

CITY OF TIFTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Prepared by:
Tifton Finance Department

CITY OF TIFTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Council
Tifton, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Tifton, Georgia** (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Tifton, Georgia'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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tifton, Georgia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison information for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6, the City implemented Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*, effective July 1, 2013. This standard modified the reporting requirements for defined benefit pension plans. Our report is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 17) and the Schedules of Required Supplementary Information (on pages 67 through 70) 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 inquiries, 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 of Tifton, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedules of expenditures of special purpose local option sales proceeds, as required by the Official Code of Georgia 48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basis financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City.

The combining and individual nonmajor fund financial statements and schedules, the schedules of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 the 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 combining and individual nonmajor fund financial statements and schedules, the schedules of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards 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 December 22, 2014, on our consideration of the City of Tifton, Georgia'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 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 of Tifton, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 22, 2014

CITY OF TIFTON, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Tifton, Georgia we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2014. This discussion intends to 1) assist the reader in understanding significant financial issues; 2) provide an overview of the City's financial activities; 3) identify changes in the City's financial position; 4) identify material deviations from the original budget; and 5) identify individual fund issues and concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statement section and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Total assets of the City of Tifton were \$107 million, which exceeded its liabilities of \$17.8 million and deferred inflows of resources of \$1.1 million at the close of the most recent fiscal year by \$88.1 million. Of this amount, \$17 million (unrestricted) may be used to meet the City's ongoing obligations to citizens and creditors.

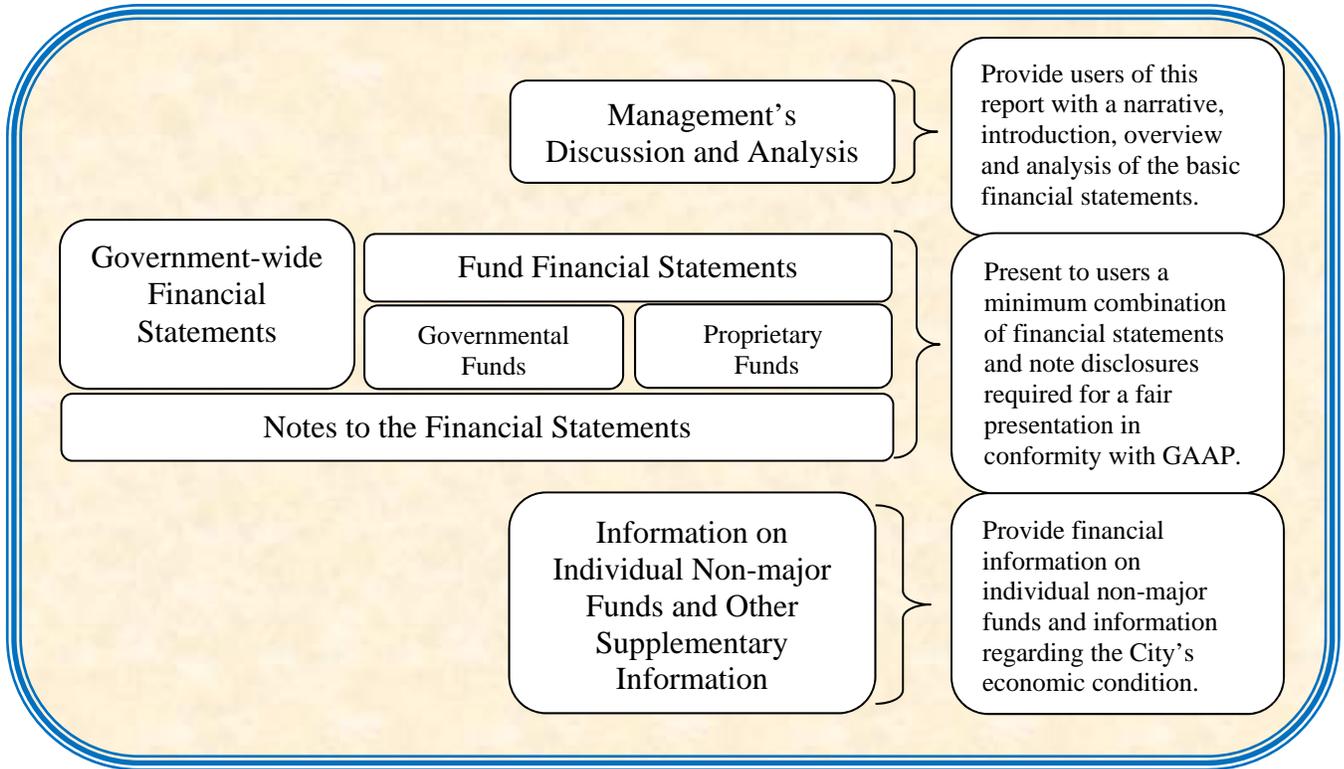
Total net position is comprised of the following:

- Investment in capital assets, net of related debt, is \$60.8 million and includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items).
 - Net position of \$10.2 million is restricted by constraints imposed from outside the City such as laws and regulations or debt covenants.
 - Unrestricted net position increased from \$15.8 million in fiscal year 2013 to \$17.1 million in fiscal year 2014.
- In the governmental activities, total assets in fiscal year 2014 increased by \$796 thousand. Long-term liabilities decreased from \$11.3 million in 2013 to \$7.4 million in 2014.
 - Total revenues for governmental activities increased from \$18.3 million in 2013 to \$20.2 million in 2014. Total revenues for business-type activities decreased from \$18.3 million in 2013 to \$17.4 million in 2014.
 - Total expenses for governmental activities increased from \$13.5 million in 2013 to \$15.1 million in 2014, and total expenses for business-type activities increased from \$15.2 million in 2013 to \$17.3 million in 2014.
 - The total cost of all City programs increased by \$3.7 million.
 - The General Fund (the primary operating fund of the City), reflected on a current financial resources basis, reported an unassigned fund balance of \$4.8 million for the current fiscal year.
 - The total assets of the City's component unit, Downtown Development Authority (DDA), were \$4.0 million, which exceeded its liabilities of \$1.1 million by \$2.9 million (net position).

**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Financial Report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and under the guiding principles of the Governmental Accounting Standards Board (GASB). To help facilitate the understanding of the organization of this report we are providing the following illustration:



The Management Discussion and Analysis (MD&A) document is intended to serve as an introduction to the City of Tifton's basic financial statements. The basic financial statements consist of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The City's basic financial statements include two government-wide financial statements: the statement of net assets and the statement of activities. These statements provide both long-term and short-term information about the City's overall financial status and use accounting methods similar to those used by private-sector companies. All governmental and business-type activities are combined to arrive at a total for the primary government.

The statement of net position presents information on all assets and liabilities of the City, with the difference between assets and liabilities reported as net position. This is the government-wide statement of net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City, as a whole, is improving or declining. Evaluation of the overall health of the City will extend to other nonfinancial factors, such as diversification of the taxpayer base or the condition of City infrastructure. This is in addition to the financial information provided in this report.

The statement of activities presents information on all revenues and expenses of the City and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions of the City. To assist in understanding the City's operations, expenses have been reported as governmental activities or business-type activities.

CITY OF TIFTON, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

In the statement of net position and the statement of activities, the City is divided into three types of activities:

Governmental activities

Most of the City's basic services are reported here, including the council, municipal court, police, fire, public works, senior citizen center, nutrition program, environmental management, community development, and general administration. Property taxes, sales taxes, franchise fees, and insurance premium taxes finance the majority of these activities.

Business-type activities

The City charges a fee to customers to help cover all or most of the costs of certain services it provides. The City's water system, sewer system, solid waste and landfill, gas system, and theatre are reported here.

Component unit

The City includes the Downtown Development Authority (DDA), a separate legal entity, in its report. The DDA has one program: Main Street. Although legally separate, this component unit is important because the City has some degree of financial accountability. The employees on these programs are under the City's payroll with the same benefits as other City employees. The City is funding a portion of their budget from Hotel-Motel Tax revenues.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been 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.

The fund financial statements focus on individual sections of the government, reporting the City's operations in more detail than the government-wide financial statements. Major funds are reported separately, while all others are combined into a single, aggregated presentation. The fund statements provide detailed information about the most significant funds and not the City of Tifton as a whole. Some funds are required to be established by the City's charter. However, the Council establishes many other funds to help control and manage financial activities for particular purposes such as the Capital Projects Fund and Special Revenue Fund to show that it is meeting legal responsibilities for using grants and other money, such as grants from the state and Federal Government.

The City of Tifton's funds are divided into three categories: governmental, proprietary and fiduciary.

Governmental funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds. The balances left at year-end are available for spending. Governmental funds are reported using the *modified accrual accounting method*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship or differences between the governmental activities (reported in the balance sheet and the statement of revenues, expenditures, and changes in fund balances) and governmental funds are described in the reconciliation at the bottom of the fund financial statements.

Proprietary funds

When the City charges customers for services it provides, whether to outside customers or to other units of the City, these services are generally reported in the proprietary funds. Proprietary funds are reported using the full accrual accounting method. The City maintains two types of proprietary funds:

**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Enterprise fund

Enterprise fund statements are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City has five enterprise funds: Water, Sewer, Gas, Solid Waste Collection and Disposal, and Tift Theatre.

Internal service fund

The internal service fund is used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service fund to account for the financing of goods and services provided to the departments or funds of the City. The estimated cost of operating the internal service fund is charged to separate departments during the fiscal year and allocated at year-end based on the actual expenses of the different departments therein and is accounted for in the governmental activities of the government-wide financial statements.

Fiduciary fund

The City is the trustee, or fiduciary, for its employees' pension plan. These activities are excluded from the City's other financial statements as the City cannot use these assets to finance its operations and are recorded in the fiduciary fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

Notes to the financial statements provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting practices of the City, investments of the City, capital assets, and long-term debt are some of the items included in the notes to the financial statements. The notes are essential to a full understanding of the government-wide and fund financial statements.

Required Supplementary Information

In addition to this MD&A, which is required supplementary information, the basic financial statements are followed by a section of other required supplementary information that further explains and supports the information in the financial statements. This section of the report includes the City's funding progress for other postemployment benefits.

Supplementary Information

Supplementary information includes combining financial statements for the City's nonmajor governmental funds, and a schedule of expenditures of Special Purpose Local Option Sales Tax proceeds.

**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following schedule provides a summary of assets, liabilities, and net assets of the City for fiscal years 2014 and 2013:

City of Tifton's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 20,644,989	\$ 21,718,981	\$ 17,345,579	\$ 16,673,734	\$ 37,990,568	\$ 38,392,715
Capital assets	33,414,954	31,544,773	35,617,272	36,940,825	69,032,226	68,485,598
Total assets	54,059,943	53,263,754	52,962,851	53,614,559	107,022,794	106,878,313
Other liabilities	1,598,462	2,079,224	1,825,035	2,051,483	3,423,497	4,130,707
Long-term liabilities outstanding	7,426,186	11,268,139	6,989,149	7,466,751	14,415,335	18,734,890
Total liabilities	9,024,648	13,347,363	8,814,184	9,518,234	17,838,832	22,865,597
Deferred inflows of resources	1,056,798	1,017,250	-	-	1,056,798	1,017,250
Net assets:						
Net investment in capital assets, net of related debt	29,173,184	24,331,925	31,641,190	32,332,797	60,814,374	56,664,722
Restricted	10,245,920	10,481,908	-	-	10,245,920	10,481,908
Unrestricted	4,559,393	4,085,308	12,507,477	11,763,528	17,066,870	15,848,836
Total net position	\$ 43,978,497	\$ 38,899,141	\$ 44,148,667	\$ 44,096,325	\$ 88,127,164	\$ 82,995,466

The City's investments in capital assets, net of related debt, such as land, buildings, machinery infrastructures, and equipment as a percentage of net position represents 69 percent and 68 percent for fiscal year 2014 and 2013, respectively. These asset values are presented less any outstanding debt related to the acquisition and including accumulated depreciation of those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the capital assets themselves cannot be used to liquidate that liability and, therefore, other resources will be needed to repay any associated debt.

The City's unrestricted net assets increased \$1.2 million and restricted net assets decreased \$236 thousand for fiscal year 2014. Unrestricted net assets are City resources that may be used to meet the City's ongoing obligations to citizens and creditors while restricted net assets are resources subject to external restrictions.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government, as a whole, as well as its separate governmental and business-type activities. Growth in net assets is an indication that the City's financial position has improved during fiscal year 2014.

**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The schedule below provides a summary of the changes in net assets for fiscal years 2014 and 2013:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 4,778,587	\$ 3,611,629	\$ 16,772,090	\$ 16,026,734	\$ 21,550,677	\$ 19,638,363
Operating grants and contributions	631,347	162,193	-	-	631,347	162,193
Capital grants and contributions	3,894,345	5,138,079	576,192	2,146,671	4,470,537	7,284,750
General revenues:						
Property taxes	3,623,902	2,361,201	-	-	3,623,902	2,361,201
Sales taxes	2,799,134	2,851,478	-	-	2,799,134	2,851,478
Insurance premium tax	843,398	814,559	-	-	843,398	814,559
Alcoholic beverage taxes	439,071	418,342	-	-	439,071	418,342
Hotel motel taxes	858,690	740,924	-	-	858,690	740,924
Franchise taxes	1,204,380	1,228,880	-	-	1,204,380	1,228,880
Other taxes	760,135	742,248	-	-	760,135	742,248
Unrestricted investment earnings	257,593	249,690	60,001	79,284	317,594	328,974
Total revenues	20,090,582	18,319,223	17,408,283	18,252,689	37,498,865	36,571,912
Expenses:						
General government	1,706,016	701,811	-	-	1,706,016	701,811
Judicial	229,400	185,607	-	-	229,400	185,607
Public safety	7,832,503	6,907,158	-	-	7,832,503	6,907,158
Public works	3,679,625	4,078,525	-	-	3,679,625	4,078,525
Health and welfare	231,223	161,834	-	-	231,223	161,834
Culture and recreation	637,599	609,079	-	-	637,599	609,079
Housing and development	357,623	279,064	-	-	357,623	279,064
Interest on long-term debt	406,159	579,863	-	-	406,159	579,863
Water	-	-	3,093,570	3,315,465	3,093,570	3,315,465
Sewer	-	-	4,377,113	3,759,421	4,377,113	3,759,421
Gas	-	-	4,544,885	3,577,330	4,544,885	3,577,330
Solid Waste	-	-	5,152,550	4,515,332	5,152,550	4,515,332
Tift Theatre	-	-	118,901	26,013	118,901	26,013
Total expenses	15,080,148	13,502,941	17,287,019	15,193,561	32,367,167	28,696,502
Change in net position before transfers	5,010,434	4,816,282	121,264	3,059,128	5,131,698	7,875,410
Transfers	68,922	(96,515)	(68,922)	96,515	-	-
Change in net position	5,079,356	4,719,767	52,342	3,155,643	5,131,698	7,875,410
Net position, beginning	38,899,141	34,179,374	44,096,325	40,940,682	82,995,466	75,120,056
Net position, ending	\$ 43,978,497	\$ 38,899,141	\$ 44,148,667	\$ 44,096,325	\$ 88,127,164	\$ 82,995,466

The City's total revenues increased by \$927 thousand in fiscal year 2014. Key elements of this increase are as follows:

- Charges for services, which is 57 percent of total revenue, increased by \$1.9 million mainly due to an increase in gas usage due to a colder winter and revenues related to CityNet debt service activities.
- Property tax, which is 10% of total revenue, increased \$1.3 million due to an increase in the millage rate from 6.759 to 9.759 in fiscal year 2014 and some new establishments and renovations which also increased the overall tax digest.
- The aforementioned increases were offset by a decrease in capital grants and contributions due to the completion of several projects for which funding was received.

