

CITY OF THOMSON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Thomson
Thomson, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Thomson, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Thomson, Georgia'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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Thomson, Georgia, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Employment Incentive Program Loan Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 City of Thomson, Georgia and to meet our other ethical responsibilities, in accordance with 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 opinions.

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 City of Thomson, Georgia'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 opinions. 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 City of Thomson, Georgia'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 City of Thomson, Georgia'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, 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 inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Thomson, Georgia's basic financial statements. The accompanying combining and individual fund financial statements, community development block grants schedules, special purpose local option sales tax schedule, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, community development block grants schedules, special purpose local option sales tax schedule, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2022 on our consideration of the City of Thomson, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Thomson, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Thomson, Georgia's internal control over financial reporting and compliance.



Thomson, Georgia
August 17, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF THOMSON, GEORGIA

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

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 22,314,419 (net position). Of this amount, \$ 13,719,300 is invested in capital assets (net of related debt), \$ 2,365,656 is restricted for specific purposes, and \$ 6,229,463 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$ 776,283. Total revenues of the City's governmental and business-type activities totaled \$ 14,460,089, expenses totaled \$ 13,624,806, and transfers to a component unit totaled \$ 59,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 6,034,971, an increase of \$ 285,493 in comparison with the prior year. Of this total amount, \$ 3,630,316 is unassigned, \$ 148,533 is assigned by management for specific purposes, \$ 59,928 is committed by the Mayor and Council for specific purposes, and \$ 1,261,923 is restricted by external agreements to be used for specific purposes. Nonspendable fund balance, representing prepaid items and the long-term portion of notes receivable totaled \$ 934,271.
- The net position of the City's enterprise funds (business - type activities) totaled \$ 6,271,043. Of this amount, \$ 2,475,172 is invested in capital assets (net of related debt) and \$ 3,795,871 (unrestricted net position) may be used to meet the City's obligations to citizens and creditors.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Comparative data is presented when available.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources 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 City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, housing and development, culture and recreation, community services, and interest on long-term debt. The business-type activities of the City include a gas utility and solid waste disposal operation. The financial transactions of the Downtown Development Authority, a component unit of the City, is also discretely presented on these statements.

The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the *Governmental Fund Balance Sheet* and the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fifteen individual governmental funds. Information is presented separately in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, Employment Incentive Program (EIP) Loan Fund, and American Rescue Plan Act (ARPA) Fund. Data for the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16 - 21 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its gas utility and solid waste disposal operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for maintaining its fleet of vehicles. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Gas Fund and Solid Waste Fund, both of which are considered to be major funds of the City. The internal service fund is shown in its own column on the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 22 - 25 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 26 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 - 58 of this report.

Government-Wide Financial Analysis

Net Position

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 22,314,419 as of December 31, 2021.

A large portion of the City’s net position (61 percent) is comprised of the City’s investment in capital assets (e.g., land, buildings, site improvements, machinery, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted 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.

Unrestricted net position, totaling \$ 6,229,463 at year-end, may be used to meet the government’s ongoing obligations to citizens and creditors.

The following table provides a summary of the City’s net position.

NET POSITION

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Current and other assets | \$ 7,831,965 | \$ 6,029,605 | \$ 5,986,157 | \$ 5,544,865 | \$ 13,818,122 | \$ 11,574,470 |
| Capital assets, net | 11,633,555 | 11,403,372 | 2,494,431 | 2,501,663 | 14,127,986 | 13,905,035 |
| Total assets | 19,465,520 | 17,432,977 | 8,480,588 | 8,046,528 | 27,946,108 | 25,479,505 |
| Deferred outflows of resources | 214,983 | 527,572 | 137,192 | 305,174 | 352,175 | 832,746 |
| Current liabilities | 1,720,649 | 147,515 | 1,184,064 | 862,078 | 2,904,713 | 1,009,593 |
| Non-current liabilities | 1,388,382 | 2,288,051 | 785,979 | 1,409,764 | 2,174,361 | 3,697,815 |
| Total liabilities | 3,109,031 | 2,435,566 | 1,970,043 | 2,271,842 | 5,079,074 | 4,707,408 |
| Deferred inflows of resources | 528,096 | 58,634 | 376,694 | 8,073 | 904,790 | 66,707 |
| Net position | | | | | | |
| Net investment in capital assets | 11,244,128 | 11,292,666 | 2,475,172 | 2,456,159 | 13,719,300 | 13,748,825 |
| Restricted | 2,365,656 | 2,340,253 | - | - | 2,365,656 | 2,340,253 |
| Unrestricted | 2,433,592 | 1,833,430 | 3,795,871 | 3,615,628 | 6,229,463 | 5,449,058 |
| Total net position | \$ 16,043,376 | \$ 15,466,349 | \$ 6,271,043 | \$ 6,071,787 | \$ 22,314,419 | \$ 21,538,136 |

At the end of the current year, the City is able to report positive balances in all classifications of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

CHANGES IN NET POSITION

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 478,068 | \$ 441,948 | \$ 9,099,619 | \$ 6,824,742 | \$ 9,577,687 | \$ 7,266,690 |
| Operating grants/ contributions | 215,396 | 618,201 | - | - | 215,396 | 618,201 |
| Capital grants/ contributions | 698,231 | 729,331 | - | - | 698,231 | 729,331 |
| General revenues | | | | | | |
| Property taxes | 937,683 | 866,981 | - | - | 937,683 | 866,981 |
| Other taxes | 2,931,685 | 2,828,545 | - | - | 2,931,685 | 2,828,545 |
| Other | 25,715 | 18,287 | 73,692 | 41,558 | 99,407 | 59,845 |
| Total revenues | 5,286,778 | 5,503,293 | 9,173,311 | 6,866,300 | 14,460,089 | 12,369,593 |
| Expenses | | | | | | |
| General government | 626,771 | 882,411 | - | - | 626,771 | 882,411 |
| Public safety | 2,072,076 | 2,075,164 | - | - | 2,072,076 | 2,075,164 |
| Public works | 925,690 | 925,349 | - | - | 925,690 | 925,349 |
| Housing and development | 771,868 | 803,734 | - | - | 771,868 | 803,734 |
| Culture and recreation | 342,021 | 340,415 | - | - | 342,021 | 340,415 |
| Community services | 151,201 | 138,066 | - | - | 151,201 | 138,066 |
| Interest on long-term debt | 6,074 | 3,735 | - | - | 6,074 | 3,735 |
| Gas utility | - | - | 7,377,878 | 5,527,332 | 7,377,878 | 5,527,332 |
| Solid waste | - | - | 1,351,227 | 1,288,758 | 1,351,227 | 1,288,758 |
| Total expenses | 4,895,701 | 5,168,874 | 8,729,105 | 6,816,090 | 13,624,806 | 11,984,964 |
| Change in net position before transfers and special items | 391,077 | 334,419 | 444,206 | 50,210 | 835,283 | 384,629 |
| Transfers to other funds | 244,950 | 288,488 | (244,950) | (288,488) | - | - |
| Transfers to component unit | (59,000) | - | - | - | (59,000) | - |
| Special items | - | (1,042,273) | - | - | - | (1,042,273) |
| Change in net position | 577,027 | (419,366) | 199,256 | (238,278) | 776,283 | (657,644) |
| Net position, beginning of year | 15,466,349 | 15,885,715 | 6,071,787 | 6,310,065 | 21,538,136 | 22,195,780 |
| Net position, end of year | \$ 16,043,376 | \$ 15,466,349 | \$ 6,271,043 | \$ 6,071,787 | \$ 22,314,419 | \$ 21,538,136 |

Revenues from governmental activities decreased \$ 216,515 in 2021. This decrease is attributable to decreases in operating grants/contributions totaling \$ 402,805 and capital grants/contributions totaling \$ 31,100 whereas revenues increased in charges for services by \$ 36,120, property taxes by \$ 70,702, other taxes by \$ 103,140, and other revenues by \$ 7,428.

Total expenses for governmental activities decreased by \$ 273,173 in 2021, which represents a decrease of approximately 5% from 2020. Expenses for general government, public safety, and housing and development, were \$ 290,594 less than 2020 amounts whereas expenses for public works, culture and recreation, community services, and interest on long-term debt were \$ 17,421 more than 2020 amounts.

(Continued)

Total revenues from business-type activities increased by \$ 2,307,011 and total expenses from business-type activities increased by \$ 1,913,015 in 2021. Most of the increase in revenues is attributable to an increase in gas operating revenues of \$ 2,245,123. The increase in expenses is primarily attributable to an increase in related gas purchases of \$ 2,119,006 and a decrease in personnel services and benefits of \$ 275,340.

Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2021, governmental funds reported combined ending fund balances of \$ 6,034,971, an increase of \$ 285,493 in comparison with 2020. Unassigned fund balance at year-end was \$ 3,630,316 whereas the remainder of fund balance of \$ 2,404,655 is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been dedicated or identified for a specific purpose.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current year, total fund balance of the General Fund was \$ 3,656,812, of which \$ 3,630,316 is unassigned and \$ 26,496 is nonspendable. As a measure of General Fund liquidity, it may be useful to compare fund balance to total fund expenditures. As of December 31, 2021, fund balance represented approximately 85 percent of total General Fund expenditures.

Special Revenue Funds

The City maintains five special revenue funds. They are the Employment Incentive Program (EIP) Loan Fund, Housing Development Action Grant (HODAG) Loan Fund, Urban Development Action Grant (UDAG) Loan Fund, the Police Condemnation and Forfeiture Fund, and the American Rescue Plan Act (ARPA) Fund. Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The loan funds are to be used for economic development and low-income housing. The Police Condemnation and Forfeiture Fund is restricted for use in law enforcement and the American Rescue Plan Act (ARPA) Fund is restricted for use in paying eligible expenses stipulated in the American Rescue Plan Act. The EIP Loan Fund and ARPA Fund are considered major funds, whereas the HODAG, UDAG, and Police Condemnation and Forfeiture Funds are considered nonmajor funds. As of December 31, 2021, total major special revenue fund balance was \$ 1,453,189 and total nonmajor special revenue fund balance was \$ 633,026.

Capital Project Funds

The City uses capital project funds to account for the acquisition and construction of major capital facilities that are not financed by proprietary funds. The City maintained nine capital project funds during the current year. They are the Airport Capital Project Fund, 2020 and 2021 CDBG Capital Projects Fund, 2016 CHIP Grant Capital Project Fund, Monument Capital Project Fund, Renaissance Strategic Visioning and Planning (RSVP) Capital Project Fund, Local Maintenance & Improvement Grant (LMIG) Capital Project Fund, TIA SPLOST Capital Project Fund, and the SPLOST Capital Project Fund. All capital project funds are reported as nonmajor governmental funds. As of December 31, 2021, total fund balance of the nonmajor capital project funds was \$ 291,944.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Gas Fund at the end of the year totaled \$ 4,000,220. The Solid Waste Fund is reporting a deficit of \$ 204,349 in unrestricted net position as of year-end.

(Continued)

General Fund Budgetary Highlights

The City's budget is prepared on the cash basis of accounting. Revenues, other than property taxes and sales taxes, are budgeted in the year receipt is expected, and expenditures are budgeted in the year they are paid. Property taxes reported in the budgetary statements represent collections on prior year taxes. Collections on current year property taxes are carried over to fund the next year's budget. Budgeted sales tax revenue is comprised of actual transfers from "sales tax reserves" and accumulated interest earned on those reserves. Sales tax revenues collected in the current year is carried over to fund the next year's budget.

A reconciliation from the City's budgetary basis of accounting to generally accepted accounting principles is included on the face of the budgetary statement.

For the year ended December 31, 2021, actual revenues, including insurance claims and gain on sales of surplus property, were less than budgetary estimates by \$ 12,278 and actual expenditures were \$ 278,109 less than appropriated amounts. Actual expenditures for all departments and governmental activities were under budget for 2021. The City funds a portion of its General Fund budget with transfers from the Gas Fund. During the year, budgetary estimates for transfers in exceeded actual transfers by \$ 6,884 and actual transfers out were \$ 40 less than budgetary amounts. Interfund transfers are discretionary and City management elected not to fully fund budgeted transfers during 2021. Revenues and other financing sources exceeded expenditures and other financing uses by \$ 258,987.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021, totaled \$ 14,127,986 (net of accumulated depreciation). This investment in capital assets includes, land, site-improvements, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. Major capital asset additions during the year include street resurfacing totaling \$ 192,573, gas meter change-outs totaling \$ 59,850, equipment purchases totaling \$ 96,748, vehicle purchases totaling \$ 227,179, building improvements totaling \$ 27,755, and airport land/easement acquisitions totaling \$ 43,123.

As of December 31, 2021, construction in progress totaled \$ 749,018 which includes \$ 227,569 in expenses associated with the 2016 CHIP Grant capital project, \$ 223,949 related to the 2020 CDBG capital project, \$ 146,718 related to highway enhancements on SR 17/Main Street, and \$ 150,782 in costs for the natural gas tap station upgrade project.

Additional information on capital assets can be found in Note 6 to the financial statements.

Debt Administration

The City entered into an intergovernmental services contract (note payable) with the OneGeorgia Authority to assist in funding the construction of T-hangers at the Thomson-McDuffie Regional Airport. Total funding under the agreement was \$ 500,000. Total principal outstanding at December 31, 2021 was \$ 71,168. Principal and interest payments on the note payable in 2021 were \$ 39,028 and \$ 2,869, respectively.

The City entered into a capital lease with Regions Equipment Finance Corporation during 2021 to fund the purchase of four police interceptors. Total funding under the lease was \$ 194,440. Total principal outstanding at December 31, 2021 was \$ 138,185. Principal and interest paid on the capital lease in 2021 were \$ 56,255 and \$ 3,496, respectively.

The City entered into a capital lease with the Georgia Municipal Authority during 2016 to fund the purchase of various equipment in the City's Gas and Solid Waste Funds. Total funding under the lease was \$ 324,443. This lease was paid off as of December 31, 2021. Principal and interest paid on the capital lease in 2021 were \$ 17,196 and \$ 71, respectively.

The City entered into a capital lease with Regions Equipment Finance Corporation during 2017 to fund the purchase of a new garbage truck for solid waste operations. Total funding under the lease was \$ 125,688. Total principal outstanding at December 31, 2021 was \$ 2,199. Principal and interest paid on the capital lease in 2021 were \$ 26,109 and \$ 328, respectively.

Additional information on long-term debt can be found in Note 7 to the financial statements.

(Continued)

Economic Factors

Major revitalization projects to the downtown area have greatly enhanced the City's streetscape, by adding additional parking, creating wider pedestrian walkways, improving accessibility, providing better lighting, and allowing for the planting of trees and other foliage. The Chamber of Commerce, local businesses, and other organizations have been pro-active in promoting activities in the revitalized areas. The improvements to the downtown district, promotion of the area, and the availability of City revolving loan funds and façade grants for qualifying businesses have fostered a renewed interest to locate and do business in the downtown area.

The City has established the Downtown Renaissance Strategic Visioning and Planning Process (RSVP) which is funded in part by private donations from those who have a stake in the future development of the downtown area. The RSVP is both a downtown master planning process and a downtown planning document that illustrates the community's vision for the future and provides the steps to get there. Through a robust public input process that seeks the participation of all community members, the RSVP will assist City leaders and community partners in prioritizing top downtown issues and establishing a consensus around what must be achieved to further enhance downtown development and activities.

The City continues to seek funding from Federal and State sources to assist in the revitalization and redevelopment of blighted areas within the City. The City has been awarded two Community Development Block Grants (CDBG) totaling \$ 2,000,000 and a Community Home Investment Program (CHIP) grant totaling \$ 611,184. These funds, along with local matching funds totaling \$ 283,225, will be used for street improvements, flood and drainage facilities, replacement of sewer systems, and housing assistance to qualifying homeowners in low-to-moderate income neighborhoods.

The Thomson-McDuffie Regional Airport continues to play a vital role in promoting economic development in the region. This is most evident during the week of the Masters Golf Tournament held each April in Augusta, Georgia. Federal, State, and local funding have been combined over the years to provide for advanced take-off and landing systems, weather warning systems, runway lighting and pavement, hanger facilities, and a new terminal building. These improvements and easy access to Interstate-20 and surrounding communities have made the airport a destination for many corporate executives.

Request for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government'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, City of Thomson, P.O. Box 1017, Thomson, Georgia 30824.

