CITY OF THOMSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

CITY OF THOMSON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2010

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Thomson, Georgia as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Thomson, Georgia as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011 on our consideration of City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and schedule of funding progress- other post employment benefits plan as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, community block development grant and special purpose local option sales tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, community block development grant and special purpose local option sales tax schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elliott Davis, LLC

Greenwood, South Carolina
June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Thomson, Georgia's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the year ended December 31, 2010.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $ 18,513,332(net assets). Of this amount, $ 9,288,278 is invested in capital assets (net of related debt) and $ 9,225,054 may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net assets increased by $ 582,110. Total revenues of the City's governmental and business type activities totaled $ 14,625,931, whereas expenses totaled $ 14,043,821.

- As of the close of the current fiscal year, the City of Thomson's governmental funds reported combined ending fund balances of $ 4,654,060, an increase of $ 58,852 in comparison with the prior year. Of this total amount, $ 2,120,836 has been designated to fund subsequent years' expenditures and $ 2,516,566 has been designated for special revenue funds and capital projects. Amounts reserved for prepaid expenses totaled $ 16,658.

- The net assets of the City's proprietary funds (business - type activities) totaled $ 6,475,463 (net assets). Of this amount $ 1,970,036 is invested in capital assets (net of related debt) and $ 4,505,427 (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, housing and development, health and welfare, culture and recreation, and community services. The business-type activities of the City include a gas utility and solid waste disposal operation.

The government-wide financial statements can be found on pages 12 - 13 of this report.

(Continued)

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City of Thomson maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and Employment Incentive Program (EIP) loan fund. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14 - 19 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 20 - 23 of this report.

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

The basic fiduciary fund financial statement can be found on page 24 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 48 of this report.

(Continued)

Government-Wide Financial Analysis

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Thomson, assets exceeded liabilities by $ 18,513,332 as of December 31, 2010.

A large portion of the City's net assets (50 percent) is comprised of the City's investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets $ 9,225,054 may be used to meet the government's ongoing obligations to citizens and creditors.

The following table provides a summary of the City of Thomson's net assets.

NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other Assets	$ 5,045,716	$ 4,982,847	$ 5,756,399	$ 4,925,076	$ 10,802,115	$ 9,907,923
Capital assets, net	7,816,871	7,797,071	2,078,040	2,227,935	9,894,911	10,025,006
Total assets	12,862,587	12,779,918	7,834,439	7,153,011	20,697,026	19,932,929
Long-term liabilities outstanding	574,157	587,095	113,624	132,579	687,781	719,674
Other liabilities	250,561	234,338	1,245,352	1,047,695	1,495,913	1,282,033
Total liabilities	824,718	821,433	1,358,976	1,180,274	2,183,694	2,001,707
Net Assets						
Invested in capital assets, net of related debt	7,318,242	7,243,689	1,970,036	2,068,602	9,288,278	9,312,291
Unrestricted	4,719,627	4,714,796	4,505,427	3,904,135	9,225,054	8,618,931
Total net assets	$ 12,037,869	$ 11,958,485	$ 6,475,463	$ 5,972,737	$ 18,513,332	$ 17,931,222

At the end of the current year, the City of Thomson is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The following table provides a summary of the changes in net assets:

(Continued)

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for Services	$ 335,518	$ 322,774	$ 10,755,756	$ 8,838,741	$ 11,091,274	$ 9,161,515
Operating grants/ contributions	24,670	29,692	-	3,166	24,670	32,858
Capital grants/ contributions	414,306	1,008,827	20,000	-	434,306	1,008,827
General revenues						
Property taxes	668,170	649,143	-	-	668,170	649,143
Other taxes	2,249,170	2,162,198	-	-	2,249,170	2,162,198
Other	117,416	181,532	40,925	59,331	158,341	240,863
Total revenues	3,809,250	4,354,166	10,816,681	8,901,238	14,625,931	13,255,404
Expenses						
General government	440,079	350,902	-	-	440,079	350,902
Public safety	1,799,993	1,760,938	-	-	1,799,993	1,760,938
Public works	815,853	1,284,957	-	-	815,853	1,284,957
Housing and development	398,017	2,220,214	-	-	398,017	2,220,214
Health and welfare	420	420	-	-	420	420
Culture and recreation	405,173	426,827	-	-	405,173	426,827
Community services	61,275	50,965	-	-	61,275	50,965
Interest on long-term debt	16,025	21,634	-	-	16,025	21,634
Gas utility	-	-	8,729,970	6,963,916	8,729,970	6,963,916
Solid waste disposal	-	-	1,377,016	1,278,247	1,377,016	1,278,247
Total expenses	3,936,835	6,116,857	10,106,986	8,242,163	14,043,821	14,359,020
Increase (Decrease) in net assets before transfers	(127,585)	(1,762,691)	709,695	659,075	582,110	(1,103,616)
Transfers	206,969	309,714	(206,969)	(309,714)	-	-
Increase (Decrease) in net assets	79,384	(1,452,977)	502,726	349,361	582,110	(1,103,616)
Net assets 1/1/10	11,958,485	13,411,462	5,972,737	5,623,376	17,931,222	19,034,838
Net assets 12/31/10	$ 12,037,869	$ 11,958,485	$ 6,475,463	$ 5,972,737	$ 18,513,332	$ 17,931,222

Revenues from governmental activities decreased $ 544,916 in 2010. This decrease is primarily attributable to a reduction in grants and contributions of $ 599,543 and other revenues of $ 64,116. Charges for services, property taxes, and other taxes increased by $ 12,744, $ 19,027 and $ 86,972, respectively. The City's total expenses for governmental activities decreased by $ 2,180,022 in 2010. This decrease represents a decrease of approximately 36% over 2009 and is primarily related to a reduction in spending for housing and development and public works.

Total revenues from business-type activities increased by $ 1,915,443 and total expenses from business-type activities increased by $ 1,864,823 in 2010. These changes are primarily attributable to an increase in gas sales and related purchases of gas based on customer demand and an increase in cost of gas.

(Continued)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of December 31, 2010, the City of Thomson's governmental funds reported combined ending fund balances of $ 4,654,060. This amount includes $ 4,637,402 that the City has designated to fund subsequent years' expenditures, revolving loans, capital projects, and law enforcement. The remainder of fund balance $ 16,658 is not available for new spending because it has been committed to liquidate prepaid expenses.

General Fund

The general fund is the chief operating fund of the City of Thomson. At the end of the current year, unreserved/designated fund balance of the general fund totaled $ 2,120,836, whereas total fund balance was $ 2,137,494. As a measure of general fund liquidity, it may be useful to compare fund balance to total fund expenditures. As of December 31, 2010, fund balance represented 62 percent of total general fund expenditures.

Special Revenue Funds

The City of Thomson maintains four special revenue funds. They are the Employment Incentive Program (EIP) Loan Fund, Housing Development Action Grant (HODAG) Loan Fund, Urban Development Action Grant (UDAG) Loan Fund, and the Police Condemnation and Forfeiture Fund. Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The loan funds are to be used for economic development and low-income housing. The Police Condemnation and Forfeiture Fund is restricted for use in law enforcement. The EIP loan fund is considered to be a major fund, whereas the HODAG loan fund, the UDAG loan fund, and Police Condemnation and Forfeiture fund are considered to be nonmajor funds. As of December 31, 2010, total major special revenue fund balance was $ 1,351,408 and total nonmajor special revenue fund balance was $ 1,164,451.

Capital Project Funds

The City uses capital project funds to account for the acquisition and construction of major capital facilities that are not financed by proprietary funds. The City maintained eleven capital project funds during the current year. They are the OneGeorgia Airport Hanger Fund, the Airport Capital Projects Fund, two separate 2007 Community Home Investment Program Funds, the 2008 Community Home Investment Program Fund, the 2006 CDBG Pitt Street Redevelopment Fund, 2009 CDBG Multi-Activity Projects Fund, 2010 CDBG Multi-Activity Projects Fund, 2004 Transportation Enhancement Grant Fund, 2006 Transportation Enhancement Grant Fund, and the SPLOST Fund. All capital project funds are reported as nonmajor governmental funds for the year ended December 31, 2010.

Proprietary Funds

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

Unrestricted net assets of the gas utility at the end of the year totaled $ 4,196,890, and those of the solid waste disposal operation totaled $ 308,537.

(Continued)

General Fund Budgetary Highlights

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

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

During the year, actual revenues were less than budgetary estimates by $ 6,511. Actual expenditures were $ 169,906 less than appropriated amounts. Actual expenditures for all departments and governmental activities were under budget for the year ended December 31, 2010, with the exception of culture and recreational services which only exceeded appropriated amounts by $ 140. The City funds a portion of its general fund budget with operating transfers from the gas utility fund. During the year, budgetary estimates for transfers in exceeded actual transfers by $ 54,555 and actual transfers out were $ 35,489 less than budgetary amounts. Interfund transfers are discretionary and City management elected not to fully fund budgeted transfers during 2010. The overall excess of revenues and other financing sources over expenditures and other financing uses was $ 144,329.

Capital Assets

The City of Thomson's investment in capital assets for its governmental and business-type activities as of December 31, 2010, totaled $ 9,288,278 (net of accumulated depreciation and related debt). This investment in capital assets includes, land, buildings, site-improvements, plant, machinery and equipment, streets, sidewalks, drainage, and construction in progress. Major capital asset additions during the year include improvements to the fire department training facilities totaling $ 14,925, purchase of police cruisers and other equipment totaling $ 49,567, additions to the airport runway of $ 3,324, installation of new gas mains totaling $ 42,981, purchase of solid waste containers totaling $ 25,867, and purchase of roll-off truck totaling $ 20,018.

As of December 31, 2010, construction in progress totaled $ 654,023, which includes $ 188,593 for additional revitalization of local residential neighborhoods, $ 44,866 for improvements to streetscape and pedestrian safety, and $ 166,844 for the home investment program.

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

Debt Administration

The City of Thomson entered into four new capital lease agreements in 2008. Total proceeds from the capital leases were $ 391,596 which were used to finance the purchase of machinery and equipment. Total principal outstanding at December 31, 2010 was $ 164,102. Principal and interest payments on the leases in 2010 were $ 77,990 and $ 6,894, respectively.

The City also entered into an intergovernmental services contract (note payable) with the OneGeorgia Authority to assist in funding the construction of T-hangers at the Thomson-McDuffie Regional Airport. Total funding under the agreement was $ 500,000. Total principal outstanding at December 31, 2010 was $ 442,531. Principal and interest payments on the note payable in 2010 were $ 28,092 and $ 13,805, respectively.

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

(Continued)

Economic Factors

Downtown development continues to be a major focus to stimulate economic development in 2011 and for the next five years. A large number of empty storefronts give testimony to the changing face of the local economy from small family owned businesses and operations to the growth of large chain and franchise operations. The City of Thomson has been awarded two Transportation Enhancement (TE) Grants totaling $ 890,000. These grants will be used to make the downtown area more attractive and more pedestrian friendly and will provide a stimulus for new growth in the downtown area. Phase one of this project has been completed and included new sidewalks, street lights, resurfacing of Main Street, additional parking, and landscaping. Phase two of the project will reconfigure parking and traffic flow in and around the Depot Complex and also provide for construction of additional sidewalks in the downtown area.

The City was awarded a third Transportation Enhancement Grant in February 2008 totaling $ 400,000. Proceeds from this grant will be used to restore and stabilize the historic railroad depot. Total cost of this project is estimated to be $ 568,145. Local funds will be used to fund the additional cost of the project.

The City has also received funding from Federal and State sources to assist in the revitalization and redevelopment of blighted areas within the City. Included in these projects, is the continued revitalization of the Pitt Street neighborhood, to include construction of new sidewalks, street and drainage improvements, and assistance in rehabilitating and reconstructing private properties.

In addition to the above projects, the City of Thomson and McDuffie County have completed construction of a new local government complex located in the downtown area. The governments are scheduled to begin moving into the new facility around June 20, 2011.

Request for Information

This financial report is designed to provide a general overview of the City of Thomson's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Don Powers, Administrator, City of Thomson, Georgia, P. O. Box 1017, Thomson, Georgia 30824.

BASIC FINANCIAL STATEMENTS

CITY OF THOMSON, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,852,960	$ 3,938,858	$ 6,791,818
Investments	431,335	-	431,335
Receivables	-	-	
Taxes-net	80,881	-	80,881
Notes-net	1,387,501	-	1,387,501
Accounts-net	-	1,623,659	1,623,659
Interest	27,118	25,524	52,642
Intergovernmental	249,114	15,392	264,506
Other	17,409	45,996	63,405
Inventory	-	66,007	66,007
Prepaid expenses	16,658	23,703	40,361
Internal balances	(17,260)	17,260	-
Capital assets (net of accumulated depreciation)			
Land	965,434	128,782	1,094,216
Site improvements	2,813,121	-	2,813,121
Buildings and improvements	1,328,132	217,786	1,545,918
Plant, machinery and equipment	378,201	1,731,472	2,109,673
Infrastructure	1,677,960	-	1,677,960
Construction in progress	654,023	-	654,023
Total assets	$ 12,862,587	$ 7,834,439	$ 20,697,026
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	$ 113,051	$ 890,573	$ 1,003,624
Accrued liabilities	24,791	105,892	130,683
Customer deposits	-	178,769	178,769
Intergovernmental payables	47,802	16,874	64,676
Unearned revenues	5,000	-	5,000
Accrued interest payable	3,397	153	3,550
Noncurrent liabilities			
Due within one year	56,520	53,091	109,611
Due in more than one year	497,859	54,913	552,772
Net OPEB obligation	76,298	58,711	135,009
Total liabilities	824,718	1,358,976	2,183,694
Net Assets			
Invested in capital assets, net of related debt	7,318,242	1,970,036	9,288,278
Unrestricted	4,719,627	4,505,427	9,225,054
Total net assets	$ 12,037,869	$ 6,475,463	$ 18,513,332

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

CITY OF THOMSON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Assets: Primary Government: Governmental Activities	Net Revenue (Expenses) and Changes in Net Assets: Primary Government: Business-type Activities	Net Revenue (Expenses) and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 440,079	$ 26,979	$ -	$ -	(413,100)	$ -	$ (413,100)
Public safety	1,799,993	190,520	-	-	(1,609,473)	-	(1,609,473)
Public works	815,853	-	-	-	(815,853)	-	(815,853)
Housing and development	398,017	82,431	24,670	414,306	123,390	-	123,390
Health and welfare	420	-	-	-	(420)	-	(420)
Culture and recreation	405,173	-	-	-	(405,173)	-	(405,173)
Community services	61,275	35,588	-	-	(25,687)	-	(25,687)
Interest on long-term debt	16,025	-	-	-	(16,025)	-	(16,025)
Total governmental activities	3,936,835	335,518	24,670	414,306	(3,162,341)	-	(3,162,341)
Business-type activities:							
Gas Utility	8,729,970	9,526,574	-	20,000	-	816,604	816,604
Solid Waste	1,377,016	1,229,182	-	-	-	(147,834)	(147,834)
Total business-type activities	10,106,986	10,755,756	-	20,000	-	668,770	668,770
Total primary government	$ 14,043,821	$ 11,091,274	$ 24,670	$ 434,306	$ (3,162,341)	$ 668,770	$ (2,493,571)
General revenues							
Property taxes					668,170	-	668,170
Motor vehicle taxes					47,939	-	47,939
Mobile home taxes					2,718	-	2,718
Payment in lieu of taxes					14,142	-	14,142
Sales taxes					1,186,090	-	1,186,090
Franchise taxes					438,737	-	438,737
Insurance premium taxes					367,564	-	367,564
Financial institution taxes					31,056	-	31,056
Alcoholic beverage taxes					103,273	-	103,273
Occupation taxes					46,444	-	46,444
Intangible taxes					9,352	-	9,352
Transfer taxes					1,576	-	1,576
Railroad equipment taxes					279	-	279
Interest income					66,788	40,925	107,713
Insurance claims					9,485	-	9,485
Other revenues					41,143	-	41,143
Transfers					206,969	(206,969)	-
Total general revenues and transfers					3,241,725	(166,044)	3,075,681
Change in net assets					79,384	502,726	582,110
Net assets, beginning of year					11,958,485	5,972,737	17,931,222
Net assets, end of year					$ 12,037,869	$ 6,475,463	$ 18,513,332