The total cost of all programs and services for fiscal year 2014 was \$32.4 million compared to \$28.7 million for fiscal year 2013. City-wide expenses cover a range of services with public safety comprising 24 percent of total expenses.

**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

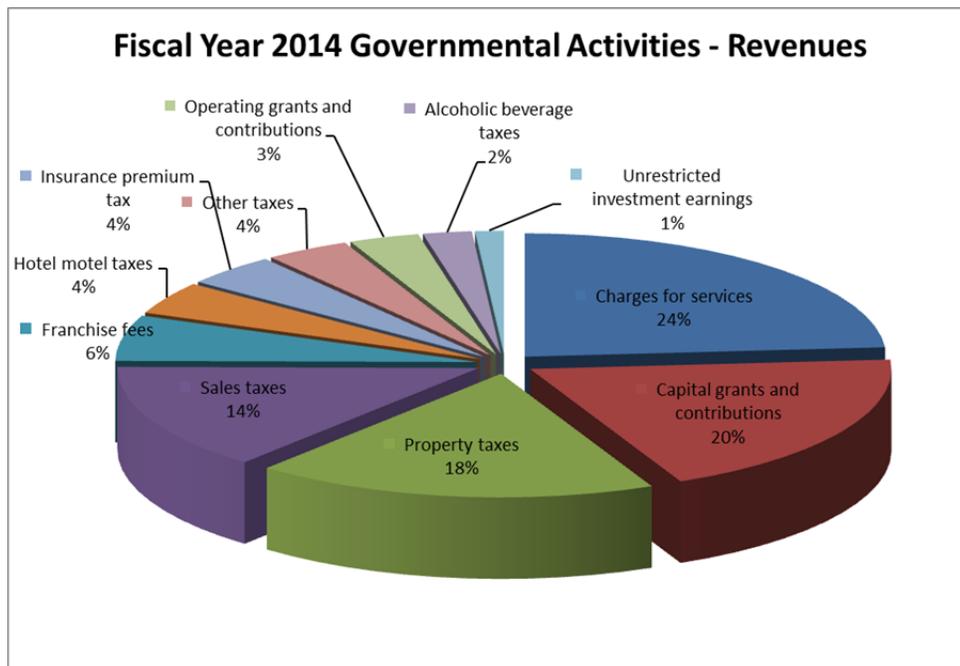
Total governmental activities revenue increased \$1.8 million. This increase is mainly attributable to an increase in charges for services and operating grants and contributions. Charges for services increased as a result of reimbursements from the enterprise funds for CityNet debt service activities. Operating grants and contributions increased as a result of federal and state grants and contributions for various operations of the City's general government, public safety, public works and health and welfare. Property tax increased \$1.3 million due to an increase in the millage rate from 6.759 to 9.759 in fiscal year 2014. This increase was offset by a \$1.2 million decrease in capital grants and contributions.

Charges for services and capital grants and contributions account for 44 percent of total governmental activities revenues. Property taxes and sales taxes account for another 18 percent and 14 percent, respectively.

The following charts depict revenues of the governmental activities for fiscal years 2014 and 2013, excluding transfers:

Governmental Activities - Revenues

Revenues:	<u>2014</u>	<u>2013</u>	<u>Change</u>
Charges for services	\$ 4,778,587	\$ 3,611,629	\$ 1,166,958
Capital grants and contributions	3,894,345	5,138,079	(1,243,734)
Property taxes	3,623,902	2,361,201	1,262,701
Sales taxes	2,799,134	2,851,478	(52,344)
Franchise fees	1,204,380	1,228,880	(24,500)
Hotel motel taxes	858,690	740,924	117,766
Insurance premium tax	843,398	814,559	28,839
Other taxes	760,135	742,248	17,887
Operating grants and contributions	631,347	162,193	469,154
Alcoholic beverage taxes	439,071	418,342	20,729
Unrestricted investment earnings	257,593	249,690	7,903
Total governmental revenues	<u>\$ 20,090,582</u>	<u>\$ 18,319,223</u>	<u>\$ 1,771,359</u>



**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

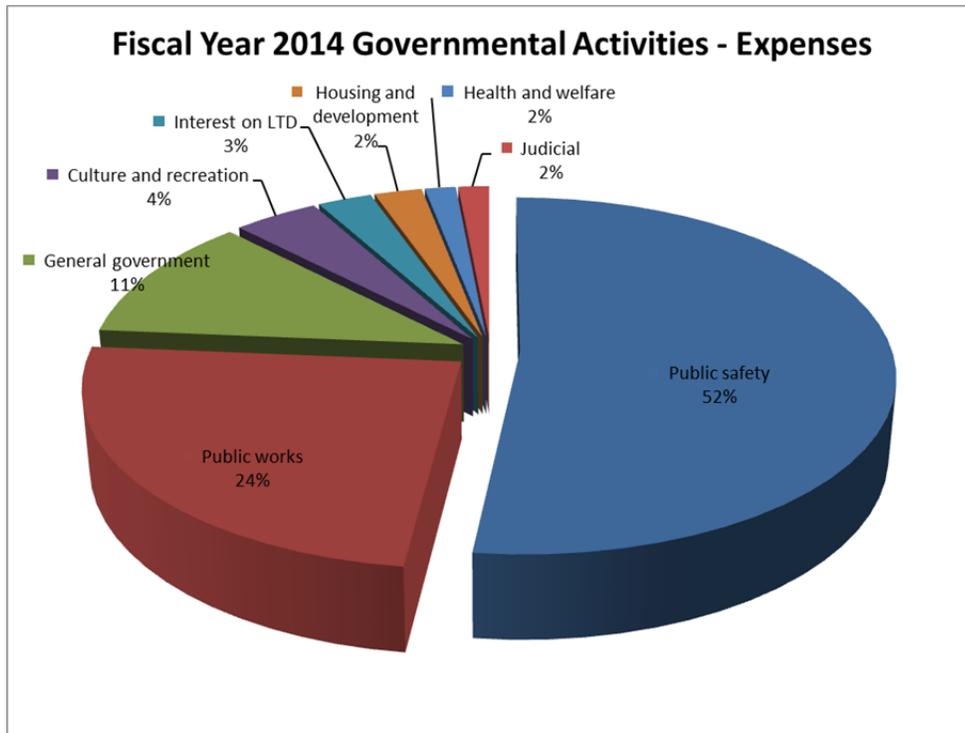
Total governmental activities expenditures increased by \$1.6 million. This increase is mainly attributable to increases in public safety and general government. Public safety increased as a result of vacant positions being filled which increased salary and retirement expense and expenses related to bandwidth connectivity which was fully recognized in fiscal year 2014 in order to decrease the associated debt.

The most significant governmental expense for the City is providing public safety services such as fire, police, and environmental management. This comprises 52 percent of the total governmental expenses. Revenues collected from a variety of sources, such as fines and forfeitures, offset a portion of the public safety expenses. The next largest City cost is public works which is 24 percent of total governmental expenses.

The following charts depict expenses of the governmental activities for fiscal years 2014 and 2013:

Governmental Activities - Expenses

Expenses:	2014	2013	Change
Public safety	\$ 7,832,503	\$ 6,907,158	\$ 925,345
Public works	3,679,625	4,078,525	(398,900)
General government	1,706,016	701,811	1,004,205
Culture and recreation	637,599	609,079	28,520
Interest on long-term debt	406,159	579,863	(173,704)
Housing and development	357,623	279,064	78,559
Health and welfare	231,223	161,834	69,389
Judicial	229,400	185,607	43,793
Total governmental expenses	<u>\$ 15,080,148</u>	<u>\$ 13,502,941</u>	<u>\$ 1,577,207</u>



**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

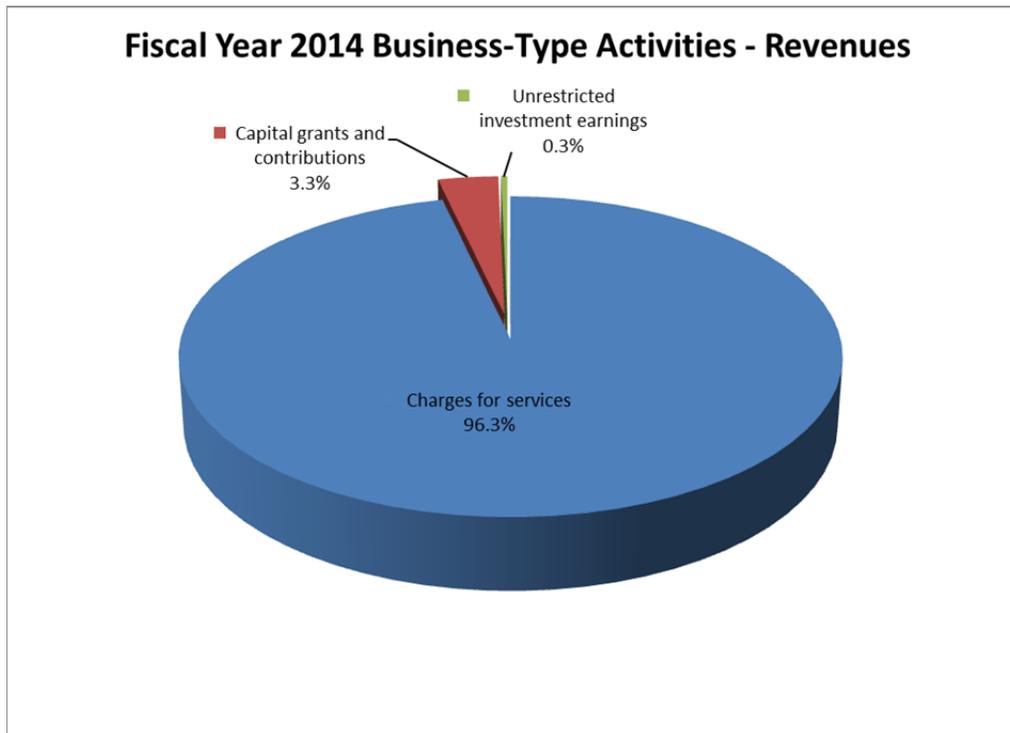
Business-Type Activities

Operating revenues of the business-type activities decreased by \$844 thousand in 2014. Charges for services, which account for 96.3 percent of total business-type revenues, increased \$745 thousand; however, that increase was offset by a \$1.6 million decrease in capital grants and contributions.

The following charts depict revenues of the business-type activities for fiscal years 2014 and 2013:

Business-Type Activities - Revenues

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues:			
Charges for services	\$ 16,772,090	\$ 16,026,734	\$ 745,356
Capital grants and contributions	576,192	2,146,671	(1,570,479)
Unrestricted investment earnings	60,001	79,284	(19,283)
Total business-type revenues	<u>\$ 17,408,283</u>	<u>\$ 18,252,689</u>	<u>\$ (844,406)</u>



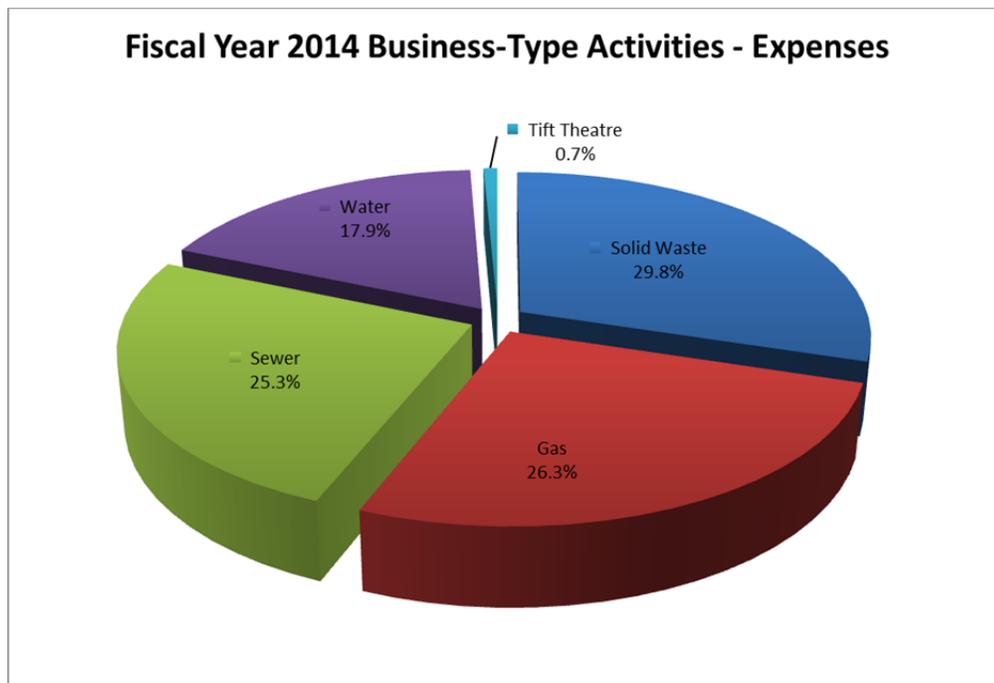
**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The cost of all business-type activities this fiscal year was \$17.3 million compared to \$15.2 million in the prior year. The \$17.3 million in expenses was covered by \$17.4 million in amounts paid by the users of the systems.

The following charts depict expenses of the business-type activities for fiscal years 2013 and 2012:

Business-Type Activities - Expenses

Expenses	2014	2013	Change
Solid Waste	\$ 5,152,550	\$ 4,515,332	\$ 637,218
Gas	4,544,885	3,577,330	967,555
Sewer	4,377,113	3,759,421	617,692
Water	3,093,570	3,315,465	(221,895)
Tift Theatre	118,901	26,013	92,888
Total business-type expenses	<u>\$ 17,287,019</u>	<u>15,193,561</u>	<u>2,093,458</u>



FINANCIAL ANALYSIS OF THE FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. In assessing the City's financing requirements, unassigned fund balance is a particularly useful measure of net resources available for spending at the end of the year.

The City's combined fund balance for governmental funds was \$16.4 million in 2014 as compared to \$16.3 million in 2013. Approximately \$4.8 million of the fund balance is unassigned, which is available for spending at the City's discretion. Around \$1.3 million is classified as non-spendable and is reserved for prepaid expenses. The remainder of the fund balance is restricted and is not available for spending because restrictions have been placed on the amounts by external sources, such as creditors, grantors, and laws or regulations.

**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund

The General Fund is the City's primary operating fund. It is used to account for financial resources that are not restricted by state or Federal laws or other externally imposed requirements. As of June 30, 2014, total assets were \$7 million and total liabilities were \$758 thousand. This net increase, when combined with other financing uses of \$146 thousand, resulted in an increase in fund balance to \$6.1 million as of June 30, 2014 from \$5.4 million as of June 30, 2013.

Operating revenues, excluding CityNet activities, increased due to a \$1.3 million increase in property taxes which was offset by a \$325 thousand decrease in fines and forfeitures and a \$595 thousand decrease in intergovernmental revenue. Operating expenditures, excluding CityNet activities, remained consistent with the prior year.

