CITY OF THOMSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

CITY OF THOMSON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2013

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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, the 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, 2013, 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 an opinion 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 entity'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 entity'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 opinion.

Opinion

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, 2013, 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 in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our 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, and special purpose local option sales tax schedule, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations,* and is also 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 June 26, 2014 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.



Augusta, Georgia
June 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $ 20,511,515 (net position). Of this amount, $ 12,166,249 is invested in capital assets (net of related debt), $ 2,664,699 is restricted for specific purposes, and $ 5,680,567 may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $ 774,337. Total revenues of the City's governmental and business type activities totaled $ 14,354,760, whereas expenses totaled $ 13,580,423.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $ 4,205,318, a decrease of $ 169,643 in comparison with the prior year. Of this total amount, $ 1,546,031 is unassigned and $ 2,638,357 is restricted by external agreements to be used for specific purposes. Nonspendable fund balance, representing prepaid expenses, totaled $ 20,930. Unassigned deficit fund balances totaled $ 125,930 which is expected to be funded with grant proceeds and contributions from the City and County.

- The net position of the City's enterprise funds (business - type activities) totaled $ 6,295,092. Of this amount $ 2,327,507 is invested in capital assets (net of related debt) and $ 3,967,585 (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 fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Employment Incentive Program (EIP) Loan Fund, TEA Grant Capital Projects Fund, and the Airport Capital Projects Fund. Data for the other ten 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 - 51 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 and deferred inflows of resources by $ 20,511,515 as of December 31, 2013.

A large portion of the City's net position (59 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 $ 5,680,567 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. Certain amounts reported for 2012 have been reclassified to conform to provisions of GASB Statement Number 65.

NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 5,003,380	$ 5,002,402	$ 5,171,628	$ 4,770,684	$ 10,175,008	$ 9,773,086
Capital assets, net	10,484,436	9,707,293	2,327,507	2,529,206	12,811,943	12,236,499
Total assets	15,487,816	14,709,695	7,499,135	7,299,890	22,986,951	22,009,585
Long-term liabilities outstanding	622,884	606,298	187,826	139,823	810,710	746,121
Other liabilities	619,567	528,494	1,016,217	995,212	1,635,784	1,523,706
Total liabilities	1,242,451	1,134,792	1,204,043	1,135,035	2,446,494	2,269,827
Deferred inflows of resources	28,942	2,580	-	-	28,942	2,580
Net position						
Net investment in capital assets	9,838,742	8,949,083	2,327,507	2,498,001	12,166,249	11,447,084
Restricted	2,664,699	2,525,377	-	-	2,664,699	2,525,377
Unrestricted	1,712,982	2,097,863	3,967,585	3,666,854	5,680,567	5,764,717
Total net position	$ 14,216,423	$ 13,572,323	$ 6,295,092	$ 6,164,855	$ 20,511,515	$ 19,737,178

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

(Continued)

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

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	$ 351,150	$ 357,654	$ 9,211,345	$ 7,469,571	$ 9,562,495	$ 7,827,225
Operating grants/ contributions	63,943	32,487	-	-	63,943	32,487
Capital grants/ contributions	1,702,032	1,372,380	-	-	1,702,032	1,372,380
General revenues						
Property taxes	651,880	658,372	-	-	651,880	658,372
Other taxes	2,289,958	2,198,114	-	-	2,289,958	2,198,114
Other	66,831	113,829	17,621	18,079	84,452	131,908
Total revenues	5,125,794	4,732,836	9,228,966	7,487,650	14,354,760	12,220,486
Expenses						
General government	583,649	630,815	-	-	583,649	630,815
Public safety	2,034,931	2,072,933	-	-	2,034,931	2,072,933
Public works	682,855	689,473	-	-	682,855	689,473
Housing and development	977,563	2,428,339	-	-	977,563	2,428,339
Health and welfare	420	420	-	-	420	420
Culture and recreation	459,888	456,725	-	-	459,888	456,725
Community services	37,735	49,876	-	-	37,735	49,876
Interest on long-term debt	12,253	13,166	-	-	12,253	13,166
Gas utility	-	-	7,541,538	6,156,481	7,541,538	6,156,481
Solid waste disposal	-	-	1,249,591	1,339,019	1,249,591	1,339,019
Total expenses	4,789,294	6,341,747	8,791,129	7,495,500	13,580,423	13,837,247
Increase (decrease) in net position before transfers	336,500	(1,608,911)	437,837	(7,850)	774,337	(1,616,761)
Transfers	307,600	286,502	(307,600)	(286,502)	-	-
Increase (decrease) in net position	644,100	(1,322,409)	130,237	(294,352)	774,337	(1,616,761)
Net position 1/1/13	13,572,323	14,894,732	6,164,855	6,459,207	19,737,178	21,353,939
Net position 12/31/13	$ 14,216,423	$ 13,572,323	$ 6,295,092	$ 6,164,855	$ 20,511,515	$ 19,737,178

Revenues from governmental activities increased $ 392,958 in 2013. The increase in revenue is primarily attributable to increases in grant funds and contributions totaling $ 361,108 and other taxes totaling $ 91,844. Charges for services, property taxes, and other revenues decreased by $ 6,504, $ 6,492, and $ 46,998, respectively.

Total expenses for governmental activities decreased by $ 1,552,453 in 2013 representing a decrease of approximately 25% over 2012. Expenses for general government, public safety, public works, housing and development, community services, and interest on long-term debt were less than 2012 amounts by $ 1,555,616 whereas expenses for culture and recreation were $ 3,163 more than 2012 amounts. The City transfers certain capital projects from construction in progress to the Water Sewer Commission and McDuffie County, Georgia upon completion of the projects. In addition, various grant expenses related to the rehabilitation and reconstruction of private property are non-capital in nature and are expensed upon completion of the project. During 2013, transfers from construction in progress that were expensed as intergovernmental transfers or non-capital expenses totaled $ 469,065, whereas transfers of this type totaled $ 2,071,929 in 2012. The decrease in transfers, totaling $ 1,602,864, represents the significant decrease in housing and development expenses for 2013.

(Continued)

Total revenues from business-type activities increased by $ 1,741,316 and total expenses from business-type activities increased by $ 1,295,629 in 2013. These changes are primarily attributable to an increase in gas sales and related purchases of gas as a result of climatic changes.

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, 2013, governmental funds reported combined ending fund balances of $ 4,205,318, a decrease of $ 169,643 in comparison with 2012. This amount includes deficits of $ 97,040 in the Airport Capital Project Fund and $ 28,890 in the 2011 CDBG Capital Projects Fund. These deficits are expected to be funded with grant proceeds and contributions from the City and County. Unassigned fund balance at year end was $ 1,546,031 whereas the remainder of fund balance $ 2,659,287 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 $ 1,692,891, of which $ 1,671,961 is unassigned and $ 20,930 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, 2013, fund balance represented 44 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, 2013, total major special revenue fund balance was $ 1,397,759 and total nonmajor special revenue fund balance was $ 1,116,419.

Capital Project Funds

The City uses capital project funds to account for the acquisition and construction of major capital facilities that are not financed by proprietary funds. The City maintained nine capital project funds during the current year. They are the Airport Capital Projects Fund, two separate 2007 Community Home Investment Program Funds, the 2008 Community Home Investment Program Fund, 2011 CDBG Multi-Activity Projects Fund, Transportation Enhancement Act (TEA) Grant Fund, Local Maintenance & Improvement Grant (LMIG), TIA SPLOST Fund, and the SPLOST Fund. The Airport Capital Projects Fund and the TEA Grant Capital Project Fund are reported as major funds whereas all other capital project funds are reported as nonmajor governmental funds. As of December 31, 2013, the Airport Capital Projects Fund reported a deficit fund balance of $ 97,040, whereas the TEA Grant Capital Project Fund reported positive fund balance of $ 74. Total fund balance of the nonmajor capital projects funds, including a deficit fund balance of $ 28,890 reported in the 2011 CDBG Multi-Activity Projects fund, was $ 95,215 as of December 31, 2013.

(Continued)

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 $ 3,818,514, and that of the solid waste disposal operation totaled $ 149,071.

