CITY OF THOMSON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

CITY OF THOMSON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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 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, 2017, 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Thomson, Georgia as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison schedules for the General Fund and the Employment Incentive Program Loan Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Restatements

As described in Note 10 to the financial statements, beginning net position and fund balance for the City's governmental activities and general fund, respectively, and beginning net position for the City's business-type activities and gas fund as of January 1, 2017 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios – retirement plan, schedule of contributions – retirement plan, 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 development block 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 budgetary comparison schedules, combining and individual fund financial statements, community development block grant schedules, and special purpose local option sales tax schedule 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 basic financial statements or to the basic 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 development block grant schedules, and special purpose local option sales tax schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Elliott Davis, LLC

Columbia, South Carolina
June 28, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Thomson, Georgia's (the "City") annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the year ended December 31, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $ 19,602,734 (net position). Of this amount, $ 13,095,481 is invested in capital assets (net of related debt), $ 1,619,445 is restricted for specific purposes, and $ 4,887,808 may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $ 53,596. Total revenues of the City's governmental and business-type activities totaled $ 12,771,135, whereas expenses totaled $ 12,717,539.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $ 4,491,177, a decrease of $ 108,427 in comparison with the prior year. Of this total amount, $ 2,233,087 is unassigned, $ 20,961 is assigned by management for specific purposes, $ 35,500 is committed by the Mayor and Council for specific purposes, and $ 1,535,680 is restricted by external agreements to be used for specific purposes. Nonspendable fund balance, representing prepaid items and the long-term portion of notes receivable totaled $ 665,949.

- The net position of the City's enterprise funds (business - type activities) totaled $ 6,096,104. Of this amount, $ 2,927,081 is invested in capital assets (net of related debt) and $ 3,169,023 (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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources 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, community services, and interest on long-term debt. 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 14 - 15 of this report.

(Continued)

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the *Governmental Fund Balance Sheet* and the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains fifteen individual governmental funds. Information is presented separately in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, Employment Incentive Program (EIP) Loan Fund, and Airport Capital Project Fund. Data for the other twelve 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 16 - 21 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 Fund and Solid Waste Fund, both of which are considered to be major funds of the City. 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 22 - 25 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'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 26 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 27 - 55 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $ 19,602,734 as of December 31, 2017.

A large portion of the City's net position (67 percent) is comprised of the City's investment in capital assets (e.g., land, buildings, site improvements, 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 $ 4,887,808 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's net position.

NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 4,943,427	$ 4,702,160	$ 4,900,282	$ 5,136,916	$ 9,843,709	$ 9,839,076
Capital assets, net	10,457,242	10,125,466	3,245,588	2,759,986	13,702,830	12,885,452
Total assets	15,400,669	14,827,626	8,145,870	7,896,902	23,546,539	22,724,528
Deferred outflows of resources	157,989	254,570	83,692	133,612	241,681	388,182
Current liabilities	303,996	251,543	1,004,250	927,437	1,308,246	1,178,980
Long-term liabilities outstanding	1,660,745	1,707,176	1,105,331	1,068,327	2,766,076	2,775,503
Total liabilities	1,964,741	1,958,719	2,109,581	1,995,764	4,074,322	3,954,483
Deferred inflows of resources	87,287	84,976	23,877	33,727	111,164	118,703
Net position						
Net investment in capital assets	10,168,400	9,799,645	2,927,081	2,481,960	13,095,481	12,281,605
Restricted	1,619,445	1,688,192	-	-	1,619,445	1,688,192
Unrestricted	1,718,785	1,550,664	3,169,023	3,519,063	4,887,808	5,069,727
Total net position	$ 13,506,630	$ 13,038,501	$ 6,096,104	$ 6,001,023	$ 19,602,734	$ 19,039,524

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	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	$ 362,100	$ 433,533	$ 8,613,708	$ 7,815,151	$ 8,975,808	$ 8,248,684
Operating grants/ contributions	161,132	183,653	-	-	161,132	183,653
Capital grants/ contributions	218,112	666,277	-	-	218,112	666,277
General revenues						
Property taxes	833,362	827,716	-	-	833,362	827,716
Other taxes	2,427,013	2,363,488	-	-	2,427,013	2,363,488
Other	70,600	61,224	85,108	28,246	155,708	89,470
Total revenues	4,072,319	4,535,891	8,698,816	7,843,397	12,771,135	12,379,288
Expenses						
General government	776,459	727,091	-	-	776,459	727,091
Public safety	1,904,736	2,125,139	-	-	1,904,736	2,125,139
Public works	746,219	743,145	-	-	746,219	743,145
Housing and development	241,698	590,213	-	-	241,698	590,213
Health and welfare	-	420	-	-	-	420
Culture and recreation	448,588	422,324	-	-	448,588	422,324
Community services	81,971	83,304	-	-	81,971	83,304
Interest on long-term debt	7,007	8,035	-	-	7,007	8,035
Gas utility	-	-	7,229,482	6,388,291	7,229,482	6,388,291
Solid waste	-	-	1,281,379	1,259,866	1,281,379	1,259,866
Total expenses	4,206,678	4,699,671	8,510,861	7,648,157	12,717,539	12,347,828
Change in net position before transfers	(134,359)	(163,780)	187,955	195,240	53,596	31,460
Transfers	293,202	440,640	(293,202)	(440,640)	-	-
Change in net position	158,843	276,860	(105,247)	(245,400)	53,596	31,460
Net position, beginning of year, as originally reported	13,038,501	12,761,641	6,001,023	6,246,423	19,039,524	19,008,064
Prior period restatement	309,286	-	200,328	-	509,614	-
Net position, beginning of year, as restated	13,347,787	12,761,641	6,201,351	6,246,423	19,549,138	19,008,064
Net position, end of year	$ 13,506,630	$ 13,038,501	$ 6,096,104	$ 6,001,023	$ 19,602,734	$ 19,039,524

Revenues from governmental activities decreased $ 463,572 in 2017. The decrease in revenues is attributable to decreases in charges for services totaling $ 71,433, operating grants/contributions totaling $ 22,521, and capital grants/contributions totaling $ 448,165. Property taxes, other taxes, and other revenues increased by $ 5,646, $ 63,525, and $ 9,376, respectively.

(Continued)

Total expenses for governmental activities decreased by $ 492,993 in 2017 which represents a decrease of approximately 10% from 2016. Expenses for public safety, housing and development, health and welfare, community services, and interest on long-term debt were $ 571,699 less than 2016 amounts whereas expenses for general government, public works, and culture and recreation were $ 78,706 more than 2016 amounts.

Total revenues from business-type activities increased by $ 855,419 and total expenses from business-type activities increased by $ 862,704 in 2017. Most of the increase in revenues and expenses is attributable to an increase in gas operating revenues of $ 800,763 and related gas purchases of $ 758,116.

Financial Analysis of the Government's Funds

The City 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, 2017, governmental funds reported combined ending fund balances of $ 4,491,177, a decrease of $ 108,427 in comparison with 2016. Unassigned fund balance at year-end was $ 2,233,087 whereas the remainder of fund balance of $ 2,258,090 is nonspendable, restricted, committed or assigned 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. At the end of the current year, total fund balance of the General Fund was $ 2,257,420, of which $ 2,233,087 is unassigned and $ 24,333 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, 2017, fund balance represented approximately 60 percent of total General Fund expenditures.

Special Revenue Funds

The City 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, 2017, total major special revenue fund balance was $ 1,374,112 and total nonmajor special revenue fund balance was $ 709,482.

Capital Project Funds

The City uses capital project funds to account for the acquisition and construction of major capital facilities that are not financed by proprietary funds. The City maintained ten capital project funds during the current year. They are the Airport Capital Project Fund, 2014, 2016, and 2017 CDBG Multi-Activity Projects Fund, 2016 CHIP Grant Capital Project Fund, Monument Fund, Transportation Enhancement Act (TEA) Grant Fund, Local Maintenance & Improvement Grant (LMIG) Fund, TIA SPLOST Fund, and the SPLOST Fund. The Airport Capital Project Fund is reported as a major fund. All other capital project funds are reported as nonmajor governmental funds. As of December 31, 2017, total major capital project fund balance was $ 20,961 and total fund balance of the nonmajor capital projects funds was $ 129,202.

(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 Fund at the end of the year totaled $ 3,274,769. The Solid Waste Fund is reporting a deficit of $ 105,746 in unrestricted net position as of year-end.

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 revenues 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, 2017, actual revenues were less than budgetary estimates by $ 4,465 and actual expenditures were $ 129,281 less than appropriated amounts. Actual expenditures for all departments and governmental activities were under budget for 2017. The City funds a portion of its General Fund budget with transfers from the Gas Fund. During the year, budgetary estimates for transfers in exceeded actual transfers by $ 67,392 and actual transfers out were $ 20,532 less than budgetary amounts. Interfund transfers are discretionary and City management elected not to fully fund budgeted transfers during 2017. Revenues and other financing sources exceeded expenditures and other financing uses by $ 69,168.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, totaled $ 13,702,830 (net of accumulated depreciation). This investment in capital assets includes, land, site-improvements, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. Major capital asset additions during the year include street resurfacing and drainage totaling $ 292,634, acquisition of 10.64 acres of land and three warehouses totaling $ 346,310, purchases of service trucks, patrol cars, and garbage trucks totaling $ 352,580, completion of the CNG fueling station totaling $ 596,825 and other additions totaling $ 70,128.

As of December 31, 2017, construction in progress totaled $ 134,861, which includes $ 82,421 for obstruction mitigation at the airport, $ 47,540 for preliminary engineering on the 2016 CDBG multi-activity project, and $ 4,900 in expenses associated with the 2016 CHIP Grant capital project.

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

Debt Administration

The City 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, 2017 was $ 220,517. Principal and interest payments on the note payable in 2017 were $ 34,630 and $ 7,267, respectively.

The City entered into a capital lease with the Georgia Municipal Authority during 2016 to fund the purchase of various equipment in the City's Gas and Solid Waste Funds. Total funding under the lease was $ 324,443. Total principal outstanding at December 31, 2017 was $ 214,932. Principal paid and interest expensed on the capital lease in 2017 were $ 63,094 and $ 5,488, respectively.

(Continued)

The City entered into a capital lease with Regions Equipment Finance Corporation during 2017 to fund the purchase of a new garbage truck for solid waste operations. Total funding under the lease was $ 125,688. Total principal outstanding at December 31, 2017 was $ 103,575. Principal paid and interest expensed on the capital lease in 2017 were $ 22,113 and $ 2,121, respectively.

