

**Housing Authority of the City of Thomson**  
Thomson, Georgia

**AUDIT REPORT**

**For the Year Ended December 31, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis (MD&A) .....	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position - Proprietary Fund Type .....	11
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund Type .....	12
Statement of Cash Flows - Proprietary Fund Type .....	13
Notes to Financial Statements .....	14
<b>SUPPLEMENTARY INFORMATION</b>	
Statement and Capital Fund Program Costs - Uncompleted .....	29
Schedule of Expenditures of Federal Awards .....	30
Financial Data Schedule .....	31
<b>SINGLE AUDIT SECTION</b>	
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 .....	39
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	41
Schedule of Findings and Questioned Costs .....	44
Summary Schedule of Prior Year Findings .....	48
Corrective Action Plan .....	49

**Kendall L. Davis, P.C.**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Thomson  
Thomson, Georgia

### Report on Financial Statements

I have audited the accompanying basic financial statements of the Housing Authority of the City of Thomson, which comprise the Statement of Net Position as of December 31, 2019, and the related Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for the year then ended, and the related Notes to Financial Statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Thomson as of December 31, 2019, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Thomson taken as a whole. The accompanying financial information listed in the Table of Contents as Supplementary Information and the Financial Data Schedule on pages 31 - 38 are presented for purposes of additional analysis and are not a required part of the financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated March 17, 2021 on my consideration of the Housing Authority of the City of Thomson's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of the 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 internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Thomson's internal control over financial reporting and compliance.



Kendall L. Davis, P.C.  
Certified Public Accountant

Hazlehurst, Georgia  
March 17, 2021

**Housing Authority of the City of Thomson**  
Thomson, Georgia  
Management's Discussion and Analysis  
December 31, 2019

The Thomson Housing Authority's (the Authority's) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent years' challenges), and (d) identify individual program issues or concerns. The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

The Management's Discussion and Analysis (MD&A) provides a narrative that should be read in conjunction with the Authority's financial statements to obtain a full understanding of its financial position. Questions concerning the information provided in the discussion or requests for additional information should be addressed to the Authority's Executive Director.

**FINANCIAL HIGHLIGHTS**

As of December 31, 2019, total assets and deferred outflow of resources were \$3,449,294 as compared to \$3,665,162, as of December 31, 2018, a decrease of \$215,868, or -5.89%. Current assets decreased \$411,344 and capital assets increased \$195,476.

Total liabilities decreased \$61,785, or -16.83%, primarily due to decreases in Accounts Payable of \$5,864, Accounts Payable – Other Government of \$57,420, Other Current Liabilities of \$7,252, and Accrued Compensated Absences – Non Current of \$9,293 offset by increases in Accrued Wage/ Payroll Taxes Payable of \$2,446, Accrued Compensated Absences – Current Portion of \$9,921, and Accrued Liabilities – Other of \$4,576.

In 2019, total revenue decreased \$104,427, as compared to 2018, due to a decrease in HUD PHA Operating Grants of \$271,747 and a Loss on Sale of Capital Assets of \$4,574 offset by increases in Total Tenant Revenue of \$29,458, Other Government Grants of \$104,526, Investment Income – Unrestricted of \$7,252, and Other Revenue of \$30,658.

Total expenses decreased \$312,095, or -14.00%, due to decreases in Administrative Expenses of \$4,518, Maintenance Expenses of \$270,666, and Other General Expenses of \$145,625 offset by increases in Tenant Services Expenses of \$79,815, Utilities Expenses of \$3,867, Insurance Premiums of \$3,110, and Casualty Losses of \$21,806.

**OVERVIEW OF THE FINANCIAL REPORTS**

The following outline describes the integral parts of the financial presentation and is a guideline for understanding its components:

- I. The MD&A serves as an introduction to the Authority's financial statements.
- II. Financial Statements
  - a. Financial statements
  - b. Notes to the financial statements
- III. Other Required Supplementary Information

**Housing Authority of the City of Thomson**  
**Management's Discussion and Analysis**  
December 31, 2019

**Overview of the Financial Reports (continued)**

The annual report includes a Management Discussion and Analysis report, the Basic Financial Statements, the Notes to the Financial Statements, and the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

The financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Position includes assets and liabilities plus provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating capital structure to include assessing liquidity and financial flexibility.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector where the determination of net position is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which assets and liabilities, associated with the operation of these funds, are included on the Statement of Net Position.

Their focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. Our discussion and analysis provides an overview of the financial activities and performance of the Thomson Housing Authority for year-ending December 31, 2019.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the ability of management to meet budgets, maintain the property (meet HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered all its costs through its rental fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and related financing activities plus provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year-ended December 31, 2019.

**Housing Authority of the City of Thomson**  
**Management's Discussion and Analysis**  
December 31, 2019

**Financial Analysis**

One of the most important questions asked about the Authority's finances; "Has the Housing Authority's financial position improved as a result of the achievements of the reported fiscal year?" The information presented in this Management's Discussion and Analysis is to assist the reader in answering this question.

The basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position and Statement of Cash Flows. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on December 31, 2019. The Statement of Revenues, Expenses, and Changes in Fund Net Position summarize the revenues, and sources of those revenues, generated and the expenses incurred in operating the Housing Authority for the year-ended December 31, 2019.

Thomson Housing Authority has a public housing program that provides housing for qualified tenants and a capital fund program that the Housing Authority uses for improvements to its public housing property. The following analysis focuses on the net position and the change in net position of the Housing Authority as a *whole* and not the individual programs.

**Statement of Net Position**  
**December 31, 2019**

	<b>FY 2019</b>	<b>FY 2018</b>	<b>Variance</b>	<b>% Change</b>
Cash and Investments	\$ 98,514	\$ 798,684	\$ (700,170)	-87.67%
Other Current Assets	391,343	102,517	288,826	281.73%
<b>Total Current Assets</b>	<b>489,857</b>	<b>901,201</b>	<b>(411,344)</b>	<b>-45.64%</b>
Capital Assets	2,959,437	2,763,961	195,476	7.07%
<b>Total Assets</b>	<b>3,449,294</b>	<b>3,665,162</b>	<b>(215,868)</b>	<b>-5.89%</b>
Deferred Outflow of Resources	-	-	-	0.00%
<b>Total Assets and Deferred     Outflow of Resources</b>	<b>3,449,294</b>	<b>3,665,162</b>	<b>(215,868)</b>	<b>-5.89%</b>
Current Liabilities	287,723	340,215	(52,492)	-15.43%
Non-Current Liabilities	17,574	26,867	(9,293)	-34.59%
<b>Total Liabilities</b>	<b>305,297</b>	<b>367,082</b>	<b>(61,785)</b>	<b>-16.83%</b>
Deferred Inflow of Resources	-	-	-	0.00%
<b>Net Position</b>				
Net Investment in Capital Assets	2,959,437	2,763,961	195,476	7.07%
Unrestricted Net Position	184,560	534,119	(349,559)	-65.45%
<b>Total Net Position</b>	<b>3,143,997</b>	<b>3,298,080</b>	<b>(154,083)</b>	<b>-4.67%</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Net Position</b>	<b>\$ 3,449,294</b>	<b>\$ 3,665,162</b>	<b>\$ (215,868)</b>	<b>-5.89%</b>

**Housing Authority of the City of Thomson**  
**Management's Discussion and Analysis**  
December 31, 2019

**Assets:**

Current assets are resources that are reasonably expected, based on the plans and intentions of the Authority, to be converted into cash or its equivalent during the next twelve months.

As of December 31, 2019, current assets were \$489,857 as compared to \$901,201, as of December 31, 2018, a decrease of \$411,344. Current assets decreased primarily due to decreases in Cash – Unrestricted of \$504,444, Accounts Receivables – Miscellaneous of \$12,838, Fraud Recovery of \$6,686, Investments – Unrestricted of \$196,005, and Inventories of \$1,597 offset by increases in Accounts Receivables – Other Governments of \$290,736, Allowance for Doubtful Accounts – Other of \$13,240, and Prepaid Expenses and Other Assets of \$4,906.

