# CITY OF TIFTON, GEORGIA

## ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED
## JUNE 30, 2012

Prepared by:
Tifton Finance Department

# CITY OF TIFTON, GEORGIA

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## FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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# CITY OF TIFTON, GEORGIA

## ANNUAL FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

# INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tifton, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 15) and the Schedule of Funding Progress (on page 63) 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.

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Tifton, Georgia. The accompanying schedules of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
August 13, 2013

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, 2012. 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 $99.2 million, which exceeded its liabilities of $24.2 million at the close of the most recent fiscal year by $75.1 million (net assets). Of this amount, $11 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

  Total net assets are comprised of the following:

  - Investment in capital assets, net of related debt, is $56.2 million and includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items).

  - Net assets of $7.8 million are restricted by constraints imposed from outside the City such as laws and regulations or debt covenants.

  - Unrestricted net assets decreased from $17.5 million in fiscal year 2011 to $11 million in fiscal year 2012.

- In the governmental activities, total assets in fiscal year 2012 increased by $3.5 million. Long-term liabilities increased from $11.4 million in 2011 to $11.7 million in 2012.

- Total revenues for governmental activities increased from $16 million in 2011 to $16.8 million in 2012. Total revenues for business-type activities were $16.7 million in 2011 and $16.6 million in 2012.

- Total expenses for governmental activities increased from $13.7 million in 2011 to $14.6 million in 2012, and total expenses for business-type activities increased from $15 million in 2011 to $16 million in 2012.

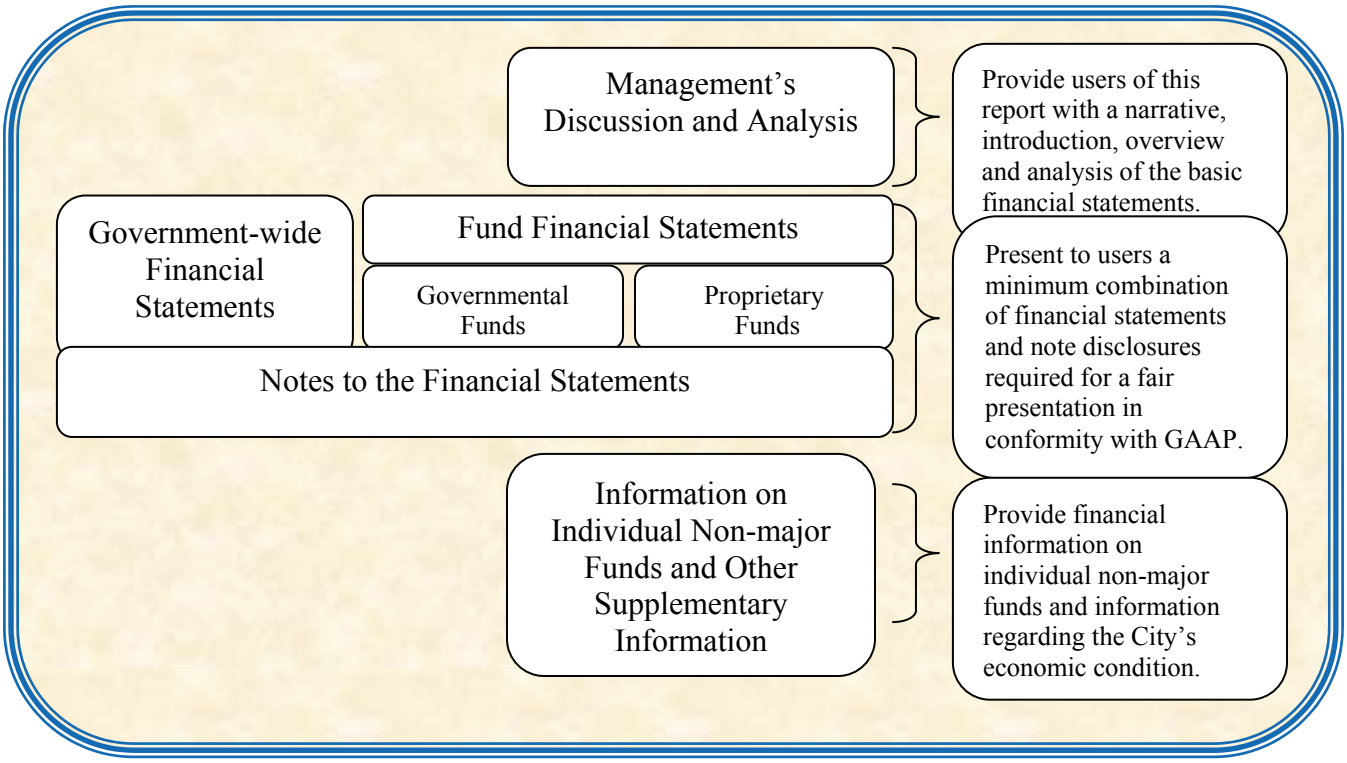
- The total cost of all City programs increased by $1.9 million.