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

CITY OF THOMSON, GEORGIA
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Employment Incentive Program Loan Fund	Other Governmental Funds	Total Governmental Funds
		ASSETS		
Cash and cash equivalents	$ 1,759,852	$ 421,257	$ 627,345	$ 2,808,454
Investments	345,493	-	85,842	431,335
Receivables (net of allowance for uncollectibles)				
Taxes	80,881	-	-	80,881
Notes	-	929,152	458,349	1,387,501
Interest	-	999	646	1,645
Other	10,474	-	6,935	17,409
Intergovernmental receivables	107,609	-	58,086	165,695
Interfund receivables	1,038	-	18,497	19,535
Prepaid expenses	16,658	-	-	16,658
Total assets	$ 2,322,005	$ 1,351,408	$ 1,255,700	$ 4,929,113
		LIABILITIES AND FUND BALANCES		
Liabilities				
Accounts payable	$ 46,751	$ -	$ 63,219	$ 109,970
Accrued liabilities	17,181	-	-	17,181
Intergovernmental payables	22,547	-	25,255	47,802
Interfund payables	33,690	-	2,068	35,758
Deferred revenues	64,342	-	-	64,342
Total liabilities	184,511	-	90,542	275,053
Fund Balances				
Reserved for prepaid expenses	16,658	-	-	16,658
Unreserved, designated for:				
Subsequent year's expenditures	2,120,836	-	-	2,120,836
Special revenue funds	-	1,351,408	1,164,451	2,515,859
Capital project funds	-	-	707	707
Total fund balances (deficits)	2,137,494	1,351,408	1,165,158	4,654,060
Total liabilities and fund balances	$ 2,322,005	$ 1,351,408	$ 1,255,700	$ 4,929,113

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

CITY OF THOMSON, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total fund balances - governmental funds	$ 4,654,060
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Land	965,434
Site improvements	4,297,685
Building and improvements	1,888,594
Machinery and equipment	2,828,931
Infrastructure	2,109,331
Construction in progress	654,023
Accumulated depreciation	(4,955,286)
Total capital assets - governmental activities	7,788,712
An internal service fund is used by management to charge the costs of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	60,937
Some revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. These revenues consist of:	
Intergovernmental receivables	83,419
Interest receivable	25,473
Deferred property taxes	59,342
Total deferred revenues	168,234
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:	
Accrued interest payable	(3,397)
Accrued compensated absences	(55,750)
Long-term debt including capital leases and notes payable	(498,629)
Net OPEB obligation	(76,298)
Total long-term liabilities	(634,074)
Net assets of governmental activities	$ 12,037,869

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

CITY OF THOMSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Employment Incentive Program Loan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 2,947,664	$ -	$ -	$ 2,947,664
Licenses and permits	21,797	-	-	21,797
Intergovernmental	101,813	-	642,884	744,697
Charges for services	8,825	-	-	8,825
Fines and forfeitures	155,824	-	16,871	172,695
Interest income	19,060	21,612	10,986	51,658
Rents	76,816	-	28,406	105,222
Cemetary lot sales	23,700	-	-	23,700
Insurance claims	9,485	-	-	9,485
Other	41,143	-	-	41,143
Total revenues	3,406,127	21,612	699,147	4,126,886
EXPENDITURES				
Current				
General government	480,976	-	-	480,976
Public safety	1,644,336	-	10,107	1,654,443
Public works	687,874	-	-	687,874
Health and welfare	420	-	-	420
Community services	43,843	-	-	43,843
Culture and recreation	388,835	-	-	388,835
Housing and development	83,327	-	198,878	282,205
Debt service				
Principal	54,753	-	-	54,753
Interest	16,275	-	-	16,275
Capital outlay				
Public safety	56,493	-	-	56,493
Public works	8,000	-	200,584	208,584
Housing and development	-	-	400,302	400,302
Total expenditures	3,465,132	-	809,871	4,275,003
Excess (deficiency) of revenues over expenditures	(59,005)	21,612	(110,724)	(148,117)
OTHER FINANCING SOURCES (USES)				
Transfers in	211,810	-	25,701	237,511
Transfers out	(25,601)	-	(4,941)	(30,542)
Total other financing sources (uses)	186,209	-	20,760	206,969
NET CHANGE IN FUND BALANCE	127,204	21,612	(89,964)	58,852
FUND BALANCE, BEGINNING OF YEAR	2,010,290	1,329,796	1,255,122	4,595,208
FUND BALANCE, END OF YEAR	$ 2,137,494	$ 1,351,408	$ 1,165,158	$ 4,654,060

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

CITY OF THOMSON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - total governmental funds	$	58,852
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts were:		
Capital outlay		468,119
Depreciation expense		(447,093)
Excess of capital outlay over depreciation expense		21,026
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Changes in these amounts are as follows:		
Interest receivable increased by this amount in 2010.		15,130
Intergovernmental receivables decreased by this amount in 2010.		(2,904)
Deferred revenues decreased by this amount in 2010 .		(27,420)
Net change in revenues not providing current financial resources		(15,194)
The issuance of long-term debt (e.g., notes payable, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Transactions related to long-term debt during the year were as follows:		
Principal payments on long-term debt		54,753
Total principal payments on long-term debt		54,753
Some expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Accrued compensated absences decreased by this in 2010.		3,633
Accrued interest payable decreased by this amount in 2010.		250
Net OPEB obligation increased by this in 2010.		(47,215)
Net change in expenses not requiring the use of current financial resources		(43,332)
An internal service fund is used by management to charge the costs of vechilce maintenance to individual funds. The activities of the internal service fund included within governmental activities are as follows:		
Internal service fund net income included within governmental activities		3,279
Change in net assets of governmental activities	$	79,384

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

CITY OF THOMSON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 2,927,209	$ 2,929,406	$ 2,920,038	$ (9,368)
Licenses and permits	29,000	22,000	22,380	380
Intergovernmental	121,465	121,465	101,813	(19,652)
Charges for services	5,000	4,500	8,825	4,325
Fines and forfeitures	170,000	156,000	155,824	(176)
Use of money and property	108,135	146,035	146,073	38
Other	12,500	23,200	41,142	17,942
Total revenues	3,373,309	3,402,606	3,396,095	(6,511)
EXPENDITURES				
Current				
General government	501,642	530,374	479,096	(51,278)
Public safety	1,752,744	1,752,982	1,694,208	(58,774)
Public works	723,227	733,630	723,724	(9,906)
Health and welfare	420	420	420	-
Community services	107,259	110,100	105,322	(4,778)
Culture and recreation	341,133	314,695	314,835	140
Housing and development	157,249	164,470	119,160	(45,310)
Total expenditures	3,583,674	3,606,671	3,436,765	(169,906)
Deficiency of revenues over expenditures	(210,365)	(204,065)	(40,670)	(163,395)
OTHER FINANCING SOURCES (USES)				
Transfers in	266,365	266,365	211,810	(54,555)
Transfers out	(56,000)	(62,300)	(26,811)	(35,489)
Total other financing sources (uses)	210,365	204,065	184,999	(19,066)
CHANGE IN NET ASSETS	$ -	$ -	144,329	$ 144,329
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(543,674)	
Payables and other liabilities			526,549	
Total reconciliation to GAAP basis			(17,125)	
FUND BALANCE, BEGINNING OF YEAR			2,010,290	
FUND BALANCE, END OF YEAR			$ 2,137,494	

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

CITY OF THOMSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
EMPLOYMENT INCENTIVE PROGRAM LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 21,489	$ 21,489
Available for loans	365,815	365,815	341,940	(23,875)
Total revenues	365,815	365,815	363,429	(2,386)
EXPENDITURES				
Loans made	365,815	365,815	75,000	(290,815)
Total expenditures	365,815	365,815	75,000	(290,815)
CHANGE IN NET ASSETS	$ -	$ -	288,429	$ 288,429
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(266,817)	
Payables and other liabilities			-	
Total reconciliation to GAAP basis			(266,817)	
FUND BALANCE, BEGINNING OF YEAR			1,329,796	
FUND BALANCE, END OF YEAR			$ 1,351,408	

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

CITY OF THOMSON, GEORGIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2010

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
ASSETS				
Current assets				
Cash	$ 3,739,799	$ 199,059	$ 3,938,858	$ 44,506
Accounts receivable-net	1,476,119	147,540	1,623,659	-
Interest receivable	25,524	-	25,524	-
Intergovernmental receivables	-	15,392	15,392	-
Other receivables	45,996	-	45,996	-
Interfund receivables	3,145	14,115	17,260	-
Inventory	66,007	-	66,007	-
Prepaid expenses	12,790	10,913	23,703	-
Total current assets	5,369,380	387,019	5,756,399	44,506
Noncurrent assets				
Capital assets				
Land	128,782	-	128,782	-
Buildings and improvements	370,396	50,968	421,364	39,806
Plant, machinery, and equipment	5,172,123	1,071,480	6,243,603	42,823
Less accumulated depreciation	(3,908,753)	(806,956)	(4,715,709)	(54,470)
Total capital assets, net of accumulated depreciation	1,762,548	315,492	2,078,040	28,159
Total noncurrent assets	1,762,548	315,492	2,078,040	28,159
Total assets	7,131,928	702,511	7,834,439	72,665
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	867,908	22,665	890,573	3,081
Accrued liabilities	85,350	20,695	106,045	7,610
Customer deposits	178,769	-	178,769	-
Intergovernmental payables	1,996	14,878	16,874	-
Interfund payables	-	-	-	1,037
Current portion-capital leases payable	14,367	38,724	53,091	-
Total current liabilities	1,148,390	96,962	1,245,352	11,728
Noncurrent liabilities				
Capital leases payable	14,860	40,053	54,913	-
Net OPEB obligation	38,467	20,244	58,711	-
Total noncurrent liabilities	53,327	60,297	113,624	-
Total liabilities	1,201,717	157,259	1,358,976	11,728
Net Assets				
Invested in capital assets, net of related debt	1,733,321	236,715	1,970,036	28,159
Unrestricted	4,196,890	308,537	4,505,427	32,778
Total net assets	$ 5,930,211	$ 545,252	$ 6,475,463	$ 60,937

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

CITY OF THOMSON, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 9,110,799	$ 1,208,859	$ 10,319,658	$ 199,102
Refunds from suppliers	361,602	-	361,602	-
Penalties	40,288	18,965	59,253	-
Other	13,885	1,358	15,243	413
Total operating revenues	9,526,574	1,229,182	10,755,756	199,515
OPERATING EXPENSES				
Purchases	7,319,423	308,578	7,628,001	-
Personal services and benefits	645,332	740,833	1,386,165	154,410
Professional and technical services	58,106	18,243	76,349	85
Repairs and maintenance	129,562	67,221	196,783	5,671
Other purchased services	96,406	44,413	140,819	14,411
Supplies	186,892	107,178	294,070	20,433
Intergovernmental	115,689	-	115,689	-
Depreciation	157,042	81,719	238,761	1,226
Bad debts	11,273	4,465	15,738	-
Other	8,978	959	9,937	-
Total operating expenses	8,728,703	1,373,609	10,102,312	196,236
Operating income (loss)	797,871	(144,427)	653,444	3,279
NON-OPERATING REVENUES (EXPENSES)				
Interest income	40,925	-	40,925	-
Intergovernmental revenues	20,000	-	20,000	-
Interest expense	(1,267)	(3,407)	(4,674)	-
Total non-operating revenues (expenses)	59,658	(3,407)	56,251	-
Income (loss) before transfers	857,529	(147,834)	709,695	3,279
TRANSFERS IN (OUT)				
Transfers in	4,762	129,326	134,088	-
Transfers out	(341,057)	-	(341,057)	-
CHANGE IN NET ASSETS	521,234	(18,508)	502,726	3,279
NET ASSETS, BEGINNING OF YEAR	5,408,977	563,760	5,972,737	57,658
NET ASSETS, END OF YEAR	$ 5,930,211	$ 545,252	$ 6,475,463	$ 60,937

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

CITY OF THOMSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 9,369,850	$ 1,222,202	$ 10,592,052	$ 199,515
Payments to suppliers and others	(7,755,695)	(541,029)	(8,296,724)	(40,210)
Payments to employees	(614,791)	(725,896)	(1,340,687)	(153,170)
Net cash provided (used) by operating activities	999,364	(44,723)	954,641	6,135
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	4,762	65,480	70,242	-
Transfers to other funds	(167,293)	-	(167,293)	-
Net cash provided (used) by noncapital financing activities	(162,531)	65,480	(97,051)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental receipts	20,000	-	20,000	-
Purchase and construction of capital assets	(42,981)	(45,885)	(88,866)	-
Payments on long-term debt	(13,891)	(37,438)	(51,329)	-
Interest paid	(1,287)	(3,460)	(4,747)	-
Transfers from other funds	-	63,846	63,846	-
Transfers to other funds	(173,764)	-	(173,764)	-
Net cash used by capital and related financing activities	(211,923)	(22,937)	(234,860)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	48,748	-	48,748	-
Net cash provided by investing activities	48,748	-	48,748	-
Net increase (decrease) in cash and cash equivalents	673,658	(2,180)	671,478	6,135
Cash and cash equivalents, beginning of year	3,066,141	201,239	3,267,380	38,371
Cash and cash equivalents, end of year	$ 3,739,799	$ 199,059	$ 3,938,858	$ 44,506

(Continued)

CITY OF THOMSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 797,871	$ (144,427)	$ 653,444	$ 3,279
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities				
Depreciation	157,042	81,719	238,761	1,226
Other post employment benefits (OPEB)	26,297	7,840	34,137	-
(Increase) decrease in current assets				
Accounts receivable	(150,124)	(1,986)	(152,110)	-
Intergovernmental receivables	-	(529)	(529)	-
Other receivables	(45,996)	-	(45,996)	-
Interfund receivables	1,861	3,250	5,111	-
Inventory	23,481	-	23,481	-
Prepaid expenses	1,266	1,109	2,375	-
Increase (decrease) in current liabilities				
Accounts payable	178,678	12,375	191,053	390
Accrued expenses	5,306	3,847	9,153	784
Customer deposits	1,750	-	1,750	-
Intergovernmental payables	1,932	(7,921)	(5,989)	-
Interfund payables	-	-	-	456
Total adjustments	201,493	99,704	301,197	2,856
Net cash provided (used) by operating activities	$ 999,364	$ (44,723)	$ 954,641	$ 6,135

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

CITY OF THOMSON, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2010

	Police Surcharge Fund
ASSETS	
Cash	$ 36
Total assets	$ 36
LIABILITIES	
Intergovernmental payables	$ 36
Total liabilities	$ 36

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

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

As permitted by accounting principles generally accepted in the United States of America, the City has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices.

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

B. The Financial Reporting Entity

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

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

C. Individual Component Unit Disclosures

Downtown Development Authority - The Authority is a legally separate entity, its board members are appointed by the City, and the City is able to impose their will on the Downtown Development Authority. The purpose of the Downtown Development Authority is to revitalize and redevelop the central business districts of the municipal corporations of the state. Therefore, the Downtown Development Authorities' provision of services is not limited entirely, or almost entirely, to the City nor does it only benefit the City. The Downtown Development Authority is discretely presented in the financial statements in accordance with GASB 14.