BASIC FINANCIAL STATEMENTS

CITY OF THOMSON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

| | Primary Government | | | Component Unit |
|--|----------------------|---------------------|----------------------|--------------------------------------|
| | Governmental | Business-type | Total | Downtown Development Authority |
| | Activities | Activities | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 5,364,300 | \$ 4,252,527 | \$ 9,616,827 | \$ - |
| Investments | 558,079 | - | 558,079 | 59,000 |
| Receivables: | | | | |
| Taxes-net | 372,483 | - | 372,483 | - |
| Notes-net | 1,081,640 | - | 1,081,640 | - |
| Accounts-net | - | 1,430,380 | 1,430,380 | - |
| Interest | 3,787 | 1,444 | 5,231 | - |
| Intergovernmental | 419,073 | 114 | 419,187 | - |
| Other | 6,703 | 184,340 | 191,043 | - |
| Inventories | - | 79,297 | 79,297 | - |
| Prepays | 26,496 | 37,459 | 63,955 | - |
| Internal balances | (596) | 596 | - | - |
| Capital assets, net of accumulated depreciation: | | | | |
| Land | 1,089,233 | 128,782 | 1,218,015 | - |
| Site improvements | 2,995,851 | - | 2,995,851 | - |
| Buildings and improvements | 2,104,369 | 131,395 | 2,235,764 | - |
| Machinery and equipment | 350,469 | 2,083,472 | 2,433,941 | - |
| Infrastructure | 4,495,397 | - | 4,495,397 | - |
| Construction in progress | 598,236 | 150,782 | 749,018 | - |
| Total assets | 19,465,520 | 8,480,588 | 27,946,108 | 59,000 |
| Deferred Outflows of Resources | | | | |
| Deferred outflows related to pension plan | 214,983 | 137,192 | 352,175 | - |
| Liabilities | | | | |
| Accounts payable | 308,154 | 875,166 | 1,183,320 | - |
| Accrued liabilities | 42,069 | 102,629 | 144,698 | - |
| Customer deposits | - | 199,350 | 199,350 | - |
| Intergovernmental payables | 44,145 | 4,720 | 48,865 | - |
| Unearned revenues | 1,220,896 | - | 1,220,896 | - |
| Accrued interest payable | 534 | - | 534 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 104,851 | 2,199 | 107,050 | - |
| Due in more than one year | 131,274 | - | 131,274 | - |
| Net pension liability | 690,615 | 245,127 | 935,742 | - |
| Total OPEB liability | 566,493 | 540,852 | 1,107,345 | - |
| Total liabilities | 3,109,031 | 1,970,043 | 5,079,074 | - |
| Deferred Inflows of Resources | | | | |
| Subsequent year revenues | 37,705 | - | 37,705 | - |
| Deferred inflows related to pension plan | 490,391 | 376,694 | 867,085 | - |
| Total deferred inflows of resources | 528,096 | 376,694 | 904,790 | - |
| Net Position | | | | |
| Net investment in capital assets | 11,244,128 | 2,475,172 | 13,719,300 | - |
| Restricted for: | | | | |
| Public safety | 16,842 | - | 16,842 | - |
| Public works | 103,310 | - | 103,310 | - |
| Housing and development | 2,245,504 | - | 2,245,504 | - |
| Unrestricted | 2,433,592 | 3,795,871 | 6,229,463 | 59,000 |
| Total net position | \$ 16,043,376 | \$ 6,271,043 | \$ 22,314,419 | \$ 59,000 |

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

CITY OF THOMSON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

| Functions/Programs | Program Revenues | | | | Net Revenue (Expenses) and Changes in Net Position | | | Component Unit Downtown Development Authority |
|--|----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|----------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 626,771 | \$ 66,921 | \$ 127,978 | \$ - | \$ (431,872) | \$ - | \$ (431,872) | |
| Public safety | 2,072,076 | 204,573 | 18,301 | - | (1,849,202) | - | (1,849,202) | |
| Public works | 925,690 | - | - | 80,011 | (845,679) | - | (845,679) | |
| Housing and development | 771,868 | 182,934 | 69,117 | 618,220 | 98,403 | - | 98,403 | |
| Culture and recreation | 342,021 | - | - | - | (342,021) | - | (342,021) | |
| Community services | 151,201 | 23,640 | - | - | (127,561) | - | (127,561) | |
| Interest on long-term debt | 6,074 | - | - | - | (6,074) | - | (6,074) | |
| Total governmental activities | <u>4,895,701</u> | <u>478,068</u> | <u>215,396</u> | <u>698,231</u> | <u>(3,504,006)</u> | <u>-</u> | <u>(3,504,006)</u> | |
| Business-type activities: | | | | | | | | |
| Gas utility | 7,377,878 | 7,983,376 | - | - | - | 605,498 | 605,498 | |
| Solid waste | 1,351,227 | 1,116,243 | - | - | - | (234,984) | (234,984) | |
| Total business-type activities | <u>8,729,105</u> | <u>9,099,619</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>370,514</u> | <u>370,514</u> | |
| Total primary government | <u>\$ 13,624,806</u> | <u>\$ 9,577,687</u> | <u>\$ 215,396</u> | <u>\$ 698,231</u> | <u>(3,504,006)</u> | <u>370,514</u> | <u>(3,133,492)</u> | |
| Component Unit Downtown Development Authority | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | <u>\$ -</u> |
| General revenues | | | | | | | | |
| Property taxes | | | | | 937,683 | - | 937,683 | - |
| Motor vehicle taxes | | | | | 8,577 | - | 8,577 | - |
| Motor vehicle title advalorem taxes | | | | | 171,132 | - | 171,132 | - |
| Mobile home taxes | | | | | 3,031 | - | 3,031 | - |
| Payment in lieu of taxes | | | | | 19,341 | - | 19,341 | - |
| Sales taxes | | | | | 1,453,984 | - | 1,453,984 | - |
| Franchise taxes | | | | | 387,090 | - | 387,090 | - |
| Insurance premium taxes | | | | | 562,589 | - | 562,589 | - |
| Financial institution taxes | | | | | 28,737 | - | 28,737 | - |
| Alcoholic beverage taxes | | | | | 120,849 | - | 120,849 | - |
| Occupation taxes | | | | | 65,302 | - | 65,302 | - |
| Intangible taxes | | | | | 23,655 | - | 23,655 | - |
| Transfer taxes | | | | | 9,920 | - | 9,920 | - |
| Railroad equipment taxes | | | | | 587 | - | 587 | - |
| Excise tax on energy | | | | | 76,891 | - | 76,891 | - |
| Interest income | | | | | 24,208 | 2,722 | 26,930 | - |
| Insurance claims | | | | | 8,010 | - | 8,010 | - |
| Gain on sale of surplus property | | | | | 19,460 | 70,970 | 90,430 | - |
| Loss on investments | | | | | (97,597) | - | (97,597) | - |
| Other revenues | | | | | 71,634 | - | 71,634 | - |
| Transfers to other funds | | | | | 244,950 | (244,950) | - | - |
| Transfers to component unit | | | | | (59,000) | - | (59,000) | 59,000 |
| Total general revenues, transfers, and special items | | | | | <u>4,081,033</u> | <u>(171,258)</u> | <u>3,909,775</u> | <u>59,000</u> |
| Change in net position | | | | | 577,027 | 199,256 | 776,283 | 59,000 |
| Net position, beginning of year | | | | | <u>15,466,349</u> | <u>6,071,787</u> | <u>21,538,136</u> | <u>-</u> |
| Net position, end of year | | | | | <u>\$ 16,043,376</u> | <u>\$ 6,271,043</u> | <u>\$ 22,314,419</u> | <u>\$ 59,000</u> |

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

CITY OF THOMSON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

| | General Fund | Employment Incentive Program Loan Fund | American Rescue Plan Act Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---|-------------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,778,576 | \$ 368,349 | \$ 1,218,896 | \$ 985,814 | \$ 5,351,635 |
| Investments | 558,079 | - | - | - | 558,079 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes | 372,483 | - | - | - | 372,483 |
| Notes-current | - | 173,865 | - | - | 173,865 |
| Notes-long-term | - | 907,775 | - | - | 907,775 |
| Interest | - | 3,200 | - | - | 3,200 |
| Other | 3,491 | - | - | 3,212 | 6,703 |
| Intergovernmental receivables | 192,994 | - | - | 112,750 | 305,744 |
| Interfund receivables | 17,806 | - | - | 34,589 | 52,395 |
| Prepays | 26,496 | - | - | - | 26,496 |
| Total assets | \$ 3,949,925 | \$ 1,453,189 | \$ 1,218,896 | \$ 1,136,365 | \$ 7,758,375 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 113,001 | \$ - | \$ - | \$ 185,880 | \$ 298,881 |
| Accrued liabilities | 32,092 | - | - | - | 32,092 |
| Intergovernmental payables | 44,145 | - | - | - | 44,145 |
| Interfund payables | 21,480 | - | - | 25,515 | 46,995 |
| Unearned revenues | 2,000 | - | 1,218,896 | - | 1,220,896 |
| Total liabilities | 212,718 | - | 1,218,896 | 211,395 | 1,643,009 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue-property taxes | 42,690 | - | - | - | 42,690 |
| Subsequent year revenues | 37,705 | - | - | - | 37,705 |
| Total deferred inflows of resources | 80,395 | - | - | - | 80,395 |
| FUND BALANCES | | | | | |
| Nonspendable | 26,496 | 907,775 | - | - | 934,271 |
| Restricted for: | | | | | |
| Public safety | - | - | - | 16,842 | 16,842 |
| Public works | - | - | - | 83,317 | 83,317 |
| Housing and development | - | 545,414 | - | 616,350 | 1,161,764 |
| Committed to: | | | | | |
| Housing and development | - | - | - | 59,928 | 59,928 |
| Assigned to: | | | | | |
| Housing and development | - | - | - | 148,533 | 148,533 |
| Unassigned | 3,630,316 | - | - | - | 3,630,316 |
| Total fund balances | 3,656,812 | 1,453,189 | - | 924,970 | 6,034,971 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,949,925 | \$ 1,453,189 | \$ 1,218,896 | \$ 1,136,365 | \$ 7,758,375 |

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

CITY OF THOMSON, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

| | |
|---|-----------------------------|
| Total fund balances - governmental funds | <u>\$ 6,034,971</u> |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of: | |
| Land | 1,089,233 |
| Site improvements | 6,374,869 |
| Building and improvements | 3,454,179 |
| Machinery and equipment | 1,929,653 |
| Infrastructure | 6,831,104 |
| Construction in progress | 598,236 |
| Accumulated depreciation | <u>(8,689,329)</u> |
| Total capital assets, net of accumulated depreciation - governmental activities | <u>11,587,945</u> |
| An internal service fund is used by management to charge the costs of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position. | |
| | <u>(49,330)</u> |
| Some revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. These revenues consist of: | |
| Intergovernmental receivables | 113,329 |
| Interest receivable | 587 |
| Property taxes | <u>42,690</u> |
| Total unavailable revenues | <u>156,606</u> |
| Deferred outflows of resources are not current assets or financial resources and, therefore, are not reported in the funds. Deferred outflows of resources consist of: | |
| Deferred outflows related to pension plan | <u>187,995</u> |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of: | |
| Accrued interest payable | (534) |
| Accrued compensated absences | (26,772) |
| Long-term debt | (209,353) |
| Net pension liability | (653,530) |
| Total OPEB liability | <u>(566,493)</u> |
| Total liabilities | <u>(1,456,682)</u> |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. Deferred inflows of resources consist of: | |
| Deferred inflows related to pension plan | <u>(418,129)</u> |
| Net position of governmental activities | <u><u>\$ 16,043,376</u></u> |

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

CITY OF THOMSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | General Fund | Employment Incentive Program Loan Fund | American Rescue Plan Act Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---|-------------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 3,667,376 | \$ - | \$ - | \$ 183,244 | \$ 3,850,620 |
| Licenses and permits | 65,689 | - | - | - | 65,689 |
| Intergovernmental | 146,279 | - | - | 758,848 | 905,127 |
| Charges for services | 1,473 | - | - | - | 1,473 |
| Fines and forfeitures | 179,796 | - | - | 8,757 | 188,553 |
| Interest income | 716 | 23,050 | - | 18 | 23,784 |
| Donations from private sources | - | - | - | 8,500 | 8,500 |
| Rents | 65,537 | - | - | 91,368 | 156,905 |
| Cemetery lot sales | 69,400 | - | - | - | 69,400 |
| Other | 65,144 | - | - | 6,490 | 71,634 |
| | <u>4,261,410</u> | <u>23,050</u> | <u>-</u> | <u>1,057,225</u> | <u>5,341,685</u> |
| Total revenues | | | | | |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 714,983 | - | - | - | 714,983 |
| Public safety | 2,236,640 | - | - | - | 2,236,640 |
| Public works | 644,490 | - | - | 11,474 | 655,964 |
| Community services | 108,407 | - | - | - | 108,407 |
| Culture and recreation | 321,858 | - | - | - | 321,858 |
| Housing and development | 172,327 | 350 | - | 375,654 | 548,331 |
| Debt service: | | | | | |
| Principal | 95,283 | - | - | - | 95,283 |
| Interest | 6,366 | - | - | - | 6,366 |
| Capital outlay: | | | | | |
| Public works | - | - | - | 339,291 | 339,291 |
| Housing and development | - | - | - | 341,309 | 341,309 |
| | <u>4,300,354</u> | <u>350</u> | <u>-</u> | <u>1,067,728</u> | <u>5,368,432</u> |
| Total expenditures | | | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>(38,944)</u> | <u>22,700</u> | <u>-</u> | <u>(10,503)</u> | <u>(26,747)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Insurance claims | 8,010 | - | - | - | 8,010 |
| Gain on sales of surplus property | 21,437 | - | - | - | 21,437 |
| Loss on investments | - | - | - | (97,597) | (97,597) |
| Capital lease proceeds | 194,440 | - | - | - | 194,440 |
| Transfers in | 263,263 | - | - | 37,717 | 300,980 |
| Transfers out | (37,717) | - | - | (77,313) | (115,030) |
| | <u>449,433</u> | <u>-</u> | <u>-</u> | <u>(137,193)</u> | <u>312,240</u> |
| Total other financing sources (uses) | | | | | |
| NET CHANGE IN FUND BALANCES | 410,489 | 22,700 | - | (147,696) | 285,493 |
| FUND BALANCES, BEGINNING OF YEAR | <u>3,246,323</u> | <u>1,430,489</u> | <u>-</u> | <u>1,072,666</u> | <u>5,749,478</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 3,656,812</u> | <u>\$ 1,453,189</u> | <u>\$ -</u> | <u>\$ 924,970</u> | <u>\$ 6,034,971</u> |

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

CITY OF THOMSON, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds \$ 285,493

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts were:

| | |
|---|----------------|
| Capital outlays | 855,843 |
| Depreciation expense | (614,573) |
| Net book value of surplus property sold | <u>(1,978)</u> |

| | |
|---|----------------|
| Excess of capital outlays over depreciation expense and other adjustments | <u>239,292</u> |
|---|----------------|

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Changes in these amounts are as follows:

| | |
|--|---------------|
| Interest receivable increased by this amount in 2021. | 424 |
| Intergovernmental receivables increased by this amount in 2021. | 6,644 |
| Unearned property tax revenues increased by this amount in 2021. | <u>12,104</u> |

| | |
|--|---------------|
| Net change in revenues not providing current financial resources | <u>19,172</u> |
|--|---------------|

The issuance of long-term debt (e.g., notes payable and capital leases payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Transactions related to long-term debt during the year were as follows:

| | |
|--------------------------------------|---------------|
| Capital lease proceeds | (194,440) |
| Principal payments on long-term debt | <u>95,283</u> |

| | |
|--------------------------------|-----------------|
| Net increase in long-term debt | <u>(99,157)</u> |
|--------------------------------|-----------------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | |
|---|---------------|
| Accrued compensated absences decreased by this amount in 2021. | 156 |
| Accrued interest payable decreased by this amount in 2021. | 292 |
| Net pension liability, deferred outflows and inflows related to pension decreased by this amount in 2021. | 50,120 |
| Total OPEB liability decreased by this amount in 2021. | <u>85,611</u> |

| | |
|---|----------------|
| Net change in expenses not requiring the use of current financial resources | <u>136,179</u> |
|---|----------------|

