,468,439
Penalties	58,898	70,118
Other services	148,069	119,000
Total operating revenues	5,887,173	5,657,557
OPERATING EXPENSES		
Personnel services and benefits	1,488,037	1,945,953
Professional and technical services	154,969	143,847
Repairs and maintenance	352,444	434,107
Other purchased services	752,978	806,775
Supplies	605,273	605,198
Intergovernmental	222,534	177,430
Other	71,606	63,720
Depreciation	1,477,379	1,444,183
Amortization	7,531	7,531
Bad debts	26,829	24,147
Total operating expenses	5,159,580	5,652,891
Operating income	727,593	4,666
NON-OPERATING REVENUES (EXPENSES)		
Special local option sales tax	95,528	154,992
Intergovernmental	-	45,000
Contract settlement	80,000	-
Gain on sale of surplus property	7,728	-
Insurance claims	8,576	-
Interest income	2,239	25,154
Loan origination fees	(84,839)	-
Interest expense	(242,247)	(251,051)
Total non-operating expenses	(133,015)	(25,905)
Income (loss) before contributions	594,578	(21,239)
CAPITAL CONTRIBUTIONS	-	989,832
Change in net position	594,578	968,593
NET POSITION, BEGINNING OF YEAR,	30,062,096	29,093,503
NET POSITION, END OF YEAR	$ 30,656,674	$ 30,062,096

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

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF CASH FLOWS-PROPRIETARY FUND

	For the Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 5,883,002	$ 5,551,825
Payments to suppliers	(2,025,001)	(2,263,356)
Payments to employees	(1,588,325)	(1,713,141)
Net cash provided by operating activities	2,269,676	1,575,328
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from special local option sales tax	95,528	154,992
Proceeds from intergovernmental agencies	-	45,000
Proceeds from construction loan advances	333,527	326,135
Proceeds from contract settlement	80,000	-
Proceeds from insurance claims	8,576	-
Proceeds from sale of surplus property	7,728	-
Purchases and construction of capital assets	(1,282,751)	(768,914)
Payments on long-term debt	(542,369)	(543,213)
Interest paid	(241,978)	(250,793)
Loan origination fees paid	(84,839)	-
Net cash used in capital and related financing activities	(1,626,578)	(1,036,793)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,123	49,712
Net cash provided by investing activities	1,123	49,712
Net increase in cash	644,221	588,247
Cash, beginning of year	5,374,606	4,786,359
Cash, end of year	$ 6,018,827	$ 5,374,606
CASH PER STATEMENTS OF FUND NET POSITION-PROPRIETARY FUND		
Cash	$ 4,989,555	$ 4,352,834
Restricted cash-current	268,068	260,568
Restricted cash-noncurrent	761,204	761,204
	$ 6,018,827	$ 5,374,606

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

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF CASH FLOWS-PROPRIETARY FUND

	For the Years Ended December 31, 2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 727,593	$ 4,666
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,477,379	1,444,183
Amortization	7,531	7,531
Other pension related charges	(57,026)	104,417
Other post employment benefits (OPEB)	(53,115)	144,786
(Increase) decrease in current assets		
Accounts receivable	(2,036)	(89,487)
Intergovernmental receivables	-	610
Inventories	3,152	(5,912)
Prepaids	(1,533)	(1,299)
Increase (decrease) in current liabilities		
Accounts payable	129,086	(27,385)
Intergovernmental payables	11,006	4,071
Customer deposits	3,804	7,292
Accrued expenses	23,835	(18,145)
Total adjustments	1,542,083	1,570,662
Net cash provided by operating activities	$ 2,269,676	$ 1,575,328
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from other government	$ -	$ 989,832
Total noncash investing, capital and financing activities	$ -	$ 989,832

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The financial statements of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission (the "Commission") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying summary of the Commission's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report.

B. The Financial Reporting Entity

McDuffie County, Georgia (the "County") and the City of Thomson, Georgia (the "City") entered into an agreement to establish the McDuffie County/City of Thomson, Georgia Water and Sewer Commission to operate, maintain and extend the Water and Sewerage System (the "System") for the residents of the City and County. On April 1, 1988, the Commission assumed ownership and operations of the City of Thomson Water and Sewer Enterprise Fund and began collecting a 1% special purpose local option sales tax to fund expansion of the existing System. The terms of the agreement are binding for a period of 50 years commencing on April 1, 1988. A seven-member board administers the Commission and is composed of the County Commission Chairman, one County Commissioner, one resident of the County, the Mayor of the City, one City Council member, one City resident, and one County resident appointed by the Commission.

The County and City equally own and maintain the System and any future improvements to it. The County administers the special 1% construction fund, as well as, grants and loans obtained in the County's name for expansion of the System. The City is responsible for any construction funds derived from grants and loans obtained in the City's name, as well as, all funds from operating the System. Daily operations of the System are carried out by the City's water and sewer department. All funds generated by the System are to be used for operating, maintaining, improving, or expanding the System.

Based on the standards established by GASB Statement No. 14, *The Financial Reporting Entity,* the Commission is a separate organization classified as a joint venture.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (1) an ongoing financial interest or (2) an ongoing financial responsibility. Joint ventures are established for a number of reasons, ranging from economies of scales to effective risk management while providing a service directly to the individual governments involved or the citizens served by the governments. Joint control means that no one entity can unilaterally control the operational and financial policies of the commonly controlled entity.

An ongoing financial interest in a joint venture is present when the agreement stipulates that participating governments have an explicit, measurable right to the present and future net resources of the venture.

A participating government has an ongoing financial responsibility if it is obligated in some manner for the debts of a joint venture or when the joint venture's existence depends on continued funding by the participating government.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The 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 when a liability is incurred, regardless of the timing of the related cash flows.

The Commission is a proprietary fund operating as an enterprise fund. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial-related legal and contractual provisions.

Enterprise funds distinguish operating revenues and expenses from nonoperating 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 Commission's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Accounting and Control

The Commission's annual budget is adopted by the Mayor and City Council as part of the City's management duties. Prior to September 1, a proposed operating budget is submitted for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and the means of financing them. Public hearings are conducted to obtain public input. Prior to November 1, the budget is legally enacted through the passage of a resolution. The City, in its administration of Commission funds, is authorized to amend the adopted budget when unexpected modifications are required in estimated revenues and expenses. Budget appropriations lapse at year-end.