The Downtown Development Authority does not maintain a bank account and does not have any assets or liabilities; accordingly, the Statement of Net Assets does not present a column for the Downtown Development Authority component unit. All transactions are funded by the City's Gas Fund, and are reported as transfers in the Statement of Activities. The Downtown Development Authority does not issue separate financial statements. There were no transactions between the reporting entity and the Downtown Development Authority during the year ended December 31, 2010.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basic Financial Statements

In accordance with GASB No. 34, the basic financial statements consist of the following:

Government-wide financial statements
Fund financial statements
Notes to the basic financial statements

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

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

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

Employment Incentive Program Loan Fund (EIP) - The Employment Incentive Program Loan Fund is used to account for the financial activities related to the City's EIP revolving loan program.

The City reports the following major enterprise funds:

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

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

The City has adopted GASB Statement No. 20, Accounting and Financial Reporting of Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, and has elected to follow GAAP prescribed by GASB and all Financial Accounting Standard Board (FASB) standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its business-type activities and enterprise funds of the primary government as presented by GASB.

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

Additionally, the City reports the following other fund types:

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fiduciary funds include all trust funds which account for assets held by the City as a trustee for individuals or other government units.

F. Budgets and Budgetary Data

Annual appropriated budgets are adopted by the Mayor and City Council for the General, Enterprise, and some Special Revenue Funds on a total revenues and total expenditures basis.

The City's Administrator submits an annual budget to the Mayor and Members of City Council in accordance with the City Charter. The City Council adopted the 2010 annual appropriated budgets for the City's General Fund, Enterprise Funds, and Special Revenue Funds on November 12, 2009. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Under Georgia law, appropriations lapse at year end.

The budgets for the General Fund, Enterprise Funds, and Special Revenue Funds are prepared essentially on the cash basis, rather than in accordance with GAAP. Revenues, other than property taxes and sales taxes, are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenditure is paid. Current year property and sales tax revenues are budgeted in the years succeeding their receipt. Accordingly, a designation of fund balance is made to set aside these tax revenues for future years' expenditures.

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Encumbrance Accounting

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

H. Assets, Liabilities, and Fund Equity

Cash and Investments

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

The City follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Nonparticipating interest-earning investment contracts (investments whose value is not affected by interest rates or other market changes), including savings accounts, certificates of deposit, repurchase agreements, money market investments (short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U. S. Treasury and agency obligations) and participating interest-bearing investment contracts, that have a remaining maturity, at purchase, of one year or less are reported at cost or amortized cost assuming their fair value has not been impacted by changes in the credit worthiness of the issuer or similar factors. All other investments are reported at fair value (the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale).

"Georgia Fund 1" was created by OCGA 36-83-8 and is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($ 1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on a $1.00 per share basis. The State of Georgia's Office of Treasury and Fiscal Services is the regulatory oversight agency for Georgia Fund 1.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Gas and Solid Waste Enterprise Funds are recorded at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Prepayments

The City uses the allocation method for accounting for prepayments. When the allocation method is used to account for prepayments, an asset is established at the date of payment and subsequently amortized over the accounting periods that are expected to benefit from the initial payment. Prepayments are reported as assets of the specific governmental fund that will derive future benefits from the expenditure. Because prepayments are not current financial resources, the governmental fund's fund balance is reserved by the amount presented in the asset balance.

Interfund Receivables and Payables

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories of supplies for all Governmental Fund Types are recorded at cost using the purchase method, whereby inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. No inventories were recorded in Governmental Fund Types for December 31, 2010.

Inventories of the Proprietary Fund Types are recorded at the lower of cost or market on a first-in, first-out basis.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e. g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $ 5,000 (amount not rounded) and an estimated useful life in excess of one year. Individual assets that cost less than $ 5,000, but that operate as part of a network system, are capitalized in the aggregate using the group method, if considered material or significant. Capital assets are valued at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Infrastructure acquired prior to June 30, 1980 is not reported.

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

Major outlay for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized for the year ended December 31, 2010.

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

Land improvements	10-20 years
Buildings and improvements	25-40 years
Machinery and equipment	5-7 years
Natural gas lines	22 years
Infrastructure	40-50 years

Compensated Absences

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets in the government-wide financial statements and proprietary funds financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

The equity section of the governmental fund financial statement balance sheet is comprised of these major fund balance elements:

Reserved for prepaid expenses
Unreserved, designated for special purposes
Unreserved

Reserves represent the portion of fund balance that is (1) not available for appropriation or expenditure and/or (2) is segregated legally for a specific use. All other current resources are shown as unreserved on the balance sheet.

Use of Estimates

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

I. Property Taxes and Deferred Revenue

Property taxes are an enforceable lien on property as of January 1 of the current tax year. Generally, taxes are levied in October and are due and payable on or before December 20. Since the tax digest, which is prepared by the McDuffie County Tax Assessor, has to be approved by the Georgia Department of Revenue, the tax levy may be delayed later than October. In such cases, the taxes are due within 60 days after levy. The McDuffie County, Georgia Tax Commissioner bills and collects property taxes for the City. Property tax revenues are recognized when levied. An allowance is established for uncollectible amounts based on management's estimate. Property taxes for 2010 were levied on September 22, 2010 and were due November 20, 2010. Deferred revenue arises when assets are recognized (taxes receivable) before revenue recognition criteria has been satisfied.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund

Actual revenues and other financing sources (budgetary basis) were less than budgeted amounts by $ 61,066 which was primarily attributable to intergovernmental and interfund transfers from the water sewer joint venture and gas fund being less than budgeted amounts by $ 74,207. These transfers are made at the discretion of management and are made on an as needed basis. Actual expenditures and other financing uses (budgetary basis) were $ 205,395 less than appropriated amounts.

All City departments and functions, except culture and recreation, which was $ 140 over appropriated amounts, were under appropriated amounts for the year ended December 31, 2010.

(Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

OneGeorgia Airport Hanger Fund

The OneGeorgia Airport Hanger Fund is reporting a decrease in fund balance of $ 100 for the year ended December 31, 2010. This decrease is attributable to the transfer of the remaining cash balance to the General Fund upon completion of the project.

Airport Capital Projects Fund

The Airport Construction Fund is reporting a deficit fund balance of $ 4,245 as of December 31, 2010 which includes a decrease in fund balance of $ 1,879 for the year. The deficit in fund balance is attributable to liabilities incurred for various construction projects and operations of the airport. These liabilities will be funded with entitlement grants from the Federal Aviation Administration's Airport Improvement Program and transfers from the City of Thomson and McDuffie County, Georgia.

2006 CDBG Pitt Street Fund

The 2006 CDBG Pitt Street Fund is reporting a decrease in fund balance of $ 79 for the year ended December 31, 2010. This decrease is attributable to the transfer of the remaining cash balance to the General Fund upon completion of the project.

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS

Deposits

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

At December 31, 2010, the carrying amount of the City's deposits with financial institutions was $ 6,791,818 and the bank balance was $ 7,115,904. All of the City's deposits were insured or collateralized with securities held by the pledging financial institution's agent in the City's name.

Investments

At December 31, 2010, the City had the following investments:

Investments	Maturities	Fair Value	Credit Rating
Georgia Fund 1	Average of 23 days	$ 345,493	AAA
Land	N/A	85,842	N/A
		$ 431,335	

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

(Continued)

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The "Georgia Fund 1" uses the weighted average maturity (WAM) method for reporting interest rate risk. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. In addition, the City does not invest in certificates of deposit with maturities greater than 395 days from date of purchase.

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

Concentration of credit risk is the risk that the City will place no limit on the amount they invest in any one issuer. At December 31, 2010, no single issue investment exceeded 5% of total investments.

Land

The City purchased a house and parcel of land in conjunction with its Community Home Improvement Program (CHIP). The property was purchased using funds from the City's Housing Development Action Grant (HODAG) revolving loan fund and is recorded in that fund. The City is renovating this property for sale to a qualifying individual in accordance with the provisions of its CHIP program. The investment in this property is expected to be temporary.

NOTE 4 - PROPERTY TAXES

Property taxes are billed and collected by the McDuffie County, Georgia Tax Commissioner and remitted to the City. Property taxes were levied on September 22, 2010 and were due on November 20, 2010. Property taxes became a lien on the first day of the levy year. Unpaid property taxes received within 60 days of year end are recognized and recorded as revenue (considered measurable and available), and property taxes unpaid 60 days after year end are recorded as deferred revenue.

A summary of the 2010 tax levy follows:

2010 millage rate	5.40
Taxable Digest	$ 124,182,598
Gross Tax Levy	$ 1,925,620
Less Sales Tax Rollback	(1,202,387)
Net Property Taxes	$ 723,233
Property Taxes Receivable	$ 95,214
Less Allowance for Uncollectible Amounts	(14,333)
Net Property Taxes Receivable	$ 80,881
Deferred Property Tax Revenue	$ 59,342

NOTE 5 - NOTES RECEIVABLE

Notes receivable, as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

Employment Incentive Program Loan Fund (EIP)	
5.00%, monthly payments of $ 2,386 (principal and interest), to 2014, collateralized by equipment	$ 89,143
5.00%, monthly payments of $ 2,652 (principal and interest), to 2013, collateralized by equipment	69,941
5.00%, monthly payments of $ 707 (principal and interest), to 2010, collateralized by equipment, accounts receivable, and inventory	39,628
3.5%, monthly payments of $ 1,731 (principal and interest), to 2010, collateralized by real estate	112,236
3.00%, monthly payments of $ 3,283 (principal and interest), to 2015, collateralized by real estate	235,958
Variable interest, monthly payments of $ 835 (principal plus interest), to 2024, collateralized by real estate	132,465
4.00%, monthly payments of principal and interest, to 2020, collateralized by equipments & accounts receivable	94,503
0%, monthly payments of $ 979 (principal), to 2029, collateralized by real estate	194,906
	968,780
Less allowance for doubtful accounts	(39,628)
Total	929,152
Housing Development Action Grant Loan Fund (HODAG)	
3.50%, monthly payments of $ 53 (principal and interest), to 2017, collateralized by real estate	3,045
2.00%, monthly payments of $ 1,602 (principal and interest), to 2020, collateralized by real estate	316,670
3.50%, monthly payments of $ 66 (principal and interest), to 2014, collateralized by real estate	5,571
3.50%, monthly payments of $ 49 (principal and interest), to 2019, collateralized by real estate	1,970
Total	327,256

(Continued)

NOTE 5 - NOTES RECEIVABLE (Continued)

Urban Development Action Grant Loan Fund (UDAG)	
6.00%, monthly payments of $ 808 (principal and interest), to 2014, collateralized by real estate	69,757
6.00%, monthly payments of $ 925 (principal and interest), to 2022, collateralized by real estate	93,712
6.00%, monthly payments of $ 555 (principal and interest), to 2006, collateralized by real estate	21,000
5.00%, monthly payments of $ 477 (principal and interest), to 2018, collateralized by real estate	37,381
	221,850
Less allowance for doubtful accounts	(90,757)
Total	131,093
Grand Total	$ 1,387,501

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2010, was follows:

Governmental Activities	Balance 01/01/2010	Additions	Deletions	Balance 12/31/2010
Capital assets not being depreciated				
Land	$ 965,434	$ -	$ -	$ 965,434
Construction in progress	253,720	400,303	-	654,023
Total capital assets not being depreciated	1,219,154	400,303	-	1,619,457
Capital assets being depreciated		-	-	
Site improvements	4,279,434	18,249	-	4,297,683
Buildings and improvements	1,928,400	-	-	1,928,400
Plant, machinery, and equipment	2,939,311	49,567	(117,124)	2,871,754
Infrastructure	2,109,331	-	-	2,109,331
Total capital assets being depreciated	11,256,476	67,816	(117,124)	11,207,168
Less accumulated depreciation				
Site improvements	(1,342,646)	(141,916)	-	(1,484,562)
Buildings and improvements	(552,057)	(48,211)	-	(600,268)
Plant, machinery, and equipment	(2,438,470)	(172,207)	117,124	(2,493,553)
Infrastructure	(345,386)	(85,985)	-	(431,371)
Total accumulated depreciation	(4,678,559)	(448,319)	117,124	(5,009,754)
Net capital assets being depreciated	6,577,917	(380,503)	-	6,197,414
Governmental activities capital assets-net	$ 7,797,071	$ 19,800	$ -	$ 7,816,871

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

General government	$ 11,645
Public safety	148,652
Public works	130,308
Housing and development	122,718
Culture and recreation	16,338
Community services	17,432
Vehicle maintenance fund	1,226
Current year depreciation expense	$ 448,319

Business-type capital asset activity for the year ended December 31, 2010, was as follows:

Business-type Activities	Balance 01/01/2010	Additions	Deletions	Balance 12/31/2010
Capital assets not being depreciated				
Land	$ 128,782	$ -	$ -	$ 128,782
Total capital assets not being depreciated	128,782	-	-	128,782
Capital assets being depreciated				
Buildings and improvements	421,364	-	-	421,364
Plant, machinery, and equipment	6,231,506	88,866	(76,769)	6,243,603
Total capital assets being depreciated	6,652,870	88,866	(76,769)	6,664,967
Less accumulated depreciation				
Buildings and improvements	(193,105)	(10,473)	-	(203,578)
Plant, machinery, and equipment	(4,360,612)	(228,288)	76,769	(4,512,131)
Total accumulated depreciation	(4,553,717)	(238,761)	76,769	(4,715,709)
Net capital assets being depreciated	2,099,153	(149,895)	-	1,949,258
Business-type activities capital assets-net	$ 2,227,935	$ (149,895)	$ -	$ 2,078,040

Depreciation expense on fixed assets of the Proprietary Funds was $ 238,761 for the year ended December 31, 2010.

Generally accepted accounting principles require that interest expenditures incurred during construction of assets be capitalized and concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceed interest earned on related interest-bearing borrowing. There was no construction period interest cost capitalized during the year ended December 31, 2010.

NOTE 7 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2010:

	Balance 01/01/10	Additions	Deletions	Balance 12/31/2010
Governmental Activities				
Note payable	$ 470,623	$ -	$ (28,092)	$ 442,531
Capital leases	82,759	-	(26,661)	56,098
Accrued compensated absences	59,383	-	(3,633)	55,750
Total debt - governmental activities	$ 612,765	$ -	$ (58,386)	$ 554,379
Business-type Activities				
Capital leases	$ 159,333	$ -	$ (51,329)	$ 108,004
Total debt – business-type activities	$ 159,333	$ -	$ (51,329)	$ 108,004

There was no short-term borrowing during the year ended December 31, 2010.

The following summarizes long-term debt outstanding at December 31, 2010:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Note payable, airport hanger	$ 500,000	3.00%	2023	$ 442,531	$ 28,945
Capital lease, street sweeper	93,000	3.39%	2012	38,973	19,157
Capital lease, excavator	40,866	3.39%	2012	17,125	8,418
	$ 633,866			498,629	56,520
Accrued compensated absences				55,750	-
Total - governmental activities				$ 554,379	$ 56,520
Business-type Activities					
Capital lease, backhoe	$ 69,745	3.39%	2012	$ 29,227	$ 14,367
Capital lease, garbage truck	187,985	3.39%	2012	78,777	38,724
Total - business-type activities	$ 257,730			$ 108,004	$ 53,091

Note Payable

On January 30, 2007, the City of Thomson was awarded $ 500,000 from the OneGeorgia Authority Equity Fund to construct airport hangers to be leased to the airport's fixed base operator (FBO). The award was made in the form of an intergovernmental services contract (note payable) whereby the City is to repay the award in 60 quarterly payments of $ 10,474, including principal and interest at 3.00%. The agreement is secured by a first mortgage on the hangers and a blanket assignment of any lease agreements with the FBO. The debt is to be serviced with lease revenues derived from the hangers. The initial payment was made in October 2008 and the final payment will be July 2023. Annual requirements to amortize the note payable outstanding as of December 31, 2010 to maturity are as follows:

Year Ending	Principal	Interest	Total
2011	$ 28,945	$ 12,952	$ 41,897
2012	29,823	12,074	41,897
2013	30,728	11,169	41,897
2014	31,660	10,237	41,897
2015	32,620	9,277	41,897
2016 thru 2020	178,561	30,924	209,485
2021 thru 2023	110,194	5,020	115,214
Total	$ 442,531	$ 91,653	$ 534,184

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

Capital Lease Obligations

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, are as follows:

Year Ending December 31,	Governmental Activities	Business-type Activities
2011	$ 29,130	$ 56,082
2012	29,130	56,082
Total minimum lease payments	58,260	112,164
Less amount representing interest	(2,162)	(4,160)
Present value of minimum lease payments	$ 56,098	$ 108,004

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2010, is as follows:

Due from/to other funds

Receivable Fund	Payable Fund	Amount
General fund	Maintenance fund	$ 1,038
HODAG loan fund	General fund	5,190
UDAG loan fund	General fund	11,339
UDAG loan fund	HODAG loan fund	1,968
Gas fund	General fund	3,045
Gas fund	2004 TE Grant fund	100
Solid Waste fund	General fund	14,115
Total		$ 36,795

Amounts due to the General Fund totaling $ 1,038 represents prior year unapplied employee insurance withholding.