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, 2013, actual revenues were less than budgetary estimates by $ 65,753 and actual expenditures were $ 86,484 less than appropriated amounts. Actual expenditures for all departments and governmental activities were under budget for 2013. 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 $ 33,827 and actual transfers out were $ 19,019 less than budgetary amounts. Interfund transfers are discretionary and City management elected not to fully fund budgeted transfers during 2013. Expenditures and other financing uses exceeded revenues and other financing sources by $ 21,647.

Capital Assets

The City of Thomson's investment in capital assets for its governmental and business-type activities as of December 31, 2013, totaled $ 12,811,943 (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 $ 43,675, purchase of a police cruiser totaling $ 9,909, street resurfacing and street signage totaling $ 228,848, extension and relocation of gas mains totaling $ 751,946 purchase of leak detection units totaling $ 9,606, and purchase of solid waste containers totaling $ 19,112.

As of December 31, 2013, construction in progress totaled $ 2,249,872, which includes $ 866,717 for revitalization of local residential neighborhoods, $ 1,178,600 for improvements to streetscape and parking, $ 143,278 for the home investment program, and $ 61,277.

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. Total principal outstanding at December 31, 2013 was $ 30,143. Principal and interest payments on the leases in 2013 were $ 29,313 and $ 1,683, 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, 2013 was $ 353,037. Principal and interest payments on the note payable in 2013 were $ 30,727 and $ 11,169, 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 two of the downtown revitalization project was substantially complete as of the report date and included 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 $ 1,732,897. The City combined all of its Transportation Enhancement Act (TEA) grant funds to finance a significant portion of this project. Total grant funding for this project is estimated to be $ 1,075,000. The remaining costs of the project, $ 657,897, will be funded with SPLOST funds and transfers from the Gas Utility Fund.

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 of which $ 800,000 will be funded with grant proceeds. The remaining costs of the project will be funded with local funds.

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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,739,442	$ 3,655,911	$ 6,395,353
Investments	173,097	-	173,097
Receivables			
Taxes-net	66,329	-	66,329
Notes-net	1,496,431	-	1,496,431
Accounts-net	-	1,332,718	1,332,718
Interest	29,138	2,814	31,952
Intergovernmental	518,014	14,839	532,853
Other	5,803	17,800	23,603
Inventories	-	71,880	71,880
Prepaid expenses	20,930	29,862	50,792
Internal balances	(45,804)	45,804	-
Capital assets net of accumulated depreciation			
Land	965,434	128,782	1,094,216
Site improvements	3,494,559	-	3,494,559
Buildings and improvements	1,201,085	186,365	1,387,450
Machinery and equipment	402,775	2,012,360	2,415,135
Infrastructure	2,170,711	-	2,170,711
Construction in progress	2,249,872	-	2,249,872
Total assets	$ 15,487,816	$ 7,499,135	$ 22,986,951
Liabilities			
Accounts payable	$ 442,499	$ 685,797	$ 1,128,296
Accrued liabilities	53,053	119,120	172,173
Customer deposits	-	187,835	187,835
Intergovernmental payables	27,430	23,465	50,895
Unearned revenues	31,756	-	31,756
Accrued interest payable	3,026	-	3,026
Noncurrent liabilities			
Due within one year	61,803	-	61,803
Due in more than one year	376,784	-	376,784
Net OPEB obligation	246,100	187,826	433,926
Total liabilities	1,242,451	1,204,043	2,446,494
Deferred Inflows of Resources			
Subsequent year revenues	28,942	-	28,942
Net Position			
Net investment in capital assets	9,838,742	2,327,507	12,166,249
Restricted for:			
Public safety	2,042	-	2,042
Public works	124,031	-	124,031
Housing and development	2,538,626	-	2,538,626
Unrestricted	1,712,982	3,967,585	5,680,567
Total net position	$ 14,216,423	$ 6,295,092	$ 20,511,515

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, 2013

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	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Business-type Activities	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 583,649	$ 24,700	$ -	$ -	$ (558,949)	$ -	$ (558,949)
Public safety	2,034,931	235,219	12,835	9,909	(1,776,968)	-	(1,776,968)
Public works	682,855	-	-	228,859	(453,996)	-	(453,996)
Housing and development	977,563	81,663	51,108	1,463,264	618,472	-	618,472
Health and welfare	420	-	-	-	(420)	-	(420)
Culture and recreation	459,888	-	-	-	(459,888)	-	(459,888)
Community services	37,735	9,568	-	-	(28,167)	-	(28,167)
Interest on long-term debt	12,253	-	-	-	(12,253)	-	(12,253)
Total governmental activities	4,789,294	351,150	63,943	1,702,032	(2,672,169)	-	(2,672,169)
Business-type activities:							
Gas Utility	7,541,538	8,065,152	-	-	-	523,614	523,614
Solid Waste	1,249,591	1,146,193	-	-	-	(103,398)	(103,398)
Total business-type activities	8,791,129	9,211,345	-	-	-	420,216	420,216
Total primary government	$ 13,580,423	$ 9,562,495	$ 63,943	$ 1,702,032	(2,672,169.00)	420,216.00	(2,251,953.00)
General revenues							
Property taxes					651,880	-	651,880
Motor vehicle taxes					47,880	-	47,880
Motor vehicle title advalorem taxes					66,264	-	66,264
Mobile home taxes					2,011	-	2,011
Payment in lieu of taxes					14,142	-	14,142
Sales taxes					1,153,448	-	1,153,448
Franchise taxes					440,134	-	440,134
Insurance premium taxes					349,636	-	349,636
Financial institution taxes					35,554	-	35,554
Alcoholic beverage taxes					99,782	-	99,782
Occupation taxes					52,128	-	52,128
Intangible taxes					6,617	-	6,617
Transfer taxes					1,456	-	1,456
Railroad equipment taxes					286	-	286
Excise tax on energy					20,620	-	20,620
Interest income					30,753	7,046	37,799
Insurance claims					13,002	10,575	23,577
Other revenues					23,076	-	23,076
Transfers					307,600	(307,600)	-
Total general revenues and transfers					3,316,269	(289,979)	3,026,290
Change in net position					644,100	130,237	774,337
Net position, begining of year					13,572,323	6,164,855	19,737,178
Net position, end of year					$ 14,216,423	$ 6,295,092	$ 20,511,515

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

CITY OF THOMSON, GEORGIA
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Employment Incentive Program Loan Fund	TEA Grant Capital Project Fund	Airport Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 1,684,755	$ 518,275	$ 74	$ 20,791	$ 507,829	$ 2,731,724
Investments	87,255	-	-	-	85,842	173,097
Receivables (net of allowance for uncollectibles)						
Taxes	66,329	-	-	-	-	66,329
Notes	-	878,473	-	-	617,958	1,496,431
Interest	-	1,011	-	-	326	1,337
Other	3,491	-	-	2,312	-	5,803
Intergovernmental receivables	236,290	-	73,808	72,572	44,955	427,625
Interfund receivables	3,191	-	-	3,373	21,333	27,897
Prepaid expenses	20,930	-	-	-	-	20,930
Total assets	$ 2,102,241	$ 1,397,759	$ 73,882	$ 99,048	$ 1,278,243	$ 4,951,173
LIABILITIES, DEFFERED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	$ 168,073	$ -	$ 73,808	$ 160,789	$ 35,697	$ 438,367
Accrued liabilities	48,101	-	-	-	-	48,101
Intergovernmental payables	2,175	-	-	25,255	-	27,430
Interfund payables	30,743	-	-	10,044	30,912	71,699
Unearned revenues	31,756	-	-	-	-	31,756
Total liabilities	280,848	-	73,808	196,088	66,609	617,353
Deferred Inflows of Resources						
Unavailable revenue-property taxes	99,560	-	-	-	-	99,560
Subsequent year revenues	28,942	-	-	-	-	28,942
Total deferred inflows of resources	128,502	-	-	-	-	128,502
Fund Balances (Deficits)						
Nonspendable	20,930	-	-	-	-	20,930
Restricted for:						
Public safety	-	-	-	-	2,042	2,042
Public works	-	-	-	-	124,031	124,031
Housing and development	-	1,397,759	74	-	1,114,451	2,512,284
Unassigned	1,671,961	-	-	(97,040)	(28,890)	1,546,031
Total fund balances (deficits)	1,692,891	1,397,759	74	(97,040)	1,211,634	4,205,318
Total liabilities, deferred inflows, and fund balances	$ 2,102,241	$ 1,397,759	$ 73,882	$ 99,048	$ 1,278,243	$ 4,951,173