- The General Fund (the primary operating fund of the City), reflected on a current financial resources basis, reported an unassigned fund balance of $2.5 million for the current fiscal year.

- The total assets of the City's component unit, Downtown Development Authority (DDA), were $5.2 million, which exceeded its liabilities of $1.8 million by $3.3 million (net assets).

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Financial Report has been in prepared 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 assets presents information on all assets and liabilities of the City, with the difference between assets and liabilities reported as net assets. This is the government-wide statement of position. Over time, increases or decreases in net assets 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 assets. 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.

In the statement of net assets 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, and gas system are reported here.

**Component unit**
The City includes the Downtown Development Authority (DDA), a separate legal entity, in its report. The DDA has two programs: the Tift Theatre and 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:

***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 four enterprise funds: Water, Sewer, Gas and Solid Waste Collection and Disposal.

***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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following schedule provides a summary of assets, liabilities, and net assets of the City for fiscal years 2012 and 2011:

**City of Tifton's Net Assets**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | $ 18,160,963 | $ 13,922,749 | $ 12,938,119 | $ 12,111,092 | $ 31,099,082 | $ 26,033,841 |
| Capital assets | 30,896,239 | 31,681,473 | 37,237,933 | 36,983,455 | 68,134,172 | 68,664,928 |
| Total assets | 49,057,202 | 45,604,222 | 50,176,052 | 49,094,547 | 99,233,254 | 94,698,769 |
| Other liabilities | 3,216,571 | 1,481,406 | 2,118,496 | 1,779,072 | 5,335,067 | 3,260,478 |
| Long-term liabilities outstanding | 11,709,272 | 11,435,552 | 7,116,874 | 7,654,066 | 18,826,146 | 19,089,618 |
| Total liabilities | 14,925,843 | 12,916,958 | 9,235,370 | 9,433,138 | 24,161,213 | 22,350,096 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 23,059,931 | 20,239,162 | 33,180,787 | 32,864,992 | 56,240,718 | 53,104,154 |
| Restricted | 7,849,630 | 1,775,104 | - | - | 7,849,630 | 1,775,104 |
| Unrestricted | 3,221,798 | 10,672,998 | 7,759,895 | 6,796,417 | 10,981,693 | 17,469,415 |
| Total net assets | $ 34,131,359 | $ 32,687,264 | $ 40,940,682 | $ 39,661,409 | $ 75,072,041 | $ 72,348,673 |

The City's investments in capital assets, net of related debt, such as land, buildings, machinery infrastructures, and equipment as a percentage of net assets represents 75 percent and 73 percent for fiscal year 2012 and 2011, 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 decreased $6.5 million and restricted net assets increased $6.1 million for fiscal year 2012. 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 2012.