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

Economic Factors

Major revitalization projects to the downtown area have greatly enhanced the City's streetscape, by adding additional parking, creating wider pedestrian walkways, improving accessibility, providing better lighting, and allowing for the planting of trees and other foliage. The Chamber of Commerce, local businesses, and other organizations have been pro-active in promoting activities in the revitalized areas. The improvements to the downtown district, promotion of the area, and the availability of City revolving loan funds and façade grants for qualifying businesses have fostered a renewed interest to locate and do business in the downtown area.

The City continues to seek funding from Federal and State sources to assist in the revitalization and redevelopment of blighted areas within the City. The City has been awarded two Community Development Block Grants (CDBG) totaling $ 1,500,000 and a Community Home Investment Program (CHIP) grant totaling $ 611,184. These funds, along with local matching funds totaling $ 231,774, will be used for street improvements, flood and drainage facilities, replacement of sewer systems, and housing assistance to qualifying homeowners in low-to-moderate income neighborhoods.

The Thomson-McDuffie Regional Airport continues to play a vital role in promoting economic development in the region. This is most evident during the week of the Masters Golf Tournament held each April in Augusta, Georgia. Federal, State, and local funding have been combined over the years to provide for advanced take-off and landing systems, weather warning systems, runway lighting and pavement, hanger facilities, and a new terminal building. These improvements and easy access to Interstate-20 and surrounding communities have made the airport a destination for many corporate executives.

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

BASIC FINANCIAL STATEMENTS

CITY OF THOMSON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 3,019,197	$ 3,280,256	$ 6,299,453
Investments	351,300	-	351,300
Receivables:			
Taxes-net	385,417	-	385,417
Notes-net	774,700	-	774,700
Accounts-net	-	1,275,723	1,275,723
Interest	9,780	7,824	17,604
Intergovernmental	383,617	20,272	403,889
Other	6,703	224,552	231,255
Inventories	-	45,261	45,261
Prepaids	24,333	34,774	59,107
Internal balances	(11,620)	11,620	-
Capital assets, net of accumulated depreciation:			
Land	1,046,110	128,782	1,174,892
Site improvements	3,280,618	-	3,280,618
Buildings and improvements	2,363,110	166,480	2,529,590
Machinery and equipment	218,994	2,950,326	3,169,320
Infrastructure	3,413,549	-	3,413,549
Construction in progress	134,861	-	134,861
Total assets	15,400,669	8,145,870	23,546,539
Deferred Outflows of Resources			
Deferred outflows related to pension plan	157,989	83,692	241,681
Liabilities			
Accounts payable	178,058	618,045	796,103
Accrued liabilities	63,729	126,571	190,300
Customer deposits	-	157,596	157,596
Intergovernmental payables	22,875	13,212	36,087
Unearned revenues	2,000	-	2,000
Accrued interest payable	1,654	-	1,654
Noncurrent liabilities:			
Due within one year	35,680	88,826	124,506
Due in more than one year	232,161	229,681	461,842
Net pension liability	909,999	475,072	1,385,071
Net OPEB obligation	518,585	400,578	919,163
Total liabilities	1,964,741	2,109,581	4,074,322
Deferred Inflows of Resources			
Subsequent year revenues	43,432	-	43,432
Deferred inflows related to pension plan	43,855	23,877	67,732
Total deferred inflows of resources	87,287	23,877	111,164
Net Position			
Net investment in capital assets	10,168,400	2,927,081	13,095,481
Restricted for:			
Public safety	1,286	-	1,286
Public works	103,404	-	103,404
Housing and development	1,514,755	-	1,514,755
Unrestricted	1,718,785	3,169,023	4,887,808
Total net position	$ 13,506,630	$ 6,096,104	$ 19,602,734

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, 2017

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	$ 776,459	$ 52,025	$ 125,270	$ -	$ (599,164)	$ -	$ (599,164)
Public safety	1,904,736	171,797	-	-	(1,732,939)	-	(1,732,939)
Public works	746,219	-	-	101,018	(645,201)	-	(645,201)
Housing and development	241,698	113,955	35,862	117,094	25,213	-	25,213
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	448,588	-	-	-	(448,588)	-	(448,588)
Community services	81,971	24,323	-	-	(57,648)	-	(57,648)
Interest on long-term debt	7,007	-	-	-	(7,007)	-	(7,007)
Total governmental activities	4,206,678	362,100	161,132	218,112	(3,465,334)	-	(3,465,334)
Business-type activities:							
Gas utility	7,229,482	7,472,865	-	-	-	243,383	243,383
Solid waste	1,281,379	1,140,843	-	-	-	(140,536)	(140,536)
Total business-type activities	8,510,861	8,613,708	-	-	-	102,847	102,847
Total primary government	$ 12,717,539	$ 8,975,808	$ 161,132	$ 218,112	(3,465,334)	102,847	(3,362,487)
General revenues							
Property taxes					833,362	-	833,362
Motor vehicle taxes					16,897	-	16,897
Motor vehicle title advalorem taxes					103,192	-	103,192
Mobile home taxes					1,736	-	1,736
Payment in lieu of taxes					18,879	-	18,879
Sales taxes					1,107,391	-	1,107,391
Franchise taxes					391,617	-	391,617
Insurance premium taxes					450,140	-	450,140
Financial institution taxes					42,713	-	42,713
Alcoholic beverage taxes					133,069	-	133,069
Occupation taxes					67,215	-	67,215
Intangible taxes					5,370	-	5,370
Transfer taxes					1,983	-	1,983
Railroad equipment taxes					323	-	323
Excise tax on energy					86,488	-	86,488
Interest income					30,846	12,665	43,511
Insurance claims					7,937	17,326	25,263
Other revenues					25,311	-	25,311
Gain on sales of surplus property					6,506	55,117	61,623
Transfers					293,202	(293,202)	-
Total general revenues and transfers					3,624,177	(208,094)	3,416,083
Change in net position					158,843	(105,247)	53,596
Net position, beginning of year, as originally reported					13,038,501	6,001,023	19,039,524
Prior period restatement					309,286	200,328	509,614
Net position, beginning of year, as restated					13,347,787	6,201,351	19,549,138
Net position, end of year					$ 13,506,630	$ 6,096,104	$ 19,602,734

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

CITY OF THOMSON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Employment Incentive Program Loan Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,842,874	$ 606,850	$ 32,679	$ 534,331	$ 3,016,734
Investments	107,986	-	-	243,314	351,300
Receivables (net of allowance for uncollectibles):					
Taxes	385,417	-	-	-	385,417
Notes-current	-	130,875	-	2,209	133,084
Notes-long-term	-	634,914	-	6,702	641,616
Interest	-	1,473	-	17	1,490
Other	3,491	-	3,212	-	6,703
Intergovernmental receivables	126,027	-	122,675	48,021	296,723
Interfund receivables	6,407	-	1,105	40,193	47,705
Prepaids	24,333	-	-	-	24,333
Total assets	$ 2,496,535	$ 1,374,112	$ 159,671	$ 874,787	$ 4,905,105
LIABILITIES					
Accounts payable	$ 38,842	$ -	$ 128,666	$ 7,540	$ 175,048
Accrued liabilities	54,877	-	-	-	54,877
Intergovernmental payables	17,975	-	-	4,900	22,875
Interfund payables	23,091	-	10,044	23,663	56,798
Unearned revenues	2,000	-	-	-	2,000
Total liabilities	136,785	-	138,710	36,103	311,598
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	58,898	-	-	-	58,898
Subsequent year revenues	43,432	-	-	-	43,432
Total deferred inflows of resources	102,330	-	-	-	102,330
FUND BALANCES					
Nonspendable	24,333	634,914	-	6,702	665,949
Restricted for:					
Public safety	-	-	-	1,286	1,286
Public works	-	-	-	93,424	93,424
Housing and development	-	739,198	-	701,772	1,440,970
Committed to:					
Housing and development	-	-	-	35,500	35,500
Assigned to:					
Housing and development	-	-	20,961	-	20,961
Unassigned	2,233,087	-	-	-	2,233,087
Total fund balances	2,257,420	1,374,112	20,961	838,684	4,491,177
Total liabilities, deferred inflows of resources, and fund balances	$ 2,496,535	$ 1,374,112	$ 159,671	$ 874,787	$ 4,905,105

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, 2017

Total fund balances - governmental funds	$ 4,491,177
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	1,046,110
Site improvements	5,950,374
Building and improvements	3,371,331
Machinery and equipment	3,336,238
Infrastructure	4,818,316
Construction in progress	134,861
Accumulated depreciation	(8,232,547)
Total capital assets, net of accumulated depreciation - governmental activities	10,424,683
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.	(52,477)
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 unavailable in the funds. These revenues consist of:	
Intergovernmental receivables	86,894
Interest receivable	8,290
Property taxes	58,898
Total unavailable revenues	154,082
Deferred outflows of resources are not current assets or financial resources and, therefore, are not reported in the funds. Deferred outflows of resources consist of:	
Deferred outflows related to pension plan	144,307
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	(1,654)
Accrued compensated absences	(47,324)
Long-term debt	(220,517)
Net pension liability	(826,013)
Net OPEB obligation	(518,585)
Total liabilities	(1,614,093)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. Deferred inflows of resources consist of:	
Deferred inflows related to pension plan	(41,049)
Net position of governmental activities	$ 13,506,630

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, 2017

	General Fund	Employment Incentive Program Loan Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 3,159,473	$ -	$ -	$ 136,043	$ 3,295,516
Licenses and permits	33,809	-	-	-	33,809
Intergovernmental	125,270	-	165,170	153,458	443,898
Charges for services	1,300	-	-	-	1,300
Fines and forfeitures	157,797	-	-	-	157,797
Interest income	4,769	19,782	-	373	24,924
Rents	66,220	-	41,522	9,727	117,469
Cemetary lot sales	51,725	-	-	-	51,725
Other	30,817	-	1,000	-	31,817
Total revenues	3,631,180	19,782	207,692	299,601	4,158,255
EXPENDITURES					
Current:					
General government	707,080	-	-	-	707,080
Public safety	1,901,903	-	-	7,703	1,909,606
Public works	538,169	-	-	11,337	549,506
Community services	43,410	-	-	-	43,410
Culture and recreation	428,424	-	-	-	428,424
Housing and development	94,331	112,748	111,728	7,952	326,759
Debt service:					
Principal	34,630	-	-	-	34,630
Interest	7,267	-	-	-	7,267
Capital outlay:					
Public works	-	-	-	292,634	292,634
Housing and development	-	-	116,101	152,404	268,505
Total expenditures	3,755,214	112,748	227,829	472,030	4,567,821
Excess (deficiency) of revenues over (under) expenditures	(124,034)	(92,966)	(20,137)	(172,429)	(409,566)
OTHER FINANCING SOURCES (USES)					
Insurance claims	7,937	-	-	-	7,937
Transfers in	278,282	-	35,862	15,200	329,344
Transfers out	(36,062)	-	-	(80)	(36,142)
Total other financing sources (uses)	250,157	-	35,862	15,120	301,139
NET CHANGE IN FUND BALANCES	126,123	(92,966)	15,725	(157,309)	(108,427)
FUND BALANCES, BEGINNING OF YEAR, AS ORIGINALLY REPORTED	1,822,011	1,467,078	5,236	995,993	4,290,318
Prior period restatement	309,286	-	-	-	309,286
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	2,131,297	1,467,078	5,236	995,993	4,599,604
FUND BALANCES, END OF YEAR	$ 2,257,420	$ 1,374,112	$ 20,961	$ 838,684	$ 4,491,177