SPLOST

The SPLOST (Special Purpose Local Option Sales Tax) Fund accounts for financial resources provided from the one percent local option sales tax. These resources must be used for various building projects and sewer, water, storm drainage, and road improvements throughout the City. At the end of fiscal year 2014, the SPLOST Fund had a restricted fund balance of \$2.8 million, a decrease of \$1.9 million from the prior year.

SPLOST V

The SPLOST V (Special Purpose Local Option Sales Tax) Fund accounts for financial resources provided from the one percent local option sales tax. These resources must be used for various building projects, Telecom debt reduction, and sewer, water, storm drainage, and road improvements throughout the City. At the end of fiscal year 2014, the SPLOST V Fund had a restricted fund balance of \$2.8 million, an increase of \$1.5 million from the prior year.

Capital Projects Fund

The Capital Projects Fund accounts for the leasing of certain equipment through the lease pool agreement with the Georgia Municipal Association (GMA). As of June 30, 2014, the Capital Projects Fund had a restricted fund balance of \$4.1 million.

Proprietary Funds

Proprietary fund statements provide the same information as in the business-type column of the government-wide statements, but in greater detail.

As of June 30, 2014, the total net position was \$44.1 million, an increase of \$52 thousand from the prior year. Of the total net position, \$31.6 million was invested in capital assets net of related debt and \$12.5 million was unrestricted. Operating revenues increased \$745 thousand in fiscal year 2014, and operating expenses increased \$2.1 million.

Operating income is the result of operating revenues less operating expenses.

Water Revenue Fund

In fiscal year 2014, the water revenue fund had a small operating income of \$175 thousand which was \$128 thousand more than the \$47 thousand operating income in fiscal year 2013. Expenses decreased 6 percent in 2014.

Sewer Revenue Fund

The sewer revenue fund's operating loss increased by \$322 thousand, from \$276 thousand in 2013 to \$598 thousand in 2014. This was mainly the result of an increase in contract services expense in 2014 which resulted from a full year of services provided by ESG.

Gas Revenue Fund

The gas revenue fund experienced an operating income of \$155 thousand in 2014 and \$664 thousand in 2013. The decrease in operating income for fiscal year 2014 resulted from an increase in the cost of gas sold, utilities expense and depreciation.

**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Solid Waste Collection and Disposal Fund

The solid waste collection and disposal fund had an operating income of \$18 thousand in fiscal year 2014 which was \$582 thousand less than the \$600 thousand operating income in fiscal year 2013. Operating expenses increased by 14 percent mainly due to an increase in utilities expense, depreciation, composting, and postclosure costs.

Internal Service Fund

In fiscal year 2014, the internal service fund had an operating loss of \$500 thousand compared to operating loss of \$93 thousand in fiscal year 2013.

Tift Theatre Fund

In fiscal year 2014, the Tift Theatre fund had an operating loss of \$95 thousand compared to \$20 in fiscal year 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget to actual statement is presented in the basic financial statements. The original and final approved revenue budgets for fiscal year 2014 were \$12.5 million and \$14.6 million, respectively. General Fund revenues were \$196 thousand less than the final budget amounts. There was a slight decrease in the amount of property tax collected as well as charges for services.

The original and final approved expenditure budgets for fiscal year 2014 were \$12.4 million and \$14.5 million, respectively. Actual expenditures were \$919 thousand less than the final budget amounts.

Generally, amendments are done to 1) appropriate fund balance for encumbrance from prior years; 2) to adjust the estimates that are used to prepare the original budget resolution once the exact information is available; 3) to recognize new funding sources from external resources, such as Federal, state and local grants; 4) to appropriate increases that become necessary to maintain services; and 5) to provide appropriations between departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year end, the City had \$69 million, net of accumulated depreciation, invested in a variety of capital assets, as reflected in the following schedule. The net increase (additions, deletions, and depreciation/amortization) of \$547 thousand from the end of 2013 is primarily due to the fiscal year 2014 additions to accumulated depreciation offset by additions to construction in progress, buildings and improvements, and the distribution system and deletions in landfill.

Additional information regarding the capital assets of the City can be found in Note 4 of the basic financial statements.

**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Tifton's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,522,664	\$ 2,522,664	\$ 582,835	\$ 557,835	\$ 3,105,499	\$ 3,080,499
Construction in progress	2,153,563	1,040,592	388,997	721,666	2,542,560	1,762,258
Buildings and improvements	4,982,412	5,149,468	438,136	460,692	5,420,548	5,610,160
Distribution system	-	-	31,410,394	31,799,797	31,410,394	31,799,797
Landfill	-	-	1,494,591	1,748,822	1,494,591	1,748,822
Machinery and equipment	2,095,669	1,822,038	1,302,319	1,652,013	3,397,988	3,474,051
Infrastructure	21,660,646	21,010,011	-	-	21,660,646	21,010,011
Total	\$ 33,414,954	\$ 31,544,773	\$ 35,617,272	\$ 36,940,825	\$ 69,032,226	\$ 68,485,598

Long-Term Debt

The State of Georgia limits the amount of general obligation that a unit of government can issue to 10 percent of the total assessed value of the taxable property within the City's boundaries. The legal debt margin for the City is \$37.7 million based on the City's 2014 gross digest. However, the City has no general obligation bond.

The City's long-term debt consists of notes payable, certificates of participation, pension obligations, accrued vacation pay, and closure/postclosure costs. At June 30, 2014 and 2013, the City had \$15 million and \$19.7 million in debt outstanding, respectively.

More detailed information about the City's long-term debt is presented in Note 5 in the notes to the financial statements.

Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes payable	\$ 2,771,039	\$ 6,721,140	\$ 3,976,082	\$ 4,640,267	\$ 6,747,121	\$ 11,361,407
Certificates of participation	4,444,000	4,444,000	-	-	4,444,000	4,444,000
Compensated absences	392,806	420,250	61,184	127,587	453,990	547,837
Net pension obligations	-	87,063	-	33,297	-	120,360
Landfill postclosure	-	-	3,349,259	3,236,196	3,349,259	3,236,196
Total	\$ 7,607,845	\$ 11,672,453	\$ 7,386,525	\$ 8,037,347	\$ 14,994,370	\$ 19,709,800

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City's unemployment rate in 2014 was 8.2 percent compared to 10 percent in 2013. In contrast, both the statewide and national annual averages were 7.4 percent and 5.8 percent, respectively.
- The tax digest for 2014 decreased due to more exemptions.
- The fiscal year 2015 budget totals \$42.9 million for all funds, a \$5.6 million decrease from the fiscal year 2014 final budget.

**CITY OF TIFTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Tifton's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Tifton Finance Department, P.O. Box 229, Tifton, Georgia 31793-0229 or visit our website at www.tifton.net.

CITY OF TIFTON, GEORGIA

**STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	\$ 12,400,841	\$ 10,998,098	\$ 23,398,939	\$ 1,133,592
Investments	3,201,261	3,561,056	6,762,317	161,486
Taxes receivable	785,001	-	785,001	-
Accounts receivable, net of allowances	120,240	2,186,136	2,306,376	47,573
Interest receivable	-	-	-	1,968
Notes receivable	-	956,846	956,846	924,412
Due from other governments	504,321	-	504,321	-
Due from component units	179,344	-	179,344	-
Internal balances	356,557	(356,557)	-	-
Inventories	93,750	-	93,750	-
Prepaid expenses	1,946,876	-	1,946,876	-
Fair value of interest rate swap agreement	1,056,798	-	1,056,798	-
Capital assets:				
Nondepreciable	4,676,227	971,832	5,648,059	273,083
Depreciable, net	28,738,727	34,645,440	63,384,167	1,494,610
Total assets	<u>54,059,943</u>	<u>52,962,851</u>	<u>107,022,794</u>	<u>4,036,724</u>
LIABILITIES				
Accounts payable	898,118	396,723	1,294,841	38,323
Retainage payable	227,992	-	227,992	-
Accrued liabilities	267,161	39,548	306,709	1,864
Accrued interest	23,532	34,433	57,965	-
Due to primary government	-	-	-	179,344
Customer deposits payable	-	956,955	956,955	-
Notes payable due within one year	126,396	352,566	478,962	88,988
Notes payable due in more than one year	2,644,643	3,623,516	6,268,159	781,973
Certificates of participation due in more than one year	4,444,000	-	4,444,000	-
Compensated absences due within one year	55,263	44,810	100,073	-
Compensated absences due in more than one year	337,543	16,374	353,917	-
Landfill closure/postclosure care costs due in more than one year	-	3,349,259	3,349,259	-
Total liabilities	<u>9,024,648</u>	<u>8,814,184</u>	<u>17,838,832</u>	<u>1,090,492</u>
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	1,056,798	-	1,056,798	-
Total deferred inflows of resources	<u>1,056,798</u>	<u>-</u>	<u>1,056,798</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	29,173,184	31,641,190	60,814,374	1,767,693
Restricted for tourism	302,089	-	302,089	-
Restricted for capital outlay	9,705,199	-	9,705,199	-
Restricted for public safety	36,816	-	36,816	-
Restricted for housing and development	201,816	-	201,816	-
Unrestricted	4,559,393	12,507,477	17,066,870	1,178,539
Total net position	<u>\$ 43,978,497</u>	<u>\$ 44,148,667</u>	<u>\$ 88,127,164</u>	<u>\$ 2,946,232</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TIFTON, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Downtown Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,706,016	\$ 2,487,188	\$ 36,765	\$ -	\$ 817,937	\$ -	\$ 817,937	\$ -
Judicial	229,400	11,054	-	-	(218,346)	-	(218,346)	-
Public safety	7,832,503	2,085,703	482,270	1,694,869	(3,569,661)	-	(3,569,661)	-
Public works	3,679,625	38,017	-	2,186,476	(1,455,132)	-	(1,455,132)	-
Health and welfare	231,223	64,056	-	-	(167,167)	-	(167,167)	-
Culture and recreation	637,599	7,500	-	13,000	(617,099)	-	(617,099)	-
Housing and development	357,623	85,069	112,312	-	(160,242)	-	(160,242)	-
Interest on long-term debt	406,159	-	-	-	(406,159)	-	(406,159)	-
Total governmental activities	<u>15,080,148</u>	<u>4,778,587</u>	<u>631,347</u>	<u>3,894,345</u>	<u>(5,775,869)</u>	<u>-</u>	<u>(5,775,869)</u>	<u>-</u>
Business-type activities:								
Water	3,093,570	3,268,221	-	-	-	174,651	174,651	-
Sewer	4,377,113	3,639,984	-	576,192	-	(160,937)	(160,937)	-
Gas	4,544,885	4,669,782	-	-	-	124,897	124,897	-
Solid waste collection and disposal	5,152,550	5,170,534	-	-	-	17,984	17,984	-
Tift Theatre	118,901	23,569	-	-	-	(95,332)	(95,332)	-
Total business-type activities	<u>17,287,019</u>	<u>16,772,090</u>	<u>-</u>	<u>576,192</u>	<u>-</u>	<u>61,263</u>	<u>61,263</u>	<u>-</u>
Total primary government	<u>\$ 32,367,167</u>	<u>\$ 21,550,677</u>	<u>\$ 631,347</u>	<u>\$ 4,470,537</u>	<u>(5,775,869)</u>	<u>61,263</u>	<u>(5,714,606)</u>	<u>-</u>
Component unit:								
Tifton Downtown Development Authority	\$ 591,525	\$ 28,486	\$ 128,354	\$ 276,713	-	-	-	(157,972)
Total component unit	<u>\$ 591,525</u>	<u>\$ 28,486</u>	<u>\$ 128,354</u>	<u>\$ 276,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,972)</u>
General revenues:								
Property taxes					3,623,902	-	3,623,902	-
Sales taxes					2,799,134	-	2,799,134	-
Insurance premium tax					843,398	-	843,398	-
Alcoholic beverage taxes					439,071	-	439,071	-
Hotel motel taxes					858,690	-	858,690	-
Franchise taxes					1,204,380	-	1,204,380	-
Other taxes					760,135	-	760,135	-
Unrestricted investment earnings					257,593	60,001	317,594	51,689
Transfers					68,922	(68,922)	-	-
Total general revenues and transfers					<u>10,855,225</u>	<u>(8,921)</u>	<u>10,846,304</u>	<u>51,689</u>
Change in net position					<u>5,079,356</u>	<u>52,342</u>	<u>5,131,698</u>	<u>(106,283)</u>
Net position, beginning of year					<u>38,899,141</u>	<u>44,096,325</u>	<u>82,995,466</u>	<u>3,052,515</u>
Net position, end of year					<u>\$ 43,978,497</u>	<u>\$ 44,148,667</u>	<u>\$ 88,127,164</u>	<u>\$ 2,946,232</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TIFTON, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

ASSETS	General Fund	SPLOST Fund	SPLOST V Fund	Capital Projects Fund
Cash and cash equivalents	\$ 5,006,642	\$ 2,971,412	\$ 2,184,224	\$ 1,252,598
Investments	-	-	-	3,201,261
Taxes receivable, net	117,928	-	582,765	-
Accounts receivable, net	103,731	-	-	-
Due from other governments	463,973	18,934	-	-
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Advances to other funds	30,000	-	-	74,325
Prepaid expenditures	1,319,000	-	-	-
Total assets	\$ 7,041,274	\$ 2,990,346	\$ 2,766,989	\$ 4,528,184
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 285,247	\$ 56,892	\$ 3,286	\$ 292,150
Retainage payable	-	97,931	-	130,061
Accrued liabilities	214,833	-	-	-
Due to other funds	181,792	-	-	-
Advance from other funds	75,774	-	-	-
Total liabilities	757,646	154,823	3,286	422,211
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	168,233	-	-	-
Unavailable revenue - grants	-	-	-	-
Total deferred inflows of resources	168,233	-	-	-
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	1,319,000	-	-	-
Restricted for:				
Capital outlay	-	2,835,523	2,763,703	4,105,973
Public safety	-	-	-	-
Tourism	-	-	-	-
Housing and development	-	-	-	-
Unassigned	4,796,395	-	-	-
Total fund balances	6,115,395	2,835,523	2,763,703	4,105,973
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,041,274	\$ 2,990,346	\$ 2,766,989	\$ 4,528,184

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.

Cost of capital assets

Accumulated depreciation

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Internal service funds are used by management to charge the costs of certain administrative functions to individual funds.

Assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.