The schedule below provides a summary of the changes in net assets for fiscal years 2012 and 2011:

**City of Tifton's Changes in Net Assets**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | $ 3,067,998 | $ 3,411,410 | $ 15,533,995 | $ 15,236,857 | $ 18,601,993 | $ 18,648,267 |
| Operating grants and contributions | 503,489 | 90,181 | - | - | 503,489 | 90,181 |
| Capital grants and contributions | 3,897,576 | 4,167,730 | 990,847 | 1,200,000 | 4,888,423 | 5,367,730 |
| General revenues: | | | | | | |
| Property taxes | 2,262,020 | 2,285,321 | - | - | 2,262,020 | 2,285,321 |
| Sales taxes | 2,886,689 | 2,730,376 | - | - | 2,886,689 | 2,730,376 |
| Insurance premium tax | 766,884 | 810,707 | - | - | 766,884 | 810,707 |
| Alcoholic beverage taxes | 417,570 | 417,644 | - | - | 417,570 | 417,644 |
| Hotel motel taxes | 694,292 | 682,634 | - | - | 694,292 | 682,634 |
| Franchise taxes | 1,250,993 | 1,228,407 | - | - | 1,250,993 | 1,228,407 |
| Other taxes | 683,644 | - | - | - | 683,644 | - |
| Unrestricted investment earnings | 320,837 | 29,568 | 49,319 | 94,343 | 370,156 | 123,911 |
| Misc revenues | - | 121,308 | - | 174,803 | - | 296,111 |
| Gain on sale of capital assets | - | - | 44,189 | - | 44,189 | - |
| Total revenues | 16,751,992 | 15,975,286 | 16,618,350 | 16,706,003 | 33,370,342 | 32,681,289 |
| Expenses: | | | | | | |
| General government | 649,327 | 3,198,248 | - | - | 649,327 | 3,198,248 |
| Judicial | 178,322 | - | - | - | 178,322 | - |
| Public safety | 7,341,862 | 6,917,648 | - | - | 7,341,862 | 6,917,648 |
| Public works | 4,676,924 | 2,561,956 | - | - | 4,676,924 | 2,561,956 |
| Health and welfare | 170,203 | 181,196 | - | - | 170,203 | 181,196 |
| Culture and recreation | 603,972 | 476,099 | - | - | 603,972 | 476,099 |
| Housing and development | 447,122 | - | - | - | 447,122 | - |
| Interest on long-term debt | 490,369 | 336,735 | - | - | 490,369 | 336,735 |
| Water | - | - | 3,611,599 | 3,381,905 | 3,611,599 | 3,381,905 |
| Sewer | - | - | 3,792,947 | 3,795,073 | 3,792,947 | 3,795,073 |
| Gas | - | - | 3,305,305 | 3,738,589 | 3,305,305 | 3,738,589 |
| Solid Waste | - | - | 5,333,180 | 4,098,624 | 5,333,180 | 4,098,624 |
| Total expenses | 14,558,101 | 13,671,882 | 16,043,031 | 15,014,191 | 30,601,132 | 28,686,073 |
| Change in net assets before transfers | 2,193,891 | 2,303,404 | 575,319 | 1,691,812 | 2,769,210 | 3,995,216 |
| Transfers | 30,000 | (2,257,454) | (30,000) | 2,257,454 | - | - |
| Change in net assets | 2,223,891 | 45,950 | 545,319 | 3,949,266 | 2,769,210 | 3,995,216 |
| Net assets, beginning, restated | 31,907,468 | 32,641,314 | 40,395,363 | 35,712,143 | 72,302,831 | 68,353,457 |
| Net assets, ending | $ 34,131,359 | $ 32,687,264 | $ 40,940,682 | $ 39,661,409 | $ 75,072,041 | $ 72,348,673 |

The City's total revenues increased by $689 thousand in fiscal year 2012. Key elements of this increase are as follows:

- Charges for services, which make up 55.7 percent of total revenue, increased by $46 thousand due to an increase in fines and forfeitures, court fees, water fines, and building permits. Also, perpetual care fees were established in 2012.
- Operating grants and contributions increased by $413 thousand, which was comprised mostly of federal and state grants and contributions for various projects of the City's general government, public safety, public works and health and welfare.
- Unrestricted investment earnings increased by $246 thousand due to a prior year adjustment in capital projects.
- Sales taxes increased by $156 thousand due to a slight upturn in the overall economy.

