CITY OF THOMSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

CITY OF THOMSON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

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elliott davis

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
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 (the "City") as of and for the year ended December 31, 2011, 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, 2011, 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 29, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress- other post employment benefits plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The general fund budgetary comparison schedule, combining and individual fund financial statements, community block development grant schedules, special purpose local option sales tax schedule, and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund budgetary comparison schedule, combining and individual fund financial statements, community block development grant schedules, special purpose local option sales tax schedule, and schedule of expenditures of federal awards 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 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $ 21,353,939 (net assets). Of this amount, $ 10,774,216 is invested in capital assets (net of related debt), $ 2,551,793 is restricted for specific purposes, and $ 8,027,930 may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net assets increased by $ 2,840,607. Total revenues of the City's governmental and business type activities totaled $ 15,838,057, whereas expenses totaled $ 12,997,450.

- As of the close of the current fiscal year, the City of Thomson's governmental funds reported combined ending fund balances of $ 4,367,784, a decrease of $ 286,276 in comparison with the prior year. Of this total amount, $ 2,034,806 is unassigned and $ 2,499,224 is restricted by external agreements to be used for specific purposes. Nonspendable fund balance, representing prepaid expenses, totaled $ 17,546. Unassigned deficit fund balances totaled $ 183,792 and consist primarily of construction and retainage payables that were not funded as of year-end.

- The net assets of the City's proprietary funds (business - type activities) totaled $ 6,459,207 (net assets). Of this amount $ 1,904,082 is invested in capital assets (net of related debt) and $ 4,555,125 (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 fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Employment Incentive Program (EIP) loan fund, and the airport capital projects fund. Data for the other eleven 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 - 49 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 $ 21,353,939 as of December 31, 2011.

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 $ 8,027,930 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 6,331,411	$ 5,045,716	$ 5,481,283	$ 5,756,399	$ 11,812,694	$ 10,802,115
Capital assets, net	10,943,519	7,816,871	1,958,995	2,078,040	12,902,514	9,894,911
Total assets	17,274,930	12,862,587	7,440,278	7,834,439	24,715,208	20,697,026
Long-term liabilities outstanding	544,445	574,157	90,537	113,624	634,982	687,781
Other liabilities	1,835,753	250,561	890,534	1,245,352	2,726,287	1,495,913
Total liabilities	2,380,198	824,718	981,071	1,358,976	3,361,269	2,183,694
Net Assets						
Invested in capital assets, net of related debt	8,870,134	7,318,242	1,904,082	1,970,036	10,774,216	9,288,278
Restricted	2,551,793	2,533,794	-	-	2,551,793	2,533,794
Unrestricted	3,472,805	2,185,833	4,555,125	4,505,427	8,027,930	6,691,260
Total net assets	$ 14,894,732	$ 12,037,869	$ 6,459,207	$ 6,475,463	$ 21,353,939	$ 18,513,332

The 2010 net assets for governmental activities, previously reported as unrestricted, have been reclassified between restricted and unrestricted to conform to the new classifications prescribed by GASB 54 and to enhance comparability between 2011 and 2010 net asset amounts.

At the end of the current year, the City of Thomson is able to report positive balances in all classifications 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	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for Services	$ 383,419	$ 335,518	$ 9,174,294	$ 10,755,756	$ 9,557,713	$ 11,091,274
Operating grants/ contributions	34,266	24,670	-	-	34,266	24,670
Capital grants/ contributions	3,346,245	414,306	-	20,000	3,346,245	434,306
General revenues						
Property taxes	656,513	668,170	-	-	656,513	668,170
Other taxes	2,144,684	2,249,170	-	-	2,144,684	2,249,170
Other	71,242	117,416	27,394	40,925	98,636	158,341
Total revenues	6,636,369	3,809,250	9,201,688	10,816,681	15,838,057	14,625,931
Expenses						
General government	501,149	440,079	-	-	501,149	440,079
Public safety	1,997,588	1,799,993	-	-	1,997,588	1,799,993
Public works	696,333	815,853	-	-	696,333	815,853
Housing and development	366,119	398,017	-	-	366,119	398,017
Health and welfare	420	420	-	-	420	420
Culture and recreation	440,394	405,173	-	-	440,394	405,173
Community services	55,150	61,275	-	-	55,150	61,275
Interest on long-term debt	14,252	16,025	-	-	14,252	16,025
Gas utility	-	-	7,554,798	8,729,970	7,554,798	8,729,970
Solid waste disposal	-	-	1,371,247	1,377,016	1,371,247	1,377,016
Total expenses	4,071,405	3,936,835	8,926,045	10,106,986	12,997,450	14,043,821
Increase (Decrease) in net assets before transfers	2,564,964	(127,585)	275,643	709,695	2,840,607	582,110
Transfers	291,899	206,969	(291,899)	(206,969)	-	-
Increase (Decrease) in net assets	2,856,863	79,384	(16,256)	502,726	2,840,607	582,110
Net assets 1/1/10	12,037,869	11,958,485	6,475,463	5,972,737	18,513,332	17,931,222
Net assets 12/31/10	$ 14,894,732	$ 12,037,869	$ 6,459,207	$ 6,475,463	$ 21,353,939	$ 18,513,332

Revenues from governmental activities increased $ 2,827,119 in 2011. The additional revenue is primarily attributable to an increase in grant funds, drawn to fund various capital projects, totaling $ 2,941,535 and an increase of $ 47,901 in amounts charged for services. Property taxes, other taxes, and other revenues decreased by $ 11,657, $ 104,486, and $ 46,174, respectively. Total expenses for governmental activities increased by $ 134,570 in 2011 which represents an increase of approximately 3% over 2010. Expenses for general government, public safety, and culture and recreation exceeded 2010 amounts by $ 293,886 whereas expenses for public works, housing and development, community services, and interest on debt were $ 159,316 less than 2010 amounts.

Total revenues from business-type activities decreased by $ 1,614,993 and total expenses from business-type activities decreased by $ 1,180,941 in 2011. These changes are primarily attributable to a decrease in gas sales and related purchases of gas as a result of the mild winter experienced in 2011.

(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, assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, governmental funds reported combined ending fund balances of $ 4,367,784, a decrease of $ 286,276 in comparison with 2010. This amount includes a deficit of $ 183,792 which will be funded with grant and SPLOST proceeds. Unassigned fund balance at year end was $ 2,034,806 whereas the remainder of fund balance $ 2,516,770 is nonspendable or restricted to indicate that it is not available for new spending because it has already been dedicated or identified for a specific purpose.

General Fund

The general fund is the chief operating fund of the City of Thomson. At the end of the current year, total fund balance of the general fund was $ 2,052,352, of which $ 2,034,806 is unassigned and $ 17,546 is nonspendable. As a measure of general fund liquidity, it may be useful to compare fund balance to total fund expenditures. As of December 31, 2011, fund balance represented 54 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, UDAG,and Police Condemnation and Forfeiture funds are considered to be nonmajor funds. As of December 31, 2011, total major special revenue fund balance was $ 1,367,772 and total nonmajor special revenue fund balance was $ 1,126,514.

Capital Project Funds

The City uses capital project funds to account for the acquisition and construction of major capital facilities that are not financed by proprietary funds. The City maintained nine capital project funds during the current year. They are the Airport Capital Projects Fund, two separate 2007 Community Home Investment Program Funds, the 2008 Community Home Investment Program Fund, 2009 CDBG Multi-Activity Projects Fund, 2010 CDBG Multi-Activity Projects Fund, 2011 CDBG Multi-Activity Projects Fund, 2006 Transportation Enhancement Grant Fund, and the SPLOST Fund. The Airport Capital Projects Fund is reported as a major fund whereas all other capital project funds are reported as nonmajor governmental funds. As of December 31, 2011, the Airport Capital Projects Fund reported a deficit fund balance of $ 183,792 which will be funded with proceeds from grants and SPLOST. Total fund balance of the nonmajor capital projects funds was $ 4,938 as of December 31, 2011.

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 $ 4,294,672, and those of the solid waste disposal operation totaled $ 260,453.

(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.

For the year ended December 31, 2011, actual revenues were less than budgetary estimates by $ 42,317 and actual expenditures were $ 61,415 less than appropriated amounts. Actual expenditures for all departments and governmental activities were under budget except for culture and recreational services which only exceeded appropriated amounts by $ 660. The City funds a portion of its general fund budget with transfers from the gas utility fund. During the year, budgetary estimates for transfers in exceeded actual transfers by $ 50,789 and actual transfers out were $ 12,564 less than budgetary amounts. Interfund transfers are discretionary and City management elected not to fully fund budgeted transfers during 2011. Expenditures and other financing uses exceeded revenues and other financing sources by $ 19,127.