Amounts due to the HODAG and UDAG revolving loan funds totaling $ 18,497 represent prior year payments on notes receivable that were deposited in the General Fund and HODAG Revolving Loan Fund.

Amounts due to the Gas Fund totaling $ 3,145 represents prior year miscellaneous adjustments and amounts to be reimbursed from 2004 TE Grant capital project upon completion of the project.

Amounts due to the Solid Waste Fund totaling $ 14,115 represents prior year capital contributions from the Gas Fund that were deposited in the General Fund.

(Continued)

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

Interfund transfers

	Transfers Out			
Transfer In	General Fund	Gas Fund	Nonmajor Governmental Funds	Total Transfers In
General fund	$ -	$ 211,731	$ 79	$ 211,810
Nonmajor governmental funds	25,601	-	100	25,701
Gas fund	-	-	4,762	4,762
Solid Waste fund	-	129,326	-	129,326
Total transfers out	$ 25,601	$ 341,057	$ 4,941	$ 371,599

The City funds its General Fund and Solid Waste capital budgets with operating transfers from the Gas Fund. For the year ended December 31, 2010, capital assets purchased with transfers from the Gas Fund totaled $ 109,918 for the General Fund and $ 63,846 for the Solid Waste Fund. The Gas Fund also funds a portion of administrative salaries, payroll taxes, and employee benefits paid for by the General Fund. Operating transfers from the Gas Fund to the General Fund related to employee compensation and benefits totaled $ 101,813 in 2010. The Gas Fund also provided operating capital to the Solid Waste Fund totaling $ 65,480 in 2010. The General Fund also provides grant matching funds to various capital project funds. During 2010, the General Fund transferred $ 25,601 to various capital project funds. Remaining cash balances in nonmajor governmental funds were transferred to various other funds upon completion and close-out of the project.

NOTE 9 - DEFERRED REVENUE

As of December 31, 2010, deferred revenues reported in the fund financial statements, totaled $ 64,342. Deferred property taxes totaled $ 59,342, unearned miscellaneous income totaled $ 2,000, and prepayments of 2011 beer and wine licenses totaled $ 3,000. These amounts are considered unavailable to the General Fund as of year end.

NOTE 10 - NET ASSETS/FUND EQUITY

Reservations of net assets/fund equity are created to either satisfy legal covenants that require a portion of the fund balance be segregated or identify the portion of fund balance that is not appropriated for future expenditures. Specific reservations of the fund balance accounts are summarized as follows:

Reserved for Prepaid Expenses - This reserve was created to represent prepaid expenses that will benefit future periods.

Unreserved for Designated Purposes - This represents the portion of net assets that are designated for specified purposes.

Unreserved - This represents the portion of net assets that is not reserved and not designated for other purposes.

NOTE 11 - JOINT VENTURES AND RELATED ORGANIZATIONS

McDuffie County/City of Thomson Water-Sewer Commission

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

Governmental Accounting Standards Board Statement No. 14 defines a joint venture as a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

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

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

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

The City and County share certain responsibilities with respect with the Commission. The City administers the operating funds of the Commission, and is responsible for operations, maintenance, and customer billing for the System. The County is responsible for administering construction funds obtained through special local option sales tax revenues. Grant funds obtained for construction purposes are administered by the City and/or the County, dependent upon the terms of such funding.

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

(Continued)

NOTE 11 - JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Financial information regarding the Commission is summarized as follows:

Operating revenues	$ 4,089,315
Depreciation and amortization expense	$ 1,015,672
Operating loss	$ (86,985)
Change in net assets	$ 500,305
Capital asset additions	$ 888,340
Capital asset deletions	$ (17,977)
Net working capital	$ 1,409,654
Total assets	$ 36,226,259
Revenue bonds and other long-term liabilities	$ 6,520,801
Total net assets	$ 29,214,786

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

City of Thomson
P. O. Box 1017
Thomson, Georgia 30824

CSRA Regional Development Center

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River Area Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended December 31, 2010, the City paid $ 6,793 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 that provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RDC. Separate financial statements may be obtained from:

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

Housing Authority

The Housing Authority of the City of Thomson, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria, the Housing Authority of the City of Thomson, Georgia is a related organization.

NOTE 12 - CONTINGENT LIABILITIES

Federal Grants

In the normal course of operations, the City receives grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Litigation

As of December 31, 2010, the City was not involved in any pending or threatened litigation.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In order to minimize the risk of loss the City has joined with other municipalities in the state as a member of the Georgia Interlocal Risk Management Agency Fund (GIRMA), and the Georgia Municipal Association (GMA) Self-Insured Workmen's Compensation Fund. The City pays an annual premium to these Funds through the GIRMA and GMA. The City retains the first $ 1,000 of each risk of loss in the form of a deductible. All claims are filed with GIRMA and GMA who bills the City for any risk of loss up to the deductible amount.

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

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

NOTE 14 - RETIREMENT PLAN

The Georgia Municipal Employees Benefit System (GMEBS) adopted a new schedule for annual actuarial valuations to be performed. As a result of this change, the most recent actuarial valuation covers the eighteen month period from January 1, 2009 through July 1, 2010. Future valuations will be done as of July 1 of each year and will be based on a twelve month period. Payment of the recommended contribution to the Plan, as determined in the July 1 valuation, will begin January 1 each year.

Plan Description

The City's defined benefit pension plan, (the Plan) provides retirement benefits to plan members and beneficiaries. Employees covered under the Plan include employees of the City and the McDuffie County/City of Thomson Water-Sewer Commission. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agency multiple-employer pension plan administered by the Board of Trustees of the GMEBS. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information of the Plan. The address of the GMEBS is 201 Pryor Street, SW, Atlanta, GA 30303, and their telephone number is 404-688-0472.

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

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

(Continued)

NOTE 14 - RETIREMENT PLAN (Continued)

All full-time employees, excluding officials, working at least 20 hours per week, are eligible, and become fully vested after 10 years of service. Normal retirement age is 65 with a minimum of 5 years of service, and early retirement is age 55 with a minimum of 10 years total credited service. Monthly benefits are based on (a) the average annual earnings paid to a participant during any consecutive 5 year period preceding actual date of retirement in which the earnings were highest, and (b) total years of service. The system also provides death and disability benefits.

As of July 1, 2010, the most recent valuation date, there were ninety-eight active participants, forty-six retirees and beneficiaries receiving benefits, and twenty-five terminated participants with deferred vested benefits. There were no employer or related party securities or loans included in plan assets.

Summary of Significant Accounting Policies and Plan Asset Matters

The City's Pension Plan financial statements are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plan. The net appreciation/depreciation in the fair value of investments held by the Plan is recorded as an increase/decrease to investment income based on valuation of investments as of the balance sheet date. Investment valuations are based on quoted market prices at the balance sheet date.

Funding Policy

The City is required to contribute at an actuarially determined rate; the rate for 2009 was 15.94% of annual covered payroll, and the rate for 2010 will be 10.52% of covered payroll. Total covered payroll was $ 3,128,809 and $ 2,858,076 for 2010 and 2009. Total payroll was $ 3,408,173 for 2010 and $ 3,489,308 for 2009. Employees do not contribute to the plan.

Annual Pension Cost

For 2010, the City's annual pension cost of $ 318,390 for the Plan was equal to the recommended annual contribution. The annual required contribution for the current year was determined as part of the January 1, 2009 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases of 5.5%, attributable to merit and seniority, (c) no cost of living adjustments, and (d) no post retirement increases.

Contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year.

There was no pension liability at the date of transition as determined in accordance with Statement No. 27 of the Governmental Accounting Standards Board. Accordingly, there is no difference in the pension liability currently reported and amounts previously reported for this plan.

(Continued)

NOTE 14 - RETIREMENT PLAN (Continued)

Schedule of Employer Contributions

Year Ended	Annual Pension Cost (APC)	% APC Funded	Net Pension Obligation
December 31, 1993	$ 104,699	100%	None
December 31, 1994	$ 99,482	100%	None
December 31, 1995	$ 90,727	100%	None
December 31, 1996	$ 117,354	100%	None
December 31, 1997	$ 123,448	100%	None
December 31, 1998	$ 117,568	100%	None
December 31, 1999	$ 94,361	100%	None
December 31, 2000	$ 90,703	100%	None
December 31, 2001	$ 102,568	100%	None
December 31, 2002	$ 131,666	100%	None
December 31, 2003	$ 186,692	100%	None
December 31, 2004	$ 208,736	100%	None
December 31, 2005	$ 229,890	100%	None
December 31, 2006	$ 240,990	100%	None
December 31, 2007	$ 238,696	100%	None
December 31, 2008	$ 250,372	100%	None
December 31, 2009	$ 301,733	100%	None
December 31, 2010	$ 318,390	100%	None

Schedule of Funding Progress for the Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded (Funding Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a % of Covered Payroll ((b-a)/c)
01/01/94	$ 1,605,055	$ 1,779,674	$ 174,619	90.2%	$ 1,155,935	15.1%
01/01/95	$ 1,642,249	$ 1,741,836	$ 99,587	94.3%	$ 1,318,064	7.5%
01/01/96	$ 1,864,536	$ 2,017,348	$ 152,812	92.4%	$ 1,595,948	9.6%
01/01/97	$ 1,933,299	$ 2,124,547	$ 191,248	91.0%	$ 1,697,220	11.3%
01/01/98	$ 2,176,425	$ 2,239,217	$ 62,792	97.2%	$ 1,818,812	3.5%
01/01/99	$ 2,719,434	$ 2,393,700	$ (325,734)	113.6%	$ 1,784,577	(18.3%)
01/01/00	$ 2,931,878	$ 2,651,347	$ (280,531)	110.6%	$ 1,814,450	(15.5%)
01/01/01	$ 3,148,907	$ 2,940,816	$ (208,091)	107.1%	$ 1,988,052	(10.5%)
01/01/02	$ 3,317,375	$ 3,291,305	$ (26,070)	100.8%	$ 2,246,049	(1.1%)
01/01/03	$ 3,291,482	$ 3,611,180	$ 319,698	91.1%	$ 2,594,302	12.3%
01/01/04	$ 3,533,233	$ 3,905,186	$ 371,953	90.5%	$ 2,638,147	14.1%
01/01/05	$ 3,794,735	$ 4,305,729	$ 510,994	88.1%	$ 2,610,741	19.6%
01/01/06	$ 4,058,371	$ 4,615,680	$ 557,309	87.93%	$ 2,577,074	21.63%
01/01/07	$ 4,406,496	$ 4,799,189	$ 392,693	91.82%	$ 2,841,294	13.82%
01/01/08	$ 4,775,585	$ 5,276,374	$ 500,789	90.51%	$ 2,755,740	18.17%
01/01/09	$ 4,029,890	$ 5,787,798	$ 1,757,908	69.63%	$ 2,858,076	61.51%
07/01/10	$ 5,384,062	$ 6,137,390	$ 753,328	87.73%	$ 3,128,809	24.08%

NOTE 15 - POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description, Contribution Information and Funding Policies

In addition to providing pension benefits, the City of Thomson administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The Retiree Health Plan provides certain health and dental care benefits for certain retired employees as per a personnel policy adopted December 7, 1992. Substantially all of the City’s employees may become eligible for those benefits if they reach normal retirement age while working for the City. Benefit provisions are established and amended solely at the discretion of the elected City Council. The Retiree Health Plan does not issue a publicly available report.

(Continued)

NOTE 15 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Benefits are available to all employees who have attained the age sixty-two (62) while working for the City, and have a minimum of twenty-five (25) years of full time service upon retirement. Benefits continue in effect until the retiree reaches the age of 65 at which time the retiree can convert to Medicare or any other plan as desired. The City funds 100% of the retirees' premium and the benefits are underwritten by the City's regular health care provider. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

The cost of these benefits is recognized as an expenditure on a pay-as-you-go basis. As of year end, there were four retired employees receiving benefits.

Annual OPEB Costs and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The City first had an actuarial valuation performed for the plan as of December 31, 2008 to determine the funded status of the plan as of that date. The transition liability was set at zero as of that date.

The City's annual OPEB costs and the net OPEB obligation for December 31, 2010 was as follows (information for prior years is not available as the actuarial valuation was performed for the first time as of December 31, 2008):

	Business-type Activities		Governmental Activities	
	Gas Utility Fund	Solid Waste Fund	General Fund	Total
Employer normal costs	$ 17,555	$ 10,254	$ 48,639	$ 76,448
Amortization of UAL*	8,046	2,190	16,884	27,120
Annual required contribution (ARC)	25,601	12,444	65,523	103,568
Interest on net obligation	696	338	1,782	2,816
Annual OPEB costs	26,297	12,782	67,305	106,384
Contributions made	-	(4,942)	(20,090)	(25,032)
	26,297	7,840	47,215	81,352
Net OPEB obligation – beginning of Year	12,170	12,404	29,083	53,657
Net OPEB obligation – end of year	$ 38,467	$ 20,244	$ 76,298	$ 135,009

* Unfunded Actuarial Accrued Liabilities (UAL) were amortized over 30 years.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 53,657	0.00 %	$ 53,657
2010	$ 106,384	23.53 %	$ 135,009

(Continued)

NOTE 15 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2010, was as follows:

	Business-type Activities		Governmental Activities	
	Gas Utility Fund	Solid Waste Fund	General Fund	Total
Actuarial accrued liability	$ 177,658	$ 65,150	$ 364,980	$ 607,788
Actuarial value of plan assets	-	-	-	-
Unfunded actuarial accrued liability	$ 177,658	$ 65,150	$ 364,980	$ 607,788
Funded ratio	0.00 %	0.00 %	0.00 %	0.00 %
Covered payroll	$ 411,474	$ 416,382	$ 1,393,848	$ 2,221,704
Unfunded actuarial accrued liability as a percentage of covered payroll	43.18 %	15.65 %	26.19 %	27.36 %

Actuarial Methods and Assumptions

The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

In the December 31, 2010, actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent of payroll required to fully amortize the UAAL over a 30 year closed period. The actuarial assumptions included 2.72% rate of investment return. The valuation assumes a 7.5% health care trend inflation rate for 2010 and decreases 0.5% each year until 2014 and thereafter 5.0% was assumed.

NOTE 16 – COMMITMENTS AND SUBSEQUENT EVENTS

On May 1, 2006, the Georgia Department of Transportation awarded the City of Thomson a Transportation Enhancement Grant totaling $ 400,000 for additional improvements in the downtown area. Total project cost is estimated to be $ 555,500, including a local match of $ 155,500 to be funded with SPLOST proceeds. The project will include realignment of several intersections and streets, elimination of an existing substandard railroad crossing, and reconfiguration of streets to provide for safe pedestrian access to downtown businesses. Construction is expected to begin on this project in 2011.