The Commission's budget differs in perspective to GAAP whereby the legally adopted budget is on the cash basis, capital expenditures are accounted for as expenses, and in its classifications and the order in which line item expenditures are presented.

The Commission's budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenses are budgeted by department and character (personnel services, maintenance and operations, capital outlay, and debt service) which constitutes the legal level of control. Expenses may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the Commission. Within these control levels, management may transfer appropriations without Commission approval. Revisions to the budget were made throughout the year.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments that mature within three months of the date acquired by the Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

All receivables are reported at their net realizable value. The Commission uses the allowance method for recording bad debts. The allowance for bad debt reserves for amounts owed from customers that have purchased services from the Commission is determined by an analysis of the year-end receivable balances for those accounts which the Commission believes will not be collected based on past history.

Unbilled utility service receivables are recorded at year-end. As of December 31, 2021 and 2020, unbilled receivables totaled $ 351,224 and $ 354,781, respectively.

Intergovernmental Receivables and Payables

The Commission receives funding from federal, state, and local governments for capital projects and operations. In addition, the Commission remits payment to the participating governments for the Commission’s share of common operating costs. The amounts due from and due to the other governments, related to these agreements, are recorded as intergovernmental receivables and payables.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of various supplies of pipes, meters, and other items that may be needed for repairs, maintenance, or minor construction projects.

Prepaids

The Commission uses the allocation method for accounting for prepaids. Under the allocation method, an asset is established at the date of payment and subsequently amortized over the accounting periods that are expected to benefit from the initial payment.

Restricted Assets

The restricted cash reflects amounts set aside for debt service related to the bonds payable. The bond resolution requires a reserve account to be maintained equal to the debt service requirements of the bonds. The resolution also requires a sinking fund to be maintained equal to one-sixth of the next ensuing interest payment and one-twelfth of the next ensuing principal payment. Both of these accounts are restricted for debt service.

Capital Assets

Capital assets are defined by the Commission as assets with an initial individual cost greater than $ 5,000 (amount not rounded) and an estimated useful life in excess of one year. Individual assets that cost less than $ 5,000, but that operate as part of a network system, are capitalized in the aggregate using the group method if considered material or significant. Capital assets are valued at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of capital assets is charged as an expense against operations and accumulated depreciation is reported on the Statements of Fund Net Position. Depreciation has been provided using the straight-line method over the assets' estimated useful lives as follows:

Buildings and improvements	25-40 years
Plant and facilities	25-50 years
Machinery and equipment	5-7 years
Autos and trucks	5 years
Water capacity rights	5-20 years

Water capacity rights granted to the Commission for the exclusive use of other government-owned systems and revenues derived therefrom are accounted for as capital assets. Amortization is being provided for using the straight-line method.

Compensated Absences

Employees may accumulate up to 20 days of unused vacation leave to be received as compensation upon separation from service. Accumulated vacation pay totaled $ 43,426 and $ 51,507 for the years ended December 31, 2021 and 2020, respectively. These amounts are included in accrued expenses in the Statements of Fund Net Position.

There is no liability for unpaid accumulated sick leave since the Commission does not have a policy to pay any amounts for accumulated sick leave when employees separate from service.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund's Statements of Fund Net Position. Bonds payable are reported net of applicable bond discounts which are amortized over the life of the bonds using the effective interest rate method. Amortization expense is recorded as additional interest expense.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Fund 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) until then. The Commission reports deferred outflows related to its pension plan in this category. Deferred outflows related to the pension plan represent employer contributions made subsequent to the pension plan's measurement date for computing the net pension liability, the difference between expected and actual experience on pension plan demographic and economic changes, and changes in assumptions. Contributions made subsequent to the pension plan's measurement date will be recognized as a reduction of the net pension liability in the following year, whereas demographic and economic changes, and assumption changes are recognized as a reduction in pension expense over time instead of being recognized in the year of occurrence.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statements of Fund Net Position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission reports deferred inflows related to its pension plan in this category. Deferred inflows related to the pension plan represent the difference between expected and actual experience on pension plan demographic and economic changes and the difference between projected and actual earnings on pension plan investments. These inflows represent changes in the net pension liability that are recognized as pension expense over time instead of all being recognized in the year of occurrence.

Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus.

The Commission's net position is classified as follows:

Net investment in capital assets: This represents the Commission's total investment in capital assets, net of debt related to those capital assets.

Restricted: This represents the net amount of assets subject to constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Unrestricted: This represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in any other category of net position.

F. Use of 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 and 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 vary from the estimates that were recorded.

G. New Accounting Pronouncements

<u>Pronouncements effective for the 2021 Financial Statements:</u>

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This Statement was effective for fiscal years beginning after December 15, 2019. This pronouncement had no impact on the Commission's financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for fiscal years beginning after June 15, 2019. Management implemented the provisions of this Statement in its financial statements as of and for the year ended December 31, 2020.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement was effective for reporting periods beginning after December 15, 2019. This pronouncement had no impact on the Commission's financial statements.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is effective for fiscal years ending after December 15, 2021. The Commission does not issue an Annual Comprehensive Financial Report (AFCR). This pronouncement had no impact on the Commission's financial statements.

<u>Pronouncements issued, but not yet effective, which will be adopted by the Commission in future years:</u>

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement establishes accounting and financial reporting standards focused on certain lease liabilities that currently are not reported. Comparability of financial statements among governments will be enhanced by requiring lessees and lessors to report leases under a single model. Decision-usefulness will also be enhanced by requiring notes to financial statements related to the timing, significance, and purpose of leasing arrangements. This Statement is effective for fiscal years beginning after December 15, 2020. Management is in the process of evaluating the impact of this pronouncement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The Statement establishes accounting requirements for interest cost incurred before the end of a construction period. It enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. Management implemented the provisions of this Statement in its financial statements as of and for the year ended December 31, 2018.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2021. Management is in the process of evaluating the impact of this pronouncement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for fiscal years beginning after June 15, 2021. Management is in the process of evaluating the impact of this pronouncement on its financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). This Statement is effective for fiscal years beginning after June 15, 2021. Management is in the process of evaluating the impact of this pronouncement on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement is effective for fiscal years beginning after June 15, 2022. Management is in the process of evaluating the impact of this pronouncement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and end users (governments). This Statement is effective for fiscal years beginning after June 15, 2022. Management is in the process of evaluating the impact of this pronouncement on its financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for fiscal years beginning after June 15, 2021. Management is in the process of evaluating the impact of this pronouncement on its financial statements.

