CITY OF THOMSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

CITY OF THOMSON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2012

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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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 *Government 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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the Employment Incentive Program Loan Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 on pages 4-10 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison schedules, 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.

The budgetary comparison schedules, combining and individual fund financial statements, community block development grant schedules, special purpose local option sales tax schedule, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 budgetary comparison schedules, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2013 on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Elliott Davis, LLC

Greenwood, South Carolina
July 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Thomson, Georgia's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the year ended December 31, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $ 19,737,178 (net position). Of this amount, $ 11,447,084 is invested in capital assets (net of related debt), $ 2,525,377 is restricted for specific purposes, and $ 5,764,717 may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position decreased by $ 1,616,761. Total revenues of the City's governmental and business type activities totaled $ 12,220,486, whereas expenses totaled $ 13,837,247.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $ 4,374,961, an increase of $ 7,177 in comparison with the prior year. Of this total amount, $ 1,854,384 is unassigned and $ 2,499,167 is restricted by external agreements to be used for specific purposes. Nonspendable fund balance, representing prepaid expenses, totaled $ 21,410. Unassigned deficit fund balances totaled $ 28,652 and consist primarily of intergovernmental and interfund payables that were not paid as of year-end.

- The net position of the City's enterprise funds (business - type activities) totaled $ 6,164,855. Of this amount $ 2,498,001 is invested in capital assets (net of related debt) and $ 3,666,854 (unrestricted net position) may be used to meet the City's obligations to citizens and creditors.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, housing and development, 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 maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Employment Incentive Program (EIP) loan fund, 2011 CDBG 5380 capital projects 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 maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its gas utility and solid waste disposal operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for maintaining its fleet of vehicles. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the gas 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 Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $ 19,737,178 as of December 31, 2012.

A large portion of the City's net position (58 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.

Unrestricted net position, totaling $ 5,764,717 at year-end may be used to meet the government's ongoing obligations to citizens and creditors.

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

NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 5,002,402	$ 6,331,411	$ 4,770,684	$ 5,481,283	$ 9,773,086	$ 11,812,694
Capital assets, net	9,707,293	10,943,519	2,529,206	1,958,995	12,236,499	12,902,514
Total assets	14,709,695	17,274,930	7,299,890	7,440,278	22,009,585	24,715,208
Long-term liabilities outstanding	606,298	544,445	139,823	90,537	746,121	634,982
Other liabilities	531,074	1,835,753	995,212	890,534	1,526,286	2,726,287
Total liabilities	1,137,372	2,380,198	1,135,035	981,071	2,272,407	3,361,269
Net position						
Net investment in capital assets	8,949,083	8,870,134	2,498,001	1,904,082	11,447,084	10,774,216
Restricted	2,525,377	2,551,793	-	-	2,525,377	2,551,793
Unrestricted	2,097,863	3,472,805	3,666,854	4,555,125	5,764,717	8,027,930
Total net position	$ 13,572,323	$ 14,894,732	$ 6,164,855	$ 6,459,207	$ 19,737,178	$ 21,353,939

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

(Continued)

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	$ 357,654	$ 383,419	$ 7,469,571	$ 9,174,294	$ 7,827,225	$ 9,557,713
Operating grants/ contributions	32,487	34,266	-	-	32,487	34,266
Capital grants/ contributions	1,372,380	3,346,245	-	-	1,372,380	3,346,245
General revenues						
Property taxes	658,372	656,513	-	-	658,372	656,513
Other taxes	2,198,114	2,144,684	-	-	2,198,114	2,144,684
Other	113,829	71,242	18,079	27,394	131,908	98,636
Total revenues	4,732,836	6,636,369	7,487,650	9,201,688	12,220,486	15,838,057
Expenses						
General government	630,815	501,149	-	-	630,815	501,149
Public safety	2,072,933	1,997,588	-	-	2,072,933	1,997,588
Public works	689,473	696,333	-	-	689,473	696,333
Housing and development	2,428,339	366,119	-	-	2,428,339	366,119
Health and welfare	420	420	-	-	420	420
Culture and recreation	456,725	440,394	-	-	456,725	440,394
Community services	49,876	55,150	-	-	49,876	55,150
Interest on long-term debt	13,166	14,252	-	-	13,166	14,252
Gas utility	-	-	6,156,481	7,554,798	6,156,481	7,554,798
Solid waste disposal	-	-	1,339,019	1,371,247	1,339,019	1,371,247
Total expenses	6,341,747	4,071,405	7,495,500	8,926,045	13,837,247	12,997,450
Increase (decrease) in net position before transfers	(1,608,911)	2,564,964	(7,850)	275,643	(1,616,761)	2,840,607
Transfers	286,502	291,899	(286,502)	(291,899)	-	-
Increase (decrease) in net position	(1,322,409)	2,856,863	(294,352)	(16,256)	(1,616,761)	2,840,607
Net position 1/1/12	14,894,732	12,037,869	6,459,207	6,475,463	21,353,939	18,513,332
Net position 12/31/12	$ 13,572,323	$ 14,894,732	$ 6,164,855	$ 6,459,207	$ 19,737,178	$ 21,353,939

Revenues from governmental activities decreased $ 1,903,533 in 2012. The decrease in revenue is primarily attributable to decreases in grant funds, drawn to fund various capital projects, totaling $ 1,975,644 and charges for services totaling $ 25,765. Property taxes, other taxes, and other revenues increased by $ 1,859, $ 53,430, and $ 42,587, respectively. Total expenses for governmental activities increased by $ 2,270,342 in 2012 representing an increase of approximately 56% over 2011. Expenses for general government, public safety, housing and development, and culture and recreation exceeded 2011 amounts by $ 2,283,562 whereas expenses for public works, community services, and interest on debt were $ 13,220 less than 2011 amounts. The significant increase in housing and development expenses is attributable to the intergovernmental transfer of water sewer related capital assets to the Water Sewer Commission totaling $ 634,486, the transfer of McDuffie County's one-half of completed airport capital projects to the County totaling $ 829,170, and non-capital expenses related to the rehabilitation and reconstruction of private property totaling $ 608,273. These amounts were transferred from construction in progress upon completion of the projects.

Total revenues from business-type activities decreased by $ 1,714,038 and total expenses from business-type activities decreased by $ 1,430,545 in 2012. These changes are primarily attributable to a decrease in gas sales and related purchases of gas as a result of climatic changes.

(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'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, 2012, governmental funds reported combined ending fund balances of $ 4,374,961, an increase of $ 7,177 in comparison with 2011. This amount includes a deficit of $ 28,652 in the Airport Capital Project Fund which will be funded with grant proceeds and contributions from the City and County. Unassigned fund balance at year end was $ 1,854,383 whereas the remainder of fund balance $ 2,520,578 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 $ 1,904,446, of which $ 1,883,035 is unassigned and $ 21,411 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, 2012, fund balance represented 50 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, 2012, total major special revenue fund balance was $ 1,381,660 and total nonmajor special revenue fund balance was $ 1,113,152.

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 ten 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, TIA SPLOST Fund, and the SPLOST Fund. The Airport Capital Projects Fund and the 2011 CDBG Multi-Activity Projects Fund are reported as major funds whereas all other capital project funds are reported as nonmajor governmental funds. As of December 31, 2012, the Airport Capital Projects Fund reported a deficit fund balance of $ 28,652, whereas the 2011 CDBG Multi-Activity Projects Fund reported positive fund balance of $ 4,028. Total fund balance of the nonmajor capital projects funds was $ 327 as of December 31, 2012.

Proprietary Funds

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

Unrestricted net position of the gas utility at the end of the year totaled $ 3,500,395, and that of the solid waste disposal operation totaled $ 166,459.

(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, 2012, actual revenues were less than budgetary estimates by $ 14,865 and actual expenditures were $ 49,681 less than appropriated amounts. Actual expenditures for all departments and governmental activities were under budget for 2012. 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 $ 26,490 and actual transfers out were $ 916 less than budgetary amounts. Interfund transfers are discretionary and City management elected not to fully fund budgeted transfers during 2012. Expenditures and other financing uses exceeded revenues and other financing sources by $ 68,160.

Capital Assets

The City of Thomson's investment in capital assets for its governmental and business-type activities as of December 31, 2012, totaled $ 12,236,499 (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 improvements to the fire department training facilities totaling $ 29,135, purchase of police cruisers totaling $ 102,453, street resurfacing and construction of parking lot totaling $ 66,861, purchase of emergency response equipment and trailer totaling $ 24,557, upgrading gas odorator system and various commercial gas meters totaling $ 63,890, and purchase of solid waste containers totaling $ 13,675.