An internal service fund is used by management to charge the costs of vehicle maintenance to individual funds. The activities of the internal service fund included within governmental activities are as follows:

| | |
|--|----------------|
| Internal service fund net loss included within governmental activities | <u>(3,952)</u> |
|--|----------------|

| | |
|---|--------------------------|
| Change in net position of governmental activities | <u><u>\$ 577,027</u></u> |
|---|--------------------------|

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

CITY OF THOMSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budgetary Basis | | | Variance With Final Budget Over (Under) |
|---|--------------------|-----------------------------|---------------------|---|
| | Original Budget | Amended and Final Budget | Actual | |
| REVENUES | | | | |
| Taxes | \$ 3,386,225 | \$ 3,435,275 | \$ 3,414,794 | \$ (20,481) |
| Licenses and permits | 33,500 | 66,000 | 66,057 | 57 |
| Intergovernmental | 128,158 | 146,458 | 146,279 | (179) |
| Charges for services | 3,000 | 3,000 | 1,473 | (1,527) |
| Fines and forfeitures | 140,250 | 177,250 | 179,796 | 2,546 |
| Use of money and property | 106,397 | 130,617 | 135,653 | 5,036 |
| Other | 41,400 | 61,600 | 64,923 | 3,323 |
| Total revenues | 3,838,930 | 4,020,200 | 4,008,975 | (11,225) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 703,557 | 753,372 | 708,788 | (44,584) |
| Public safety | 2,031,661 | 2,361,891 | 2,265,887 | (96,004) |
| Public works | 692,214 | 649,823 | 628,784 | (21,039) |
| Community services | 135,204 | 139,824 | 92,550 | (47,274) |
| Culture and recreation | 360,324 | 361,024 | 296,006 | (65,018) |
| Housing and development | 213,053 | 213,153 | 208,963 | (4,190) |
| Total expenditures | 4,136,013 | 4,479,087 | 4,200,978 | (278,109) |
| Excess (deficiency) of revenues over (under) expenditures | (297,083) | (458,887) | (192,003) | (266,884) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance claims | 5,000 | 9,000 | 8,010 | (990) |
| Gain on sales of surplus property | 1,000 | 21,500 | 21,437 | (63) |
| Capital lease proceeds | - | 194,440 | 194,440 | - |
| Transfers in | 321,083 | 270,147 | 263,263 | (6,884) |
| Transfers out | (30,000) | (36,200) | (36,160) | (40) |
| Total other financing sources (uses) | 297,083 | 458,887 | 450,990 | (7,897) |
| CHANGE IN FUND BALANCE | \$ - | \$ - | 258,987 | \$ 258,987 |
| RECONCILIATION TO GAAP BASIS | | | | |
| To record effect of changes in receivables and other assets and payables and other liabilities | | | | |
| Receivables and other assets | | | 25,146 | |
| Payables and other liabilities | | | 126,356 | |
| Total reconciliation to GAAP basis | | | 151,502 | |
| FUND BALANCE, BEGINNING OF YEAR | | | 3,246,323 | |
| FUND BALANCE, END OF YEAR | | | \$ 3,656,812 | |

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

CITY OF THOMSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
EMPLOYMENT INCENTIVE PROGRAM LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budgetary Basis | | Actual | Variance With Final Budget Over (Under) |
|--|--------------------|-----------------------------|---------------------|---|
| | Original Budget | Amended and Final Budget | | |
| REVENUES | | | | |
| Interest income | \$ - | \$ - | \$ 21,356 | \$ 21,356 |
| Available for loans | 486,184 | 486,184 | 489,227 | 3,043 |
| Total revenues | <u>486,184</u> | <u>486,184</u> | <u>510,583</u> | <u>24,399</u> |
| EXPENDITURES | | | | |
| Loans made | 486,184 | 486,184 | 250,000 | (236,184) |
| Housing and development | - | - | 350 | 350 |
| Total expenditures | <u>486,184</u> | <u>486,184</u> | <u>250,350</u> | <u>(235,834)</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> | <u>260,233</u> | <u>260,233</u> |
| CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>260,233</u> | <u>\$ 260,233</u> |
| RECONCILIATION TO GAAP BASIS | | | | |
| To record effect of changes in receivables and other assets and payables and other liabilities | | | | |
| Receivables and other assets | | | <u>(237,533)</u> | |
| Total reconciliation to GAAP basis | | | <u>(237,533)</u> | |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>1,430,489</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 1,453,189</u> | |

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

CITY OF THOMSON, GEORGIA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2021

| | Business-type Activities-Enterprise Funds | | | Governmental Activities |
|--|---|--------------------|---------------------|----------------------------|
| | Gas | Solid Waste | Total | Internal Service Fund |
| | Fund | Fund | | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$ 4,216,033 | \$ 36,494 | \$ 4,252,527 | \$ 12,665 |
| Accounts receivable-net | 1,251,819 | 178,561 | 1,430,380 | - |
| Interest receivable | 1,444 | - | 1,444 | - |
| Intergovernmental receivables | - | 114 | 114 | - |
| Other receivables | 184,340 | - | 184,340 | - |
| Interfund receivables | 10,044 | 2,362 | 12,406 | - |
| Inventories | 79,297 | - | 79,297 | - |
| Prepays | 20,100 | 17,359 | 37,459 | - |
| | <u>5,763,077</u> | <u>234,890</u> | <u>5,997,967</u> | <u>12,665</u> |
| Total current assets | | | | |
| Noncurrent assets: | | | | |
| Capital assets | | | | |
| Land | 128,782 | - | 128,782 | - |
| Buildings and improvements | 388,291 | 59,891 | 448,182 | 39,806 |
| Machinery and equipment | 7,607,654 | 1,240,438 | 8,848,092 | 143,207 |
| Construction in progress | 150,782 | - | 150,782 | - |
| Less accumulated depreciation | <u>(5,920,547)</u> | <u>(1,160,860)</u> | <u>(7,081,407)</u> | <u>(137,403)</u> |
| | <u>2,354,962</u> | <u>139,469</u> | <u>2,494,431</u> | <u>45,610</u> |
| Total capital assets, net of accumulated depreciation | | | | |
| | <u>2,354,962</u> | <u>139,469</u> | <u>2,494,431</u> | <u>45,610</u> |
| Total noncurrent assets | | | | |
| | <u>2,354,962</u> | <u>139,469</u> | <u>2,494,431</u> | <u>45,610</u> |
| Total assets | <u>8,118,039</u> | <u>374,359</u> | <u>8,492,398</u> | <u>58,275</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pension plan | <u>79,468</u> | <u>57,724</u> | <u>137,192</u> | <u>26,988</u> |
| Total assets and deferred outflows of resources | <u>8,197,507</u> | <u>432,083</u> | <u>8,629,590</u> | <u>85,263</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 773,285 | 101,881 | 875,166 | 9,273 |
| Accrued liabilities | 87,444 | 15,185 | 102,629 | 9,977 |
| Customer deposits | 199,350 | - | 199,350 | - |
| Intergovernmental payables | 3,862 | 858 | 4,720 | - |
| Interfund payables | 11,810 | - | 11,810 | 5,996 |
| Current portion of capital lease payable | - | 2,199 | 2,199 | - |
| | <u>1,075,751</u> | <u>120,123</u> | <u>1,195,874</u> | <u>25,246</u> |
| Total current liabilities | | | | |
| | <u>1,075,751</u> | <u>120,123</u> | <u>1,195,874</u> | <u>25,246</u> |
| Noncurrent liabilities: | | | | |
| Net pension liability | 138,962 | 106,165 | 245,127 | 37,085 |
| Total OPEB liability | <u>430,317</u> | <u>110,535</u> | <u>540,852</u> | <u>-</u> |
| | <u>569,279</u> | <u>216,700</u> | <u>785,979</u> | <u>37,085</u> |
| Total noncurrent liabilities | | | | |
| | <u>569,279</u> | <u>216,700</u> | <u>785,979</u> | <u>37,085</u> |
| Total liabilities | <u>1,645,030</u> | <u>336,823</u> | <u>1,981,853</u> | <u>62,331</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pension plan | <u>214,355</u> | <u>162,339</u> | <u>376,694</u> | <u>72,262</u> |
| Total liabilities and deferred inflows of resources | <u>1,859,385</u> | <u>499,162</u> | <u>2,358,547</u> | <u>134,593</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 2,337,902 | 137,270 | 2,475,172 | 45,610 |
| Unrestricted | <u>4,000,220</u> | <u>(204,349)</u> | <u>3,795,871</u> | <u>(94,940)</u> |
| Total net position | <u>\$ 6,338,122</u> | <u>\$ (67,079)</u> | <u>\$ 6,271,043</u> | <u>\$ (49,330)</u> |

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

CITY OF THOMSON, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Business-type Activities-Enterprise Funds | | | Governmental Activities |
|--|---|---------------------|---------------------|----------------------------|
| | Gas Fund | Solid Waste Fund | Total | Internal Service Fund |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 7,808,836 | \$ 1,096,670 | \$ 8,905,506 | \$ 234,815 |
| Refunds from suppliers | 155,311 | - | 155,311 | - |
| Other revenues | - | 6,933 | 6,933 | 3,347 |
| Penalties | 19,229 | 12,640 | 31,869 | - |
| Total operating revenues | 7,983,376 | 1,116,243 | 9,099,619 | 238,162 |
| OPERATING EXPENSES | | | | |
| Purchases | 5,479,787 | 211,052 | 5,690,839 | - |
| Personnel services and benefits | 868,605 | 405,508 | 1,274,113 | 189,259 |
| Professional and technical services | 153,350 | 18,065 | 171,415 | 294 |
| Repairs and maintenance | 173,473 | 64,235 | 237,708 | 2,295 |
| Other purchased services | 154,372 | 469,637 | 624,009 | 14,253 |
| Supplies | 184,132 | 77,024 | 261,156 | 26,529 |
| Intergovernmental | 119,346 | - | 119,346 | - |
| Depreciation | 218,708 | 96,640 | 315,348 | 9,109 |
| Bad debts | 8,924 | 4,288 | 13,212 | - |
| Other | 17,164 | 4,396 | 21,560 | 375 |
| Total operating expenses | 7,377,861 | 1,350,845 | 8,728,706 | 242,114 |
| Operating income (loss) | 605,515 | (234,602) | 370,913 | (3,952) |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 2,722 | - | 2,722 | - |
| Insurance claims | - | - | - | - |
| Gain on sales of surplus property | - | 70,970 | 70,970 | - |
| Interest expense | (17) | (382) | (399) | - |
| Total non-operating revenues (expenses) | 2,705 | 70,588 | 73,293 | - |
| Income (loss) before transfers | 608,220 | (164,014) | 444,206 | (3,952) |
| TRANSFERS IN (OUT) | | | | |
| Transfers in | - | 49,701 | 49,701 | - |
| Transfers out | (285,422) | (9,229) | (294,651) | - |
| Net transfers in (out) | (285,422) | 40,472 | (244,950) | - |
| CHANGE IN NET POSITION | 322,798 | (123,542) | 199,256 | (3,952) |
| NET POSITION, BEGINNING OF YEAR | 6,015,324 | 56,463 | 6,071,787 | (45,378) |
| NET POSITION, END OF YEAR | \$ 6,338,122 | \$ (67,079) | \$ 6,271,043 | \$ (49,330) |

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

CITY OF THOMSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Business-type Activities-Enterprise Funds | | | Governmental Activities |
|---|---|---------------------|--------------|----------------------------|
| | Gas Fund | Solid Waste Fund | Total | Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 7,764,521 | \$ 1,087,309 | \$ 8,851,830 | \$ 238,162 |
| Payments to suppliers and others | (6,045,214) | (759,949) | (6,805,163) | (36,881) |
| Payments to employees | (937,193) | (422,629) | (1,359,822) | (197,146) |
| Net cash provided by (used for) operating activities | 782,114 | (95,269) | 686,845 | 4,135 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | - | 10,000 | 10,000 | - |
| Transfers to other funds | (179,799) | (9,229) | (189,028) | - |
| Net cash provided by (used for) noncapital financing activities | (179,799) | 771 | (179,028) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from sale of surplus property | - | 81,803 | 81,803 | - |
| Purchases and construction of capital assets | (296,415) | (5,474) | (301,889) | - |
| Payments on long-term debt | (4,020) | (39,285) | (43,305) | - |
| Interest paid | (28) | (416) | (444) | - |
| Transfers from other funds | - | 39,701 | 39,701 | - |
| Transfers to other funds | (105,623) | - | (105,623) | - |
| Net cash provided by (used for) capital and related financing activities | (406,086) | 76,329 | (329,757) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | 1,842 | - | 1,842 | - |
| Net cash provided by investing activities | 1,842 | - | 1,842 | - |
| Net increase (decrease) in cash and cash equivalents | 198,071 | (18,169) | 179,902 | 4,135 |
| Cash and cash equivalents, beginning of year | 4,017,962 | 54,663 | 4,072,625 | 8,530 |
| Cash and cash equivalents, end of year | \$ 4,216,033 | \$ 36,494 | \$ 4,252,527 | \$ 12,665 |

(Continued)

CITY OF THOMSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Business-type Activities-Enterprise Funds | | | Governmental |
|--|---|--------------------|-------------------|--------------------------|
| | Gas | Solid Waste | Total | Activities |
| | Fund | Fund | | Internal Service Fund |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 605,515 | \$ (234,602) | \$ 370,913 | \$ (3,952) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Depreciation | 218,708 | 96,640 | 315,348 | 9,109 |
| Other pension related charges | (24,940) | (16,889) | (41,829) | (9,792) |
| Other post employment benefits (OPEB) | (39,835) | (3,319) | (43,154) | - |
| (Increase) decrease in current assets | | | | |
| Accounts receivable | (230,706) | (24,643) | (255,349) | - |
| Intergovernmental receivables | - | (3) | (3) | - |
| Other receivables | 16,271 | - | 16,271 | - |
| Interfund receivables | - | (369) | (369) | - |
| Inventories | (20,259) | - | (20,259) | - |
| Prepays | (1,125) | (971) | (2,096) | - |
| Increase (decrease) in current liabilities | | | | |
| Accounts payable | 257,810 | 94,545 | 352,355 | 6,865 |
| Accrued liabilities | (6,972) | 3,456 | (3,516) | (299) |
| Customer deposits | 6,368 | - | 6,368 | - |
| Intergovernmental payables | (16) | (9,114) | (9,130) | - |
| Interfund payables | 1,295 | - | 1,295 | 2,204 |
| Total adjustments | 176,599 | 139,333 | 315,932 | 8,087 |
| Net cash provided by (used for) operating activities | \$ 782,114 | \$ (95,269) | \$ 686,845 | \$ 4,135 |

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

CITY OF THOMSON, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2021

| | Police Surcharge Fund |
|----------------------------|-----------------------------|
| ASSETS | |
| Cash | \$ 81 |
| Total assets | \$ 81 |
| LIABILITIES | |
| Intergovernmental payables | \$ 81 |
| Total liabilities | \$ 81 |

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

NOTES TO FINANCIAL STATEMENTS

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The financial statements of the City of Thomson, Georgia (the "City") 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 standards setting body for establishing governmental accounting and financial reporting principles.

The accompanying summary of the City'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

The City was originally chartered on August 19, 1927 and was rechartered on March 15, 1973. Under the charter, the citizens elect the Mayor at large and five City Council members by districts. The City provides the following services: public safety, streets, culture and recreation, public improvements, natural gas utility, solid waste pickup, and general and administrative services. In addition, the City participates in a water and sewer utility commission for the City and McDuffie County, Georgia.

The Mayor and City Council govern the City and appoint a City Administrator who is responsible for the day to day operations and implementation of the policy decisions made by the City Council. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

C. Individual Component Unit Disclosures

Downtown Development Authority - The Downtown Development Authority is a legally separate entity, its board members are appointed by the City, and the City is able to impose its will on the Downtown Development Authority. The purpose of the Downtown Development Authority is to revitalize and redevelop the central business districts of the municipal corporations of the State of Georgia. Therefore, the Downtown Development Authority's provision of services is not limited entirely, or almost entirely, to the City nor does it only benefit the City.

The Downtown Development Authority is discretely presented in a separate column on the government-wide Statement of Net Position and Statement of Activities. The Downtown Development Authority does not issue separate financial statements.