The City was awarded two Community Home Investment Program (CHIP) grants during 2007. The purpose of these grants is to assist a special population of very low income households rehabilitate their homes, provide for downpayment assistance, and funding for program administration costs. Assistance will be limited to those households located in the Thomson-McDuffie DCA designated Revitalization Area. Total CHIP grant funding awarded the City during 2007 was $ 486,422. As of the report date, construction had begun on these projects.

(Continued)

NOTE 16 – COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

On September 16, 2008 the City was awarded a third Community Home Investment Program (CHIP) grant to assist in rehabilitation of low income housing, provide downpayment assistance, and fund administrative cost. The total amount awarded was $ 152,867. Applications for participation in this program are currently being taken.

The City was awarded a Transportation Enhancement Grant totaling $ 400,000 in February 2008. Proceeds of this grant will be combined with local funds and be used to renovate, restore, and stabilize the historic railroad depot in downtown Thomson. Total cost of this project is estimated to be $ 568,145. Construction on this project is expected to begin in 2011.

On September 25, 2009 the City was awarded a Community Development Block Grant (CDBG) for multi-activities totaling $ 800,000. Proceeds of this grant will be combined with local funds and used to revitalize blighted neighborhoods within the City. Total cost of this project is estimated to be $ 960,389. Construction on this project has begun and is expected to be completed in 2011.

On September 30, 2010 the City was awarded a second Community Development Block Grant (CDBG) for multi-activities totaling $ 800,000. Proceeds of this grant will be combined with local funds and used to revitalize blighted neighborhoods within the City. Total cost of this project is estimated to be $ 866,352. Preliminary engineering and design is being completed on this project.

As of December 31, 2010, amounts spent to date and the estimated remaining commitment on these projects are as follows:

Project Description	Spent To Date	Remaining Commitment
Governmental Activities		
2006 TE Grant Downtown Redevelopment	$ 60,049	$ 495,451
2007 CHIP Neighborhood Revitalization	186,422	-
2007 CHIP Neighborhood Revitalization	209,843	90,157
2008 CHIP Neighborhood Revitalization	-	152,867
2008 TE Grant Depot Stabilization	-	568,145
2009 CDBG Multi-Activity Project	192,329	768,060
2010 CDBG Multi-Activity Project	-	866,352
Total governmental activities	$ 648,643	$ 2,941,032

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF THOMSON, GEORGIA
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN

The City's annual Other Post Employment Benefits Plan (OPEB) cost, the percentage of annual OPEB cost contributed to the Plan, and net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 53,657	0.00%	$ 53,657
2010	$ 106,384	23.53%	$ 135,009

Funded Status and Funding Progress

The funded status of the plan is as follows:

	2010	2009
Actuarial accrued liability	$ 607,788	$ 369,253
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	$ 607,788	$ 369,253
Funded ratio	0.00%	0.00%
Covered payroll	$ 2,221,704	$ 1,996,184
Unfunded actuarial accrued liability as a percentage of covered payroll	27.36%	18.50%

INDIVIDUAL AND COMBINING FUND STATEMENTS

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GENERAL FUND

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

CITY OF THOMSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgetary Basis			Variance With Final Budget Over (Under)
	Original Budget	Amended and Final Budget	Actual	
REVENUES				
Taxes				
Property tax	$ 732,903	$ 718,000	$ 717,520	$ (480)
Intangible tax	9,000	8,300	8,288	(12)
Railroad equipment tax	250	250	279	29
Real estate transfer tax	4,000	1,700	1,728	28
Franchise tax	424,000	439,100	438,737	(363)
Local option sales tax	1,184,556	1,184,556	1,184,556	-
Alcoholic beverage tax	100,000	104,000	103,273	(727)
Occupation tax	51,500	54,000	46,444	(7,556)
Insurance premium tax	375,000	368,000	367,564	(436)
Financial institution tax	30,000	31,000	31,056	56
Penalties and interest	2,000	6,500	6,451	(49)
Payment in lieu of taxes	14,000	14,000	14,142	142
Total taxes	2,927,209	2,929,406	2,920,038	(9,368)
Licenses and Permits				
Alcoholic beverage licenses	5,000	8,000	9,000	1,000
Building permits	24,000	14,000	13,380	(620)
Total licenses and permits	29,000	22,000	22,380	380
Intergovernmental				
Water Sewer joint venture	121,465	121,465	101,813	(19,652)
Total intergovernmental	121,465	121,465	101,813	(19,652)
Charges for Services				
Fire protection fees	5,000	4,500	8,825	4,325
Total charges for services	5,000	4,500	8,825	4,325
Fines and Forfeitures				
Police court fines	170,000	156,000	155,824	(176)
Total fines and forfeitures	170,000	156,000	155,824	(176)
Use of Money and Property				
Interest income	24,600	34,700	33,704	(996)
Rents	68,035	77,835	79,184	1,349
Reimbursements for damaged property	500	9,500	9,485	(15)
Cemetary lot sales	15,000	24,000	23,700	(300)
Total use of money and property	108,135	146,035	146,073	38
Other				
Miscellaneous	12,500	23,200	41,142	17,942
Total other	12,500	23,200	41,142	17,942
Total revenues	3,373,309	3,402,606	3,396,095	(6,511)

(Continued)

CITY OF THOMSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
EXPENDITURES				
General government				
Mayor and Council	74,171	86,316	81,257	(5,059)
Voter registration	5,000	5,000	5,000	-
General administration	409,271	425,858	379,639	(46,219)
Tax commissioner	12,000	12,000	12,000	-
Tax assessor	1,200	1,200	1,200	-
Total general government	501,642	530,374	479,096	(51,278)
Public safety				
Police	993,260	989,733	937,126	(52,607)
Fire	747,484	751,249	745,082	(6,167)
Animal shelter	12,000	12,000	12,000	-
Total public safety	1,752,744	1,752,982	1,694,208	(58,774)
Public works				
Street department	723,227	733,630	723,724	(9,906)
Total public works	723,227	733,630	723,724	(9,906)
Health and welfare				
Health department	420	420	420	-
Total health and welfare	420	420	420	-
Community services				
Senior citizen center	45,615	54,000	53,977	(23)
Community centers	35,200	48,100	44,022	(4,078)
Transportation services	26,444	8,000	7,323	(677)
Total community services	107,259	110,100	105,322	(4,778)
Culture and recreation				
Recreation	278,438	252,000	251,836	(164)
Library	62,695	62,695	62,999	304
Total culture and recreation	341,133	314,695	314,835	140
Housing and development				
Planning and zoning	61,426	67,997	33,668	(34,329)
Code enforcement	47,026	47,676	36,802	(10,874)
Economic development	41,897	41,897	41,897	-
CSRA Rural Development	6,900	6,900	6,793	(107)
Total housing and development	157,249	164,470	119,160	(45,310)
Total expenditures	3,583,674	3,606,671	3,436,765	(169,906)

(Continued)

CITY OF THOMSON, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
Deficiency of revenues over expenditures	(210,365)	(204,065)	(40,670)	(163,395)
OTHER FINANCING SOURCES (USES)				
Transfers in	266,365	266,365	211,810	(54,555)
Transfers out	(56,000)	(62,300)	(26,811)	(35,489)
Total other financing sources (uses)	210,365	204,065	184,999	(19,066)
CHANGE IN NET ASSETS	$ -	$ -	$ 144,329	$ 144,329

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Housing Development Action Grant Loan Fund - This fund was established to account for the activities of the City's HODAG revolving loan fund for urban redevelopment and housing.

Urban Development Action Grant Loan Fund - This fund was established to account for the activites of the City's UDAG revolving loan fund for urban redevelopment and housing.

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

CAPITAL PROJECTS FUNDS

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

OneGeorgia Airport Hanger Fund - This fund was established to account for funds received from the OneGeorgia Equity Fund (awarded in the City's name) that were used to construct T-hangers at the Thomson-McDuffie Regional Airport.

Airport Capital Projects Fund - This fund was established to account for funds received and expended for various capital projects and maintenance at the airport.

2007 and 2008 CHIP Grants - These funds were established to account for Community Home Investment Program grant funds that are used to assist very low income households with the rehabilitation of their homes and down payment assistance.

2006 CDBG Pitt Street Redevelopment - This fund was established to account for Community Development Block Grant funds (awarded in the City's name) that are used for the redevelopment of the Pitt Street neighborhood.

2009 and 2010 CDBG Multi-Activity Project Fund – These funds were established to account for Community Development Block Grant funds (awarded in the City's name) that are used for redevelopment of local neighborhoods.

2004 and 2006 TE Grants - These funds were established to account for proceeds from a Transportation Enhancement grants to fund streetscape and pedestrian safety improvements in the downtown area of the City.

SPLOST Fund - This fund was established to account for proceeds from the special purpose local options sales tax used to provide grant matching funds for other capital projects and other capital expenditures funded with SPLOST proceeds.

CITY OF THOMSON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Revenue					
	Housing Development Action Grant Loan Fund	Urban Development Action Grant Loan Fund	Police Condemnation Forfeiture	OneGeorgia Airport Hanger Fund	Airport Capital Projects Fund	2007 CHIP Grant
ASSETS						
Cash and cash equivalents	$ 177,927	$ 416,522	$ 8,636	$ -	$ 19,208	$ 76
Investments	85,842	-	-	-	-	-
Receivables (net of allowance for uncollectibles)						
Notes	327,256	131,093	-	-	-	-
Interest	22	624	-	-	-	-
Other	-	-	-	-	6,935	-
Intergovernmental receivable	-	-	-	-	1,456	-
Interfund receivables	5,190	13,307	-	-	-	-
Total assets	$ 596,237	$ 561,546	$ 8,636	$ -	$ 27,599	$ 76
LIABILITIES						
Accounts payable	$ -	$ -	$ -	$ -	$ 6,589	$ -
Intergovernmental payables	-	-	-	-	25,255	-
Interfund payables	1,968	-	-	-	-	-
Total liabilities	1,968	-	-	-	31,844	-
FUND BALANCES (DEFICITS)						
Unreserved, designated for:						
Special revenues	594,269	561,546	8,636	-	-	-
Capital projects	-	-	-	-	(4,245)	76
Total fund balances (deficits)	594,269	561,546	8,636	-	(4,245)	76
Total liabilities and fund balances	$ 596,237	$ 561,546	$ 8,636	$ -	$ 27,599	$ 76

(Continued)

Capital Projects								
2007 CHIP Grant	2008 CHIP Grant	2006 CDBG Pitt Street	2009 CDBG 5135	2010 CDBG 5272	2004 TE Grant	2006 TE Grant	SPLOST	Total Nonmajor Governmental Funds
$ 76	$ 100	$ -	$ 4,600	$ 100	$ 100	$ -	$ -	$ 627,345
-	-	-	-	-	-	-	-	85,842
-	-	-	-	-	-	-	-	458,349
-	-	-	-	-	-	-	-	646
-	-	-	-	-	-	-	-	6,935
-	-	-	50,306	-	-	-	6,324	58,086
-	-	-	-	-	-	-	-	18,497
$ 76	$ 100	$ -	$ 54,906	$ 100	$ 100	$ -	$ 6,324	$ 1,255,700
$ -	$ -	$ -	$ 50,306	$ -	$ -	$ -	$ 6,324	$ 63,219
-	-	-	-	-	-	-	-	25,255
-	-	-	-	-	100	-	-	2,068
-	-	-	50,306	-	100	-	6,324	90,542
-	-	-	-	-	-	-	-	1,164,451
76	100	-	4,600	100	-	-	-	707
76	100	-	4,600	100	-	-	-	1,165,158
$ 76	$ 100	$ -	$ 54,906	$ 100	$ 100	$ -	$ 6,324	$ 1,255,700

CITY OF THOMSON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue					
	Housing Development Action Grant Loan Fund	Urban Development Action Grant Loan Fund	Police Condemnation Forfeiture	OneGeorgia Airport Hanger Fund	Airport Capital Projects Fund	2007 CHIP Grant
REVENUES						
Intergovernmental	$ -	$ -	$ -	$ -	$ 32,737	$ 41,285
Fines and forfeitures	-	-	16,871	-	-	-
Interest income	2,178	8,808	-	-	-	-
Rents	-	-	-	-	28,406	-
Total revenues	2,178	8,808	16,871	-	61,143	41,285
EXPENDITURES						
Current						
Public safety	-	-	10,107	-	-	-
Housing and development	40,498	69,757	-	-	88,623	-
Capital outlay						
Public works	-	-	-	-	-	-
Housing and development	-	-	-	-	-	41,286
Total expenditures	40,498	69,757	10,107	-	88,623	41,286
Excess (deficiency) of revenues over expenditures	(38,320)	(60,949)	6,764	-	(27,480)	(1)
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	25,601	-
Transfers out	-	-	-	(100)	-	-
Total other financing sources	-	-	-	(100)	25,601	-
Net change in fund balances	(38,320)	(60,949)	6,764	(100)	(1,879)	(1)
Fund balances, beginning of year	632,589	622,495	1,872	100	(2,366)	77
Fund balances, end of year	$ 594,269	$ 561,546	$ 8,636	$ -	$ (4,245)	$ 76

(Continued)

Capital Projects								
2007 CHIP Grant	2008 CHIP Grant	2006 CDBG Pitt Street	2009 CDBG 5135	2010 CDBG 5272	2004 TE Grant	2006 TE Grant	SPLOST	Total Nonmajor Governmental Funds
$ 125,558	$ -	$ -	$ 148,375	$ -	$ 4,762	$ -	$ 290,167	$ 642,884
-	-	-	-	-	-	-	-	16,871
-	-	-	-	-	-	-	-	10,986
-	-	-	-	-	-	-	-	28,406
125,558	-	-	148,375	-	4,762	-	290,167	699,147
-	-	-	-	-	-	-	-	10,107
-	-	-	-	-	-	-	-	198,878
-	-	-	-	-	-	-	200,584	200,584
125,558	-	-	143,875	-	-	-	89,583	400,302
125,558	-	-	143,875	-	-	-	290,167	809,871
-	-	-	4,500	-	4,762	-	-	(110,724)
-	-	-	-	100	-	-	-	25,701
-	-	(79)	-	-	(4,762)	-	-	(4,941)
-	-	(79)	-	100	(4,762)	-	-	20,760
-	-	(79)	4,500	100	-	-	-	(89,964)
76	100	79	100	-	-	-	-	1,255,122
$ 76	$ 100	$ -	$ 4,600	$ 100	$ -	$ -	$ -	$ 1,165,158

CITY OF THOMSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
HOUSING DEVELOPMENT ACTION GRANT LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 2,157	$ 2,157
Available for loans	237,054	237,054	203,185	(33,869)
Total revenues	237,054	237,054	205,342	(31,712)
EXPENDITURES				
Loans made	237,054	237,054	2,660	(234,394)
Housing and Development	-	-	40,498	40,498
Total expenditures	237,054	237,054	43,158	(193,896)
CHANGE IN NET ASSETS	$ -	$ -	162,184	$ 162,184
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(200,504)	
Payables and other liabilities			-	
Total reconciliation to GAAP basis			(200,504)	
FUND BALANCE, BEGINNING OF YEAR			632,589	
FUND BALANCE, END OF YEAR			$ 594,269	

CITY OF THOMSON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
URBAN DEVELOPMENT ACTION GRANT LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 8,493	$ 8,493
Available for loans	327,477	327,477	349,263	21,786
Total revenues	327,477	327,477	357,756	30,279
EXPENDITURES				
Loans made	327,477	327,477	-	(327,477)
Other	-	-	69,757	69,757
Total expenditures	327,477	327,477	69,757	(257,720)
CHANGE IN NET ASSETS	$ -	$ -	287,999	$ 287,999
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(348,948)	
Payables and other liabilities			-	
Total reconciliation to GAAP basis			(348,948)	
FUND BALANCE, BEGINNING OF YEAR			622,495	
FUND BALANCE, END OF YEAR			$ 561,546	