Capital assets are long-term tangible assets obtained as a result of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land. Capital assets increased \$195,476 due to decreases in Land of \$1,581, Administrative Equipment of \$16,142, and an increase in Accumulated Depreciation of \$257,494 offset by increases in Buildings of \$307,871 and Leasehold Improvements of \$162,822.

**CAPITAL ASSETS AT YEAR-END (Net of Depreciation)**

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Variance</u>
Non-depreciable assets:			
Land	\$ 574,134	\$ 575,715	\$ (1,581)
Construction in progress	-	-	-
Total non-depreciable	<u>574,134</u>	<u>575,715</u>	<u>(1,581)</u>
Depreciable assets:			
Buildings	9,157,892	8,850,021	307,871
Furniture, Equipment & Machinery			
– Dwellings	-	-	-
– Administration	319,587	335,729	(16,142)
Leasehold Improvements	162,822	-	162,822
Total depreciable assets	<u>9,640,301</u>	<u>9,185,750</u>	<u>454,551</u>
Less accumulated depreciation	<u>(7,254,998)</u>	<u>(6,997,504)</u>	<u>(257,494)</u>
Book value – depreciable assets	<u>\$ 2,385,303</u>	<u>\$ 2,188,246</u>	<u>\$ 197,057</u>
Percentage depreciated	75.26%	76.18%	
Book value – all assets	<u>\$ 2,959,437</u>	<u>\$ 2,763,961</u>	<u>\$ 195,476</u>

The Housing Authority expended \$474,473 for capital asset additions in fiscal year 2019 which was made up of \$311,651 in Building purchases and \$162,822 in Leasehold Improvements purchases. Capital assets increased \$195,476 due to current year additions of \$474,473 less current year depreciation of \$274,423 less unrecovered book costs on disposals of \$4,574.



**Housing Authority of the City of Thomson**  
**Management's Discussion and Analysis**  
December 31, 2019

**Liabilities:**

Current liabilities are current debts that are owed by the Authority and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt.

As of December 31, 2019, current liabilities were \$287,723 as compared to \$340,215, as of December 31, 2018, a decrease of \$52,492. The change consisted primarily of increases in Accrued Wage/Payroll Taxes Payable of \$2,446, Accrued Compensated Absences – Current Portion of \$9,921, and Accrued Liabilities – Other of \$4,576 offset by decreases in Accounts Payable of \$5,864, Accounts Payable – Other Government of \$57,420, and Other Current Liabilities of \$7,252.

Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume the Authority's current financial resources to satisfy the debt. The Authority had \$17,574 in Accrued Compensated Absences- Noncurrent, as of December 31, 2019, as compared to \$26,867 as of December 31, 2018.

**Debt:**

The Authority had no long term obligations such as notes or bonds payable.

**Net Position:**

As of December 31, 2019, the Housing Authority had \$3,143,997 in total net position. Of this amount, \$184,560 of unrestricted net position may be used to meet the Authority's future ongoing expenses and obligations. The remainder of \$2,959,437 represents the investment in capital assets of land, buildings, furnishings, leasehold improvements, and equipment.

**Expendable Fund Balance:**

The expendable fund balance is a measure of the entity's liquidity. If current assets, less materials inventory, are converted to cash and the Authority pays all current liabilities, the amount of cash remaining is the expendable fund balance. Thomson Housing Authority's expendable fund balance decreased \$357,414 due to a decrease in current assets offset by a smaller decrease in current liabilities (figures based on the 2018 and 2019 FDS information).

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% of Change</u>
<b>Expendable Fund Balance</b>	<u>\$ 150,982</u>	<u>\$ 508,396</u>	<u>\$ (357,414)</u>	<u>-70.30%</u>
<b>Number of Months Expendable</b>	<u>1.10</u>	<u>3.12</u>	<u>(2.02)</u>	<u>-64.66%</u>

**Housing Authority of the City of Thomson**  
**Management's Discussion and Analysis**  
December 31, 2019

**Number of Months Expendable Fund Balance:**

The number of months in expendable funds is a measure of how many months the Authority could operate under current conditions without any additional income. It is derived by dividing the expendable fund balance by average monthly expenses. Average monthly expenses are calculated by dividing the total expenses for the year, less depreciation, by twelve (12). The Authority's number of months expendable fund balance decreased 2.02 months due to a decrease in the expendable fund balance offset by a decrease in average monthly expense (figures based on the 2018 and 2019 FDS information).

**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% of Change</u>
<b>Revenue:</b>				
Tenant Revenue	\$ 555,178	\$ 525,720	\$ 29,458	5.60%
Federal Grants & Subsidy	1,168,184	1,335,405	(167,221)	-12.52%
Investment Income	7,664	412	7,252	1760.19%
Other Income	36,349	5,691	30,658	538.71%
Gain/Loss on Sale of Cap Assets	(4,574)	-	(4,574)	100.00%
<b>Total Revenue</b>	<u>1,762,801</u>	<u>1,867,228</u>	<u>(104,427)</u>	<u>-5.59%</u>
<b>Expenses:</b>				
Administrative	551,719	556,237	(4,518)	-0.81%
Tenant Services	98,646	18,831	79,815	423.85%
Utilities	214,913	211,046	3,867	1.83%
Routine Maintenance	610,013	880,679	(270,666)	-30.73%
Protective Services	-	-	-	0.00%
General Expenses	143,545	286,060	(142,515)	-49.82%
Non-Routine Expenses	23,625	1,819	21,806	1198.79%
Depreciation	274,423	274,307	116	0.04%
<b>Total Operating Expenses</b>	<u>1,916,884</u>	<u>2,228,979</u>	<u>(312,095)</u>	<u>-14.00%</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ (154,083)</u>	<u>\$ (361,751)</u>	<u>\$ 207,668</u>	<u>-57.41%</u>

**Revenues:**

The main revenue sources are rents and other tenant charges and/or income received from the Department of Housing and Urban Development (HUD) in the form of operating subsidies and capital improvement grants.

Total Tenant revenue increased \$29,458 due to an increase Net Tenant Rental Revenue of \$32,944 offset by a decrease in Tenant Revenue- Other of \$3,486.

HUD revenue will often vary from year to year since it is dependent on the federal budget (operating subsidy) and availability and/or use of grant revenues. In 2019, Thomson Housing Authority's operating subsidy decreased \$271,747.

**Housing Authority of the City of Thomson**  
**Management's Discussion and Analysis**  
December 31, 2019

Other Government Grants increased \$104,526. Investment income increased \$7,252 and Other Revenue increased by \$30,658. There was a loss on the sale of capital assets of \$4,574. Changes in investment income are generally governed by the amount of monies invested and the rates of returns on those investments.

**Expenses:**

Administration – Administrative costs include all non-maintenance and non-resident service personnel cost (including benefits and accrued leave), legal cost, auditing cost, travel and training cost, and other administrative cost such as supplies, telephone costs, etc. Administrative Expenses decreased \$4,518 primarily due to decreases in Administrative Employee Benefits of \$21,672 and Office Expenses of \$18,002 offset by increases in Administrative Salaries of \$19,617, Advertising and Marketing of \$2,187, Legal Expense of \$5,022, and Other Administrative Expenses of \$9,272.

Other Tenant Services Expense increased \$79,815.

Utilities Expense increased by \$3,867 due to increases in Water of \$6,215, Electricity of \$1,788, and Sewage of \$6,970 offset by a decrease in Gas Expenses of \$11,106.

Routine maintenance costs are all the costs incurred by the Authority to maintain its public housing units in a decent, safe and sanitary manner. Costs include personnel costs, materials, and contracts for waste management, maintenance on vehicles and equipment, grounds cutting, etc. Routine maintenance expense decreased \$270,666 due to decreases in Materials of \$5,739, Labor of \$30,849, Contracts of \$199,953, and Maintenance Employee Benefit Contributions of \$34,125.