NOTE 2 - CASH

State Statutes authorizes the Commission to make direct investment in obligations of the State of Georgia or the U.S. Government, obligations fully insured or guaranteed by the U.S. Government, repurchase agreements and certificates of deposit that are secured by direct obligations of the State of Georgia or the U.S. Government.

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk.

The Commission maintains its cash on deposit with local financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2021, the carrying amount of the Commission's deposits was $ 6,018,827 and the bank balance totaled $ 5,987,646. As of December 31, 2020, the carrying amount of the Commission's deposits was $ 5,374,606 and the bank balance totaled $ 5,344,580.

Deposits of the Commission were fully collateralized as of December 31, 2021 and 2020. Collateralization of the Commission's deposits as of December 31, 2021 and 2020 was as follows:

	12/31/2021	12/31/2020
Amount insured by FDIC	$ 500,000	$ 500,000
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name	5,487,646	4,844,580
Total bank balance	$ 5,987,646	$ 5,344,580

NOTE 3 - ACCOUNTS RECEIVABLE

As of December 31, 2021, accounts receivable totaled $ 723,378 including unbilled receivables of $ 351,224 and net of an allowance for uncollectible accounts of $ 350,089. Accounts receivable totaled $ 721,342 including unbilled receivables of $ 354,781 and net of an allowance for uncollectible accounts of $ 323,260 as of December 31, 2020.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021, was as follows:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Capital assets not being depreciated				
Land	$ 246,026	$ -	$ -	$ 246,026
Construction in progress	746,691	1,088,598	-	1,835,289
Total capital assets not being depreciated	992,717	1,088,598	-	2,081,315
Capital assets being depreciated				
Buildings and improvements	101,137	-	-	101,137
Plant and facilities	51,916,281	30,868	(7,628)	51,939,521
Machinery and equipment	1,032,414	15,945	(11,834)	1,036,525
Autos and trucks	822,701	115,892	(96,178)	842,415
Water capacity rights	6,083,014	-	-	6,083,014
Total capital assets being depreciated	59,955,547	162,705	(115,640)	60,002,612
Less accumulated depreciation				
Buildings and improvements	(12,406)	(2,528)	-	(14,934)
Plant and facilities	(23,054,301)	(1,062,294)	7,628	(24,108,967)
Machinery and equipment	(924,916)	(29,489)	11,834	(942,571)
Autos and trucks	(584,969)	(89,911)	96,178	(578,702)
Water capacity rights	(2,442,976)	(293,157)	-	(2,736,133)
Less accumulated depreciation	(27,019,568)	(1,477,379)	115,640	(28,381,307)
Net capital assets being depreciated	32,935,979	(1,314,674)	-	31,621,305
Capital assets-net	$ 33,928,696	$ (226,076)	$ -	$ 33,702,620

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Capital assets not being depreciated				
Land	$ 246,026	$ -	$ -	$ 246,026
Construction in progress	216,751	616,440	(86,500)	746,691
Total capital assets not being depreciated	462,777	616,440	(86,500)	992,717
Capital assets being depreciated				
Buildings and improvements	74,615	26,522	-	101,137
Plant and facilities	50,799,672	1,116,609	-	51,916,281
Machinery and equipment	1,077,499	6,551	(51,636)	1,032,414
Autos and trucks	697,559	125,142	-	822,701
Water capacity rights	6,083,014	-	-	6,083,014
Total capital assets being depreciated	58,732,359	1,274,824	(51,636)	59,955,547
Less accumulated depreciation				
Buildings and improvements	(10,210)	(2,196)	-	(12,406)
Plant and facilities	(22,007,163)	(1,047,138)	-	(23,054,301)
Machinery and equipment	(945,400)	(31,152)	51,636	(924,916)
Autos and trucks	(514,429)	(70,540)	-	(584,969)
Water capacity rights	(2,149,819)	(293,157)	-	(2,442,976)
Less accumulated depreciation	(25,627,021)	(1,444,183)	51,636	(27,019,568)
Net capital assets being depreciated	33,105,338	(169,359)	-	32,935,979
Capital assets-net	$ 33,568,115	$ 447,081	$ (86,500)	$ 33,928,696

Depreciation expense totaled $ 1,477,379 for the year ended December 31, 2021 and $ 1,444,183 for the year ended December 31, 2020.

NOTE 5 - LONG-TERM LIABILITIES

Revenue Bonds

Series 2012A Revenue Bonds Payable

On August 31, 2012, the City and County issued City of Thomson, Georgia and McDuffie County Water and Sewerage Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds") in the principal amount of $ 9,870,000. Proceeds of the Series 2012A Bonds were used to prepay notes payable to the Georgia Environmental Facilities Authority (GEFA), bonds issued by the County and Town of Dearing to Rural Development, and to pay expenses related to the issuance of the Series 2012A Bonds.

Proceeds from the Series 2012A Bonds, after discounts of $ 70,906, totaled $ 9,799,094. Of this amount, $ 3,970,130 was used to prepay notes payable to GEFA, $ 4,920,857 and $ 786,325 was used to refund bonds issued by the County and Town of Dearing to Rural Development, $ 111,296 was used to pay issuance costs of the Series 2012A Bonds, and $ 10,486 was transferred to the Thomson-McDuffie Sinking Fund.

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Interest payments are payable semiannually on the 1st day of January and July of each year, whereas principal payments are due on the 1st day of July of each year with final payment being due July 1, 2033. Interest is computed using varying rates ranging from 2.00% to 3.00%. The outstanding principal balance on the Series 2012A Bonds was $ 7,570,000 as of December 31, 2021, of which $ 535,000 is due within one year.