The City was not financially accountable for nor did the City exercise significant influence over any other entities. Accordingly, there are no other component units included in these financial statements.

D. Basic Financial Statements

The basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the basic financial statements.

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund financial statements - The fund financial statements provide information about the City's funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented, although the latter is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues, except property taxes, available if they are collected within 30 days after year-end. Property taxes collected within 60 days after year-end are considered available. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

The accounts of the City are organized on the basis of funds. 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. The minimum number of funds is maintained consistent with legal and managerial requirements.

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, fines and forfeitures, and various other taxes and charges. The primary expenditures are for the general administration, public safety, public works, community services, culture and recreation, and housing and development.

Employment Incentive Program Loan Fund (EIP) - The EIP Loan Fund is a special revenue fund used to account for the financial activities related to the City's EIP revolving loan program. The EIP Loan Fund is not being funded with federal or state grant funds.

American Rescue Plan Act Fund - The ARPA Fund is a special revenue fund used to account for the financial activities related to proceeds received from the U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds.

The City reports the following major enterprise funds:

Gas Fund - The Gas Fund is used to account for the operations of the City's natural gas utility.

Solid Waste Fund - The Solid Waste Fund is used to account for the cost of providing solid waste pick-up, disposal, and recycling services to City residents and businesses.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Gas Utility and Solid Waste Funds are charges to customers for sales and services. Operating expenses for enterprise funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports the following other fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Capital Project Funds - Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Internal Service Fund - An internal service fund is used to account for the City's Vehicle Maintenance Fund. The Vehicle Maintenance Fund provides services to other funds, departments, and the McDuffie County/City of Thomson, Georgia Water and Sewer Commission on a cost reimbursement basis.

Fiduciary Funds - Fiduciary funds are custodial in nature and do not involve the measurement of operating results. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the City in an agency capacity for individuals and other governmental units. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Data

Annual appropriated budgets are adopted by the Mayor and City Council for the general, enterprise, and some special revenue funds on a total revenues and total expenditures basis.

The City's Administrator submits an annual budget to the Mayor and Members of City Council in accordance with the City Charter. The City Council adopted the 2021 annual appropriated budgets for the City's general, enterprise, and special revenue funds on December 10, 2020. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Under Georgia State law, appropriations lapse at year-end.

The budgets are prepared essentially on the cash basis, rather than in accordance with generally accepted accounting principles. Revenues, other than property taxes and sales taxes, are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenditure is paid. Property taxes and sales tax revenues collected in the current year are set-aside to fund the subsequent year's budget.

Amounts reported in the budgetary statements for property taxes only include amounts collected on prior year tax levies. Sales taxes and accumulated interest income on local option sales tax reserves represent amounts actually transferred from sales tax reserves. These amounts do not represent current year collections of property taxes, sales taxes, and interest earned on local option sales tax reserves.

A reconciliation from the budgetary basis to generally accepted accounting principles is presented in the applicable financial statements.

Project length budgets are adopted for all capital project funds. Major capital projects are under contract with independent contractors that are exclusively responsible for the progress of the construction projects. Accordingly, budgetary statements are not presented for the City's capital projects funds.

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

G. Encumbrance Accounting

The City does not utilize encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation.

H. Assets, Liabilities, and Fund Equity

Cash and Investments

The City's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments purchased with maturities of three months or less.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonparticipating interest-earning investment contracts (investments whose value is not affected by interest rates or other market changes), including savings accounts, certificates of deposit, repurchase agreements, money market investments (short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U. S. Treasury and agency obligations) and participating interest-bearing investment contracts, that have a remaining maturity, at purchase, of one year or less are reported at cost or amortized cost assuming their fair value has not been impacted by changes in the credit worthiness of the issuer or similar factors. All other investments are reported at fair value (the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale).

"Georgia Fund 1" is a Standard & Poor's AAAf/S1 rated investment pool which is managed by the Office of the State Treasurer to maintain principal stability. The pool is not registered with the SEC as an investment company and the State of Georgia does not consider Georgia Fund 1 to be a 2a7-like pool. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$ 1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on a \$1.00 per share basis. The Office of the State Treasurer is the regulatory oversight agency for Georgia Fund 1.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City uses the allowance method for recording bad debt. The allowance for bad debt reserves for amounts owed from customers that have purchased services from the City, is determined by an analysis of the year-end receivable balances for those accounts which the City believes will not be collected based on past history.

Estimated unbilled revenues from the Gas and Solid Waste Funds are recorded at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Prepays

The City uses the allocation method for accounting for prepaids. When the allocation method is used to account for prepaids, 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. Prepaids are reported as assets of the specific governmental fund that will derive future benefits from the expenditure.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables and payables on the Balance Sheet of the fund financial statements and as "internal balances" on the Statement of Net Position in the government-wide financials statements. Internal balances are eliminated in the government-wide financial statements.

Inventories

Inventories of supplies for all governmental funds are recorded at cost using the purchase method, whereby inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. No inventories were recorded in the governmental funds as of December 31, 2021.

Inventories of the proprietary funds are recorded at the lower of cost or market on a first-in, first-out basis.

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets, which include land, site improvements, buildings and improvements, machinery and equipment, infrastructure, and construction-in-progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more 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. Infrastructure acquired prior to June 30, 1980 is not reported.

Major outlay for capital assets and improvements not completed as of year-end are capitalized as construction in progress. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|-------------|
| Site improvements | 10-20 years |
| Buildings and improvements | 25-40 years |
| Machinery and equipment | 5-22 years |
| Infrastructure | 40-50 years |

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees may accumulate up to 20 days of unused vacation leave to be received as compensation upon separation from service. Accumulated sick pay benefits are paid only upon the illness of an employee. Accordingly, there is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. The City's government-wide and proprietary funds include an accrual for the estimated compensation costs attributable to employee earned but unused leave benefits. Compensated absences are liquidated through the General Fund.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide Statement of Net Position and the proprietary fund Statement of Fund Net Position.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City reports employer contributions to its pension plan made subsequent to the pension plan's measurement date, the difference between expected and actual experience on pension plan demographic and economic changes, and assumption changes in this category on the government-wide and proprietary fund Statements of Net Position.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statement of 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 City collects occupation taxes and beer and wine licenses that are permitted for use in the subsequent year. These revenues qualify for reporting in this category and are identified as subsequent year revenues on the government-wide Statement of Net Position and on the governmental funds Balance Sheet. The City also reports unavailable revenue-property taxes in this category on the governmental funds Balance Sheet. In addition, the City reports deferred inflows of resources related to its pension plan in this category for the net 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 in this category on the government-wide and proprietary fund Statements of Net Position.

Net Position (Government-Wide Financial Statements)

The City's net position is classified as follows:

Net investment in capital assets: This represents the City'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.

Fund Balances (Governmental Funds Financial Statements)

The City requires the following actions to be taken for fund balance to be classified as "restricted", "committed", or "assigned":

Restricted - amounts that can be spent only for the specific purposes stipulated by external resource providers (i.e. grants, creditors), constitutionally, or through enabling legislation (i.e. legislation that creates a new revenue source and restricts its use). These restrictions may be changed or lifted only with the consent of the resource providers.

Committed - amounts that can be used only for the specific purpose determined by a formal action of City Council. Such commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally. The formal action must be taken before year-end, although the amount may not be determined until the subsequent period.

Assigned - amounts intended to be used by the City for specific purposes. City Council delegates the authority to classify fund balance as "assigned" to the City Administrator and his/her designee, the Finance Director. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

The City also uses "non-spendable" in its fund financial statements to classify fund balance amounts that are legally or contractually required and cannot be spent, or "unassigned", which represents amounts not included in the other fund balance categories.

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City's policy for the order of expenditure of funds by fund classification is as follows: Future qualifying expenditures will first reduce restricted fund balance, followed by a reduction of unrestricted fund balance starting first with "committed", then "assigned", then "unassigned" as applicable when expenditures are incurred for purposes for which amounts in any of those fund balance classifications could be used.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could vary from the estimates that were recorded.

I. New Accounting Pronouncements

Pronouncements effective for the 2021 Financial Statements:

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 City'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.

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 City'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 (ACFR). This pronouncement had no impact on the City's financial statements.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund

Actual revenues and other financing sources (budgetary basis) were \$ 19,162 less than budgeted amounts whereas actual expenditures and other financing uses (budgetary basis) were \$ 278,149 less than appropriated amounts resulting in a net increase in fund balance (budgetary basis) of \$ 258,987. Expenditures for Downtown Development exceeded appropriated amounts by \$ 7,050. The overage was absorbed by available fund balance. Expenditures for all other City departments and functions were under appropriated amounts for the year.

Solid Waste Fund

The Solid Waste Fund is reporting a deficit balance in unrestricted net position totaling \$ 204,349, which includes a decrease in net position of \$ 123,542 for the year. The deficit is primarily attributable to noncurrent liabilities related to the fund's net pension liability and total OPEB liability.

Internal Service Fund

The Internal Service Fund is reporting a deficit balance in unrestricted net position totaling \$ 94,940, which includes a decrease in net position of \$ 3,952 for the year. Most of the deficit balance consists of noncurrent liabilities related to the fund's net pension liability.

Nonmajor Governmental Funds

The Housing Development Action Grant Loan Fund, Monument Capital Project Fund, and TIA SPLOST Capital Project Fund are reporting decreases in fund balance for December 31, 2021 totaling \$ 150,202, \$ 32, and \$ 87,510, respectively. The decrease in the Housing Development Action Grant Loan Fund was attributable to a loss on write-down of investments to fair market value totaling \$ 97,597 and subsequent transfer of real estate to the Downtown Development Authority totaling \$ 59,000. The decrease in the TIA SPLOST Capital Project Fund was attributable to cost incurred on various street projects and the decrease in the Monument Capital Project Fund related to bank charges. The TIA SPLOST Capital Project Fund and Monument Capital Project Fund deficits were funded with available fund balance.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

The carrying amount of the City's deposits with financial institutions was \$ 9,616,908 and the bank balance was \$ 9,922,709 at December 31, 2021. Deposits of the City were fully collateralized as of year-end.

Collateralization of the City's deposits as of December 31, 2021 is as follows:

| | |
|---|----------------------------|
| Amount insured by FDIC | \$ 150,524 |
| Amount collateralized with securities held by the pledging financial institution's trust department or agent in the City's name | <u>9,772,185</u> |
| Total bank balance | <u><u>\$ 9,922,709</u></u> |

Investments

At December 31, 2021, the City and its component unit had the following investments:

| <u>Investments</u> | <u>Maturities</u> | <u>Fair Value</u> | <u>Credit Rating</u> |
|--------------------------------|-------------------|--------------------------|----------------------|
| <u>Governmental Activities</u> | | | |
| Georgia Fund 1 | 46 day WAM | <u>\$ 558,079</u> | AAAf/S1 |
| | | <u><u>\$ 558,079</u></u> | |
| <u>Component Unit</u> | | | |
| Land and building | N/A | <u>\$ 59,000</u> | N/A |
| | | <u><u>\$ 59,000</u></u> | |

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements as of December 31, 2021 include its component unit's investment in land and building (Level 3 inputs).

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes authorize the City to make direct investments in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime banker's acceptances; the local government investment pool established by State law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The “Georgia Fund 1” uses the weighted average maturity (WAM) method for reporting interest rate risk. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. In addition, the City does not invest in certificates of deposit with maturities greater than 365 days from date of purchase.

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

Concentration of credit risk is the risk that the City will place no limit on the amount they invest in any one issuer. At December 31, 2021, no single issue investment exceeded 5% of total investments.

Land

The City entered into an agreement with Camellia Partners on August 8, 2014 to acquire land and building located at 111 Main Street with a cost basis of \$ 156,597. The City deeded the land and building to the Downtown Development Authority on October 14, 2021, at which time the appraised fair market value of the land and building was determined to be \$ 59,000. The City wrote the value of the land and building down to fair market value thereby recognizing a loss on investments of \$ 97,577 in the Housing Development Action Grant Loan Fund and recorded a transfer from the Housing Development Action Grant Loan Fund to the Downtown Development Authority for \$ 59,000.

NOTE 4 - PROPERTY TAXES

Property taxes are billed and collected by the McDuffie County, Georgia Tax Commissioner and remitted to the City. Property taxes were levied on September 10, 2021 and were due on November 30, 2021. Property taxes became a lien on the first day of the levy year. Unpaid property taxes received within 60 days of year-end are recognized and recorded as revenue (considered measurable and available), and property taxes unpaid 60 days after year-end are recorded as unavailable revenue. An allowance is established for uncollectible amounts based on management’s estimate.

A summary of the 2021 tax levy follows:

| | |
|--|-----------------------|
| 2021 millage rate | 6.890 |
| Taxable digest | <u>\$ 142,114,294</u> |
| Gross tax levy | \$ 2,207,533 |
| Less sales tax rollback | <u>(1,216,918)</u> |
| Net property taxes | <u>\$ 990,615</u> |
| Property taxes receivable | \$ 86,209 |
| Less allowance for uncollectible amounts | <u>(10,968)</u> |
| Net property taxes receivable | <u>\$ 75,241</u> |
| Unavailable revenue-property tax | <u>\$ 42,690</u> |

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - NOTES RECEIVABLE

Notes receivable December 31, 2021 are as follows:

| | |
|--|----------------------------|
| Employment Incentive Program Loan Fund (EIP) | |
| 4.00%, monthly payments of \$ 1,893 (principal and interest), to 2023, collateralized by equipment and accounts receivable | \$ 87,063 |
| 2.00%, monthly payments of \$ 2,279 (principal and interest), to 2024, collateralized by equipment and personal guarantee by owner | 64,456 |
| 3.00%, monthly payments of \$ 1,082 (principal and interest), to 2022, collateralized by real estate | 34,239 |
| 3.00%, monthly payments of \$ 1,448 (principal and interest), to 2023, collateralized by real estate | 64,153 |
| 2.50%, monthly payments of \$ 2,828 (principal and interest), to 2026, collateralized by real estate, furniture, fixtures, and equipment | 151,849 |
| 3.00%, monthly payments of \$ 1,485 (principal and interest), to 2033, collateralized by real estate | 177,288 |
| 3.00%, monthly payments of \$ 1,686 (principal and interest), to 2028, collateralized by real estate | 150,336 |
| 5.00%, monthly payments of \$ 1,068 (principal and interest), to 2025, collateralized by real estate | 127,199 |
| 2.25% variable, monthly payments of \$ 3,219 (principal and interest), to 2028, collateralized by equipment | <u>225,057</u> |
| Total | <u><u>\$ 1,081,640</u></u> |

In March of 2020, the City granted a moratorium on principal and interest payments for four businesses that were significantly impacted by the Coronavirus pandemic. Payments resumed on these loans January 1, 2022.