As of December 31, 2012, construction in progress totaled $ 1,997,362, which includes $ 555,631 for revitalization of local residential neighborhoods, $ 132,784 for improvements to streetscape and parking, $ 549,604 for the home investment program, $ 22,145 for widening airport apron fillets, and $ 737,198 for extending gas lines.

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

Debt Administration

The City of Thomson entered into a capital lease agreement in 2012 totaling $ 90,453 to purchase three police cruisers. In 2008, the City entered into a capital lease totaling $ 391,596 which was used to purchase machinery and equipment. Total principal outstanding at December 31, 2012 was $ 59,456. Principal and interest payments on the leases in 2012 were $ 59,519 and $ 608, 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, 2012 was $ 383,764. Principal and interest payments on the note payable in 2012 were $ 29,823 and $ 12,074, respectively.

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

(Continued)

Economic Factors

Downtown revitalization continues to be a major focus of the City. Phase one of its downtown redevelopment included new sidewalks, street lights, resurfacing of Main Street, additional parking, and landscaping. Construction on phase two is scheduled to begin in July 2013 and 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 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. Cost of this project is estimated to be $ 877,960. Two similar projects were completed in 2012 at a total cost of $ 1,792,220, of which $ 1,600,000 was funded with federal grant proceeds.

Planned improvements at the regional airport include widening of the apron fillets, additional fencing, and updating of airport layout plan. Estimated costs of these airport improvements approximate $ 240,000 and will be funded with federal, state, and local funds.

Request for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF THOMSON, GEORGIA

STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,894,437	$ 3,388,846	$ 6,283,283
Investments	294,309	-	294,309
Receivables			
Taxes-net	69,615	-	69,615
Notes-net	1,187,263	-	1,187,263
Accounts-net	-	1,141,992	1,141,992
Interest	29,241	4,031	33,272
Intergovernmental	568,726	10,889	579,615
Other	21,671	41,554	63,225
Inventories	-	68,653	68,653
Prepaid expenses	21,410	30,449	51,859
Internal balances	(84,270)	84,270	-
Capital assets net of accumulated depreciation			
Land	965,434	128,782	1,094,216
Site improvements	3,623,644	-	3,623,644
Buildings and improvements	1,249,763	196,839	1,446,602
Machinery and equipment	547,859	1,466,387	2,014,246
Infrastructure	2,060,429	-	2,060,429
Construction in progress	1,260,164	737,198	1,997,362
Total assets	$ 14,709,695	$ 7,299,890	$ 22,009,585
LIABILITIES AND NET POSITION			
Liabilities			
Accounts payable	$ 385,317	$ 688,170	$ 1,073,487
Accrued liabilities	50,166	101,980	152,146
Customer deposits	-	183,747	183,747
Intergovernmental payables	27,345	21,315	48,660
Unearned revenues	4,580	-	4,580
Accrued interest payable	3,625	-	3,625
Noncurrent liabilities			
Due within one year	60,041	-	60,041
Due in more than one year	432,506	-	432,506
Net OPEB obligation	173,792	139,823	313,615
Total liabilities	1,137,372	1,135,035	2,272,407
Net Position			
Net investment in capital assets	8,949,083	2,498,001	11,447,084
Restricted for:			
Public safety	2,289	-	2,289
Public works	100	-	100
Housing and development	2,522,988	-	2,522,988
Unrestricted	2,097,863	3,666,854	5,764,717
Total net position	$ 13,572,323	$ 6,164,855	$ 19,737,178

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, 2012

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 Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 630,815	$ 18,920	$ -	$ -	$ (611,895)	$ -	$ (611,895)
Public safety	2,072,933	221,449	-	-	(1,851,484)	-	(1,851,484)
Public works	689,473	-	-	-	(689,473)	-	(689,473)
Housing and development	2,428,339	78,807	32,487	1,372,380	(944,665)	-	(944,665)
Health and welfare	420	-	-	-	(420)	-	(420)
Culture and recreation	456,725	-	-	-	(456,725)	-	(456,725)
Community services	49,876	38,478	-	-	(11,398)	-	(11,398)
Interest on long-term debt	13,166	-	-	-	(13,166)	-	(13,166)
Total governmental activities	6,341,747	357,654	32,487	1,372,380	(4,579,226)	-	(4,579,226)
Business-type activities:							
Gas Utility	6,156,481	6,346,306	-	-	-	189,825	189,825
Solid Waste	1,339,019	1,123,265	-	-	-	(215,754)	(215,754)
Total business-type activities	7,495,500	7,469,571	-	-	-	(25,929)	(25,929)
Total primary government	$ 13,837,247	$ 7,827,225	$ 32,487	$ 1,372,380	(4,579,226.00)	(25,929.00)	(4,605,155.00)
General revenues							
Property taxes					658,372	-	658,372
Motor vehicle taxes					56,031	-	56,031
Mobile home taxes					2,338	-	2,338
Payment in lieu of taxes					14,142	-	14,142
Sales taxes					1,117,124	-	1,117,124
Franchise taxes					464,165	-	464,165
Insurance premium taxes					337,681	-	337,681
Financial institution taxes					34,994	-	34,994
Alcoholic beverage taxes					102,455	-	102,455
Occupation taxes					56,097	-	56,097
Intangible taxes					11,669	-	11,669
Transfer taxes					1,133	-	1,133
Railroad equipment taxes					285	-	285
Interest income					49,122	8,211	57,333
Insurance claims					28,524	9,868	38,392
Other revenues					36,183	-	36,183
Transfers					286,502	(286,502)	-
Total general revenues and transfers					3,256,817	(268,423)	2,988,394
Change in net position					(1,322,409)	(294,352)	(1,616,761)
Net position, begining of year					14,894,732	6,459,207	21,353,939
Net position, end of year					$ 13,572,323	$ 6,164,855	$ 19,737,178

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

CITY OF THOMSON, GEORGIA
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Employment Incentive Program Loan Fund	2011 CDBG 5380 Capital Project Fund	Airport Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 1,664,150	$ 831,337	$ 4,028	$ 17,472	$ 373,254	$ 2,890,241
Investments	208,467	-	-	-	85,842	294,309
Receivables (net of allowance for uncollectibles)						
Taxes	69,615	-	-	-	-	69,615
Notes	-	549,810	-	-	637,453	1,187,263
Interest	-	513	-	-	401	914
Other	14,898	-	-	6,773	-	21,671
Intergovernmental receivables	116,071	-	253,812	64,118	61,177	495,178
Interfund receivables	2,711	-	-	1,757	18,497	22,965
Prepaid expenses	21,410	-	-	-	-	21,410
Total assets	$ 2,097,322	$ 1,381,660	$ 257,840	$ 90,120	$ 1,176,624	$ 5,003,566
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 48,089	$ -	$ 253,812	$ 17,830	$ 61,177	$ 380,908
Accrued liabilities	43,117	-	-	-	-	43,117
Intergovernmental payables	2,090	-	-	25,255	-	27,345
Interfund payables	27,806	-	-	75,687	1,968	105,461
Deferred revenues	71,774	-	-	-	-	71,774
Total liabilities	192,876	-	253,812	118,772	63,145	628,605
Fund Balances (Deficits)						
Nonspendable	21,410	-	-	-	-	21,410
Restricted for:						
Public safety	-	-	-	-	2,289	2,289
Public works	-	-	-	-	100	100
Housing and development	-	1,381,660	4,028	-	1,111,090	2,496,778
Unassigned	1,883,036	-	-	(28,652)	-	1,854,384
Total fund balances (deficits)	1,904,446	1,381,660	4,028	(28,652)	1,113,479	4,374,961
Total liabilities and fund balances	$ 2,097,322	$ 1,381,660	$ 257,840	$ 90,120	$ 1,176,624	$ 5,003,566

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

CITY OF THOMSON, GEORGIA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total fund balances - governmental funds	$ 4,374,961
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Land	965,434
Site improvements	5,419,044
Building and improvements	1,907,348
Machinery and equipment	3,350,575
Infrastructure	2,677,745
Construction in progress	1,260,164
Accumulated depreciation	(5,925,131)
Total capital assets - governmental activities	9,655,179
An internal service fund is used by management to charge the costs of vehicle maintenance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.	43,078
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	73,548
Interest receivable	28,327
Deferred property taxes	67,194
Total deferred revenues	169,069
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	(3,625)
Accrued compensated absences	(49,327)
Long-term debt including capital leases and notes payable	(443,220)
Net OPEB obligation	(173,792)
Total long-term liabilities	(669,964)
Net position of governmental activities	$ 13,572,323