Notes payable

Certificates of participation

Compensated absences

Accrued interest

Net position of governmental activities

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Totals Governmental Funds
\$ 364,788	\$ 11,779,664
-	3,201,261
84,308	785,001
3,000	106,731
21,414	504,321
17	17
179,344	179,344
-	104,325
-	1,319,000
<u>\$ 652,871</u>	<u>\$ 17,979,664</u>

\$ 81,306	\$ 718,881
-	227,992
-	214,833
-	181,792
30,000	105,774
<u>111,306</u>	<u>1,449,272</u>

-	168,233
844	844
<u>844</u>	<u>169,077</u>

-	1,319,000
-	9,705,199
36,816	36,816
302,089	302,089
201,816	201,816
-	4,796,395
<u>540,721</u>	<u>16,361,315</u>

\$ 652,871

48,037,954
(17,409,426)
169,077

4,365,406

(2,771,039)
(4,444,000)
(307,258)
(23,532)

\$ 43,978,497

CITY OF TIFTON, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>SPLOST V Fund</u>	<u>Capital Projects Fund</u>
REVENUES				
Taxes	\$ 6,825,319	\$ -	\$ -	\$ -
Sales taxes	2,799,134	-	-	-
Charges for services	3,722,168	-	-	-
Licenses and permits	275,292	-	-	-
Intergovernmental	36,765	485,395	3,389,738	-
Fines and forfeitures	689,511	-	-	-
Interest revenue	5,414	5,604	607	249,344
Other revenues	75,058	-	-	-
Total revenues	<u>14,428,661</u>	<u>490,999</u>	<u>3,390,345</u>	<u>249,344</u>
EXPENDITURES				
Current:				
General government	1,266,673	-	-	18
Judicial	232,001	-	-	-
Public safety	6,960,335	-	-	-
Public works	2,306,504	-	-	-
Health and welfare	177,334	-	-	-
Culture and recreation	138,715	-	-	-
Housing and development	245,094	-	-	-
Capital outlay	-	2,365,237	4,248	1,443,419
Debt service:				
Principal	1,961,910	-	1,850,648	-
Interest	270,739	-	106,442	221,228
Total expenditures	<u>13,559,305</u>	<u>2,365,237</u>	<u>1,961,338</u>	<u>1,664,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>869,356</u>	<u>(1,874,238)</u>	<u>1,429,007</u>	<u>(1,415,321)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,216,800
Transfers out	(150,800)	-	-	-
Proceeds from the sale of capital assets	4,780	-	-	-
Total other financing sources (uses)	<u>(146,020)</u>	<u>-</u>	<u>-</u>	<u>1,216,800</u>
Net change in fund balances	723,336	(1,874,238)	1,429,007	(198,521)
Fund balances, beginning of year, restated	<u>5,392,059</u>	<u>4,709,761</u>	<u>1,334,696</u>	<u>4,304,494</u>
Fund balances, end of year	<u>\$ 6,115,395</u>	<u>\$ 2,835,523</u>	<u>\$ 2,763,703</u>	<u>\$ 4,105,973</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Totals Governmental Funds
\$ 858,690	\$ 7,684,009
-	2,799,134
-	3,722,168
-	275,292
607,583	4,519,481
9,058	698,569
2,110	263,079
7,500	82,558
<u>1,484,941</u>	<u>20,044,290</u>
-	1,266,691
-	232,001
529,411	7,489,746
6,686	2,313,190
-	177,334
499,840	638,555
112,049	357,143
-	3,812,904
123,495	3,936,053
18,235	616,644
<u>1,289,716</u>	<u>20,840,261</u>
<u>195,225</u>	<u>(795,971)</u>
30,000	1,246,800
(287,078)	(437,878)
-	4,780
<u>(257,078)</u>	<u>813,702</u>
(61,853)	17,731
<u>602,574</u>	<u>16,343,584</u>
<u>\$ 540,721</u>	<u>\$ 16,361,315</u>

CITY OF TIFTON, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 17,731
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Total capital outlay	1,438,172
Total depreciation	(1,265,804)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	45,567
Internal service funds are used by management to charge the costs of certain functions to individual funds. The net revenue of certain activities in the internal service funds is reported with governmental activities.	569,528
The issuance of long-term debt 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.	
Principal repayments	3,950,100
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 governmental funds. The adjustments for these items are as follows:	
Compensated absences	37,738
Current period decrease in net pension obligation	75,839
Accrued interest on debt	<u>210,485</u>
	<u>\$ 5,079,356</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TIFTON, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 3,417,656	\$ 3,654,984	\$ 3,551,026	\$ (103,958)
Sales taxes	2,850,000	2,800,000	2,799,134	(866)
Franchise taxes	1,225,000	1,222,840	1,204,380	(18,460)
Other taxes	1,911,000	2,044,000	2,042,604	(1,396)
Penalties and interest - delinquent taxes	25,000	27,350	27,309	(41)
Licenses and permits	256,700	277,310	275,292	(2,018)
Intergovernmental	30,000	36,800	36,765	(35)
Charges for services	1,885,830	3,765,660	3,722,168	(43,492)
Fines and forfeitures	792,000	707,929	689,511	(18,418)
Interest revenue	3,000	5,414	5,414	-
Other revenues	57,500	82,216	75,058	(7,158)
Total revenues	<u>12,453,686</u>	<u>14,624,503</u>	<u>14,428,661</u>	<u>(195,842)</u>
EXPENDITURES:				
Current:				
General government:				
City Council	79,887	82,045	70,759	11,286
General administration	1,214,711	1,247,144	1,195,914	51,230
Total general government	<u>1,294,598</u>	<u>1,329,189</u>	<u>1,266,673</u>	<u>62,516</u>
Municipal court	<u>235,277</u>	<u>235,277</u>	<u>232,001</u>	<u>3,276</u>
Public safety:				
Police	4,356,024	4,486,345	4,027,376	458,969
Fire	2,862,240	2,934,262	2,932,959	1,303
Total public safety	<u>7,218,264</u>	<u>7,420,607</u>	<u>6,960,335</u>	<u>460,272</u>
Public works:				
Highways and streets	2,287,360	2,387,301	2,050,109	337,192
Cemetery	250,913	259,536	256,395	3,141
Total public works	<u>2,538,273</u>	<u>2,646,837</u>	<u>2,306,504</u>	<u>340,333</u>
Health and welfare:				
Senior citizens center	114,630	129,930	124,241	5,689
Nutrition program	65,691	65,691	53,093	12,598
Total health and welfare	<u>180,321</u>	<u>195,621</u>	<u>177,334</u>	<u>18,287</u>
Culture and recreation:				
Library	<u>138,715</u>	<u>138,715</u>	<u>138,715</u>	<u>-</u>

(Continued)

CITY OF TIFTON, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (Continued)				
Current: (Continued)				
Housing and development:				
Code enforcement	\$ 302,597	\$ 262,233	\$ 245,094	\$ 17,139
Debt service:				
Principal	138,841	1,969,660	1,961,910	7,750
Interest	350,000	280,344	270,739	9,605
Total debt service	<u>488,841</u>	<u>2,250,004</u>	<u>2,232,649</u>	<u>17,355</u>
Total expenditures	<u>12,396,886</u>	<u>14,478,483</u>	<u>13,559,305</u>	<u>919,178</u>
Excess of revenues over expenditures	<u>56,800</u>	<u>146,020</u>	<u>869,356</u>	<u>723,336</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(56,800)	(150,800)	(150,800)	-
Proceeds from the sale of capital assets	-	4,780	4,780	-
Total other financing sources (uses)	<u>(56,800)</u>	<u>(146,020)</u>	<u>(146,020)</u>	<u>-</u>
Net change in fund balances	-	-	723,336	723,336
Fund balances, beginning of year	<u>5,392,059</u>	<u>5,392,059</u>	<u>5,392,059</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,392,059</u>	<u>\$ 5,392,059</u>	<u>\$ 6,115,395</u>	<u>\$ 723,336</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TIFTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Major Proprietary Funds				Nonmajor Proprietary Fund	Totals	Governmental Activities
	Water	Sewer	Gas	Solid Waste	Tift Theatre		Internal Service Fund
	Revenue Fund	Revenue Fund	Revenue Fund	Collection and Disposal Fund	Fund		
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 1,647,927	\$ 1,266,237	\$ 1,882,874	\$ 5,993,124	\$ 207,936	\$ 10,998,098	\$ 621,177
Investments	-	-	-	3,561,056	-	3,561,056	-
Accounts receivable, net of allowances	612,701	614,229	323,942	633,579	1,685	2,186,136	13,509
Current portion - notes receivable	-	-	73,099	-	-	73,099	-
Due from other funds	126,550	-	27	-	6,633	133,210	538,332
Inventories	-	-	-	-	-	-	93,750
Prepaid expenses	-	-	-	-	-	-	627,876
Total current assets	<u>2,387,178</u>	<u>1,880,466</u>	<u>2,279,942</u>	<u>10,187,759</u>	<u>216,254</u>	<u>16,951,599</u>	<u>1,894,644</u>
NONCURRENT ASSETS							
Advances to other funds	-	-	-	-	-	-	1,449
Notes receivable, net of current portion	-	-	883,747	-	-	883,747	-
Capital assets:							
Nondepreciable	65,660	603,358	102,302	129,369	71,143	971,832	1,999,666
Depreciable, net of accumulated depreciation	10,735,269	17,459,243	3,655,193	2,574,457	221,278	34,645,440	786,760
Total noncurrent assets	<u>10,800,929</u>	<u>18,062,601</u>	<u>4,641,242</u>	<u>2,703,826</u>	<u>292,421</u>	<u>36,501,019</u>	<u>2,787,875</u>
Total assets	<u>13,188,107</u>	<u>19,943,067</u>	<u>6,921,184</u>	<u>12,891,585</u>	<u>508,675</u>	<u>53,452,618</u>	<u>4,682,519</u>
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	43,272	37,866	155,311	147,798	12,476	396,723	179,237
Accrued liabilities	-	-	8,448	29,054	2,046	39,548	52,328
Accrued interest	-	19,229	15,204	-	-	34,433	-
Current portion - compensated absences	-	-	15,071	29,692	47	44,810	13,825
Current portion - notes payable	-	224,209	128,357	-	-	352,566	-
Customer deposits payable	377,683	291,193	182,841	105,238	-	956,955	-
Due to other funds	77,277	188,522	63,562	160,406	-	489,767	-
Total current liabilities	<u>498,232</u>	<u>761,019</u>	<u>568,794</u>	<u>472,188</u>	<u>14,569</u>	<u>2,314,802</u>	<u>245,390</u>
NONCURRENT LIABILITIES							
Compensated absences, net of current portion	-	-	-	15,489	885	16,374	71,723
Notes payable, net of current portion	-	2,545,205	1,078,311	-	-	3,623,516	-
Landfill closure / postclosure care costs	-	-	-	3,349,259	-	3,349,259	-
Total noncurrent liabilities	<u>-</u>	<u>2,545,205</u>	<u>1,078,311</u>	<u>3,364,748</u>	<u>885</u>	<u>6,989,149</u>	<u>71,723</u>
Total liabilities	<u>498,232</u>	<u>3,306,224</u>	<u>1,647,105</u>	<u>3,836,936</u>	<u>15,454</u>	<u>9,303,951</u>	<u>317,113</u>
NET POSITION							
Net investment in capital assets	10,800,929	15,293,187	2,550,827	2,703,826	292,421	31,641,190	2,786,426
Unrestricted	1,888,946	1,343,656	2,723,252	6,350,823	200,800	12,507,477	1,578,980
Total net position	<u>\$ 12,689,875</u>	<u>\$ 16,636,843</u>	<u>\$ 5,274,079</u>	<u>\$ 9,054,649</u>	<u>\$ 493,221</u>	<u>\$ 44,148,667</u>	<u>\$ 4,365,406</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TIFTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Major Proprietary Funds				Nonmajor Proprietary Fund	Totals	Governmental Activities
	Water Revenue Fund	Sewer Revenue Fund	Gas Revenue Fund	Solid Waste Collection and Disposal Fund	Tift Theatre Fund		Internal Service Fund
OPERATING REVENUES							
Charges for services	\$ 3,143,872	\$ 3,430,340	\$ 4,460,753	\$ 5,058,185	\$ 22,569	\$ 16,115,719	\$ 2,586,062
Penalties and fines	114,321	62,685	29,569	109,130	-	315,705	-
Miscellaneous	10,028	146,959	179,460	3,219	1,000	340,666	-
Total operating revenues	<u>3,268,221</u>	<u>3,639,984</u>	<u>4,669,782</u>	<u>5,170,534</u>	<u>23,569</u>	<u>16,772,090</u>	<u>2,586,062</u>
OPERATING EXPENSES							
Personnel services	316,662	131,949	411,727	1,220,138	53,166	2,133,642	1,897,923
Cost of gas sold	-	-	2,865,277	-	-	2,865,277	-
Contract services	885,646	1,854,498	-	151,511	-	2,891,655	-
Utilities	641,009	589,746	363,776	362,519	17,096	1,974,146	505,981
Equipment repairs and maintenance	22,278	6,360	15,941	524,082	3,459	572,120	211,416
System repairs and maintenance	30,909	151,138	67,126	-	-	249,173	-
Landfill expenses	-	-	-	1,024,724	-	1,024,724	-
Supplies	18,776	-	22,374	63,985	4,575	109,710	87,846
Insurance	58,532	65,587	34,704	121,824	2,742	283,389	107,461
Gas, oil, and grease	16,079	6,464	17,590	409,646	-	449,779	-
Professional services	10,271	38,553	16,213	54,130	20,182	139,349	63,362
Depreciation	571,138	908,335	112,673	670,356	5,008	2,267,510	110,762
Postage	20,535	13,449	4,945	18,616	-	57,545	-
Marketing	-	-	41,152	-	12,673	53,825	-
Administrative and clerical	500,965	471,778	493,958	517,135	-	1,983,836	-
Miscellaneous	257	-	47,315	13,884	-	61,456	101,083
Total operating expenses	<u>3,093,057</u>	<u>4,237,857</u>	<u>4,514,771</u>	<u>5,152,550</u>	<u>118,901</u>	<u>17,117,136</u>	<u>3,085,834</u>
Operating income (loss)	<u>175,164</u>	<u>(597,873)</u>	<u>155,011</u>	<u>17,984</u>	<u>(95,332)</u>	<u>(345,046)</u>	<u>(499,772)</u>
NONOPERATING INCOME (EXPENSES)							
Interest income	1,821	2,014	25,953	30,213	-	60,001	725
Interest expense	(513)	(139,256)	(30,114)	-	-	(169,883)	-
Total nonoperating income (expenses)	<u>1,308</u>	<u>(137,242)</u>	<u>(4,161)</u>	<u>30,213</u>	<u>-</u>	<u>(109,882)</u>	<u>725</u>
Income (loss) before contributions and transfers	176,472	(735,115)	150,850	48,197	(95,332)	(454,928)	(499,047)
CAPITAL CONTRIBUTIONS	-	576,192	-	-	-	576,192	1,808,575
TRANSFERS							
Transfers in	-	-	-	-	287,078	287,078	-
Transfers out	(89,000)	(89,000)	(89,000)	(89,000)	-	(356,000)	(740,000)
Total transfers	<u>(89,000)</u>	<u>(89,000)</u>	<u>(89,000)</u>	<u>(89,000)</u>	<u>287,078</u>	<u>(68,922)</u>	<u>(740,000)</u>
Change in net position	87,472	(247,923)	61,850	(40,803)	191,746	52,342	569,528
NET POSITION, beginning of year	<u>12,602,403</u>	<u>16,884,766</u>	<u>5,212,229</u>	<u>9,095,452</u>	<u>301,475</u>	<u>44,096,325</u>	<u>3,795,878</u>
NET POSITION, end of year	<u>\$ 12,689,875</u>	<u>\$ 16,636,843</u>	<u>\$ 5,274,079</u>	<u>\$ 9,054,649</u>	<u>\$ 493,221</u>	<u>\$ 44,148,667</u>	<u>\$ 4,365,406</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TIFTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Major Proprietary Funds				Nonmajor Proprietary Fund	Totals	Governmental Activities
	Water Revenue Fund	Sewer Revenue Fund	Gas Revenue Fund	Solid Waste Collection and Disposal Fund	Tift Theatre Fund		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 2,899,367	\$ 3,645,928	\$ 4,556,983	\$ 4,907,211	\$ 15,251	\$ 16,024,740	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	3,119,090
Payments to suppliers	(2,207,876)	(3,205,619)	(3,984,287)	(3,170,991)	(67,109)	(12,635,882)	(1,029,621)
Payments to employees	(421,521)	(131,949)	(409,387)	(1,224,073)	(52,288)	(2,239,218)	(1,874,164)
Net cash provided by (used in) operating activities	<u>269,970</u>	<u>308,360</u>	<u>163,309</u>	<u>512,147</u>	<u>(104,146)</u>	<u>1,149,640</u>	<u>215,305</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Payments on net pension obligation	(13,061)	(7,683)	(3,085)	(9,468)	-	(33,297)	(11,224)
Transfers in/(out)	(89,000)	(89,000)	(89,000)	(89,000)	287,078	(68,922)	(740,000)
Net cash provided by (used in) noncapital financing activities	<u>(102,061)</u>	<u>(96,683)</u>	<u>(92,085)</u>	<u>(98,468)</u>	<u>287,078</u>	<u>(102,219)</u>	<u>(751,224)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(370,812)	-	(100,572)	(84,479)	(35,670)	(591,533)	-
Payments on advance from other funds	-	(49,126)	-	-	-	(49,126)	-
Principal paid on notes payable	(32,239)	(289,540)	(118,638)	-	-	(440,417)	-
Interest paid	(1,231)	(143,094)	(35,784)	-	-	(180,109)	-
Net cash used in capital and related financing activities	<u>(404,282)</u>	<u>(481,760)</u>	<u>(254,994)</u>	<u>(84,479)</u>	<u>(35,670)</u>	<u>(1,261,185)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of certificate of deposit	-	-	-	(23,071)	-	(23,071)	-
Principal received on notes receivable	-	-	206,426	-	-	206,426	-
Interest received	1,821	2,014	25,953	30,213	-	60,001	725
Net cash provided by investing activities	<u>1,821</u>	<u>2,014</u>	<u>232,379</u>	<u>7,142</u>	<u>-</u>	<u>243,356</u>	<u>725</u>
Increase (decrease) in cash and cash equivalents	(234,552)	(268,069)	48,609	336,342	147,262	29,592	(535,194)
Cash and cash equivalents:							
Beginning of year	<u>1,882,479</u>	<u>1,534,306</u>	<u>1,834,265</u>	<u>5,656,782</u>	<u>60,674</u>	<u>10,968,506</u>	<u>1,156,371</u>
End of year	<u>\$ 1,647,927</u>	<u>\$ 1,266,237</u>	<u>\$ 1,882,874</u>	<u>\$ 5,993,124</u>	<u>207,936</u>	<u>\$ 10,998,098</u>	<u>\$ 621,177</u>