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, 2017

Net change in fund balances - total governmental funds	$ (108,427)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays 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 outlays	914,372
Depreciation expense	(512,829)
County portion of airport construction in progress	(58,051)
Excess of capital outlay over depreciation expense and other adjustments	343,492
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Changes in these amounts are as follows:	
Interest receivable increased by this amount in 2017.	5,922
Intergovernmental receivables increased by this amount in 2017.	2,770
Unearned property tax revenues decreased by this amount in 2017.	(37,911)
Net change in revenues not providing current financial resources	(29,219)
The issuance of long-term debt (e.g., notes payable and capital leases payable) 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	34,630
Net decrease in long-term debt	34,630
Some expenses 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 amount in 2017.	(2,648)
Accrued interest payable decreased by this amount in 2017.	260
Net pension liability, deferred outflows and inflows related to pension increased by this amount in 2017.	(6,286)
Net OPEB obligation increased by this amount in 2017.	(54,947)
Net change in expenses not requiring the use of current financial resources	(63,621)
An internal service fund is used by management to charge the costs of vehicle 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	(18,012)
Change in net position of governmental activities	$ 158,843

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, 2017

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 3,077,964	$ 3,096,436	$ 3,093,237	$ (3,199)
Licenses and permits	42,000	33,300	33,732	432
Intergovernmental	125,270	125,270	125,270	-
Charges for services	4,500	4,800	1,300	(3,500)
Fines and forfeitures	225,800	158,800	157,797	(1,003)
Use of money and property	88,497	122,797	122,685	(112)
Other	18,600	27,900	30,817	2,917
Total revenues	3,582,631	3,569,303	3,564,838	(4,465)
EXPENDITURES				
Current:				
General government	711,326	728,406	703,146	(25,260)
Public safety	1,962,160	1,961,979	1,906,789	(55,190)
Public works	520,906	546,558	537,581	(8,977)
Health and welfare	420	-	-	-
Community services	158,399	117,800	113,090	(4,710)
Culture and recreation	349,513	339,078	338,268	(810)
Housing and development	170,081	170,181	135,847	(34,334)
Total expenditures	3,872,805	3,864,002	3,734,721	(129,281)
Excess (deficiency) of revenues over (under) expenditures	(290,174)	(294,699)	(169,883)	(124,816)
OTHER FINANCING SOURCES (USES)				
Insurance claims	5,000	8,000	7,937	(63)
Prior year unassigned fund balance	-	8,725	-	(8,725)
Transfers in	345,674	345,674	278,282	(67,392)
Transfers out	(60,500)	(67,700)	(47,168)	(20,532)
Total other financing sources (uses)	290,174	294,699	239,051	(55,648)
CHANGE IN FUND BALANCE	$ -	$ -	69,168	$ 69,168
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(3,414)	
Payables and other liabilities			60,369	
Total reconciliation to GAAP basis			56,955	
FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY REPORTED			1,822,011	
Prior period restatement			309,286	
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED			2,131,297	
FUND BALANCE, END OF YEAR			$ 2,257,420	

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, 2017

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 21,719	$ 21,719
Available for loans	522,374	522,374	519,822	(2,552)
Total revenues	522,374	522,374	541,541	19,167
EXPENDITURES				
Loans made	522,374	522,374	50,000	(472,374)
Housing and development	-	-	112,748	112,748
Total expenditures	522,374	522,374	162,748	(359,626)
Excess of revenues over expenditures	-	-	378,793	378,793
CHANGE IN FUND BALANCE	$ -	$ -	378,793	$ 378,793
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(471,759)	
Total reconciliation to GAAP basis			(471,759)	
FUND BALANCE, BEGINNING OF YEAR			1,467,078	
FUND BALANCE, END OF YEAR			$ 1,374,112	

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

CITY OF THOMSON, GEORGIA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash	$ 3,194,379	$ 85,877	$ 3,280,256	$ 2,463
Accounts receivable-net	1,130,410	145,313	1,275,723	-
Interest receivable	7,824	-	7,824	-
Intergovernmental receivables	2,736	17,536	20,272	-
Other receivables	224,552	-	224,552	-
Interfund receivables	10,044	5,456	15,500	-
Inventories	45,261	-	45,261	-
Prepaids	18,831	15,943	34,774	-
Total current assets	4,634,037	270,125	4,904,162	2,463
Noncurrent assets:				
Capital assets				
Land	128,782	-	128,782	-
Buildings and improvements	384,338	59,891	444,229	39,806
Machinery and equipment	7,164,495	1,600,812	8,765,307	102,640
Less accumulated depreciation	(5,005,029)	(1,087,701)	(6,092,730)	(109,887)
Total capital assets, net of accumulated depreciation	2,672,586	573,002	3,245,588	32,559
Total noncurrent assets	2,672,586	573,002	3,245,588	32,559
Total assets	7,306,623	843,127	8,149,750	35,022
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension plan	48,455	35,237	83,692	13,682
Total assets and deferred outflows of resources	7,355,078	878,364	8,233,442	48,704
LIABILITIES				
Current liabilities:				
Accounts payable	607,459	10,586	618,045	3,010
Accrued liabilities	99,075	27,496	126,571	8,852
Customer deposits	157,596	-	157,596	-
Intergovernmental payables	1,639	11,573	13,212	-
Interfund payables	3,880	-	3,880	2,527
Current portion of capital lease payable	15,016	73,810	88,826	-
Total current liabilities	884,665	123,465	1,008,130	14,389
Noncurrent liabilities:				
Capital lease payable	35,227	194,454	229,681	-
Net pension liability	268,957	206,115	475,072	83,986
Net OPEB obligation	255,561	145,017	400,578	-
Total noncurrent liabilities	559,745	545,586	1,105,331	83,986
Total liabilities	1,444,410	669,051	2,113,461	98,375
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension plan	13,556	10,321	23,877	2,806
Total liabilities and deferred inflows of resources	1,457,966	679,372	2,137,338	101,181
NET POSITION				
Net investment in capital assets	2,622,343	304,738	2,927,081	32,559
Unrestricted	3,274,769	(105,746)	3,169,023	(85,036)
Total net position	$ 5,897,112	$ 198,992	$ 6,096,104	$ (52,477)

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, 2017

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 7,266,967	$ 1,117,474	$ 8,384,441	$ 170,930
Refunds from suppliers	176,721	-	176,721	-
Penalties	29,177	23,201	52,378	-
Other	-	168	168	-
Total operating revenues	7,472,865	1,140,843	8,613,708	170,930
OPERATING EXPENSES				
Purchases	5,406,622	271,822	5,678,444	-
Personnel services and benefits	791,749	592,654	1,384,403	145,292
Professional and technical services	159,814	16,068	175,882	-
Repairs and maintenance	146,028	75,020	221,048	4,743
Other purchased services	168,888	78,554	247,442	12,854
Supplies	174,918	78,210	253,128	13,930
Intergovernmental	118,537	-	118,537	-
Depreciation	234,529	141,278	375,807	11,716
Bad debts	895	4,061	4,956	-
Other	26,219	17,386	43,605	707
Total operating expenses	7,228,199	1,275,053	8,503,252	189,242
Operating income (loss)	244,666	(134,210)	110,456	(18,312)
NON-OPERATING REVENUES (EXPENSES)				
Gain on sale of surplus property	7,201	47,916	55,117	300
Interest income	12,665	-	12,665	-
Insurance claims	2,521	14,805	17,326	-
Interest expense	(1,283)	(6,326)	(7,609)	-
Total non-operating revenues (expenses)	21,104	56,395	77,499	300
Income (loss) before transfers	265,770	(77,815)	187,955	(18,012)
TRANSFERS IN (OUT)				
Transfers in	-	140,425	140,425	-
Transfers out	(426,067)	(7,560)	(433,627)	-
Net transfers in (out)	(426,067)	132,865	(293,202)	-
CHANGE IN NET POSITION	(160,297)	55,050	(105,247)	(18,012)
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY REPORTED	5,857,081	143,942	6,001,023	(34,465)
Prior period restatement	200,328	-	200,328	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	6,057,409	143,942	6,201,351	(34,465)
NET POSITION, END OF YEAR	$ 5,897,112	$ 198,992	$ 6,096,104	$ (52,477)

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, 2017

	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	$ 7,362,354	$ 1,126,423	$ 8,488,777	$ 170,930
Payments to suppliers and others	(6,217,742)	(528,329)	(6,746,071)	(29,776)
Payments to employees	(747,950)	(570,443)	(1,318,393)	(143,619)
Net cash provided by (used for) operating activities	396,662	27,651	424,313	(2,465)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	40,000	-	40,000	-
Transfers to other funds	(177,686)	(7,560)	(185,246)	-
Net cash used for noncapital financing activities	(137,686)	(7,560)	(145,246)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from insurance claims	2,521	14,805	17,326	-
Proceeds from sale of surplus property	7,201	47,916	55,117	300
Purchases and construction of capital assets	(601,714)	(134,007)	(735,721)	-
Payments on long-term debt	(14,749)	(70,458)	(85,207)	-
Interest paid	(1,315)	(6,430)	(7,745)	-
Transfers from other funds	-	140,425	140,425	-
Transfers to other funds	(248,381)	-	(248,381)	-
Net cash provided by (used for) capital and related financing activities	(856,437)	(7,749)	(864,186)	300
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	8,415	-	8,415	-
Net cash provided by investing activities	8,415	-	8,415	-
Net increase (decrease) in cash and cash equivalents	(589,046)	12,342	(576,704)	(2,165)
Cash and cash equivalents, beginning of year	3,783,425	73,535	3,856,960	4,628
Cash and cash equivalents, end of year	$ 3,194,379	$ 85,877	$ 3,280,256	$ 2,463

(Continued)

CITY OF THOMSON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities-Enterprise Funds			Governmental Activities
	Gas Fund	Solid Waste Fund	Total	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	$ 244,666	$ (134,210)	$ 110,456	$ (18,312)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	234,529	141,278	375,807	11,716
Other pension related charges	2,110	1,784	3,894	1,256
Other post employment benefits (OPEB)	39,478	18,952	58,430	-
(Increase) decrease in current assets				
Accounts receivable	(155,513)	1,397	(154,116)	-
Intergovernmental receivables	(1,108)	(11,756)	(12,864)	-
Other receivables	(12,174)	-	(12,174)	-
Interfund receivables	-	767	767	-
Inventories	1,884	-	1,884	-
Prepaids	(127)	34	(93)	-
Increase (decrease) in current liabilities				
Accounts payable	28,142	4,826	32,968	2,458
Accrued liabilities	8,247	708	8,955	241
Customer deposits	7,089	-	7,089	-
Intergovernmental payables	(1,665)	3,871	2,206	-
Interfund payables	1,104	-	1,104	176
Total adjustments	151,996	161,861	313,857	15,847
Net cash provided by (used for) operating activities	$ 396,662	$ 27,651	$ 424,313	$ (2,465)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Purchases of capital assets with capital lease	$ -	$ 125,688	$ 125,688	$ -
Total noncash investing, capital and financing activities	$ -	$ 125,688	$ 125,688	$ -

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, 2017

	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 City 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 City Council. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship 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 its 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 of Georgia. Therefore, the Downtown Development Authority's 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, 2017.