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, 2013

Total fund balances - governmental funds	$ 4,205,318
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	5,462,721
Building and improvements	1,907,348
Machinery and equipment	3,340,005
Infrastructure	2,906,593
Construction in progress	2,249,872
Accumulated depreciation	(6,393,939)
Total capital assets - governmental activities	10,438,034
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.	43,034
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 unavialable in the funds. These revenues consist of:	
Intergovernmental receivables	90,389
Interest receivable	27,801
Property taxes	99,560
Total unavailable revenues	217,750
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	(3,026)
Accrued compensated absences	(55,407)
Long-term debt including capital leases and notes payable	(383,180)
Net OPEB obligation	(246,100)
Total long-term liabilities	(687,713)
Net position of governmental activities	$ 14,216,423

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, 2013

	General	Employment Incentive Program Loan Fund	TEA Grant Capital Project Fund	Airport Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 2,768,711	$ -	$ -	$ -	$ 123,920	$ 2,892,631
Licenses and permits	20,054	-	-	-	-	20,054
Intergovernmental	280,843	-	769,967	147,912	683,498	1,882,220
Charges for services	5,500	-	-	-	-	5,500
Fines and forfeitures	208,465	-	-	-	11,654	220,119
Interest income	3,518	16,099	-	-	11,662	31,279
Rents	51,465	-	-	29,312	-	80,777
Cemetary lot sales	24,700	-	-	-	-	24,700
Insurance claims	11,709	-	-	1,293	-	13,002
Other	19,535	-	-	3,282	-	22,817
Total revenues	3,394,500	16,099	769,967	181,799	830,734	5,193,099
EXPENDITURES						
Current						
General government	609,368	-	-	-	-	609,368
Public safety	1,889,079	-	-	-	11,901	1,900,980
Public works	520,982	-	-	-	-	520,982
Health and welfare	420	-	-	-	-	420
Community services	23,386	-	-	-	-	23,386
Culture and recreation	435,154	-	-	-	-	435,154
Housing and development	95,643	-	-	120,682	8,148	224,473
Debt service						
Principal	60,041	-	-	-	-	60,041
Interest	12,852	-	-	-	-	12,852
Capital outlay						
Public safety	53,584	-	-	-	-	53,584
Public works	141,854	-	-	-	86,994	228,848
Housing and development	-	-	787,393	180,613	632,248	1,600,254
Total expenditures	3,842,363	-	787,393	301,295	739,291	5,670,342
Excess (deficiency) of revenues over expenditures	(447,863)	16,099	(17,426)	(119,496)	91,443	(477,243)
OTHER FINANCING SOURCES (USES)						
Transfers in	290,352	-	17,500	51,108	2,836	361,796
Transfers out	(54,044)	-	-	-	(152)	(54,196)
Total other financing sources (uses)	236,308	-	17,500	51,108	2,684	307,600
NET CHANGE IN FUND BALANCES	(211,555)	16,099	74	(68,388)	94,127	(169,643)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	1,904,446	1,381,660	-	(28,652)	1,117,507	4,374,961
FUND BALANCES (DEFICITS), END OF YEAR	$ 1,692,891	$ 1,397,759	$ 74	$ (97,040)	$ 1,211,634	$ 4,205,318

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, 2013

Net change in fund balances - total governmental funds	$ (169,643)
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	1,802,481
Depreciation expense	(489,285)
Noncapital portion of construction in progress completed during the year	(469,065)
County portion of airport construction in progress	(61,276)
Excess of capital outlay over depreciation expense	782,855
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Changes in these amounts are as follows:	
Interest receivable decreased by this amount in 2013.	(526)
Intergovernmental receivables increased by this amount in 2013.	16,841
Unearned revenues increased by this amount in 2013 .	32,366
Net change in revenues not providing current financial resources	48,681
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:	
Principal payments on long-term debt	60,040
Net decrease in long-term debt	60,040
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 increased by this in 2013.	(6,080)
Accrued interest payable decreased by this amount in 2013.	599
Net OPEB obligation increased by this in 2013.	(72,308)
Net change in expenses not requiring the use of current financial resources	(77,789)
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	(44)
Change in net position of governmental activities	$ 644,100

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, 2013

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 2,944,582	$ 2,978,319	$ 2,912,041	$ (66,278)
Licenses and permits	15,500	20,600	20,129	(471)
Intergovernmental	116,622	156,422	157,195	773
Charges for services	4,500	4,500	5,500	1,000
Fines and forfeitures	200,250	208,800	208,465	(335)
Use of money and property	97,897	95,700	94,883	(817)
Other	19,900	19,100	19,475	375
Total revenues	3,399,251	3,483,441	3,417,688	(65,753)
EXPENDITURES				
Current				
General government	623,088	621,072	590,249	(30,823)
Public safety	1,855,520	1,985,567	1,958,377	(27,190)
Public works	588,845	551,910	536,622	(15,288)
Health and welfare	420	420	420	-
Community services	139,709	133,959	132,134	(1,825)
Culture and recreation	324,596	329,596	327,908	(1,688)
Housing and development	148,051	147,565	137,895	(9,670)
Total expenditures	3,680,229	3,770,089	3,683,605	(86,484)
Deficiency of revenues over/(under) expenditures	(280,978)	(286,648)	(265,917)	(20,731)
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year unassigned fund balance	-	27,570	-	(27,570)
Transfers in	323,978	324,178	290,351	(33,827)
Transfers out	(43,000)	(65,100)	(46,081)	(19,019)
Total other financing sources (uses)	280,978	286,648	244,270	(42,378)
CHANGE IN FUND BALANCE	$ -	$ -	(21,647)	$ (21,647)
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			102,206	
Payables and other liabilities			(292,114)	
Total reconciliation to GAAP basis			(189,908)	
FUND BALANCE, BEGINNING OF YEAR			1,904,446	
FUND BALANCE, END OF YEAR			$ 1,692,891	

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, 2013

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 15,601	$ 15,601
Available for loans	859,730	859,730	831,337	(28,393)
Total revenues	859,730	859,730	846,938	(12,792)
EXPENDITURES				
Loans made	859,730	859,730	482,669	(377,061)
Total expenditures	859,730	859,730	482,669	(377,061)
CHANGE IN FUND BALANCE	$ -	$ -	364,269	$ 364,269
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(348,170)	
Total reconciliation to GAAP basis			(348,170)	
FUND BALANCE, BEGINNING OF YEAR			1,381,660	
FUND BALANCE, END OF YEAR			$ 1,397,759	

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, 2013

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
ASSETS				
Current assets				
Cash	$ 3,541,632	$ 114,279	$ 3,655,911	$ 7,718
Accounts receivable-net	1,191,808	140,910	1,332,718	-
Interest receivable	2,814	-	2,814	-
Other receivables	17,800	-	17,800	-
Intergovernmental receivables	-	14,839	14,839	-
Interfund receivables	38,988	8,005	46,993	-
Inventories	71,880	-	71,880	-
Prepaid expenses	16,149	13,713	29,862	-
Total current assets	4,881,071	291,746	5,172,817	7,718
Noncurrent assets				
Capital assets				
Land	128,782	-	128,782	-
Buildings and improvements	370,396	50,968	421,364	39,806
Machinery and equipment	6,060,649	1,134,010	7,194,659	72,619
Less accumulated depreciation	(4,402,310)	(1,014,988)	(5,417,298)	(66,023)
Total capital assets, net of accumulated depreciation	2,157,517	169,990	2,327,507	46,402
Total noncurrent assets	2,157,517	169,990	2,327,507	46,402
Total assets	7,038,588	461,736	7,500,324	54,120
LIABILITIES AND NET POSITION				
Liabilities				
Current liabilities				
Accounts payable	665,236	20,561	685,797	4,132
Accrued liabilities	90,219	28,901	119,120	4,952
Customer deposits	187,835	-	187,835	-
Intergovernmental payables	-	23,465	23,465	-
Interfund payables	1,189	-	1,189	2,002
Total current liabilities	944,479	72,927	1,017,406	11,086
Noncurrent liabilities				
Net OPEB obligation	118,078	69,748	187,826	-
Total noncurrent liabilities	118,078	69,748	187,826	-
Total liabilities	1,062,557	142,675	1,205,232	11,086
Net Position				
Net investment in capital assets	2,157,517	169,990	2,327,507	46,402
Unrestricted	3,818,514	149,071	3,967,585	(3,368)
Total net position	$ 5,976,031	$ 319,061	$ 6,295,092	$ 43,034