(Continued)

CITY OF TIFTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Major Proprietary Funds</u>				<u>Nonmajor Proprietary Fund</u>	<u>Totals</u>	<u>Governmental Activities</u>
	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Gas Revenue Fund</u>	<u>Solid Waste Collection and Disposal Fund</u>	<u>Tift Theatre Fund</u>		<u>Internal Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 175,164	\$ (597,873)	\$ 155,011	\$ 17,984	(95,332)	\$ (345,046)	\$ (499,772)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	571,138	908,335	112,673	670,356	5,008	2,267,510	110,762
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(54,048)	(126,724)	(61,781)	(85,720)	(1,685)	(329,958)	1,981
Decrease in inventories	-	-	-	-	-	-	2,666
Decrease in prepaid items	9,424	-	-	-	-	9,424	2,107
(Increase) decrease in due from other funds	(126,550)	-	(27)	-	(6,633)	(133,210)	531,047
Increase (decrease) in accounts payable	(12,043)	(8,046)	6,085	(21,998)	(6,382)	(42,384)	42,753
Increase (decrease) in accrued liabilities	(104,859)	-	2,339	(3,935)	878	(105,577)	23,761
Increase in customer deposits	13,896	13,293	663	10,704	-	38,556	-
Increase in landfill closure/postclosure care costs	-	-	-	113,063	-	113,063	-
Increase (decrease) in due to other funds	(202,152)	119,375	(51,654)	(188,307)	-	(322,738)	-
Net cash provided by (used in) operating activities	<u>\$ 269,970</u>	<u>\$ 308,360</u>	<u>\$ 163,309</u>	<u>\$ 512,147</u>	<u>(104,146)</u>	<u>\$ 1,149,640</u>	<u>\$ 215,305</u>
Noncash capital and related financing activities:							
Contributions of capital assets from SPLOST Fund	\$ -	\$ 352,424	\$ -	\$ -	\$ -	\$ 352,424	\$ 1,808,575
Contributions for debt payments from SPLOST Fund	-	223,768	-	-	-	223,768	-
Net noncash capital and related financing activities	<u>\$ -</u>	<u>\$ 576,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 576,192</u>	<u>\$ 1,808,575</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TIFTON, GEORGIA

**STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
JUNE 30, 2014**

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 3,788,642
Investments at fair value:	
Treasury and agency securities	2,327,100
Domestic common stocks	8,524,007
Municipal obligations	2,171,170
Domestic corporate bonds	3,035,001
Asset backed securities	775,462
Total assets	<u>20,621,382</u>
LIABILITIES	
Accounts payable	1,624
Total liabilities	<u>1,624</u>
NET POSITION	
Restricted for pension benefits	<u>\$ 20,619,758</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TIFTON, GEORGIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 2,770,560
	<u>2,770,560</u>
Investment income:	
Net appreciation in fair value of investments	1,864,444
Interest and dividends	478,833
	<u>2,343,277</u>
Total additions	<u>5,113,837</u>
Deductions	
Administrative expenses	163,510
Retiree benefits	2,117,590
	<u>2,281,100</u>
Total deductions	<u>2,281,100</u>
Net increase	2,832,737
Net position held in trust for benefits:	
Beginning of year	<u>17,787,021</u>
End of year	<u>\$ 20,619,758</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF TIFTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Tifton, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

The City of Tifton is the county seat of Tift County and was incorporated on August 14, 1920 under the provisions of an act of the General Assembly of Georgia and is governed by an elected Mayor and four-member Council. The City Manager is the head of the administrative branch of government. As such, he is responsible for the day-to-day operations of city government. The City provides the following services and operations as authorized by its charter: public safety (police and fire); public works; health and welfare; housing and development; and public utilities (water, sewer, gas, and solid waste). As required by accounting principles generally accepted in the United States of America, these financial statements include the accounts of all City operations and all activities of the City.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

In conformity with accounting principles generally accepted in the United States of America, as set forth in the Statement of Governmental Accounting Standards No. 14, "The Financial Reporting Entity", as amended by GASB Statements No. 39 and 61, the component unit's financial statements are discretely presented in the government-wide financial statements.

Discretely Presented Component Unit

The City of Tifton Downtown Development Authority - The City of Tifton Downtown Development Authority (the "Downtown Development Authority") operates the Mainstreet programs. The governing board of the Downtown Development Authority is appointed by the Mayor and City Council and the City has assumed financial responsibility for its operations. The Downtown Development Authority is audited along with the primary government financial statements in accordance with Governmental Accounting Standards Board Statements No. 14 and 39. However, separate financial statements are not prepared.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements, although the agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Special Purpose Local Option Sales Tax (SPLOST) Fund** is a capital projects fund used to account for projects supported by the special purpose local option sales tax, including construction of roads, sidewalks, water and sewer system improvements, landfill development, firefighting equipment, and construction of City buildings.

The **Special Purpose Local Option Sales Tax V Fund** is a capital projects fund used to account for projects supported by the special purpose local option sales tax, including general obligation debt, senior center improvements, roads, sidewalks, water and sewer system improvements, technology equipment and upgrades, firefighting equipment and facility upgrades.

The **Capital Projects Fund** accounts for the leasing of certain equipment through a lease pool agreement with the Georgia Municipal Association (GMA).

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The ***Water Revenue Fund*** accounts for the provision of water services to the residents of the City and County. All activities necessary to provide such services are accounted for in this fund.

The ***Sewer Revenue Fund*** accounts for the provision of sewer services to the residents of the City and County. All activities necessary to provide such services are accounted for in this fund.

The ***Gas Revenue Fund*** accounts for the provisions of natural gas services to the residents of the City and County. All activities necessary to provide such services are accounted for in this fund.

The ***Solid Waste Collection and Disposal Fund*** accounts for the provision of garbage and trash pickup and disposal for the residents of the City and County. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The ***special revenue funds*** account for revenue sources that are legally restricted to expenditure for specific purposes.

The ***capital projects funds*** accounts for revenue sources that are to be used for the acquisition and construction of major capital facilities.

The ***internal service fund*** is used to account for the rental of motor vehicles and equipment to other departments and related costs of the City, on a cost reimbursement basis.

The ***enterprise fund*** is used to account for the activity of the Tift Theatre.

The ***pension trust fund*** is a fiduciary fund used to account for the assets held by the City in a trustee capacity for retirement benefits for City employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

charges between the City's water, sewer, gas and solid waste functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In February, the department heads are furnished with a worksheet to submit their proposed budget for the upcoming fiscal year to the Finance Director.
2. The budgets are reviewed and compiled by the Finance Director and submitted to the Mayor and City Council.
3. Budget hearings are held with the Mayor and City Council, the City Manager, and the Finance Director for final review and revisions.
4. A public hearing is then held for the proposed budget with adoption of the budget around the first of June.
5. Formal budgetary integration is the management tool used as a control device during the year for governmental and proprietary funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting (Continued)

During the year, as the need arises, the Finance Director is authorized to transfer budget amounts within departments; however, any revisions that alter the total expenditures/expenses must be approved by the Mayor and City Council.

All annual appropriations lapse at fiscal year end.

The City adopts annual budgets for its General Fund and special revenue funds, and adopts budgets for its capital project funds on a project basis, with the term of the project being longer than the City's fiscal year. All budgets are prepared on a basis consistent with generally accepted accounting principles.

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

For purposes of the statements of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. Inventory and Prepaid Items

Inventories are valued at average cost, which approximates market, using the first-in, first-out (FIFO) method. The City accounts for inventory on the purchase basis. Prepaid expenditures/expenses are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure is made for goods or services that were purchased for consumption, but not consumed as of June 30.

G. Short-Term Interfund Receivables/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 "due from other funds" or "due to other funds" in the fund financial statements. Short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans are classified as advances. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as follows: equipment with an initial cost of more than \$5,000, public utility extensions of \$20,000 or more; land and buildings of \$100,000 or more, and roads, bridges and drainage systems of \$250,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include only those items acquired after June 30, 1980. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended June 30, 2014, no amounts of interest were capitalized.

Property, plant and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	20-50
Machinery and equipment	5-20
Infrastructure	20-50
Distribution Systems	10-50
Landfill	20

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Compensated Absences

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences", no liability is recorded for non-vesting accumulating rights to receive sick pay benefits because these benefits are paid upon the illness of an employee and the amount of such payments cannot be reasonably estimated. Accumulated unpaid vacation costs are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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 / expenditure) until then. The City did not have any items that qualified for reporting in this category.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows / Inflows of Resources (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 fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. One type arises only under a modified accrual basis of accounting. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grant revenue not received within 60 days after year end. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. An *effective hedge* is reported in the government-wide statement of net position. The effective hedge results from the change in market value of a swap agreement related to the certificates of participation. The amount is deferred and will mature on June 1, 2028, at the same time as the certificates of participation.

L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has not formally designated an individual to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Use of Estimates

The preparation of 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments of the primary government as of June 30, 2014, are summarized as follows:

Amounts as presented on the entity wide statement of net position:	
Cash and cash equivalents	\$ 23,398,939
Investments	6,762,317
Amounts as presented on the fiduciary statement of net position:	
Cash and cash equivalents - Pension Trust Fund	3,788,642
Investments - Pension Trust Fund	<u>16,832,740</u>
Total	<u><u>\$ 50,782,638</u></u>
Cash deposited with financial institutions	\$ 27,187,581
Cash deposited with Georgia Fund 1	3
Certificate of deposit	3,561,053
Investments in the Municipal Competitive Trust	3,201,261
Investments in U.S. government securities	2,327,100
Investments in municipal bonds	2,171,170
Investments in corporate bonds	3,035,001
Investments in asset backed securities	775,462
Investments in equities	<u>8,524,007</u>
Total	<u><u>\$ 50,782,638</u></u>

Total deposits and investments of the Downtown Development Authority (component unit) as of June 30, 2014, are summarized as follows:

Amounts as presented on the entity wide statement of net position:	
Cash and cash equivalents	\$ 1,133,592
Investments	<u>161,486</u>
Total	<u><u>\$ 1,295,078</u></u>
Cash deposited with financial institutions	\$ 1,133,592
Certificates of deposit (maturity less than one year)	<u>161,486</u>
Total	<u><u>\$ 1,295,078</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2014, the City had the following investments:

Investment	Rating	Fair Value	Investment Maturities (in Years)				
			Less than 1	1 - 5	6 - 10	11 - 15	> 20
Georgia Fund 1	AAAf	\$ 3	\$ 3	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit		3,561,053	-	3,561,053	-	-	-
Common stock		8,524,007	-	-	-	-	-
U.S. Government securities	AA+	1,656,638	-	750,955	658,473	247,210	-
U.S. Government securities	Aaa	670,462	-	180,169	490,293	-	-
Municipal bonds	A	207,500	207,500	-	-	-	-
Municipal bonds	A+	328,386	-	328,386	-	-	-
Municipal bonds	AA-	443,105	-	443,105	-	-	-
Municipal bonds	Aa1	151,630	-	151,630	-	-	-
Municipal bonds	AA	697,441	104,277	289,256	303,908	-	-
Municipal bonds	AA+	343,108	15,541	172,264	155,303	-	-
Corporate bonds	A-	625,590	-	625,590	-	-	-
Corporate bonds	A	1,011,019	-	737,859	273,160	-	-
Corporate bonds	A+	724,852	-	538,916	185,936	-	-
Corporate bonds	AA+	169,805	-	169,805	-	-	-
Corporate bonds	BBB+	503,735	-	503,735	-	-	-
Mortgage backed securities	NR	255,507	-	49,285	116,265	89,957	-
Mortgage backed securities	AA+	519,955	-	-	-	-	519,955
Guaranteed investment contract	AA-	3,201,261	-	-	-	3,201,261	-
Total		\$ 23,595,057	\$ 327,321	\$ 8,502,008	\$ 2,183,338	\$ 3,538,428	\$ 519,955

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund 1 was created under OCGA 36-83-8 and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 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 participants' shares sold and redeemed based on \$1 per share. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value). The pool is regulated by the Georgia Office of State Treasurer.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to those with maturity of no more than one (1) year, unless matched to a specific requirement.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and 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. As of June 30, 2014, the City did not have any deposits which were uninsured and under collateralized as defined by GASB pronouncements and the State of Georgia.

Custodial credit risk – investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are 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. As of June 30, 2014, the City was not exposed to custodial credit risk for its investments.

NOTE 3. RECEIVABLES

Property Taxes

Property taxes were levied on behalf of the City by Tift County on July 25, 2013, (Levy Date) based upon property values assessed as of January 1. The billings were mailed August 9, 2013 and were payable on or before November 15, 2013, for the calendar year 2013 tax. If unpaid by November 15, 2013, the bill becomes delinquent and penalties and interest may be assessed by the City. Property taxes levied for 2013 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the fiscal year ended June 30, 2014 and expected to be collected by

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES (CONTINUED)

Property Taxes (Continued)

August 31, 2014, are recognized as revenues for the year ended June 30, 2014. Net receivables estimated to be collectible subsequent to August 31, 2014 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

The tax rate levied during calendar year 2013 for the City's operations was 9.759 mills (mill equals \$1 per thousand dollars of assessed value).