Insurance Premiums increased \$3,110 primarily due to increases in Property Insurance of \$1,579 and Liability Insurance of \$2,836 offset by a decrease in Workmen's Compensation Expense of \$1,580.

Other General Expenses – General expenses include insurance expense, compensated absences, and payment in lieu of taxes. Total Other General Expenses decreased by \$145,625 primarily due to decreases in Other General Expenses of \$137,843, Compensated Absences of \$2,988, and Bad Debt – Tenant Rents of \$5,047.

Non Capitalized Casualty Losses increased \$21,806.

**Economic Factors:**

The Housing Authority is primarily dependent upon HUD for the funding of operations. The entity is affected by both federal budgetary decisions and by local economic conditions.

Significant economic factors affecting the Authority are as follows:

- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income. The local (McDuffie County) unemployment rate in 2019 was 4.5% compared to 5.1% in FY 2018, which is 0.6 percentage points lower than prior year.
- Congressional funding of the Department of Housing and Urban Development. The Authority's eligibility for calendar year 2019 was \$700,649. HUD provided funding at

**Housing Authority of the City of Thomson**  
**Management's Discussion and Analysis**  
December 31, 2019

94.74% of the eligible amount in 2018 and 97.77% in 2019. Due to the proration of funding, the Authority received \$685,025 for calendar year 2019.

**Contacting the Housing Authority's Financial Management:**

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact Kelly Evans, Executive Director, Thomson Housing Authority, PO Box 627, Thomson, GA 30824, telephone number (706) 595-4878.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**STATEMENT OF NET POSITION – PROPRIETARY FUND TYPE**  
As of December 31, 2019

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 15,321
Restricted cash	29,878
Investments - unrestricted	53,315
Accounts receivable - other government	298,647
Accounts receivable - miscellaneous	8,143
Tenant rents receivable (net of \$318 allowance)	2,860
Prepaid expenses	30,541
Supplies inventory (net of \$5,684 allowance)	51,152
Total current assets	<u>489,857</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable capital assets	574,134
Depreciable capital assets, net	2,385,303
Total noncurrent assets	<u>2,959,437</u>
Total assets	<u>3,449,294</u>
Deferred outflow of resources	-
Total assets and deferred outflow of resources	<u>\$ 3,449,294</u>

**LIABILITIES**

Current Liabilities:	
Accounts payable and accrued liabilities	\$ 125,162
Accrued wages/payroll taxes payable	24,121
Accounts payable - other governments	19,471
Accounts payable - HUD	68,431
Tenant security deposits	29,878
Unearned revenue	1,783
Accrued compensated absences	18,877
Total current liabilities	<u>287,723</u>
Noncurrent Liabilities:	
Accrued compensated absences	17,574
Total noncurrent liabilities	<u>17,574</u>
Total Liabilities	<u>305,297</u>
Deferred inflows of resources	-
Total liabilities and deferred inflow of resources	<u>305,297</u>

**NET POSITION**

Net Investment in capital assets	2,959,437
Unrestricted net position	184,560
Total net position	<u>3,143,997</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,449,294</u>

*See auditor's report.*

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

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION – PROPRIETARY FUND TYPE**  
For the year ended December 31, 2019

<b>Operating revenues:</b>	
Tenant rental revenue (net of collection losses of \$28,999)	\$ 526,179
HUD operating grants	946,661
Other government grants	221,523
Other revenue	36,349
Total operating revenues	1,730,712
 <b>Operating expenses:</b>	
Administration	551,719
Tenant services	98,646
Utilities	214,913
Ordinary maintenance	610,013
Insurance	76,198
General expenses	38,348
Casualty losses	23,625
Depreciation	274,423
Total operating expenses	1,887,885
Operating income (loss)	(157,173)
 <b>Nonoperating revenue (expenses):</b>	
Loss on disposition of capital assets	(4,574)
Interest income	7,664
Total nonoperating revenue (expenses)	3,090
Net Income (Loss) before contributions	(154,083)
Contributions – capital grants	-
Increase (decrease) in net position	(154,083)
Net position, beginning of year	3,298,080
Net position, end of year	\$ 3,143,997

*See auditor's report.*

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

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE**  
For the year ended December 31, 2019

<b>Cash flows provided from/ (used by) operating activities:</b>	
Cash received from tenants/others	\$ 567,740
Cash paid for goods and services	(1,560,969)
Cash paid to employees for services	(408,482)
HUD operating grants	946,661
Other government grants	221,523
Net cash provided from/ (used by) operating activities	(233,527)
 <b>Cash flows from noncapital financing activities</b>	
	-
 <b>Cash flows from/ (used by) capital and related financing activities:</b>	
Acquisition of capital assets	(474,473)
Net cash from/ (used by) capital and related financing activities	(474,473)
 <b>Cash flows provided from investing activities:</b>	
Interest on investments	7,830
Proceeds from maturities of investments	249,320
Purchase of investments	(53,315)
Net cash provided from investing activities	203,835
Net increase (decrease) in cash and cash equivalents	(504,165)
Cash and cash equivalents at beginning of year	549,364
Cash and cash equivalents at end of year	\$ 45,199
 <b>Reconciliation of cash/cash equivalents:</b>	
Cash - unrestricted	\$ 15,321
Cash - restricted	29,878
Total cash	\$ 45,199
 <b>Reconciliation of operating income (loss) to net cash provided from/ (used by) operating activities:</b>	
Operating income (loss)	\$ (157,173)
<b>Adjustments to reconcile operating income (loss) to net cash provided from operating activities:</b>	
Depreciation	274,423
(Increase) decrease in tenants accounts receivable	5,614
(Increase) decrease in accounts receivable - miscellaneous	(402)
(Increase) decrease in accounts receivable - other government	(290,736)
(Increase) decrease in inventory and prepaid insurance	(3,468)
Increase (decrease) in accounts payable and accrued liabilities	(8,540)
Increase (decrease) in accrued payroll/payroll taxes payable	2,446
Increase (decrease) in accounts payable other government	(57,420)
Increase (decrease) in security deposits	279
Increase (decrease) in unearned revenues	822
Increase (decrease) in accrued compensated absences	628
Total adjustments	(76,354)
Net cash provided from/ (used by) operating activities	\$ (233,527)

*See auditor's report.*

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

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**NOTE 1: Summary of Significant Accounting Policies:**

The accounting policies of the Housing Authority of the City of Thomson conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The Housing Authority of the City of Thomson is a public body created under the General Statutes of Georgia. The Authority was created for the purpose of providing safe and sanitary housing for the low-income citizens of Thomson, Georgia.

In determining how to define the reporting entity, management has considered all potential component units. Management considered criteria established by the Governmental Accounting Standards Board for inclusion of the Authority in the City of Thomson's financial statements. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary government is not financially accountable. The Board of Commissioners of the Housing Authority is appointed by the Mayor of the City of Thomson but the Authority designates its own management. The City of Thomson provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the Board is appointed by the City of Thomson no other criteria established by Section 2100 and 2600 of the Codification of Governmental Accounting Standards Board, the Financial Accounting Standards Board, and Governmental Accounting Standards Board Statement No. 14, 39, and 61 for inclusion of the Authority in the City of Thomson's financial statements are met. Therefore, a separate financial report is prepared for the Authority. All of the operations of the Authority are included in the audited financial statements and there are no operations or activities which have been excluded.

**B. Description of a Public Housing Authority**

Funding for public housing authorities is received from the United States Department of Housing and Urban Development (HUD) and from participants in public housing programs. Under the Low Rent Housing Assistance Program, low income tenants pay monthly rents which are determined by their need for assistance. HUD pays the annual debt service contributions directly to a fiscal or paying agent under the terms of the annual contributions contract. HUD also pays operating subsidies to the housing authority to enable the authority to maintain the low-income character of the neighborhood while providing adequate services and maintaining adequate reserves.

The Authority programs also include the Capital Fund Program provided by HUD as the primary funding source for physical and management improvements to the Authority's properties. These grants are received from HUD through a formula driven computation. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.