The City uses the allowance method for recording bad debts attributable to its notes receivable. The allowance for uncollectible accounts is determined by an analysis of the year-end receivable balances for those accounts which the City believes will not be collected based on past history. During 2021, the City wrote-off all loans that were deemed uncollectible against the allowance. All loans are currently being serviced and no allowance for uncollectible notes receivable was deemed necessary as of December 31, 2021.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - NOTES RECEIVABLE (Continued)

Annual collections on notes receivable outstanding as of December 31, 2021 to maturity are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 173,865 | \$ 31,058 | \$ 204,923 |
| 2023 | 178,252 | 25,604 | 203,856 |
| 2024 | 164,063 | 20,618 | 184,681 |
| 2025 | 243,976 | 14,491 | 258,467 |
| 2026 | 98,324 | 7,600 | 105,924 |
| 2027 thru 2031 | 191,416 | 15,094 | 206,510 |
| 2032 thru 2033 | 31,744 | 921 | 32,665 |
| | <u>\$ 1,081,640</u> | <u>\$ 115,386</u> | <u>\$ 1,197,026</u> |

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2021, was as follows:

| | <u>Balance</u> <u>12/31/2020</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance</u> <u>12/31/2021</u> |
|--|-------------------------------------|-------------------|---------------------------------|-------------------------------------|
| <u>Governmental Activities</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,046,110 | \$ 43,123 | \$ - | \$ 1,089,233 |
| Construction in progress | 196,454 | 401,782 | - | 598,236 |
| Total capital assets not being depreciated | <u>1,242,564</u> | <u>444,905</u> | <u>-</u> | <u>1,687,469</u> |
| Capital assets being depreciated | | | | |
| Site improvements | 6,374,869 | - | - | 6,374,869 |
| Buildings and improvements | 3,466,230 | 27,755 | - | 3,493,985 |
| Machinery and equipment | 2,042,523 | 190,610 | (160,275) | 2,072,858 |
| Infrastructure | 6,638,531 | 192,573 | - | 6,831,104 |
| Total capital assets being depreciated | <u>18,522,153</u> | <u>410,938</u> | <u>(160,275)</u> | <u>18,772,816</u> |
| Less accumulated depreciation | | | | |
| Site improvements | (3,199,579) | (179,439) | - | (3,379,018) |
| Buildings and improvements | (1,305,025) | (84,591) | - | (1,389,616) |
| Machinery and equipment | (1,783,387) | (97,299) | 158,297 | (1,722,389) |
| Infrastructure | (2,073,354) | (262,353) | - | (2,335,707) |
| Total accumulated depreciation | <u>(8,361,345)</u> | <u>(623,682)</u> | <u>158,297</u> | <u>(8,826,730)</u> |
| Net capital assets being depreciated | <u>10,160,808</u> | <u>(212,744)</u> | <u>(1,978)</u> | <u>9,946,086</u> |
| Governmental activities capital assets-net | <u>\$ 11,403,372</u> | <u>\$ 232,161</u> | <u>\$ (1,978)</u> | <u>\$ 11,633,555</u> |

The City records all expenditures related to capital projects as construction in progress until the project is completed. Various projects include expenditures that are non-capital in nature and/or are transferred to other local governments upon completion. These amounts are not capitalized by the City. During 2021, no capital assets were transferred or expensed from construction in progress.

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

| | |
|-----------------------------------|-------------------|
| General government | \$ 6,257 |
| Public safety | 79,776 |
| Public works | 285,678 |
| Housing and development | 179,905 |
| Culture and recreation | 20,163 |
| Community services | 42,794 |
| Internal service fund | 9,109 |
| | <u>623,682</u> |
| Current year depreciation expense | <u>\$ 623,682</u> |

Business-type capital asset activity for the year ended December 31, 2021, was as follows:

| | <u>Balance</u> <u>12/31/2020</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance</u> <u>12/31/2021</u> |
|---|-------------------------------------|------------------|---------------------------------|-------------------------------------|
| <u>Business-type Activities</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 128,782 | \$ - | \$ - | \$ 128,782 |
| Construction in progress | 25,000 | 125,782 | - | 150,782 |
| | <u>153,782</u> | <u>125,782</u> | <u>-</u> | <u>279,564</u> |
| Total capital assets not being depreciated | | | | |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 448,182 | - | - | 448,182 |
| Machinery and equipment | 9,128,522 | 193,167 | (473,597) | 8,848,092 |
| | <u>9,576,704</u> | <u>193,167</u> | <u>(473,597)</u> | <u>9,296,274</u> |
| Total capital assets being depreciated | | | | |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (308,689) | (8,098) | - | (316,787) |
| Machinery and equipment | (6,920,134) | (307,250) | 462,764 | (6,764,620) |
| | <u>(7,228,823)</u> | <u>(315,348)</u> | <u>462,764</u> | <u>(7,081,407)</u> |
| Total accumulated depreciation | | | | |
| Net capital assets being depreciated | <u>2,347,881</u> | <u>(122,181)</u> | <u>(10,833)</u> | <u>2,214,867</u> |
| Business-type activities capital assets-net | <u>\$ 2,501,663</u> | <u>\$ 3,601</u> | <u>\$ (10,833)</u> | <u>\$ 2,494,431</u> |

Depreciation expense on capital assets of the business-type activities was \$ 315,348 for the year ended December 31, 2021.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions for the year ended December 31, 2021. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities.

| | Balance <u>12/31/2020</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>12/31/2021</u> | Amount Due Within <u>One Year</u> |
|---|------------------------------|-------------------|-----------------------|------------------------------|---|
| <u>Governmental Activities</u> | | | | | |
| Direct borrowings or placements | | | | | |
| Note payable | \$ 110,196 | \$ - | \$ (39,028) | \$ 71,168 | \$ 40,211 |
| Capital lease payable | - | 194,440 | (56,255) | 138,185 | 64,640 |
| | <u>110,196</u> | <u>194,440</u> | <u>(95,283)</u> | <u>209,353</u> | <u>104,851</u> |
| Other long-term liabilities | | | | | |
| Accrued compensated absences | 26,928 | - | (156) | 26,772 | - |
| Net pension liability | 1,537,850 | - | (847,235) | 690,615 | - |
| Total OPEB liability | 652,104 | - | (85,611) | 566,493 | - |
| | <u>2,216,882</u> | <u>-</u> | <u>(933,002)</u> | <u>1,283,880</u> | <u>-</u> |
| Other long-term liabilities | | | | | |
| Governmental activities long-term liabilities | <u>\$ 2,327,078</u> | <u>\$ 194,440</u> | <u>\$ (1,028,285)</u> | <u>\$ 1,493,233</u> | <u>\$ 104,851</u> |
| <u>Business-type Activities</u> | | | | | |
| Direct borrowings or placements | | | | | |
| Capital leases | \$ 45,504 | \$ - | \$ (43,305) | \$ 2,199 | \$ 2,199 |
| | <u>45,504</u> | <u>-</u> | <u>(43,305)</u> | <u>2,199</u> | <u>2,199</u> |
| Other long-term liabilities | | | | | |
| Net pension liability | 823,559 | - | (578,432) | 245,127 | - |
| Total OPEB liability | 584,006 | - | (43,154) | 540,852 | - |
| | <u>1,407,565</u> | <u>-</u> | <u>(621,586)</u> | <u>785,979</u> | <u>-</u> |
| Other long-term liabilities | | | | | |
| Business-type activities long-term liabilities | <u>\$ 1,453,069</u> | <u>\$ -</u> | <u>\$ (664,891)</u> | <u>\$ 788,178</u> | <u>\$ 2,199</u> |

There was no short-term borrowing during the year ended December 31, 2021.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - LONG-TERM LIABILITIES (Continued)

The following summarizes long-term debt outstanding at December 31, 2021:

| | <u>Original Principal</u> | <u>Interest Rate</u> | <u>Final Maturity</u> | <u>Outstanding Balance</u> | <u>Amount Due Within One Year</u> |
|---------------------------------|-------------------------------|--------------------------|---------------------------|--------------------------------|---|
| <u>Governmental Activities</u> | | | | | |
| Direct borrowings or placements | | | | | |
| Note payable | \$ 500,000 | 3.00% | 2023 | \$ 71,168 | \$ 40,211 |
| Capital lease | <u>194,440</u> | 2.27% | 2024 | <u>138,185</u> | <u>64,640</u> |
| Total-governmental activities | <u>\$ 694,440</u> | | | <u>\$ 209,353</u> | <u>\$ 104,851</u> |
| <u>Business-type Activities</u> | | | | | |
| Direct borrowings or placements | | | | | |
| Capital lease | <u>\$ 125,688</u> | 2.00% | 2022 | <u>\$ 2,199</u> | <u>\$ 2,199</u> |
| Total-business-type activities | <u>\$ 125,688</u> | | | <u>\$ 2,199</u> | <u>\$ 2,199</u> |

Note Payable

On January 30, 2007, the City was awarded \$ 500,000 from the OneGeorgia Authority Equity Fund to construct airport hangers to be leased to the airport's fixed base operator (FBO). The award was made in the form of an intergovernmental services contract (note payable) whereby the City is to repay the award in 60 quarterly payments of \$ 10,474, including principal and interest at 3.00%. The agreement is secured by a first mortgage on the hangers and a blanket assignment of any lease agreements with the FBO. The debt is to be serviced with lease revenues derived from the hangers. The initial payment was made in October 2008 and the final payment will be made during July 2023. Annual requirements to amortize the note payable outstanding as of December 31, 2021 to maturity are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|------------------|-----------------|------------------|
| 2022 | \$ 40,211 | \$ 1,686 | \$ 41,897 |
| 2023 | <u>30,957</u> | <u>466</u> | <u>31,423</u> |
| | <u>\$ 71,168</u> | <u>\$ 2,152</u> | <u>\$ 73,320</u> |

Capital Lease Obligations

On March 8, 2021, the City entered into a capital lease with Regions Equipment Finance Corporation to purchase four new police interceptors. Terms of the lease require 36 monthly payments, including principal and interest at 2.27% beginning April 8, 2021 with final payment being due February 8, 2024.

On February 6, 2017, the City entered into a capital lease with Regions Equipment Finance Corporation to purchase a new garbage truck. Terms of the lease require 60 monthly payments, including principal and interest at 2.00% beginning March 6, 2017 with the final payment being due February 6, 2022.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Future minimum lease payments to maturity are as follows:

| <u>Year Ending December 31,</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---|------------------------------------|-------------------------------------|
| 2022 | \$ 67,106 | \$ 2,203 |
| 2023 | 67,106 | - |
| 2024 | <u>7,441</u> | <u>-</u> |
| Total minimum lease payments | 141,653 | 2,203 |
| Less amount representing interest | <u>(3,468)</u> | <u>(4)</u> |
| Present value of minimum lease payments | <u>\$ 138,185</u> | <u>\$ 2,199</u> |

Total cost of assets acquired under capital leases and accumulated depreciation, thereon, were as follows as of December 31, 2021:

| Asset | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|-------------------------------|------------------------------------|-------------------------------------|
| Machinery and equipment | \$ 190,610 | \$ 465,130 |
| Less accumulated depreciation | <u>(19,061)</u> | <u>(443,235)</u> |
| Total | <u>\$ 171,549</u> | <u>\$ 21,895</u> |

Current year amortization of assets recorded under capital leases totaled \$ 19,061 for governmental activities and \$ 60,947 for business-type activities. Amortization expense related to capital leases is included within depreciation expense.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2021, is as follows:

Due from/to other funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------------------|-------------------------------|------------------|
| General Fund | Gas Fund | \$ 11,810 |
| General Fund | Internal Service Fund | 5,996 |
| HODAG Loan Fund | General Fund | 5,191 |
| HODAG Loan Fund | 2016 CHIP Fund | 13,503 |
| UDAG Loan Fund | General Fund | 11,339 |
| UDAG Loan Fund | HODAG Loan Fund | 1,968 |
| Airport Capital Projects Fund | General Fund | 2,588 |
| Gas Fund | Airport Capital Projects Fund | 10,044 |
| Solid Waste Fund | General Fund | <u>2,362</u> |
| | | <u>\$ 64,801</u> |

Amounts due to the General Fund totaling \$ 17,806 represent unapplied employee insurance withholdings, from the Gas and Internal Service Funds.

Amounts due to the HODAG and UDAG Revolving Loan Funds totaling \$ 18,498 represent prior year payments on notes receivable that were deposited in the General Fund and HODAG Revolving Loan Fund.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Amounts due to the HODAG Revolving Loan Fund totaling \$ 13,503 represent administration costs paid on behalf of the 2016 CHIP Fund. This amount will be reimbursed as grant funds are received.

Amounts due to the Airport Capital Projects Fund totaling \$ 2,588 represent the City's portion of operating expenses for December 2021.

Amounts due to the Gas Fund totaling \$ 10,044 represent funding for engineering and construction expenses on various airport capital projects. The Gas Fund will be reimbursed as funds become available.

Amounts due to the Solid Waste Fund totaling \$ 2,362 represent prior year capital contributions from the Gas Fund that were deposited in the General Fund.

Interfund transfers

| <u>Transfer Out</u> | Transfer In | | | | <u>Total Transfers Out</u> |
|-----------------------------|---------------------|-------------------------|------------------------------------|-----------------------|----------------------------|
| | <u>General Fund</u> | <u>Solid Waste Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Component Unit</u> | |
| General fund | \$ - | \$ - | \$ 37,717 | \$ - | \$ 37,717 |
| Gas fund | 235,721 | 49,701 | - | - | 285,422 |
| Solid waste fund | 9,229 | - | - | - | 9,229 |
| Nonmajor governmental funds | 18,313 | - | - | 59,000 | 77,313 |
| | <u>\$ 263,263</u> | <u>\$ 49,701</u> | <u>\$ 37,717</u> | <u>\$ 59,000</u> | <u>\$ 409,681</u> |

The City funds its General Fund capital budget with transfers from the Gas Fund. Capital assets funded with transfers from the Gas Fund during 2021 totaled \$ 65,922. The Gas Fund also funds a portion of administrative salaries, related employment benefits, and other operating costs. Transfers from the Gas Fund to fund these costs totaled \$ 103,881. In addition, the Gas and Solid Waste funds reimburse the General Fund for a portion of the City's occupancy costs of the joint government complex. Reimbursements for occupancy costs from the Gas Fund and Solid Waste funds totaled \$ 65,918 and \$ 9,229, respectively. The Airport Capital Project Fund reimbursed the General Fund for capital expenditures, originally funded in part by the General Fund, that were subsequently funded with grant proceeds. That reimbursement totaled \$ 18,313.

The City funds a portion of its Solid Waste operating costs and capital budget with transfers from the Gas Fund. Operating transfers and capital assets funded with transfers from the Gas Fund during 2021 totaled \$ 10,000 and \$ 39,701, respectively.

The City funds one-half of the operations, maintenance, and capital costs of the regional airport. Transfers to the Airport Capital Project Fund totaled \$ 37,617. In addition, the General Fund transferred \$ 100 to the 2021 CDBG Capital Project Fund to open a bank account for the project.

The Housing Development Action Grant Loan Fund transferred its investment in real estate held for resale and totaling \$ 59,000, to the Downtown Development Authority component unit. The Downtown Development Authority is to market the real estate for lease or sale.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - NET POSITION

Net position of the government-wide and proprietary fund financial statements represents the difference in assets and deferred outflows of resources less liabilities and deferred inflows of resources. Amounts reported for net investment in capital assets and restricted net position at December 31, 2021 are as follows:

| | Governmental <u>Activities</u> | Business-type <u>Activities</u> |
|--|-----------------------------------|------------------------------------|
| Net Investment in Capital Assets | | |
| Primary government | \$ 11,587,945 | \$ 2,494,431 |
| Internal service fund | 45,610 | - |
| Less note payable and capital lease | (209,353) | (2,199) |
| Less construction and retainage payables | <u>(180,074)</u> | <u>(17,060)</u> |
| Total net investment in capital assets | <u><u>\$ 11,244,128</u></u> | <u><u>\$ 2,475,172</u></u> |
| Restricted For | | |
| Public Safety | | |
| Police Condemnation and Forfeiture Fund | <u>16,842</u> | |
| Total Public Safety | <u><u>\$ 16,842</u></u> | |
| Public Works | | |
| TIA SPLOST Capital Project Fund | \$ 103,210 | |
| LMIG Capital Project Fund | <u>100</u> | |
| Total Public Works | <u><u>\$ 103,310</u></u> | |
| Housing and Development | | |
| EIP Revolving Loan Fund | \$ 1,453,189 | |
| HODAG Revolving Loan Fund | 234,090 | |
| UDAG Revolving Loan Fund | 382,094 | |
| 2020 CDBG Capital Project Fund | 170,733 | |
| 2021 CDBG Capital Project Fund | 80 | |
| 2016 CHIP Grant Capital Project Fund | <u>5,318</u> | |
| Total Housing and Development | <u><u>\$ 2,245,504</u></u> | |

NOTE 10 - JOINT VENTURES AND RELATED ORGANIZATIONS

McDuffie County/City of Thomson Water and Sewer Commission

The City is a one-half joint venture partner with McDuffie County, Georgia (the "County") in the McDuffie County/City of Thomson Water and Sewer Commission (the "Commission"), the purpose of which is to provide water and sewer utilities to County and City residents. The Commission assumed the ownership and operations of the City's Water and Sewer Enterprise Fund in 1988, in conjunction with funding for expansion with a one percent (1%) Special Purpose Local Option Sales Tax imposed by the County. The seven member board is comprised of three members from the City and County and one member appointed by the board. The Commission was established for a term of fifty years. The City and County are equally responsible for the ownership of and the future maintenance and improvements to the System. The System is a closed system whereby all funds derived from the operation of the System must be used for the purposes of operating, maintaining, improving, or expanding the System. Neither the County nor the City exercise direct control over the Commission, which is administered by the board.