CITY OF THOMSON, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
POLICE CONDEMNATION AND FORFEITURE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Fines and forfeitures	$ 3,500	$ 17,000	$ 16,871	$ (129)
Total revenues	3,500	17,000	16,871	(129)
EXPENDITURES				
Public safety	3,500	17,000	10,107	(6,893)
Total expenditures	3,500	17,000	10,107	(6,893)
CHANGE IN NET ASSETS	$ -	$ -	6,764	$ 6,764
FUND BALANCE, BEGINNING OF YEAR			1,872	
FUND BALANCE, END OF YEAR			$ 8,636	

FIDUCIARY FUNDS

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

CITY OF THOMSON, GEORGIA
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2010

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
Police Surcharge Fund				
Assets				
Cash	$ 36	$ 108,046	$ 108,046	$ 36
Total assets	$ 36	$ 108,046	$ 108,046	$ 36
Liabilities				
Intergovernmental payables	$ 36	$ 108,046	$ 108,046	$ 36
Total liabilities	$ 36	$ 108,046	$ 108,046	$ 36

COMPLIANCE SECTION AND SUPPLEMENTARY SCHEDULES

CITY OF THOMSON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANTS
PROJECT COST SCHEDULE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010

Program Activity	Activity Number	Latest Approved Budget CDBG Funds	Accumulated Expenditures To Date CDBG Funds	Accumulated Expenditures To Date Other Funds	Grand Total Expenditures To Date	Questioned Costs (Explain)
Grant Number 07mr-x-094-2-2955						
Rehab Private Property	H-14A-01	$ 186,422	$ 186,422	$ -	$ 186,422	none
Administration	A-21A-00	-	-	100	100	none
		$ 186,422	$ 186,422	$ 100	$ 186,522	none
Source of Other Funds: Local Match						
Grant Number 07m-x-094-2-2956						
Downpayment/Closing Costs	H-013-00	$ 17,000	$ -	$ -	$ -	none
Rehab Private Property	H-14A-01	255,150	198,493	-	198,493	none
Contingencies	C-022-00	12,850	-	-	-	none
Administration	A-21A-00	15,000	11,250	100	11,350	none
		$ 300,000	$ 209,743	$ 100	$ 209,843	none
Source of Other Funds: Local Match						
Grant Number 08mr-x-094-2-6012						
Rehab Private Property	H-14A-01	$ 142,867	$ -	$ -	$ -	none
Contingencies	C-022-00	10,000	-	100	100	none
		$ 152,867	$ -	$ 100	$ 100	none
Source of Other Funds: Local Match						
Grant Number 09b-x-094-2-5135						
Property Acquisition	P-001-01	$ 5,000	$ 720	$ -	$ 720	none
Contingency	C-022-00	43,929	-	-	-	none
Swer Facility	P-03J-02	301,403	774	-	774	none
Flood/Drainage	P-03K-02	116,896	85,651	-	85,651	none
Rehab Private Property	H-14A-01	292,772	-	-	-	none
Administration	A-21A-00	40,000	6,424	-	6,424	none
Preliminary Engineering		-	-	48,454	48,454	none
		$ 800,000	$ 93,569	$ 48,454	$ 142,023	none
Source of Other Funds: Local Match						
Grant Number 10b-x-094-2-5272						
Property Acquisition	P-001-01	$ 5,000	$ -	$ -	$ -	none
Contingency	C-022-00	64,876	-	-	-	none
Swer Facility	P-03J-02	200,490	-	-	-	none
Flood/Drainage	P-03K-02	219,406	-	-	-	none
Rehab Private Property	H-14A-01	262,228	-	-	-	none
Administration	A-21A-00	48,000	-	100	100	none
Preliminary Engineering		-	-	-	-	none
		$ 800,000	$ -	$ 100	$ 100	none
Source of Other Funds: Local Match						

CITY OF THOMSON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANTS
SOURCE AND APPLICATION OF FUNDS SCHEDULE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2010

Grant Number 07mr-x-094-2-2955	
Total Program Year 2007 Funds Allocated to Recipient	$ 186,422
Less: Total Program Year 2007 Funds Drawn by Recipient	186,422
Funds Still Available from Program Year 2007 Resources	$ -
Total Program Year 2007 Funds Drawn and Received by Recipient	$ 186,422
Less: Funds Applied and Expended to Program Year 2007 Costs	186,422
Total Program Year 2007 Funds Held by Recipient	$ -
Grant Number 07m-x-094-2-2956	
Total Program Year 2007 Funds Allocated to Recipient	$ 300,000
Less: Total Program Year 2007 Funds Drawn by Recipient	209,743
Funds Still Available from Program Year 2007 Resources	$ 90,257
Total Program Year 2007 Funds Drawn and Received by Recipient	$ 209,743
Less: Funds Applied and Expended to Program Year 2007 Costs	209,743
Total Program Year 2007 Funds Held by Recipient	$ -
Grant Number 08mr-x-094-2-6012	
Total Program Year 2008 Funds Allocated to Recipient	$ 152,867
Less: Total Program Year 2008 Funds Drawn by Recipient	-
Funds Still Available from Program Year 2008 Resources	$ 152,867
Total Program Year 2008 Funds Drawn and Received by Recipient	$ -
Less: Funds Applied and Expended to Program Year 2008 Costs	-
Total Program Year 2008 Funds Held by Recipient	$ -
Grant Number 09b-x-094-2-5135	
Total Program Year 2009 Funds Allocated to Recipient	$ 800,000
Less: Total Program Year 2009 Funds Drawn by Recipient	93,569
Funds Still Available from Program Year 2009 Resources	$ 706,431
Total Program Year 2009 Funds Drawn and Received by Recipient	$ 98,069
Less: Funds Applied and Expended to Program Year 2009 Costs	93,569
Total Program Year 2009 Funds Held by Recipient	$ 4,500
Grant Number 10b-x-094-2-5272	
Total Program Year 2010 Funds Allocated to Recipient	$ 800,000
Less: Total Program Year 2010 Funds Drawn by Recipient	-
Funds Still Available from Program Year 2010 Resources	$ 800,000
Total Program Year 2010 Funds Drawn and Received by Recipient	$ -
Less: Funds Applied and Expended to Program Year 2010 Costs	-
Total Program Year 2010 Funds Held by Recipient	$ -

CITY OF THOMSON, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2010

Project	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
SPLOST IV 2004 - 2008					
Public Safety	$ 600,000	$ 581,242	$ -	$ 581,242	97%
Roads/Transportation	1,260,000	268,419	-	268,419	21%
Economic Development	675,000	742,427	44,717	787,144	117%
Water/Sewer	4,252,000	4,035,625	200,584	4,236,209	100%
Totals	$ 6,787,000	$ 5,627,713	$ 245,301	$ 5,873,014	
SPLOST V 2009 - 2013					
Public Safety	$ 400,000	$ -	$ -	$ -	0%
Roads/Transportation	700,000	-	44,866	44,866	6%
Recreation	1,123,000	-	-	-	0%
Totals	$ 2,223,000	$ -	$ 44,866	$ 44,866	

elliott davis

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thomson, Georgia as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 City's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other Matters

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

This report is intended solely for the information and use of management, others within the organization, City Council and federal awarding agencies and passes through entities and is not intended to be and should not be used by anyone other than these specified parties.

Elliott Davis, LLC

Greenwood, South Carolina
June 30, 2011

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

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2010

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INDEPENDENT AUDITORS' REPORT

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elliott davis

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission as of December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the years ended December 31, 2010 and 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission as of December 31, 2010 and 2009, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011 on our consideration of Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and schedule of funding progress - other post employment benefit plan as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Elliott Davis, LLC

Greenwood, South Carolina
June 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Within this section of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's (the "Commission") annual financial report, the Commission's management is pleased to provide this narrative discussion and analysis of the financial activities of the Commission for the year ended December 31, 2010.

Financial Highlights

- The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by $ 29,214,786 (net assets). Of this amount, $ 1,944,589 (unrestricted net assets) may be used to meet the Commission's ongoing obligations to citizens and creditors.

- The Commission's total net assets increased by $ 500,305 during 2010.

- For the year ended December 31, 2010, the Commission experienced a net loss from operations of $ 86,985. This loss includes non-cash operating expenses such as depreciation, amortization, and allowances for bad debts totaling $ 1,019,567 and expenses related to other post employment benefits (OPEB) totaling $ 49,374. Non-operating revenues decreased by $ 338,618, primarily due to a decrease in funding from special purpose local option sales tax. Non-operating expenses increased by $ 40,220 as a result of an increase in interest expense.

- The Commission reduced its total debt by $ 407,223 during the year. Additional proceeds from a Georgia Environmental Facilities Authority (GEFA) loan totaled $ 129,648 and principal payments on all debt totaled $ 536,871.

Overview of the Financial Statements

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

Financial Statements

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

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

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

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

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

The financial statements are presented on pages 10 – 15 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the Commission's financial statements. The notes to the financial statements begin on page 18 of this report.

Financial Analysis of the Commission as a Whole

As noted earlier, net assets may serve over time, as a useful indicator of whether the financial position of the Commission is improving or deteriorating. As of December 31, 2010, assets exceeded liabilities by $ 29,214,786 (net assets).

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

NET ASSETS

	2010		2009	2008
		Percentage of Total		
Assets:				
Current assets	$ 2,254,010	6%	$ 1,996,216	$ 2,318,304
Restricted assets	602,210	2	614,081	622,764
Deferred charges	265,867	1	285,653	305,440
Capital assets, net of accumulated depreciation	33,104,172	91	33,223,973	33,493,230
Total assets	36,226,259	100	36,119,923	36,739,738
Liabilities:				
Other liabilities	1,062,864	15	1,024,381	1,780,908
Long-term liabilities	5,948,609	85	6,381,061	6,378,199
Total liabilities	7,011,473	100	7,405,442	8,159,107
Net Assets				
Invested in capital assets, net of related debt	26,667,987	91	26,380,565	26,609,546
Restricted for debt service	602,210	2	614,081	622,764
Unrestricted	1,944,589	7	1,719,835	1,348,321
	$ 29,214,786	100%	$ 28,714,481	$ 28,580,631

Total net assets increased by $ 500,305 during 2010. By far the largest portion of the Commission's net assets (91 percent) reflects its investment in capital assets (e.g. land, buildings, plant and facilities, equipment, etc.), less any related debt used to acquire those assets still outstanding. The Commission uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Commission's net assets totaling $ 602,210 (2 percent) represents resources that are restricted for debt service. The remaining balance of unrestricted net assets totaling $ 1,944,589 (7 percent) is available to meet the Commission's ongoing obligations to its customers and creditors.

Current assets represent amounts that are available to pay current liabilities. For the year ended December 31, 2010, unrestricted current assets totaled $ 2,254,010, an increase of $ 257,794 from 2009. The increase is attributable to an increase in unrestricted cash of $ 251,048 and accounts receivable of $ 25,974 which were offset by a decrease in intergovernmental receivables of $ 13,894 and a decrease in interest receivable, inventories, and prepaid items totaling $ 5,334.

Other liabilities, amounts due and payable within the next year including current maturities of long-term debt, totaled $ 1,062,864 as of December 31, 2010, which represents an increase of $ 38,483 from 2009. The increase consists of increases in the current portion of long-term debt and accrued interest thereon of $ 71,979, and accounts payable, customer deposits, intergovernmental payables, and accrued expenses totaling $ 17,696 which were offset by a decrease in construction payables related to various capital projects of $ 51,192.

The following table provides a summary of the Commission's changes in net assets:

CHANGES IN NET ASSETS

	2010	2009	2008
Revenues			
Operating revenues			
Charges for services	$ 4,089,315	$ 3,945,035	$ 4,006,796
Non-operating revenues			
Capital grants	600,000	28,461	57,594
Special local option sales tax	200,584	526,797	3,789,676
Other	20,014	32,419	33,169
Total revenues	4,909,913	4,532,712	7,887,235
Expenses			
Operating expenses	4,176,300	4,205,774	4,129,265
Non-operating expenses			
Interest and amortization of bond costs	233,308	193,088	209,845
Total expenses	4,409,608	4,398,862	4,339,110
Increase in net assets	500,305	133,850	3,548,125
Net assets, beginning of year	28,714,481	28,580,631	25,032,506
Net assets, end of year	$ 29,214,786	$ 28,714,481	$ 28,580,631

Revenues for charges and services increased in 2010 by $ 144,280, which represents an increase of approximately 4 percent.

Capital grants totaled $ 600,000 for the year ended December 31, 2010. This grant is comprised of a Community Development Block Grant (CDBG) totaling $ 500,000 and a Georgia Environmental Facilities Authority (GEFA) grant totaling $ 100,000 that was awarded to McDuffie County, Georgia for sewer line expansion. The expansion was completed during 2010 and ownership of the completed project was transferred to the Water Sewer Commission.

Proceeds from the Special Local Option Sales Tax (SPLOST) are used to fund the local match on capital projects funded with federal and State capital grants, locally funded capital projects, and purchases of other water sewer capital assets. The use of SPLOST funds is discretionary and is voted on and approved by the Water Sewer Commission. Accordingly, SPLOST proceeds recognized in a given year are dependent on the size and number of capital projects being undertaken by the Commission during the year. As a result of funding arrangements and other factors; SPLOST revenues recognized in 2010 decreased by $ 326,213.

Other non-operating revenues decreased by $ 12,405 which is primarily attributable to a decrease in interest income earned on investments of $ 12,723.

Operating expenses decreased by $ 29,474 in 2010. This decrease includes reduced costs for personal services and benefits of $ 22,426, professional and technical services of $ 9,540, repairs and maintenance of $ 14,381, intergovernmental payments of $ 18,535, supplies of $ 55,067, and bad debts of $ 6,466. The decrease was offset by increases in other purchased services of $ 6,554 and other expenses of $ 15,138, as well as, an increase in depreciation and amortization totaling $ 75,249.

Capital Assets

The Commission's investment in capital assets as of December 31, 2010 totaled $ 33,104,172 (net of accumulated depreciation) which represents a net decrease of $ 119,801. This investment in capital assets includes land, buildings, plant and facilities, equipment, service vehicles, and construction in progress.

Construction in progress as of December 31, 2010 totaled $ 190,552 which represents a decrease of $ 599,122 from 2009. The Commission incurred $ 288,340 in additional construction costs in 2010 and completed construction projects totaling $ 887,462.

Transfers from construction in progress and other capital asset additions include sewer line expansion projects totaling $ 1,305,448, upgrades to sewer lift stations totaling $ 76,119, upgrades to various water lines totaling $ 47,081, additions to SCADA telemetry system totaling $ 31,519, installation of irrigation turbines totaling $ 19,954, and installation of heaters totaling $ 7,341.

These projects were funded with SPLOST proceeds, Community Development Block Grants (CDBG), grants and loans from the Georgia Environmental Facilities Authority (GEFA), and revenues from operations. Funding for the completed projects is comprised of SPLOST proceeds totaling $ 283,305, CDBG and GEFA grants totaling $ 600,000, GEFA loan proceeds totaling $ 594,857, and water sewer revenues totaling $ 9,300.

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

Annual depreciation expense recorded in 2010 totaled $ 1,008,141.

Additional information on capital assets can be found in Note 5 to the financial statements of this report.

Debt Administration

As of December 31, 2010, the Commission had revenue bonds outstanding totaling $ 2,100,000, four notes payable to GEFA totaling $ 4,264,965, and four capital leases to Branch Banking & Trust Company (BB&T) totaling $ 71,220.

Principal payments on the bonds payable totaled $ 355,000 for the year and interest paid and accrued at year end totaled $ 82,445. Principal payments on the GEFA loans totaled $ 148,025 and interest paid and accrued at year end totaled $ 135,521. Principal payments on the leases totaled $ 33,846 and interest paid and accrued totaled $ 3,087.

Additional information on long-term debt can be found in Note 6 to the financial statements of this report.