Series 2012A Bond Covenants

The bond resolution requires several funds and accounts to facilitate the operation of the System and provide for servicing the bond obligation. The Revenue Fund is used as the depository for all revenues derived from the ownership and operation of the System. Costs of operating, maintaining and repairing the System are paid from the Revenue Fund. A Sinking Fund consisting of two accounts designated as the “Debt Service Account” and “Reserve Account” is maintained to provide for payment of the principal and interest of the bonds. A monthly deposit is made to the Debt Service Account in amounts sufficient to fully fund the next ensuing payment of principal and interest. The Debt Service Account deposit requirement was $ 378,826 at December 31, 2021. As of December 31, 2021, the balance in the Debt Service Account totaled $ 268,068 after payment of interest due January 1, 2022 totaling $ 111,326. The resolution stipulates that substantially equal monthly payments be deposited into the Reserve Account within 60 months from the date of issuance to create a reserve equal to the debt service reserve requirement on all bonds then outstanding. As of December 31, 2021, the required balance to be deposited into the Reserve Account was $ 760,000, whereas actual deposits held in the Reserve Account totaled $ 761,204.

The resolution requires that a “Renewal and Extension Fund” be maintained with a balance equal to at least 10% of the operating expenses of the System for the preceding fiscal year. Total deposits held in the Renewal and Extension Account as of December 31, 2021 were $ 2,529,468, whereas the required minimum balance was $ 367,467. These funds are to be used for (1) debt service in the event the Sinking Fund does not have sufficient money; (2) an emergency having a major effect on the System; (3) making replacements, additions, extensions, improvements, and acquiring equipment deemed to be reasonable and in the best interest of the City and County; (4) payment of amounts drawn under a surety bond; or (5) payment of the charges of any depository for investment services.

In addition, the bond resolution requires the Commission to maintain charges for services sufficient to operate and maintain the System, maintain required reserves, and provide net revenues of at least 120% of the debt service requirements of the Series 2012 Bonds (the “bond rate covenant”).

For the year ended December 31, 2021, adjusted net revenues available for debt service totaled $ 2,214,742 and the total debt service requirement was $ 750,453 resulting in a debt service ratio of 295% (rounded). The Commission met this requirement for the year ended December 31, 2021. Failure to meet this covenant could result in any bondholder bringing appropriate legal action to compel the Commission to revise its rates to meet this requirement.

The bonds are revenue bonds and are not considered debts of either the City or County. The bonds are secured by the net revenues of the System, the Sinking Fund Account, and the Revenue Fund.

Bond Discounts and Unamortized Charges

Bond discounts on the Series 2012A Bonds totaling $ 70,906 are being amortized over the life of the bonds using the effective interest-rate method. Amortization of bond discounts totaled $ 4,255 and $ 4,493 for the years ended December 31, 2021 and 2020, respectively, and is included in interest expense in the Statements of Revenues, Expenses, and Changes in Fund Net Position.

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Annual requirements to fully amortize the Series 2012A bonds outstanding as of December 31, 2021 are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	$ 535,000	$ 222,652	$ 757,652
2023	550,000	206,602	756,602
2024	570,000	190,102	760,102
2025	585,000	173,002	758,002
2026	600,000	155,452	755,452
2027 thru 2031	3,280,000	509,745	3,789,745
2032 thru 2033	1,450,000	65,550	1,515,550
	$ 7,570,000	$ 1,523,105	$ 9,093,105

The Series 2012A Bonds maturing on or after July 1, 2023, may be redeemed prior to their respective maturities at the option of the City and the County on or after July 1, 2022, in whole or in part at any time, at the redemption price of par plus accrued interest to the redemption date.

The Series 2012A Bonds maturing on July 1, 2031 are subject to mandatory redemption on July 1, 2030 and 2031. Series 2012A Bonds maturing on July 1, 2033 are also subject to mandatory redemption on July 1, 2032 and 2033.

Capital Leases

On February 26, 2016, the Commission, in conjunction with the City, entered into a capital lease with the Georgia Municipal Association to purchase equipment and service vehicles. The lease was subsequently assigned and transferred to Branch Banking & Trust Company. Original terms of the lease required 20 quarterly payments, including principal and interest at 2.21%, beginning May 26, 2016 with the final payment being due February 26, 2021. Effective February 26, 2018 and in accordance with the Master Lease Agreement, the stated interest rate was increased to 2.69% due to the enactment of recent tax laws that changed the federal corporate tax rate. The Commission’s proportionate share of lease proceeds totaled $ 75,842. The Commission’s revised quarterly payments are $ 4,047 as of February 26, 2018. The final payment on this lease was made February 26, 2021.

On June 8, 2018, the Commission entered into a capital lease with Regions Equipment Finance Corporation to purchase equipment. Terms of the lease require 60 monthly payments of $ 2,005, including principal and interest at 3.20%, beginning July 8, 2018 with the final payment being due June 8, 2023. The remaining principal balance on this lease as of December 31, 2021 was $ 33,284.

Future minimum lease payments to maturity are as follows:

Year Ending December 31,	
2022	$ 24,063
2023	10,026
Total minimum lease payments	34,089
Less amount representing interest	(805)
Present value of minimum lease payments	$ 33,284

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Assets acquired through the capital lease and accumulated depreciation thereon was as follows as of December 31, 2021:

Asset		
Autos and trucks	$	47,319
Machinery and equipment		154,569
Less accumulated depreciation		(137,039)
Total	$	64,849

Construction Loan Advances

On December 19, 2018 the City entered into a loan agreement with the Drinking Water State Revolving Fund administered by Georgia Environmental Finance Authority (GEFA) to finance upgrades and improvements at the Augusta Road Water Treatment Plant and the Usry Pond Raw Water Pump Station. Total cost of the project is estimated to be $1,352,900. Accrued interest is payable monthly on the first day of each calendar month, as proceeds are drawn down, and will continue until the first day of the calendar month following the earlier of (1) the completion date, (2) May 1, 2023, or (3) the date that the loan is fully disbursed. At that time, principal and interest payments will be made in 239 consecutive monthly installments on the first day of the calendar month and a final installment equal to the entire remaining unpaid principal balance and accrued interest thereon will be due on the maturity date. As of December 31, 2021, $ 149,626 has been drawn down on this note.