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, 2012

	General	Employment Incentive Program Loan Fund	2011 CDBG 5380 Capital Project Fund	Airport Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 2,845,913	$ -	$ -	$ -	$ -	$ 2,845,913
Licenses and permits	18,272	-	-	-	-	18,272
Intergovernmental	112,738	-	544,258	280,214	580,395	1,517,605
Charges for services	5,620	-	-	-	-	5,620
Fines and forfeitures	200,804	-	-	-	6,045	206,849
Interest income	4,385	13,888	-	-	24,592	42,865
Rents	80,375	-	-	27,738	-	108,113
Cemetary lot sales	18,800	-	-	-	-	18,800
Insurance claims	28,524	-	-	-	-	28,524
Other	35,946	-	-	-	46	35,992
Total revenues	3,351,377	13,888	544,258	307,952	611,078	4,828,553
EXPENDITURES						
Current						
General government	606,511	-	-	-	-	606,511
Public safety	1,880,663	-	-	-	9,840	1,890,503
Public works	546,637	-	-	-	-	546,637
Health and welfare	420	-	-	-	-	420
Community services	35,527	-	-	-	-	35,527
Culture and recreation	431,281	-	-	-	-	431,281
Housing and development	85,443	-	-	102,753	34,205	222,401
Debt service						
Principal	89,342	-	-	-	-	89,342
Interest	12,682	-	-	-	-	12,682
Capital outlay						
Public safety	131,588	-	-	-	-	131,588
Housing and development	-	-	540,230	79,055	612,154	1,231,439
Total expenditures	3,820,094	-	540,230	181,808	656,199	5,198,331
Excess (deficiency) of revenues over expenditures	(468,717)	13,888	4,028	126,144	(45,121)	(369,778)
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease	90,453	-	-	-	-	90,453
Transfers in	292,543	-	-	32,487	29,698	354,728
Transfers out	(62,185)	-	(100)	(3,491)	(2,450)	(68,226)
Total other financing sources (uses)	320,811	-	(100)	28,996	27,248	376,955
NET CHANGE IN FUND BALANCES	(147,906)	13,888	3,928	155,140	(17,873)	7,177
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	2,052,352	1,367,772	100	(183,792)	1,131,352	4,367,784
FUND BALANCES (DEFICITS), END OF YEAR	$ 1,904,446	$ 1,381,660	$ 4,028	$ (28,652)	$ 1,113,479	$ 4,374,961

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, 2012

Net change in fund balances - total governmental funds	$ 7,177
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	751,471
Depreciation expense	(518,329)
Construction in progress projects completed during current year and contributed to County and Water and Sewer Commission	(1,463,656)
Excess of capital outlay over depreciation expense	(1,230,514)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Changes in these amounts are as follows:	
Interest receivable increased by this amount in 2012.	6,257
Intergovernmental receivables decreased by this amount in 2012.	(6,850)
Deferred revenues increased by this amount in 2012 .	17,423
Net change in revenues not providing current financial resources	16,830
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 position. Transactions related to long-term debt during the year were as follows:	
Proceeds from capital lease	(90,453)
Principal payments on long-term debt	89,342
Net increase in long-term debt	(1,111)
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 2012.	3,387
Accrued interest payable increased by this amount in 2012.	(483)
Net OPEB obligation increased by this in 2012.	(65,824)
Net change in expenses not requiring the use of current financial resources	(62,920)
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 loss included within governmental activities	(51,871)
Change in net position of governmental activities	$ (1,322,409)

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, 2012

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 2,922,434	$ 2,930,184	$ 2,909,790	$ (20,394)
Licenses and permits	12,000	14,150	18,227	4,077
Intergovernmental	115,763	116,393	112,738	(3,655)
Charges for services	4,500	4,620	5,620	1,000
Fines and forfeitures	185,250	200,250	200,804	554
Use of money and property	133,397	132,422	139,068	6,646
Other	15,000	39,100	36,007	(3,093)
Total revenues	3,388,344	3,437,119	3,422,254	(14,865)
EXPENDITURES				
Current				
General government	620,176	598,459	591,120	(7,339)
Public safety	1,792,513	1,965,608	1,954,956	(10,652)
Public works	643,151	582,800	576,589	(6,211)
Health and welfare	420	420	420	-
Community services	144,578	143,478	142,239	(1,239)
Culture and recreation	326,182	325,182	324,606	(576)
Housing and development	189,283	150,707	127,043	(23,664)
Total expenditures	3,716,303	3,766,654	3,716,973	(49,681)
Deficiency of revenues over expenditures	(327,959)	(329,535)	(294,719)	(34,816)
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year unassigned fund balance	-	77,402	-	(77,402)
Transfers in	373,959	319,033	292,543	(26,490)
Transfers out	(46,000)	(66,900)	(65,984)	(916)
Total other financing sources (uses)	327,959	329,535	226,559	(102,976)
CHANGE IN FUND BALANCE	$ -	$ -	(68,160)	$ (68,160)
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			2,771	
Payables and other liabilities			(82,517)	
Total reconciliation to GAAP basis			(79,746)	
FUND BALANCE, BEGINNING OF YEAR			2,052,352	
FUND BALANCE, END OF YEAR			$ 1,904,446	

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, 2012

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 14,414	$ 14,414
Available for loans	672,295	672,295	669,222	(3,073)
Total revenues	672,295	672,295	683,636	11,341
EXPENDITURES				
Loans made	672,295	672,295	25,000	(647,295)
Total expenditures	672,295	672,295	25,000	(647,295)
CHANGE IN FUND BALANCE	$ -	$ -	658,636	$ 658,636
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(669,748)	
Payables and other liabilities			25,000	
Total reconciliation to GAAP basis			(644,748)	
FUND BALANCE, BEGINNING OF YEAR			1,367,772	
FUND BALANCE, END OF YEAR			$ 1,381,660	

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

CITY OF THOMSON, GEORGIA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

DECEMBER 31, 2012

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
ASSETS				
Current assets				
Cash	$ 3,279,368	$ 109,478	$ 3,388,846	$ 4,196
Accounts receivable-net	1,001,333	140,659	1,141,992	-
Interest receivable	4,031	-	4,031	-
Other receivables	41,554	-	41,554	-
Intergovernmental receivables	-	10,889	10,889	-
Interfund receivables	75,687	9,520	85,207	-
Inventories	68,653	-	68,653	-
Prepaid expenses	16,421	14,028	30,449	-
Total current assets	4,487,047	284,574	4,771,621	4,196
Noncurrent assets				
Capital assets				
Land	128,782	-	128,782	-
Buildings and improvements	370,396	50,968	421,364	39,806
Machinery and equipment	5,299,096	1,114,899	6,413,995	72,619
Construction in progress	737,198	-	737,198	-
Less accumulated depreciation	(4,224,601)	(947,532)	(5,172,133)	(60,311)
Total capital assets, net of accumulated depreciation	2,310,871	218,335	2,529,206	52,114
Total noncurrent assets	2,310,871	218,335	2,529,206	52,114
Total assets	6,797,918	502,909	7,300,827	56,310
LIABILITIES AND NET POSITION				
Liabilities				
Current liabilities				
Accounts payable	670,808	17,362	688,170	4,409
Accrued liabilities	73,804	28,176	101,980	7,049
Customer deposits	183,747	-	183,747	-
Intergovernmental payables	-	21,315	21,315	-
Interfund payables	937	-	937	1,774
Total current liabilities	929,296	66,853	996,149	13,232
Noncurrent liabilities				
Net OPEB obligation	88,561	51,262	139,823	-
Total noncurrent liabilities	88,561	51,262	139,823	-
Total liabilities	1,017,857	118,115	1,135,972	13,232
Net Position				
Net investment in capital assets	2,279,666	218,335	2,498,001	52,114
Unrestricted	3,500,395	166,459	3,666,854	(9,036)
Total net position	$ 5,780,061	$ 384,794	$ 6,164,855	$ 43,078