Economic Factors Affecting the Water and Sewer Commission

There are several economic factors on the horizon that will have positive impacts on the Water and Sewer Commission. The timing of these projects, of course depends on when the housing market starts to show signs of recovery. A subdivision is under construction near the Town of Dearing, Georgia that will add 50 to 55 new customers. A second subdivision, Elias Station, is expected to provide an additional 90 customers over the next five to fifteen years. These projects are in various stages of construction…from fairly strong activity (Dearing subdivision) to just starting construction (Elias Station).

McDuffie County, Georgia has substantially completed construction on various water/sewer projects in outlying areas of the County. Funding for these projects was provided in part by the United States Department of Agriculture (USDA) through grants and loans. The loans require that the County maintain ownership of these systems upon completion. The Water Sewer Commission has committed to operate and maintain these systems. Revenues generated from these “Special Districts” will be remitted to the County and the County will pay a “management fee” to the Water Sewer Commission for operations and maintenance. The project added an additional 72 miles of waterline to the existing system and will support an additional 800 to 900 customers with water. The new line is currently operational.

The City of Harlem has agreed to purchase a minimum of 100,000 gallons of water per day from the Thomson-McDuffie water system. This will provide additional revenues for the system and assist in improving water quality in that part of the McDuffie County. This project came on line in early 2011.

Request for Information

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

FINANCIAL STATEMENTS

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

	Business-type Activities-Enterprise Fund	
	2010	2009
ASSETS		
Current assets		
Cash	$ 1,735,221	$ 1,484,173
Restricted cash	218,508	230,379
Accounts receivable (net of allowance for uncollectibles of $ 180,839 for 2010 and $ 176,944 for 2009)	441,740	415,766
Interest receivable	4,769	6,586
Intergovernmental receivable	40,327	54,221
Inventories	14,721	16,488
Prepaid items	17,232	18,982
Total current assets	2,472,518	2,226,595
Noncurrent assets		
Restricted cash	383,702	383,702
Total restricted assets	383,702	383,702
Deferred charges	265,867	285,653
Capital assets		
Land	221,034	221,034
Buildings and improvements	18,321	18,321
Plant and facilities	45,554,018	44,125,370
Machinery and equipment	943,719	902,882
Autos and trucks	588,086	588,086
Construction in progress	190,552	789,674
Less accumulated depreciation	(14,411,558)	(13,421,394)
Total capital assets (net of accumulated depreciation)	33,104,172	33,223,973
Total noncurrent assets	33,753,741	33,893,328
Total assets	36,226,259	36,119,923

(Continued)

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

	Business-type Activities-Enterprise Fund	
	2010	2009
LIABILITIES		
Current liabilities		
Accounts payable	88,322	78,603
Construction payables	-	51,192
Customer deposits	111,793	109,238
Intergovernmental payable	175,072	172,698
Accrued expenses	64,590	61,542
Accrued interest payable	12,885	6,785
Current portion of capital lease payable	35,008	33,847
Current portion of notes payable	172,184	111,040
Current liabilities payable from restricted assets		
Current portion of revenue bonds payable	365,000	355,000
Accrued interest payable	38,010	44,436
Total current liabilities	1,062,864	1,024,381
Noncurrent liabilities		
Revenue bonds payable	1,735,000	2,100,000
Capital lease payable	36,212	71,219
Notes payable	4,092,781	2,543,828
Loan advances	-	1,628,474
Net OPEB obligation	84,616	37,540
Total noncurrent liabilities	5,948,609	6,381,061
Total liabilities	7,011,473	7,405,442
NET ASSETS		
Invested in capital assets, net of related debt	26,667,987	26,380,565
Restricted for debt service	602,210	614,081
Unrestricted	1,944,589	1,719,835
Total net assets	$ 29,214,786	$ 28,714,481

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

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

	Business-type Activities-Enterprise Fund	
	2010	2009
OPERATING REVENUES		
Charges for sales and services		
Water and sewer sales	$ 3,483,901	$ 3,383,168
Penalties and cut-on fees	75,346	71,241
Other services	530,068	490,626
Total operating revenues	4,089,315	3,945,035
OPERATING EXPENSES		
Personal services and benefits	1,520,290	1,542,716
Professional and technical services	40,422	49,962
Repairs and maintenance	298,007	312,388
Other purchased services	598,885	592,331
Supplies	507,677	562,744
Intergovernmental	164,362	182,897
Other	27,090	11,952
Depreciation and amortization	1,015,672	940,423
Bad debts	3,895	10,361
Total operating expenses	4,176,300	4,205,774
Operating loss	(86,985)	(260,739)
NON-OPERATING REVENUES (EXPENSES)		
Special local option sales tax	200,584	526,797
Insurance claims	7,442	7,124
Interest income	12,572	25,295
Interest expense	(221,053)	(180,832)
Amortization of bond and loan issuance costs	(12,255)	(12,256)
Total non-operating revenues (expenses)	(12,710)	366,128
Income (loss) before contributions	(99,695)	105,389
CAPITAL CONTRIBUTIONS	600,000	28,461
Change in net assets	500,305	133,850
NET ASSETS, BEGINNING OF YEAR	28,714,481	28,580,631
NET ASSETS, END OF YEAR	$ 29,214,786	$ 28,714,481

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

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

	Business-type Activities-Enterprise Fund	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 4,073,123	$ 3,928,312
Payments to suppliers	(1,623,207)	(1,737,691)
Payments to employees	(1,465,020)	(1,532,864)
Net cash provided by operating activities	984,896	657,757
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from insurance claims	7,442	7,124
Net cash provided by noncapital financing activities	7,442	7,124
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt	129,648	868,963
Proceeds from special local option sales tax	200,584	526,797
Purchase and construction of assets	(339,532)	(1,330,246)
Payments on long-term debt	(536,871)	(505,486)
Interest paid	(221,379)	(187,754)
Net cash used in capital and related financing activities	(767,550)	(627,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	14,389	32,251
Net cash provided by investing activities	14,389	32,251
Net increase in cash and cash equivalents	239,177	69,406
Cash, beginning of year	2,098,254	2,028,848
Cash, end of year	$ 2,337,431	$ 2,098,254
CASH PER STATEMENT OF NET ASSETS		
Cash	$ 1,735,221	$ 1,484,173
Restricted cash-current	218,508	230,379
Restricted cash-noncurrent	383,702	383,702
	$ 2,337,431	$ 2,098,254

(Continued)

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

	Business-type Activities-Enterprise Fund	
	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$ (86,985)	$ (260,739)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	1,008,141	932,892
Amortization	7,531	7,531
Other post employment benefits (OPEB)	47,076	37,540
(Increase) decrease in current assets		
Accounts receivable	(25,974)	(11,712)
Intergovernmental receivable	13,894	(679)
Inventory	1,767	832
Prepaid expenses	1,750	1,027
Increase (decrease) in current liabilities		
Accounts payable	9,719	(27,276)
Intergovernmental payables	2,374	6,231
Customer deposits	2,555	6,989
Accrued expenses	3,048	(34,879)
Total adjustments	1,071,881	918,496
Net cash provided by operating activities	$ 984,896	$ 657,757
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from other government	$ 600,000	$ -

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

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

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

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

B. The Financial Reporting Entity

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

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

Based on the standards established by Statement No. 14 of the Governmental Accounting Standards Board (GASB), the Commission is a separate organization classified as a joint venture.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Commission has adopted GASB Statement No. 20, *Accounting and Financial Reporting of Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, and has elected to follow GAAP prescribed by GASB and all Financial Accounting Standard Board (FASB) standards issued prior to November 30, 1989. Subsequent to this date, the Commission accounts for its proprietary fund as presented by GASB.

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Commission enterprise fund are charges to customers for sales and services. Management fees received from special water and sewer districts for the daily operations and maintenance of those systems are also recognized as operating revenues by the Commission. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgetary Accounting and Control

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity

Cash and Investments

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

Receivables

All receivables are reported at their net realizable value. Unbilled utility service receivables are recorded at year end. At December 31, 2010, unbilled receivables totaled $ 194,249.

Intergovernmental Receivables and Payables

The Water and Sewer Commission manages the daily operations of special water and sewer districts for McDuffie County, Georgia and the Town of Dearing, Georgia. Collections from customers in these districts are remitted to the respective governments. The Commission receives a management fee from the participating governments for its services. The amounts due from and due to the other governments, related to these agreements, are recorded as intergovernmental receivables and payables.

Inventories

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

Prepaid Items

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

Restricted Assets

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

Capital Assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest for the year ended December 31, 2010 totaled $ 78,456.

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

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

Compensated Absences

Employees may accumulate up to 20 days of unused vacation leave to be received as compensation upon separation from service. Accumulated vacation pay totaled $ 51,380 and $ 53,052 for the years ended December 31, 2010 and 2009, respectively. These amounts are included in accrued expenses on the statement of net assets.

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund's statement of net assets. Bond issuance and note costs are being amortized over the life of the bonds and related notes payable using the straight-line method. The unamortized portion of bond issuance and note costs and bond discounts related to the 1993 Series bonds (refunded bonds) and January 2007 notes payable are being amortized over the life of the Series 2005 Bonds and January 2007 notes payable using the straight-line method. Bonds payable are reported net of the applicable bond discount. Bond issuance and note costs and the related unamortized charges are reported as deferred charges on the statement of net assets.

Net Assets

Net assets in proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Use of Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations of the Water and Sewer enterprise fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance With Bonds Payable

The Commission is in compliance, in all material respects, with requirements under covenants relating to its bonds payable with the exception of a funding shortfall in the debt service sinking fund. As of December 31, 2010, the debt service sinking fund required total deposits of $ 220,510. Actual deposits to the sinking fund totaled $ 218,508 as of December 31, 2010. The shortfall will be made up with future deposits to the sinking fund.

NOTE 3 - CASH

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

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

The Commission maintains its cash on deposit with local financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2010, the carrying amount of the Commission's deposits was $ 2,337,431 and the bank balance totaled $ 2,306,361. Deposits of the Commission were fully collateralized as of year end.

Amount insured by FDIC	$ 925,000
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name	1,381,361
Total bank balance	$ 2,306,361

NOTE 4 - ACCOUNTS RECEIVABLE

As of December 31, 2010, accounts receivable totaled $ 441,740 net of an allowance for uncollectible accounts of $ 180,839 whereas, accounts receivable totaled $ 415,766 net of an allowance for uncollectible accounts of $ 176,944 as of December 31, 2009. Collections on accounts receivable are generally favorable and write-offs minimal, due to the threat of discontinued services for nonpayment.

NOTE 5 – CAPITAL ASSETS

Business-type capital assets activity for the year ended December 31, 2010, was as follows:

	Balance 1-1-10	Additions	Deletions	Balance 12-31-10
Capital assets not being depreciated				
Land	$ 221,034	$ -	$ -	$ 221,034
Construction in progress	789,674	288,340	(887,462)	190,552
Total capital assets not being depreciated	1,010,708	288,340	(887,462)	411,586
Capital assets being depreciated				
Buildings and improvements	18,321	-	-	18,321
Plant and facilities	44,125,370	1,428,648	-	45,554,018
Machinery and equipment	902,882	58,814	(17,977)	943,719
Autos and trucks	588,086	-	-	588,086
Total capital assets being depreciated	45,634,659	1,487,462	(17,977)	47,104,144
Less accumulated depreciation				
Buildings and improvements	(3,435)	(458)	-	(3,893)
Plant and facilities	(12,341,687)	(901,543)	-	(13,243,230)
Machinery and equipment	(575,284)	(73,294)	17,977	(630,601)
Autos and trucks	(500,988)	(32,846)	-	(533,834)
Less accumulated depreciation	(13,421,394)	(1,008,141)	17,977	(14,411,558)
Net capital assets being depreciated	32,213,265	479,321	-	32,692,586
Business-type capital assets-net	$ 33,223,973	$ 767,661	$ (887,462)	$ 33,104,172

Depreciation expense totaled $ 1,008,141 for the year ended December 31, 2010 and $ 932,892 for the year ended December 31, 2009.

Financial Accounting Standards Board (FASB) Statement No. 34, *Capitalization of Interest Costs* requires that interest expenditures incurred during construction of assets be capitalized. FASB-62, *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants* concludes that constructed assets financed with the proceeds of tax exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investment acquired with proceeds of the related tax-exempt borrowing. Interest capitalized during the year ended December 31, 2010, totaled $ 78,456. No interest was capitalized during the year ended December 31, 2009.

NOTE 6 - LONG-TERM DEBT

Capital Leases

The Commission entered into a lease agreement as lessee for financing the acquisition of various capital assets. The following table summarizes capital lease activity for the year ended December 31, 2010.

Capital Lease Payable	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
BB&T, 20 quarterly payments $ 2,110	$ 38,797	3.39%	2012	$ 16,258	$ 7,992
BB&T, 20 quarterly payments $ 2,692	49,485	3.39%	2012	20,737	10,193
BB&T, 20 quarterly payments $ 2,220	40,802	3.39%	2012	17,099	8,405
BB&T, 20 quarterly payments $ 2,223	40,866	3.39%	2012	17,126	8,418
Totals	$ 169,950			$ 71,220	$ 35,008

NOTE 6 - LONG-TERM DEBT (Continued)

The assets acquired through capital leases are as follows:

Asset	Business-type Activities
Autos and trucks	$ 38,797
Machinery and equipment	131,153
Less accumulated depreciation	(66,239)
Total	$ 103,711

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, are as follows:

Year Ending December 31,	Business-type Activities
2011	$ 36,980
2012	36,980
Total minimum lease payments	73,960
Less amount representing interest	(2,740)
Present value of minimum lease payments	$ 71,220

2005 Revenue Bonds Payable

On August 17, 2005, the City of Thomson and McDuffie County, Georgia issued $ 3,825,000 in City of Thomson, Georgia and McDuffie County, Georgia Water and Sewerage Revenue Refunding Bond Series 2005 (the “Series 2005 Bonds). The Series 2005 Bonds were issued for the purpose of providing funds to refund all of the outstanding Series 1993 Bonds maturing on and after July 1, 2006, to prepay notes payable to the Georgia Environmental Facilities Authority (GEFA), to provide for required debt service reserves, and to pay expenses related to the issuance of the Series 2005 Bonds.

The foregoing was achieved with available proceeds totaling $ 4,269,168 (including bond proceeds and additional funds). Of this amount, $ 2,945,486 was used to refund the Series 1993 Bonds, $ 853,288 was used to prepay notes payable to GEFA, $ 382,500 was used to fund the Debt Service Reserve account for the Series 2005 Bonds, $ 78,331 was used to pay issuance costs of the Series 2005 Bonds, and $ 9,563 was transferred to the Debt Service account.

The bond resolution requires several funds and accounts to facilitate the operation of the system and provide for servicing the bond obligation. The Revenue Fund is used as the depository for all revenues derived from the ownership and operation of the system. Costs of operating, maintaining and repairing the system are paid from the Revenue Fund. A Sinking Fund is maintained to provide for payment of the principal and interest of the bonds. A monthly deposit is made to the Debt Service Account in amounts sufficient to fully fund the next ensuing payment of principal and interest. The Debt Service Account deposit requirement was $ 220,510 at December 31, 2010. Deposits in the Debt Service Account at December 31, 2010 totaled $ 218,508. The resolution also requires a Debt Service Reserve account to be maintained equal to the debt service requirements of the bonds. The debt service requirements of the bonds totaled $ 382,500. At December 31, 2010, deposits in the Debt Service Reserve Account totaled $ 383,702.

NOTE 6 - LONG-TERM DEBT (Continued)

Deposits held in the Revenue Fund exceeding sixty days working capital are to be paid to the Renewal and Extension Fund on an annual basis. These funds are to be used for (1) debt service in the event the Sinking Fund does not have sufficient money; (2) an emergency having a major affect on the system; (3) making replacements, additions, extensions, improvements, and acquiring equipment deemed to be reasonable and in the best interest of the City and County; (4) payment of amounts drawn under a surety bond; or (5) payment of the charges of any depository for investment services.