**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 1: Summary of Significant Accounting Policies: (Continued)

**B. Description of a Public Housing Authority** (Continued)

The Authority was also a recipient of a \$720,000 YouthBuild grant awarded by U.S. Department of Labor under the authority of the Workforce Innovation and Opportunity Act, P.I. 113-28. The program is designed to provide disadvantaged youth with: the education and employment skills necessary to achieve economic self sufficiency in occupations in high demand and post secondary education and training opportunities; opportunities for meaningful work and service to their communities; and opportunities to develop employment and leadership skills and a commitment to community development among youth in low-income communities.

The Authority had 200 units in management and was administrating a capital fund program and a YouthBuild grant.

**C. Basis of Presentation**

The accounts of the Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, net position, revenues, and expenses.

The Authority accounts for its operation in one fund type, the enterprise fund that reflects all the activities of the Authority. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Housing Authority of the City of Thomson maintains one enterprise fund which includes the following programs: Public Housing Program, Capital Fund Program, and YouthBuild Program.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. Enterprise fund type equity (i.e., net total position) is segregated into investment in capital assets (net of related debt) and unrestricted net position components. Operating activities for this fund present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The fund of the Authority is maintained on the modified accrual basis during the year. The financial statements for the Authority have been presented on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. The converting from the modified accrual basis to the full accrual basis, the changes required are adjustments for accrued interest, prepaid insurance, depreciation, prepaid tenant rents, payments of principal on outstanding debt, and capital outlay. Payments of outstanding debts and accrued interest by HUD which have earned by the Authority, but not yet realized, are recorded as revenue. Operating income reported includes rental income, other tenant charges, operating grants, and other revenue for the continuing operations of the fund. Operating expenses are the costs of providing goods and services. Other revenues and expenses are classified as non-operating in the financial statements.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: Summary of Significant Accounting Policies: (Continued)

*E. Revenue Recognition*

The significant revenue recognition policies and practices related to these revenues are as follows:

Charges to tenants, participants, or applicants – These revenues consist primarily of dwelling rental charges and related fees and charges. Such revenues are recognized when due. Rental charges are typically recorded and recognized at the beginning of the rental term while tenant charges and fees are recognized when the underlying transaction occurred. The revenues associated with installment repayment agreements are recorded when collected.

Operating grants and contributions – The Authority receives various grants from other governments and entities. In general, for cost reimbursement-type grants, the revenues are recognized when the underlying expenses are incurred and as soon as all eligibility requirements imposed by the provider have been met. For formula-based operating subsidies, the revenues are recognized during the period for which the subsidy was approved and authorized by the grantor agency. For fee-based grants, the revenues are recognized when the services are performed and delivered. The principle operating grant revenues earned by the Authority include operating subsidies for its low-rent public housing program and the non-capital portions of modernization and capital improvement grants.

*F. Budgetary Data*

The Authority maintains budgetary controls over its fund, as required by the terms of the Authority's annual contributions contract with HUD. An annual budget is adopted for the enterprise fund. It was determined that all revenues and expenses were in accordance with the program budgets. Expenses may not legally exceed appropriations at the departmental level for the enterprise fund. All increases in appropriation to administration and capital expenditures must be approved by the Board. The budget was prepared on the modified accrual basis of accounting. The capital fund budgets are prepared on a "project length" basis.

*G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position*

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in Georgia. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 1: Summary of Significant Accounting Policies: (Continued)

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. Money market investments that have a maturity at the time of purchase of one year or less are carried at amortized cost. As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. During the fiscal year and at year-end, all cash was held in the form of interest bearing accounts. The deposits and the above described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.

Disclosure About Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sale an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority also follows a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard's three level of inputs that may be used to measure fair value:

Level 1: Observable prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Authority currently recognizes all assets and liabilities at Level 1 of the valuation hierarchy unless stated otherwise.

Accounts Receivable – Tenants

Charges to tenants are recorded as revenue at the first of each month. Balances in this account represent amounts that have been charged to tenants for which the Authority has not received payment. The Authority estimates that some of the carrying balance of this account will not be collected. The Authority uses the Balance Sheet approach to estimate the allowance for uncollectible accounts.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 1: Summary of Significant Accounting Policies: (Continued)

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when consumed rather than when purchased. If inventory falls below cost due to damage, deterioration, or obsolescence, the Authority establishes an allowance for obsolete inventory.

Capital Assets

Donated capital assets received prior to December 31, 2015 are stated at their estimated fair value on the date donated. This included site acquisition and improvement, structures, and equipment. Donated capital assets received after January 1, 2016 are recorded at amortized cost, the price is adjusted for transportation costs, but would not otherwise be adjusted for transaction costs. Other capital assets are recorded at historical cost at the date of acquisition. This includes site acquisition and improvement, structures, and equipment. Assets are depreciated on a straight-line basis over the following years:

Dwelling structures	20 years
Non-dwelling structures	20 years
Dwelling structure improvements	10-20 years
Dwelling equipment	3-7 years
Office furniture and equipment	3-7 years
Maintenance equipment	3-7 years
Automobiles and vehicles	3-7 years

The Authority capitalizes purchases of items with an initial cost that exceeds \$5,000 and a useful life greater than one year. Maintenance and repairs expenditures are charged to operations when incurred.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

NOTE 1: Summary of Significant Accounting Policies: (Continued)

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Accrued Compensated Absences

The Housing Authority of the City of Thomson allows each of the Consortium full time employees to accumulate vacation leave, and such leave is fully vested when earned. Full-time employees earn annual leave as follows: 6.67 hours per month employed – 80 hours each year through the fifth year of employment, 10 hours per month for each month employed from the sixth to fifteenth year of employment 120 hours per year, 13.33 hours per month for each month employed after the tenth year of employment, or 160 hours per year. No more than 320 hours may be carried over into the following year. Sick leave is accrued by employees and is not paid at separation but can be used to determine retirement age at a rate of two days of sick leave to one day of service. The amount of accrued compensated absences is allocated by the “lead” Authority in the Consortium as all employees are employees of Thomson Housing Authority, the “lead” Authority. Based on this allocation, the Authority records compensated absences in the period they are earned and uses a systematic allocation process to allocate between short-term and long-term liability classifications.

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Financial 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 and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial 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 and so will not be recognized as revenue until then. The Authority does not have any items that meet the criterion for this category.

Net Position

*Net Investment in Capital Assets*

Net investment in capital assets represents funds received for development and modernization of the Authority’s dwelling units. In addition, this amount represents capital assets purchased through operations and grant programs less accumulated depreciation and related debt.

*Unrestricted Net Position*

Net position includes assets remaining after deducting liabilities and deferred inflows of resources and provides a basis of assessing the liquidity and financial flexibility of the Authority.

Operating Revenues

Subsidies received from the Department of Housing and Urban Development or other grantor agencies for operating purposes, are recorded as operating revenues. Those that are received for capital purposes are recorded as a capital contribution.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 2: Stewardship, Compliance, and Accountability

The Authority appeared to have met its responsibilities regarding stewardship, compliance, and accountability for its fund.

NOTE 3: Detail Notes on All Programs

A. Assets

Deposits and Investments

The Authority's funds are maintained in bank deposits or in investments in debt securities. The Authority is permitted to invest funds in deposit accounts at federally insured financial institutions; in obligations of the U.S. Treasury or U.S. Government agencies; Local or State Government Investment Pools; and Repurchase Agreements with financial institutions (as long as the entire balance is collateralized by specifically identified securities of the U.S. Government or its agencies). Investments in debt securities that have a remaining maturity at the time of purchase of more than one year and that have a determinable market value are valued at market value as of year-end. The market values are based on quoted market prices at year-end. Certificates of deposit are stated at cost as they are not traded in any market and are held for longer terms. Securities with a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

Bank Deposits

Deposits include amounts held in accounts that qualify for federal depository insurance and include demand deposits such as checking accounts, saving accounts and NOW accounts, as well as time deposits such as nonnegotiable certificates of deposit. In the financial statements, amounts held in demand deposits accounts and in time deposits with initial maturities of 90 days or less are classified as cash and cash equivalents.