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.

D. Basic Financial Statements

The basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the basic financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unit. 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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 EIP Loan Fund is a special revenue fund used to account for the financial activities related to the City's EIP revolving loan program. The EIP Loan Fund is not being funded with federal or state grant funds.

Airport Capital Project Fund - The Airport Capital Project Fund is used to account for proceeds from federal and state grants, as well as, local funding for capital improvements, operations, and maintenance at the regional airport.

The City reports the following major enterprise funds:

Gas Fund - The Gas 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.

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

Additionally, the City reports the following other fund types:

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

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 Vehicle 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 governmental units. The accounting used for fiduciary funds is much like that used for proprietary funds.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017 annual appropriated budgets for the City's general, enterprise, and special revenue funds on December 8, 2016. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Under Georgia State law, appropriations lapse at year-end.

The budgets are prepared essentially on the cash basis, rather than in accordance with generally accepted accounting principles. 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 is presented in the applicable financial statements.

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

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and character (personnel services, maintenance and operations, capital outlay, and 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 City 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 cash equivalents are comprised of cash on hand, demand deposits, and short-term investments purchased with maturities of three months or less.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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" is a Standard & Poor's AAAf rated investment pool which is managed by the Office of the State Treasurer to maintain principal stability. The pool is not registered with the SEC as an investment company and the State of Georgia does not consider Georgia Fund 1 to be a 2a7-like pool. 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, is determined by an 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 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.

Prepaids

The City uses the allocation method for accounting for prepaids. When the allocation method is used to account for prepaids, 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. Prepaids 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 the governmental funds as of December 31, 2017.

Inventories of the proprietary funds are recorded at the lower of cost or market on a first-in, first-out basis.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets, which include land, site improvements, buildings and improvements, machinery and equipment, infrastructure, and construction-in-progress, 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 the 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, 2017.

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

Site improvements	10-20 years
Buildings and improvements	25-40 years
Machinery and equipment	5-22 years
Infrastructure	40-50 years

Compensated Absences

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds Statement of Net 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 reports employer contributions to its pension plan made subsequent to the pension plan's measurement date and the difference between expected and actual experience on pension plan demographic and economic changes in this category on the government-wide and proprietary fund Statements of Net Position.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Sheet. The City also reports unavailable revenue-property taxes in this category on the governmental funds Balance Sheet. In addition, the City reports deferred inflows of resources related to its pension plan in this category for the net difference between expected and actual experience on pension plan demographic changes, assumption changes, and the net difference between projected and actual earnings on pension plan investments on the government-wide and proprietary fund Statements of Net Position.

Net Position (Government-Wide Financial Statements)

The City's net position is classified as follows:

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

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

Unrestricted: This represents the net amount of assets, 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 Finance Director. 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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/expenditures during the reporting period. Actual results could vary from the estimates that were recorded.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund

Actual revenues and other financing sources (budgetary basis) were $ 80,645 less than budgeted amounts whereas actual expenditures and other financing uses (budgetary basis) were $ 149,813 less than appropriated amounts resulting in a net increase in fund balance (budgetary basis) of $ 69,168. Expenditures for all City departments and functions were under appropriations for the year.

Employment Incentive Program Loan Fund

The Employment Incentive Program Loan Fund is reporting a decrease in fund balance totaling $ 92,966. This decrease is attributable to the establishment of an allowance for uncollectible notes receivable and recognition of bad debt expense related thereto.

Solid Waste Fund and Internal Service Fund

The Solid Waste Fund and Internal Service Fund are reporting deficit balances in unrestricted net position totaling $ 105,746 and $ 85,036, respectively. These deficits are attributable to a change in accounting principles made pursuant to the implementation of GASB Statement Nos. 68 and 71.

In addition, the Internal Service Fund is reporting a decrease in net position totaling $ 18,012. This decrease is primarily attributable to depreciation expense which is a noncash operating expense.

Nonmajor Governmental Funds

The Housing Development Action Grant Loan Fund, Urban Development Action Grant Loan Fund, Police Condemnation Fund, 2014 CDBG Capital Project Fund, and TIA SPLOST Fund are reporting decreases in fund balance for December 31, 2017 totaling $ 6,825, $ 90,895, $ 7,703, $ 80, and $ 66,910, respectively. These decreases were funded with available fund balance.

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS

Deposits

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

(Continued)

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

The carrying amount of the City's deposits with financial institutions was $ 6,299,453 and the bank balance was $ 6,604,617 at December 31, 2017. Deposits of the City were fully collateralized as of year-end.

Collateralization of the City's deposits as of December 31, 2017 is as follows:

Amount insured by FDIC	$ 193,343
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the City's name	6,411,274
Total bank balance	$ 6,604,617

Investments

At December 31, 2017, the City had the following investments:

Investments	Maturities	Fair Value	Credit Rating
Georgia Fund 1	9 day WAM	$ 107,986	AAAf
Land	N/A	243,314	N/A
		$ 351,300	

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements as of December 31, 2017 include its investment in land (Level 3 inputs).

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 subdivisions 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 365 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, 2017, no single issue investment exceeded 5% of total investments.

(Continued)

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

Land

The City purchased a house and parcel of land in conjunction with its Community Home Improvement Program (CHIP). The property, and additional costs related thereto, was funded by the City's Housing Development Action Grant (HODAG) Revolving Loan Fund and is recorded in that fund. Total investment in the property as of December 31, 2017 was $ 86,717. 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.

The City entered into an agreement with Camellia Partners on August 8, 2014 to acquire land and building located at 111 Main Street with a cost basis of $ 156,597. The City's intent is to deed the land and building to the McDuffie County Development Authority for sale or lease to a local business, and accordingly, this investment 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, 2017 and were due on November 15, 2017. 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 2017 tax levy follows:

2017 millage rate		6.887
Taxable digest	$	118,856,658
Gross tax levy	$	1,933,566
Less sales tax rollback		(1,089,506)
Net property taxes	$	844,060
Property taxes receivable	$	114,301
Less allowance for uncollectible amounts		(22,445)
Net property taxes receivable	$	91,856
Unavailable revenue-property tax	$	58,898

NOTE 5 - NOTES RECEIVABLE

Notes receivable and the applicable allowances for uncollectible accounts as of December 31, 2017 are as follows:

Employment Incentive Program Loan Fund (EIP)		
Variable interest, monthly payments of $ 835 (principal plus interest), to 2024, collateralized by real estate	$	61,490
4.00%, monthly payments of $ 1,893 (principal and interest), to 2023, collateralized by equipment and accounts receivable		128,389
3.00%, monthly payments of $ 2,414 (principal and interest), to 2021, personally guaranteed by five owners		91,781
3.00%, monthly payments of $ 1,155, final payment of $ 89,387 (principal and interest), to 2020, collateralized by equipment, accounts receivable, and inventory		112,748
3.00%, monthly payments of $ 1,082 (principal and interest), to 2022, collateralized by real estate		57,414
3.00%, monthly payments of $ 1,448 (principal and interest), to 2023, collateralized by real estate		97,741
4.50%, monthly payments of $ 1,487 (principal and interest), to 2018, collateralized by real estate, furniture, fixtures, and equipment		13,281
2.50%, monthly payments of $ 2,828 (principal and interest), to 2024, collateralized by real estate, furniture, fixtures, and equipment		266,467
3.00%, monthly payments of $ 898 (principal and interest), to 2022, collateralized by accounts receivable		49,226
		878,537
Less allowance for uncollectible accounts		(112,748)
Total		765,789
Housing Development Action Grant Loan Fund (HODAG)		
3.50%, monthly payments of $ 57 (principal and interest), to 2020, collateralized by real estate		1,533
3.00%, monthly payments of $ 112 (principal and interest), to 2023, collateralized by real estate		6,716
3.00%, monthly payments of $ 106 (principal and interest), to 2021, collateralized by real estate		3,798

(Continued)

NOTE 5 - NOTES RECEIVABLE (Continued)

3.00%, monthly payments of $ 24 (principal and interest), to 2018, collateralized by real estate	60
3.00%, monthly payments of $ 79 (principal and interest), to 2021, collateralized by real estate	3,400
3.00%, monthly payments of $ 30 (principal and interest), to 2019, collateralized by real estate	602
	16,109
Less allowance for uncollectible accounts	(7,198)
Total	8,911
Urban Development Action Grant Loan Fund (UDAG)	
6.00%, monthly payments of $ 808, (principal and interest), to 2014, collateralized by real estate	69,757
	69,757
Less allowance for uncollectible accounts	(69,757)
Total	-
Grand Total	$ 774,700

The City uses the allowance method for recording bad debts attributable to its notes receivable. The allowance for uncollectible accounts is determined by an analysis of the year-end receivable balances for those accounts which the City believes will not be collected based on past history.