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

CITY OF THOMSON, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 5,970,604	$ 1,097,982	$ 7,068,586	$ 152,287
Refunds from suppliers	338,040	-	338,040	-
Penalties	35,053	22,354	57,407	-
Other	2,609	2,929	5,538	191
Total operating revenues	6,346,306	1,123,265	7,469,571	152,478
OPERATING EXPENSES				
Purchases	4,640,009	264,811	4,904,820	-
Personnel services and benefits	704,297	686,976	1,391,273	165,852
Professional and technical services	124,157	16,205	140,362	-
Repairs and maintenance	110,593	79,944	190,537	3,567
Other purchased services	104,899	60,116	165,015	11,580
Supplies	165,735	132,829	298,564	17,244
Intergovernmental	132,269	-	132,269	-
Depreciation	162,078	87,832	249,910	5,712
Bad debts	6,046	7,421	13,467	-
Other	6,104	2,100	8,204	394
Total operating expenses	6,156,187	1,338,234	7,494,421	204,349
Operating income (loss)	190,119	(214,969)	(24,850)	(51,871)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	8,211	-	8,211	-
Insurance claims	-	9,868	9,868	-
Interest expense	(294)	(785)	(1,079)	-
Total non-operating revenues (expenses)	7,917	9,083	17,000	-
Income (loss) before transfers	198,036	(205,886)	(7,850)	(51,871)
TRANSFERS IN (OUT)				
Transfers in	-	90,898	90,898	-
Transfers out	(369,840)	(7,560)	(377,400)	-
CHANGE IN NET POSITION	(171,804)	(122,548)	(294,352)	(51,871)
NET POSITION, BEGINNING OF YEAR	5,951,865	507,342	6,459,207	94,949
NET POSITION, END OF YEAR	$ 5,780,061	$ 384,794	$ 6,164,855	$ 43,078

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, 2012

	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	$ 6,273,136	$ 1,108,947	$ 7,382,083	$ 152,478
Payments to suppliers and others	(5,188,097)	(558,991)	(5,747,088)	(31,528)
Payments to employees	(667,436)	(661,069)	(1,328,505)	(166,116)
Net cash provided (used) by operating activities	417,603	(111,113)	306,490	(45,166)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from insurance claims	-	2,858	2,858	-
Transfers from other funds	-	50,000	50,000	-
Transfers to other funds	(295,818)	(7,560)	(303,378)	-
Net cash provided (used) by noncapital financing activities	(295,818)	45,298	(250,520)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from insurance claims	-	7,010	7,010	-
Purchase and construction of capital assets	(800,896)	(19,225)	(820,121)	-
Payments on long-term debt	(14,860)	(40,053)	(54,913)	-
Interest paid	(316)	(844)	(1,160)	-
Transfers from other funds	-	40,898	40,898	-
Transfers to other funds	(149,709)	-	(149,709)	-
Net cash used by capital and related financing activities	(965,781)	(12,214)	(977,995)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	8,913	-	8,913	-
Net cash provided by investing activities	8,913	-	8,913	-
Net decrease in cash and cash equivalents	(835,083)	(78,029)	(913,112)	(45,166)
Cash and cash equivalents, beginning of year	4,114,451	187,507	4,301,958	49,362
Cash and cash equivalents, end of year	$ 3,279,368	$ 109,478	$ 3,388,846	$ 4,196

(Continued)

CITY OF THOMSON, GEORGIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2012

	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)	$ 190,119	$ (214,969)	$ (24,850)	$ (51,871)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	162,078	87,832	249,910	5,712
Other post employment benefits (OPEB)	30,861	18,425	49,286	-
(Increase) decrease in current assets				
Accounts receivable	(69,768)	3,881	(65,887)	-
Intergovernmental receivables	-	(10,778)	(10,778)	-
Other receivables	(41,554)	-	(41,554)	-
Interfund receivables	1,989	2,997	4,986	-
Inventory	(9,767)	-	(9,767)	-
Prepaid expenses	(2,933)	(2,532)	(5,465)	-
Increase (decrease) in current liabilities				
Accounts payable	149,923	(1,223)	148,700	1,257
Accrued liabilities	4,113	4,485	8,598	(747)
Customer deposits	1,605	-	1,605	-
Intergovernmental payables	-	769	769	-
Interfund payables	937	-	937	483
Total adjustments	227,484	103,856	331,340	6,705
Net cash provided (used) by operating activities	$ 417,603	$ (111,113)	$ 306,490	$ (45,166)

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, 2012

	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 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 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 (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 Position 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, 2012.

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

2011 CDBG 5380 Capital Projects Fund - The 2011 CDBG 5380 Capital Projects Fund is used to account for revenues and expenditures related to a multi-activity rehabilitation and redevelopment of a local neighborhood.

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 and Sewer Commission on a cost reimbursement basis.

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

Fiduciary funds include all funds held in a custodial nature.

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 2012 annual appropriated budgets for the City's General Fund, Enterprise Funds, and Special Revenue Funds on September 8, 2011. 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.

(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 position in the government-wide financials statements. Internal balances are eliminated in the government-wide financial statements.

Inventories

Inventories of supplies for all governmental funds are recorded at cost using the purchase method, whereby inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. No inventories were recorded in governmental funds for December 31, 2012.

Inventories of the proprietary funds 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, 2012.

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 Position (Government-Wide Financial Statements)

In June 2011, the GASB approved Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement Number 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period. Concepts Statement Number 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amended the net asset reporting requirements in Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of the Statement are effective for financial statements for periods beginning after December 15, 2011. Management implemented this Statement this year. The impact of this Statement did not have a material effect on the City's financial statements.

The City's net position is classified as follows:

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

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

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

Fund Balances (Governmental Funds Financial Statements)

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned - amounts intended to be used by the City for specific purposes. City Council delegates the authority to classify fund balance as "assigned" to the City Administrator and his/her designee, the 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.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses 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 2012 were levied on September 14, 2012 and were due November 15, 2012. 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 $ 118,757 less than budgeted amounts whereas actual expenditures and other financing uses (budgetary basis) were $ 50,597 less than appropriated amounts resulting in net decrease in fund balance (budgetary basis) of $ 68,160. The budget shortfall was anticipated and was absorbed by prior year unassigned fund balance.

Expenditures for all City departments and functions were under appropriated amounts for the year.

Airport Capital Projects Fund

As of December 31, 2012 liabilities in the Airport Capital Projects Fund exceeded assets by $ 28,652. The excess 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.

(Continued)

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

Nonmajor Governmental Funds

The Housing Development Action Grant Loan Fund, Police Condemnation Forefeiture Fund, 2009 CDBG 5135 Fund, and 2010 CDBG 5272 Fund are reporting decreases in fund balance for December 31, 2012 totaling $ 33,591, $ 3,795, $ 1,603, and $ 3,008, 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 $ 6,283,319 and the bank balance was $ 6,403,921 at December 31, 2012. 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, 2012, the City had the following investments:

Investments	Maturities	Fair Value	Credit Rating
Georgia Fund 1	Average of 23 days	$ 208,467	AAA
Land	N/A	85,842	N/A
		$ 294,309	

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, 2012, no single issue investment exceeded 5% of total investments.

(Continued)

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

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, 2012 and were due on November 15, 2012. 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 2012 tax levy follows:

2012 millage rate	5.37
Taxable digest	$ 128,280,850
Gross tax levy	$ 1,916,747
Less sales tax rollback	(1,173,684)
Net property taxes	$ 743,063
Property taxes receivable	$ 98,592
Less allowance for uncollectible amounts	(28,977)
Net property taxes receivable	$ 69,615
Deferred property tax revenue	$ 67,194

NOTE 5 - NOTES RECEIVABLE

Notes receivable and the applicable allowances for uncollectible accounts as of December 31, 2012 are as follows:

Employment Incentive Program Loan Fund (EIP)	
5.00%, monthly payments of $ 2,386 (principal and interest), to 2014, collateralized by equipment	$ 38,393
5.00%, monthly payments of $ 2,652 (principal and interest), to 2013, collateralized by equipment	10,497
5.00%, monthly payments of $ 707 (principal and interest), was due 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	111,590

(Continued)

NOTE 5 - NOTES RECEIVABLE (Continued)

4.00%, monthly payments of $ 1,012 (principal and interest), to 2020, collateralized by equipment and accounts receivable	76,351
0.00%, monthly payments of $ 2,359 (principal), to 2015, collateralized by real estate	74,622
3.00%, monthly payments of $ 2,414 (principal and interest), to 2021, collateralized by personal guarantee of owners	213,357
3.00%, 34 monthly payments of $ 241, final payment of $ 18,660 (principal and interest), to 2015, collateralized by equipment, accounts receivable, and inventory	25,000
	589,438
Less allowance for doubtful accounts	(39,628)
Total	549,810
Housing Development Action Grant Loan Fund (HODAG)	
3.50%, monthly payments of $ 53 (principal and interest), to 2016, collateralized by real estate	1,578
3.50%, monthly payments of $ 69 (principal and interest), to 2016, collateralized by real estate	2,769
3.50%, monthly payments of $ 57 (principal and interest), to 2014, collateralized by real estate	1,111
3.50%, monthly payments of $ 57 (principal and interest), to 2017, collateralized by real estate	3,041
3.50%, monthly payments of $ 46 (principal and interest), to 2017, collateralized by real estate	2,379
3.50%, monthly payments of $ 86 (principal and interest), to 2017, collateralized by real estate	4,398
2.00%, 120 monthly payments of $ 1,602 beginning 1/1/15, final payment of $ 193,551 (principal and interest) to 2024, collateralized by real estate	331,548
Total	346,824
Urban Development Action Grant Loan Fund (UDAG)	
6.00%, monthly payments of $ 808, (principal and interest), to 2014, collateralized by real estate	69,757
4.00%, 10 monthly payments of $ 821, (interest only) principal and interest due 7/2013, collateralized by real estate	246,346
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	29,283