As of December 31, 2019, The Authority's deposits consisted of the following:

	<u>Total</u>
Demand deposit accounts (checking, savings, money market account)	<u>\$ 45,199</u>

Deposits are required to be either covered by federal depository insurance or be collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority's name. It is the Authority's policy that all funds on deposit are collateralized in accordance with HUD requirements. At December 31, 2019, the Authority's deposits with financial institutions for all fund types had a carrying amount of \$45,199 and bank balance of \$84,161. Of these bank balances, \$84,161 was covered by federal depository insurance.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 3: Detail Notes on All Programs (Continued)

A. Assets (Continued)

Bank Deposits (Continued)

As on December 31, 2019, the Authority's deposits are classified in the financial statements as follows:

	Total
Cash and cash equivalents	\$ 15,321
Restricted cash	29,878
	\$ 45,199

In summary, as of December 31, 2019, the Authority's cash and cash equivalents consist of the following:

	Total
Demand deposit accounts (checking, savings, and money market account)	\$ 45,099
Petty cash and change fund	100
Total cash and cash equivalents	45,199
Less: restricted cash and cash equivalents	(29,878)
Unrestricted cash and cash equivalents	\$ 15,321

The Authority invests in accordance with HUD regulations. As of December 31, 2019, the Authority had the following investments and maturities:

	Total
Met-Life shares	\$ 53,315
Total	\$ 53,315

The Authority received 1,046 of Metlife shares on April 4, 2000 due to MetLife's demutualization. The shares are valued at the closing share price on December 31, 2019.

Deposits in financial institutions are required to be secured and collateralized by the institutions. The collateral must meet criteria requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The Authority's deposits with financial institutions met State and Federal deposit requirements.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019

**NOTE 3: Detail Notes on All Programs(Continued)**

**A. Assets (Continued)**

*Interest rate risk*—The Housing Authority of the City of Thomson has no specific policy regarding interest rate risk.

*Credit risk* – The Authority has no policy regarding credit risk. The Authority investments were limited to Certificates of Deposits that were 100% collateralized.

*Custodial credit risk* - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments in repurchase agreements are collateralized by the securities held by the counterparty, or by its trust department. The Authority has no policy on custodial credit risk.

*Concentration of credit risk*—The Authority places no limit on the amount that the Authority may invest in any one issuer.

**Restricted cash and investments:**

The Authority has reported certain portions of their cash balances as restricted. These are either account balances where the subject account is subject to externally imposed restrictions or funds held in otherwise unrestricted accounts but that are subject to regulatory restrictions that limit the use of such funds.

These are described by fund as follows:

**Public Housing Fund:**

The Authority holds funds totaling \$29,878 in tenant security deposits in the general checking account.

The Authority invests in accordance with HUD regulations. As of December 31, 2019, the Authority had the following investments and maturities:

Investment Type	Valuation Measurement Method	Book Value 12/31/2019
1,046 MetLife Shares	Fair Value - Level 1	\$ 53,315
<b>Total Investments:</b>		\$ 53,315



**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**NOTE 3: Detail Notes on All Programs(Continued)**

**A. Assets (Continued)**

**Accounts Receivable – Other Government**

The Authority had receivables from other governments as follows at December 31, 2019:

Warrenton Housing Authority	\$ 153,759
Harlem Housing Authority	91,726
Crawfordville Housing Authority	24,117
US Department of Labor	<u>29,045</u>
Total	<u>\$ 298,647</u>

The amounts due from the Authorities are for expenses paid for on behalf of the Authority by the Thomson Housing Authority but not reimbursed as of December 31, 2019. Reimbursements were made subsequent to year-end. The amount due from the US Department of Labor is for cost incurred under the Authority's YouthBuild grant but not yet received as of December 31, 2019. The delay in reimbursements from the other Authorities was due to the Authority changing fee accountants.

**Prepaid Expenses**

As of December 31, 2019, prepaid expenses consisted of the following:

Prepaid insurance	\$ 25,849
Other prepaid items	<u>4,692</u>
	<u>\$ 30,541</u>

**Capital Assets**

The capital assets (at cost) of the Housing Authority of the City of Thomson at December 31, 2019 consisted of the following:

	Balance at December 31, 2018	Additions	Deletions/ Adjustments	Transfers	Balance at December 31, 2019
<b>Nondepreciable Capital Assets:</b>					
Land (nondepreciable)	\$ 575,715	\$ -	\$ (1,581)	\$ -	\$ 574,134
Construction in progress	-	-	-	-	-
Total Nondepreciable Assets	<u>575,715</u>	<u>-</u>	<u>(1,581)</u>	<u>-</u>	<u>574,134</u>
<b>Depreciable capital assets:</b>					
Buildings and improvements	8,850,021	474,473	(3,780)	-	9,320,714
Furniture, equip., vehicles	335,729	-	(16,142)	-	319,587
Total Depreciable Assets	<u>9,185,750</u>	<u>474,473</u>	<u>(19,922)</u>	<u>-</u>	<u>9,640,301</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(6,703,631)	(255,524)	1,821	-	(6,957,334)
Furniture, equip., vehicles	(293,873)	(18,900)	15,109	-	(297,664)
Total Accumulated Depreciation	<u>(6,997,504)</u>	<u>(274,424)</u>	<u>16,930</u>	<u>-</u>	<u>(7,254,998)</u>
Total Depreciable Assets, net	<u>2,188,246</u>	<u>200,049</u>	<u>(2,992)</u>	<u>-</u>	<u>2,385,303</u>
Total Capital Assets, Net	<u>\$ 2,763,961</u>	<u>\$ 200,049</u>	<u>\$ (4,573)</u>	<u>\$ -</u>	<u>\$ 2,959,437</u>

Depreciation expense was \$274,424 for the year ended December 31, 2019.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

NOTE 3: **Detail Notes on All Programs** (Continued)

A. **Assets** (Continued)

A summary of capital assets at December 31, 2019 is as follows:

	Low-Rent	Total
Land	\$ 574,134	\$ 574,134
Building and improvements	9,320,714	9,320,714
Equipment	319,587	319,587
Construction in progress	-	-
	10,214,435	10,214,435
Less: accumulated depreciation	(7,254,998)	(7,254,998)
Capital assets, net	\$ 2,959,437	\$ 2,959,437

B. **Liabilities**

**Accounts Payable/Accrued Liabilities**

The Authority had the following accounts payable/accrued liabilities at December 31, 2019:

Vendors	\$ 20,741
Utilities	24,499
Due to residents	60,000
Due to resident association	19,922
	\$ 125,162

These amounts were paid after year-end.

**Accounts Payable – Other Government**

The Authority had the following accounts payable – other government at December 31, 2019:

City of Thomson – PILOT	\$ 19,471
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**Accounts Payable – HUD**

The Authority had the following accounts payable – HUD at December 31, 2019:

Due to HUD	\$ 68,431
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The Authority had a HUD Limited Compliance Monitoring Review conducted August 27-29, 2018. In the review report, HUD determined that there were costs incurred by the Authority that were deemed unallowed and would require reimbursement to HUD.



**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**NOTE 4: Related Party Transactions**

There were no related party transactions for the year ended December 31, 2019.

**NOTE 5: Claims and Judgments**

At December 31, 2019, the Authority was not a defendant to any lawsuit whose outcome would be material to the financial statements. No provision was made in the audited financial statements for any contingent liabilities. In the opinion of management and the Authority's attorney, there is no legal matter that will have a materially adverse effect on the Authority's financial position.

**NOTE 6: Risk Management**

The Authority is exposed to various risks of losses related to torts, theft of, or damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority has mitigated this risk by participating and obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the fund where the coverage is required. Insurance coverage provided includes property and casualty, general liability, fidelity bond, workers compensation. During the current or subsequent period there were no claims made or paid that were not covered by the Authority's insurance providers. There were no significant coverage decreases in the current or subsequent audit period.