Receivables as of June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>SPLOST</u>	<u>SPLOST V</u>	<u>Nonmajor Governmental</u>
Receivables:				
Taxes	\$ 117,928	\$ -	\$ -	\$ 84,308
Accounts	145,037	-	-	3,000
Intergovernmental	463,973	18,934	582,765	21,414
Gross receivables	<u>726,938</u>	<u>18,934</u>	<u>582,765</u>	<u>108,722</u>
Less: allowance for uncollectibles	(41,306)	-	-	-
Net total receivables	<u>\$ 685,632</u>	<u>\$ 18,934</u>	<u>\$ 582,765</u>	<u>\$ 108,722</u>

	<u>Water Revenue</u>	<u>Sewer Revenue</u>	<u>Gas Revenue</u>	<u>Solid Waste Coll and Disp</u>
Receivables:				
Accounts	\$ 777,768	\$ 817,586	\$ 468,570	\$ 1,062,080
Notes	-	-	956,846	-
Interest	-	-	-	18,768
Gross receivables	<u>777,768</u>	<u>817,586</u>	<u>1,425,416</u>	<u>1,080,848</u>
Less: allowance for uncollectibles	(165,067)	(203,357)	(144,628)	(447,269)
Net total receivables	<u>\$ 612,701</u>	<u>\$ 614,229</u>	<u>\$ 1,280,788</u>	<u>\$ 633,579</u>

	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>
Receivables:		
Accounts	\$ 1,685	\$ -
Interest	-	13,509
Gross receivables	<u>1,685</u>	<u>13,509</u>
Less: allowance for uncollectibles	-	-
Net total receivables	<u>\$ 1,685</u>	<u>\$ 13,509</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES (CONTINUED)

Property Taxes (Continued)

At June 30, 2014, the Downtown Development Authority (component unit) has notes receivable totaling \$924,412 from a number of entities associated with certain conduit debt financing arrangements of the Downtown Development Authority. These amounts are offset by notes payable of \$870,961 with the difference in the two amounts caused by the timing of payments received. Terms of the notes receivable are similar to the terms of the respective and offsetting notes payable.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,522,664	\$ -	\$ -	\$ -	\$ 2,522,664
Construction in progress	1,040,592	2,362,575	-	(1,249,604)	2,153,563
Total capital assets, not being depreciated	<u>3,563,256</u>	<u>2,362,575</u>	<u>-</u>	<u>(1,249,604)</u>	<u>4,676,227</u>
Capital assets, being depreciated:					
Buildings and improvements	7,714,477	-	-	-	7,714,477
Machinery and equipment	10,336,914	763,746	-	-	11,100,660
Infrastructure	29,705,359	120,426	-	1,249,604	31,075,389
Total capital assets, being depreciated	<u>47,756,750</u>	<u>884,172</u>	<u>-</u>	<u>1,249,604</u>	<u>49,890,526</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,565,009)	(167,056)	-	-	(2,732,065)
Machinery and equipment	(8,514,876)	(490,115)	-	-	(9,004,991)
Infrastructure	(8,695,348)	(719,395)	-	-	(9,414,743)
Total accumulated depreciation	<u>(19,775,233)</u>	<u>(1,376,566)</u>	<u>-</u>	<u>-</u>	<u>(21,151,799)</u>
Total capital assets, being depreciated, net	<u>27,981,517</u>	<u>(492,394)</u>	<u>-</u>	<u>1,249,604</u>	<u>28,738,727</u>
Governmental activities capital assets, net	<u>\$ 31,544,773</u>	<u>\$ 1,870,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,414,954</u>

Internal service funds predominantly serve the governmental funds. Accordingly, capital assets for them are included as part of the above totals for governmental activities. At year end, internal service fund capital assets with a net book value of \$2,786,426 are included in the above amounts, including additions of \$1,808,575.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of governmental activities as follows:

Governmental activities:		
General government	\$	20,910
Public safety		409,319
Public works		831,205
Culture and recreation		4,370
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets		110,762
Total depreciation expense - governmental activities	<u>\$</u>	<u>1,376,566</u>

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 557,835	\$ -	\$ -	\$ 25,000	\$ 582,835
Construction in progress	721,666	373,777	-	(706,446)	388,997
Total capital assets, not being depreciated	1,279,501	373,777	-	(681,446)	971,832
Capital assets, being depreciated:					
Landfill	6,816,760	-	-	-	6,816,760
Buildings and improvements	949,237	9,032	-	-	958,269
Distribution system	62,279,798	413,526	-	681,446	63,374,770
Machinery and equipment	11,627,697	147,622	-	-	11,775,319
Total capital assets, being depreciated	81,673,492	570,180	-	681,446	82,925,118
Less accumulated depreciation for:					
Landfill	(5,067,938)	(254,231)	-	-	(5,322,169)
Buildings and improvements	(488,545)	(31,588)	-	-	(520,133)
Distribution system	(30,480,001)	(1,484,375)	-	-	(31,964,376)
Machinery and equipment	(9,975,684)	(497,316)	-	-	(10,473,000)
Total accumulated depreciation	(46,012,168)	(2,267,510)	-	-	(48,279,678)
Total capital assets, being depreciated, net	35,661,324	(1,697,330)	-	681,446	34,645,440
Business-type activities capital assets, net	\$ 36,940,825	\$ (1,323,553)	\$ -	\$ -	\$ 35,617,272

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of business-type activities as follows:

Business-type activities:		
Water	\$	571,138
Sewer		908,335
Gas		112,673
Solid waste collection and disposal		670,356
Tift Theatre		5,008
Total depreciation expense - business-type activities	<u>\$</u>	<u>2,267,510</u>

Capital asset activity for the Downtown Development Authority for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Downtown Development Authority:					
Capital assets, not being depreciated:					
Land	\$ 282,751	\$ 22,500	\$ (32,168)	\$ -	\$ 273,083
Total capital assets, not being depreciated	<u>282,751</u>	<u>22,500</u>	<u>(32,168)</u>	<u>-</u>	<u>273,083</u>
Capital assets, being depreciated:					
Buildings and improvements	2,114,264	100,056	(272,699)	-	1,941,621
Total capital assets, being depreciated	<u>2,114,264</u>	<u>100,056</u>	<u>(272,699)</u>	<u>-</u>	<u>1,941,621</u>
Less accumulated depreciation for:					
Buildings and improvements	(403,089)	(50,739)	6,817	-	(447,011)
Total accumulated depreciation	<u>(403,089)</u>	<u>(50,739)</u>	<u>6,817</u>	<u>-</u>	<u>(447,011)</u>
Total capital assets, being depreciated, net	<u>1,711,175</u>	<u>49,317</u>	<u>(265,882)</u>	<u>-</u>	<u>1,494,610</u>
Downtown Development Authority capital assets, net	<u>\$ 1,993,926</u>	<u>\$ 71,817</u>	<u>\$ (298,050)</u>	<u>\$ -</u>	<u>\$ 1,767,693</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

Notes Payable

The following is a listing of the notes payable of the City of Tifton, Georgia at June 30, 2014:

Governmental Activities

Note payable dated December 15, 2009 in the original amount of \$1,135,651, to be used for improvements to streets, the local airport, and lighting on Interstate 75. The loan is to be repaid in 120 monthly installments of \$11,811, including interest at 2.51%. The City refinanced the note during the year ending June 30, 2013 with the only modification being the reduction of the interest rate. The outstanding balance at June 30, 2014 is \$628,818.

Note payable dated September 30, 2009 in the original amount of \$6,060,000, to be used for retirement of telecommunications revenue fund debt. The loan is to be repaid in 20 annual installments including interest ranging from 5.15% to 5.75%. The City refinanced the note in the current year for a period of five years at an interest rate of 3.25%. The outstanding balance on the loan at June 30, 2014 is \$2,142,221.

Annual debt service requirements to maturity for notes payable of governmental activities are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 141,729	\$ 126,396	\$ 15,333
2016	1,453,026	1,338,131	114,895
2017	1,105,702	1,066,697	39,005
2018	141,730	136,412	5,318
2019	105,208	103,403	1,805
	<u>\$ 2,947,395</u>	<u>\$ 2,771,039</u>	<u>\$ 176,356</u>

Business-Type Activities

Georgia Environmental Facilities Authority note dated May 1, 2004, in the original amount of \$3,351,507 to be used for sewer system improvements. The loan is to be repaid in 69 quarterly installments of \$73,050 including interest at 5.05% beginning February 1, 2006. The outstanding balance at June 30, 2014 is \$2,055,779.

Georgia Environmental Facilities Authority note dated November 2, 2009, in the original amount of \$800,000 to be used for sewer system improvements. The loan is to be repaid in 239 monthly installments of \$4,437 including interest at 3.00% beginning September 1, 2011. The outstanding balance at June 30, 2014 is \$713,639.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Note payable with a local financial institution dated September 12, 2012, in the original amount of \$893,785 to be used for gas line extensions. The loan is to be repaid in annual installments of \$100,867 including interest at 2.16% beginning December 12, 2013. The outstanding balance at June 30, 2014 is \$817,050.

Note payable with a local financial institution dated September 14, 2012, in the original amount of \$431,520 to be used for gas line extensions. The loan is to be repaid in annual installments of \$53,554 including interest at 2.16% beginning December 14, 2013. The outstanding balance at June 30, 2014 is \$389,614.

Annual debt service requirements to maturity for notes payable of business-type activities are as follows:

Fiscal Year Payable	Total	Principal	Interest
2015	\$ 499,829	\$ 352,566	\$ 147,263
2016	499,829	366,040	133,789
2017	499,829	380,575	119,254
2018	499,829	395,284	104,545
2019	499,829	410,797	89,032
2020 - 2024	1,925,653	1,727,864	197,789
2025 - 2029	266,207	231,397	34,810
2030 - 2032	115,363	111,559	3,804
	\$ 4,806,368	\$ 3,976,082	\$ 830,286

From time to time the Downtown Development Authority (component unit) incurs notes payable to provide financial assistance to private sector entities or other third parties for the acquisition and construction of commercial facilities. The notes are secured by the property financed and are payable solely from payment received on the notes receivable and lease agreements. Upon repayment of the notes payable, ownership of the acquired facilities transfers to the private sector entity served by the notes payable. The outstanding balance of these notes payable totaled \$870,961 at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Debt service requirements to maturity on the notes payable of the Downtown Development Authority are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 129,623	\$ 88,988	\$ 40,635
2016	129,623	93,532	36,091
2017	129,623	98,311	31,312
2018	125,458	99,156	26,302
2019	118,268	75,694	42,574
2020 - 2024	458,972	407,932	51,040
2025	7,379	7,348	31
	<u>\$ 1,098,946</u>	<u>\$ 870,961</u>	<u>\$ 227,985</u>

Certificates of Participation

The City leases certain equipment through a lease pool agreement with the Georgia Municipal Association (GMA). The funding of the lease pool was provided by the issuance of \$150,126,000 Certificates of Participation by GMA. GMA passed the net proceeds through to the participating municipalities with the City's participation totaling \$4,444,000. The lease pool agreement with GMA provides that the City owns their portion of the assets invested by the pool and is responsible for the payment of their portion of the principal and interest of the Certificates of Participation.

The principal of \$4,444,000 is due in a lump-sum payment on June 1, 2028. Interest is payable at a rate of 4.75% each year. The City draws from the investment to lease equipment from GMA. The lease pool agreement requires the City to make lease payments back into its investment account to fund the principal and interest requirements of the 1998 GMA Certificates of Participation. The GMA lease program expires June 2028.

As part of the issuance of the certificates of participation, the City entered into an interest rate swap agreement. Under the Swap Agreement, the City is required to pay (i) a semi-annual (and beginning July 1, 2003, a monthly) floating rate of interest based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (plus a 31 basis points spread) to, or on behalf of, the Swap Counterparty (the "Swap Payment"); and the Swap Counterparty will pay to, or on behalf of, the City a semi-annual payment based on a rate equal to the fixed rate on the certificates of participation (4.75%) times a notional amount specified in the Swap Agreement, but generally equal to the outstanding unpaid principal portion of such Contract, less the amount originally deposited in the Reserve Fund relating to the Contract, and (ii) a one-time Swap Premium to be

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Certificates of Participation (Continued)

paid on the effective date of the Swap Agreement. The semi-annual payments from the Swap Counterparty with respect to the City are structured, and expected, to be sufficient to make all interest payments due under the Contract, and related distributions of interest on the Certificates. Monthly interest payments between the City, the holders of the Certificates of Participation, and the Swap Counterparty can be made in net settlement form as part of this agreement. Under the Swap Agreement, the City's obligation to pay floating payments to the Swap Counterparty in any calendar year may not exceed an amount equal to the SIFMA Municipal Swap Index plus 5% to be determined on the first business day of December in the preceding year. This agreement matures on June 1, 2028, at the same time of the certificates of participation. This derivative qualifies as a fair market hedge.

In the unlikely event that the Swap Counterparty becomes insolvent, or fails to make payments as specified in the Swap Agreement, the City would be exposed to credit risk in the amount of the Swap's fair value. To minimize this risk, the City executed this agreement with counterparties of appropriate credit strength, with the counterparty being rated Aa3 by Moody's. At June 30, 2014, the floating rate being paid by the City is 0.37%, and the market value of this agreement is \$1,056,798, an increase of \$39,548 from the market value at the end of the previous fiscal year. The market value of the hedge was determined using settlement prices at the end of the day on June 30, 2014 based on the derivative contract. This market value is reported as an asset in the statement of net position. As this derivative is an effective hedge, qualifying for hedge accounting, the inflow from the hedge (any change in fair value from inception until fiscal year end) is deferred and reported as deferred revenue in the statement of net position.

Annual debt service requirements for the certificates of participation are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 211,090	\$ -	\$ 211,090
2016	211,090	-	211,090
2017	211,090	-	211,090
2018	211,090	-	211,090
2019	211,090	-	211,090
2020 - 2024	1,055,450	-	1,055,450
2025 - 2028	5,288,360	4,444,000	844,360
	<u>\$ 7,399,260</u>	<u>\$ 4,444,000</u>	<u>\$ 2,955,260</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Closure/Postclosure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, requires the City to report a liability for the estimated costs of closing and maintaining each landfill site.

Omega/Eldorado Road MSW Landfill Phase 1

The City stopped accepting waste at this landfill site in April 1997, upon reaching full capacity. The City estimated the costs of closing and maintaining this site, based on landfill capacity used to date. The estimated postclosure care costs, recorded in the Solid Waste Collection and Disposal Fund statement of net position is \$729,809.