The total cost of all programs and services for fiscal year 2012 was $30.6 million compared to $28.7 million for fiscal year 2011. The City's expenses cover a range of services with public safety comprising 24 percent of total expenses.

**Governmental Activities**

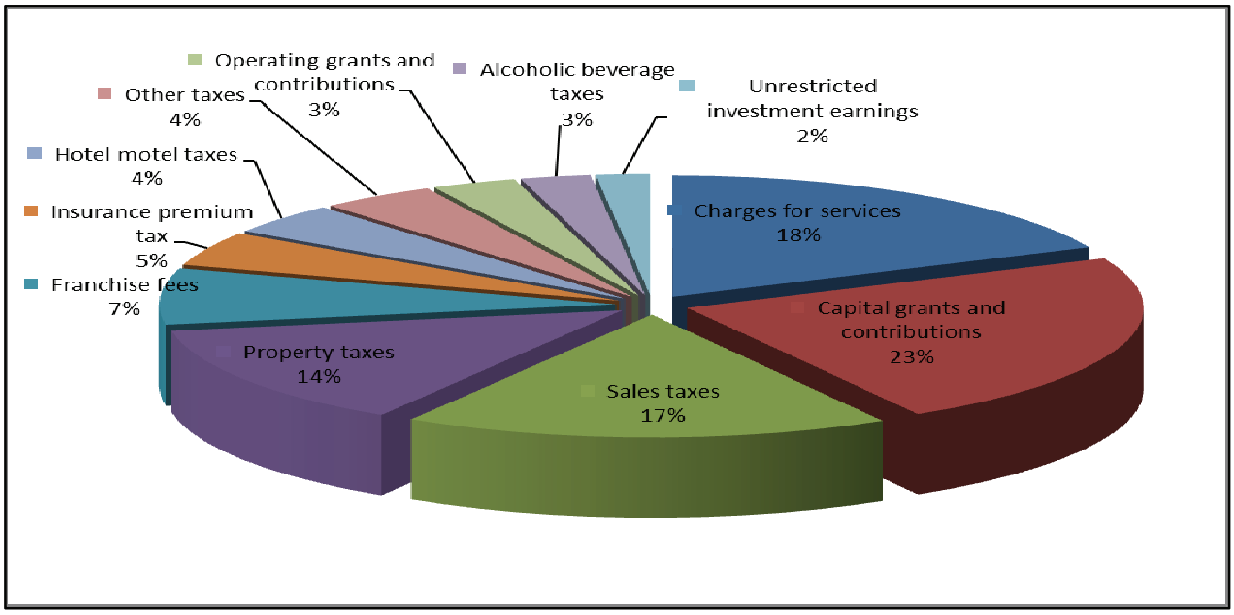
Total governmental activities revenue increased $777 thousand. This increase is mainly attributable to an increase in charges for services and operating grants and contributions. Charges for services increased as a result of an increase in fines and forfeitures, court fees, and building permits and the establishment of perpetual care fees. Operating grants and contributions increased as a result of federal and state grants and contributions for various projects of the City's general government, public safety, public works and health and welfare.

Charges for services and capital grants and contributions account for 41 percent of total governmental activities revenues. Sales taxes and property taxes account for another 17 percent and 14 percent, respectively.