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

GASB Statement No. 14, *The Financial Reporting Entity*, defines a joint venture as 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 (a) an ongoing financial interest or (b) an ongoing financial responsibility.

Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

An ongoing financial interest in a joint venture includes an equity interest when the agreement stipulates that the participating governments have a present or future claim on the net resources of the joint venture. A participating government has an ongoing financial responsibility for a joint venture if it is obligated in some manner for the debts of the joint venture, or if the joint venture's continued existence depends on continued funding by the government.

Each participating government of the Commission has final authority for establishing policies, water and sewer rates, fees, standards and any other matters as appropriate for the efficient delivery of water and sewer services. As such, each participating government has an indirect financial responsibility for the System, as defined by GASB Statement No. 14.

The City and County share certain responsibilities with respect to the Commission. The City administers the operating funds of the Commission, and is responsible for operations, maintenance, and customer billings for the System. The County is responsible for administering construction funds obtained through Special Purpose Local Option Sales Tax revenues. Grant funds obtained for construction purposes are administered by the City and/or the County, dependent upon the terms of such funding.

The basic financial statements of the Commission are presented in a manner consistent with primary governments. Transfers to and from the Commission by the participating governments are accounted for as intergovernmental revenues and expenses. Federal and state grant funds transferred to the Commission by the participating governments are accounted for as sub-recipient grant funds.

Financial information regarding the Commission's financial statements as of and for the year ended December 31, 2021 is summarized as follows:

| | |
|---------------------------------------|---------------|
| Operating revenues | \$ 5,887,173 |
| Depreciation and amortization expense | \$ 1,484,910 |
| Operating income | \$ 727,593 |
| Change in net position | \$ 594,578 |
| Capital asset additions | \$ 1,251,303 |
| Capital asset deletions | \$ 115,640 |
| Net working capital | \$ 4,959,604 |
| Total assets | \$ 40,575,472 |
| Deferred outflows of resources | \$ 189,673 |
| Long-term liabilities | \$ 8,490,252 |
| Deferred inflows of resources | \$ 533,953 |
| Total net position | \$ 30,656,674 |

The Commission has issued a separate financial report that may be obtained from:

McDuffie County/City of Thomson Water and Sewer Commission
C/O City of Thomson
P. O. Box 1017
Thomson, Georgia 30824

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

CSRA Regional Commission

Under Georgia State law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River Area Regional Commission (RC) and is required to pay annual dues thereto. During the year ended December 31, 2021, the City paid \$ 15,589 in such dues. Membership in a RC is required by OCGA Section 50-8-34 that provides for the organizational structure of the RC in the State of Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RC. Separate financial statements may be obtained from:

CSRA Regional Commission
3023 River Watch Parkway, Suite A
Augusta, GA 30907

Housing Authority

The Housing Authority of the City of Thomson, Georgia is considered a related organization based upon the criteria in GASB Statement No. 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City Council. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria, the Housing Authority of the City of Thomson, Georgia is a related organization and not a component unit.

Thomson-McDuffie Land Bank Authority

The City and County entered into an intergovernmental agreement to form the Thomson-McDuffie Land Bank Authority in accordance with OCGA Section 48-4-60. The Land Bank Authority is a legally separate entity having a board originally appointed by the City and County. The City is not able to impose its will upon the Land Bank Authority and a financial benefit/burden relationship does not exist between them. Accordingly, based upon the criteria in GASB Statement No. 14, the Land Bank Authority is a related organization and not a component unit of the City.

NOTE 11 - CONTINGENT LIABILITIES

Federal Grants

In the normal course of operations, the City receives grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is 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 City was not involved in any pending or threatened litigation.

COVID-19

During 2020, an outbreak of a novel strain of Coronavirus (COVID-19) emerged globally. As a result of the spread of COVID-19, and different variants continuing to emerge, economic uncertainties have arisen that could negatively impact the City's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss 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 risk of loss, the City has joined with other municipalities in the State of Georgia as a member of the Georgia Interlocal Risk Management Agency Fund (GIRMA), and the Georgia Municipal Association (GMA) Self-Insured Workmen's Compensation Fund. The City pays an annual premium to these Funds through the GIRMA and GMA. The City 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 City for any risk of loss up to the deductible amount.

As part of their agreement, the City must assist and cooperate in the defense and settlement of claims against the City. The City must furnish full cooperation to GIRMA's and GMA's attorneys, claims adjusters, and any agent or independent contractor of GIRMA and GMA. In addition, the City 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 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 City participates. The City is required to use due diligence to avoid or diminish any loss covered under the agreement.

As a condition of coverage, GIRMA and GMA can request that the City 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 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 13 - RETIREMENT PLAN

Plan Description

The City of Thomson Retirement Plan (the "Plan"), is a defined benefit pension plan affiliated with the Georgia Municipal Employees Benefit System (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; 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.

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.

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - RETIREMENT PLAN (Continued)

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 McDuffie County/City of Thomson Water and Sewer 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 | <u>31</u> |
| Total number of participants | <u><u>222</u></u> |

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 City's contribution to the Plan totaled \$ 264,555, 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 City's net pension liability was measured as of March 31, 2021.

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% |

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - RETIREMENT PLAN (Continued)

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 by 1.25.

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return*</u> |
|-----------------------|--------------------------|--|
| 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 | <u>100.00%</u> | |

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

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 City'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.

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - RETIREMENT PLAN (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City 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 | \$ 7,058,483 | \$ 4,697,074 | \$ 2,361,409 |
| Changes for the year: | | | |
| Service cost | 90,188 | - | 90,188 |
| Interest | 482,507 | - | 482,507 |
| Differences between expected and actual experience | 181,433 | - | 181,433 |
| Contributions-employer | - | 217,663 | (217,663) |
| Contributions-employee | - | - | - |
| Net investment income | - | 1,977,855 | (1,977,855) |
| Benefit payments, including refunds of employee contributions | (440,878) | (440,878) | - |
| Administrative expense | - | (15,723) | 15,723 |
| Other | - | - | - |
| Net changes | <u>313,250</u> | <u>1,738,917</u> | <u>(1,425,667)</u> |
| Balances at March 31, 2021 | <u>\$ 7,371,733</u> | <u>\$ 6,435,991</u> | <u>\$ 935,742</u> |

The required schedule of changes in the City'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 City, calculated using the discount rate of 7.375 percent, as well as what the City'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%) |
|------------------------------|-------------------------|--------------------------------------|-------------------------|
| City's Net Pension Liability | <u>\$ 1,825,347</u> | <u>\$ 935,742</u> | <u>\$ 183,011</u> |

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.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - RETIREMENT PLAN (Continued)

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 City recognized pension expense of \$ 162,814. The City reported the following deferred outflows of resources and deferred inflows of resources related to the Plan as of December 31, 2021:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Contributions made subsequent to the measurement date | \$ 220,462 | \$ - |
| Difference between expected and actual experience | 107,257 | 7,773 |
| Changes of assumptions | 24,456 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 859,312 |
| Total | <u>\$ 352,175</u> | <u>\$ 867,085</u> |

Contributions made subsequent to the measurement date totaling \$ 220,462 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, | | | | Total |
|-----------------------------|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | |
| Fiscal Year Outflows | | | | | |
| Demographic | \$ 107,257 | \$ - | \$ - | \$ - | \$ 107,257 |
| Assumptions | 24,456 | - | - | - | 24,456 |
| Total | <u>\$ 131,713</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 131,713</u> |
| Fiscal Year Inflows | | | | | |
| Demographic | \$ 7,773 | \$ - | \$ - | \$ - | \$ 7,773 |
| Investment | 190,004 | 147,062 | 187,519 | 334,727 | 859,312 |
| Total | <u>\$ 197,777</u> | <u>\$ 147,062</u> | <u>\$ 187,519</u> | <u>\$ 334,727</u> | <u>\$ 867,085</u> |

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.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Effective January 1, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the City'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 City administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides healthcare benefits for certain retired employees as 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 City. 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 two retired City employees that received benefits during 2021. Benefits paid on behalf of those participants totaled \$ 19,214 for the year ended December 31, 2021.

Total OPEB Liability

The City's proportionate share of its total OPEB liability is based on the City's proportionate share of eligible employees to total eligible employees of the City and Commission. For the year ended December 31, 2021, the City's proportionate share was sixty-seven percent (rounded). The City's total OPEB liability of \$ 1,107,345 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.

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - 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% | |
| Healthcare 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 City. The changes in the components of the total OPEB liability of the City for the year ended December 31, 2021 were as follows:

| | Governmental | Business-type Activities | | Total |
|--|--------------|--------------------------|-------------|--------------|
| | Activities | Gas | Solid Waste | |
| | General | Fund | Fund | |
| | Fund | Fund | Fund | |
| Balance at December 31, 2020 | \$ 652,104 | \$ 470,152 | \$ 113,854 | \$ 1,236,110 |
| Changes for the year: | | | | |
| Service cost | 36,972 | 22,184 | 1,849 | 61,005 |
| Interest | 13,921 | 8,353 | 696 | 22,970 |
| Differences between expected and actual experience | (95,345) | (57,206) | (4,767) | (157,318) |
| Effect of assumption changes or inputs | (21,945) | (13,166) | (1,097) | (36,208) |
| Contributions-employer | (19,214) | - | - | (19,214) |
| Net changes | (85,611) | (39,835) | (3,319) | (128,765) |
| Balance at December 31, 2021 | \$ 566,493 | \$ 430,317 | \$ 110,535 | \$ 1,107,345 |

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - 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 City, calculated using the discount rate of 2.25 percent, as well as what the City'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 <u>(1.25%)</u> | Current Discount Rate <u>(2.25%)</u> | 1% Increase <u>(3.25%)</u> |
|-----------------------------|-------------------------------|--|-------------------------------|
| City's Total OPEB Liability | <u>\$ 1,239,047</u> | <u>\$ 1,107,345</u> | <u>\$ 996,844</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the City, calculated using a healthcare cost trend rate of 4.90 percent, as well as what the City'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 <u>(3.90%)</u> | Current Healthcare Rate <u>(4.90%)</u> | 1% Increase <u>(5.90%)</u> |
|-----------------------------|-------------------------------|--|-------------------------------|
| City's Total OPEB Liability | <u>\$ 968,646</u> | <u>\$ 1,107,345</u> | <u>\$ 1,273,745</u> |

OPEB Expense

The City recognized a credit of \$ 128,765 in OPEB expense for the year ended December 31, 2021.

NOTE 15 – COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

The City was awarded a Community Home Investment Program (CHIP) grant totaling \$ 611,184. Proceeds from this grant will be used to fund rehabilitation and new construction assistance to qualifying homeowners. The City has completed several rehabilitation projects and is continuing to accept grant applications for this program.

On October 16, 2020, the City was awarded a Community Development Block Grant (CDBG) for multi-activities totaling \$ 1,000,000. Proceeds of this grant will be combined with local funds and used to revitalize blighted neighborhoods within the City. The estimated total cost of this project is \$ 1,115,225. Construction has begun on this project as of the report date.

On October 21, 2021, the City was awarded a Community Development Block Grant (CDBG) for multi-activities totaling \$ 1,000,000. Proceeds of this grant will be combined with local funds and used to revitalize blighted neighborhoods within the City. The estimated total cost of this project is \$ 1,168,000. Preliminary engineering and design is being conducted on this project as of the report date.

On February 25, 2020, the City Council approved a bid of \$ 375,397 to upgrade its natural gas tap station. Funding for this project will be from Gas Fund revenues.

The State of Georgia Department of Transportation has undertaken a highway improvement project at SR 17/Main Street within the City limits. The State's project is funded by the State with proceeds from the State's Transportation Investment Act (TIA). The City has committed additional funding for certain other highway enhancements outside the scope of the State's project. The City's total estimated cost for these enhancements is undetermined as of the report date. The City expects to fund this project with proceeds from the City's TIA SPLOST Fund.

(Continued)

CITY OF THOMSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 – COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

On July 7, 2021, the City received \$ 1,218,896 from the State of Georgia Governor’s Office of Planning and Budget. These funds represent the City’s distributive share of Coronavirus Local Fiscal Recovery Funds (LFRF) awarded to States by the U.S. Department of Treasury as part of the American Rescue Plan Act (ARPA). The four broad categories in which these funds can be used are as follows:

- To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel and hospitality.
- To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers.
- For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency.
- To make necessary investments in water, sewer, or broadband infrastructure.

As of December 31, 2021, the City had not spent any of these funds; accordingly, these funds are deemed to be unearned revenues and are reported as such in the financial statements. The award funds can be used to cover eligible costs incurred during the period that begins on March 3, 2021, and ends on December 31, 2024. Management is in the process of determining how best to utilize these funds.

As of December 31, 2021, amounts spent to date and the estimated remaining commitments on these projects are as follows:

| <u>Project Description</u> | <u>Spent To Date</u> | <u>Remaining Commitment</u> |
|----------------------------------|--------------------------|---------------------------------|
| 2016 CHIP grant | \$ 227,569 | \$ 383,615 |
| 2020 CDBG multi-activities grant | 223,949 | 891,276 |
| 2021 CDBG multi-activities grant | - | 1,168,000 |
| Gas tap station upgrade project | 150,782 | 224,615 |
| SR 17/Main Street road project | 146,718 | Undetermined |
| ARPA Funds | - | 1,218,896 |
| | <u>\$ 749,018</u> | <u>\$ 3,886,402</u> |

Subsequent Events

In preparing these financial statements, the City’s management has evaluated events and transactions for potential recognition or disclosure through August 17, 2022 the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF THOMSON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
RETIREMENT PLAN

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Total Pension Liability</u> | | | | | | | |
| Service cost | \$ 90,188 | \$ 104,526 | \$ 93,919 | \$ 100,576 | \$ 100,271 | \$ 111,210 | \$ 103,502 |
| Interest | 482,507 | 499,072 | 480,328 | 474,529 | 453,408 | 434,865 | 420,728 |
| Differences between expected and actual experience | 181,433 | (22,255) | 58,045 | (38,201) | 106,476 | (61,962) | (55,422) |
| Changes of assumptions | - | - | - | - | - | 53,372 | (31,175) |
| Benefit payments, including refunds of employee contributions | (440,878) | (413,045) | (400,441) | (403,329) | (387,984) | (315,022) | (299,574) |
| Other | - | 62,603 | 150,187 | 100,742 | - | - | - |
| Net change in total pension liability | 313,250 | 230,901 | 382,038 | 234,317 | 272,171 | 222,463 | 138,059 |
| Total pension liability, beginning | 7,058,483 | 6,827,582 | 6,445,544 | 6,211,227 | 5,939,056 | 5,716,593 | 5,578,534 |
| Total pension liability, ending (a) | 7,371,733 | 7,058,483 | 6,827,582 | 6,445,544 | 6,211,227 | 5,939,056 | 5,716,593 |
| <u>Plan Fiduciary Net Position</u> | | | | | | | |
| Contributions-employer | 217,663 | 235,852 | 230,848 | 218,992 | 221,170 | 234,918 | 256,230 |
| Net investment income | 1,977,855 | (339,540) | 186,847 | 602,227 | 559,398 | 12,857 | 403,968 |
| Benefit payments, including refunds of employee contributions | (440,878) | (413,045) | (400,441) | (403,329) | (387,984) | (315,022) | (299,574) |
| Administrative expenses | (15,723) | (16,344) | (15,610) | (15,539) | (15,891) | (11,223) | (10,258) |
| Net change in fiduciary net position | 1,738,917 | (533,077) | 1,644 | 402,351 | 376,693 | (78,470) | 350,366 |
| Plan fiduciary net position, beginning | 4,697,074 | 5,230,151 | 5,228,507 | 4,826,156 | 4,449,463 | 4,527,933 | 4,177,567 |
| Plan fiduciary net position, ending (b) | 6,435,991 | 4,697,074 | 5,230,151 | 5,228,507 | 4,826,156 | 4,449,463 | 4,527,933 |
| Net pension liability, ending (a)-(b) | \$ 935,742 | \$ 2,361,409 | \$ 1,597,431 | \$ 1,217,037 | \$ 1,385,071 | \$ 1,489,593 | \$ 1,188,660 |
| Plan's fiduciary net position as a percentage of the total pension liability | 87.31% | 66.55% | 76.60% | 81.12% | 77.70% | 74.92% | 79.21% |
| Covered employee payroll during the measurement period | \$ 1,773,222 | \$ 1,998,665 | \$ 2,247,522 | \$ 2,041,493 | \$ 2,009,032 | \$ 2,158,604 | \$ 2,176,111 |
| Net pension liability as a percentage of covered employee payroll | 52.77% | 118.15% | 71.08% | 59.62% | 68.94% | 69.01% | 54.62% |

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.