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, 2013

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 7,696,947	$ 1,122,441	$ 8,819,388	$ 196,674
Refunds from suppliers	319,224	-	319,224	-
Penalties	37,745	22,974	60,719	-
Other	11,236	778	12,014	259
Total operating revenues	8,065,152	1,146,193	9,211,345	196,933
OPERATING EXPENSES				
Purchases	5,980,120	276,765	6,256,885	-
Personnel services and benefits	689,747	646,644	1,336,391	155,748
Professional and technical services	156,779	14,539	171,318	153
Repairs and maintenance	156,330	61,532	217,862	3,490
Other purchased services	106,576	60,219	166,795	13,579
Supplies	140,645	112,895	253,540	17,995
Intergovernmental	125,818	-	125,818	-
Depreciation	177,709	67,456	245,165	5,712
Bad debts	2,706	3,234	5,940	-
Other	5,108	6,307	11,415	300
Total operating expenses	7,541,538	1,249,591	8,791,129	196,977
Operating income (loss)	523,614	(103,398)	420,216	(44)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	7,046	-	7,046	-
Insurance claims	5,350	5,225	10,575	-
Total non-operating revenues (expenses)	12,396	5,225	17,621	-
Income (loss) before transfers	536,010	(98,173)	437,837	(44)
TRANSFERS IN (OUT)				
Transfers in	-	40,000	40,000	-
Transfers out	(340,040)	(7,560)	(347,600)	-
CHANGE IN NET POSITION	195,970	(65,733)	130,237	(44)
NET POSITION, BEGINNING OF YEAR	5,780,061	384,794	6,164,855	43,078
NET POSITION, END OF YEAR	$ 5,976,031	$ 319,061	$ 6,295,092	$ 43,034

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, 2013

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 7,891,561	$ 1,138,758	$ 9,030,319	$ 196,933
Payments to suppliers and others	(6,656,149)	(526,593)	(7,182,742)	(35,794)
Payments to employees	(659,065)	(625,918)	(1,284,983)	(157,617)
Net cash provided (used) by operating activities	576,347	(13,753)	562,594	3,522
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	75,687	40,000	115,687	-
Transfers to other funds	(263,140)	(7,560)	(270,700)	-
Net cash provided (used) by noncapital financing activities	(187,453)	32,440	(155,013)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from insurance claims	5,350	5,225	10,575	-
Purchase and construction of capital assets	(24,355)	(19,111)	(43,466)	-
Transfers to other funds	(115,888)	-	(115,888)	-
Net cash used by capital and related financing activities	(134,893)	(13,886)	(148,779)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	8,263	-	8,263	-
Net cash provided by investing activities	8,263	-	8,263	-
Net increase in cash and cash equivalents	262,264	4,801	267,065	3,522
Cash and cash equivalents, beginning of year	3,279,368	109,478	3,388,846	4,196
Cash and cash equivalents, end of year	$ 3,541,632	$ 114,279	$ 3,655,911	$ 7,718

(Continued)

CITY OF THOMSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	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)	$ 523,614	$ (103,398)	$ 420,216	$ (44)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	177,709	67,456	245,165	5,712
Other post employment benefits (OPEB)	29,517	18,486	48,003	-
(Increase) decrease in current assets				
Accounts receivable	(190,475)	(251)	(190,726)	-
Intergovernmental receivables	-	(3,950)	(3,950)	-
Other receivables	23,754	-	23,754	-
Interfund receivables	-	1,515	1,515	-
Inventory	(3,227)	-	(3,227)	-
Prepaid expenses	272	315	587	-
Increase (decrease) in current liabilities				
Accounts payable	(5,572)	3,199	(2,373)	(277)
Accrued liabilities	16,415	725	17,140	(2,097)
Customer deposits	4,088	-	4,088	-
Intergovernmental payables	-	2,150	2,150	-
Interfund payables	252	-	252	228
Total adjustments	52,733	89,645	142,378	3,566
Net cash provided (used) by operating activities	$ 576,347	$ (13,753)	$ 562,594	$ 3,522

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, 2013

	Police Surcharge Fund
ASSETS	
Cash	$ 21
Total assets	$ 21
LIABILITIES	
Intergovernmental payables	$ 21
Total liabilities	$ 21

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.

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, 2013.

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

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.

Transportation Enhancement Act (TEA) Grant Capital Project Fund - The TEA Grant Capital Project Fund is used to account for revenues and expenditures related to streetscape and pedestrian safety improvements and stabilization of the historic depot in the downtown area of the City.

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 elected to follow GAAP prescribed by GASB and all Financial Accounting Standard Board (FASB) standards issued prior to November 30, 1989 for its business-type activities and enterprise funds. Subsequent to this date, the City accounts for its proprietary funds of the primary government as prescribed 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 2013 annual appropriated budgets for the City's General Fund, Enterprise Funds, and Special Revenue Funds on November 8, 2012. 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.

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.

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 the Official Code of Georgia Annotated (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. The City uses the allowance method for recording bad debt. The allowance for bad debt reserves for amounts owed from customers that have purchased services from the City and is determined by analysis of the year-end receivable balances for those accounts which the City believes will not be collected based on past history.

Estimated unbilled revenues from the Gas and Solid Waste 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2013.

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, 2013.

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 position in the government-wide financial statements and proprietary funds financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City does not have any reportable items in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City collects occupation taxes and beer and wine licenses that are permitted for use in the subsequent year. These revenues qualify for reporting in this category and are identified as subsequent year revenues on the government wide statement of net position and on the governmental funds balance sheets. The City also reports unavailable revenue-property taxes in this category on the governmental funds balance sheets.

Net Position (Government-Wide Financial Statements)

In March 2012, GASB approved Statement Number 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund classifications and limiting the use of the term deferred in the financial statement presentation. The provisions of this Statement were implemented January 1, 2013 with no material impact to 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund

Expenditures and other financing uses exceeded revenues and other financing sources by $ 211,555 for the year ended December 31, 2013. This decrease was absorbed by prior year unassigned fund balance.

Actual revenues and other financing sources (budgetary basis) were $ 127,150 less than budgeted amounts whereas actual expenditures and other financing uses (budgetary basis) were $ 105,503 less than appropriated amounts resulting in net decrease in fund balance (budgetary basis) of $ 21,647. 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

The Airport Capital Projects Fund is reporting a net decrease in fund balance of $ 68,388 and a deficit fund balance of $ 97,040 for the year ended December 31, 2013. The shortfall results from construction related liabilities that will be funded with entitlement grants from the Federal Aviation Administration's Airport Improvement Program and transfers from the City of Thomson and McDuffie County, Georgia.

Nonmajor Governmental Funds

The Housing Development Action Grant Fund, Police Condemnation Forfeiture Fund, 2007 CHIP Grant 2955 Fund, 2007 CHIP Grant 2956 Fund, and 2008 CHIP Grant 6012 Fund, are reporting decreases in fund balance for December 31, 2013 totaling $ 7,256, $ 247, $ 76, $ 76, and $ 1, respectively. These decreases were funded with available fund balance.

The 2011 CDBG 5380 Fund is reporting a decrease in fund balance of $ 32,918 and a deficit fund balance of $ 28,890 as of December 31, 2013. The deficit results from construction related liabilities that will be funded with grant proceeds and local matching funds.