The following charts depict revenues of the governmental activities for fiscal years 2012 and excluding transfers:

**Governmental Activities - Revenues**

| | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for services | $ 3,067,998 | $ 3,411,410 | ($343,412) |
| Capital grants and contributions | 3,897,576 | 4,167,730 | ($270,154) |
| Sales taxes | 2,886,689 | 2,730,376 | $156,313 |
| Property taxes | 2,262,020 | 2,285,321 | ($23,301) |
| Franchise fees | 1,250,993 | 1,228,407 | $22,586 |
| Insurance premium tax | 766,884 | 810,707 | ($43,823) |
| Hotel motel taxes | 694,292 | 682,634 | $11,658 |
| Other taxes | 683,644 | - | $683,644 |
| Operating grants and contributions | 503,489 | 90,181 | $413,308 |
| Alcoholic beverage taxes | 417,570 | 417,644 | ($74) |
| Unrestricted investment earnings | 320,837 | 29,568 | $291,269 |
| Miscellaneous revenue | - | 121,308 | ($121,308) |
| **Total governmental revenues** | **$ 16,751,992** | **$ 15,975,286** | **$ 776,706** |



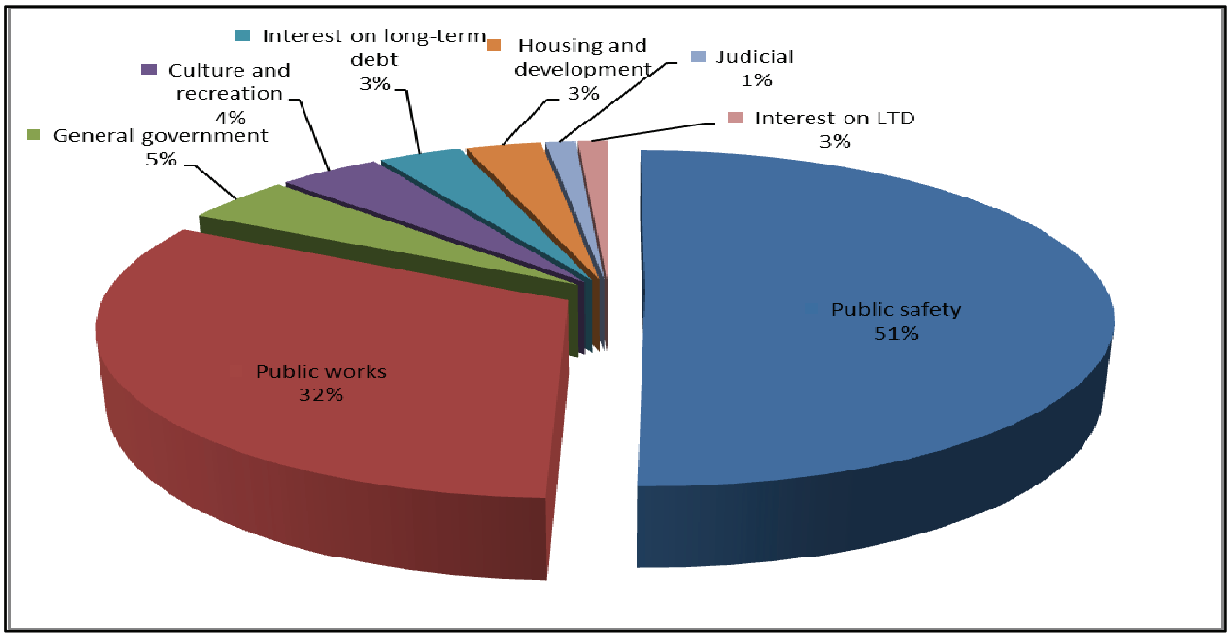
Total governmental activities expenditures increased by $886 thousand. This increase is mainly attributable to increases in public safety and public works. Public safety increased as a result of a rise in group health insurance and retirement expense. Public works increased as a result of combining departments (parks/cemetery, traffic, and street). General government expenses decreased as a result of reduced contributions to outside agencies, the establishment of a new department for code enforcement, and the transfer of certain services (911, animal control, mosquito control, and EMA) to Tift County.