**CITY OF THOMSON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
RETIREMENT PLAN**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 264,555 | \$ 231,427 | \$ 237,328 | \$ 228,688 | \$ 215,760 | \$ 222,973 | \$ 238,900 |
| Contributions in relation to the actuarially determined contribution | <u>264,555</u> | <u>231,427</u> | <u>237,328</u> | <u>228,688</u> | <u>215,760</u> | <u>222,973</u> | <u>238,900</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll during the measurement period | \$ 1,773,222 | \$ 1,998,665 | \$ 2,247,522 | \$ 2,041,493 | \$ 2,009,032 | \$ 2,158,604 | \$ 2,176,111 |
| 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% |
| 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.

CITY OF THOMSON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS PLAN

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|-------------------|---------------------|
| <u>Total OPEB Liability</u> | | | | |
| Service cost | \$ 61,005 | \$ 45,134 | \$ 46,947 | \$ 51,122 |
| Interest | 22,970 | 29,239 | 40,869 | 40,155 |
| Differences between expected and actual experience | (157,318) | 117,536 | (309,572) | (63,892) |
| Changes of assumptions | (36,208) | 164,486 | 35,634 | (64,019) |
| Benefit payments | <u>(19,214)</u> | <u>(25,432)</u> | <u>(19,313)</u> | <u>(21,348)</u> |
| Net change in total OPEB liability | (128,765) | 330,963 | (205,435) | (57,982) |
| Total OPEB liability, beginning | <u>1,236,110</u> | <u>905,147</u> | <u>1,110,582</u> | <u>1,168,564</u> |
| Total OPEB liability, ending | <u>\$ 1,107,345</u> | <u>\$ 1,236,110</u> | <u>\$ 905,147</u> | <u>\$ 1,110,582</u> |
| Covered employee payroll during the measurement period | \$ 2,103,672 | \$ 2,162,693 | \$ 2,602,897 | \$ 2,402,173 |
| Total OPEB liability as a percentage of covered payroll | 52.64% | 57.16% | 34.77% | 46.23% |

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.

INDIVIDUAL AND COMBINING FUND STATEMENTS

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GENERAL FUND

The General Fund is used to account for resources traditionally associated with the City that are not required legally, or by sound financial management, to be accounted for in another fund.

CITY OF THOMSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budgetary Basis | | | Variance With Final Budget Over (Under) |
|---|--------------------|-----------------------------|------------------|---|
| | Original Budget | Amended and Final Budget | Actual | |
| REVENUES | | | | |
| Taxes | | | | |
| Property tax | \$ 1,010,625 | \$ 1,053,625 | \$ 1,023,801 | \$ (29,824) |
| Intangible tax | 10,000 | 22,000 | 22,955 | 955 |
| Railroad equipment tax | 600 | 600 | 587 | (13) |
| Real estate transfer tax | 4,500 | 8,500 | 8,701 | 201 |
| Franchise tax | 399,500 | 385,950 | 385,296 | (654) |
| Local option sales tax | 1,100,000 | 1,100,000 | 1,100,000 | - |
| Alcoholic beverage tax | 135,000 | 121,000 | 120,849 | (151) |
| Energy excise tax | 59,000 | 65,000 | 73,697 | 8,697 |
| Occupation tax | 65,000 | 65,000 | 65,302 | 302 |
| Insurance premium tax | 546,000 | 562,600 | 562,589 | (11) |
| Financial institution tax | 34,000 | 29,000 | 28,737 | (263) |
| Penalties and interest | 3,000 | 3,000 | 2,939 | (61) |
| Payment in lieu of taxes | 19,000 | 19,000 | 19,341 | 341 |
| | <u>3,386,225</u> | <u>3,435,275</u> | <u>3,414,794</u> | <u>(20,481)</u> |
| Total taxes | | | | |
| Licenses and Permits | | | | |
| Alcoholic beverage licenses | 15,000 | 15,000 | 15,000 | - |
| Fireworks licenses | 500 | 500 | 500 | - |
| Golf cart permits | - | 500 | 520 | 20 |
| Building permits | 18,000 | 50,000 | 50,037 | 37 |
| | <u>33,500</u> | <u>66,000</u> | <u>66,057</u> | <u>57</u> |
| Total licenses and permits | | | | |
| Intergovernmental | | | | |
| Federal grant revenues | - | 18,300 | 18,301 | 1 |
| Water and sewer joint venture | 128,158 | 128,158 | 127,978 | (180) |
| | <u>128,158</u> | <u>146,458</u> | <u>146,279</u> | <u>(179)</u> |
| Total intergovernmental | | | | |
| Charges for Services | | | | |
| Occupation of public rights of way fees | 3,000 | 3,000 | 1,473 | (1,527) |
| | <u>3,000</u> | <u>3,000</u> | <u>1,473</u> | <u>(1,527)</u> |
| Total charges for services | | | | |
| Fines and Forfeitures | | | | |
| Police court fines | 140,250 | 177,250 | 179,796 | 2,546 |
| | <u>140,250</u> | <u>177,250</u> | <u>179,796</u> | <u>2,546</u> |
| Total fines and forfeitures | | | | |
| Use of Money and Property | | | | |
| Interest income | 4,500 | 720 | 716 | (4) |
| Rents | 56,897 | 64,897 | 65,537 | 640 |
| Cemetery lot sales | 45,000 | 65,000 | 69,400 | 4,400 |
| | <u>106,397</u> | <u>130,617</u> | <u>135,653</u> | <u>5,036</u> |
| Total use of money and property | | | | |
| Other | | | | |
| Miscellaneous | 41,400 | 61,600 | 64,923 | 3,323 |
| | <u>41,400</u> | <u>61,600</u> | <u>64,923</u> | <u>3,323</u> |
| Total other | | | | |
| | <u>41,400</u> | <u>61,600</u> | <u>64,923</u> | <u>3,323</u> |
| Total revenues | | | | |
| | <u>3,838,930</u> | <u>4,020,200</u> | <u>4,008,975</u> | <u>(11,225)</u> |

(Continued)

CITY OF THOMSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budgetary Basis | | Actual | Variance With Final Budget Over (Under) |
|-------------------------------|--------------------|-----------------------------|------------------|---|
| | Original Budget | Amended and Final Budget | | |
| EXPENDITURES | | | | |
| General government | | | | |
| Mayor and Council | 58,525 | 75,025 | 68,173 | (6,852) |
| Voter registration | 8,245 | 8,245 | 8,245 | - |
| General administration | 619,877 | 653,192 | 615,460 | (37,732) |
| Tax commissioner | 14,984 | 14,984 | 14,984 | - |
| Tax assessor | 1,926 | 1,926 | 1,926 | - |
| Total general government | <u>703,557</u> | <u>753,372</u> | <u>708,788</u> | <u>(44,584)</u> |
| Public safety | | | | |
| Police | 1,433,740 | 1,747,370 | 1,651,696 | (95,674) |
| Fire | 564,000 | 580,600 | 580,270 | (330) |
| Animal shelter | 33,921 | 33,921 | 33,921 | - |
| Total public safety | <u>2,031,661</u> | <u>2,361,891</u> | <u>2,265,887</u> | <u>(96,004)</u> |
| Public works | | | | |
| Street department | 692,214 | 649,823 | 628,784 | (21,039) |
| Total public works | <u>692,214</u> | <u>649,823</u> | <u>628,784</u> | <u>(21,039)</u> |
| Community services | | | | |
| Senior citizen center | 60,630 | 60,630 | 49,349 | (11,281) |
| Community centers | 30,800 | 35,420 | 33,851 | (1,569) |
| Transportation services | 43,774 | 43,774 | 9,350 | (34,424) |
| Total community services | <u>135,204</u> | <u>139,824</u> | <u>92,550</u> | <u>(47,274)</u> |
| Culture and recreation | | | | |
| Recreation | 267,046 | 267,746 | 214,108 | (53,638) |
| Library | 93,278 | 93,278 | 81,898 | (11,380) |
| Total culture and recreation | <u>360,324</u> | <u>361,024</u> | <u>296,006</u> | <u>(65,018)</u> |
| Housing and development | | | | |
| Urban redevelopment | 10,000 | 10,000 | 6,000 | (4,000) |
| Planning and zoning | 98,356 | 98,356 | 95,157 | (3,199) |
| Code enforcement | 35,000 | 37,300 | 33,270 | (4,030) |
| Economic development | 41,897 | 41,897 | 41,897 | - |
| Downtown development | 20,000 | 10,000 | 17,050 | 7,050 |
| CSRA Regional Commission | 7,800 | 15,600 | 15,589 | (11) |
| Total housing and development | <u>213,053</u> | <u>213,153</u> | <u>208,963</u> | <u>(4,190)</u> |
| Total expenditures | <u>4,136,013</u> | <u>4,479,087</u> | <u>4,200,978</u> | <u>(278,109)</u> |

(Continued)

CITY OF THOMSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budgetary Basis | | Actual | Variance With Final Budget Over (Under) |
|--|--------------------|-----------------------------|-------------------|---|
| | Original Budget | Amended and Final Budget | | |
| Excess (deficiency) of revenues over (under) expenditures | (297,083) | (458,887) | (192,003) | (266,884) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance claims | 5,000 | 9,000 | 8,010 | (990) |
| Gain on sales of surplus property | 1,000 | 21,500 | 21,437 | (63) |
| Capital lease proceeds | - | 194,440 | 194,440 | - |
| Transfers in | 321,083 | 270,147 | 263,263 | (6,884) |
| Transfers out | (30,000) | (36,200) | (36,160) | (40) |
| Total other financing sources (uses) | 297,083 | 458,887 | 450,990 | (7,897) |
| CHANGE IN FUND BALANCE | \$ - | \$ - | \$ 258,987 | \$ 258,987 |

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Housing Development Action Grant Loan Fund - This fund was established to account for the activities of the City's HODAG revolving loan fund for urban redevelopment and housing. The HODAG Loan Fund is not being funded with federal or state grant funds.

Urban Development Action Grant Loan Fund - This fund was established to account for the activities of the City's UDAG revolving loan fund for urban redevelopment and housing. The UDAG Loan Fund is not being funded with federal or state grant funds.

Police Condemnation and Forfeiture Fund - This fund was established to account for revenues received from condemnations and forfeitures that are to be used for law enforcement purposes.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Airport Capital Project Fund - This fund was established to account for proceeds from federal and state grant funds, as well as, local funding for capital improvements, operations, and maintenance at the regional airport.

2020, and 2021 CDBG Capital Project Funds - These funds were established to account for Community Development Block Grant funds (awarded in the City's name) that are used for redevelopment of local neighborhoods.

2016 CHIP Grant Capital Project Fund - This fund was established to account for proceeds received from a Community Home Investment Program that are used to fund rehabilitation and new construction assistance to qualifying homeowners.

Monument Capital Project Fund - This fund was established to account for proceeds accumulated from various sources to commission and construct a statue in honor of a local musician.

RSVP Capital Project Fund - This fund was established to account for proceeds donated from private sources to be used in implementing the Downtown Renaissance Strategic Visioning and Planning Process (RSVP) to prioritize downtown redevelopment issues and establish a consensus around what must be achieved in the short and long term.

LMIG Capital Project Fund - This fund was established to account for proceeds from the Georgia Department of Transportation Local Maintenance and Improvement Grant Program to fund street maintenance and improvements.

TIA SPLOST Capital Project Fund - This fund was established to account for proceeds from the Transportation Investment Act Special Purpose Local Option Sales Tax to provide funding for road and street maintenance, paving, and other related costs.

SPLOST Capital Project Fund - This fund was established to account for proceeds from the Special Purpose Local Option Sales Tax used to provide grant matching funds for other capital projects and other capital expenditures funded with SPLOST proceeds.

CITY OF THOMSON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

| | Special Revenue | | | Capital Projects | | | | | | | | | Total Nonmajor Governmental Funds |
|---|---|---|--|------------------------------------|---|---|---|-------------------------------------|---------------------------------|---------------------------------|---------------------------------------|-----------------------------------|--|
| | Housing Development Action Grant Loan Fund | Urban Development Action Grant Loan Fund | Police Condemnation and Forfeiture Fund | Airport Capital Project Fund | 2020 CDBG Capital Project Fund | 2021 CDBG Capital Project Fund | 2016 CHIP Grant Capital Project Fund | Monument Capital Project Fund | RSVP Capital Project Fund | LMIG Capital Project Fund | TIA SPLOST Capital Project Fund | SPLOST Capital Project Fund | |
| ASSETS | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 217,364 | \$ 368,787 | \$ 16,842 | \$ 116,645 | \$ 98,127 | \$ 80 | \$ 52 | \$ 59,928 | \$ 39,350 | \$ 100 | \$ 68,539 | \$ - | \$ 985,814 |
| Receivables (net of allowance for uncollectibles): | | | | | | | | | | | | | |
| Other | - | - | - | 3,212 | - | - | - | - | - | - | - | - | 3,212 |
| Intergovernmental receivables | - | - | - | 2,588 | 72,606 | - | 18,769 | - | - | - | 18,787 | - | 112,750 |
| Interfund receivables | 18,694 | 13,307 | - | 2,588 | - | - | - | - | - | - | - | - | 34,589 |
| Total assets | \$ 236,058 | \$ 382,094 | \$ 16,842 | \$ 125,033 | \$ 170,733 | \$ 80 | \$ 18,821 | \$ 59,928 | \$ 39,350 | \$ 100 | \$ 87,326 | \$ - | \$ 1,136,365 |
| LIABILITIES | | | | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 5,806 | \$ 170,699 | \$ - | \$ 5,266 | \$ - | \$ - | \$ - | \$ 4,109 | \$ - | \$ 185,880 |
| Interfund payables | 1,968 | - | - | 10,044 | - | - | 13,503 | - | - | - | - | - | 25,515 |
| Total liabilities | 1,968 | - | - | 15,850 | 170,699 | - | 18,769 | - | - | - | 4,109 | - | 211,395 |
| FUND BALANCES | | | | | | | | | | | | | |
| Restricted for: | | | | | | | | | | | | | |
| Public safety | - | - | 16,842 | - | - | - | - | - | - | - | - | - | 16,842 |
| Public works | - | - | - | - | - | - | - | - | - | 100 | 83,217 | - | 83,317 |
| Housing and development | 234,090 | 382,094 | - | - | 34 | 80 | 52 | - | - | - | - | - | 616,350 |
| Committed to: | | | | | | | | | | | | | |
| Housing and development | - | - | - | - | - | - | - | 59,928 | - | - | - | - | 59,928 |
| Assigned to: | | | | | | | | | | | | | |
| Housing and development | - | - | - | 109,183 | - | - | - | - | 39,350 | - | - | - | 148,533 |
| Total fund balances | 234,090 | 382,094 | 16,842 | 109,183 | 34 | 80 | 52 | 59,928 | 39,350 | 100 | 83,217 | - | 924,970 |
| Total liabilities and fund balances | \$ 236,058 | \$ 382,094 | \$ 16,842 | \$ 125,033 | \$ 170,733 | \$ 80 | \$ 18,821 | \$ 59,928 | \$ 39,350 | \$ 100 | \$ 87,326 | \$ - | \$ 1,136,365 |