The Authority participates in the Housing Authority Risk Retention Group. The Group was established for the purposes of providing each member with indemnification and financial protection against, and risk management services with respect to, any risk of loss as may be agreed upon by the Member and the Group. The Group is required to assess an initial reserve contribution and periodic contributions, to establish a self insured retention fund and to arrange for reinsurance contracts for any excess insurance needed. The Group is allowed to assess retrospective increases in the periodic contributions to all members as a group based on the experience of all members as a group. The members of this Group are required to remit to the Group any required initial reserve contribution and the periodic contributions to comply with the terms of any risk management program developed by the Group.

The Authority has also joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the Authority is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The settlement discussions and all levels of litigation arising out of any claim made against the Authority within the scope of loss protection furnished by the funds.

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding or compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019

**NOTE 7: Affiliated Authority**

The Authority is affiliated with the East Coast Housing Authorities Partnership (EGHAP), EGHAP is comprised of the Housing Authority of the City of Thomson, the Housing Authority of the City of Thomson, the Housing Authority of the City of Crawfordville, and the Housing Authority of the City of Warrenton. This partnership provides for centralized administrative and maintenance staff to run all authorities. Shared costs are allocated on a percentage of number of units methodology and charged monthly to the members. This affiliation does not meet the criteria under GASB 61 for the inclusion in the reporting entity of the Authority, nor does it represent a related party. As of December 31, 2019, the Authority had \$269,602 owed from the Housing Authority of the City of Warrenton, the Housing Authority of the City of Crawfordville, and the Housing Authority of the City of Harlem for payments made for operating expenses paid by the Housing Authority of the City of Thomson on behalf of the Authorities. See Note 3A. These amounts were reimbursed subsequent to year-end.

**NOTE 8: Conduit Type Debt**

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by the United States Department of HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority. HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

**NOTE 9: Compliance Audits of Federal and State Assisted Programs:**

The Authority participates in a number of federal and state programs which are subject to audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or review by the granting agencies in accordance with annual contribution contracts or grant award contracts. The Authority expects such expenditures, if any, which may be disallowed by the granting agencies to be immaterial.

**NOTE 10: Concentrations**

For the year ended December 31, 2019, approximately 54.70% of revenues are received from the Department of Housing and Urban Development through various grants.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019

**NOTE 11: Subsequent Events:**

Events that occur after the balance sheet date before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. In preparing financial statements, management evaluated subsequent events through the date the financial statements were issued (or the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**NOTE 12: Commitments and Contingencies**

**Examinations:** The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Authority in the current and prior years. During the year ended December 31, 2019, the Authority did not have any reviews performed by federal and state agencies.

**Grant Disallowances:** Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

**Construction Commitments:** The Authority may have major construction projects in progress from time to time. These may include modernizing rental units at the project sites. As of December 31, 2019, the Authority did not have any construction related commitments.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

**STATEMENT OF CAPITAL FUND PROGRAM COSTS - UNCOMPLETED**

December 31, 2019

1. The capital fund program costs are as follows:

	<u>GA 128-501 (2015)</u>
Funds approved	\$ 260,238
Funds expended	<u>(260,238)</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 260,238
Funds expended	<u>(260,238)</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. There were no costs incurred during the current audit period.

3. The Authority did not obligate these funds in a timely manner. The Capital Fund - 2019 was deobligated because of this.

*See auditor's report.*

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

Schedule of Expenditures of Federal Awards

For the twelve months ended December 31, 2019

FEDERAL GRANTOR	Federal CFDA Number	Program or Award Amount	Beginning Balance	Receipts	Disbursements or Expenditures	Ending Balance
U. S. Department of HUD						
Low-rent Housing Program	**14.850	\$ 686,423	\$ -	\$ 686,423 +	\$ 686,423	\$ -
Capital Fund Programs	**14.872	\$ 260,238	-	260,238 +	260,238	-
Subtotal U.S. Department of HUD				946,661	946,661	-
U.S. Department of Labor						
YouthBuild Program	**17.274	\$ 720,000	-	221,523	221,523	-
				\$ 1,168,184	\$ 1,168,184	\$ -

This schedule includes the federal grant activity of the Housing Authority of the City of Thomson and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

- \* -Type A program
- \*\* -Type B program
- + - Major program

See auditor's report.



**FINANCIAL DATA SCHEDULE**

**Housing Authority of the City of Thomson (GA128)  
THOMSON, GA**

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	17.274 YouthBuild Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$15,321		\$15,321		\$15,321
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$29,878		\$29,878		\$29,878
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$45,199	\$0	\$45,199	\$0	\$45,199
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government	\$269,602	\$29,045	\$298,647		\$298,647
125 Accounts Receivable - Miscellaneous	\$8,143		\$8,143		\$8,143
126 Accounts Receivable - Tenants	\$3,178		\$3,178		\$3,178
126.1 Allowance for Doubtful Accounts - Tenants	-\$318		-\$318		-\$318
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$280,605	\$29,045	\$309,650	\$0	\$309,650
131 Investments - Unrestricted	\$53,315		\$53,315		\$53,315
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$30,541		\$30,541		\$30,541
143 Inventories	\$56,836		\$56,836		\$56,836



332	Account Payable - PHA Projects								
333	Accounts Payable - Other Government	\$19,471			\$19,471				\$19,471
341	Tenant Security Deposits	\$29,878			\$29,878				\$29,878
342	Unearned Revenue	\$1,783			\$1,783				\$1,783
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue								
344	Current Portion of Long-term Debt - Operating Borrowings								
345	Other Current Liabilities	\$79,922			\$79,922				\$79,922
346	Accrued Liabilities - Other	\$24,499			\$24,499				\$24,499
347	Inter Program - Due To		\$23,781		\$23,781			-\$23,781	\$0
348	Loan Liability - Current								
310	Total Current Liabilities	\$282,459	\$29,045		\$311,504			-\$23,781	\$287,723
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								
352	Long-term Debt, Net of Current - Operating Borrowings								
353	Non-current Liabilities - Other								
354	Accrued Compensated Absences - Non Current	\$17,574			\$17,574				\$17,574
355	Loan Liability - Non Current								
356	FASB 5 Liabilities								
357	Accrued Pension and OPEB Liabilities								
350	Total Non-Current Liabilities	\$17,574	\$0		\$17,574			\$0	\$17,574
300	Total Liabilities	\$300,033	\$29,045		\$329,078			-\$23,781	\$305,297
400	Deferred Inflow of Resources								
508.4	Net Investment in Capital Assets	\$2,959,437			\$2,959,437				\$2,959,437
511.4	Restricted Net Position								
512.4	Unrestricted Net Position	\$184,560	\$0		\$184,560				\$184,560
513	Total Equity - Net Assets / Position	\$3,143,997	\$0		\$3,143,997			\$0	\$3,143,997
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,444,030	\$29,045		\$3,473,075			-\$23,781	\$3,449,294

Housing Authority of the City of Thomson (GA128)  
 THOMSON, GA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	17.274 YouthBuild Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$511,240		\$511,240		\$511,240
70400 Tenant Revenue - Other	\$43,938		\$43,938		\$43,938
70500 Total Tenant Revenue	\$555,178	\$0	\$555,178	\$0	\$555,178
70600 HUD PHA Operating Grants	\$946,661		\$946,661		\$946,661
70610 Capital Grants					
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue	\$0		\$0	\$0	\$0
70800 Other Government Grants		\$221,523	\$221,523		\$221,523
71100 Investment Income - Unrestricted	\$7,664		\$7,664		\$7,664
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$36,349		\$36,349		\$36,349
71600 Gain or Loss on Sale of Capital Assets	-\$4,574		-\$4,574		-\$4,574
72000 Investment Income - Restricted					
70000 Total Revenue	\$1,541,278	\$221,523	\$1,762,801	\$0	\$1,762,801
91100 Administrative Salaries	\$202,071	\$63,086	\$265,157		\$265,157