Capital Assets

The City of Thomson's investment in capital assets for its governmental and business-type activities as of December 31, 2011, totaled $ 12,902,514 (net of accumulated depreciation). 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 construction of a skateboard park totaling $ 185,723, improvements to the fire department training facilities totaling $ 21,799, airport access road totaling $ 7,627, purchase of custom fire pumper, service vehicles, and fire-fighting equipment totaling $ 399,417, purchase of office furniture totaling $ 56,152, purchase of vehicle lift totaling $ 33,020, improvements to buildings totaling $ 18,754, installation of new gas emergency valves totaling $ 11,493, purchase of meter reading truck totaling $ 15,812 purchase of solid waste containers totaling $ 24,460, and rebuilding pit burner $ 32,460.

As of December 31, 2011, construction in progress totaled $ 3,588,398, which includes $ 1,574,524 for airport runway overlay, $ 1,372,849 for revitalization of local residential neighborhoods, $ 124,752 for improvements to streetscape, pedestrian safety and parking, $ 477,303 for the home investment program, and $ 38,970 for extending gas lines.

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 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, 2011 was $ 83,435. Principal and interest payments on the leases in 2011 were $ 80,667 and $ 4,429, 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, 2011 was $ 413,587. Principal and interest payments on the note payable in 2011 were $ 28,944 and $ 12,735, respectively.

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

(Continued)

Economic Factors

Downtown revitalization continues to be a major focus for 2012 and the next five years. The City completed phase one of its downtown redevelopment which included new sidewalks, street lights, resurfacing of Main Street, additional parking, and landscaping. Construction on phase two is scheduled to begin in 2012. Planned improvements will include reconfiguration of parking and traffic flow in and around the Depot Complex, construction of additional sidewalks, and stabilization of the historic railroad depot. Total cost of this project is estimated to be $ 1,123,645. Funding for phase two will come from two Transportation Enhancement (TE) Grants totaling $ 800,000 and local funding of approximately $ 323,645.

The City was awarded a third Transportation Enhancement (TE) Grant totaling $ 275,000. Proceeds from this grant will be used to restore Journal Street; the City's only remaining brick street, and the Trade Street area. Both of these streets lie in the heart of the downtown district and provide pedestrian access to local businesses and the newly constructed city/county government complex. Additional funding for this project will come from local sources.

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.

The Federal Aviation Administration and State of Georgia are providing $ 1,649,001 in grant funding to install new runway overlay at the Regional Airport. These funds will cover ninety-seven percent of the total project costs with the remaining costs being paid for with local funding.

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, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,048,564	$ 4,301,958	$ 7,350,522
Investments	344,786	-	344,786
Receivables			
Taxes-net	70,952	-	70,952
Notes-net	1,170,649	-	1,170,649
Accounts-net	-	1,076,105	1,076,105
Interest	23,338	4,733	28,071
Intergovernmental	1,646,871	111	1,646,982
Other	23,211	-	23,211
Inventory	-	58,886	58,886
Prepaid expenses	17,546	24,984	42,530
Internal balances	(14,506)	14,506	-
Capital assets (net of accumulated depreciation)			
Land	965,434	128,782	1,094,216
Site improvements	2,881,023	-	2,881,023
Buildings and improvements	1,298,442	207,313	1,505,755
Plant, machinery and equipment	657,218	1,583,930	2,241,148
Infrastructure	1,591,974	-	1,591,974
Construction in progress	3,549,428	38,970	3,588,398
Total assets	$ 17,274,930	$ 7,440,278	$ 24,715,208
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	$ 1,677,535	$ 539,470	$ 2,217,005
Accrued liabilities	38,498	93,382	131,880
Customer deposits	-	182,142	182,142
Intergovernmental payables	31,072	20,546	51,618
Unearned revenues	27,160	-	27,160
Accrued interest payable	3,142	81	3,223
Noncurrent liabilities			
Due w ithin one year	58,346	54,913	113,259
Due in more than one year	436,477	-	436,477
Net OPEB obligation	107,968	90,537	198,505
Total liabilities	2,380,198	981,071	3,361,269
Net Assets			
Invested in capital assets, net of related debt	8,870,134	1,904,082	10,774,216
Restricted for:			
Public safety	6,084	-	6,084
Housing and development	2,545,709	-	2,545,709
Unrestricted	3,472,805	4,555,125	8,027,930
Total net assets	$ 14,894,732	$ 6,459,207	$ 21,353,939

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, 2011

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	$ 501,149	$ 53,452	$ -	$ 56,152	(391,545)	$ -	$ (391,545)
Public safety	1,997,588	219,097	-	346,507	(1,431,984)	-	(1,431,984)
Public w orks	696,333	-	-	-	(696,333)	-	(696,333)
Housing and development	366,119	70,447	34,266	2,757,864	2,496,458	-	2,496,458
Health and w elfare	420	-	-	-	(420)	-	(420)
Culture and recreation	440,394	-	-	185,722	(254,672)	-	(254,672)
Community services	55,150	40,423	-	-	(14,727)	-	(14,727)
Interest on long-term debt	14,252	-	-	-	(14,252)	-	(14,252)
Total governmental activities	4,071,405	383,419	34,266	3,346,245	(307,475)	-	(307,475)
Business-type activities:							
Gas Utility	7,554,798	7,959,040	-	-	-	404,242	404,242
Solid Waste	1,371,247	1,215,254	-	-	-	(155,993)	(155,993)
Total business-type activities	8,926,045	9,174,294	-	-	-	248,249	248,249
Total primary government	$ 12,997,450	$ 9,557,713	$ 34,266	$ 3,346,245	$ (307,475)	$ 248,249	$ (59,226)
General revenues							
Property taxes					656,513	-	656,513
Motor vehicle taxes					48,810	-	48,810
Mobile home taxes					2,669	-	2,669
Payment in lieu of taxes					14,142	-	14,142
Sales taxes					1,121,428	-	1,121,428
Franchise taxes					440,240	-	440,240
Insurance premium taxes					317,917	-	317,917
Financial institution taxes					36,055	-	36,055
Alcoholic beverage taxes					105,893	-	105,893
Occupation taxes					48,345	-	48,345
Intangible taxes					7,611	-	7,611
Transfer taxes					1,271	-	1,271
Railroad equipment taxes					303	-	303
Interest income					44,480	22,133	66,613
Insurance claims					9,053	5,261	14,314
Other revenues					17,709	-	17,709
Transfers					291,899	(291,899)	-
Total general revenues and transfers					3,164,338	(264,505)	2,899,833
Change in net assets					2,856,863	(16,256)	2,840,607
Net assets, beginning of year					12,037,869	6,475,463	18,513,332
Net assets, end of year					$ 14,894,732	$ 6,459,207	$ 21,353,939

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

CITY OF THOMSON, GEORGIA
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Employment Incentive Program Loan Fund	Airport Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
		ASSETS			
Cash and cash equivalents	$ 1,760,036	$ 669,222	$ 13,826	$ 556,118	$ 2,999,202
Investments	258,944	-	-	85,842	344,786
Receivables (net of allowance for uncollectibles)					
Taxes	70,952	-	-	-	70,952
Notes	-	697,511	-	473,138	1,170,649
Interest	-	1,039	-	229	1,268
Other	13,965	-	9,246	-	23,211
Intergovernmental receivables	115,246	-	1,274,472	176,755	1,566,473
Interfund receivables	1,291	-	2,044	18,497	21,832
Prepaid expenses	17,546	-	-	-	17,546
Total assets	$ 2,237,980	$ 1,367,772	$ 1,299,588	$ 1,310,579	$ 6,215,919
		LIABILITIES AND FUND BALANCES			
Liabilities					
Accounts payable	$ 39,099	$ -	$ 1,458,125	$ 177,159	$ 1,674,383
Accrued liabilities	30,702	-	-	-	30,702
Intergovernmental payables	5,817	-	25,255	-	31,072
Interfund payables	33,079	-	-	1,968	35,047
Deferred revenues	76,931	-	-	-	76,931
Total liabilities	185,628	-	1,483,380	179,127	1,848,135
Fund Balances (Deficits)					
Nonspendable	17,546	-	-	-	17,546
Restricted for:					
Public safety	-	-	-	6,084	6,084
Housing and development	-	1,367,772	-	1,125,368	2,493,140
Unassigned	2,034,806	-	(183,792)	-	1,851,014
Total fund balances (deficits)	2,052,352	1,367,772	(183,792)	1,131,452	4,367,784
Total liabilities and fund balances	$ 2,237,980	$ 1,367,772	$ 1,299,588	$ 1,310,579	$ 6,215,919

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, 2011

Total fund balances - governmental funds	$ 4,367,784
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	4,512,834
Building and improvements	1,907,348
Machinery and equipment	3,257,206
Infrastructure	2,109,331
Construction in progress	3,549,428
Accumulated depreciation	(5,415,888)
Total capital assets - governmental activities	10,885,693
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.	94,949
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	80,398
Interest receivable	22,070
Deferred property taxes	49,771
Total deferred revenues	152,239
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	(3,142)
Accrued compensated absences	(52,714)
Long-term debt including capital leases and notes payable	(442,109)
Net OPEB obligation	(107,968)
Total long-term liabilities	(605,933)
Net assets of governmental activities	$ 14,894,732