(Continued)

NOTE 5 - NOTES RECEIVABLE (Continued)

0.25%, variable monthly payments, (principal and interest), to 2017, collateralized by guarantee of local chapter of Habitat for Humanity	15,000
	381,386
Less allowance for doubtful accounts	(90,757)
Total	290,629
Grand Total	$ 1,187,263

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 01/01/2012	Additions	Deletions/ Transfers	Balance 12/31/2012
Governmental Activities				
Capital assets not being depreciated				
Land	$ 965,434	$ -	$ -	$ 965,434
Construction in progress	3,549,428	1,228,156	(3,517,420)	1,260,164
Total capital assets not being depreciated	4,514,862	1,228,156	(3,517,420)	2,225,598
Capital assets being depreciated				
Site improvements	4,512,832	906,212	-	5,419,044
Buildings and improvements	1,947,154	-	-	1,947,154
Machinery and equipment	3,333,049	102,453	(12,308)	3,423,194
Infrastructure	2,109,331	568,414	-	2,677,745
Total capital assets being depreciated	11,902,366	1,577,079	(12,308)	13,467,137
Less accumulated depreciation				
Site improvements	(1,631,809)	(163,591)	-	(1,795,400)
Buildings and improvements	(648,712)	(48,679)	-	(697,391)
Machinery and equipment	(2,675,831)	(211,812)	12,308	(2,875,335)
Infrastructure	(517,357)	(99,959)	-	(617,316)
Total accumulated depreciation	(5,473,709)	(524,041)	12,308	(5,985,442)
Net capital assets being depreciated	6,428,657	1,053,038	-	7,481,695
Governmental activities capital assets-net	$ 10,943,519	$ 2,281,194	$ (3,517,420)	$ 9,707,293

Depreciation expense was charged to functions as follows:

General government	$ 19,269
Public safety	183,428
Public works	144,392
Housing and development	131,447
Culture and recreation	25,444
Community services	14,349
Vehicle maintenance fund	5,712
Current year depreciation expense	$ 524,041

The City transferred complete construction in progress of $ 1,463,656 to the County and Water and Sewer Commission during 2012.

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 01/01/2012	Additions	Deletions	Balance 12/31/2012
Business-type Activities				
Capital assets not being depreciated				
Land	$ 128,782	$ -	$ -	$ 128,782
Construction in progress	38,970	698,228	-	737,198
Total capital assets not being depreciated	167,752	698,228	-	865,980
Capital assets being depreciated				
Buildings and improvements	421,364	-	-	421,364
Machinery and equipment	6,310,669	121,893	(18,567)	6,413,995
Total capital assets being depreciated	6,732,033	121,893	(18,567)	6,835,359
Less accumulated depreciation				
Buildings and improvements	(214,051)	(10,474)	-	(224,525)
Machinery and equipment	(4,726,739)	(239,436)	18,567	(4,947,608)
Total accumulated depreciation	(4,940,790)	(249,910)	18,567	(5,172,133)
Net capital assets being depreciated	1,791,243	(128,017)	-	1,663,226
Business-type activities capital assets-net	$ 1,958,995	$ 570,211	$ -	$ 2,529,206

Depreciation expense on capital assets of the business-type activities was $ 249,910 for the year ended December 31, 2012.

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, 2012.

NOTE 7 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2012:

	Balance 01/01/2012	Additions	Deletions	Balance 12/31/2012
Governmental Activities				
Note payable	$ 413,587	$ -	$ (29,823)	$ 383,764
Capital leases	28,522	90,453	(59,519)	59,456
Accrued compensated absences	52,714	7,585	(10,972)	49,327
Total debt-governmental activities	$ 494,823	$ 98,038	$ (100,314)	$ 492,547
Business-type Activities				
Capital leases	$ 54,913	$ -	$ (54,913)	$ -
Total debt-business-type activities	$ 54,913	$ -	$ (54,913)	$ -

There was no short-term borrowing during the year ended December 31, 2012.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

The following summarizes long-term debt outstanding at December 31, 2012:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Note payable, airport hanger	$ 500,000	3.00%	2023	$ 383,764	$ 30,727
Capital lease, police cruisers	90,453	2.83%	2014	59,456	29,314
	$ 590,453			443,220	60,041
Accrued compensated absences				49,327	-
Total-governmental activities				$ 492,547	$ 60,041

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, 2012 to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
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	34,630	7,267	41,897
2018 thru 2022	189,560	19,924	209,484
2023	30,957	465	31,422
	$ 383,764	$ 66,627	$ 450,391

Capital Lease Obligations

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012, are as follows:

Year Ending December 31,	Governmental Activities
2013	$ 30,996
2014	30,996
Total minimum lease payments	61,992
Less amount representing interest	(2,536)
Present value of minimum lease payments	$ 59,456

The total cost of capital assets leased under a capital lease as of December 31, 2012 was $ 90,453 and the related accumulated depreciation thereon totaled $ 9,045.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2012, is as follows:

Due from/to other funds

Receivable Fund	Payable Fund	Amount
General fund	Gas fund	$ 937
General fund	Maintenance fund	1,774
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	1,757
Gas fund	Airport capital projects fund	75,687
Solid w aste fund	General fund	9,520
		$ 108,172

Amounts due to the General Fund totaling $ 2,711 represent 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 $ 1,757 represent the City's portion of operating expenses for December 2012.

Amounts due to the Gas Fund totaling $ 75,687 represent amounts paid by the Gas Fund for engineering expenses on various airport capital projects. The Gas Fund will be reimbursed by the Airport Capital Projects Fund with proceeds from capital grants.

Amounts due to the Solid Waste Fund totaling $ 9,520 represent prior year capital contributions from the Gas Fund that were deposited in the General Fund.

Interfund transfers

	Transfer In				
Transfer Out	General Fund	Airport Fund	Nonmajor Governmental Funds	Solid Waste Fund	Total Transfers Out
General fund	$ -	$ 32,487	$ 29,698	$ -	$ 62,185
2011 CDBG 5380 fund	100	-	-	-	100
Airport capital projects fund	3,491	-	-	-	3,491
Nonmajor governmental funds	2,450	-	-	-	2,450
Gas fund	278,942	-	-	90,898	369,840
Solid w aste fund	7,560	-	-	-	7,560
	$ 292,543	$ 32,487	$ 29,698	$ 90,898	$ 445,626

The City funds its General Fund capital budget with transfers from the Gas Fund. Capital assets funded with transfers from the Gas Fund during 2012 totaled $ 108,811. The Gas Fund also funds a portion of administrative salaries and related employment benefits. Transfers from the Gas Fund to fund these costs totaled $ 116,131. 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 $ 54,000 and $ 7,560, 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 $ 6,041.

(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 $ 32,487 and $ 29,698, respectively.

Solid Waste Fund capital asset purchases and payments on capital debt are funded with transfers from the Gas Fund. Total transfers to the Solid Waste Fund for capital purposes totaled $ 40,898. The Gas Fund also provided an additional $ 50,000 for Solid Waste operations.

NOTE 9 - DEFERRED REVENUE

As of December 31, 2012, deferred revenues reported in the fund financial statements, totaled $ 71,774. Deferred property taxes totaled $ 67,194, prepayments of 2013 occupational taxes totaled $ 280, prepayments of 2013 beer and wine licenses totaled $ 2,300, and unearned miscellaneous income totaled $ 2,000. These amounts are not considered available for expenditure as of year-end.