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 $ 6,395,374 and the bank balance was $ 6,417,571 at December 31, 2013. 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.

(Continued)

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

Investments

At December 31, 2013, the City had the following investments:

Investments	Maturities	Fair Value	Credit Rating
Georgia Fund 1	Average of 23 days	$ 87,255	AAA
Land	N/A	85,842	N/A
		$ 173,097	

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 366 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, 2013, no single issue investment exceeded 5% of total investments.

Land

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

NOTE 4 - PROPERTY TAXES

Property taxes are billed and collected by the McDuffie County, Georgia Tax Commissioner and remitted to the City. Property taxes were levied on September 17, 2013 and were due on November 15, 2013. Property taxes became a lien on the first day of the levy year. Unpaid property taxes received within 60 days of year end are recognized and recorded as revenue (considered measurable and available), and property taxes unpaid 60 days after year end are recorded as unavailable revenue. An allowance is established for uncollectible amounts based on management's estimate.

A summary of the 2013 tax levy follows:

2013 millage rate		5.37
Taxable digest	$	125,241,997
Gross tax levy	$	1,780,524
Less sales tax rollback		(1,052,842)
Net property taxes	$	727,682
Property taxes receivable	$	114,679
Less allowance for uncollectible amounts		(48,350)
Net property taxes receivable	$	66,329
Unavailable property tax revenue	$	99,560

NOTE 5 - NOTES RECEIVABLE

Notes receivable and the applicable allowances for uncollectible accounts as of December 31, 2013 are as follows:

Employment Incentive Program Loan Fund (EIP)		
5.00%, monthly payments of $ 2,386 (principal and interest), to 2014, collateralized by equipment	$	11,054
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		101,570
4.00%, monthly payments of $ 1,893 (principal and interest), to 2023, collateralized by equipment and accounts receivable		181,895
0.00%, monthly payments of $ 2,359 (principal), to 2015, collateralized by real estate		11,586
3.00%, monthly payments of $ 2,414 (principal and interest), to 2021, collateralized by personal guarantee of owners		190,476
3.00%, monthly payments of $ 241, final payment of $ 18,660 (principal and interest), to 2015, collateralized by equipment, accounts receivable, and inventory		22,094

(Continued)

NOTE 5 - NOTES RECEIVABLE (Continued)

3.00%, monthly payments of $ 1,082 (principal and interest), to 2023, collateralized by personal guarantee of owners	99,798
3.00%, monthly payments of $ 1,448 (principal and interest), to 2023, collateralized by personal guarantee of owners	150,000
3.00%, monthly payments of $ 760, final payment of $ 44,875 (principal and interest), to 2023, collateralized by personal guarantee of owners	110,000
	918,101
Less allowance for doubtful accounts	(39,628)
Total	878,473
Housing Development Action Grant Loan Fund (HODAG)	
3.50%, monthly payments of $ 53 (principal and interest), to 2016, collateralized by real estate	554
3.50%, monthly payments of $ 69 (principal and interest), to 2016, collateralized by real estate	2,218
3.50%, monthly payments of $ 57 (principal and interest), to 2014, collateralized by real estate	452
3.50%, monthly payments of $ 57 (principal and interest), to 2017, collateralized by real estate	2,975
3.50%, monthly payments of $ 46 (principal and interest), to 2017, collateralized by real estate	1,902
3.50%, monthly payments of $ 86 (principal and interest), to 2017, collateralized by real estate	3,456
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
3.00%, monthly payments of $ 112 (principal and interest), to 2023, collateralized by real estate	10,937
3.00%, monthly payments of $ 106 (principal and interest), to 2018, collateralized by real estate	5,499
3.00%, monthly payments of $ 24 (principal and interest), to 2018, collateralized by real estate	1,315
3.00%, monthly payments of $ 79 (principal and interest), to 2018, collateralized by real estate	4,100
3.00%, monthly payments of $ 30 (principal and interest), to 2018, collateralized by real estate	1,656
Total	366,612

(Continued)

NOTE 5 - NOTES RECEIVABLE (Continued)

Urban Development Action Grant Loan Fund (UDAG)	
6.00%, monthly payments of $ 808, (principal and interest), to 2014, collateralized by real estate	69,757
4.00%, interest only thru 2013, principal due 12/23/13 collateralized by real estate	246,346
6.00%, monthly payments of $ 555, (principal and interest), to 2006, collateralized by real estate	21,000
0.25%, variable monthly payments, (principal and interest), to 2017, collateralized by guarantee of local chapter of Habitat for Humanity	5,000
	342,103
Less allowance for doubtful accounts	(90,757)
Total	251,346
Grand Total	$ 1,496,431

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/2012	Additions	Deletions/ Transfers	Balance 12/31/2013
Governmental Activities				
Capital assets not being depreciated				
Land	$ 965,434	$ -	$ -	$ 965,434
Construction in progress	1,260,164	1,691,104	(701,396)	2,249,872
Total capital assets not being depreciated	2,225,598	1,691,104	(701,396)	3,215,306
Capital assets being depreciated				
Site improvements	5,419,044	43,675	-	5,462,719
Buildings and improvements	1,947,154	-	-	1,947,154
Machinery and equipment	3,423,194	9,909	(20,480)	3,412,623
Infrastructure	2,677,745	57,793	171,055	2,906,593
Total capital assets being depreciated	13,467,137	111,377	150,575	13,729,089
Less accumulated depreciation				
Site improvements	(1,795,400)	(172,760)	-	(1,968,160)
Buildings and improvements	(697,391)	(48,678)	-	(746,069)
Machinery and equipment	(2,875,335)	(154,993)	20,480	(3,009,848)
Infrastructure	(617,316)	(118,566)	-	(735,882)
Total accumulated depreciation	(5,985,442)	(494,997)	20,480	(6,459,959)
Net capital assets being depreciated	7,481,695	(383,620)	171,055	7,269,130
Governmental activities capital assets-net	$ 9,707,293	$ 1,307,484	$ (530,341)	$ 10,484,436

The City records all expenditures related to capital projects as construction in progress until the project is completed. Various projects include expenditures that are non-capital in nature and/or are transferred to other local governments upon completion. These amounts are not capitalized by the City. Non-capitalized transfers from construction in progress totaled $ 530,341 for the year ended December 31, 2013.

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

General government	$ 17,597
Public safety	130,029
Public works	160,039
Housing and development	142,537
Culture and recreation	24,734
Community services	14,349
Vehicle maintenance fund	5,712
Current year depreciation expense	$ 494,997

Business-type capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/2012	Additions	Deletions/ Transfers	Balance 12/31/2013
Business-type Activities				
Capital assets not being depreciated				
Land	$ 128,782	$ -	$ -	$ 128,782
Construction in progress	737,198	-	(737,198)	-
Total capital assets not being depreciated	865,980	-	(737,198)	128,782
Capital assets being depreciated				
Buildings and improvements	421,364	-	-	421,364
Machinery and equipment	6,413,995	43,466	737,198	7,194,659
Total capital assets being depreciated	6,835,359	43,466	737,198	7,616,023
Less accumulated depreciation				
Buildings and improvements	(224,525)	(10,474)	-	(234,999)
Machinery and equipment	(4,947,608)	(234,691)	-	(5,182,299)
Total accumulated depreciation	(5,172,133)	(245,165)	-	(5,417,298)
Net capital assets being depreciated	1,663,226	(201,699)	737,198	2,198,725
Business-type activities capital assets-net	$ 2,529,206	$ (201,699)	$ -	$ 2,327,507

Depreciation expense on capital assets of the business-type activities was $ 245,165 for the year ended December 31, 2013.

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, 2013.

NOTE 7 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2013:

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Governmental Activities				
Note payable	$ 383,764	$ -	$ (30,727)	$ 353,037
Capital leases	59,456	-	(29,313)	30,143
Accrued compensated absences	49,327	9,096	(3,016)	55,407
Total debt-governmental activities	$ 492,547	$ 9,096	$ (63,056)	$ 438,587

There was no short-term borrowing during the year ended December 31, 2013.