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, 2011

	General	Employment Incentive Program Loan Fund	Airport Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 2,813,789	$ -	$ -	$ -	$ 2,813,789
Licenses and permits	13,216	-	-	-	13,216
Intergovernmental	273,017	-	1,392,405	1,832,522	3,497,944
Charges for services	4,640	-	-	-	4,640
Fines and forfeitures	194,520	-	-	14,477	208,997
Interest income	26,773	16,364	-	4,746	47,883
Rents	78,828	-	25,426	-	104,254
Cemetary lot sales	18,300	-	-	-	18,300
Insurance claims	3,761	-	5,292	-	9,053
Other	17,709	-	-	-	17,709
Total revenues	3,444,553	16,364	1,423,123	1,851,745	6,735,785
EXPENDITURES					
Current					
General government	563,461	-	-	-	563,461
Public safety	1,795,366	-	-	17,029	1,812,395
Public works	579,855	-	-	-	579,855
Health and welfare	420	-	-	-	420
Community services	40,554	-	-	-	40,554
Culture and recreation	419,413	-	-	-	419,413
Housing and development	108,195	-	97,108	40,131	245,434
Debt service					
Principal	56,520	-	-	-	56,520
Interest	14,507	-	-	-	14,507
Capital outlay					
General government	56,152				56,152
Public safety	144,870	-	-	283,997	428,867
Culture and recreation	-	-	-	185,722	185,722
Housing and development	-	-	1,541,897	1,368,763	2,910,660
Total expenditures	3,779,313	-	1,639,005	1,895,642	7,313,960
Excess (deficiency) of revenues over expenditures	(334,760)	16,364	(215,882)	(43,897)	(578,175)
OTHER FINANCING SOURCES (USES)					
Transfers in	292,099	-	36,335	6,146	334,580
Transfers out	(42,481)	-	-	(200)	(42,681)
Total other financing sources (uses)	249,618	-	36,335	5,946	291,899
NET CHANGE IN FUND BALANCES	(85,142)	16,364	(179,547)	(37,951)	(286,276)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	2,137,494	1,351,408	(4,245)	1,169,403	4,654,060
FUND BALANCES (DEFICITS), END OF YEAR	$ 2,052,352	$ 1,367,772	$ (183,792)	$ 1,131,452	$ 4,367,784

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, 2011

Net change in fund balances - total governmental funds	$ (286,276)
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	3,584,877
Depreciation expense	(487,896)
Excess of capital outlay over depreciation expense	3,096,981
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 decreased by this amount in 2011.	(3,403)
Intergovernmental receivables decreased by this amount in 2011.	(3,021)
Deferred revenues decreased by this amount in 2011 .	(9,571)
Net change in revenues not providing current financial resources	(15,995)
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	56,520
Total principal payments on long-term debt	56,520
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 2011.	3,036
Accrued interest payable decreased by this amount in 2011.	255
Net OPEB obligation increased by this in 2011.	(31,670)
Net change in expenses not requiring the use of current financial resources	(28,379)
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	34,012
Change in net assets of governmental activities	$ 2,856,863

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, 2011

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 2,934,595	$ 2,915,295	$ 2,892,213	$ (23,082)
Licenses and permits	22,000	13,600	13,631	31
Intergovernmental	89,851	222,336	216,865	(5,471)
Charges for services	4,500	5,700	4,640	(1,060)
Fines and forfeitures	170,000	195,500	194,520	(980)
Use of money and property	111,535	138,735	127,421	(11,314)
Other	12,500	18,150	17,709	(441)
Total revenues	3,344,981	3,509,316	3,466,999	(42,317)
EXPENDITURES				
Current				
General government	503,529	575,297	564,575	(10,722)
Public safety	1,784,666	1,942,438	1,936,493	(5,945)
Public works	668,710	619,970	608,759	(11,211)
Health and welfare	420	420	420	-
Community services	153,829	154,529	152,884	(1,645)
Culture and recreation	321,357	321,357	322,017	660
Housing and development	181,143	185,193	152,641	(32,552)
Total expenditures	3,613,654	3,799,204	3,737,789	(61,415)
Deficiency of revenues over expenditures	(268,673)	(289,888)	(270,790)	(19,098)
OTHER FINANCING SOURCES (USES)				
Transfers in	314,673	342,888	292,099	(50,789)
Transfers out	(46,000)	(53,000)	(40,436)	(12,564)
Total other financing sources (uses)	268,673	289,888	251,663	(38,225)
CHANGE IN FUND BALANCE	$ -	$ -	(19,127)	$ (19,127)
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			2,087	
Payables and other liabilities			(68,102)	
Total reconciliation to GAAP basis			(66,015)	
FUND BALANCE, BEGINNING OF YEAR			2,137,494	
FUND BALANCE, END OF YEAR			$ 2,052,352	

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, 2011

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 16,324	$ 16,324
Available for loans	418,899	418,899	421,257	2,358
Total revenues	418,899	418,899	437,581	18,682
EXPENDITURES				
Loans made	418,899	418,899	250,000	(168,899)
Total expenditures	418,899	418,899	250,000	(168,899)
CHANGE IN FUND BALANCE	$ -	$ -	187,581	$ 187,581
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(171,217)	
Payables and other liabilities			-	
Total reconciliation to GAAP basis			(171,217)	
FUND BALANCE, BEGINNING OF YEAR			1,351,408	
FUND BALANCE, END OF YEAR			$ 1,367,772	

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, 2011

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
ASSETS				
Current assets				
Cash	$ 4,114,451	$ 187,507	$ 4,301,958	$ 49,362
Accounts receivable-net	931,565	144,540	1,076,105	-
Interest receivable	4,733	-	4,733	-
Intergovernmental receivables	-	111	111	-
Interfund receivables	1,989	12,517	14,506	-
Inventory	58,886	-	58,886	-
Prepaid expenses	13,488	11,496	24,984	-
Total current assets	5,125,112	356,171	5,481,283	49,362
Noncurrent assets				
Capital assets				
Land	128,782	-	128,782	-
Buildings and improvements	370,396	50,968	421,364	39,806
Plant, machinery, and equipment	5,196,428	1,114,241	6,310,669	75,843
Construction in progress	38,970	-	38,970	-
Less accumulated depreciation	(4,062,523)	(878,267)	(4,940,790)	(57,823)
Total capital assets, net of accumulated depreciation	1,672,053	286,942	1,958,995	57,826
Total noncurrent assets	1,672,053	286,942	1,958,995	57,826
Total assets	6,797,165	643,113	7,440,278	107,188
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	520,885	18,585	539,470	3,152
Accrued liabilities	69,713	23,750	93,463	7,796
Customer deposits	182,142	-	182,142	-
Intergovernmental payables	-	20,546	20,546	-
Interfund payables	-	-	-	1,291
Current portion-capital leases payable	14,860	40,053	54,913	-
Total current liabilities	787,600	102,934	890,534	12,239
Noncurrent liabilities				
Net OPEB obligation	57,700	32,837	90,537	-
Total noncurrent liabilities	57,700	32,837	90,537	-
Total liabilities	845,300	135,771	981,071	12,239
Net Assets				
Invested in capital assets, net of related debt	1,657,193	246,889	1,904,082	57,826
Unrestricted	4,294,672	260,453	4,555,125	37,123
Total net assets	$ 5,951,865	$ 507,342	$ 6,459,207	$ 94,949

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, 2011

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 7,573,021	$ 1,188,032	$ 8,761,053	$ 232,000
Refunds from suppliers	342,656	-	342,656	-
Penalties	40,931	23,508	64,439	-
Other	2,432	3,714	6,146	-
Total operating revenues	7,959,040	1,215,254	9,174,294	232,000
OPERATING EXPENSES				
Purchases	6,050,787	281,140	6,331,927	-
Personal services and benefits	662,685	708,822	1,371,507	152,835
Professional and technical services	133,121	14,157	147,278	-
Repairs and maintenance	145,253	74,310	219,563	5,048
Other purchased services	97,315	53,771	151,086	15,381
Supplies	173,351	143,556	316,907	21,371
Intergovernmental	125,951	-	125,951	-
Depreciation	156,770	85,470	242,240	3,353
Bad debts	3,418	4,387	7,805	-
Other	5,357	3,512	8,869	-
Total operating expenses	7,554,008	1,369,125	8,923,133	197,988
Operating income (loss)	405,032	(153,871)	251,161	34,012
NON-OPERATING REVENUES (EXPENSES)				
Interest income	22,133	-	22,133	-
Insurance claims	-	5,261	5,261	-
Interest expense	(790)	(2,122)	(2,912)	-
Total non-operating revenues (expenses)	21,343	3,139	24,482	-
Income (loss) before transfers	426,375	(150,732)	275,643	34,012
TRANSFERS IN (OUT)				
Transfers in	-	116,287	116,287	-
Transfers out	(404,721)	(3,465)	(408,186)	-
CHANGE IN NET ASSETS	21,654	(37,910)	(16,256)	34,012
NET ASSETS, BEGINNING OF YEAR	5,930,211	545,252	6,475,463	60,937
NET ASSETS, END OF YEAR	$ 5,951,865	$ 507,342	$ 6,459,207	$ 94,949