NOTE 10 - NET POSITION

Net position of the government-wide and proprietary fund financial statements represent the difference between assets and liabilities. Reported amounts for net investment in capital assets and restricted net position are as follows at December 31, 2012:

	Governmental Activities	Business-type Activities
Net Investment in Capital Assets		
Primary government	$ 9,655,179	$ 2,529,206
Internal service fund	52,114	-
Less note payable	(383,764)	-
Less capital leases payable	(59,456)	-
Less construction and retainage payables	(314,990)	(31,205)
Total net investment in capital assets	$ 8,949,083	$ 2,498,001
Restricted For		
Public Safety		
Police Condemnation Fund	$ 2,289	
Total Public Safety	$ 2,289	
Public Works		
TIA SPLOST Fund	$ 100	
Total Public Works	$ 100	
Housing and Development		
EIP Revolving Loan Fund	$ 1,381,660	
HODAG Revolving Loan Fund	547,432	
UDAG Revolving Loan fund	589,641	
2007 CHIP Grant 2955	76	
2007 CHIP Grant 2956	76	
2008 CHIP Grant 6012	75	
2011 CDBG 5380	4,028	
Total Housing and Development	$ 2,522,988	

NOTE 11 - JOINT VENTURES AND RELATED ORGANIZATIONS

McDuffie County/City of Thomson Water and Sewer Commission

The City is a one-half joint venture partner with McDuffie County, Georgia in the McDuffie County/City of Thomson Water and 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	$ 4,263,459
Depreciation and amortization expense	$ 1,122,968
Operating loss	$ (56,571)
Change in net position	$ 869,105
Capital asset additions	$ 7,239,706
Capital asset deletions	$ (12,500)
Net w orking capital	$ 2,492,102
Total assets	$ 41,665,152
Revenue bonds and other long-term liabilities	$ 11,753,437
Total net position	$ 29,637,900

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, 2012, 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 and not a component unit.

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, 2012, 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, 2012, the most recent valuation date, there were ninety-three active participants, fifty retirees and beneficiaries receiving benefits, and thirty-four 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 2011 was 10.69% of annual covered payroll, and the rate for 2012 will be 10.90% of covered payroll. Total covered payroll was $ 3,059,653 and $ 2,992,897 for 2012 and 2011. Total payroll was $ 3,413,736 for 2012 and $ 3,485,767 for 2011. Employees do not contribute to the plan.

Annual Pension Cost

For 2012, the annual pension cost of $ 325,620 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, 2011 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.

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

(Continued)

NOTE 14 - RETIREMENT PLAN (Continued)

Schedule of Employer Contributions

Fiscal Year	Annual Pension Cost (APC)	% APC Funded	Net Pension Obligation
1993	$ 104,699	100%	None
1994	$ 99,482	100%	None
1995	$ 90,727	100%	None
1996	$ 117,354	100%	None
1997	$ 123,448	100%	None
1998	$ 117,558	100%	None
1999	$ 94,361	100%	None
2000	$ 90,703	100%	None
2001	$ 102,568	100%	None
2002	$ 131,666	100%	None
2003	$ 186,692	100%	None
2004	$ 208,736	100%	None
2005	$ 229,890	100%	None
2006	$ 240,900	100%	None
2007	$ 238,696	100%	None
2008	$ 250,372	100%	None
2009	$ 301,733	100%	None
2010	$ 318,390	100%	None
2011	$ 335,009	100%	None
2012	$ 325,620	100%	None

Schedule of Funding Progress for the Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) Entry Age (b)	Unfunded (Funding Excess) AAL (UAAL) (b-a)	Funded Ration (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	90.19%	$ 1,155,935	15.11%
01/01/95	$ 1,642,249	$ 1,741,836	$ 99,587	94.28%	$ 1,318,064	7.56%
01/01/96	$ 1,864,536	$ 2,017,348	$ 152,812	92.43%	$ 1,595,948	9.57%
01/01/97	$ 1,933,299	$ 2,124,547	$ 191,248	91.00%	$ 1,697,220	11.27%
01/01/98	$ 2,176,425	$ 2,239,217	$ 62,792	97.20%	$ 1,818,812	3.45%
01/01/99	$ 2,719,434	$ 2,393,700	$ (325,734)	113.61%	$ 1,784,577	-18.25%
01/01/00	$ 2,931,878	$ 2,651,347	$ (280,531)	110.58%	$ 1,814,450	-15.46%
01/01/01	$ 3,148,907	$ 2,940,816	$ (208,091)	107.08%	$ 1,988,052	-10.47%
01/01/02	$ 3,317,375	$ 3,291,305	$ (26,070)	100.79%	$ 2,246,049	-1.16%
01/01/03	$ 3,291,482	$ 3,611,180	$ 319,698	91.15%	$ 2,594,302	12.32%
01/01/04	$ 3,533,233	$ 3,905,186	$ 371,953	90.48%	$ 2,638,147	14.10%
01/01/05	$ 3,794,735	$ 4,305,729	$ 510,994	88.13%	$ 2,610,741	19.57%
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%
07/01/12	$ 5,969,848	$ 6,784,233	$ 814,385	88.00%	$ 3,059,653	26.62%

In 2010 the Georgia Municipal Employees Benefit System (GMEBS) changed the date for performing actuarial valuations from January 1 of each year to July 1.

NOTE 15 - POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description, Contribution Information and Funding Policies

In addition to providing pension benefits, the City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The Retiree Health Plan provides 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.

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. There were four retired employees that received benefits during 2012.

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's annual OPEB cost and the net OPEB obligation for December 31, 2012 was as follows (information prior to 2009 is not available since the actuarial valuation was first performed as of December 31, 2008):

	Governmental Activities	Business-type Activities		
	General Fund	Gas Fund	Solid Waste Fund	Total
Employer normal costs	$ 55,542	$ 21,056	$ 14,173	$ 90,771
Amortization of UAAL	17,638	9,615	4,144	31,397
Annual required contribution (ARC)	73,180	30,671	18,317	122,168
Interest on net obligation	356	190	108	654
Annual OPEB costs	73,536	30,861	18,425	122,822
Contributions made	(7,712)	-	-	(7,712)
	65,824	30,861	18,425	115,110
Net OPEB obligation-beginning of year	107,968	57,700	32,837	198,505
Net OPEB obligation-end of year	$ 173,792	$ 88,561	$ 51,262	$ 313,615

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

NOTE 15 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2009	$ 53,657	0.00%	$ 53,657
2010	$ 106,384	23.53%	$ 135,009
2011	$ 8,020	20.65%	$ 198,505
2012	$ 122,822	6.28%	$ 313,615

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2012, was as follows:

	Governmental Activities	Business-type Activities		
	General Fund	Gas Fund	Solid Waste Fund	Total
Actuarial accrued liability	$ 499,680	$ 272,386	$ 117,400	$ 889,466
Actuarial value of plan assets	-	-	-	-
Unfunded actuarial accrued liability	499,680	272,386	117,400	889,466
Funded ratio	0.00%	0.00%	0.00%	0.00%
Covered payroll	1,387,462	434,563	379,422	2,201,447
Unfunded actuarial accrued liability as a percentage of covered payroll	36.01%	62.68%	30.94%	40.40%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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 0.33% rate of investment return. The valuation assumes a 9.5% health care trend inflation rate for 2012 and decreases 1.0% each year until 2015, then 0.5% decrease in 2016 and 2017, and thereafter a 5.0% rate was assumed.

NOTE 16 – COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

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 scheduled to begin on this project July 2013.

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. Construction on this project will also begin July 2013.

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-nine 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. Approximately seventy-three percent of these funds had been expended as of year-end.

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. This project is approximately sixty-three percent complete as of year-end.

As of December 31, 2012, amounts spent to date and the estimated remaining commitment on these projects are as follows:

Project Description	Spent To Date	Remaining Commitment
2006 and 2008 TE Grants Downtown Redevelopment	$ 125,900	$ 997,745
2011 TE Grant Downtown Redevelopment	-	275,000
2007 CHIP Neighborhood Revitalization	186,422	-
2007 CHIP Neighborhood Revitalization	245,493	54,507
2008 CHIP Neighborhood Revitalization	117,689	35,177
2011 CDBG Multi-Activity Project	555,631	322,329
	$ 1,231,135	$ 1,684,758

Subsequent Events

In preparing these financial statements, the City's management has evaluated events and transactions for potential recognition or disclosure through July 1, 2013, the date the financial statements were available for issuance.