Annual collections on notes receivable outstanding (net of allowances for uncollectible accounts) as of December 31, 2017 to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	$ 133,084	$ 20,346	$ 153,430
2019	123,032	16,593	139,625
2020	125,779	12,999	138,778
2021	109,646	9,484	119,130
2022	98,711	6,523	105,234
2023 thru 2024	184,448	7,309	191,757
	$ 774,700	$ 73,254	$ 847,954

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deletions/ Transfers	Balance 12/31/2017
Governmental Activities				
Capital assets not being depreciated				
Land	$ 971,923	$ 74,187	$ -	$ 1,046,110
Construction in progress	24,371	110,490	-	134,861
Total capital assets not being depreciated	996,294	184,677	-	1,180,971
Capital assets being depreciated				
Site improvements	5,950,374	-	-	5,950,374
Buildings and improvements	3,139,014	272,123	-	3,411,137
Machinery and equipment	3,449,470	106,887	(117,479)	3,438,878
Infrastructure	4,525,682	292,634	-	4,818,316
Total capital assets being depreciated	17,064,540	671,644	(117,479)	17,618,705
Less accumulated depreciation				
Site improvements	(2,495,085)	(174,671)	-	(2,669,756)
Buildings and improvements	(966,150)	(81,877)	-	(1,048,027)
Machinery and equipment	(3,258,614)	(78,749)	117,479	(3,219,884)
Infrastructure	(1,215,519)	(189,248)	-	(1,404,767)
Total accumulated depreciation	(7,935,368)	(524,545)	117,479	(8,342,434)
Net capital assets being depreciated	9,129,172	147,099	-	9,276,271
Governmental activities capital assets-net	$ 10,125,466	$ 331,776	$ -	$ 10,457,242

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. No non-capitalized expenditures were transferred during 2017.

The City disposed of fully depreciated capital assets with a net book value of $ 0. Proceeds associated with this disposition totaled $ 6,506, resulting in a net gain of $ 6,506.

Depreciation expense was charged to functions as follows:

General government	$ 12,606
Public safety	71,085
Public works	196,125
Housing and development	167,888
Culture and recreation	20,164
Community services	44,961
Vehicle maintenance fund	11,716
Current year depreciation expense	$ 524,545

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deletions/ Transfers	Balance 12/31/2017
Business-type Activities				
Capital assets not being depreciated				
Land	$ 128,782	$ -	$ -	$ 128,782
Construction in progress	51,237	545,588	(596,825)	-
Total capital assets not being depreciated	180,019	545,588	(596,825)	128,782
Capital assets being depreciated				
Buildings and improvements	444,229	-	-	444,229
Machinery and equipment	8,363,636	912,646	(510,975)	8,765,307
Total capital assets being depreciated	8,807,865	912,646	(510,975)	9,209,536
Less accumulated depreciation				
Buildings and improvements	(266,703)	(11,046)	-	(277,749)
Machinery and equipment	(5,961,195)	(364,761)	510,975	(5,814,981)
Total accumulated depreciation	(6,227,898)	(375,807)	510,975	(6,092,730)
Net capital assets being depreciated	2,579,967	536,839	-	3,116,806
Business-type activities capital assets-net	$ 2,759,986	$ 1,082,427	$ (596,825)	$ 3,245,588

Depreciation expense on capital assets of the business-type activities was $ 375,807 for the year ended December 31, 2017.

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 exceeds interest earned on related interest-bearing borrowing. There was no construction period interest cost capitalized during the year ended December 31, 2017.

NOTE 7 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2017:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Governmental Activities				
Note payable	$ 255,147	$ -	$ (34,630)	$ 220,517
Accrued compensated absences	44,676	13,108	(10,460)	47,324
Total debt-governmental activities	$ 299,823	$ 13,108	$ (45,090)	$ 267,841
Business-type Activities				
Capital leases	$ 278,026	$ 125,688	$ (85,207)	$ 318,507
Total debt-business-type activities	$ 278,026	$ 125,688	$ (85,207)	$ 318,507

There was no short-term borrowing during the year ended December 31, 2017.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

The following summarizes long-term debt outstanding at December 31, 2017:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Note payable, airport hanger	$ 500,000	3.00%	2023	$ 220,517	$ 35,680
	$ 500,000			220,517	35,680
Accrued compensated absences				47,324	-
Total-governmental activities				$ 267,841	$ 35,680
Business-type Activities					
Capital lease	$ 324,443	2.69%	2021	$ 214,932	$ 64,237
Capital lease	125,688	2.00%	2022	103,575	24,589
Total-business-type activities	$ 450,131			$ 318,507	$ 88,826

Note Payable

On January 30, 2007, the City 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, 2017 to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	$ 35,680	$ 6,217	$ 41,897
2019	36,763	5,134	41,897
2020	37,878	4,019	41,897
2021	39,027	2,870	41,897
2022	40,211	1,686	41,897
2023	30,958	465	31,423
	$ 220,517	$ 20,391	$ 240,908

Capital Lease Obligations

On February 26, 2016, the City, in conjunction with the McDuffie County/City of Thomson, Georgia Water and Sewer Commission, entered into a capital lease with the Georgia Municipal Association to purchase equipment and service vehicles. The lease was subsequently assigned and transferred to Branch Banking & Trust Company. Original terms of the lease required 20 quarterly payments, including principal and interest at 2.21%, beginning May 26, 2016 with the final payment being due February 26, 2021. Effective February 26, 2018 and in accordance with the Master Lease Agreement, the stated interest rate was increased to 2.69% due to the enactment of recent tax laws that changed the federal corporate tax rate. The City's proportionate share of lease proceeds totaled $ 324,443. The City's revised quarterly payments are $ 17,312 as of February 26, 2018.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

On February 6, 2017, the City entered into a capital lease with Regions Equipment Finance Corporation to purchase a new garbage truck. Terms of the lease require 60 monthly payments, including principal and interest at 2.00% beginning March 6, 2017 with the final payment being due February 6, 2022.

Future minimum lease payments to maturity are as follows:

Year Ending December 31,	Business-type Activities
2018	$ 95,551
2019	95,684
2020	95,684
2021	43,748
2022	2,203
Total minimum lease payments	332,870
Less amount representing interest	(14,363)
Present value of minimum lease payments	$ 318,507

Total cost of assets acquired under capital leases and accumulated depreciation, thereon, were as follows as of December 31, 2017:

Asset	Governmental Activities	Business-type Activities
Machinery and equipment	$ 90,453	$ 465,130
Less accumulated depreciation	(90,453)	(110,671)
Total	$ -	$ 354,459

Current year amortization of assets recorded under capital leases totaled $ 9,045 for governmental activities and $ 73,438 for business-type activities and is included within depreciation expense.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2017, is as follows:

Due from/to other funds

Receivable Fund	Payable Fund	Amount
General Fund	Gas Fund	$ 3,880
General Fund	Maintenance Fund	2,527
HODAG Loan Fund	General Fund	5,191
UDAG Loan Fund	General Fund	11,339
UDAG Loan Fund	HODAG Loan Fund	1,968
TIA SPLOST Fund	SPLOST Fund	21,695
Airport Capital Projects Fund	General Fund	1,105
Gas Fund	Airport Capital Projects Fund	10,044
Solid Waste Fund	General Fund	5,456
		$ 63,205

(Continued)

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

Amounts due to the General Fund totaling $ 6,407 represent unapplied employee insurance withholding, from the Gas and Maintenance Funds.

Amounts due to the HODAG and UDAG Revolving Loan Funds totaling $ 18,498 represent prior year payments on notes receivable that were deposited in the General Fund and HODAG Revolving Loan Fund.

Amounts due to the TIA SPLOST Fund totaling $ 21,695 represent funding to be received from SPLOST proceeds for resurfacing City streets.

Amounts due to the Airport Capital Projects Fund totaling $ 1,105 represent the City's portion of operating expenses for December 2017.

Amounts due to the Gas Fund totaling $ 10,044 represent funding for engineering and construction expenses on various airport capital projects. The Gas Fund will be reimbursed as funds become available.

Amounts due to the Solid Waste Fund totaling $ 5,456 represent prior year capital contributions from the Gas Fund that were deposited in the General Fund.

Interfund transfers

	Transfer In				
Transfer Out	General Fund	Airport Capital Project Fund	Solid Waste Fund	Nonmajor Governmental Funds	Total Transfers Out
General fund	$ -	$ 35,862	$ -	$ 200	$ 36,062
Gas fund	270,642	-	140,425	15,000	426,067
Solid waste fund	7,560	-	-	-	7,560
Nonmajor governmental funds	80	-	-	-	80
	$ 278,282	$ 35,862	$ 140,425	$ 15,200	$ 469,769

The City funds its General Fund capital budget with transfers from the Gas Fund. Capital assets funded with transfers from the Gas Fund during 2017 totaled $ 92,956. The Gas Fund also funds a portion of administrative salaries, related employment benefits, and other operating costs. Transfers from the Gas Fund to fund these costs totaled $ 123,686. 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. The 2014 CDBG Capital Project Fund transferred its remaining cash balance to the General Fund to reimburse the General Fund its original contribution to open the CDBG bank account.

The City funds one-half of the operations, maintenance, and capital costs of the regional airport. Transfers to the Airport Capital Project Fund totaled $ 35,862.

The City funds a portion of its Solid Waste capital budget with transfers from the Gas Fund. Capital assets funded with transfers from the Gas Fund during 2017 totaled $ 140,425.

The City committed funds to construct a monument to honor a local musician. Funding for 2017 totaled $ 15,000 and was provided by the Gas Fund.

The General Fund provided funds totaling $ 200 to open bank accounts for the 2017 CDBG Capital Projects Fund and 2016 CHIP Grant Fund.

NOTE 9 - NET POSITION

Net position of the government-wide and proprietary fund financial statements represents the difference in assets and deferred outflows of resources less liabilities and deferred inflows of resources. Amounts reported for net investment in capital assets and restricted net position at December 31, 2017 are as follows:

	Governmental Activities	Business-type Activities
Net Investment in Capital Assets		
Primary government	$ 10,424,683	$ 3,245,588
Internal service fund	32,559	-
Less note payable and capital lease	(220,517)	(318,507)
Less construction and retainage payables	(68,325)	-
Total net investment in capital assets	$ 10,168,400	$ 2,927,081
Restricted For		
Public Safety		
Police Condemnation Fund	$ 1,286	
Total Public Safety	$ 1,286	
Public Works		
TIA SPLOST Fund	$ 103,354	
LMIG Program Fund	50	
Total Public Works	$ 103,404	
Housing and Development		
EIP Revolving Loan Fund	$ 744,628	
HODAG Revolving Loan Fund	452,273	
UDAG Revolving Loan Fund	249,251	
2016 CDBG 5884	7,640	
2017 CDBG 5962	52	
2016 CHIP Grant	52	
TEA Grant Fund	74	
Airport Capital Projects Fund	60,785	
Total Housing and Development	$ 1,514,755	

NOTE 10 - PRIOR PERIOD RESTATEMENTS

The City determined it necessary to restate prior year (beginning of year) net position and fund balance in the General Fund and Gas Fund. The following table describes the prior period restatements that were made.