CITY OF THOMSON, GEORGIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Special Revenue | | | Capital Projects | | | | | | | | | Total Nonmajor Governmental Funds |
|--|---|---|--|------------------------------------|---|---|---|-------------------------------------|---------------------------------|---------------------------------|---------------------------------------|-----------------------------------|--|
| | Housing Development Action Grant Loan Fund | Urban Development Action Grant Loan Fund | Police Condemnation and Forfeiture Fund | Airport Capital Project Fund | 2020 CDBG Capital Project Fund | 2021 CDBG Capital Project Fund | 2016 CHIP Grant Capital Project Fund | Monument Capital Project Fund | RSVP Capital Project Fund | LMIG Capital Project Fund | TIA SPLOST Capital Project Fund | SPLOST Capital Project Fund | |
| REVENUES | | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 183,244 | \$ - | \$ 183,244 |
| Intergovernmental | - | - | - | 423,773 | 223,949 | - | 31,115 | - | - | 80,011 | - | - | 758,848 |
| Fines and forfeitures | - | - | 8,757 | - | - | - | - | - | - | - | - | - | 8,757 |
| Interest income | 18 | - | - | - | - | - | - | - | - | - | - | - | 18 |
| Donations from private sources | - | - | - | - | - | - | - | - | 8,500 | - | - | - | 8,500 |
| Rents | - | 52,255 | - | 39,113 | - | - | - | - | - | - | - | - | 91,368 |
| Other | 6,490 | - | - | - | - | - | - | - | - | - | - | - | 6,490 |
| Total revenues | 6,508 | 52,255 | 8,757 | 462,886 | 223,949 | - | 31,115 | - | 8,500 | 80,011 | 183,244 | - | 1,057,225 |
| EXPENDITURES | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | |
| Public works | - | - | - | - | - | - | - | - | - | - | 11,474 | - | 11,474 |
| Housing and development | 113 | 3,224 | - | 371,265 | - | 20 | - | 32 | 1,000 | - | - | - | 375,654 |
| Capital outlay: | | | | | | | | | | | | | |
| Public works | - | - | - | - | - | - | - | - | - | 80,011 | 259,280 | - | 339,291 |
| Housing and development | - | - | - | 86,245 | 223,949 | - | 31,115 | - | - | - | - | - | 341,309 |
| Total expenditures | 113 | 3,224 | - | 457,510 | 223,949 | 20 | 31,115 | 32 | 1,000 | 80,011 | 270,754 | - | 1,067,728 |
| Excess (deficiency) of revenues over (under) expenditures | 6,395 | 49,031 | 8,757 | 5,376 | - | (20) | - | (32) | 7,500 | - | (87,510) | - | (10,503) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | | |
| Transfers in | - | - | - | 37,617 | - | 100 | - | - | - | - | - | - | 37,717 |
| Transfers out | (59,000) | - | - | (18,313) | - | - | - | - | - | - | - | - | (77,313) |
| Loss on investments | (97,597) | - | - | - | - | - | - | - | - | - | - | - | (97,597) |
| Total other financing sources (uses) | (156,597) | - | - | 19,304 | - | 100 | - | - | - | - | - | - | (137,193) |
| Net change in fund balances | (150,202) | 49,031 | 8,757 | 24,680 | - | 80 | - | (32) | 7,500 | - | (87,510) | - | (147,696) |
| Fund balances, beginning of year | 384,292 | 333,063 | 8,085 | 84,503 | 34 | - | 52 | 59,960 | 31,850 | 100 | 170,727 | - | 1,072,666 |
| Fund balances, end of year | \$ 234,090 | \$ 382,094 | \$ 16,842 | \$ 109,183 | \$ 34 | \$ 80 | \$ 52 | \$ 59,928 | \$ 39,350 | \$ 100 | \$ 83,217 | \$ - | \$ 924,970 |

CITY OF THOMSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
HOUSING DEVELOPMENT ACTION GRANT LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budgetary Basis | | Actual | Variance With Final Budget Over (Under) |
|--|--------------------|-----------------------------|-------------------|---|
| | Original Budget | Amended and Final Budget | | |
| REVENUES | | | | |
| Interest income | \$ - | \$ - | \$ 26 | \$ 26 |
| Other revenues | - | - | 6,490 | 6,490 |
| Available for loans | <u>200,990</u> | <u>200,990</u> | <u>165,487</u> | <u>(35,503)</u> |
| Total revenues | <u>200,990</u> | <u>200,990</u> | <u>172,003</u> | <u>(28,987)</u> |
| EXPENDITURES | | | | |
| Loans made | 200,990 | 200,990 | - | (200,990) |
| Housing and development | <u>-</u> | <u>-</u> | <u>113</u> | <u>113</u> |
| Total expenditures | <u>200,990</u> | <u>200,990</u> | <u>113</u> | <u>(200,877)</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> | <u>171,890</u> | <u>171,890</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (59,000) | (59,000) |
| Loss on investments | <u>-</u> | <u>-</u> | <u>(97,597)</u> | <u>(97,597)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(156,597)</u> | <u>(156,597)</u> |
| CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>15,293</u> | <u>\$ 15,293</u> |
| RECONCILIATION TO GAAP BASIS | | | | |
| To record effect of changes in receivables and other assets and payables and other liabilities | | | | |
| Receivables and other assets | | | <u>(165,495)</u> | |
| Total reconciliation to GAAP basis | | | <u>(165,495)</u> | |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>384,292</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 234,090</u> | |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET (BUDGETARY BASIS) AND ACTUAL
 URBAN DEVELOPMENT ACTION GRANT LOAN FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budgetary Basis | | Actual | Variance With Final Budget Over (Under) |
|--|--------------------|-----------------------------|-------------------|---|
| | Original Budget | Amended and Final Budget | | |
| REVENUES | | | | |
| Interest income | \$ - | \$ - | \$ - | \$ - |
| Rents | - | - | 52,255 | 52,255 |
| Available for loans | <u>302,178</u> | <u>302,178</u> | <u>319,756</u> | <u>17,578</u> |
| Total revenues | <u>302,178</u> | <u>302,178</u> | <u>372,011</u> | <u>69,833</u> |
| EXPENDITURES | | | | |
| Loans made | 302,178 | 302,178 | - | (302,178) |
| Housing and development | <u>-</u> | <u>-</u> | <u>3,224</u> | <u>3,224</u> |
| Total expenditures | <u>302,178</u> | <u>302,178</u> | <u>3,224</u> | <u>(298,954)</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> | <u>368,787</u> | <u>368,787</u> |
| CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>368,787</u> | <u>\$ 368,787</u> |
| RECONCILIATION TO GAAP BASIS | | | | |
| To record effect of changes in receivables and other assets and payables and other liabilities | | | | |
| Receivables and other assets | | | <u>(319,756)</u> | |
| Total reconciliation to GAAP basis | | | <u>(319,756)</u> | |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>333,063</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 382,094</u> | |

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET (BUDGETARY BASIS) AND ACTUAL
 POLICE CONDEMNATION AND FORFEITURE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budgetary Basis | | Actual | Variance With Final Budget Over (Under) |
|---|--------------------|-----------------------------|-------------------------|---|
| | Original Budget | Amended and Final Budget | | |
| REVENUES | | | | |
| Fines and forfeitures | \$ 5,000 | \$ 5,000 | \$ 8,757 | \$ 3,757 |
| Total revenues | <u>5,000</u> | <u>5,000</u> | <u>8,757</u> | <u>3,757</u> |
| EXPENDITURES | | | | |
| Public safety | <u>5,000</u> | <u>5,000</u> | - | <u>(5,000)</u> |
| Total expenditures | <u>5,000</u> | <u>5,000</u> | - | <u>(5,000)</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> | <u>8,757</u> | <u>8,757</u> |
| CHANGE IN FUND BALANCE | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u>8,757</u> | <u><u>\$ 8,757</u></u> |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>8,085</u> | |
| FUND BALANCE, END OF YEAR | | | <u><u>\$ 16,842</u></u> | |

FIDUCIARY FUNDS

Agency funds are used to account for assets that are held by the government as the agent for individuals, private organizations, other governments, and/or other funds.

CITY OF THOMSON, GEORGIA
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Balance 12/31/2020 | Additions | Deletions | Balance 12/31/2021 |
|-------------------------------------|-----------------------|------------------|------------------|-----------------------|
| <u>Police Surcharge Fund</u> | | | | |
| Assets | | | | |
| Cash | \$ 21 | \$ 97,613 | \$ 97,553 | \$ 81 |
| Total assets | <u>\$ 21</u> | <u>\$ 97,613</u> | <u>\$ 97,553</u> | <u>\$ 81</u> |
| Liabilities | | | | |
| Intergovernmental payables | \$ 21 | \$ 97,613 | \$ 97,553 | \$ 81 |
| Total liabilities | <u>\$ 21</u> | <u>\$ 97,613</u> | <u>\$ 97,553</u> | <u>\$ 81</u> |

OTHER SUPPLEMENTARY INFORMATION

CITY OF THOMSON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANTS
PROJECT COST SCHEDULE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2021

| Program Activity | Activity Number | Latest Approved Budget CDBG Funds | Accumulated Expenditures To Date CDBG Funds | Accumulated Expenditures To Date Other Funds | Grand Total Expenditures To Date | Questioned Costs (Explain) |
|---|--------------------|--|--|---|--|----------------------------------|
| <u>Grant Number 20b-x-094-2-6163</u> | | | | | | |
| Water Facility | P-03J-01 | \$ 153,550 | \$ - | \$ - | \$ - | none |
| Sewer Facility | P-03J-02 | 352,825 | - | - | - | none |
| Flood/Drainage | P-03K-02 | 101,665 | - | - | - | none |
| Rehabilitation of private property | H-14A-01 | 331,960 | - | - | - | none |
| Administration | A-21A-00 | 60,000 | - | - | - | none |
| Preliminary Engineering | | - | - | 53,250 | 53,250 | none |
| | | <u>\$ 1,000,000</u> | <u>\$ -</u> | <u>\$ 53,250</u> | <u>\$ 53,250</u> | none |
| Source of Other Funds: <u>Local Match</u> | | | | | | |
| <u>Grant Number 21b-x-094-2-6189</u> | | | | | | |
| Sewer Facility | P-03J-02 | 310,950 | - | - | - | none |
| Street improvements | P-03K-01 | 105,600 | - | - | - | none |
| Flood/Drainage | P-03K-02 | 188,850 | - | - | - | none |
| Rehabilitation of private property | H-14A-01 | 331,412 | - | - | - | none |
| Administration | A-21A-00 | 63,188 | - | - | - | none |
| Preliminary Engineering | | - | - | - | - | none |
| | | <u>\$ 1,000,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | none |
| Source of Other Funds: <u>Local Match</u> | | | | | | |

CITY OF THOMSON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANTS
SOURCE AND APPLICATION OF FUNDS SCHEDULE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2021

Grant Number 20b-x-094-2-6163

| | |
|---|-----------------------|
| Total Program Year 2020 Funds Allocated to Recipient | \$ 1,000,000 |
| Less: Total Program Year 2020 Funds Drawn by Recipient | <u>98,093</u> |
| Funds Still Available from Program Year 2020 Resources | <u>\$ 901,907</u> |
| Total Program Year 2020 Funds Drawn and Received by Recipient | \$ 98,093 |
| Less: Funds Applied and Expended to Program Year 2020 Costs | <u>-</u> |
| Total Program Year 2020 Funds Held by Recipient | <u>\$ 98,093</u> |

Grant Number 21b-x-094-2-6189

| | |
|---|-------------------------|
| Total Program Year 2021 Funds Allocated to Recipient | \$ 1,000,000 |
| Less: Total Program Year 2021 Funds Drawn by Recipient | <u>-</u> |
| Funds Still Available from Program Year 2021 Resources | <u>\$ 1,000,000</u> |
| Total Program Year 2021 Funds Drawn and Received by Recipient | \$ - |
| Less: Funds Applied and Expended to Program Year 2021 Costs | <u>-</u> |
| Total Program Year 2021 Funds Held by Recipient | <u>\$ -</u> |

Notes to the Schedule:

- (1) Total program year 2020 funds drawn by recipient, totaling \$ 98,093, were deposited on December 31, 2021. These funds were disbursed on the following business day, January 4, 2022. As a result of the timing difference between receipt and disbursement of these funds, they are reported as funds held by recipient as of December 31, 2021.

CITY OF THOMSON, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2021

| Project | Original Estimated Cost | Revised Estimated Cost | Prior Years | Current Year | Total | Estimated Percentage of Completion |
|-------------------------------|-------------------------------|------------------------------|-------------------|-----------------|-------------------|--|
| <u>SPLOST VI 2015 - 2020</u> | | | | | | |
| Building Improvements | \$ 246,000 | \$ 246,000 | \$ - | \$ - | \$ - | 0% |
| Public Safety | 750,000 | 750,000 | - | - | - | 0% |
| Roads/Transportation | 930,040 | 930,040 | 182,081 | - | 182,081 | 20% |
| Totals | <u>\$ 1,926,040</u> | <u>\$ 1,926,040</u> | <u>\$ 182,081</u> | <u>\$ -</u> | <u>\$ 182,081</u> | |
| <u>SPLOST VII 2021 - 2026</u> | | | | | | |
| Public Works Equipment | \$ 215,000 | \$ 215,000 | \$ - | \$ - | \$ - | 0% |
| RSVP Initiatives | 125,000 | 125,000 | - | - | - | 0% |
| Chamber Office Roof | 30,000 | 30,000 | - | - | - | 0% |
| Totals | <u>\$ 370,000</u> | <u>\$ 370,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |

COMPLIANCE AND SINGLE AUDIT SECTION

CITY OF THOMSON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|--|-------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Pass-through programs from: | | | |
| State of Georgia Department of Community Affairs | | | |
| Community Development Block Grants/State's Program | 14.228 | 20b-x-094-2-6163 | \$ 168,924 |
| Total Community Development Block Grants/State's Program | | | <u>168,924</u> |
| Community Home Investment Program | 14.239 | 2016-114 | 31,115 |
| Total Community Home Investment Program | | | <u>31,115</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>200,039</u> |
| <u>U.S. Department of Transportation Federal Aviation Administration</u> | | | |
| Pass-through programs from: | | | |
| State of Georgia Department of Transportation | | | |
| Airport Improvement Program | 20.106 | AP021-9046-22(165) | 252,417 |
| COVID-19 Airport Improvement Program | 20.106 | AP022-90CR-23(189) | 23,000 |
| Total Airport Improvement Program | | | <u>275,417</u> |
| Total U.S. Department of Transportation Federal Aviation Administration | | | <u>275,417</u> |
| <u>U.S. Department of the Treasury</u> | | | |
| Pass-through programs from: | | | |
| State of Georgia Governor's Office of Planning and Budget | | | |
| COVID-19 Public Safety Officials and First Responders Supplement Grant | 21.027 | 14537-CRF | 18,300 |
| Total Coronavirus Relief Fund | | | <u>18,300</u> |
| Total U.S. Department of the Treasury | | | <u>18,300</u> |
| <u>U.S. Environmental Protection Agency</u> | | | |
| Pass-through programs from: | | | |
| State of Georgia Environmental Finance Authority | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DW2017007 | 185,131 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | DW2017008 | 38,250 |
| Total Capitalization Grants for Drinking Water State Revolving Funds | | | <u>223,381</u> |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | CW2020015 | 78,699 |
| Total Capitalization Grants for Clean Water State Revolving Funds | | | <u>78,699</u> |
| Total U.S. Environmental Protection Agency | | | <u>302,080</u> |
| Total expenditures of federal awards | | | <u>\$ 795,836</u> |

See accompanying notes to schedule of expenditures of federal awards.

CITY OF THOMSON, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Thomson, Georgia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - NONCASH AWARDS

The City of Thomson, Georgia did not receive any noncash federal awards during the year ended December 31, 2021.

NOTE 3 - INDIRECT COST RATE

The City of Thomson, Georgia has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE)

The City of Thomson, Georgia did not receive any donated personal protective equipment (PPE) from federal sources during the year ended December 31, 2021.



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

Honorable Mayor and Members of City Council
City of Thomson
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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Thomson, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Thomson, Georgia's basic financial statements, and have issued our report thereon dated August 17, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Thomson, Georgia'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Thomson, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Thomson, Georgia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Thomson, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Bernard Hammel, CPA". The signature is written in a cursive style.

Thomson, Georgia
August 17, 2022



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of City Council
City of Thomson
Thomson, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Thomson, Georgia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Thomson, Georgia's major federal programs for the year ended December 31, 2021. City of Thomson, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Thomson, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Thomson, Georgia and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Thomson, Georgia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Thomson, Georgia's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Thomson, Georgia's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Thomson, Georgia's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Thomson, Georgia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Thomson, Georgia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Thomson, Georgia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Bernard Hammel, CPA". The signature is written in a cursive style with a large, stylized initial 'B'.

Thomson, Georgia
August 17, 2022

**CITY OF THOMSON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

| <u>CFDA #</u> | <u>Program / Cluster Name</u> |
|------------------|--|
| 14.228 20.106 | Community Development Block Grant/State's Program Airport Improvement Program |

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

CITY OF THOMSON, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

None reported