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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
2012	122,168	6.31%	7,712

Funded Status and Funding Progress

The funded status of the plan is as follows:

Valuation Date	Fiscal Year Ended	Actuarial Accrued Liability (AAL) (a)	Accrued Value of Plan Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
2009	2009	$ 369,253	$ -	$ 369,253	0.00%	$ 1,996,184	18.50%
2009	2010	607,788	-	607,788	0.00%	2,221,704	27.36%
2009	2011	607,788	-	607,788	0.00%	2,126,529	28.58%
2012	2012	889,466	-	889,466	0.00%	2,201,447	40.40%

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, 2012

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes				
Property tax	$ 709,811	$ 717,411	$ 702,703	$ (14,708)
Intangible tax	9,000	9,000	8,700	(300)
Railroad equipment tax	300	300	285	(15)
Real estate transfer tax	1,700	1,150	1,132	(18)
Franchise tax	441,000	464,700	464,165	(535)
Local option sales tax	1,183,623	1,183,623	1,183,623	-
Alcoholic beverage tax	103,000	107,100	102,455	(4,645)
Occupation tax	53,000	56,000	56,097	97
Insurance premium tax	370,000	338,000	337,681	(319)
Financial institution tax	35,000	35,000	34,994	(6)
Penalties and interest	2,000	3,900	3,813	(87)
Payment in lieu of taxes	14,000	14,000	14,142	142
Total taxes	2,922,434	2,930,184	2,909,790	(20,394)
Licenses and Permits				
Alcoholic beverage licenses	5,000	5,000	9,100	4,100
Building permits	7,000	9,150	9,127	(23)
Total licenses and permits	12,000	14,150	18,227	4,077
Intergovernmental				
Local government	-	630	-	(630)
Water sewer joint venture	115,763	115,763	112,738	(3,025)
Total intergovernmental	115,763	116,393	112,738	(3,655)
Charges for Services				
Election Qualifying Fees	-	120	120	-
Fire protection fees	4,500	4,500	5,500	1,000
Total charges for services	4,500	4,620	5,620	1,000
Fines and Forfeitures				
Police court fines	185,250	200,250	200,804	554
Total fines and forfeitures	185,250	200,250	200,804	554
Use of Money and Property				
Interest income	16,000	4,525	4,386	(139)
Rents	98,897	80,497	87,358	6,861
Reimbursements for damaged property	500	28,600	28,524	(76)
Cemetary lot sales	18,000	18,800	18,800	-
Total use of money and property	133,397	132,422	139,068	6,646
Other				
Miscellaneous	15,000	39,100	36,007	(3,093)
Total other	15,000	39,100	36,007	(3,093)
Total revenues	3,388,344	3,437,119	3,422,254	(14,865)

(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, 2012

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
EXPENDITURES				
General government				
Mayor and Council	63,366	64,016	60,820	(3,196)
Voter registration	5,000	5,525	5,522	(3)
General administration	537,410	514,518	510,378	(4,140)
Tax commissioner	12,000	12,000	12,000	-
Tax assessor	2,400	2,400	2,400	-
Total general government	620,176	598,459	591,120	(7,339)
Public safety				
Police	950,580	1,143,700	1,141,493	(2,207)
Fire	828,933	808,908	800,463	(8,445)
Animal shelter	13,000	13,000	13,000	-
Total public safety	1,792,513	1,965,608	1,954,956	(10,652)
Public works				
Street department	643,151	582,800	576,589	(6,211)
Total public works	643,151	582,800	576,589	(6,211)
Health and welfare				
Health department	420	420	420	-
Total health and welfare	420	420	420	-
Community services				
Senior citizen center	81,663	81,663	81,663	-
Community centers	37,500	36,400	35,161	(1,239)
Transportation services	25,415	25,415	25,415	-
Total community services	144,578	143,478	142,239	(1,239)
Culture and recreation				
Recreation	256,925	255,925	255,649	(276)
Library	69,257	69,257	68,957	(300)
Total culture and recreation	326,182	325,182	324,606	(576)
Housing and development				
Planning and zoning	78,410	64,510	45,268	(19,242)
Code enforcement	62,176	37,500	33,085	(4,415)
Economic development	41,897	41,897	41,897	-
CSRA Rural Development	6,800	6,800	6,793	(7)
Total housing and development	189,283	150,707	127,043	(23,664)
Total expenditures	3,716,303	3,766,654	3,716,973	(49,681)

(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, 2012

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
Deficiency of revenues over expenditures	(327,959)	(329,535)	(294,719)	(34,816)
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year unassigned fund balance	-	77,402	-	(77,402)
Transfers in	373,959	319,033	292,543	(26,490)
Transfers out	(46,000)	(66,900)	(65,984)	(916)
Total other financing sources (uses)	327,959	329,535	226,559	(102,976)
CHANGE IN FUND BALANCE	$ -	$ -	$ (68,160)	$ (68,160)

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, and 2010 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.

TIA SPLOST Fund - This fund was established to account for proceeds from the Transportation Investment Act special purpose local option sales tax to provide funding for road and street maintenance, paving, and other related costs.

SPLOST 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, 2012

	Special Revenue				
	Housing Development Action Grant Loan Fund	Urban Development Action Grant Loan Fund	Police Condemnation Forfeiture	2007 CHIP Grant 2955	2007 CHIP Grant 2956
ASSETS					
Cash and cash equivalents	$ 85,293	$ 285,345	$ 2,289	$ 76	$ 76
Investments	85,842	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Notes	346,824	290,629	-	-	-
Interest	41	360	-	-	-
Intergovernmental receivable	-	-	-	-	35,750
Interfund receivables	5,190	13,307	-	-	-
Total assets	$ 523,190	$ 589,641	$ 2,289	$ 76	$ 35,826
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ 35,750
Interfund payables	1,968	-	-	-	-
Total liabilities	1,968	-	-	-	35,750
FUND BALANCES					
Restricted for:					
Public safety	-	-	2,289	-	-
Public works	-	-	-	-	-
Housing and development	521,222	589,641	-	76	76
Total fund balances	521,222	589,641	2,289	76	76
Total liabilities and fund balances	$ 523,190	$ 589,641	$ 2,289	$ 76	$ 35,826

(Continued)

Capital Projects						
						Total
2008	2009	2010				Nonmajor
CHIP Grant	CDBG	CDBG	2006	TIA		Governmental
6012	5135	5272	TE Grant	SPLOST	SPLOST	Funds
$ 75	$ -	$ -	$ -	$ 100	$ -	$ 373,254
-	-	-	-	-	-	85,842
-	-	-	-	-	-	637,453
-	-	-	-	-	-	401
-	-	-	-	-	25,427	61,177
-	-	-	-	-	-	18,497
$ 75	$ -	$ -	$ -	$ 100	$ 25,427	$ 1,176,624
$ -	$ -	$ -	$ -	$ -	$ 25,427	$ 61,177
-	-	-	-	-	-	1,968
-	-	-	-	-	25,427	63,145
-	-	-	-	-	-	2,289
-	-	-	-	100	-	100
75	-	-	-	-	-	1,111,090
75	-	-	-	100	-	1,113,479
$ 75	$ -	$ -	$ -	$ 100	$ 25,427	$ 1,176,624

CITY OF THOMSON, GEORGIA

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue				
	Housing Development Action Grant Loan Fund	Urban Development Action Grant Loan Fund	Police Condemnation Forfeiture	2007 CHIP Grant 2955	2007 CHIP Grant 2956
REVENUES					
Intergovernmental	$ -	$ -	$ -	$ -	$ 35,750
Fines and forfeitures	-	-	6,045	-	-
Interest income	614	23,978	-	-	-
Other revenues	-	46	-	-	-
Total revenues	614	24,024	6,045	-	35,750
EXPENDITURES					
Current					
Public safety	-	-	9,840	-	-
Housing and development	34,205	-	-	-	-
Capital outlay					
Housing and development	-	-	-	-	35,750
Total expenditures	34,205	-	9,840	-	35,750
Excess (deficiency) of revenues over expenditures	(33,591)	24,024	(3,795)	-	-
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balances	(33,591)	24,024	(3,795)	-	-
Fund balances, beginning of year	554,813	565,617	6,084	76	76
Fund balances, end of year	$ 521,222	$ 589,641	$ 2,289	$ 76	$ 76

(Continued)

Capital Projects						
2008 CHIP Grant 6012	2009 CDBG 5135	2010 CDBG 5272	2006 TE Grant	TIA SPLOST	SPLOST	Total Nonmajor Governmental Funds
$ 31,301	$ 116,047	$ 279,635	$ -	$ -	$ 117,662	$ 580,395
-	-	-	-	-	-	6,045
-	-	-	-	-	-	24,592
-	-	-	-	-	-	46
31,301	116,047	279,635	-	-	117,662	611,078
-	-	-	-	-	-	9,840
-	-	-	-	-	-	34,205
36,550	117,504	304,688	-	-	117,662	612,154
36,550	117,504	304,688	-	-	117,662	656,199
(5,249)	(1,457)	(25,053)	-	-	-	(45,121)
5,249	2,304	22,045	-	100	-	29,698
-	(2,450)	-	-	-	-	(2,450)
5,249	(146)	22,045	-	100	-	27,248
-	(1,603)	(3,008)	-	100	-	(17,873)
75	1,603	3,008	-	-	-	1,131,352
$ 75	$ -	$ -	$ -	$ 100	$ -	$ 1,113,479