On July 30, 2019 the City entered into a loan agreement with the Drinking Water State Revolving Fund administered by Georgia Environmental Finance Authority (GEFA) to purchase and install advanced metering infrastructure. Total cost of the project is estimated to be $1,694,000. Accrued interest is payable monthly on the first day of each calendar month, as proceeds are drawn down, and will continue until the first day of the calendar month following the earlier of (1) the completion date, (2) March 1, 2023, or (3) the date that the loan is fully disbursed. At that time, principal and interest payments will be made in 239 consecutive monthly installments on the first day of the calendar month and a final installment equal to the entire remaining unpaid principal balance and accrued interest thereon will be due on the maturity date. As of December 31, 2021, $ 493,629 has been drawn down on this note.

On June 17, 2021 the City entered into a loan agreement with the Clean Water State Revolving Fund administered by Georgia Environmental Finance Authority (GEFA) to finance the costs of acquiring, constructing, and installing improvements at the wastewater treatment plant. Total cost of the project is estimated to be $8,361,000. Accrued interest is payable monthly on the first day of each calendar month, as proceeds are drawn down, and will continue until the first day of the calendar month following the earlier of (1) the completion date, (2) April 1, 2023, or (3) the date that the loan is fully disbursed. At that time, principal and interest payments will be made in 239 consecutive monthly installments on the first day of the calendar month and a final installment equal to the entire remaining unpaid principal balance and accrued interest thereon will be due on the maturity date. As of December 31, 2021, $ 78,699 has been drawn down on this note.

As of December 31, 2021 and 2020, construction loan advances totaled $ 721,954 and $ 419,875, respectively and are reported as noncurrent liabilities in the Statements of Fund Net Position-Proprietary Fund. Loan origination fees totaled $ 84,839 and are reported as a non-operating expense in the Statements of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Fund for the year ended December 31, 2021.

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Due Within One Year
Revenue bonds payable	$ 8,090,000	$ -	$ (520,000)	$ 7,570,000	$ 535,000
Less bond discounts	(30,321)	-	4,255	(26,066)	(3,963)
Revenue bonds payable-net	8,059,679	-	(515,745)	7,543,934	531,037
Direct borrowings or placements					
Capital leases	59,908	-	(26,624)	33,284	23,338
Construction loan advances	419,875	302,079	-	721,954	-
Direct borrowings or placements	479,783	302,079	(26,624)	755,238	23,338
Other long-term liabilities					
Net pension liability	1,169,276	-	(820,778)	348,498	-
Total OPEB Liability	450,072	-	(53,115)	396,957	-
Other long-term liabilities	1,619,348	-	(873,893)	745,455	-
Long-term liabilities	$ 10,158,810	$ 302,079	$ (1,416,262)	$ 9,044,627	$ 554,375

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

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Revenue bonds payable	$ 8,600,000	$ -	$ (510,000)	$ 8,090,000	$ 520,000
Less bond discounts	(34,814)	-	4,493	(30,321)	(4,255)
Revenue bonds payable-net	8,565,186	-	(505,507)	8,059,679	515,745
Direct borrowings or placements					
Capital lease	97,614	-	(37,706)	59,908	26,624
Construction loan advances	47,722	372,153	-	419,875	-
Direct borrowings or placements	145,336	372,153	(37,706)	479,783	26,624
Other long-term liabilities					
Net pension liability	783,617	385,659	-	1,169,276	-
Total OPEB Liability	305,286	144,786	-	450,072	-
Other long-term liabilities	1,088,903	530,445	-	1,619,348	-
Long-term liabilities	$ 9,799,425	$ 902,598	$ (543,213)	$ 10,158,810	$ 542,369

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The Commission's capital lease is collateralized with the underlying equipment and contains a provision that in an event of default, outstanding amounts may become immediately due and payable at the lessor's option.

Construction loan advances are collateralized by the Commission's full faith and credit and revenue – raising power (including its taxing power). Upon the occurrence of an event of default, the lender, at its option, may declare the loan immediately due and payable.

As of December 31, 2021, the remaining balance available to be drawn on the construction loans totaled $ 10,685,946.

NOTE 6 - WATER CONTRACTS

The Commission entered into a contract with the U. S. Department of the Army Corps of Engineers in 1990 to use 1,056 acre-feet of storage space in the J. Strom Thurmond Dam and Reservoir. As part of the contract, the Commission made a lump-sum payment of $ 301,243. Amortization of this payment will be provided over the remaining life of the project. For the years ended December 31, 2021 and 2020, amortization expense related to this project totaled $ 7,531 per year. In addition to the above cost, the Commission is required to pay 0.074 percent of the annual experienced joint-use operation and maintenance expense of the project. The Commission will also be required to pay 0.074 percent of the joint-use cost associated with major replacement and rehabilitation program costs. The additional costs associated with the contract totaled $ 6,663 and $ 0 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 - RETIREMENT PLAN

The Commission participates in the City of Thomson Retirement Plan (the "Plan") which is affiliated with the Georgia Municipal Employees Benefit System (GMEBS). The Commission does not maintain its own account status with the GMEBS. The Commission's net pension liability, deferred outflows and inflows related to the Plan, and pension expense are based on the Commission's proportionate share of its contributions to the Plan to total contributions of the City and Commission. For the year ended December 31, 2021, the Commission's proportionate share was thirty-seven percent (rounded).

Plan Description

The Plan is a defined benefit pension plan affiliated with the GMEBS, an agent multiple-employer pension plan administered by the Georgia Municipal Association (GMA). Contributions made by the City are pooled with contributions made by other members of GMEBS for investment purposes, and the City does not own any securities on its own. There are no employer or related party securities or loans included in plan assets. The GMA issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, The Burgess Building, 201 Pryor Street, SW, Atlanta, GA 30303, or by calling (404) 688-0472.

(Continued)

NOTE 7 - RETIREMENT PLAN (Continued)

The City established the Plan January 1, 1972 through an agreement adopting the GMEBS Master Plan and Joint Trust Agreement (the “Adoption Agreement”). The Adoption Agreement establishes the types of benefits available under the Plan and the City’s obligation to contribute to the Plan. The City has the right to amend any or all elections in the Adoption Agreement. The amendment must be approved by GMEBS, cannot reduce any previously accrued benefits of the participants or beneficiaries, cannot authorize or permit any part of the Trust Fund to be diverted to any purpose other than for the exclusive benefit of participants and their beneficiaries, and cannot deprive any participant or beneficiary of any rights or benefits irrevocably vested under the Plan.