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, 2011

	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	$ 8,503,549	$ 1,229,148	$ 9,732,697	$ 232,000
Payments to suppliers and others	(7,027,735)	(569,441)	(7,597,176)	(41,729)
Payments to employees	(657,914)	(691,524)	(1,349,438)	(152,395)
Net cash provided (used) by operating activities	817,900	(31,817)	786,083	37,876
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	56,304	56,304	-
Transfers to other funds	(222,122)	(3,465)	(225,587)	-
Net cash provided (used) by noncapital financing activities	(222,122)	52,839	(169,283)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from insurance claims	-	5,261	5,261	-
Purchase and construction of capital assets	(66,275)	(56,920)	(123,195)	(33,020)
Payments on long-term debt	(14,367)	(38,724)	(53,091)	-
Interest paid	(809)	(2,174)	(2,983)	-
Transfers from other funds	-	59,983	59,983	-
Transfers to other funds	(182,599)	-	(182,599)	-
Net cash used by capital and related financing activities	(264,050)	(32,574)	(296,624)	(33,020)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	42,924	-	42,924	-
Net cash provided by investing activities	42,924	-	42,924	-
Net increase (decrease) in cash and cash equivalents	374,652	(11,552)	363,100	4,856
Cash and cash equivalents, beginning of year	3,739,799	199,059	3,938,858	44,506
Cash and cash equivalents, end of year	$ 4,114,451	$ 187,507	$ 4,301,958	$ 49,362

(Continued)

CITY OF THOMSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	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 (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ 405,032	$ (153,871)	$ 251,161	$ 34,012
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	156,770	85,470	242,240	3,353
Other post employment benefits (OPEB)	19,233	12,593	31,826	-
(Increase) decrease in current assets				
Accounts receivable	544,554	3,000	547,554	-
Intergovernmental receivables	-	15,281	15,281	-
Other receivables	45,996	-	45,996	-
Interfund receivables	1,156	1,598	2,754	-
Inventory	7,121	-	7,121	-
Prepaid expenses	(698)	(583)	(1,281)	-
Increase (decrease) in current liabilities				
Accounts payable	(347,023)	(4,080)	(351,103)	71
Accrued expenses	(15,618)	3,107	(12,511)	186
Customer deposits	3,373	-	3,373	-
Intergovernmental payables	(1,996)	5,668	3,672	-
Interfund payables	-	-	-	254
Total adjustments	412,868	122,054	534,922	3,864
Net cash provided (used) by operating activities	$ 817,900	$ (31,817)	$ 786,083	$ 37,876

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, 2011

	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.

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, 2011.

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.

Airport Capital Projects Fund - The Airport Capital Projects Fund is used to account for funds received and expended for capital improvements and maintenance at the airport.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following other fund types:

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

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

Internal Service Fund - An internal service fund is used to account for the City's vehicle maintenance fund. The 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 2011 annual appropriated budgets for the City's General Fund, Enterprise Funds, and Special Revenue Funds on November 11, 2010. 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. Property taxes and sales tax revenues collected in the current year are set-aside to fund the subsequent year's budget. Accordingly, a portion of fund balance representing these tax revenues is assigned for subsequent year's expenditures.

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

A reconciliation from the budgetary basis to generally accepted accounting principles (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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Office of the State Treasurer is the regulatory oversight agency for Georgia Fund 1.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2011.

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, 2011.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Unrestricted net assets represent the net assets available for future operations.

With the implementation of GASB 54, the City requires the following actions to be taken for fund balance to be classified as "restricted", "committed", or "assigned":

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

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

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

In accordance with GASB 54, the City also uses "non-spendable" in its fund financial statements to classify fund balance amounts that are legally or contractually required and cannot be spent, or unassigned, which represents amounts not included in the other fund balance categories.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2011 were levied on September 14, 2011 and were due November 15, 2011. 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 $ 93,106 less than budgeted amounts whereas actual expenditures and other financing uses (budgetary basis) were $ 73,979 less than appropriated amounts. Actual expenditures and other financing uses (budgetary basis) exceeded actual revenues and other financing sources by $ 19,127. Amounts budgeted for interfund revenues and expenditures were not fully funded resulting in a decrease in expected net revenues of $ 38,225. These transfers are made at the discretion of management and are made on an as needed basis.

Expenditures for culture and recreation exceeded appropriated amounts by $ 660. Expenditures for all other City departments and functions were under appropriated amounts.

Airport Capital Projects Fund

The Airport Construction Fund is reporting a deficit fund balance of $ 183,792 as of December 31, 2011 which includes a decrease in fund balance of $ 179,547 for the year. The decrease in and resulting deficit fund balance is attributable to liabilities incurred for construction and maintenance projects at 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.

Nonmajor Governmental Funds

The Housing Development Action Grant Loan Fund, Police Condemnation Forefeiture Fund, 2008 CHIP Grant Fund, and 2009 CDBG 5135 Fund are reporting decreases in fund balance for December 31, 2011 totaling $ 39,456, $ 2,552, $ 25, and $ 2,997, respectively. These decreases were funded with available fund balance.

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS

Deposits

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

The carrying amount of the City's deposits with financial institutions was $ 7,350,558 and the bank balance was $ 7,583,171 at December 31, 2011. 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, 2011, the City had the following investments:

Investments	Maturities	Fair Value	Credit Rating
Georgia Fund 1	Average of 23 days	$ 258,944	AAA
Land	N/A	85,842	N/A
		$ 344,786	

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.

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, 2011, 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 14, 2011 and were due on November 15, 2011. 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 2011 tax levy follows:

2011 millage rate	5.40
Taxable Digest	$ 121,720,289
Gross Tax Levy	$ 1,892,434
Less Sales Tax Rollback	(1,183,623)
Net Property Taxes	$ 708,811
Property Taxes Receivable	$ 86,555
Less Allowance for Uncollectible Amounts	(15,603)
Net Property Taxes Receivable	$ 70,952
Deferred Property Tax Revenue	$ 49,771

NOTE 5 - NOTES RECEIVABLE

Notes receivable and the applicable allowances for uncollectible accounts as of December 31, 2011 are as follows:

Employment Incentive Program Loan Fund (EIP)	
5.00%, monthly payments of $ 2,386 (principal and interest), to 2014, collateralized by equipment	$ 64,401
5.00%, monthly payments of $ 2,652 (principal and interest), to 2013, collateralized by equipment	40,960
5.00%, monthly payments of $ 707 (principal and interest), to 2010, collateralized by equipment, accounts receivable, and inventory	39,628
Variable interest, monthly payments of $ 835 (principal plus interest), to 2024, collateralized by real estate	122,445
4.00%, monthly payments of $ 1,012 (principal and interest), to 2020, collateralized by equipment and accounts receivable	85,979
0.00%, monthly payments of $ 979 (principal), to 2029, collateralized by real estate	148,164

(Continued)

NOTE 5 - NOTES RECEIVABLE (Continued)

3.00%, monthly payments of $ 2,414 (principal and interest), to 2021, collateralized by personal guarantee of owners	235,562
	737,139
Less allowance for doubtful accounts	(39,628)
Total	697,511
Housing Development Action Grant Loan Fund (HODAG)	
3.50%, monthly payments of $ 53 (principal and interest), to 2016, collateralized by real estate	2,508
3.50%, monthly payments of $ 66 (principal and interest), to 2019, collateralized by real estate	5,214
3.50%, monthly payments of $ 49 (principal and interest), to 2013, collateralized by real estate	1,049
3.50%, monthly payments of $ 69 (principal and interest), to 2016, collateralized by real estate	3,541
3.50%, monthly payments of $ 57 (principal and interest), to 2014, collateralized by real estate	1,748
3.50%, monthly payments of $ 57 (principal and interest), to 2017, collateralized by real estate	3,157
2.00%, monthly payments of $ 1,602 (principal and interest), to 2020, collateralized by real estate	331,548
Total	348,765
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	90,940
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	33,433
	215,130
Less allowance for doubtful accounts	(90,757)
Total	124,373
Grand Total	$ 1,170,649