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, 2012

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 663	$ 663
Available for loans	129,458	129,458	202,736	73,278
Total revenues	129,458	129,458	203,399	73,941
EXPENDITURES				
Loans made	129,458	129,458	-	(129,458)
Housing and Development	-	-	34,205	34,205
Total expenditures	129,458	129,458	34,205	(95,253)
CHANGE IN FUND BALANCE	$ -	$ -	169,194	$ 169,194
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(202,785)	
Payables and other liabilities			-	
Total reconciliation to GAAP basis			(202,785)	
FUND BALANCE, BEGINNING OF YEAR			554,813	
FUND BALANCE, END OF YEAR			$ 521,222	

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, 2012

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 23,757	$ 23,757
Other revenues	-	-	46	46
Available for loans	431,497	431,497	427,798	(3,699)
Total revenues	431,497	431,497	451,601	20,104
EXPENDITURES				
Loans made	431,497	431,497	170,405	(261,092)
Total expenditures	431,497	431,497	170,405	(261,092)
CHANGE IN FUND BALANCE	$ -	$ -	281,196	$ 281,196
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(257,172)	
Payables and other liabilities			-	
Total reconciliation to GAAP basis			(257,172)	
FUND BALANCE, BEGINNING OF YEAR			565,617	
FUND BALANCE, END OF YEAR			$ 589,641	

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, 2012

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Fines and forfeitures	$ 10,000	$ 10,000	$ 6,045	$ (3,955)
Total revenues	10,000	10,000	6,045	(3,955)
EXPENDITURES				
Public safety	10,000	10,000	9,840	(160)
Total expenditures	10,000	10,000	9,840	(160)
CHANGE IN FUND BALANCE	$ -	$ -	(3,795)	$ (3,795)
FUND BALANCE, BEGINNING OF YEAR			6,084	
FUND BALANCE, END OF YEAR			$ 2,289	

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, 2012

	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Police Surcharge Fund				
Assets				
Cash	$ 36	$ 106,356	$ 106,356	$ 36
Total assets	$ 36	$ 106,356	$ 106,356	$ 36
Liabilities				
Intergovernmental payables	$ 36	$ 106,356	$ 106,356	$ 36
Total liabilities	$ 36	$ 106,356	$ 106,356	$ 36

SUPPLEMENTARY SCHEDULES

CITY OF THOMSON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANTS

PROJECT COST SCHEDULE (CASH BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2012

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	$ 112,319	$ 5,250	$ 117,569	none
Contingencies	C-022-00	10,000	-	196	196	none
		$ 152,867	$ 112,319	$ 5,446	$ 117,765	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	318,378	-	318,378	none
Flood/Drainage	P-03K-02	116,896	154,756	45,900	200,656	none
Rehab Private Property	H-14A-01	292,772	201,412	-	201,412	none
Recons Private Property	H-14A-02	-	89,065	-	89,065	none
Administration	A-21A-00	40,000	35,669	2,304	37,973	none
Preliminary Engineering		-	-	61,088	61,088	none
		$ 800,000	$ 800,000	$ 109,292	$ 909,292	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	221,477	11,031	232,508	none
Flood/Drainage	P-03K-02	219,406	267,234	11,409	278,643	none
Rehab Private Property	H-14A-01	262,228	288,583	5,236	293,819	none
Administration	A-21A-00	48,000	22,706	5,656	28,362	none
Preliminary Engineering		-	-	49,596	49,596	none
		$ 800,000	$ 800,000	$ 82,928	$ 882,928	none
Source of Other Funds: Local Match						
Grant Number 11b-x-094-2-5380						
Property Acquisition	P-001-01	$ 2,500	$ 1,808	$ -	$ 1,808	none
Contingency	C-022-00	18,022	-	-	-	none
Sew er Facility	P-03J-02	225,012	89,555	-	89,555	none
Flood/Drainage	P-03K-02	203,950	66,142	-	66,142	none
Pedestrian Walkw ay	P-03L-00	11,700	-	-	-	none
Rehab Private Property	H-14A-01	162,901	4,847	-	4,847	none
Recons Private Property	H-14A-02	142,315	76,561	-	76,561	none
Administration	A-21A-00	33,600	14,976	3,500	18,476	none
Preliminary Engineering		-	-	44,429	44,429	none
		$ 800,000	$ 253,889	$ 47,929	$ 301,818	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, 2012

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	112,319
Funds Still Available from Program Year 2008 Resources	$ 40,548
Total Program Year 2008 Funds Drawn and Received by Recipient	$ 112,319
Less: Funds Applied and Expended to Program Year 2008 Costs	112,319
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	800,000
Funds Still Available from Program Year 2009 Resources	$ -
Total Program Year 2009 Funds Drawn and Received by Recipient	$ 800,000
Less: Funds Applied and Expended to Program Year 2009 Costs	800,000
Total Program Year 2009 Funds Held by Recipient	$ -
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	800,000
Funds Still Available from Program Year 2010 Resources	$ -
Total Program Year 2010 Funds Drawn and Received by Recipient	$ 800,000
Less: Funds Applied and Expended to Program Year 2010 Costs	800,000
Total Program Year 2010 Funds Held by Recipient	$ -
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	257,917
Funds Still Available from Program Year 2011 Resources	$ 542,083
Total Program Year 2011 Funds Drawn and Received by Recipient	$ 257,917
Less: Funds Applied and Expended to Program Year 2011 Costs	253,889
Total Program Year 2011 Funds Held by Recipient	$ 4,028

CITY OF THOMSON, GEORGIA

SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

FOR THE YEAR ENDED DECEMBER 31, 2012

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
SPLOST IV 2004 - 2008						
Public Safety	$ 600,000	$ 600,000	$ 581,242	$ -	$ 581,242	97%
Roads/Transportation	1,260,000	1,260,000	268,419	-	268,419	21%
Economic Development	675,000	675,000	826,154	12,581	838,735	124%
Water/Sew er	4,252,000	4,252,000	4,236,209	-	4,236,209	100%
Totals	$ 6,787,000	$ 6,787,000	$ 5,912,024	$ 12,581	$ 5,924,605	
SPLOST V 2009 - 2013						
Public Safety	$ 400,000	$ 400,000	$ 283,997	$ -	$ 283,997	71%
Roads/Transportation	700,000	700,000	124,924	74,893	199,817	29%
Airport	-	66,429	32,626	30,188	62,814	95%
Recreation	1,123,000	1,123,000	185,722	-	185,722	17%
Totals	$ 2,223,000	$ 2,289,429	$ 627,269	$ 105,081	$ 732,350	

COMPLIANCE AND SINGLE AUDIT SECTION

elliott davis

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2012, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated July 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Elliott Davis, LLC

Greenwood, South Carolina
July 1, 2013

CITY OF THOMSON, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Entity Identifying Number	Federal Expenditures
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	$ 116,047
Community Development Block Grants/State's Program	14.228	10b-x-094-2-5272	279,635
Community Development Block Grants/State's Program	14.228	11b-x-094-2-5380	507,702
Total Community Development Block Grants/State's Program			903,384
Home Investment Partnerships Program	14.239	07m-x-094-2-2956	35,750
Home Investment Partnerships Program	14.239	08mr-x-094-2-6012	31,301
Total Home Investment Partnerships Program			67,051
Total U.S. Department of Housing and Urban Development			970,435
U.S. Department of Transportation			
Pass-through programs from:			
Georgia Department of Transportation			
Airport Improvement Program	20.106	APO12-9019-15(195)	180,619
Airport Improvement Program	20.106	APO13-9013-16(195)	62,361
Total Airport Improvement Program			242,980
Total U.S. Department of Transportation			242,980
Total expenditures of federal awards			$ 1,213,415

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, 2012

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, 2012.

CITY OF THOMSON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major program:

CFDA Number	Name of Federal Program
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between type A and type B programs	$300,000
Auditee qualified as low-risk auditee?	No

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

CITY OF THOMSON, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

SUMMARY OF PRIOR AUDIT FINDINGS

There were no prior audit findings reported for the year ended December 31, 2011 which require a response in the December 31, 2012 financial statements.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE ON EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

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

Report on Compliance for Each Major Federal Program

We have audited the City of Thomson, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the City'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Greenwood, South Carolina
July 1, 2013

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