The most significant governmental expense for the City is providing public safety services such as fire, police, and environmental management. This comprises 51 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 32 percent of total governmental expenses.

The following charts depict expenses of the governmental activities for fiscal years 2012 and 2011:

**Governmental Activities - Expenses**

| | 2012 | 2011 | Change |
|---|---|---|---|
| **Expenses:** | | | |
| Public safety | $ 7,341,862 | $ 6,917,648 | $ 424,214 |
| Public works | 4,676,924 | 2,561,956 | 2,114,968 |
| General government | 649,327 | 3,198,248 | (2,548,921) |
| Culture and recreation | 603,972 | 476,099 | 127,873 |
| Interest on long-term debt | 490,369 | 336,735 | 153,634 |
| Housing and development | 447,122 | - | 447,122 |
| Judicial | 178,322 | - | 178,322 |
| Health and welfare | 170,203 | 181,196 | (10,993) |
| **Total governmental expenses** | **$ 14,558,101** | **$ 13,671,882** | **$886,219** |



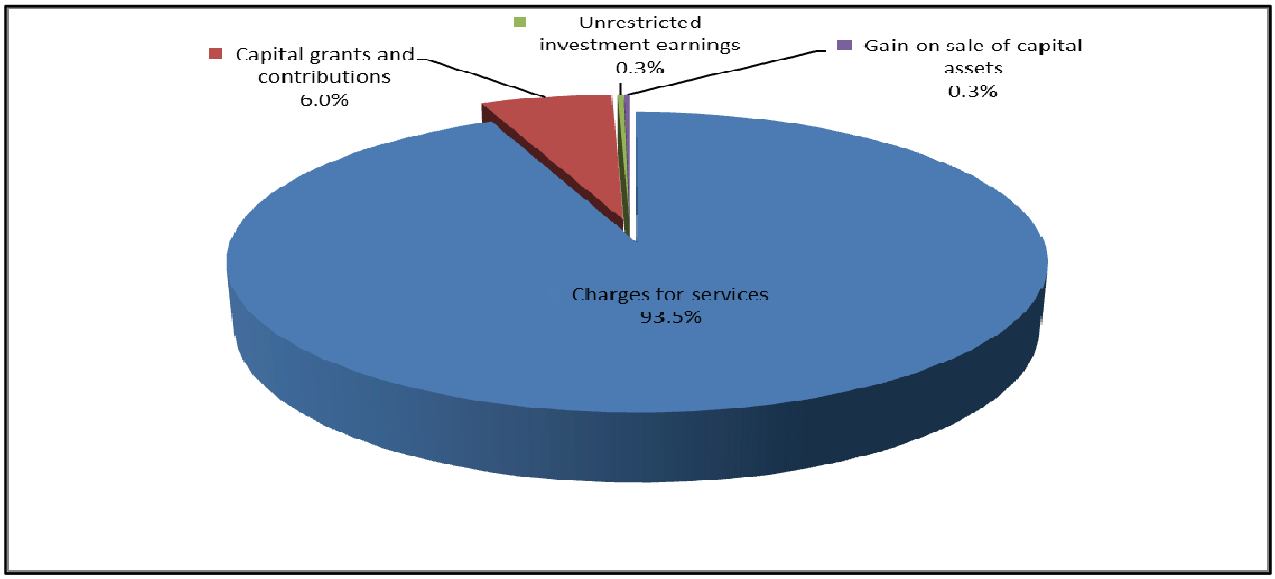
**Business-Type Activities**

Operating revenues of the business-type activities decreased by $88 thousand in 2012. Charges for services, which accounts for 93.5 percent of total business-type revenues, increased $297 thousand; however, this increase was offset by decreases in capital grants and contributions, unrestricted investment earnings, and miscellaneous revenue.