Omega/Eldorado Road MSW Landfill Phase 3

The City began operations at this site in July 2008. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, which is expected to occur in 2019, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill closure and postclosure care liability at June 30, 2014 of \$2,619,450 is reported in the Solid Waste Collection and Disposal Fund and represents the cumulative amount reported to date based on the use of approximately 81% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$614,439 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in 2014, adjusted annually for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Should any problems occur during the closure and postclosure period, the costs and time period required for the maintenance and monitoring functions may substantially increase.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 6,721,139	\$ -	\$ (3,950,100)	\$ 2,771,039	\$ 126,396
Certificates of participation	4,444,000	-	-	4,444,000	-
Net pension obligation	87,063	-	(87,063)	-	-
Compensated absences	420,250	490,372	(517,816)	392,806	55,263
Governmental activity Long-term liabilities	<u>\$ 11,672,452</u>	<u>\$ 490,372</u>	<u>\$ (4,554,979)</u>	<u>\$ 7,607,845</u>	<u>\$ 181,659</u>
Business-type activities:					
Notes payable	\$ 4,640,267	\$ -	\$ (664,185)	\$ 3,976,082	\$ 352,566
Net pension obligation	33,297	-	(33,297)	-	-
Compensated absences	127,587	53,611	(120,014)	61,184	44,810
Landfill closure / postclosure	3,236,196	113,063	-	3,349,259	-
Business-type activity Long-term liabilities	<u>\$ 8,037,347</u>	<u>\$ 166,674</u>	<u>\$ (817,496)</u>	<u>\$ 7,386,525</u>	<u>\$ 397,376</u>
Downtown Development Authority:					
Notes payable	<u>\$ 1,481,033</u>	<u>\$ -</u>	<u>\$ (610,072)</u>	<u>\$ 870,961</u>	<u>\$ 88,988</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$85,548 of the Service Fund's compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences, and the net pension obligation are substantially liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. PENSION PLAN

Plan Description

The Retirement Plan for the Employees of the City of Tifton, Georgia (the "Plan") is a single employer defined benefit pension plan. The Plan is administered for the City. The Plan was established and is maintained in accordance with ordinance 97-02 as adopted by the City Council. The Plan is funded in conformity with the minimum funding standards in Section 47-20-10 of the Public Retirement Systems standard law. The Plan is part of the City's financial reporting entity and is therefore, included in these financial statements as a Pension Trust Fund. The Plan does not issue a stand-alone financial report.

All individuals who were employed on a full-time basis prior to October 1, 2010 by the City, other than seasonal or temporary employees, automatically participate in the Plan on their date of full-time employment, and are 100% vested upon the attainment of 10 years of covered service. Elected or appointed City officials automatically participate in the Plan if their tenure is at least three years unless such an individual makes an irrevocable election not to participate.

The Plan includes 183 active participants, 158 retirees and beneficiaries receiving benefits, and 49 terminated plan members entitled to but not yet receiving benefits, as of June 30, 2014.

The normal retirement age for Plan participants ranges from age 55 to age 65, though earlier or later retirement is permitted in most cases. The retirement benefit for City employees who entered full-time employment prior to July 1, 2008 is 2.00% of the employee's average monthly compensation multiplied by their years of covered service. The retirement benefit for all other employees is 1.5% of the employee's average monthly compensation multiplied by their years of covered service. With respect to elected or appointed officials, the monthly benefit is equal to \$5 multiplied by covered service.

In the case of early retirement, the participant's benefit is reduced by 2.5% for each year by which the participant's early retirement date precedes his normal retirement date (solely with respect to those individuals who retire immediately from active service and who entered full-time employment prior to July 1, 2008) or the participant's benefit is reduced actuarially to reflect the early commencement of the benefit prior to normal retirement age (with respect to all other individuals).

The Plan also provides a \$5,000 group life insurance benefit for retirees.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. PENSION PLAN (CONTINUED)

Plan Description (Continued)

Plan Disclosures

Effective July 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – and amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with this new standard. The Plan does not issue separate financial statements.

Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2014 were as follows:

Total pension liability	\$ 38,418,181
Plan fiduciary net position	<u>(19,738,450)</u>
City's net pension liability	<u>\$ 18,679,731</u>
Plan fiduciary net position as a percentage of the total pension liability	51.4%

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 pension liability.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of June 30, 2014. The following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.00%
Projected salary increases	3.50%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Mortality Table, which contained sex-distinct rates, with adjustments for mortality improvements based on Scale AA.

No experience study has been performed.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Discount rate. The discount rate used to measure the total pension liability was 6.69%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made equal to the actuarially determined contribution rate. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.69%, as well as what the City's net pension liability would be if it were calculated using a discount rate that it 1-percentage-point lower (5.69%) or 1-percentage-point higher (7.69%) than the current rate.

	1% Decrease 5.69%	Current Discount Rate 6.69%	1% Increase 7.69%
City's net pension liability	\$ 23,199,287	\$ 18,679,731	\$ 14,906,966

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 June 30, 2014.

Employer Disclosures

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, effective July 1, 2014, the provisions of GASB Statement No. 27 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the Plan under GASB Statement No. 67 as previously discussed.

Annual Pension Cost and Net Pension Obligation: The annual required contribution, annual pension cost and net pension obligation (asset) for fiscal year 2014 was determined as part of the July 1, 2014 actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. PENSION PLAN (CONTINUED)

Employer Disclosures (Continued)

Annual required contribution	\$ 1,766,335
Interest on net pension obligation	9,328
Adjustments to annual required contribution	<u>(6,772)</u>
Annual pension cost	1,768,891
Employer contributions made	<u>1,889,251</u>
Decrease in net pension obligation	(120,360)
Net pension obligation, beginning of year	<u>120,360</u>
 Net pension obligation, end of year	 <u><u>\$ -</u></u>

The annual pension cost, actual contributions, and the net pension obligation (asset) for the current and previous two years are presented in the table below.

Trend Information for the Plan				
Year Ending June 30,	Annual Pension Cost (APC)	Employer Contributions	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 1,642,737	\$ 2,136,821	130%	489,794
2013	1,791,701	2,161,134	121%	120,360
2014	1,768,891	1,889,251	107%	-

As of the most recent valuation date, July 1, 2014, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/14	\$ 17,777,464	\$ 35,312,439	\$ 17,534,975	50.3 %	\$ 5,315,072	329.91 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. PENSION PLAN (CONTINUED)

Employer Disclosures (Continued)

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 long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2014.

The assumptions used in the July 1, 2014 actuarial valuation are as follows:

Valuation Date	July 1, 2014
Actuarial cost method	Aggregate cost
Amortization method	Level percentage, open
Remaining amortization period	30 years
Actuarial asset valuation method	Five year smoothed market
Rate of return on investments	7.50%
Projected salary increases	3.50%
Post-retirement benefit increases	3% for active participants hired prior to July 1, 2008 and who retire directly from active employment at or beyond age 65; non-disabled employees who retired at or beyond age 65; and all beneficiaries in payment status as of the valuation date.

NOTE 7. INTERFUND BALANCES AND TRANSFERS

The City's interfund receivables and payables at June 30, 2014 are shown below. These amounts represent short-term receivables and payables. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

	Payable			
	General	Water Revenue	Sewer Revenue	Gas Revenue
Receivable				
Nonmajor governmental fund	\$ -	\$ -	\$ -	\$ -
Water Revenue	-	-	126,550	-
Gas Revenue	-	-	23	-
Internal service fund	181,792	77,277	61,949	63,562
Tift theatre fund	-	-	-	-
Total	<u>\$ 181,792</u>	<u>\$ 77,277</u>	<u>\$ 188,522</u>	<u>\$ 63,562</u>
		Solid Waste Coll. and Disp.		Total
Receivable				
Nonmajor governmental fund	\$ 17			\$ 17
Water Revenue	-			126,550
Gas Revenue	4			27
Internal service fund	153,752			538,332
Tift theatre fund	6,633			6,633
Total	<u>\$ 160,406</u>			<u>\$ 671,559</u>

Advances to/from other funds result from the use of 1998 GMA lease pool proceeds, maintained in the Capital Projects Fund, by various other funds for capital outlay, and the repayment of these funds to the Capital Projects Fund over a period of several years.

	Payable		
	General	Nonmajor Governmental	Total
Receivable			
General fund	\$ -	\$ 30,000	\$ 30,000
Capital projects fund	74,325	-	74,325
Internal service fund	1,449	-	1,449
Total	<u>\$ 75,774</u>	<u>30,000</u>	<u>105,774</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Transfer From	Transfer To			Total
	Capital Projects Fund	Tift Theatre	Nonmajor Governmental	
General	\$ 120,800	\$ -	\$ 30,000	\$ 150,800
Water Revenue	89,000	-	-	89,000
Sewer Revenue	89,000	-	-	89,000
Gas Revenue	89,000	-	-	89,000
Solid waste coll. and disp.	89,000	-	-	89,000
Internal service fund	740,000	-	-	740,000
Nonmajor governmental fund	-	287,078	-	287,078
Total	\$ 1,216,800	\$ 287,078	\$ 30,000	\$ 1,533,878

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8. RELATED ORGANIZATION

The City's governing body is responsible for all of the board appointments of the City of Tifton Housing Authority. However, the City has no further accountability for this organization.

NOTE 9. HOTEL/MOTEL TAX

The City imposes a 5% hotel/motel tax on lodging facilities within the City. For the fiscal year ended June 30, 2014, \$858,690 of hotel/motel tax was collected. During the year, \$343,476 was paid to the Tifton-Tift County Tourism Association, \$69,122 was paid to the Downtown Development Authority, and \$20,000 was paid to the Chamber of Commerce for the promotion of tourism. The remainder of the funds totaling \$426,092 was spent by the City in accordance with OCGA 48-13-51.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the 10-county south Georgia area, is a member of the Southern Georgia Regional Commission and is required to pay annual dues thereto. During its year ended June 30, 2014, the City paid \$25,665 in such dues. Membership in a Regional Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Regional Commission in Georgia. The Regional Commission 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 a Regional Commission. Separate financial statements may be obtained from the Southern Georgia Regional Commission, P.O. Box 1223, Valdosta, Georgia 31603.

The City of Tifton and Tift County have entered into an agreement concerning the maintenance and operation of the Solid Waste Collection and Disposal Revenue Fund. This agreement calls for the City of Tifton to manage and operate the fund. It is the intent of the parties for these operations to be self-supporting through user charges and any surplus generated by these operations be accumulated and used for future use in these operations. The costs of any deficits are to be shared equally between the City and County. The financial statements for this operation are included as an enterprise fund in this financial report.

The City of Tifton and Tift County have also entered into an agreement combining the water and sewer operations of both entities. The City of Tifton manages and operates these activities. The financial statements of these operations are included as a part of this report as the Water Revenue Fund and the Sewer Revenue Fund. The title to all capital assets and any related debt remain with the respective entities; therefore, those items belonging to Tift County are not included in this report. However, because the City agreed to repay Tift County's outstanding debt on the water operations as part of the agreement, the note payable is included as a liability in the Water Revenue Fund.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grants from Governments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Construction Commitments

In addition to the liabilities enumerated in the balance sheet at June 30, 2014, the City has contractual commitments on uncompleted contracts of approximately \$1,340,315.

Agreements with the Municipal Gas Authority of Georgia

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2016, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$2,681,907.

At June 30, 2014, the outstanding debt of MGAG was approximately \$2,260,000,000. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$5,933,477 at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds and to report as promptly as possible and in accordance with any coverage descriptions issued, all incidents which could result in the risk pools being required to pay any claim of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the risk pools.

NOTE 13. SUBSEQUENT EVENTS

Subsequent to year end, Council approved Resolution No. 2014-48 on September 8, 2014 authorizing the negotiation of an amendment to the contract with ESG Operations, Inc. to provide for the operation, management and maintenance of the City's Natural Gas system, Public Works Department and Fleet Maintenance Facility. The City entered into an agreement with ESG Operations, Inc., ("ESG"), effective October 1, 2014. The initial term of this agreement is 10 years commencing on October 1, 2014 and may be automatically renewed thereafter for one successive 10-year term unless canceled by either party no less than one hundred and twenty (120) days prior to the expiration date of the initial or successive term. The amended contracted base fee shall be prorated based on an annual amount of \$6,087,000.

On December 1, 2014, City Council approved a "Solid Waste Ordinance" to have a uniform and consistent procedure for regulating the storage, collection, transportation and disposal of solid waste in the incorporated areas of the City. In addition, the City Manager was authorized to negotiate and enter into a "Solid Waste Collection and Disposal Agreement" with the selected bidder, Golden Environmental, LLC, for the service Contractor, to become effective on December 1, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. SUBSEQUENT EVENTS (CONTINUED)

On December 8, 2014, City Council approved a Resolution providing for the issuance of the "Sewer Refunding Revenue Bond, Series 2014", in the principal amount of \$2,735,000 for refinancing two Georgia Environmental Finance Authority Loans. Current interest rates have fallen, and the City can realize a savings of interest by refinancing these loans and issuing the bond. BB&T provided the lowest bid with an interest rate of 2.26% and met the criteria specified in the proposal. The bond is scheduled to close on December 29, 2014.

NOTE 14. FUND BALANCE RECLASSIFICATION / RESTATEMENT

During the year ended June 30, 2014, the City established a Confiscated Asset Fund to account for monies deemed as forfeited property by courts to the City from cases related to illegal drug activity. In prior years, these monies were accounted for in the General Fund. In accordance with state law, these monies are now accounted for in a separate fund.

General Fund

Fund balance, as previously reported	\$ 5,420,040
Reclassification to Confiscated Asset Fund	(27,981)
Fund balance, beginning of year after reclassification	<u>\$ 5,392,059</u>

Confiscated Assets

Fund balance, as previously reported	\$ -
Reclassification from General Fund	27,981
Fund balance, beginning of year after reclassification	<u>\$ 27,981</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TIFTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	2014
Total pension liability	
Interest on total pension liability	\$ 2,129,173
Changes of benefit terms	5,538,967
Differences between expected and actual experience	335,746
Changes of assumptions	4,230,628
Benefit payments, including refunds of employee contributions	(2,237,177)
Net change in total pension liability	9,997,337
Total pension liability - beginning	28,420,844
Total pension liability - ending	\$ 38,418,181
Plan fiduciary net position	
Contributions - employer	\$ 1,889,252
Net investment income	2,179,770
Benefit payments, including refunds of employee contributions	(2,117,590)
Net change in plan fiduciary net position	1,951,432
Plan fiduciary net position - beginning	17,787,018
Plan fiduciary net position - ending	\$ 19,738,450
County's net pension liability - ending	\$ 18,679,731
Plan fiduciary net position as a percentage of the total pension liability	51.4%
Covered employee payroll	\$ 5,315,072
County's net pension liability as a percentage of covered employee payroll	351.4%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

CITY OF TIFTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS

	<u>2014</u>
Actuarially determined contribution	\$ 1,766,335
Contributions in relation to the actuarially determined contribution	1,889,251
Contribution deficiency (excess)	<u>\$ (122,916)</u>
Covered employee payroll	5,315,072
Contributions as a percentage of covered employee payroll	35.5%

Notes to the Schedule

Valuation date	June 30, 2014
Cost method	Aggregate cost
Actuarial asset valuation method	Five year smoothed market value
Assumed rate of return on investments	7.50%
Projected salary increases	3.50%
Cost-of-living adjustment	3.00%
Amortization method	Level percentage, open
Remaining amortization period	30 years

The schedule will present 10 years of information once it is accumulated.

CITY OF TIFTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION INVESTMENT RETURNS

2014

Annual money-weighted rate of return, net of investment expenses
for the City of Tifton's pension plan.

7.50%

Note to the Schedule

The schedule will present 10 years of information once it is accumulated.