91200 Auditing Fees	\$6,800			\$6,800		\$6,800	
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing	\$2,167	\$20	\$2,187			\$2,187	
91500 Employee Benefit Contributions - Administrative	\$95,355	\$44,005	\$139,360			\$139,360	
91600 Office Expenses	\$73,011	\$3,260	\$76,271			\$76,271	
91700 Legal Expense	\$7,847		\$7,847			\$7,847	
91800 Travel	\$14,571	\$12,451	\$27,022			\$27,022	
91810 Allocated Overhead							
91900 Other	\$27,020	\$55	\$27,075			\$27,075	
91000 Total Operating - Administrative	\$428,842	\$122,877	\$551,719	\$0		\$551,719	
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other		\$98,646	\$98,646			\$98,646	
92500 Total Tenant Services	\$0	\$98,646	\$98,646	\$0		\$98,646	
93100 Water	\$60,299		\$60,299			\$60,299	
93200 Electricity	\$16,791		\$16,791			\$16,791	
93300 Gas	\$90,333		\$90,333			\$90,333	
93400 Fuel							
93500 Labor							
93600 Sewer	\$47,490		\$47,490			\$47,490	
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$214,913	\$0	\$214,913	\$0		\$214,913	
94100 Ordinary Maintenance and Operations - Labor	\$143,325		\$143,325			\$143,325	
94200 Ordinary Maintenance and Operations - Materials and Other	\$118,628		\$118,628			\$118,628	
94300 Ordinary Maintenance and Operations Contracts	\$278,674		\$278,674			\$278,674	
94500 Employee Benefit Contributions - Ordinary Maintenance	\$69,386		\$69,386			\$69,386	
94000 Total Maintenance	\$610,013	\$0	\$610,013	\$0		\$610,013	

95100	Protective Services - Labor								
95200	Protective Services - Other Contract Costs								
95300	Protective Services - Other								
95500	Employee Benefit Contributions - Protective Services								
95000	Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110	Property Insurance	\$33,852			\$33,852				\$33,852
96120	Liability Insurance	\$13,373			\$13,373				\$13,373
96130	Workmen's Compensation	\$22,189			\$22,189				\$22,189
96140	All Other Insurance	\$6,784			\$6,784				\$6,784
96100	Total Insurance Premiums	\$76,198	\$0		\$76,198	\$0		\$0	\$76,198
96200	Other General Expenses								
96210	Compensated Absences	\$18,877			\$18,877				\$18,877
96300	Payments in Lieu of Taxes	\$19,471			\$19,471				\$19,471
96400	Bad debt - Tenant Rents	\$28,999			\$28,999				\$28,999
96500	Bad debt - Mortgages								
96600	Bad debt - Other								
96800	Severance Expense								
96000	Total Other General Expenses	\$67,347	\$0		\$67,347	\$0		\$0	\$67,347
96710	Interest of Mortgage (or Bonds) Payable								
96720	Interest on Notes Payable (Short and Long Term)								
96730	Amortization of Bond Issue Costs								
96700	Total Interest Expense and Amortization Cost	\$0	\$0		\$0	\$0		\$0	\$0
96900	Total Operating Expenses	\$1,397,313	\$221,523		\$1,618,836	\$0		\$0	\$1,618,836
97000	Excess of Operating Revenue over Operating Expenses	\$143,965	\$0		\$143,965	\$0		\$0	\$143,965
97100	Extraordinary Maintenance								
97200	Casualty Losses - Non-capitalized	\$23,625			\$23,625				\$23,625
97300	Housing Assistance Payments								

97350 HAP Portability-In							
97400 Depreciation Expense	\$274,423					\$274,423	\$274,423
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$1,695,361	\$221,523	\$1,916,884	\$0		\$1,916,884	\$1,916,884
10010 Operating Transfer In	\$260,238		\$260,238				\$0
10020 Operating transfer Out	-\$260,238		-\$260,238				\$0
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0		\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$154,083	\$0	-\$154,083	\$0		-\$154,083	-\$154,083
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0			\$0	\$0
11030 Beginning Equity	\$3,298,080	\$0	\$3,298,080			\$3,298,080	\$3,298,080
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors							
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity							



11180	Housing Assistance Payments Equity						
11190	Unit Months Available	2400			2400		2400
11210	Number of Unit Months Leased	2348			2348		2348
11270	Excess Cash	\$3,999			\$3,999		\$3,999
11610	Land Purchases	\$0			\$0		\$0
11620	Building Purchases	\$311,651			\$311,651		\$311,651
11630	Furniture & Equipment - Dwelling Purchases	\$0			\$0		\$0
11640	Furniture & Equipment - Administrative Purchases	\$0			\$0		\$0
11650	Leasehold Improvements Purchases	\$162,822			\$162,822		\$162,822
11660	Infrastructure Purchases	\$0			\$0		\$0
13510	CFFP Debt Service Payments	\$0			\$0		\$0
13901	Replacement Housing Factor Funds	\$0			\$0		\$0

**Kendall L. Davis, P.C.**

Georgia Society of CPA's

CERTIFIED PUBLIC ACCOUNTANT

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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**

Board of Commissioners  
Housing Authority of the City of Thomson  
Thomson, Georgia

I 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 basic financial statements of the Housing Authority of the City of Thomson (the "Authority"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated March 17, 2021.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. I identified certain deficiencies in internal control that I consider to be material weaknesses as finding numbers 2018-006, 2019-001, 2019-002, 2019-003, and 2019-004.

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. I consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as finding numbers 2018-006, 2019-001, 2019-002, 2019-003, and 2019-004.

**Response to Findings**

The Authority's responses to the findings identified in my audit are described in the Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall L. Davis, P.C.  
Certified Public Accountant

Hazlehurst, Georgia  
March 17, 2021

**Kendall L. Davis, P.C.**

Georgia Society of CPA's

CERTIFIED PUBLIC ACCOUNTANT

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

Board of Commissioners  
Housing Authority of the City of Thomson  
Thomson, Georgia

**Report on Compliance for Each Major Program**

I have audited Housing Authority of the City of Thomson's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Housing Authority of the City of Thomson's major federal programs for the year ended December 31, 2019. The Housing Authority of the City of Thomson's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for the Housing Authority of the City of Thomson's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my 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). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Thomson's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance with the major programs. However, my audit does not provide a legal determination of the Housing Authority of the City of Thomson's compliance.

**Basis for Qualified Opinion on Capital Fund Program**

As described in the accompanying Schedule of Findings and Questioned Costs, the Housing Authority of the City of Thomson did not comply with requirements regarding CFDA 14.872 Capital Fund Program and described in finding number 2019-004 for cash management.

### **Qualified Opinion on Capital Fund Program**

In my opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Housing Authority of the City of Thomson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Capital Fund Program for the year ended December 31, 2019.

### **Other Matters**

The Housing Authority of the City of Thomson's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Housing Authority of the City of Thomson's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, I express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Housing Authority of the City of Thomson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of the City of Thomson's internal control over compliance with the types of requirements that could have a direct and material effect on its major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Thomson's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a certain deficiency in internal control over compliance over compliance that I consider to be a material weakness.

*A deficiency in internal control over compliance* 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, 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 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 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 the attention by those charged with governance.

### **Housing Authority of the City of Thomson's Response and Findings**

The Housing Authority of the City of Thomson's response to the finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs and the Corrective Action Plan. The Housing Authority of the City of Thomson's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the City of Thomson's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as 2019-004.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did identify a deficiency in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-004, which I consider to be a material weakness.

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Thomson's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Thomson's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kendall L. Davis, P.C.*

Kendall L. Davis, P.C.  
Certified Public Accountant

Hazlehurst, Georgia  
March 17, 2021

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

December 31, 2019

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I - Summary of Auditor's Results:**

**Financial Statements**

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Internal controls over major programs:		
Material weakness(es) identified?		Yes
Significant deficiencies identified not considered to be material weaknesses?		No
Type of report issued on the compliance for major programs:		Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes
Identification of major programs:	14.850 14.872	Low-Rent Housing Program Public Housing Capital Fund Program
Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Did the Authority qualify as a low-risk auditee?		No

**Section II - Financial Statement Findings:**

The audit fieldwork disclosed the following audit findings:

**Finding Number**

2019-001

Journal vouchers not approved by the Authority.