	Governmental Activities	Business-type Activities	Governmental Fund Statements	Proprietary Fund Statements
General Fund				
Understatement of franchise taxes receivable	$ 309,286	$ -	$ 309,286	$ -
Gas Fund				
Understatement of refunds due from MGAG	-	200,328	-	200,328
Total prior period restatement	$ 309,286	$ 200,328	$ 309,286	$ 200,328

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 (the "County") in the McDuffie County/City of Thomson Water and Sewer Commission (the "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 the County. 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 exercise direct control over the Commission, which is administered by the board.

GASB Statement No. 14, *The Financial Reporting Entity*, 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 to the Commission. The City administers the operating funds of the Commission, and is responsible for operations, maintenance, and customer billings for the System. The County is responsible for administering construction funds obtained through Special Purpose Local Option Sales Tax revenues. Grant funds obtained for construction purposes are administered by the City and/or the County, dependent upon the terms of such funding.

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

(Continued)

NOTE 11 - JOINT VENTURES AND RELATED ORGANIZATIONS (Continued)

Financial information regarding the Commission's financial statements as of and for the year ended December 31, 2017 is summarized as follows:

Operating revenues	$	4,883,148
Depreciation and amortization expense	$	1,349,518
Operating loss	$	32,331
Change in net position	$	(265,843)
Capital asset additions	$	152,785
Capital asset deletions	$	102,124
Net working capital	$	2,894,709
Total assets	$	39,560,552
Deferred outflows of resources	$	112,551
Long-term liabilities	$	10,173,889
Deferred inflows of resources	$	32,510
Total net position	$	28,630,921

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

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

CSRA Regional Commission

Under Georgia State 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, 2017, the City paid $ 6,778 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 the State of 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 No. 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City Council. 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.

Thomson-McDuffie Land Bank Authority

The City and County entered into an intergovernmental agreement to form the Thomson-McDuffie Land Bank Authority in accordance with OCGA Section 48-4-60. The Land Bank Authority is a legally separate entity having a board originally appointed by the City and County. The City is not able to impose its will upon the Land Bank Authority and a financial benefit/burden relationship does not exist between them. Accordingly, based upon the criteria in GASB Statement No. 14, the Land Bank Authority is a related organization and not a component unit of the City.

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 of Georgia 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

Plan Description

The City of Thomson Retirement Plan (the "Plan"), is a defined benefit pension plan affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association (GMA). Contributions made by the City are pooled with contributions made by other members of GMEBS for investment purposes; the City does not own any securities on its own. There are no employer or related party securities or loans included in plan assets. The GMA issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, The Burgess Building, 201 Pryor Street, SW, Atlanta, GA 30303, or by calling (404) 688-0472.

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

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

Benefits Provided

As provided by Georgia State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the Plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All full-time employees of the City and the McDuffie County/City of Thomson Water and Sewer Commission, excluding elected officials, working at least twenty hours per week, are eligible to participate immediately. Benefits are fully vested after ten years of service. Normal retirement age is sixty-five (65) with a minimum of five years of service, and early retirement is age fifty-five (55) with a minimum of ten years of total credited service. Monthly benefits are based on (a) the average annual earnings paid to a participant during any consecutive five year period preceding the actual date of retirement in which the earnings were highest and (b) the total years of service.

As of July 1, 2017, the last valuation date, there were 200 participants consisting of the following:

Retired participants and beneficiaries currently receiving benefits	62
Terminated vested participants entitled to but not yet receiving benefits	55
Active participants-vested	53
Active participants-not vested	30
Total number of participants	200

Contributions

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). GMEBS has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the City contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable State funding standards. Employees do not contribute to the Plan.

(Continued)

NOTE 14 - RETIREMENT PLAN (Continued)

For 2017, the City's contribution to the Plan totaled $ 211,345, or 10.74% of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2016 actuarial valuation.

Net Pension Liability

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No.* 68, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

The City's net pension liability was measured as of March 31, 2017.

Actuarial Assumptions. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.75%, on going basis, based on long-term expected rate of return on pension plan investments
Projected salary increases	3.25%, plus service based merit increases
Inflation	3.25%
Cost of living adjustments	0.00%

The mortality and economic actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

Mortality rates for the July 1, 2017 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of March 31, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.71%
International equity	20.00%	7.71%
Real estate	10.00%	5.21%
Global fixed income	5.00%	3.36%
Domestic fixed income	20.00%	2.11%
Cash	0.00%	0.00%
Total	100.00%	

(Continued)

NOTE 14 - RETIREMENT PLAN (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2017 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at March 31, 2016	$ 5,939,056	$ 4,449,463	$ 1,489,593
Changes for the year:			
Service cost	100,271	-	100,271
Interest	453,408	-	453,408
Differences between expected and actual experience	106,476	-	106,476
Contributions-employer	-	221,170	(221,170)
Contributions-employee	-	-	-
Net investment income	-	559,398	(559,398)
Benefit payments, including refunds of employee contributions	(387,984)	(387,984)	-
Administrative expense	-	(15,891)	15,891
Other	-	-	-
Net changes	272,171	376,693	(104,522)
Balances at March 31, 2017	$ 6,211,227	$ 4,826,156	$ 1,385,071

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's Net Pension Liability	$ 2,094,609	$ 1,385,071	$ 784,577

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2017 and the current sharing pattern of costs between employer and employee.

(Continued)

NOTE 14 - RETIREMENT PLAN (Continued)

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued GMEBS financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension Plan

For the year ended December 31, 2017, the City recognized pension expense of $ 227,197. The City reported the following deferred outflows of resources and deferred inflows of resources related to the Plan as of December 31, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 161,824	$ -
Difference between expected and actual experience	79,857	52,712
Changes of assumptions	-	12,302
Net difference between projected and actual earnings on pension plan investments	-	2,718
Total	$ 241,681	$ 67,732

Contributions made subsequent to the measurement date totaling $ 161,824 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Amounts reported as deferred outflows and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

	Year Ending December 31,				
	2018	2019	2020	2021	Total
Fiscal Year Outflows					
Demographic	$ 26,619	$ 26,619	$ 26,619	$ -	$ 79,857
Total	$ 26,619	$ 26,619	$ 26,619	$ -	$ 79,857
Fiscal Year Inflows					
Demographic	$ 26,356	$ 26,356	$ -	$ -	$ 52,712
Assumptions	6,151	6,151	-	-	12,302
Investment	(7,822)	(7,822)	(24,491)	42,853	2,718
Total	$ 24,685	$ 24,685	$ (24,491)	$ 42,853	$ 67,732

Changes in Methods and Assumptions

There were no changes in methods or assumptions from the prior valuation.

Benefit Changes

There were no changes to Plan benefits during the year ended December 31, 2017.

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 the Mayor and City 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 sixty-five (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 three retired employees that received benefits during 2017.

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, 2017 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	$ 56,650	$ 30,127	$ 13,353	$ 100,130
Amortization of UAAL*	18,157	8,657	5,194	32,008
Annual required contribution (ARC)	74,807	38,784	18,547	132,138
Interest on net obligation	1,488	694	405	2,587
Annual OPEB costs	76,295	39,478	18,952	134,725
Contributions made	(21,348)	-	-	(21,348)
	54,947	39,478	18,952	113,377
Net OPEB obligation-beginning of year	463,638	216,083	126,065	805,786
Net OPEB obligation-end of year	$ 518,585	$ 255,561	$ 145,017	$ 919,163

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

(Continued)

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	$ 123,600	4.68%	$ 551,745
2015	$ 133,992	4.44%	$ 679,785
2016	$ 134,551	6.35%	$ 805,786
2017	$ 134,725	15.85%	$ 919,163

Funded Status and Funding Progress

The funded status of the Retiree Health Plan as of December 31, 2017, was as follows:

	Governmental Activities	Business-type Activities		
	General Fund	Gas Fund	Solid Waste Fund	Total
Actuarial accrued liability	$ 514,941	$ 245,504	$ 147,292	$ 907,737
Actuarial value of plan assets	-	-	-	-
Unfunded actuarial accrued liability	$ 514,941	$ 245,504	$ 147,292	$ 907,737
Funded ratio	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 1,318,367	$ 468,916	$ 258,858	$ 2,046,141
Unfunded actuarial accrued liability as a percentage of covered payroll	39.06%	52.36%	56.90%	44.36%

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 - Other Post-Employment Benefits Plan, 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 a 0.320% rate of investment return. The valuation assumes a 10.000% health care trend inflation rate for 2015 and decreases 0.333% annually until 2030 and 0.005% during 2031. Thereafter, the valuation assumes a 5.000% health care trend inflation rate.

NOTE 16 – COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

On October 7, 2016 the City was awarded a Community Development Block Grant (CDBG) for multi-activities totaling $ 500,000. Proceeds of this grant will be combined with local funds and used to revitalize blighted neighborhoods within the City. The total cost of this project is estimated to be $ 578,500. This project is under construction as of the report date.

On November 15, 2017 the City was awarded a Community Development Block Grant (CDBG) for multi-activities totaling $ 1,000,000. Proceeds of this grant will be combined with local funds and used to revitalize blighted neighborhoods within the City. The total cost of this project is estimated to be $ 1,153,274. Preliminary engineering is currently being performed on this project.

The City has been awarded a Community Home Investment Program (CHIP) grant totaling $ 611,184. Proceeds from this grant will be used to fund rehabilitation and new construction assistance to qualifying homeowners. The City is currently accepting grant applications for this program.

The City has been awarded an Airport Improvement Grant for obstruction mitigation and environmental assessment totaling $ 215,299. Proceeds of this grant will be combined with local funds to install obstruction lighting at the regional airport. The total cost of this project is estimated to be $ 227,198. Final engineering is being conducted on this project.