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 01/01/2011	Additions	Deletions	Balance 12/31/2011
Governmental Activities				
Capital assets not being depreciated				
Land	$ 965,434	$ -	$ -	$ 965,434
Construction in progress	654,023	2,895,405	-	3,549,428
Total capital assets not being depreciated	1,619,457	2,895,405	-	4,514,862
Capital assets being depreciated				
Site improvements	4,297,683	215,149	-	4,512,832
Buildings and improvements	1,928,400	18,754	-	1,947,154
Plant, machinery, and equipment	2,871,754	488,589	(27,294)	3,333,049
Infrastructure	2,109,331	-	-	2,109,331
Total capital assets being depreciated	11,207,168	722,492	(27,294)	11,902,366
Less accumulated depreciation				
Site improvements	(1,484,562)	(147,247)	-	(1,631,809)
Buildings and improvements	(600,268)	(48,444)	-	(648,712)
Plant, machinery, and equipment	(2,493,553)	(209,572)	27,294	(2,675,831)
Infrastructure	(431,371)	(85,986)	-	(517,357)
Total accumulated depreciation	(5,009,754)	(491,249)	27,294	(5,473,709)
Net capital assets being depreciated	6,197,414	231,243	-	6,428,657
Governmental activities capital assets-net	$ 7,816,871	$ 3,126,648	$ -	$ 10,943,519

Depreciation expense was charged to functions as follows:

General government	$ 15,258
Public safety	185,916
Public works	130,741
Housing and development	120,404
Culture and recreation	20,981
Community services	14,596
Vehicle maintenance fund	3,353
Current year depreciation expense	$ 491,249

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 01/01/2011	Additions	Deletions	Balance 12/31/2011
Business-type Activities				
Capital assets not being depreciated				
Land	$ 128,782	$ -	$ -	$ 128,782
Construction in progress	-	38,970	-	38,970
Total capital assets not being depreciated	128,782	38,970	-	167,752
Capital assets being depreciated				
Buildings and improvements	421,364	-	-	421,364
Plant, machinery, and equipment	6,243,603	84,225	(17,159)	6,310,669
Total capital assets being depreciated	6,664,967	84,225	(17,159)	6,732,033
Less accumulated depreciation				
Buildings and improvements	(203,578)	(10,473)	-	(214,051)
Plant, machinery, and equipment	(4,512,131)	(231,767)	17,159	(4,726,739)
Total accumulated depreciation	(4,715,709)	(242,240)	17,159	(4,940,790)
Net capital assets being depreciated	1,949,258	(158,015)	-	1,791,243
Business-type activities capital assets-net	$ 2,078,040	$ (119,045)	$ -	$ 1,958,995

Depreciation expense on capital assets of the Proprietary Funds was $ 242,240 for the year ended December 31, 2011.

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, 2011.

NOTE 7 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2011:

	Balance 01/01/2011	Additions	Deletions	Balance 12/31/2011
Governmental Activities				
Note payable	$ 442,531	$ -	$ (28,944)	$ 413,587
Capital leases	56,098	-	(27,576)	28,522
Accrued compensated absences	55,750	8,366	(11,402)	52,714
Total debt - governmental activities	$ 554,379	$ 8,366	$ (67,922)	$ 494,823
Business-type Activities				
Capital leases	$ 108,004	$ -	$ (53,091)	$ 54,913
Total debt – business-type activities	$ 108,004	$ -	$ (53,091)	$ 54,913

There was no short-term borrowing during the year ended December 31, 2011.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

The following summarizes long-term debt outstanding at December 31, 2011:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Note payable, airport hanger	$ 500,000	3.00%	2023	$ 413,587	$ 29,824
Capital lease, street sweeper	93,000	3.39%	2012	19,815	19,815
Capital lease, excavator	40,866	3.39%	2012	8,707	8,707
	$ 633,866			442,109	58,346
Accrued compensated absences				52,714	-
Total - governmental activities				$ 494,823	$ 58,346
Business-type Activities					
Capital lease, backhoe	$ 69,745	3.39%	2012	$ 14,860	$ 14,860
Capital lease, garbage truck	187,985	3.39%	2012	40,053	40,053
Total - business-type activities	$ 257,730			$ 54,913	$ 54,913

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, 2011 to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2012	$ 29,824	$ 12,073	$ 41,897
2013	30,727	11,170	41,897
2014	31,660	10,237	41,897
2015	32,620	9,277	41,897
2016	33,610	8,287	41,897
2017 thru 2021	183,978	25,506	209,484
2022 thru 2023	71,168	2,150	73,318
Total	$ 413,587	$ 78,700	$ 492,287

Capital Lease Obligations

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, are as follows:

Year Ending December 31,	Governmental Activities	Business-type Activities
2012	$ 29,130	$ 56,082
Total minimum lease payments	29,130	56,082
Less amount representing interest	(608)	(1,169)
Present value of minimum lease payments	$ 28,522	$ 54,913

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2011, is as follows:

Due from/to other funds

Receivable Fund	Payable Fund	Amount
General fund	Maintenance fund	$ 1,291
HODAG loan fund	General fund	5,190
UDAG loan fund	General fund	11,339
UDAG loan fund	HODAG loan fund	1,968
Airport capital projects fund	General fund	2,044
Gas fund	General fund	1,989
Solid Waste fund	General fund	12,517
Total		$ 36,338

Amounts due to the General Fund totaling $ 1,291 represent 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 Airport Capital Projects Fund totaling $ 2,044 represent grant matching funds on runway overlay capital project.

Amounts due to the Gas Fund totaling $ 1,989 represent prior year miscellaneous adjustments and amounts to be reimbursed from various capital projects upon completion.

Amounts due to the Solid Waste Fund totaling $ 12,517 represent prior year capital contributions from the Gas Fund that were deposited in the General Fund.

Interfund transfers

	Transfer Out				
Transfer In	General Fund	Gas Fund	Solid Waste Fund	Nonmajor Governmental Funds	Total Transfers In
General fund	$ -	$ 288,434	$ 3,465	$ 200	$ 292,099
Airport capital projects fund	36,335	-	-	-	36,335
Nonmajor governmental funds	6,146	-	-	-	6,146
Solid Waste fund	-	116,287	-	-	116,287
Total transfers out	$ 42,481	$ 404,721	$ 3,465	$ 200	$ 450,867

The City funds its General Fund capital budget with transfers from the Gas Fund. Capital assets funded with transfers from the Gas Fund during 2011 totaled $ 122,616. The Gas Fund also funds a portion of administrative salaries and related employment benefits. Transfers from the Gas Fund to fund these costs totaled $ 141,068. In addition, the Gas and Solid Waste funds reimburse the General Fund for a portion of the City's occupancy costs of the joint government complex. Reimbursements for occupancy costs from the Gas Fund and Solid Waste funds totaled $ 24,750 and $ 3,465, respectively. Various capital project funds transferred remaining cash balances after completion of the capital project to the General Fund. Transfers of residual cash balances from capital project funds totaled $ 200.

(Continued)

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

The General Fund provides funding to the Airport Capital Projects Fund for local matching of capital grants and airport maintenance. Funding for local matching funds is also provided by the General Fund to various other capital project funds. Total transfers for airport capital projects and maintenance and other capital projects totaled $ 36,335 and $ 6,146, respectively.

Capital assets purchased by the Solid Waste Fund are funded with transfers from the Gas Fund. Total transfers to fund Solid Waste Fund capital purchases were $ 116,287.

NOTE 9 - DEFERRED REVENUE

As of December 31, 2011, deferred revenues reported in the fund financial statements, totaled $ 76,931. Deferred property taxes totaled $ 49,771, prepayments of 2012 occupational taxes totaled $ 23,060, prepayments of 2012 beer and wine licenses totaled $ 2,100, and unearned miscellaneous income totaled $ 2,000. These amounts are not considered available for expenditure as of year-end.

NOTE 10 - NET ASSETS

Net assets of the government-wide and proprietary fund financial statements represent the difference between assets and liabilities. Reported amounts for invested in capital assets and restricted net assets are as follows at December 31, 2011:

	Governmental Activities	Business-type Activities
Invested in Capital Assets, Net of Related Debt		
Primary government	$ 10,885,693	$ 1,958,995
Internal service fund	57,826	-
Less note payable	(413,587)	-
Less capital leases payable	(28,522)	(54,913)
Less construction and retainage payables	(1,631,276)	-
Total invested in capital assets, net of related debt	$ 8,870,134	$ 1,904,082

	Governmental Activities
Restricted For	
Public Safety	
Police Condemnation Fund	$ 6,084
Total Public Safety	$ 6,084
Housing and Development	
EIP Revolving Loan Fund	$ 1,367,772
HODAG Revolving Loan Fund	574,352
UDAG Revolving Loan Fund	565,617
2007 CHIP Grant Fund	76
2007 CHIP Grant Fund	76
2008 CHIP Grant Fund	75
2009 CDBG Grant Fund	1,603
2010 CDBG Grant Fund	3,412
2011 CDBG Grant Fund	100
SPLOST Fund	32,626
Total Housing and Development	$ 2,545,709

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. Transfers to and from the Commission by the participating governments are accounted for as intergovernmental revenues and expenses. Federal and state grant funds transferred to the Commission by the participating governments are accounted for as sub-recipient grant funds.