In addition, the bond resolution requires the Commission to maintain charges for services sufficient to operate and maintain the system, maintain required reserves, and provide net revenues of at least 115% of the debt service requirements of the Series 2005 Bonds and 100% of the debt service requirements on the Bonds plus any and all other obligations of the Commission payable from the revenues of the System.

All requirements of the bond resolution were met for the year ended December 31, 2010, except for a shortfall in funding of the Debt Service Account totaling $ 2,002. The shortfall will be corrected with future deposits to the Debt Service Account.

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

Issuance Costs and Discounts

Cost incurred to issue the Series 2005 bonds totaled $ 78,331. Issuance costs are being amortized over the life of the bonds using the straight-line method. Unamortized issuance costs and discounts related to the Series 1993 Bonds totaled $ 39,606 and are being amortized over the life of the new bonds. Amortization of bond related costs and discounts totaled $ 9,435 for the years ended December 31, 2010 and 2009.

Annual requirements to amortize the Series 2005 Bonds outstanding as of December 31, 2010 are as follows:

Year Ending	Principal	Interest	Total
2011	$ 365,000	$ 76,020	$ 441,020
2012	375,000	62,807	437,807
2013	390,000	49,232	439,232
2014	405,000	35,114	440,114
2015	420,000	20,453	440,453
2016 thru 2020	145,000	10,679	155,679
Total	$ 2,100,000	$ 254,305	$ 2,354,305

The Series 2005 Bonds can be redeemed at the option of the City and the County in whole or in part on any date from any moneys which may be available and deposited with the Paying Agent on or before the date fixed for redemption. The optional redemption will include payment of the principal amount of the Series 2005 Bonds to be redeemed and accrued interest to date of redemption, plus a premium. The premium will be the sum of fees calculated separately for each prepaid principal based on a formula set forth in the bond resolution.

NOTE 6 - LONG-TERM DEBT (Continued)

Notes Payable

The following notes payable were incurred by the City of Thomson, Georgia and McDuffie County, Georgia as part of constructing new filtration systems at both water treatment facilities and expansion of the sewer system. Upon completion of the projects, the assets and the related liabilities were contributed to the Water/Sewer Commission. The Commission is responsible for servicing the debt with revenues from the water sewer system.

In January 2007, the City of Thomson and McDuffie County each borrowed $ 1,410,210 from the Georgia Environmental Facilities Authority (GEFA). Proceeds of the loans were used to fund the filtration project and include construction period interest totaling $ 58,872. Repayment of the outstanding principal is to be made in 240 monthly payments of $ 15,764, including principal and interest computed at 3.00%. The final payment will be due February 1, 2028.

The City of Thomson and McDuffie County, Georgia have entered into a loan agreement with the Georgia Environmental Facilities Authority to each borrow $ 879,061 to expand the water treatment capacity of the Big Creek treatment facility and extend existing sewer lines. Proceeds of the loans were used to fund the expansion of the water treatment facility and extension of existing sewer line and includes construction period interest totaling $ 78,456. Repayment of the outstanding principal is to be made in 240 monthly payments of $ 11,028, including principal and interest computed at 4.40%. The final payment will be due May 1, 2030.

Annual debt service requirements to maturity for the notes payable are as follows:

Year Ending	Principal	Interest	Total
2011	$ 172,184	$ 149,321	$ 321,505
2012	178,235	143,270	321,505
2013	184,570	136,935	321,505
2014	191,081	130,424	321,505
2015	197,846	123,659	321,505
2016 thru 2020	1,099,747	507,778	1,607,525
2021 thru 2025	1,310,553	296,972	1,607,525
2026 thru 2030	930,749	66,572	997,321
Total	$ 4,264,965	$ 1,554,931	$ 5,819,896

Loan Closing Fees

The loan agreements required that the City and County each pay a two-percent loan closing fee. Total loan closing fees paid by the City and County was $ 56,408 and are being amortized over the life of the loans (240 months) using the straight-line method. Amortization of the loan closing cost totaled $ 2,820 for the year ended December 31, 2010.

NOTE 6 - LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

Business-type activities	Balance 1-1-10	Additions	Reductions	Balance 12-31-10	Due Within One Year
Capital leases	$ 105,066	$ -	$ (33,846)	$ 71,220	$ 35,008
Revenue bonds payable	2,455,000	-	(355,000)	2,100,000	365,000
Notes payable	2,654,868	1,758,122	(148,025)	4,264,965	172,184
Loan advances	1,628,474	129,648	(1,758,122)	-	-
Business-type activities Long-term liabilities	$ 6,843,408	$ 1,887,770	$(2,294,993)	$ 6,436,185	$ 572,192

NOTE 7 - DEFERRED CONTRACT COSTS

The Commission entered into a contract with the U. S. Department of the Army Corps of Engineers in 1990 to use 1,056 acre-feet of storage space in J. Strom Thurmond Dam and Reservoir. As a result of this contract, it is anticipated that the Commission will be able to utilize an additional four million gallons of water per day.

As part of the contract, the Commission made a lump-sum payment of $ 301,243. Amortization of this payment will be provided over the remaining life of the project. For the years ended December 31, 2010 and 2009, amortization expense related to this project totaled $ 7,531 per year. In addition to the above cost, the Commission is required to pay .074 percent of the annual experienced joint-use operation and maintenance expense of the project. The Commission will also be required to pay .074 percent of the joint-use cost associated with major replacement and rehabilitation program costs. The additional costs associated with the contract totaled $ 2,227 and $ 2,329 for the years ended December 31, 2010 and 2009, respectively.

NOTE 8 - RETIREMENT PLAN

The Commission participates in the Georgia Municipal Employees Benefit System, (GMEBS) an agent multiple-employer retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. The Commission's participation is conducted as part of the City of Thomson, Georgia's participation; the Commission does not maintain its own account status with the Georgia Municipal Employees Benefit System.

During 2009 GMEBS notified management of its adoption of a new schedule for annual actuarial valuations to be performed. As a result of this change, the most recent actuarial valuation covers the eighteen month period from January 1, 2009 through July 1, 2010. Future valuations will be done as of July 1 of each year and will be based on a twelve month period. Payment of the recommended contribution to the Plan, as determined in the July 1 valuation, will begin January 1 each year.

Plan Description

The City's defined benefit pension plan, (the Plan) provides retirement benefits to plan members and beneficiaries. Employees covered under the Plan include employees of the City and the McDuffie County/City of Thomson Water-Sewer Commission. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), a multiple-employer pension plan administered by the Board of Trustees of the GMEBS. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information of the Plan. The address of the GMEBS is 201 Pryor Street, SW, Atlanta, GA 30303, and their telephone number is 404-688-0472.

NOTE 8 - RETIREMENT PLAN (Continued)

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

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

All full-time employees, excluding officials, working at least 20 hours per week are eligible, and become fully vested after 10 years of service. Normal retirement age is 65 with a minimum of 5 years of service, and early retirement is age 55 with a minimum of 10 years total credited service. Monthly benefits are based on (a) the average annual earnings paid to a participant during any consecutive 5 year period preceding actual date of retirement in which the earnings were highest and (b) total years of service. The system also provides death and disability benefits.

As of July 1, 2010, the most recent valuation date, there were ninety-eight active participants, forty-six retirees and beneficiaries receiving benefits, and twenty-five terminated participants with deferred vested benefits. There were no employer or related party securities or loans included in plan assets.

Summary of Significant Accounting Policies and Plan Asset Matters

The Pension Plan's financial statements are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employees provide services. Investment income is recognized as earned by the pension plan. The net appreciation/depreciation in the fair value of investments held by the Plan is recorded as an increase/decrease to investment income based on valuation of investments as of the balance sheet date. Investment valuations are based on quoted market prices at the balance sheet date.

Funding Policy

The City is required to contribute at an actuarially determined rate; the rate for 2009 was 15.94% of annual covered payroll, and the rate for 2010 will be 10.52% of covered payroll. Total covered payroll was $ 3,128,809 and $ 2,858,076 for 2010 and 2009. Total payroll was $ 3,408,173 for 2010 and $ 3,489,308 for 2009. Employees do not contribute to the plan.

Annual Pension Cost

For 2010, the annual pension cost of $ 318,390 for the Plan was equal to the recommended annual contribution. The annual required contribution for the current year was determined as part of the January 1, 2009 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases of 5.5% attributable to merit and seniority, (c) no cost of living adjustments, and (d) no post retirement increases.

Contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year.

NOTE 8 - RETIREMENT PLAN (Continued)

There is no pension liability at the date of transition as determined in accordance with Statement No. 27 of the Governmental Accounting Standards Board. Accordingly, there is no difference in the pension liability currently reported and amounts previously reported for this plan.

The following schedule of employer contributions and schedule of funding progress for the Plan include employees of the City of Thomson, Georgia and the McDuffie County/City of Thomson, Georgia Water and Sewer Commission.

Schedule of Employer Contributions

Year Ended	Annual Pension Cost (APC)	% APC Funded	Net Pension Obligation
December 31, 1993	$ 104,699	100%	None
December 31, 1994	$ 99,482	100%	None
December 31, 1995	$ 90,727	100%	None
December 31, 1996	$ 117,354	100%	None
December 31, 1997	$ 123,448	100%	None
December 31, 1998	$ 117,558	100%	None
December 31, 1999	$ 94,361	100%	None
December 31, 2000	$ 90,703	100%	None
December 31, 2001	$ 102,568	100%	None
December 31, 2002	$ 131,666	100%	None
December 31, 2003	$ 186,692	100%	None
December 31, 2004	$ 208,736	100%	None
December 31, 2005	$ 229,890	100%	None
December 31, 2006	$ 240,900	100%	None
December 31, 2007	$ 238,696	100%	None
December 31, 2008	$ 250,372	100%	None
December 31, 2009	$ 301,733	100%	None
December 31, 2010	$ 318,390	100%	None

Schedule of Funding Progress for the Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Unfunded (Funding Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a % of Covered Payroll ((b-a)/c)
01/01/94	$ 1,605,055	$ 1,779,674	$ 174,619	90.2%	$ 1,155,935	15.1%
01/01/95	$ 1,642,249	$ 1,741,836	$ 99,587	94.3%	$ 1,318,064	7.5%
01/01/96	$ 1,864,536	$ 2,017,348	$ 152,812	92.4%	$ 1,595,948	9.6%
01/01/97	$ 1,933,299	$ 2,124,547	$ 191,248	91.0%	$ 1,697,220	11.3%
01/01/98	$ 2,176,425	$ 2,239,217	$ 62,792	97.2%	$ 1,818,812	3.5%
01/01/99	$ 2,719,434	$ 2,393,700	$ (325,734)	113.6%	$ 1,784,577	(18.3%)
01/01/00	$ 2,931,878	$ 2,651,347	$ (280,531)	110.6%	$ 1,814,450	(15.5%)
01/01/01	$ 3,148,907	$ 2,940,816	$ (208,091)	107.1%	$ 1,988,052	(10.5%)
01/01/02	$ 3,317,375	$ 3,291,305	$ (26,070)	100.8%	$ 2,246,049	(1.1%)
01/01/03	$ 3,291,482	$ 3,611,180	$ 319,698	91.1%	$ 2,594,302	12.3%
01/01/04	$ 3,533,233	$ 3,905,186	$ 371,953	90.5%	$ 2,638,147	14.1%
01/01/05	$ 3,794,735	$ 4,305,729	$ 510,994	88.1%	$ 2,610,741	19.6%
01/01/06	$ 4,058,371	$ 4,615,680	$ 557,309	87.93%	$ 2,577,074	21.63%
01/01/07	$ 4,406,496	$ 4,799,189	$ 392,693	91.82%	$ 2,841,294	13.82%
01/01/08	$ 4,775,585	$ 5,276,374	$ 500,789	90.51%	$ 2,755,740	18.17%
01/01/09	$ 4,029,890	$ 5,787,798	$ 1,757,908	69.63%	$ 2,858,076	61.51%
07/01/10	$ 5,384,062	$ 6,137,390	$ 753,328	87.73%	$ 3,128,809	24.08%

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description, Contribution Information and Funding Policies

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

Benefits are available to all employees who have attained the age sixty-two (62) while working for the City, and have a minimum of twenty-five (25) years of full time service upon retirement. Benefits continue in effect until the retirees reach the age of 65 at which time the retiree can convert to Medicare or any other plan as desired. The City funds 100% of the retirees' premium and the benefits are underwritten by the City's regular health care provider. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

The cost of these benefits is recognized as an expenditure on a pay-as-you-go basis. One retired employee received benefits through May 2010. As of year end, there were no retired employees receiving benefits.

Annual OPEB costs and Net OPEB Obligation

The Commission first had an actuarial valuation performed for the plan as of December 31, 2008 to determine the funded status of the plan as of that date. The transition liability was set at zero as of that date.

The Commission's annual OPEB costs and the net OPEB obligation for December 31, 2010 was as follows (information for prior years is not available as the actuarial valuation was performed for the first time as of December 31, 2008):

Employer normal costs	$ 34,826
Amortization of UAAL*	13,241
Annual required contribution (ARC	48,067
Interest on net obligation	1,307
Annual OPEB costs	49,374
Contributions made	(2,298)
	47,076
Net OPEB obligation-beginning of year	37,540
Net OPEB obligation - end of year	$ 84,616

* Unfunded actuarial accrued liabilities (UAAL) were amortized over 30 years.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2009	$ 37,540	0.00%	$ 37,540
2010	$ 49,374	4.65%	$ 84,616

Schedule of Funding Progress for the Plan

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Plan Assets (b)	Unfunded Actuarial Accrued Liability (c)	Funded Ratio (b/a)	Covered Payroll (d)	Unfunded Actuarial Accrued Liability as a % of Covered Payroll (c/d)
2009	$ 351,833	$ -	$ 351,833	0.00%	$ 861,892	40.82%
2010	$ 351,833	$ -	$ 351,833	0.00%	$ 907,105	38.79%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

In the December 31, 2010 actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent of payroll required to fully amortize the UAAL over a 30 year closed period. The actuarial assumptions included 2.72% rate of investment return. The valuation assumes a 7.5% health and dental care trend inflation rate for 2010 and decreases 0.5% each year until 2014, and thereafter 5.0% was assumed.

NOTE 10 - RISK MANAGEMENT

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

NOTE 10 - RISK MANAGEMENT (Continued)

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

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

NOTE 11 - CONTINGENT LIABILITIES

Federal and State Grants

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

Litigation

As of December 31, 2010, the McDuffie County/City of Thomson, Georgia Water and Sewer Commission was not involved in any pending or threatened litigation.

NOTE 12 - COMMITMENTS/SUBSEQUENT EVENTS

The Commission has committed to various improvements to the water sewer system for 2011. Among them are upgrades to the water filtration system at the Augusta Road water treatment plant and upgrades to the waste water treatment plant. The cost of the filtration system is expected to be $ 250,000 and cost associated with the waste water treatment improvements is estimated to be $ 1,000,000. Both projects will be funded with proceeds from SPLOST.

REQUIRED SUPPLEMENTARY INFORMATION

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN

The Commission's annual Other Post Employment Benefits Plan (OPEB) cost, the percentage of annual OPEB cost contributed to the Plan, and net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 37,540	0.00%	$ 37,540
2010	$ 49,374	4.65%	$ 84,616

Funded Status and Funding Progress

The funded status of the plan is as follows:

	2010	2009
Actuarial accrued liability	$ 351,833	$ 351,833
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	$ 351,833	$ 351,833
Funded ratio	0.00%	0.00%
Covered payroll	$ 907,105	$ 861,892
Unfunded actuarial accrued liability as a percentage of covered payroll	38.79%	40.82%

OTHER AUDITORS' REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

elliott davis

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*

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

We have audited the financial statements of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission as of and for the year ended December 31, 2010, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other Matters

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

This report is intended solely for the information and use of management, others within the organization, Commissioners, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Elliott Davis, LLC

Greenwood, South Carolina
June 28, 2011

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