As of December 31, 2017, amounts spent to date and the estimated remaining commitments on these projects are as follows:

Project Description	Spent To Date	Remaining Commitment
2016 CDBG multi-activities grant	$ 47,540	$ 530,960
2017 CDBG multi-activities grant	-	1,153,274
2016 CHIP grant	4,900	606,284
Airport obstruction clearing	164,843	62,355
	$ 217,283	$ 2,352,873

Subsequent Events

In preparing these financial statements, the City's management has evaluated events and transactions for potential recognition or disclosure through June 28, 2018, the date the financial statements were available for issuance.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF THOMSON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
RETIREMENT PLAN

	2017	2016	2015
Total Pension Liability			
Service cost	$ 100,271	$ 111,210	$ 103,502
Interest	453,408	434,865	420,728
Differences between expected and actual experience	106,476	(61,962)	(55,422)
Changes of assumptions	-	53,372	(31,175)
Benefit payments, including refunds of employee contributions	(387,984)	(315,022)	(299,574)
Net change in total pension liability	272,171	222,463	138,059
Total pension liability, beginning	5,939,056	5,716,593	5,578,534
Total pension liability, ending (a)	6,211,227	5,939,056	5,716,593
Plan Fiduciary Net Position			
Contributions-employer	221,170	234,918	256,230
Net investment income	559,398	12,857	403,968
Benefit payments, including refunds of employee contributions	(387,984)	(315,022)	(299,574)
Administrative expenses	(15,891)	(11,223)	(10,258)
Net change in fiduciary net position	376,693	(78,470)	350,366
Plan fiduciary net position, beginning	4,449,463	4,527,933	4,177,567
Plan fiduciary net position, ending (b)	4,826,156	4,449,463	4,527,933
Net pension liability, ending (a)-(b)	$ 1,385,071	$ 1,489,593	$ 1,188,660
Plan's fiduciary net position as a percentage of the total pension liability	77.69%	74.96%	79.21%
Covered employee payroll during the measurement period	$ 1,967,917	$ 2,126,471	$ 2,161,671
Net pension liability as a percentage of covered payroll	70.38%	70.05%	54.99%

Notes to the Schedule:

(1) Historical information prior to the implementation of GASB Statement Nos. 67/68 is not required. The schedule will present 10 years of information as it is accumulated.

CITY OF THOMSON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
RETIREMENT PLAN

	2017	2016	2015
Actuarially determined contribution	$ 211,345	$ 219,664	$ 238,900
Contributions in relation to the actuarially determined contribution	211,345	219,664	240,097
Contribution deficiency (excess)	$ -	$ -	$ (1,197)
Covered employee payroll during the measurement period	$ 1,967,917	$ 2,126,471	$ 2,176,116
Contributions as a percentage of covered employee payroll	10.74%	10.33%	11.03%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2017
Cost Method	Projected Unit Credit
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted if necessary, to be within 20% of market value.
Assumed Rate of Return	7.75%
Projected Salary Increases	3.25%
Cost of Living Adjustments	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Varies, with a net effective amortization period of 10 years

(2) Historical information prior to the implementation of GASB Statement Nos. 67/68 is not required. The schedule will present 10 years of information as it is accumulated.

CITY OF THOMSON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN

Funded Status and Funding Progress

The funded status of the Retiree Health 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%
2012	2013	889,466	-	889,466	0.00%	2,200,193	40.43%
2012	2014	889,466	-	889,466	0.00%	2,126,415	41.83%
2015	2015	907,737	-	907,737	0.00%	2,338,298	38.82%
2015	2016	907,737	-	907,737	0.00%	2,258,031	40.20%
2015	2017	907,737	-	907,737	0.00%	2,046,141	44.36%

See the notes to the financial statements for the actuarial methods and significant assumptions used to determine the funded status of the Retiree Health Plan.

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, 2017

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes				
Property tax	$ 965,528	$ 942,500	$ 941,587	$ (913)
Intangible tax	8,000	7,200	7,136	(64)
Railroad equipment tax	320	320	323	3
Real estate transfer tax	2,500	2,000	1,971	(29)
Franchise tax	431,000	409,000	407,342	(1,658)
Local option sales tax	940,616	940,616	940,616	-
Alcoholic beverage tax	120,000	133,000	133,069	69
Energy excise tax	75,000	79,600	79,506	(94)
Occupation tax	51,000	67,400	67,215	(185)
Insurance premium tax	420,000	450,000	450,140	140
Financial institution tax	46,500	43,000	42,713	(287)
Penalties and interest	3,500	2,900	2,740	(160)
Payment in lieu of taxes	14,000	18,900	18,879	(21)
Total taxes	3,077,964	3,096,436	3,093,237	(3,199)
Licenses and Permits				
Alcoholic beverage licenses	12,000	12,000	12,500	500
Fireworks licenses	-	500	500	-
Building permits	30,000	20,800	20,732	(68)
Total licenses and permits	42,000	33,300	33,732	432
Intergovernmental				
Water and sewer joint venture	125,270	125,270	125,270	-
Total intergovernmental	125,270	125,270	125,270	-
Charges for Services				
Fire protection fees	4,500	4,500	1,000	(3,500)
Election qualifying fees	-	300	300	-
Total charges for services	4,500	4,800	1,300	(3,500)
Fines and Forfeitures				
Police court fines	225,800	158,800	157,797	(1,003)
Total fines and forfeitures	225,800	158,800	157,797	(1,003)
Use of Money and Property				
Interest income	3,600	4,700	4,700	-
Rents	64,897	66,297	66,220	(77)
Cemetary lot sales	20,000	51,800	51,765	(35)
Total use of money and property	88,497	122,797	122,685	(112)
Other				
Miscellaneous	18,600	27,900	30,817	2,917
Total other	18,600	27,900	30,817	2,917
Total revenues	3,582,631	3,569,303	3,564,838	(4,465)

(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, 2017

	Budgetary Basis			Variance With Final Budget Over (Under)
	Original Budget	Amended and Final Budget	Actual	
EXPENDITURES				
General government				
Mayor and Council	57,825	63,225	59,554	(3,671)
Voter registration	7,142	9,074	9,036	(38)
General administration	630,066	640,541	618,990	(21,551)
Tax commissioner	13,637	13,264	13,264	-
Tax assessor	2,656	2,302	2,302	-
Total general government	711,326	728,406	703,146	(25,260)
Public safety				
Police	1,171,561	1,149,536	1,109,457	(40,079)
Fire	766,314	788,362	773,251	(15,111)
Animal shelter	24,285	24,081	24,081	-
Total public safety	1,962,160	1,961,979	1,906,789	(55,190)
Public works				
Street department	520,906	546,558	537,581	(8,977)
Total public works	520,906	546,558	537,581	(8,977)
Health and welfare				
Health department	420	-	-	-
Total health and welfare	420	-	-	-
Community services				
Senior citizen center	96,099	80,000	79,288	(712)
Community centers	34,100	36,800	33,283	(3,517)
Transportation services	28,200	1,000	519	(481)
Total community services	158,399	117,800	113,090	(4,710)
Culture and recreation				
Recreation	261,235	250,800	249,990	(810)
Library	88,278	88,278	88,278	-
Total culture and recreation	349,513	339,078	338,268	(810)
Housing and development				
Planning and zoning	68,320	68,320	68,209	(111)
Code enforcement	53,064	53,164	18,963	(34,201)
Economic development	41,897	41,897	41,897	-
CSRA Regional Commission	6,800	6,800	6,778	(22)
Total housing and development	170,081	170,181	135,847	(34,334)
Total expenditures	3,872,805	3,864,002	3,734,721	(129,281)

(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, 2017

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
Excess (deficiency) of revenues over (under) expenditures	(290,174)	(294,699)	(169,883)	(124,816)
OTHER FINANCING SOURCES (USES)				
Insurance claims	5,000	8,000	7,937	(63)
Prior year unassigned fund balance	-	8,725	-	(8,725)
Transfers in	345,674	345,674	278,282	(67,392)
Transfers out	(60,500)	(67,700)	(47,168)	(20,532)
Total other financing sources (uses)	290,174	294,699	239,051	(55,648)
CHANGE IN FUND BALANCE	$ -	$ -	$ 69,168	$ 69,168

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. The HODAG Loan Fund is not being funded with federal or state grant funds.

Urban Development Action Grant Loan Fund - This fund was established to account for the activities of the City's UDAG revolving loan fund for urban redevelopment and housing. The UDAG Loan Fund is not being funded with federal or state grant funds.

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.

2014, 2016, and 2017 CDBG Capital Project Funds - These funds were established to account for Community Development Block Grant funds (awarded in the City's name) that are used for redevelopment of local neighborhoods.

2016 CHIP Grant Fund - This fund was established to account for proceeds received from a Community Home Investment Program that are used to fund rehabilitation and new construction assistance to qualifying homeowners.

Monument Fund - This fund was established to account for proceeds accumulated from various sources to commission and construct a statue in honor of a local musician.

TEA Grant Fund - This fund was established to account for proceeds from the Georgia Department of Transportation Enhancement Grant Program to fund streetscape and pedestrian safety improvements and stabilization of the historic depot in the downtown area of the City.

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 Option 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, 2017

	Special Revenue			Capital Projects									
	Housing Development Action Grant Loan Fund	Urban Development Action Grant Loan Fund	Police Condemnation and Forfeiture Fund	2014 CDBG Capital Project Fund	2016 CDBG Capital Project Fund	2017 CDBG Capital Project Fund	2016 CHIP Grant Capital Project Fund	Monument Fund	TEA Grant Capital Project Fund	LMIG Program Fund	TIA SPLOST Fund	SPLOST Fund	Total Nonmajor Governmental Funds
ASSETS													
Cash and cash equivalents	$ 203,480	$ 235,944	$ 1,286	$ -	$ 100	$ 52	$ 52	$ 35,500	$ 74	$ 50	$ 57,793	$ -	$ 534,331
Investments	243,314	-	-	-	-	-	-	-	-	-	-	-	243,314
Receivables (net of allowance for uncollectibles):													
Notes-current	2,209	-	-	-	-	-	-	-	-	-	-	-	2,209
Notes-long-term	6,702	-	-	-	-	-	-	-	-	-	-	-	6,702
Interest	17	-	-	-	-	-	-	-	-	-	-	-	17
Intergovernmental receivables	-	-	-	-	7,540	-	4,900	-	-	-	13,886	21,695	48,021
Interfund receivables	5,191	13,307	-	-	-	-	-	-	-	-	21,695	-	40,193
Total assets	$ 460,913	$ 249,251	$ 1,286	$ -	$ 7,640	$ 52	$ 4,952	$ 35,500	$ 74	$ 50	$ 93,374	$ 21,695	$ 874,787
LIABILITIES													
Accounts payable	$ -	$ -	$ -	$ -	$ 7,540	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,540
Intergovernmental payables	-	-	-	-	-	-	4,900	-	-	-	-	-	4,900
Interfund payables	1,968	-	-	-	-	-	-	-	-	-	-	21,695	23,663
Total liabilities	1,968	-	-	-	7,540	-	4,900	-	-	-	-	21,695	36,103
FUND BALANCES													
Nonspendable	6,702	-	-	-	-	-	-	-	-	-	-	-	6,702
Restricted for:													
Public safety	-	-	1,286	-	-	-	-	-	-	-	-	-	1,286
Public works	-	-	-	-	-	-	-	-	-	50	93,374	-	93,424
Housing and development	452,243	249,251	-	-	100	52	52	-	74	-	-	-	701,772
Committed to:													
Housing and development	-	-	-	-	-	-	-	35,500	-	-	-	-	35,500
Total fund balances	458,945	249,251	1,286	-	100	52	52	35,500	74	50	93,374	-	838,684
Total liabilities and fund balances	$ 460,913	$ 249,251	$ 1,286	$ -	$ 7,640	$ 52	$ 4,952	$ 35,500	$ 74	$ 50	$ 93,374	$ 21,695	$ 874,787