(Continued)

NOTE 11 - JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Financial information regarding the Commission is summarized as follows:

Operating revenues	$ 4,063,782
Depreciation and amortization expense	$ 1,024,402
Operating loss	$ (330,031)
Change in net assets	$ (445,991)
Capital asset additions	$ 116,275
Capital asset deletions	$ (13,876)
Net working capital	$ 1,332,835
Total assets	$ 35,264,831
Revenue bonds and other long-term liabilities	$ 5,986,871
Total net assets	$ 28,768,795

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 Commission

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 Commission (RC) and is required to pay annual dues thereto. During the year ended December 31, 2011, the City paid $ 6,793 in such dues. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 that provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RC. Separate financial statements may be obtained from:

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

Housing Authority

The Housing Authority of the City of Thomson, Georgia is considered a related organization based upon the criteria in GASB Statement 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, 2011, 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.

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

NOTE 14 - RETIREMENT PLAN

The City 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.

Actuarial valuations are done as of July 1 of each year and are 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 of the following 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.

(Continued)

NOTE 14 - RETIREMENT PLAN (Continued)

GMEBS can amend the Master Plan or the elective provisions of the Adoption Agreement in its sole discretion as Trustee of the Plan. Any amendment by GMEBS must be approved by the City 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, 2011, the most recent valuation date, there were ninety-five active participants, forty-six retirees and beneficiaries receiving benefits, and twenty-nine 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 2010 was 10.52% of annual covered payroll, and the rate for 2011 was 10.69% of covered payroll. Total covered payroll was $ 2,992,897 and $ 3,128,809 for 2011 and 2010. Total payroll was $ 3,485,767 for 2011 and $ 3,408,173 for 2010. Employees do not contribute to the plan.

Annual Pension Cost

For 2011, the annual pension cost of $ 335,009 for the Plan was equal to the recommended annual contribution. The annual required contribution for the current year was determined as part of the July 1, 2010 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases of 3.5%, 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 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.

(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
December 31, 2011	$ 335,009	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	90.20%	$ 1,155,935	15.1%
01/01/95	$ 1,642,249	$ 1,741,836	$ 99,587	94.30%	$ 1,318,064	7.5%
01/01/96	$ 1,864,536	$ 2,017,348	$ 152,812	92.40%	$ 1,595,948	9.6%
01/01/97	$ 1,933,299	$ 2,124,547	$ 191,248	91.00%	$ 1,697,220	11.3%
01/01/98	$ 2,176,425	$ 2,239,217	$ 62,792	97.20%	$ 1,818,812	3.5%
01/01/99	$ 2,719,434	$ 2,393,700	$ (325,734)	113.60%	$ 1,784,577	(18.3%)
01/01/00	$ 2,931,878	$ 2,651,347	$ (280,531)	110.60%	$ 1,814,450	(15.5%)
01/01/01	$ 3,148,907	$ 2,940,816	$ (208,091)	107.10%	$ 1,988,052	(10.5%)
01/01/02	$ 3,317,375	$ 3,291,305	$ (26,070)	100.80%	$ 2,246,049	(1.1%)
01/01/03	$ 3,291,482	$ 3,611,180	$ 319,698	91.10%	$ 2,594,302	12.3%
01/01/04	$ 3,533,233	$ 3,905,186	$ 371,953	90.50%	$ 2,638,147	14.1%
01/01/05	$ 3,794,735	$ 4,305,729	$ 510,994	88.10%	$ 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%
07/01/11	$ 5,660,066	$ 6,439,099	$ 779,033	87.90%	$ 2,992,897	26.03%

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 three 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, 2011 was as follows (information prior to 2009 is not available since the actuarial valuation was first performed as of December 31, 2008):

	Business-type Activities		Governmental Activities	
	Gas Utility Fund	Solid Waste Fund	General Fund	Total
Employer normal costs	$ 12,839	$ 10,102	$ 34,828	$ 57,769
Amortization of UAL*	5,885	2,158	12,090	20,133
Annual required contribution (ARC)	18,724	12,260	46,918	77,902
Interest on net obligation	509	333	1,276	2,118
Annual OPEB costs	19,233	12,593	48,194	80,020
Contributions made	-	-	(16,524)	(16,524)
	19,233	12,593	31,670	63,496
Net OPEB obligation – beginning of Year	38,467	20,244	76,298	135,009
Net OPEB obligation – end of year	$ 57,700	$ 32,837	$ 107,968	$ 198,505

* 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
2011	$ 80,020	20.65%	$ 198,505

(Continued)

NOTE 15 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2011, 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	$ 400,309	$ 394,530	$ 1,331,691	$ 2,126,530
Unfunded actuarial accrued liability as a percentage of covered payroll	44.38%	16.51%	27.41%	28.58%

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. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In the 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 2011 and decreases 0.5% each year until 2014 and thereafter 5.0% was assumed.

NOTE 16 – COMMITMENTS AND SUBSEQUENT EVENTS

The Georgia Department of Transportation awarded the City of Thomson two Transportation Enhancement (TE) Grants totaling $ 400,000 each. These grants will be combined and provide for additional improvements in the downtown area to include reconfiguration of parking and traffic flow in and around the Depot Complex, construction of additional sidewalks, and stabilization of the historic railroad depot. Total project cost is estimated to be $ 1,123,645, including a local match of $ 323,645 to be funded with SPLOST proceeds. Construction is expected to begin on this project in 2012.

A third Transportation Enhancement (TE) Grant awarded by the Georgia Department of Transportation totaling $ 275,000 will be combined with local funds to restore the Journal and Trade Street areas of downtown. The project will include restoration of brick paving, construction and rehabilitation of sidewalks, and enhancements to pedestrian safety. Preliminary designs are being completed on this project.

(Continued)

NOTE 16 – COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

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. Approximately, eighty percent of these funds had been expended as of the end of the year.

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. Construction on this project began in 2011 and was approximately fifty-three percent complete as of year-end.

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. This project was approximately eighty-two percent complete as of year-end and is expected to be completed in 2012.

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. As of year-end this project was approximately sixty-five percent complete with construction expected to be completed in 2012.

On September 16, 2011 the City was awarded a third 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 $ 877,960. Final engineering and design of this project is being completed.

On October 30, 2011 the City was awarded a Federal Aviation Administration Airport Improvement Grant, to be passed through the Georgia Department of Transportation, for construction of runway overlay. Total cost of this project is estimated to be $ 1,693,285 to be funded with federal and state grant proceeds and SPLOST funds totaling $ 1,649,000 and $ 44,285, respectively. As of the report date, the project was approximately ninety-three percent complete with construction expected to be completed in 2012.

As of December 31, 2011, 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 and 2008 TE Grants Downtown Redevelopment	$ 103,844	$ 1,019,801
2011 TE Grant Downtown Redevelopment	-	275,000
2007 CHIP Neighborhood Revitalization	186,422	-
2007 CHIP Neighborhood Revitalization	209,743	90,257
2008 CHIP Neighborhood Revitalization	81,138	71,728
2009 CDBG Multi-Activity Project	791,788	168,601
2010 CDBG Multi-Activity Project	565,660	300,692
2011 CDBG Multi-Activity Project	15,401	862,559
FAA Airport Improvement Project	1,574,524	118,761
Total governmental activities	$ 3,528,520	$ 2,907,399

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REQUIRED SUPPLEMENTARY INFORMATION

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

The City's annual required contribution (ARC), the percent funded, and the actual contribution are as follows:

Fiscal Year Ended	Annual Required Contribution	Percent Funded	Actual Contribution
2009	$ 52,568	0.00%	$ -
2010	$ 103,568	24.17%	$ 25,032
2011	$ 77,902	21.21%	$ 16,524

Funded Status and Funding Progress

The funded status of the plan is as follows:

	2011	2010	2009
Actuarial accrued liability	$ 607,788	$ 607,788	$ 369,253
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability	$ 607,788	$ 607,788	$ 369,253
Funded ratio	0.00%	0.00%	0.00%
Covered payroll	$ 2,126,529	$ 2,221,704	$ 1,996,184
Unfunded actuarial accrued liability as a percentage of covered payroll	28.58%	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, 2011