CITY OF TIFTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

CITY OF TIFTON PENSION PLAN						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/09	\$ 14,793,218	\$ 28,443,711	\$ 13,650,493	52.01 %	\$ 6,920,405	197.25 %
07/01/10	16,088,699	27,112,653	11,023,954	59.34	6,562,475	167.98
07/01/11	16,234,618	27,133,004	10,898,386	59.83	6,076,604	179.35
07/01/12	16,243,719	28,355,976	12,112,257	57.28	5,530,562	219.01
07/01/13	16,503,063	28,420,844	11,917,781	58.07	4,647,101	256.46
07/01/14	17,777,464	35,312,439	17,534,975	50.34	5,315,072	329.91

The assumptions used in the preparation of the above schedule are disclosed in Note 6 to the financial statements.

COMBINING STATEMENTS AND SCHEDULES

CITY OF TIFTON, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Community Development Revolving Loan Fund** accounts for grant revenues and expenditures relating to various short lived projects.

The **Hotel/Motel Tax Fund** accounts for the Hotel/Motel accommodation excise tax receipts and distributions to tourism promoting organizations as required by agreements with these organizations.

The **Grant Fund** accounts for grant revenues and expenditures relating to various short lived projects.

The **Confiscated Assets Fund** accounts for monies deemed as forfeited property by courts to the City from cases related to illegal drug activity.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The **CDBG Grant Fund** accounts for grant revenues and expenditures associated with community development block grants received from the Department of Housing and Urban Development.

CITY OF TIFTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

ASSETS	Special Revenue Funds				Capital Project Fund	Total
	Community Development Revolving Loan Fund	Hotel/Motel Tax Fund	Grant Fund	Confiscated Assets Fund	CDBG Grant Fund	
Cash and cash equivalents	\$ 22,472	\$ 289,287	\$ 22,520	\$ 30,509	\$ -	\$ 364,788
Taxes receivable	-	84,308	-	-	-	84,308
Accounts receivable, net	-	-	-	-	3,000	3,000
Due from other governments	-	-	21,414	-	-	21,414
Due from other funds	-	-	17	-	-	17
Due from component unit	179,344	-	-	-	-	179,344
Total assets	\$ 201,816	\$ 373,595	\$ 43,951	\$ 30,509	\$ 3,000	\$ 652,871
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ 71,506	\$ 6,800	\$ -	\$ 3,000	\$ 81,306
Advances from other funds	-	-	30,000	-	-	30,000
Total liabilities	-	71,506	36,800	-	3,000	111,306
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - grants	-	-	844	-	-	844
Total deferred inflows of resources	-	-	844	-	-	844
FUND BALANCES						
Restricted for:						
Housing and development	201,816	-	-	-	-	201,816
Tourism	-	302,089	-	-	-	302,089
Public safety	-	-	6,307	30,509	-	36,816
Total fund balances	201,816	302,089	6,307	30,509	-	540,721
Total liabilities, deferred inflows of resources, and fund balances	\$ 201,816	\$ 373,595	\$ 43,951	\$ 30,509	\$ 3,000	\$ 652,871

CITY OF TIFTON, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds				Capital Project Fund	Total
	Community Development Revolving Loan Fund	Hotel/Motel Tax Fund	Grant Fund	Confiscated Assets Fund	CDBG Grant Fund	
Revenues:						
Taxes	\$ -	\$ 858,690	\$ -	\$ -	\$ -	\$ 858,690
Intergovernmental	-	-	594,583	-	13,000	607,583
Interest revenue	1,978	132	-	-	-	2,110
Fines and forfeitures	-	-	-	9,058	-	9,058
Other revenues	-	7,500	-	-	-	7,500
Total revenues	<u>1,978</u>	<u>866,322</u>	<u>594,583</u>	<u>9,058</u>	<u>13,000</u>	<u>1,484,941</u>
Expenditures:						
Current:						
Public safety	-	-	529,411	-	-	529,411
Public works	-	-	156	6,530	-	6,686
Culture and recreation	-	486,840	-	-	13,000	499,840
Housing and development	-	-	112,049	-	-	112,049
Debt service:						
Principal	-	123,495	-	-	-	123,495
Interest	-	18,235	-	-	-	18,235
Total expenditures	<u>-</u>	<u>628,570</u>	<u>641,616</u>	<u>6,530</u>	<u>13,000</u>	<u>1,289,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,978</u>	<u>237,752</u>	<u>(47,033)</u>	<u>2,528</u>	<u>-</u>	<u>195,225</u>
Other financing sources (uses)						
Transfers in	-	-	30,000	-	-	30,000
Transfers out	-	(287,078)	-	-	-	(287,078)
Total other financing sources (uses)	<u>-</u>	<u>(287,078)</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>(257,078)</u>
Net change in fund balances	1,978	(49,326)	(17,033)	2,528	-	(61,853)
Fund balances, beginning of year, restated	<u>199,838</u>	<u>351,415</u>	<u>23,340</u>	<u>27,981</u>	<u>-</u>	<u>602,574</u>
Fund balances, end of year	<u>\$ 201,816</u>	<u>\$ 302,089</u>	<u>\$ 6,307</u>	<u>\$ 30,509</u>	<u>\$ -</u>	<u>\$ 540,721</u>

CITY OF TIFTON, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Project Description</u>	<u>Original Estimated Cost</u>	<u>Revised Estimated Cost</u>	<u>Expenditures</u>		<u>Total</u>
			<u>Prior Years</u>	<u>Current Year</u>	
<u>2013 Referendum</u>					
General Obligation Debt for Telecom Services	\$ 4,500,000	\$ 4,500,000	\$ 350,000	\$ 1,957,090	\$ 2,307,090
Senior Citizen Center Renovation and Improvements	500,000	500,000	-	-	-
Road, Street, Bridge Projects, Drainage and Parking	8,800,000	8,800,000	-	4,248	4,248
Technology Equipment and Upgrades	1,500,000	1,500,000	-	-	-
Water and Sewer System Capital Outlay and Improvements	7,600,000	7,600,000	-	-	-
Fire Department Capital Outlay and Facilities Upgrades	1,600,000	1,600,000	-	-	-
	<u>\$ 24,500,000</u>	<u>\$ 24,500,000</u>	<u>\$ 350,000</u>	<u>\$ 1,961,338</u>	<u>\$ 2,311,338</u>

Total per Statement of Revenues, Expenditures and Changes in Fund Balances \$ 1,961,338

CITY OF TIFTON, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Project Description</u>	<u>Original Estimated Cost</u>	<u>Revised Estimated Cost</u>	<u>Expenditures</u>		
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>2006 Referendum</u>					
Street and sidewalk improvements	\$ 2,670,000	\$ 2,670,000	\$ 2,110,140	\$ 292,244	\$ 2,402,384
New fire station and equipment	2,660,000	2,660,000	1,381,565	496,558	1,878,123
Police equipment	414,000	414,000	308,229	-	308,229
Sewer system improvements	6,831,000	6,831,000	4,940,036	566,924	5,506,960
Water system improvements	5,200,000	5,200,000	4,105,889	-	4,105,889
Drainage improvements	2,500,000	2,500,000	2,050,042	-	2,050,042
Senior center improvements	750,000	750,000	62,882	53,731	116,613
City hall renovations	1,000,000	1,000,000	403,315	325,582	728,897
Recycling facility improvements	450,000	450,000	263,230	-	263,230
Landfill/Sanitation equipment	650,000	650,000	582,775	-	582,775
Park and cemetery improvements	200,000	200,000	6,650	-	6,650
Maintenance warehouse improvements	650,000	650,000	312,333	-	312,333
M.I.S. Improvements	1,850,000	1,850,000	1,245,986	144,803	1,390,789
	<u>\$ 25,825,000</u>	<u>\$ 25,825,000</u>	<u>\$ 17,773,072</u>	<u>\$ 1,879,842</u>	<u>\$ 19,652,914</u>
Total per Statement of Revenues, Expenditures and Changes in Fund Balances				\$ 2,365,237	
Expenditures funded by grant revenues				(485,395)	
				<u>\$ 1,879,842</u>	

COMPLIANCE SECTION

**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**

**To the Honorable Mayor and Members
of the City Council
Tifton, Georgia**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tifton, Georgia (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2014. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as

Items 2014-001 and 2014-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tifton, Georgia'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*.

City of Tifton, Georgia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
December 22, 2014

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

**To the Honorable Mayor and Members
of the City Council
Tifton, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the City of Tifton, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Tifton, Georgia's major federal programs for the year ended June 30, 2014. The City of Tifton, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Tifton, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Tifton, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Tifton, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Tifton, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Tifton, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Tifton, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Tifton, Georgia's internal control over compliance.

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

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 22, 2014

CITY OF TIFTON, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
(Passed through Georgia Department of Community Affairs)			
Community HOME Investment Program	14.239	2011-825	\$ 111,799
Community Development Block Grant	14.218	13P-X-137-2-5565	13,000
Total U.S. Department of Housing and Urban Development			<u>124,799</u>
<u>U.S. Department of Justice</u>			
JAG Program Cluster:			
Justice Assistance Grant	16.738	2012-DJ-BX-0764	6,703
Justice Assistance Grant	16.738	2013-DJ-BX-0129	6,969
Justice Assistance Grant	16.803	B82-8-382	9,000
Total JAG Program Cluster			<u>22,672</u>
Bulletproof Vest Program	16.607		5,270
Total U.S. Department of Justice			<u>27,942</u>
<u>U.S. Department of Homeland Security</u>			
Assistance to Firefighters	97.044	EMW-2012-FO-06922	420,120
Total U.S. Department of Interior			<u>420,120</u>
<u>U.S. Department of Transportation</u>			
(Passed through Georgia Department of Transportation)			
Transportation Enhancement - Streetscape Phase 2	20.205	CSTEE-009-00 (134)	297,355
SAFETEA-LU	20.610	CSHPP-0007-00(578)	20,533
Total U.S. Department of Transportation			<u>317,888</u>
Total Expenditures of Federal Awards			<u>\$ 890,749</u>

Note:

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

CITY OF TIFTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.044	U.S. Department of Homeland Security Assistance to Firefighters Grant
20.205	U.S. Department of Transportation Transportation Enhancement Grant

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF TIFTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

SECTION II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2014 - 001. GMA Lease Pool

Criteria: In June 1998, the City, along with other municipalities in Georgia, entered into a lease pool agreement with the Georgia Municipal Association (GMA). The funding of the lease pool was provided by the issuance of \$150,126,000 Certificates of Participation by GMA. GMA passed the net proceeds through to the participating municipalities with the City's participation totaling \$4,444,000. The City is responsible for repaying the \$4,444,000 back to GMA in a lump sum payment on June 1, 2028.

The lease pool agreement with GMA provides that the City owns their portion of the assets invested in the pool. Therefore the \$4,444,000 is recorded as an investment on the books of the City. The City periodically uses these funds to purchase capital assets. As this happens, the balance of the investment decreases. The lease pool agreement requires the City to make semiannual lease payments, with the principal portion being repaid back into the City's investment account and the interest portion paid to GMA for the use of the \$4,444,000.

Condition: During the year ended June 30, 2014, the City recorded loan proceeds when amounts were used from the investment account to purchase capital assets, and debt service expenditures for the repayment of amounts back into the investment account. This method of recording these transactions is not in accordance with generally accepted accounting principles (GAAP), but is instead on a budgetary basis.

Context: See above condition.

Effect: An adjustment to decrease loan proceeds in the amount of \$1,281,907 and decrease principal payments in the amount of \$232,046 was required to be recorded in the Capital Projects Fund at June 30, 2014.

Recommendation: We recommend the City account for its GMA lease pool transactions in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding and recommendation, and will establish procedures to ensure GMA lease pool transactions are accounted for in accordance with GAAP at year end for financial reporting purposes.

CITY OF TIFTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

SECTION II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (CONTINUED)

2014 - 002. Accounts Receivable Software and Reports

Criteria: During the year ended June 30, 2014, the City converted its utilities software from TBS to Govern. This software captures and maintains all transactions related to the utility funds.

Condition: During our audit of accounts receivable, we noted the following with respect to the new software:

1. The City was unable to provide an accounts receivable detail report from the software that agreed with the general ledger.
2. During our testing of specific customer balances, we noted that the accounts receivable detail report provided to us was not properly reflecting payments made by customers prior to year end.

Context: See above condition.

Effect: Without accurate reports from the utility software, the City is unable to accurately reconcile the utility activity to the general ledger.

Recommendation: We recommend the City continue to work with Govern to create accurate reports which correctly reflect the activity and year end balances.

Views of Responsible Officials and Planned Corrective Action: We concur and will work with Govern to create needed reports.

CITY OF TIFTON, GEORGIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

CITY OF TIFTON, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

STATUS OF PRIOR YEAR AUDIT FINDINGS

2013 - 001. Capital Assets

Criteria: Detailed property records are an important tool in maintaining control over capital assets and ensuring the proper calculation of depreciation.

Condition: During our audit of capital assets, we noted the following with respect to capital assets:

1. No one at the City is responsible for maintaining subsidiary ledgers for the City's many ongoing construction projects, whereby all costs associated with each project are recorded so that once the project is complete, an accurate total cost is available for adding to the detail list of capital assets and subsequently depreciated.
2. An inventory of all City property and equipment has not been done in a number of years.
3. Adjustments were necessary in the Service Fund to record a capital contribution and an increase in capital assets in the amount of \$128,099 for improvements made to the City Hall building and paid for by the SPLOST Fund. Additionally, an adjustment was made in the Water Fund to properly capitalize system improvements and reduce expenses in the amount of \$18,465.

Auditee Response/Status: Resolved.

2013 - 002. Notes Receivable

Criteria: For funds accounted for under the full accrual method of accounting, generally accepted accounting principles require notes receivable to be recorded in the accounting period in which the note agreement is executed.

Condition: In August 2012, the City entered into separate note agreements with four (4) different entities to extend gas pipelines in order to provide gas services to these entities. The entities were to make payments, including interest, to reimburse the City for the cost of the pipeline extension. These notes were entered into and became effective in August 2012 and should have been recorded in the Gas Fund.

Auditee Response/Status: Resolved.

CITY OF TIFTON, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

2013 - 003. Bank Accounts Not Included on the City's Books

Criteria: All bank accounts in the name of a government and/or using the tax identification number of a government should be recorded on the books of that government.

Condition: During our audit of cash, we noted two (2) bank accounts maintained by the City, but which have not been recorded on the City's books.

Auditee Response/Status: Resolved.

2013 - 004. Interfund Activity

Criteria: With the exception of internal service fund activity, amounts received from other funds should be recorded as due to other funds or as transfers in from other funds.

Condition: The City's Multiple Grant Fund received monies from the General Fund to cover the City's required match for a grant and recorded this amount as deferred revenue because the funds were not expended as of June 30, 2013.

Auditee Response/Status: Resolved.

2013 - 005. Internal Controls over Journal Entries

Criteria: Sound internal controls over journal entries require the ability to differentiate between journal entries and other adjustments made in the normal course of operations.

Condition: The City's financial software system codes all information coming from other modules as a journal entry, with no way to distinguish between cash receipts/cash disbursements activity and actual adjusting journal entries made by City personnel.

Auditee Response/Status: Resolved.

CITY OF TIFTON, GEORGIA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

2013 - 006. Use of Special Revenue Fund to Account for Confiscated Assets Activity

Criteria: The State of Georgia Uniform Chart of Accounts requires the use of a Special Revenue Fund to account for certain activities, including confiscated assets.

Condition: The City is accounting for the receipt of confiscated assets and the subsequent expenditure of these funds within the City's General Fund.

Auditee Response/Status: Resolved.