GMEBS can amend the Master Plan or the elective provisions of the Adoption Agreement in its sole discretion as Trustee of the Plan. Any amendment by GMEBS must be approved by the City as the adopting employer. The City cannot amend the Master Plan or the Joint Trust Agreement.

Benefits Provided

As provided by Georgia State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the Plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All full-time employees of the City and the Commission working at least twenty hours per week, are eligible to participate immediately. Elected officials became eligible to participate immediately as of January 1, 2019. Benefits are fully vested after ten years of service. Normal retirement age is sixty-five (65) with a minimum of five years of service, and early retirement is age fifty-five (55) with a minimum of ten years of total credited service. Monthly benefits are based on (a) the average annual earnings paid to a participant during any consecutive five-year period preceding the actual date of retirement in which the earnings were highest and (b) the total years of service. Elected officials monthly benefit is $ 26 for each year of service.

As of July 1, 2021, the last valuation date, there were 222 participants consisting of the following:

Retired participants and beneficiaries currently receiving benefits	78
Terminated vested participants entitled to but not yet receiving benefits	73
Active participants-vested	40
Active participants-not vested	31
Total number of participants	222

Contributions

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). GMEBS has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the City contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable State funding standards. Employees do not contribute to the Plan.

For 2021, the Commission’s contribution to the Plan totaled $ 150,762, or 14.92% of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2020 actuarial valuation.

Net Pension Liability

The Commission’s net pension liability was measured as of March 31, 2021.

(Continued)

NOTE 7 - RETIREMENT PLAN (Continued)

Actuarial Assumptions. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.375%, on going basis, based on long-term expected rate of return on pension plan investments
Projected salary increases	2.25%, plus service based merit increases
Inflation	2.25%
Social security wage base increase	2.25%
Cost of living adjustments	0.00%

The methods and assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

Mortality rates for the July 1, 2021 valuation were based on the following:

Healthy Retirees and Beneficiaries-Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

Disabled Participants-Sex-distinct Pri-2012 head-count weighted Disable Retiree Mortality Table with rates multiplied by1.25.

Active Participants, Terminated Vested Participants, and Deferred Beneficiaries-Sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of March 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.40%
International equity	20.00%	7.05%
Domestic fixed income	20.00%	1.15%
Real estate	10.00%	4.50%
Global fixed income	5.00%	1.25%
Cash	0.00%	0.00%
Total	100.00%	

* Rates shown are net of the 2.25% assumed rate of inflation

(Continued)

NOTE 7 - RETIREMENT PLAN (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that the Commission's contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the Commission. The changes in the components of the net pension liability of the Commission for the year ended December 31, 2021 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at March 31, 2020	$ 3,455,847	$ 2,286,571	$ 1,169,276
Changes for the year:			
Service cost	51,922	-	51,922
Interest	277,788	-	277,788
Differences between expected and actual experience	104,455	-	104,455
Contributions-employer	-	125,312	(125,312)
Contributions-employee	-	-	-
Net investment income	-	1,138,683	(1,138,683)
Benefit payments, including refunds of employee contributions	(253,820)	(253,820)	-
Administrative expense	-	(9,052)	9,052
Other	-	-	-
Net changes	180,345	1,001,123	(820,778)
Balances at March 31, 2021	$ 3,636,192	$ 3,287,694	$ 348,498

The required schedule of changes in the Commission's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the net pension liability of the Commission, calculated using the discount rate of 7.375 percent, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.375 percent) or 1 percent higher (8.375 percent) than the current rate:

	1% Decrease 6.375%	Current Discount Rate 7.375%	1% Increase 8.375%
Commission's Net Pension Liability	$ 679,813	$ 348,498	$ 68,159

(Continued)

NOTE 7 - RETIREMENT PLAN (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2021 and the current sharing pattern of costs between employer and employee.

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued GMEBS financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension Plan. For the year ended December 31, 2021, the Commission recognized pension expense of $ 93,736. The Commission reported the following deferred outflows of resources and deferred inflows of resources related to the Plan as of December 31, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 125,635	$ -
Difference between expected and actual experience	57,092	3,390
Changes of assumptions	6,946	-
Net difference between projected and actual earnings on pension plan investments	-	530,563
Total	$ 189,673	$ 533,953

Contributions made subsequent to the measurement date totaling $ 125,635 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

	Year Ending December 31,				
	2022	2023	2024	2025	Total
Fiscal Year Outflows					
Demographic	$ 57,092	$ -	$ -	$ -	$ 57,092
Assumptions	6,946	-	-	-	6,946
Total	$ 64,038	$ -	$ -	$ -	$ 64,038
Fiscal Year Inflows					
Demographic	$ (3,390)	$ -	$ -	$ -	$ (3,390)
Investment	(123,807)	(99,641)	(118,766)	(188,349)	(530,563)
Total	$ (127,197)	$ (99,641)	$ (118,766)	$ (188,349)	$ (533,953)

Changes in Methods and Assumptions

There were no changes in methods or assumptions from the prior valuation.

Benefit Changes

There have been no changes in plan benefits since the last valuation.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Effective January 1, 2018, the Commission implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the Commission's accounting for other postemployment benefits. The information disclosed below is presented in accordance with this new standard.

Plan Description, Contribution Information and Funding Policies

In addition to providing pension benefits, the Commission participates in a single-employer defined benefit healthcare plan (the "Retiree Health Plan") administered by the City. The Retiree Health Plan provides health benefits for certain retired employees per a personnel policy adopted December 7, 1992 and affirmed by resolution of the Mayor and City Council on November 8, 2012. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the Commission. Benefit provisions are established and amended solely at the discretion of the elected City Council. The Retiree Health Plan does not issue a publicly available report.

Benefits are available to all employees who have attained the age of sixty-two (62) while working for the City, and have a minimum of twenty-five (25) years of full time service upon retirement. Benefits were also offered to eligible employees through a one-time Early Retirement Incentive Program (ERIP). To be eligible for benefits under the ERIP, employees had to have attained the age of fifty-five (55) as of January 1, 2016 with a minimum of twenty-eight (28) years of full time service. Qualification for benefits under the ERIP closed March 31, 2016. Benefits continue in effect until the retirees reach the age of sixty-five (65) at which time the retiree can convert to Medicare or any other plan as desired.