	Budgetary Basis			Variance With Final Budget Over (Under)
	Original Budget	Amended and Final Budget	Actual	
REVENUES				
Taxes				
Property tax	$ 724,233	$ 725,233	$ 714,219	$ (11,014)
Intangible tax	9,000	9,000	8,463	(537)
Railroad equipment tax	275	275	303	28
Real estate transfer tax	1,700	1,300	1,292	(8)
Franchise tax	423,000	443,000	440,240	(2,760)
Local option sales tax	1,202,387	1,202,387	1,202,387	-
Alcoholic beverage tax	100,000	106,000	105,893	(107)
Occupation tax	53,000	55,000	48,345	(6,655)
Insurance premium tax	375,000	320,000	317,917	(2,083)
Financial institution tax	30,000	36,100	36,055	(45)
Penalties and interest	2,000	3,000	2,957	(43)
Payment in lieu of taxes	14,000	14,000	14,142	142
Total taxes	2,934,595	2,915,295	2,892,213	(23,082)
Licenses and Permits				
Alcoholic beverage licenses	5,000	6,600	6,600	-
Building permits	17,000	7,000	7,031	31
Total licenses and permits	22,000	13,600	13,631	31
Intergovernmental				
Federal government	-	107,100	107,060	(40)
Housing authority	-	14,000	13,941	(59)
Water sewer joint venture	89,851	101,236	95,864	(5,372)
Total intergovernmental	89,851	222,336	216,865	(5,471)
Charges for Services				
Election Qualifying Fees	-	1,200	1,140	(60)
Fire protection fees	4,500	4,500	3,500	(1,000)
Total charges for services	4,500	5,700	4,640	(1,060)
Fines and Forfeitures				
Police court fines	170,000	195,500	194,520	(980)
Total fines and forfeitures	170,000	195,500	194,520	(980)
Use of Money and Property				
Interest income	25,000	27,200	26,773	(427)
Rents	68,035	89,335	78,587	(10,748)
Reimbursements for damaged property	500	4,200	3,761	(439)
Cemetary lot sales	18,000	18,000	18,300	300
Total use of money and property	111,535	138,735	127,421	(11,314)
Other				
Miscellaneous	12,500	18,150	17,709	(441)
Total other	12,500	18,150	17,709	(441)
Total revenues	3,344,981	3,509,316	3,466,999	(42,317)

(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, 2011

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
EXPENDITURES				
General government				
Mayor and Council	74,366	74,666	74,855	189
Voter registration	12,000	14,600	14,566	(34)
General administration	403,963	472,831	461,954	(10,877)
Tax commissioner	12,000	12,000	12,000	-
Tax assessor	1,200	1,200	1,200	-
Total general government	503,529	575,297	564,575	(10,722)
Public safety				
Police	920,810	1,019,250	1,017,250	(2,000)
Fire	848,856	908,188	904,243	(3,945)
Animal shelter	15,000	15,000	15,000	-
Total public safety	1,784,666	1,942,438	1,936,493	(5,945)
Public works				
Street department	668,710	619,970	608,759	(11,211)
Total public works	668,710	619,970	608,759	(11,211)
Health and welfare				
Health department	420	420	420	-
Total health and welfare	420	420	420	-
Community services				
Senior citizen center	84,500	84,500	84,500	-
Community centers	43,000	43,700	42,055	(1,645)
Transportation services	26,329	26,329	26,329	-
Total community services	153,829	154,529	152,884	(1,645)
Culture and recreation				
Recreation	254,755	254,755	255,104	349
Library	66,602	66,602	66,913	311
Total culture and recreation	321,357	321,357	322,017	660
Housing and development				
Planning and zoning	73,846	73,846	44,454	(29,392)
Code enforcement	58,500	62,550	59,497	(3,053)
Economic development	41,897	41,897	41,897	-
CSRA Rural Development	6,900	6,900	6,793	(107)
Total housing and development	181,143	185,193	152,641	(32,552)
Total expenditures	3,613,654	3,799,204	3,737,789	(61,415)

(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, 2011

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
Deficiency of revenues over expenditures	(268,673)	(289,888)	(270,790)	(19,098)
OTHER FINANCING SOURCES (USES)				
Transfers in	314,673	342,888	292,099	(50,789)
Transfers out	(46,000)	(53,000)	(40,436)	(12,564)
Total other financing sources (uses)	268,673	289,888	251,663	(38,225)
CHANGE IN FUND BALANCE	$ -	$ -	$ (19,127)	$ (19,127)

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.

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.

2009, 2010, and 2011 CDBG Multi-Activity Project Funds – These funds were established to account for Community Development Block Grant funds (awarded in the City's name) that are used for redevelopment of local neighborhoods.

2006 TE Grant - This fund was established to account for proceeds from a Transportation Enhancement grant 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, 2011

	Special Revenue					
	Housing Development Action Grant Loan Fund	Urban Development Action Grant Loan Fund	Police Condemnation Forfeiture	2007 CHIP Grant	2007 CHIP Grant	2008 CHIP Grant
ASSETS						
Cash and cash equivalents	$ 116,894	$ 427,798	$ 6,084	$ 76	$ 76	$ 75
Investments	85,842	-	-	-	-	-
Receivables (net of allowance for uncollectibles)						
Notes	348,765	124,373	-	-	-	-
Interest	90	139	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	35,075
Interfund receivables	5,190	13,307	-	-	-	-
Total assets	$ 556,781	$ 565,617	$ 6,084	$ 76	$ 76	$ 35,150
LIABILITIES						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 35,075
Interfund payables	1,968	-	-	-	-	-
Total liabilities	1,968	-	-	-	-	35,075
FUND BALANCES						
Restricted for:						
Public safety	-	-	6,084	-	-	-
Housing and development	554,813	565,617	-	76	76	75
Total fund balances	554,813	565,617	6,084	76	76	75
Total liabilities and fund balances	$ 556,781	$ 565,617	$ 6,084	$ 76	$ 76	$ 35,150

(Continued)

Capital Projects						
2009 CDBG 5135	2010 CDBG 5272	2011 CDBG 5380	2006 TE Grant	SPLOST	Total Nonmajor Governmental Funds
$ 1,603	$ 3,412	$ 100	$ -	$ -	$ 556,118
-	-	-	-	-	85,842
-	-	-	-	-	473,138
-	-	-	-	-	229
72	105,015	3,967	-	32,626	176,755
-	-	-	-	-	18,497
$ 1,675	$ 108,427	$ 4,067	$ -	$ 32,626	$ 1,310,579
$ 72	$ 105,419	$ 3,967	$ -	$ 32,626	$ 177,159
-	-	-	-	-	1,968
72	105,419	3,967	-	32,626	179,127
-	-	-	-	-	6,084
1,603	3,008	100	-	-	1,125,368
1,603	3,008	100	-	-	1,131,452
$ 1,675	$ 108,427	$ 4,067	$ -	$ 32,626	$ 1,310,579

CITY OF THOMSON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue					
	Housing Development Action Grant Loan Fund	Urban Development Action Grant Loan Fund	Police Condemnation Forfeiture	2007 CHIP Grant	2007 CHIP Grant	2008 CHIP Grant
REVENUES						
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ 81,018
Fines and forfeitures	-	-	14,477	-	-	-
Interest income	675	4,071	-	-	-	-
Total revenues	675	4,071	14,477	-	-	81,018
EXPENDITURES						
Current						
Public safety	-	-	17,029	-	-	-
Housing and development	40,131	-	-	-	-	-
Capital outlay						
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Housing and development	-	-	-	-	-	81,139
Total expenditures	40,131	-	17,029	-	-	81,139
Excess (deficiency) of revenues over expenditures	(39,456)	4,071	(2,552)	-	-	(121)
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	96
Transfers out	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	96
Net change in fund balances	(39,456)	4,071	(2,552)	-	-	(25)
Fund balances, beginning of year	594,269	561,546	8,636	76	76	100
Fund balances, end of year	$ 554,813	$ 565,617	$ 6,084	$ 76	$ 76	$ 75

(Continued)

Capital Projects					
2009 CDBG 5135	2010 CDBG 5272	2011 CDBG 5380	2006 TE Grant	SPLOST	Total Nonmajor Governmental Funds
$ 583,000	$ 535,190	$ 11,901	$ -	$ 621,413	$ 1,832,522
-	-	-	-	-	14,477
-	-	-	-	-	4,746
583,000	535,190	11,901	-	621,413	1,851,745
-	-	-	-	-	17,029
-	-	-	-	-	40,131
-	-	-	-	283,997	283,997
-	-	-	-	185,722	185,722
588,347	532,182	15,401	-	151,694	1,368,763
588,347	532,182	15,401	-	621,413	1,895,642
(5,347)	3,008	(3,500)	-	-	(43,897)
2,450	-	3,600	-	-	6,146
(100)	(100)	-	-	-	(200)
2,350	(100)	3,600	-	-	5,946
(2,997)	2,908	100	-	-	(37,951)
4,600	100	-	-	-	1,169,403
$ 1,603	$ 3,008	$ 100	$ -	$ -	$ 1,131,452

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, 2011

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 607	$ 607
Available for loans	190,281	190,281	177,927	(12,354)
Total revenues	190,281	190,281	178,534	(11,747)
EXPENDITURES				
Loans made	190,281	190,281	23,762	(166,519)
Housing and Development	-	-	40,131	40,131
Total expenditures	190,281	190,281	63,893	(126,388)
CHANGE IN FUND BALANCE	$ -	$ -	114,641	$ 114,641
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(154,097)	
Payables and other liabilities			-	
Total reconciliation to GAAP basis			(154,097)	
FUND BALANCE, BEGINNING OF YEAR			594,269	
FUND BALANCE, END OF YEAR			$ 554,813	