Criteria:

Journal vouchers should be approved after they are prepared and signed by the preparer and approved by a responsible individual before entries are made into the general ledger.

Condition:

The audit fieldwork disclosed that no journal vouchers had been approved by a responsible individual throughout the year.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

December 31, 2019

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**Section II - Financial Statement Findings (Continued)**

2019-001                    Journal vouchers not approved by the Authority. (Continued)

Questioned Costs:        None

Effect:                    The effect of this condition is that management appears not to be reviewing the journal vouchers before entries are made on the general ledger although they are taking responsibility for fair presentation of the financial statements.

Cause:                    The Authority did not realize that journal vouchers should be approved.

Recommendation:        All journal vouchers should be approved before entries are made into the general ledger.

Management Response:    We will immediately implement a process to ensure that all journal vouchers are approved before entries are made into the general ledger.

2019-002                    Tenant security deposit bond insurance not adequate.

Criteria:                    The insurance coverage should be adequate to cover the amount of tenant security deposits.

Condition:                    It was disclosed that the Authority had tenant security bond coverage of \$10,000 but the amount of tenant security deposits owed to tenants was \$29,878. The amount uninsured was \$19,878.

Questioned Costs:        None.

Effect:                    The effect of this condition is that if the Authority depleted all of its cash then \$4,280 would not be available to reimburse the tenants for their security deposits.

Cause:                    The Authority did not realize that security deposit insurance coverage was inadequate.

Recommendation:        It is recommended that the Authority request the insurance company to increase its coverage.

Management Response:    We will immediately obtain additional coverage to ensure that tenant security deposits are fully insured.

2019-003                    Unresolved amounts owed to tenants and resident council.

Criteria:                    The Authority should only charge tenants the costs that they are responsible for. The resident participation fees are given to the Authority for the benefit of the residents through its Operating Subsidy.



**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

December 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

**Section II - Financial Statement Findings (Continued)**

2019-003                      Unresolved amounts owed to tenants and resident council. (Continued)

Condition:                      The audit fieldwork disclosed that the Authority owes tenants and the resident council the amount of \$79,922. This amount is reported as a liability on the Authority's financial statements. Of this amount, \$60,000 is for pest control and grass cutting charged to tenants that are not the responsibility of the tenants. The amount of \$19,922 is the result of the Authority not transferring the tenant portion of the resident participation fees to the Resident Council.

Questioned Costs:              None

Effect:                              The effect of this condition is that the Authority is holding funds in its account that should be paid to the related tenants and Resident Council.

Cause:                                The Authority did not realize that it could not charge tenants for pest control and grass cutting. Also, the Authority did not realize that the resident participation fees should be transferred to the Resident Council.

Recommendation                It is recommended that the Authority immediately process these reimbursements as only deemed appropriate.

Management Response:        We have already discontinued charging residents for pest control and grass cutting. We will work with HUD to discuss our Resident Council and the internal controls in place to safeguard the funds paid to them and only use the resident participation fees for their intended purpose.

2018-006                      Ineligible costs related to real estate and improvements.

Criteria:                            Under Section 9(3) of the Housing Act of 1937, the Authority is provided operating for the operations and management of public housing.

Condition:                        A single-family dwelling was purchased using HUD funds in a previous year. In addition, repair and improvement costs were incurred which included costs spent on land improvements. The total ineligible costs owed back to HUD is \$68,431.

Questioned Costs:                \$68,431

Effect:                                The effect of this condition is that the ineligible costs spent could have been used for operations to provide safe, sanitary housing units to low-income residents.

Cause:                                The Authority did not realize that they were incurring ineligible costs.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

December 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

**Section II - Financial Statement Findings (Continued)**

2018-006                      Ineligible costs related to real estate and improvements. (Continued)

Recommendation:            Any purchases of real property and costs spent on real property should be made in accordance with HUD's rules and regulations and require HUD approval. Also, the Authority should reimburse HUD for the ineligible costs or work with HUD to resolve this liability of \$68,431 reflected on the Authority's financial statements.

Management Response:      We will immediately implement a process to ensure that any purchases of real property are in accordance with HUD guidelines including HUD's approval. We will also work with HUD to bring a resolution to this matter.

**Section III - Federal Awards:**

The audit fieldwork disclosed the following audit finding:

Finding  
Number

2019-004                      Compliance requirement – Cash Management. Capital Fund Program – 2015 funds were not obligated and requested from HUD timely through ELOCCS. (Capital Fund Program CFDA 14.872)

Criteria:                      24 CFR 905.306 (a) requires that at least 90% of a capital fund grant be obligated within two years of the date the funds are made available.

Condition:                    The Authority did not obligate CFP-2015 funds within two years that the funds were made available by HUD.

Questioned Costs:            None

Effect:                        The effect of this condition is that since the Authority requested CFP-2015 funds during 2019, HUD deobligated any CFP-2019 funds.

Cause:                        Cash Management – controls were not in place to ensure that funds were obligated within two years for each Capital Fund Program.

Recommendation:            It is recommended that the Authority establish procedures that are timely to obligate Capital Fund Program funds within two years that they become available. Since the Authority is eligible to draw funds down through BLI 1406, it should draw funds down each year.

Management Response:      We will immediately establish procedures to ensure that Capital Fund Program funds are obligated and requested from HUD timely.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

December 31, 2019

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

The prior audit report for the year ended December 31, 2018 contained the following audit findings:

<u>Finding No.</u>	
2018-001	<u>Unaudited Financial Data Schedule Submission contained a material prior period adjustment.</u> The audit fieldwork disclosed that this condition no longer exists.
2018-002	<u>Operating budget not approved timely</u> The audit fieldwork disclosed that this condition no longer exists.
2018-003	<u>Noncompliance with Procurement Policy.</u> The audit fieldwork disclosed that this condition no longer exists.
2018-004	<u>Personal use of Authority's vehicles.</u> The audit fieldwork disclosed that this condition no longer exists.
2018-005	<u>Noncompliance with Personnel Policy.</u> The audit fieldwork disclosed that this condition no longer exists.
2018-006	<u>Unapproved costs related to the purchase of real estate.</u> See current audit finding number 2018-006.
2018-007	<u>Unallowed use of Public Housing funds.</u> See current audit finding number 2018-006.
2018-008	<u>Noncompliance with Reporting (Capital Fund Program CFDA 14.872).</u> The audit fieldwork disclosed that this condition no longer exists.

**HOUSING AUTHORITY OF THE CITY OF THOMSON**  
Thomson, Georgia

December 31, 2019

**CORRECTIVE ACTION PLAN**

The following is the corrective action planned by the Authority concerning the current audit findings:

<u>Finding Number</u>	
2019-001	<u>Journal vouchers not approved by the Authority.</u> We will immediately implement a process to ensure that all journal vouchers are approved before entries are made into the general ledger.
2019-002	<u>Tenant security deposit bond insurance not adequate.</u> We will immediately obtain additional coverage to ensure that tenant security deposits are fully insured.
2019-003	<u>Unresolved amounts owed to tenants and resident council.</u> We have already discontinued charging residents for pest control and grass cutting. We will work with HUD to discuss our Resident Council and the internal controls in place to safeguard on funds paid to them and only use the resident participation fees for their intended purpose by the Resident Council.
2019-004	<u>Compliance requirement – Cash Management. Capital Fund Program – 2015 funds were not obligated and requested from HUD timely through ELOCCS. (Capital Fund Program CFDA 14.872)</u> We will immediately establish procedures to ensure that Capital Fund Program funds are obligated and requested from HUD timely.
2018-006	<u>Ineligible costs related to real estate and improvements.</u> We will immediately implement a process to ensure that any purchases of real property are in accordance with HUD guidelines including HUD's approval