The City funds 100% of the retirees' premium and the benefits are underwritten by the City's regular health care provider. The cost of these benefits is recognized as an expenditure on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of December 31, 2021, the last measurement date, there were 49 participants in the Retiree Health Plan consisting of the following:

Retired participants currently receiving benefits	2
Active participants	47
Total number of participants	49

There were no retired Commission employees that received benefits during the years ended December 31, 2021 and 2020.

Total OPEB Liability

The Commission's proportionate share of its total OPEB liability is based on the Commission's proportionate share of eligible employees to total eligible employees of the City and Commission. For the year ended December 31, 2021, the Commission's proportionate share was thirty-three percent (rounded). The Commission's total OPEB liability of $ 396,957 was measured as of December 31, 2021, and was determined by using the alternative measurement method for employers in plans with fewer than one hundred total plan members, as provided for in GASB Statement No. 75.

(Continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability as of the December 31, 2021 measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Projected salary increases	5.50%	
Discount rate	2.25%	
Heathcare cost trend rate	4.90%	for 2021, 4.80% for 2022, 4.70% for years 2023 and 2024, 4.60% for 2025, 4.50% for 2026, 4.40% for 2027, and 4.30% for 2028 and later years
Retiree's share of benefit-related costs	0.00%	of projected health insurance premiums for retirees

Projected salary increases were based on the Consumer Price Index-Urban Wage Earners and Clerical Workers CPI-W.

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index for the quarter ended December 31, 2021.

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Employee turnover was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Changes in the Total OPEB Liability of the Commission. The changes in the components of the total OPEB liability of the Commission for the year ended December 31, 2021 were as follows:

	Total OPEB Liability
Balance at December 31, 2020	$ 450,072
Changes for the year:	
Service cost	29,578
Interest	11,137
Differences between expected and actual experience	(76,275)
Effect of assumption changes or inputs	(17,555)
Contributions-employer	-
Net changes	(53,115)
Balance at December 31, 2021	$ 396,957

(Continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the Commission, calculated using the discount rate of 2.25 percent, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (1.25 percent) or 1 percent higher (3.25 percent) than the current discount rate:

	1% Decrease 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
Commission's Total OPEB Liability	$ 444,169	$ 396,957	$ 357,345

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the Commission, calculated using a healthcare cost trend rate of 4.90 percent, as well as what the Commission's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percent lower (3.90 percent) or 1 percent higher (5.90 percent) than the current healthcare cost trend rate:

	1% Decrease 3.90%	Current Healthcare Rate 4.90%	1% Increase 5.90%
Commission's Total OPEB Liability	$ 347,237	$ 396,957	$ 456,607

OPEB Expense

The Commission recognized a credit of $ 53,115 in OPEB expense for the year ended December 31, 2021, whereas the Commission recognized OPEB expense of $ 144,786 for the year ended December 31, 2020.

NOTE 9 - RISK MANAGEMENT

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to minimize the total cost of workman's compensation and property and liability insurance, the Commission is a member of the Georgia Interlocal Risk Management Agency Fund (GIRMA), and the Georgia Municipal Association (GMA) Self-insured Workman's Compensation Fund. The Commission pays an annual premium to these Funds through GIRMA and GMA. The Commission retains the first $ 1,000 of each risk of loss in the form of a deductible. All claims are filed with GIRMA and GMA who bills the Commission for any risk of loss up to the deductible amount.

As part of their agreement, the Commission must assist and cooperate in the defense and settlement of claims against the Commission. The Commission must furnish full cooperation with GIRMA's and GMA's attorneys, claims adjusters, and any agent or independent contractor of GIRMA and GMA. In addition, the Commission must report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA and GMA or any Fund established by GIRMA and GMA being required to pay a claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the Commission participates. The Commission is required to use due diligence to avoid or diminish any loss covered under the agreement.

(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

As a condition of coverage, GIRMA and GMA can request that the Commission assist in effecting settlements, securing and giving evidence, obtaining witnesses in the conduct of suits, and providing of written statements for the purposes of investigation, defense, and mitigation of claims. GIRMA and GMA are responsible for payment of all claims covered under the agreement. The maximum liability for any one occurrence or claim is the maximum limit of liability as specified in the policies less the amount of stated deductibles.

For those risks covered by insurance, claims did not exceed coverage during the past three years.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

The net investment in capital assets represents the Commission's total investment in capital assets, net of debt related to those assets. Amounts reported for net investment in capital assets at December 31, 2021 and 2020 are as follows:

	12/31/2021	12/31/2020
Capital assets, net of accumulated depreciation	$ 33,702,620	$ 33,928,696
Less construction payables	(14,570)	(46,018)
Less construction loan advances	(721,954)	(419,875)
Less capital lease payable	(33,284)	(59,908)
Less revenue bonds payable	(7,543,934)	(8,059,679)
Net investment in capital assets	$ 25,388,878	$ 25,343,216

NOTE 11 - CONTINGENT LIABILITIES

Federal and State Grants

The Commission receives federal and state financial assistance through various grant programs that are passed through the City, County, and the Town of Dearing. The grant programs are subject to audit by the granting agency to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Litigation

As of December 31, 2021, the Commission was not involved in any pending or threatened litigation.

NOTE 12 – COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

On November 3, 2020, citizens of the County voted to extend the special purpose local option sales tax (SPLOST VII). The SPLOST VII referendum provides an additional $ 4,000,000 to be used for water sewer projects. The County and City have prioritized the spending of SPLOST VII proceeds based upon the order of importance and need. Accordingly, it is not known when the funds committed for System improvements will be available.