The following charts depict revenues of the business-type activities for fiscal years 2012 and 2011:

**Business-Type Activities - Revenues**

| | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for services | $ 15,533,995 | $ 15,236,857 | $ 297,138 |
| Capital grants and contributions | 990,847 | 1,200,000 | (209,153) |
| Unrestricted investment earnings | 49,319 | 94,343 | (45,024) |
| Gain on sale of capital assets | 44,189 | - | 44,189 |
| Miscellaneous revenue | - | 174,803 | (174,803) |
| **Total business-type revenues** | **$ 16,618,350** | **$ 16,706,003** | **$ (87,653)** |

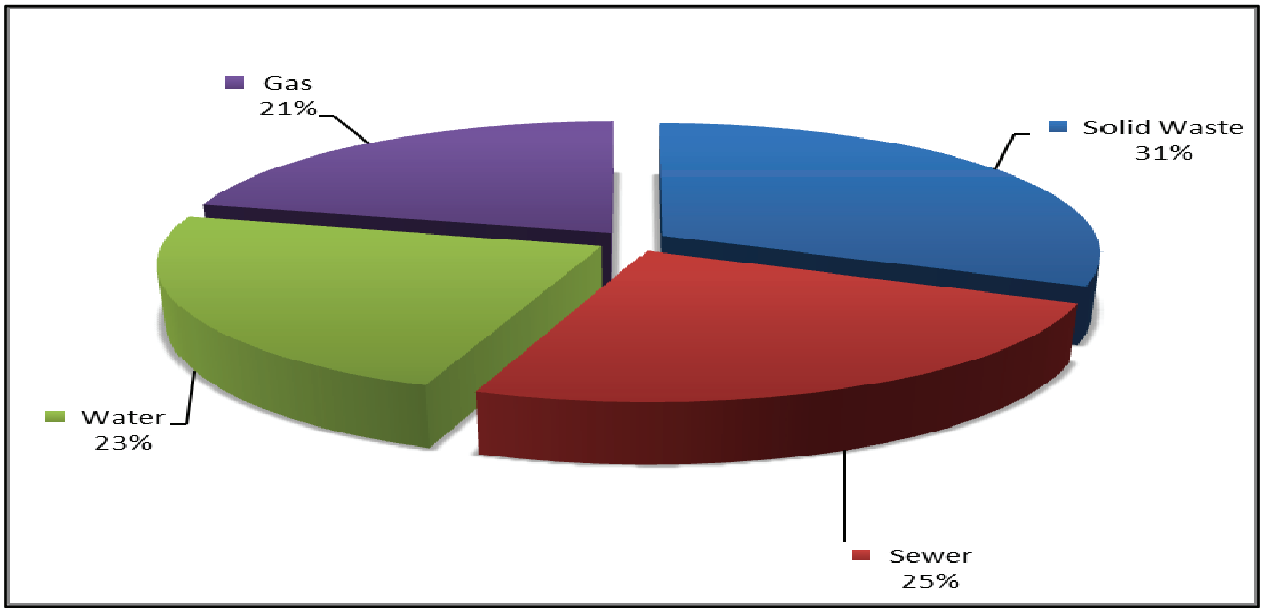


The cost of all business-type activities this fiscal year was $16 million compared to $15 million in the prior year. The $16 million in expenses was covered by $15.5 million in amounts paid by the users of the systems.

The following charts depict expenses of the business-type activities for fiscal years 2012 and 2011:

**Business-Type Activities - Expenses**

| | 2012 | 2011 | Change |
|---|---|---|---|
| **Expenses:** | | | |
| Solid Waste | $ 5,333,180 | $ 4,098,624 | $ 1,234,556 |
| Sewer | 3,792,947 | 3,795,073 | (2,126) |
| Water | 3,611,599 | 3,381,905 | 229,694 |
| Gas | 3,305,305 | 3,738,589 | (433,284) |
| **Total business-type expenses** | **$ 16,043,031** | **$ 15,014,191** | **$ 1,028,840** |




## 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 $12.8 million in 2012 as compared to $6.5 million in 2011. Approximately $2.5 million of the fund balance is unassigned, which is available for spending at the City's discretion. Around $2 million is classified as non-spendable and is reserved for prepaid expenses and a receivable from the component unit. 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.