The following summarizes long-term debt outstanding at December 31, 2013:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Note payable, airport hanger	$ 500,000	3.00%	2023	$ 353,037	$ 31,660
Capital lease, police cruisers	90,453	2.83%	2014	30,143	30,143
	$ 590,453			383,180	61,803
Accrued compensated absences				55,407	-
Total-governmental activities				$ 438,587	$ 61,803

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, 2013 to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
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	35,680	6,217	41,897
2019 thru 2023	184,837	14,172	199,009
	$ 353,037	$ 55,457	$ 408,494

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

Capital Lease Obligations

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, are as follows:

Year Ending December 31,	Governmental Activities
2014	$ 30,996
Total minimum lease payments	30,996
Less amount representing interest	(853)
Present value of minimum lease payments	$ 30,143

The total cost of capital assets leased under a capital lease as of December 31, 2013 was $ 90,453 and the related accumulated depreciation thereon totaled $ 27,136.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2013, is as follows:

Due from/to other funds

Receivable Fund	Payable Fund	Amount
General fund	Gas fund	$ 1,189
General fund	Maintenance fund	2,002
HODAG loan fund	General fund	5,190
UDAG loan fund	General fund	11,339
UDAG loan fund	HODAG loan fund	1,968
2011 CDBG 5380	General fund	2,836
Airport capital projects fund	General fund	3,373
Gas fund	2011 CDBG 5380	28,944
Gas fund	Airport capital projects fund	10,044
Solid waste fund	General fund	8,005
		$ 74,890

Amounts due to the General Fund totaling $ 3,191 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 2011 CDBG 5380 Fund represent local matching funds for the capital project.

Amounts due to the Airport Capital Projects Fund totaling $ 3,373 represent the City's portion of operating expenses for December 2013.

Amounts due to the Gas Fund totaling $ 38,988 represent amounts paid by the Gas Fund for engineering and construction expenses on various capital projects. The Gas Fund will be reimbursed by the respective capital projects fund with proceeds from capital grants.

Amounts due to the Solid Waste Fund totaling $ 8,005 represent prior year capital contributions from the Gas Fund that were deposited in the General Fund.

(Continued)

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

Interfund transfers

	Transfer In					
Transfer Out	General Fund	TEA Grant Fund	Airport Fund	Nonmajor Governmental Funds	Solid Waste Fund	Total Transfers Out
General fund	$ -	$ 100	$ 51,108	$ 2,836	$ -	$ 54,044
Nonmajor governmental funds	152	-	-	-	-	152
Gas fund	282,640	17,400	-	-	40,000	340,040
Solid waste fund	7,560	-	-	-	-	7,560
	$ 290,352	$ 17,500	$ 51,108	$ 2,836	$ 40,000	$ 401,796

The City funds its General Fund capital budget with transfers from the Gas Fund. Capital assets funded with transfers from the Gas Fund during 2013 totaled $ 98,488. The Gas Fund also funds a portion of administrative salaries and related employment benefits. Transfers from the Gas Fund to fund these costs totaled $ 130,152. 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 $ 152.

The General Fund provided the initial cash deposit of $ 100 to establish a bank account for the TEA Grant Fund. In addition, the Gas Fund transferred $ 17,400 to provide local matching funds for the project.

The General Fund provides funding to the Airport Capital Projects Fund for local matching of capital grants and airport maintenance. Total transfers for airport capital projects and maintenance was $ 51,108.

Funding for local matching funds is also provided by the General Fund to various other nonmajor capital project funds. Total General Fund transfers to nonmajor capital projects was $ 2,836.

Solid Waste Fund capital asset purchases and operations are supplemented with transfers from the Gas Fund. Total transfers to the Solid Waste Fund for capital purchases and operations totaled $ 40,000.

NOTE 9 - UNEARNED REVENUES AND DEFERRED INFLOWS OF RESOURCES

As of December 31, 2013, unearned revenues reported in the fund financial statements, totaled $ 31,756 and represent grant revenues received that have not been earned as of year-end.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports property taxes unpaid sixty days after year-end and collections on subsequent year occupation tax and alcohol licenses in this category in the fund financial statements. In the government-wide financial statements the City only reports subsequent year revenues in this category. As of December 31, 2013, unavailable revenue-property taxes totaled $ 99,560 and subsequent year revenues totaled $ 28,942.

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, 2013:

	Governmental Activities	Business-type Activities
Net Investment in Capital Assets		
Primary government	$ 10,438,034	$ 2,327,507
Internal service fund	46,402	-
Less note payable	(353,037)	-
Less capital leases payable	(30,143)	-
Less construction and retainage payables	(262,514)	-
Total net investment in capital assets	$ 9,838,742	$ 2,327,507
Restricted For		
Public Safety		
Police Condemnation Fund	$ 2,042	
Total Public Safety	$ 2,042	
Public Works		
TIA SPLOST Fund	$ 124,020	
LMIG Program Fund	11	
Total Public Works	$ 124,031	
Housing and Development		
EIP Revolving Loan Fund	$ 1,397,759	
HODAG Revolving Loan Fund	540,308	
UDAG Revolving Loan fund	600,411	
2008 CHIP Grant 6012	74	
TEA Grant Fund	74	
Total Housing and Development	$ 2,538,626	

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.

(Continued)

NOTE 11 - JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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.

Financial information regarding the Commission's financial statements as of and for the year ended December 31, 2013 is summarized as follows:

Operating revenues	$	4,327,277
Depreciation and amortization expense	$	1,315,831
Operating loss	$	(365,158)
Change in net position	$	116,427
Capital asset additions	$	2,390,274
Capital asset deletions	$	(26,706)
Net working capital	$	2,323,067
Total assets	$	41,432,811
Deferred outflows of resources	$	66,740
Revenue bonds and other long-term liabilities	$	11,159,920
Total net position	$	29,594,334

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

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

(Continued)

NOTE 11 - JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

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 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

From time to time the City is involved in litigation arising in the normal course of business. Currently, several related claims against the City are in early stages of litigation. A loss, if any, arising from these claims cannot be reasonably estimated.

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 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, 2013, the most recent valuation date, there were ninety-five active participants, fifty-one retirees and beneficiaries receiving benefits, and thirty-seven 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 2012 was 10.90% of annual covered payroll, and the rate for 2013 will be 11.02% of covered payroll. Total covered payroll was $ 3,146,402 and $ 3,059,653 for 2013 and 2012. Total payroll was $ 3,416,981 for 2013 and $ 3,413,736 for 2012. Employees do not contribute to the plan.

Annual Pension Cost

For 2013, the annual pension cost of $ 339,395 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, 2012 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
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
2013	$ 339,395	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 Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a % of Covered Payroll ((b-a)/c)
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%
07/01/13	$ 6,295,351	$ 7,165,820	$ 870,469	87.85%	$ 3,146,402	27.67%

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

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 and affirmed by resolution of mayor and council on November 8, 2012. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Benefit provisions are established and amended solely at the discretion of the elected City Council. The Retiree Health Plan does not issue a publicly available report.

Benefits are available to all employees who have attained the age 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 2013.

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, 2013 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	574	292	169	1,035
Annual OPEB costs	73,754	30,963	18,486	123,203
Contributions made	(1,446)	(1,446)	-	(2,892)
	72,308	29,517	18,486	120,311
Net OPEB obligation-beginning of year	173,792	88,561	51,262	313,615
Net OPEB obligation-end of year	$ 246,100	$ 118,078	$ 69,748	$ 433,926

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

(Continued)

NOTE 15 - OTHER POST EMPLOYMENT 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
2013	$ 123,203	2.35%	$ 433,926

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2013, 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	$ 1,405,746	$ 439,730	$ 354,717	$ 2,200,193
Unfunded actuarial accrued liability as a percentage of covered payroll	35.55%	61.94%	33.10%	40.43%

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 8.5% health care trend inflation rate for 2013 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 three Transportation Enhancement Act (TEA) Grants totaling $ 1,075,000. These grants, along with local matching funds, will 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 $ 1,732,897, including local matching funds of $ 657,897. This project is approximately sixty-eight percent complete as of year-end.

On September 16, 2008 the City was awarded a 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 $ 152,866. Approximately ninety-one percent of these funds had been expended as of year-end.