(Continued)

NOTE 12 – COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

As of December 31, 2021, the Commission had undertaken nine construction projects that were not completed as of year-end. Cost incurred on these projects, totaling $ 1,835,289, is reported as construction in progress on the Statements of Fund Net Position. As of December 31, 2021, amounts spent to date and estimated remaining commitments on these projects are as follows:

Project Description	Spent To Date	Remaining Commitment
Sills Branch/Germany Creek gravity sewerage main	$ 140,597	$ 1,207,403
Augusta Road water treatment plant and Usry Pond raw water pump station	163,651	1,189,249
Advanced metering infrastructure (AMI)	493,629	1,200,371
Waste water treatment plant improvements	152,966	8,208,034
SCADA project-water treatment plant	626,318	10,000
Raw water intake	51,525	833,475
Emergency bypass pumps	31,928	345,534
Geospatial locators	72,991	1,524
Sweetwater bridge line relocation	101,684	78,316
	$ 1,835,289	$ 13,073,906

Subsequent Events

In preparing these financial statements, the Commission's management has evaluated events and transactions for potential recognition or disclosure through June 29, 2022, the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
RETIREMENT PLAN

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	$ 51,922	$ 52,765	$ 44,613	$ 46,684	$ 46,729	$ 53,277	$ 50,978
Interest	277,788	251,932	228,164	220,259	211,299	208,328	207,224
Differences between expected and actual experience	104,455	(11,233)	27,573	(17,731)	49,621	(29,684)	(27,298)
Changes of assumptions	-	-	-	-	-	25,569	(15,354)
Benefit payments, including refunds of employee contributions	(253,820)	(208,506)	(190,216)	(187,211)	(180,809)	(150,916)	(147,551)
Other	-	31,602	71,342	46,761	-	-	-
Net change in total pension liability	180,345	116,560	181,476	108,762	126,840	106,574	67,999
Total pension liability, beginning	3,455,847	3,339,287	3,157,811	3,049,049	2,922,209	2,815,635	2,747,636
Total pension liability, ending (a)	3,636,192	3,455,847	3,339,287	3,157,811	3,049,049	2,922,209	2,815,635
Plan Fiduciary Net Position							
Contributions-employer	125,312	119,059	109,657	101,648	103,070	112,542	126,203
Net investment income	1,138,683	(171,401)	88,755	279,532	260,693	6,160	198,970
Benefit payments, including refunds of employee contributions	(253,820)	(208,506)	(190,216)	(187,211)	(180,809)	(150,916)	(147,551)
Administrative expenses	(9,052)	(8,251)	(7,415)	(7,213)	(7,405)	(5,378)	(5,054)
Net change in fiduciary net position	1,001,123	(269,099)	781	186,756	175,549	(37,592)	172,568
Plan fiduciary net position, beginning	2,286,571	2,555,670	2,554,889	2,368,133	2,192,584	2,230,176	2,057,608
Plan fiduciary net position, ending (b)	3,287,694	2,286,571	2,555,670	2,554,889	2,368,133	2,192,584	2,230,176
Net pension liability, ending (a)-(b)	$ 348,498	$ 1,169,276	$ 783,617	$ 602,922	$ 680,916	$ 729,625	$ 585,459
Plan's fiduciary net position as a percentage of the total pension liability	90.42%	66.17%	76.53%	80.91%	77.67%	75.03%	79.21%
Covered employee payroll during the measurement period	$ 1,010,506	$ 1,153,633	$ 1,081,657	$ 965,327	$ 926,335	$ 1,009,379	$ 1,050,264
Net pension liability as a percentage of covered payroll	34.49%	101.36%	72.45%	62.46%	73.51%	72.28%	55.74%

Notes to the Schedule:

(1) Historical information prior to the implementation of GASB Statement Nos. 67/68 is not required. The schedule will present 10 years of information as it is accumulated.

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
RETIREMENT PLAN

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 150,762	$ 133,580	$ 114,218	$ 108,136	$ 99,485	$ 104,265	$ 115,300
Contributions in relation to the actuarially determined contribution	150,762	133,580	114,218	108,136	99,485	104,265	115,300
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll during the measurement period	$ 1,010,506	$ 1,153,633	$ 1,081,657	$ 965,327	$ 926,335	$ 1,009,379	$ 1,050,264
Contributions as a percentage of covered employee payroll	14.92%	11.58%	10.56%	11.20%	10.74%	10.33%	10.98%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2021
Cost Method	Projected Unit Credit
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted if necessary, to be within 20% of market value.
Assumed Rate of Return	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Varies, with a net effective amortization period of 11 years

(2) Historical information prior to the implementation of GASB Statement Nos. 67/68 is not required. The schedule will present 10 years of information as it is accumulated.

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS PLAN

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 29,578	$ 18,336	$ 17,438	$ 13,633
Interest	11,137	11,878	15,180	10,708
Differences between expected and actual experience	(76,275)	47,749	(114,984)	(17,038)
Changes of assumptions	(17,555)	66,823	13,236	(17,072)
Benefit payments	-	-	-	(5,337)
Net change in total OPEB liability	(53,115)	144,786	(69,130)	(15,106)
Total OPEB liability, beginning	450,072	305,286	374,416	389,522
Total OPEB liability, ending	$ 396,957	$ 450,072	$ 305,286	$ 374,416
Covered employee payroll during the measurement period	$ 1,027,309	$ 1,106,188	$ 997,767	$ 1,026,932
Total OPEB liability as a percentage of covered payroll	38.64%	40.69%	30.60%	36.46%

Notes to the Schedule:

(1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

(2) See the notes to the financial statements for the actuarial methods and significant assumptions used to determine the total OPEB liability.

(3) Historical information prior to the implementation of GASB Statement No. 75 is not required. The schedule will present 10 years of information as it is accumulated.

COMPLIANCE SECTION

BARMORE HAMMOND
CERTIFIED PUBLIC ACCOUNTANTS
LIMITED LIABILITY PARTNERSHIP

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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*

The Board of Commissioners
McDuffie County/City of Thomson, Georgia
Water and Sewer Commission
Thomson, 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 business-type activities of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's basic financial statements, and have issued our report thereon dated June 29, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the McDuffie County/City of Thomson Georgia Water and Sewer Commission'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the McDuffie County/City of Thomson, Georgia Water and Sewer Commission'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*.

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.

Bennett Hammond, LLP

Thomson, Georgia
June 29, 2022

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:			Unmodified	
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	Yes	__X__	No
• Significant deficiency(ies) identified?	_____	Yes	__X__	None reported
Noncompliance material to financial statements noted?	_____	Yes	__X__	No
SECTION II. FINANCIAL STATEMENT FINDINGS	_____	Yes	__X__	None reported