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, 2011

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 4,556	$ 4,556
Available for loans	416,522	416,522	416,522	-
Total revenues	416,522	416,522	421,078	4,556
EXPENDITURES				
Loans made	416,522	416,522	-	(416,522)
Total expenditures	416,522	416,522	-	(416,522)
CHANGE IN FUND BALANCE	$ -	$ -	421,078	$ 421,078
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(417,007)	
Payables and other liabilities			-	
Total reconciliation to GAAP basis			(417,007)	
FUND BALANCE, BEGINNING OF YEAR			561,546	
FUND BALANCE, END OF YEAR			$ 565,617	

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, 2011

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Fines and forfeitures	$ 10,000	$ 17,000	$ 14,477	$ (2,523)
Total revenues	10,000	17,000	14,477	(2,523)
EXPENDITURES				
Public safety	10,000	17,000	17,029	29
Total expenditures	10,000	17,000	17,029	29
CHANGE IN FUND BALANCE	$ -	$ -	(2,552)	$ (2,552)
FUND BALANCE, BEGINNING OF YEAR			8,636	
FUND BALANCE, END OF YEAR			$ 6,084	

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, 2011

	Balance 12/31/10	Additions	Deletions	Balance 12/31/11
Police Surcharge Fund				
Assets				
Cash	$ 36	$ 104,115	$ 104,115	$ 36
Total assets	$ 36	$ 104,115	$ 104,115	$ 36
Liabilities				
Intergovernmental payables	$ 36	$ 104,115	$ 104,115	$ 36
Total liabilities	$ 36	$ 104,115	$ 104,115	$ 36

SUPPLEMENTARY SCHEDULES

CITY OF THOMSON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANTS
PROJECT COST SCHEDULE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011

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						
Dow npayment/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	$ 45,943	$ -	$ 45,943	none
Contingencies	C-022-00	10,000	-	196	196	none
		$ 152,867	$ 45,943	$ 196	$ 46,139	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
Sew er Facility	P-03J-02	301,403	311,378	-	311,378	none
Flood/Drainage	P-03K-02	116,896	154,756	45,900	200,656	none
Rehab Private Property	H-14A-01	292,772	196,761	2,450	199,211	none
Administration	A-21A-00	40,000	18,663	-	18,663	none
Preliminary Engineering		-	-	61,088	61,088	none
		$ 800,000	$ 682,278	$ 109,438	$ 791,716	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
Sew er Facility	P-03J-02	200,490	133,129	-	133,129	none
Flood/Drainage	P-03K-02	219,406	154,888	256	155,144	none
Rehab Private Property	H-14A-01	262,228	119,245	-	119,245	none
Administration	A-21A-00	48,000	6,226	-	6,226	none
Preliminary Engineering		-	-	46,496	46,496	none
		$ 800,000	$ 413,488	$ 46,752	$ 460,240	none
Source of Other Funds: Local Match						
Grant Number 11b-x-094-2-5380						
Property Acquisition	P-001-01	$ 2,500	$ -	$ -	$ -	none
Contingency	C-022-00	18,022	-	-	-	none
Sew er Facility	P-03J-02	225,012	-	-	-	none
Flood/Drainage	P-03K-02	203,950	-	-	-	none
Pedestrian Walkw ay	P-03L-00	11,700	-	-	-	none
Rehab Private Property	H-14A-01	162,901	-	-	-	none
Recons Private Property	H-14A-02	142,315	-	-	-	none
Administration	A-21A-00	33,600	-	3,500	3,500	none
Preliminary Engineering		-	-	7,934	7,934	none
		$ 800,000	$ -	$ 11,434	$ 11,434	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, 2011

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	45,943
Funds Still Available from Program Year 2008 Resources	$ 106,924
Total Program Year 2008 Funds Drawn and Received by Recipient	$ 45,943
Less: Funds Applied and Expended to Program Year 2008 Costs	45,943
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	683,881
Funds Still Available from Program Year 2009 Resources	$ 116,119
Total Program Year 2009 Funds Drawn and Received by Recipient	$ 683,881
Less: Funds Applied and Expended to Program Year 2009 Costs	682,278
Total Program Year 2009 Funds Held by Recipient	$ 1,603
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	416,900
Funds Still Available from Program Year 2010 Resources	$ 383,100
Total Program Year 2010 Funds Drawn and Received by Recipient	$ 416,900
Less: Funds Applied and Expended to Program Year 2010 Costs	413,488
Total Program Year 2010 Funds Held by Recipient	$ 3,412
Grant Number 11b-x-094-2-5380	
Total Program Year 2011 Funds Allocated to Recipient	$ 800,000
Less: Total Program Year 2011 Funds Drawn by Recipient	-
Funds Still Available from Program Year 2011 Resources	$ 800,000
Total Program Year 2011 Funds Drawn and Received by Recipient	$ -
Less: Funds Applied and Expended to Program Year 2011 Costs	-
Total Program Year 2011 Funds Held by Recipient	$ -

CITY OF THOMSON, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2011

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	787,144	39,010	826,154	122%
Water/Sewer	4,252,000	4,236,209	-	4,236,209	100%
Totals	$ 6,787,000	$ 5,873,014	$ 39,010	$ 5,912,024	
SPLOST V 2009 - 2013					
Public Safety	$ 400,000	$ -	$ 283,997	$ 283,997	71%
Roads/Transportation	700,000	44,866	80,058	124,924	18%
Airport	200,000	-	32,626	32,626	16%
Recreation	1,123,000	-	185,722	185,722	17%
Totals	$ 2,423,000	$ 44,866	$ 582,403	$ 627,269	

COMPLIANCE AND SINGLE AUDIT SECTION

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 (the "City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2012. 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
Management of City of Thomson is responsible for establishing and maintaining effective 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 previously.

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 29, 2012

CITY OF THOMSON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Direct programs:			
ARRA-Rural Business Enterprise Grants	10.783	RBEG	$ 44,550
Total U.S. Department of Agriculture			44,550
U.S. Department of Homeland Security			
Direct programs:			
Assistance to Firefighters Grant	97.044	EMW-2010-FO-00570	62,510
Total U.S. Department of Homeland Security			62,510
U.S. Department of Housing and Urban Development			
Pass-through programs from:			
State of Georgia Department of Community Affairs			
Community Development Block Grants/State's Program	14.228	09b-x-094-2-5135	538,575
Community Development Block Grants/State's Program	14.228	10b-x-094-2-5272	517,458
Home Investment Partnerships Program	14.239	08mr-x-094-2-6012	81,018
Total U.S. Department of Housing and Urban Development			1,137,051
U.S. Department of Transportation			
Pass-through programs from:			
Georgia Department of Transportation			
Airport Improvement Program	20.106	APO12-9019-15(195)	1,323,193
Total U.S. Department of Transportation			1,323,193
Total expenditures of federal awards			$ 2,567,304

See accompanying notes to schedule of expenditures of federal awards.

CITY OF THOMSON, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Thomson, Georgia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – NON-CASH AWARDS

The City of Thomson, Georgia did not receive any non-cash federal awards during the year ended December 31, 2011.

CITY OF THOMSON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. Summary of auditor's results

A. An unqualified opinion was issued on the financial statements of the City of Thomson, Georgia.

B. No significant deficiencies relating to the audit of the financial statements are reported related to internal control over financial reporting.

C. No material weaknesses relating to the audit of the financial statements are reported related to internal control over financial reporting.

D. No instances of noncompliance material to the financial statements of the City of Thomson, Georgia were disclosed during the audit.

E. No significant deficiencies relating to the audit of the major federal award programs are reported related to internal control over major programs.

F. No material weaknesses relating to the audit of the major federal award programs are reported related to internal control over major programs.

G. The auditor's report on compliance for the major federal award programs for the City of Thomson, Georgia expresses an unqualified opinion.

H. No audit findings are disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133.

I. Major federal programs for the City of Thomson, Georgia for the fiscal year ended December 31, 2011 are:

CFDA Number	Program Title
14.228	Community Development Block Grants/State's Program
20.106	Airport Improvement Program

J. Dollar threshold used to distinguish between type A and type B programs was $ 300,000.

K. The City of Thomson, Georgia was assessed as a high risk auditee.

II. Findings related to the audit of the financial statements

None

III. Findings and questioned costs related to the audit of federal awards

None

CITY OF THOMSON, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

SUMMARY OF PRIOR AUDIT FINDINGS

There were no prior audit findings reported for the year ended December 31, 2010 which require a response in the December 31, 2011 financial statements.

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Thomson, Georgia with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each the City of Thomson's major federal programs for the year ended December 31, 2011. The City of Thomson's major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Thomson's management. Our responsibility is to express an opinion on the City of Thomson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Thomson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Thomson's compliance with those requirements.

In our opinion, the City of Thomson complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City of Thomson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Thomson's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Thomson's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as identified above.

This report is intended for the information and use of the City Council, management and 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.

Greenwood, South Carolina
June 29, 2012

Elliott Davis, LLC

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