On September 16, 2011 the City was awarded a Community Development Block Grant (CDBG) for multi-activities totaling $ 800,000. Proceeds of this grant will be combined with local funds and used to revitalize blighted neighborhoods within the City. Total cost of this project is estimated to be $ 877,960. This project is approximately ninety-nine percent complete as of year-end.

As of December 31, 2013, amounts spent to date and the estimated remaining commitment on these projects are as follows:

Project Description	Spent To Date	Remaining Commitment
TEA Grant Downtown Redevelopment	$ 1,178,600	$ 554,297
2008 CHIP Neighborhood Revitalization	143,278	9,588
2011 CDBG Multi-Activity Project	866,717	11,243
Airport Apron Fillets	61,277	1,223
	$ 2,249,872	$ 576,351

Subsequent Events

In preparing these financial statements, the City's management has evaluated events and transactions for potential recognition or disclosure through July 1, 2014, 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
2013	122,168	2.37%	2,892

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%
2013	2013	889,466	-	889,466	0.00%	2,200,193	40.43%

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, 2013

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes				
Property tax	$ 748,063	$ 773,100	$ 743,656	$ (29,444)
Intangible tax	7,000	9,500	9,434	(66)
Railroad equipment tax	300	300	286	(14)
Real estate transfer tax	1,200	1,200	1,208	8
Franchise tax	462,000	440,800	440,134	(666)
Local option sales tax	1,181,019	1,181,019	1,145,019	(36,000)
Alcoholic beverage tax	103,000	100,000	99,782	(218)
Energy excise tax	-	17,300	17,259	(41)
Occupation tax	56,000	52,200	52,128	(72)
Insurance premium tax	335,000	350,000	349,636	(364)
Financial institution tax	35,000	35,000	35,554	554
Penalties and interest	2,000	3,900	3,803	(97)
Payment in lieu of taxes	14,000	14,000	14,142	142
Total taxes	2,944,582	2,978,319	2,912,041	(66,278)
Licenses and Permits				
Alcoholic beverage licenses	8,500	9,600	9,600	-
Building permits	7,000	11,000	10,529	(471)
Total licenses and permits	15,500	20,600	20,129	(471)
Intergovernmental				
State government	-	20,800	20,706	(94)
Local government	-	19,000	20,244	1,244
Water sewer joint venture	116,622	116,622	116,245	(377)
Total intergovernmental	116,622	156,422	157,195	773
Charges for Services				
Fire protection fees	4,500	4,500	5,500	1,000
Total charges for services	4,500	4,500	5,500	1,000
Fines and Forfeitures				
Police court fines	200,250	208,800	208,465	(335)
Total fines and forfeitures	200,250	208,800	208,465	(335)
Use of Money and Property				
Interest income	2,500	3,700	3,518	(182)
Rents	76,897	55,000	54,956	(44)
Reimbursements for damaged property	500	12,000	11,709	(291)
Cemetary lot sales	18,000	25,000	24,700	(300)
Total use of money and property	97,897	95,700	94,883	(817)
Other				
Miscellaneous	19,900	19,100	19,475	375
Total other	19,900	19,100	19,475	375
Total revenues	3,399,251	3,483,441	3,417,688	(65,753)

(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, 2013

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
EXPENDITURES				
General government				
Mayor and Council	65,566	72,966	63,363	(9,603)
Voter registration	5,000	5,000	5,000	-
General administration	538,122	528,706	507,486	(21,220)
Tax commissioner	12,000	12,000	12,000	-
Tax assessor	2,400	2,400	2,400	-
Total general government	623,088	621,072	590,249	(30,823)
Public safety				
Police	992,108	1,111,780	1,101,456	(10,324)
Fire	850,412	860,787	843,921	(16,866)
Animal shelter	13,000	13,000	13,000	-
Total public safety	1,855,520	1,985,567	1,958,377	(27,190)
Public works				
Street department	588,845	551,910	536,622	(15,288)
Total public works	588,845	551,910	536,622	(15,288)
Health and welfare				
Health department	420	420	420	-
Total health and welfare	420	420	420	-
Community services				
Senior citizen center	80,005	80,005	80,005	-
Community centers	32,500	26,750	24,925	(1,825)
Transportation services	27,204	27,204	27,204	-
Total community services	139,709	133,959	132,134	(1,825)
Culture and recreation				
Recreation	255,639	255,639	253,951	(1,688)
Library	68,957	73,957	73,957	-
Total culture and recreation	324,596	329,596	327,908	(1,688)
Housing and development				
Planning and zoning	50,268	51,268	45,268	(6,000)
Code enforcement	49,086	47,600	43,952	(3,648)
Economic development	41,897	41,897	41,897	-
CSRA Rural Development	6,800	6,800	6,778	(22)
Total housing and development	148,051	147,565	137,895	(9,670)
Total expenditures	3,680,229	3,770,089	3,683,605	(86,484)

(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, 2013

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
Deficiency of revenues over expenditures	(280,978)	(286,648)	(265,917)	(20,731)
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year unassigned fund balance	-	27,570	-	(27,570)
Transfers in	323,978	324,178	290,351	(33,827)
Transfers out	(43,000)	(65,100)	(46,081)	(19,019)
Total other financing sources (uses)	280,978	286,648	244,270	(42,378)
CHANGE IN FUND BALANCE	$ -	$ -	$ (21,647)	$ (21,647)

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.

2011 CDBG Multi-Activity Project Funds – This fund was established to account for Community Development Block Grant funds (awarded in the City's name) that are used for redevelopment of local neighborhoods.

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

TIA SPLOST 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, 2013

	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	$ 58,183	$ 335,539	$ 2,042	$ -	$ -
Investments	85,842	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Notes	366,612	251,346	-	-	-
Interest	107	219	-	-	-
Intergovernmental receivable	-	-	-	-	-
Interfund receivables	5,190	13,307	-	-	-
Total assets	$ 515,934	$ 600,411	$ 2,042	$ -	$ -
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Interfund payables	1,968	-	-	-	-
Total liabilities	1,968	-	-	-	-
FUND BALANCES					
Restricted for:					
Public safety	-	-	2,042	-	-
Public works	-	-	-	-	-
Housing and development	513,966	600,411	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	513,966	600,411	2,042	-	-
Total liabilities and fund balances	$ 515,934	$ 600,411	$ 2,042	$ -	$ -

(Continued)

Capital Projects						
2008 CHIP Grant 6012	2011 CDBG 5380	LMIG Program Fund	TIA SPLOST	SPLOST		Total Nonmajor Governmental Funds
$ 74	$ 693	$ 11	$ 111,287	$ -		$ 507,829
-	-	-	-	-		85,842
-	-	-	-	-		617,958
-	-	-	-	-		326
12,829	-	-	12,733	19,393		44,955
-	2,836	-	-	-		21,333
$ 12,903	$ 3,529	$ 11	$ 124,020	$ 19,393		$ 1,278,243
$ 12,829	$ 3,475	$ -	$ -	$ 19,393		$ 35,697
-	28,944	-	-	-		30,912
12,829	32,419	-	-	19,393		66,609
-	-	-	-	-		2,042
-	-	11	124,020	-		124,031
74	-	-	-	-		1,114,451
-	(28,890)	-	-	-		(28,890)
74	(28,890)	11	124,020	-		1,211,634
$ 12,903	$ 3,529	$ 11	$ 124,020	$ 19,393		$ 1,278,243

CITY OF THOMSON, GEORGIA

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	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					
Taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	37,150
Fines and forfeitures	-	-	11,654	-	-
Interest income	892	10,770	-	-	-
Other revenues	-	-	-	-	-
Total revenues	892	10,770	11,654	-	37,150
EXPENDITURES					
Current					
Public safety	-	-	11,901	-	-
Housing and development	8,148	-	-	-	-
Capital outlay					
Public works	-	-	-	-	-
Housing and development	-	-	-	-	37,150
Total expenditures	8,148	-	11,901	-	37,150
Excess (deficiency) of revenues over expenditures	(7,256)	10,770	(247)	-	-
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(76)	(76)
Total other financing sources	-	-	-	(76)	(76)
Net change in fund balances	(7,256)	10,770	(247)	(76)	(76)
Fund balances, beginning of year	521,222	589,641	2,289	76	76
Fund balances, end of year	$ 513,966	$ 600,411	$ 2,042	$ -	$ -