(Continued)

CITY OF THOMSON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue			Capital Projects									
	Housing Development Action Grant Loan Fund	Urban Development Action Grant Loan Fund	Police Condemnation and Forfeiture Fund	2014 CDBG Capital Project Fund	2016 CDBG Capital Project Fund	2017 CDBG Capital Project Fund	2016 CHIP Grant Capital Project Fund	Monument Fund	TEA Grant Capital Project Fund	LMIG Program Fund	TIA SPLOST Fund	SPLOST Fund	Total Nonmajor Governmental Funds
REVENUES													
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 136,043	$ -	$ 136,043
Intergovernmental	-	-	-	-	47,540	-	4,900	-	-	79,323	-	21,695	153,458
Interest income	373	-	-	-	-	-	-	-	-	-	-	-	373
Rents	-	9,727	-	-	-	-	-	-	-	-	-	-	9,727
Total revenues	373	9,727	-	-	47,540	-	4,900	-	-	79,323	136,043	21,695	299,601
EXPENDITURES													
Current:													
Public safety	-	-	7,703	-	-	-	-	-	-	-	-	-	7,703
Public works	-	-	-	-	-	-	-	-	-	-	11,337	-	11,337
Housing and development	7,198	658	-	-	-	48	48	-	-	-	-	-	7,952
Capital outlay:													
Public works	-	-	-	-	-	-	-	-	-	79,323	191,616	21,695	292,634
Housing and development	-	99,964	-	-	47,540	-	4,900	-	-	-	-	-	152,404
Total expenditures	7,198	100,622	7,703	-	47,540	48	4,948	-	-	79,323	202,953	21,695	472,030
Excess (deficiency) of revenues over (under) expenditures	(6,825)	(90,895)	(7,703)	-	-	(48)	(48)	-	-	-	(66,910)	-	(172,429)
OTHER FINANCING SOURCES (USES)													
Transfers in	-	-	-	-	-	100	100	15,000	-	-	-	-	15,200
Transfers out	-	-	-	(80)	-	-	-	-	-	-	-	-	(80)
Total other financing sources (uses)	-	-	-	(80)	-	100	100	15,000	-	-	-	-	15,120
Net change in fund balances	(6,825)	(90,895)	(7,703)	(80)	-	52	52	15,000	-	-	(66,910)	-	(157,309)
Fund balances, beginning of year	465,770	340,146	8,989	80	100	-	-	20,500	74	50	160,284	-	995,993
Fund balances, end of year	$ 458,945	$ 249,251	$ 1,286	$ -	$ 100	$ 52	$ 52	$ 35,500	$ 74	$ 50	$ 93,374	$ -	$ 838,684

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, 2017

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ 391	$ 391
Available for loans	190,376	190,376	190,070	(306)
Total revenues	190,376	190,376	190,461	85
EXPENDITURES				
Loans made	190,376	190,376	-	(190,376)
Housing and development	-	-	7,198	7,198
Total expenditures	190,376	190,376	7,198	(183,178)
Excess of revenues over expenditures	-	-	183,263	183,263
CHANGE IN FUND BALANCE	$ -	$ -	183,263	$ 183,263
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(190,088)	
Total reconciliation to GAAP basis			(190,088)	
FUND BALANCE, BEGINNING OF YEAR			465,770	
FUND BALANCE, END OF YEAR			$ 458,945	

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, 2017

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Interest income	$ -	$ -	$ -	$ -
Rents	-	-	9,727	9,727
Available for loans	326,961	326,961	326,961	-
Total revenues	326,961	326,961	336,688	9,727
EXPENDITURES				
Loans made	326,961	326,961	-	(326,961)
Housing and development	-	-	100,622	100,622
Total expenditures	326,961	326,961	100,622	(226,339)
Excess of revenues over expenditures	-	-	236,066	236,066
CHANGE IN FUND BALANCE	$ -	$ -	236,066	$ 236,066
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(326,961)	
Total reconciliation to GAAP basis			(326,961)	
FUND BALANCE, BEGINNING OF YEAR			340,146	
FUND BALANCE, END OF YEAR			$ 249,251	

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, 2017

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Fines and forfeitures	$ 10,000	$ 10,000	$ -	$ (10,000)
Total revenues	10,000	10,000	-	(10,000)
EXPENDITURES				
Public safety	10,000	10,000	7,703	(2,297)
Total expenditures	10,000	10,000	7,703	(2,297)
Deficiency of revenues under expenditures	-	-	(7,703)	(7,703)
CHANGE IN FUND BALANCE	$ -	$ -	(7,703)	$ (7,703)
FUND BALANCE, BEGINNING OF YEAR			8,989	
FUND BALANCE, END OF YEAR			$ 1,286	

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, 2017

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Police Surcharge Fund				
Assets				
Cash	$ 21	$ 99,597	$ 99,597	$ 21
Total assets	$ 21	$ 99,597	$ 99,597	$ 21
Liabilities				
Intergovernmental payables	$ 21	$ 99,597	$ 99,597	$ 21
Total liabilities	$ 21	$ 99,597	$ 99,597	$ 21

OTHER SUPPLEMENTARY INFORMATION

CITY OF THOMSON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANTS
PROJECT COST SCHEDULE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017

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 14p-x-094-2-5703						
Contingency	C-022-00	$ 14,159	$ -	$ -	$ -	none
Sewer Facility	P-03J-02	177,068	177,068	-	177,068	none
Street Improvements	P-03K-01	65,268	79,427	92,651	172,078	none
Flood/Drainage	P-03K-02	213,505	213,505	-	213,505	none
Administration	A-21A-00	30,000	30,000	1,500	31,500	none
Preliminary Engineering		-	-	55,000	55,000	none
		$ 500,000	$ 500,000	$ 149,151	$ 649,151	none
Source of Other Funds: Local Match						
Grant Number 16p-x-094-2-5884						
Property Acquisition	P-001-01	$ 2,500	$ -	$ -	$ -	none
Contingency	C-022-00	32,552	-	-	-	none
Water Facility	P-03J-01	8,000	-	-	-	none
Sewer Facility	P-03J-02	69,748	-	-	-	none
Street Improvements	P-03K-01	212,700	-	-	-	none
Flood/Drainage	P-03K-02	144,500	-	-	-	none
Administration	A-21A-00	30,000	-	-	-	none
Preliminary Engineering		-	-	40,000	40,000	none
		$ 500,000	$ -	$ 40,000	$ 40,000	none
Source of Other Funds: Local Match						
Grant Number 17b-x-094-2-5962						
Contingency	C-022-00	$ 44,417	$ -	$ -	$ -	none
Water Facility	P-03J-01	76,600	-	-	-	none
Sewer Facility	P-03J-02	230,925	-	-	-	none
Street Improvements	P-03K-01	-	-	-	-	none
Flood/Drainage	P-03K-02	269,000	-	-	-	none
Rehabilitation of private property	H-14A-01	325,558	-	-	-	
Administration	A-21A-00	53,500	-	48	48	none
Preliminary Engineering		-	-	-	-	none
		$ 1,000,000	$ -	$ 48	$ 48	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, 2017

Grant Number 14p-x-094-2-5703	
Total Program Year 2014 Funds Allocated to Recipient	$ 500,000
Less: Total Program Year 2014 Funds Drawn by Recipient	500,000
Funds Still Available from Program Year 2014 Resources	$ -
Total Program Year 2014 Funds Drawn and Received by Recipient	$ 500,000
Less: Funds Applied and Expended to Program Year 2014 Costs	500,000
Total Program Year 2014 Funds Held by Recipient	$ -
Grant Number 16p-x-094-2-5884	
Total Program Year 2016 Funds Allocated to Recipient	$ 500,000
Less: Total Program Year 2016 Funds Drawn by Recipient	-
Funds Still Available from Program Year 2016 Resources	$ 500,000
Total Program Year 2016 Funds Drawn and Received by Recipient	$ -
Less: Funds Applied and Expended to Program Year 2016 Costs	-
Total Program Year 2016 Funds Held by Recipient	$ -
Grant Number 17b-x-094-2-5962	
Total Program Year 2017 Funds Allocated to Recipient	$ 1,000,000
Less: Total Program Year 2017 Funds Drawn by Recipient	-
Funds Still Available from Program Year 2017 Resources	$ 1,000,000
Total Program Year 2017 Funds Drawn and Received by Recipient	$ -
Less: Funds Applied and Expended to Program Year 2017 Costs	-
Total Program Year 2017 Funds Held by Recipient	$ -

CITY OF THOMSON, GEORGIA

SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

FOR THE YEAR ENDED DECEMBER 31, 2017

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
SPLOST VI 2014 - 2019						
Building Improvements	$ 246,000	$ 246,000	$ -	$ -	$ -	0%
Public Safety	750,000	750,000	-	-	-	0%
Roads/Transportation	930,040	930,040	-	21,695	21,695	2%
Totals	$ 1,926,040	$ 1,926,040	$ -	$ 21,695	$ 21,695	

COMPLIANCE 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2018.

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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-001 that we consider to be a material weakness.

City of Thomson, Georgia's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

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

Purpose of this Report

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

Elliott Davis, LLC

Columbia, South Carolina
June 28, 2018

CITY OF THOMSON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:			Unmodified	
Internal control over financial reporting:				
• Material weakness(es) identified?	X	Yes		No
• Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

SECTION II. FINANCIAL STATEMENT FINDINGS

ITEM 2017-001: PRIOR PERIOD RESTATEMENTS

Condition: The City recognized revenues related to franchise taxes and gas rebates on the cash-basis of accounting instead of the accrual or modified-accrual basis of accounting.

Criteria: Under generally accepted accounting principles, revenues are recognized when earned on the government-wide and proprietary fund financial statements, and when they are measurable and available on the governmental fund financial statements, regardless of the timing of cash flows.

Cause: The City has historically recorded these revenues on the cash-basis of accounting and never implemented a process to convert the related transactions to the accrual or modified-accrual basis of accounting.

Effect: Beginning net position and fund balance as of January 1, 2017 for the City's Governmental Activities and General Fund, respectively, were understated by $309,286 and beginning net position as of January 1, 2017 for the City's Business-Type Activities and Gas Fund were understated by $200,328.

Recommendation: We recommend that the City recognize all revenues when earned on its government-wide and proprietary fund financial statements, and when measurable and available on its governmental fund financial statements in order to comply with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the deficiency as reported. Management recorded the prior period restatements in its financial statements as of and for the year ended December 31, 2017 and will continue to recognize all revenues using the accrual or modified-accrual basis of accounting.