(Continued)

Capital Projects					
2008 CHIP Grant 6012	2011 CDBG 5380	LMIG Program Fund	TIA SPLOST	SPLOST	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 123,920	$ -	$ 123,920
25,588	275,331	57,803	-	287,626	683,498
-	-	-	-	-	11,654
-	-	-	-	-	11,662
-	-	-	-	-	-
25,588	275,331	57,803	123,920	287,626	830,734
-	-	-	-	-	11,901
-	-	-	-	-	8,148
-	-	57,792		29,202	86,994
25,589	311,085	-	-	258,424	632,248
25,589	311,085	57,792	-	287,626	739,291
(1)	(35,754)	11	123,920	-	91,443
-	2,836	-	-	-	2,836
-	-	-	-	-	(152)
-	2,836	-	-	-	2,684
(1)	(32,918)	11	123,920	-	94,127
75	4,028	-	100	-	1,117,507
$ 74	$ (28,890)	$ 11	$ 124,020	$ -	$ 1,211,634

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, 2013

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 826	$ 826
Available for loans	637	637	85,293	84,656
Total revenues	637	637	86,119	85,482
EXPENDITURES				
Loans made	637	637	24,891	24,254
Housing and Development	-	-	8,148	8,148
Total expenditures	637	637	33,039	32,402
CHANGE IN FUND BALANCE	$ -	$ -	53,080	$ 53,080
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(60,336)	
Total reconciliation to GAAP basis			(60,336)	
FUND BALANCE, BEGINNING OF YEAR			521,222	
FUND BALANCE, END OF YEAR			$ 513,966	

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, 2013

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 10,911	$ 10,911
Other revenues	-	-	-	-
Available for loans	297,061	297,061	285,346	(11,715)
Total revenues	297,061	297,061	296,257	(804)
EXPENDITURES				
Loans made	297,061	297,061	10,000	(287,061)
Total expenditures	297,061	297,061	10,000	(287,061)
CHANGE IN FUND BALANCE	$ -	$ -	286,257	$ 286,257
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(275,487)	
Total reconciliation to GAAP basis			(275,487)	
FUND BALANCE, BEGINNING OF YEAR			589,641	
FUND BALANCE, END OF YEAR			$ 600,411	

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	$ 11,654	$ 1,654
Total revenues	10,000	10,000	11,654	1,654
EXPENDITURES				
Public safety	10,000	10,000	11,901	1,901
Total expenditures	10,000	10,000	11,901	1,901
CHANGE IN FUND BALANCE	$ -	$ -	(247)	$ (247)
FUND BALANCE, BEGINNING OF YEAR			2,289	
FUND BALANCE, END OF YEAR			$ 2,042	

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, 2013

	Balance 01/01/13	Additions	Deletions	Balance 12/31/13
Police Surcharge Fund				
Assets				
Cash	$ 36	$ 109,459	$ 109,474	$ 21
Total assets	$ 36	$ 109,459	$ 109,474	$ 21
Liabilities				
Intergovernmental payables	$ 36	$ 109,459	$ 109,474	$ 21
Total liabilities	$ 36	$ 109,459	$ 109,474	$ 21

SUPPLEMENTARY SCHEDULES

CITY OF THOMSON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANTS
PROJECT COST SCHEDULE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2013

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	-	-	24	24	none
		$ 186,422	$ 186,422	$ 24	$ 186,446	none
Source of Other Funds: Local Match						
Grant Number 07m-x-094-2-2956						
Downpayment/Closing Costs	H-013-00	$ 17,000	$ -	$ -	$ -	none
Rehab Private Property	H-14A-01	255,150	266,393	-	266,393	none
Contingencies	C-022-00	12,850	-	-	-	none
Administration	A-21A-00	15,000	16,250	24	16,274	none
		$ 300,000	$ 282,643	$ 24	$ 282,667	none
Source of Other Funds: Local Match						
Grant Number 08mr-x-094-2-6012						
Rehab Private Property	H-14A-01	$ 142,867	$ 125,078	$ 5,371	$ 130,449	none
Contingencies	C-022-00	10,000	-	-	-	none
		$ 152,867	$ 125,078	$ 5,371	$ 130,449	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
Sewer Facility	P-03J-02	225,012	280,837	-	280,837	none
Flood/Drainage	P-03K-02	203,950	228,579	43,502	272,081	none
Pedestrian Walkway	P-03L-00	11,700	11,700	-	11,700	none
Rehab Private Property	H-14A-01	162,901	135,115	-	135,115	none
Recons Private Property	H-14A-02	142,315	79,244	-	79,244	none
Administration	A-21A-00	33,600	27,255	3,500	30,755	none
Preliminary Engineering		-	-	51,702	51,702	none
		$ 800,000	$ 764,538	$ 98,704	$ 863,242	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, 2013

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		282,643
Funds Still Available from Program Year 2007 Resources	$	17,357
Total Program Year 2007 Funds Drawn and Received by Recipient	$	282,643
Less: Funds Applied and Expended to Program Year 2007 Costs		282,643
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		125,078
Funds Still Available from Program Year 2008 Resources	$	27,789
Total Program Year 2008 Funds Drawn and Received by Recipient	$	125,078
Less: Funds Applied and Expended to Program Year 2008 Costs		125,078
Total Program Year 2008 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		764,538
Funds Still Available from Program Year 2011 Resources	$	35,462
Total Program Year 2011 Funds Drawn and Received by Recipient	$	764,538
Less: Funds Applied and Expended to Program Year 2011 Costs		763,845
Total Program Year 2011 Funds Held by Recipient	$	693

CITY OF THOMSON, GEORGIA

SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

FOR THE YEAR ENDED DECEMBER 31, 2013

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
SPLOST IV 2004 - 2008						
Public Safety	$ 600,000	$ 581,242	$ 581,242	$ -	$ 581,242	100%
Roads/Transportation	1,260,000	268,419	268,419	-	268,419	100%
Economic Development	675,000	838,735	838,735	-	838,735	100%
Water/Sewer	4,252,000	4,236,209	4,236,209	-	4,236,209	100%
Totals	$ 6,787,000	$ 5,924,605	$ 5,924,605	$ -	$ 5,924,605	
SPLOST V 2009 - 2013						
Public Safety	$ 400,000	$ 350,000	$ 283,997	$ -	$ 283,997	81%
Roads/Transportation	700,000	630,000	199,817	287,626	487,443	77%
Airport	-	62,814	62,814	-	62,814	100%
Recreation	1,123,000	185,722	185,722	-	185,722	100%
Totals	$ 2,223,000	$ 1,228,536	$ 732,350	$ 287,626	$ 1,019,976	

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, 2013, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 26, 2014.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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.



Augusta, Georgia
June 26, 2014

CITY OF THOMSON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

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	11b-x-094-2-5380	$ 257,475
Total Community Development Block Grants/State's Program			257,475
Home Investment Partnerships Program	14.239	07m-x-094-2-2956	37,150
Home Investment Partnerships Program	14.239	08mr-x-094-2-6012	25,588
Total Home Investment Partnerships Program			62,738
Total U.S. Department of Housing and Urban Development			320,213
U.S. Department of Transportation Federal Highway Administration			
Pass-through programs from:			
Georgia Department of Transportation			
Highway Planning and Construction	20.205	PI0008176	769,967
Highway Planning and Construction	20.205	PI0010822	141,854
Total Highway Planning and Construction			911,821
Total U.S. Department of Transportation Federal Highway Administration			911,821
Total expenditures of federal awards			$ 1,232,034

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, 2013

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.

CITY OF THOMSON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

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
20.205	Highway Planning and Construction

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, 2013

SUMMARY OF PRIOR AUDIT FINDINGS

There were no prior audit findings reported for the year ended December 31, 2012 which require a response in the December 31, 2013 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, 2013. The City's major federal program is 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2013.

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.

Elliott Davis, LLC

Augusta, Georgia
June 26, 2014

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