**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, 2012, total assets were $5.5 million and total liabilities were $1.1 million. Revenues increased $559 thousand and expenditures decreased slightly. This net increase, when combined with other financing sources of $125 thousand, resulted in an increase in fund balance to $4.4 million as of June 30, 2012 from $4.1 million (as restated) as of June 30, 2011.

**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 2012, the SPLOST Fund had restricted fund balance of $3.8 million, an increase of $2 million from the prior year. The increase is mainly due to a delay on some capital projects until resources were available for the projects.

**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, 2012, the Capital Projects Fund had a restricted fund balance of $4.3 million, which was a slight increase of $81 thousand from 2011.

**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, 2012, total net assets were $40.9 million, an increase of $545 thousand from the prior year. Of the total net assets, $33.2 million were invested in capital assets net of related debt and $7.8 million were unrestricted. Operating revenues increased $297 thousand in fiscal year 2012, and operating expenses increased $1 million.

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

**Water Revenue Fund**
In fiscal year 2012, the water revenue fund had a small operating loss of $3 thousand which was $268 thousand less than the $265 thousand operating income in fiscal year 2011. Net revenue decreased as result of more rain during the year causing customers to irrigate less and more accurate meter readings. Expenses increased 7 percent in 2012 due to the countywide installation of meter reading devices which caused an increase in personnel costs, repairs and maintenance, and depreciation.

**Sewer Revenue Fund**
The sewer revenue fund's operating loss increased by $43 thousand, from $183 thousand in 2011 to $226 thousand in 2012. Operating revenues, which correlate with water revenues, were 2 percent less than 2011. This decrease was a result of less water usage due to more rain during the year.

**Gas Revenue Fund**
The gas revenue fund experienced operating income of $126 thousand in 2012 and $267 thousand in 2011. The decrease in operating income for fiscal year 2012 was a result of a decrease in demand caused by a warm winter.

**Solid Waste Collection and Disposal Fund**
The solid waste collection and disposal fund had an operating loss of $218 thousand in fiscal year 2012 which was $249 thousand less than the $31 thousand operating income in fiscal year 2011. Operating revenues increased by 24 percent in 2012 as a result of an increase in county customers, the sale of capital assets, an increase in paper recycling, and the establishment of a 10 percent late fee policy. Operating expenses increased by 30 percent mainly due to an increase in landfill expenses.

**Internal Service Fund**
In fiscal year 2012, the internal service fund had operating income of $49 thousand compared to $0 in fiscal year 2011.

## 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 2012 were each $11.4 million. General Fund revenues were $148 thousand more than the final budget amounts. There was a decrease in the amount of other taxes and fines and forfeitures collected. This decrease was the result of fewer collections than anticipated. However, there was an increase in intergovernmental revenue due to collection from the county's 50 percent share of fire protection services. The original and final approved expenditure budgets for fiscal year 2012 were each $11.5 million. Actual expenditures were $81 thousand more 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 $68.1 million, net of accumulated depreciation, invested in a variety of capital assets, as reflected in the following schedule. The net decrease (additions, deletions, and depreciation/amortization) of $531 thousand from the end of 2011 is primarily due to the fiscal year 2012 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's Capital Assets**
**(net of depreciation)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land | $ 2,522,664 | $ 2,522,664 | $ 557,835 | $ 557,835 | $ 3,080,499 | $ 3,080,499 |
| Construction in progress | 405,371 | 390,962 | 95,865 | - | 501,236 | 390,962 |
| Buildings and improvements | 5,315,003 | 5,085,957 | 274,115 | 300,375 | 5,589,118 | 5,386,332 |
| Distribution system | - | - | 32,290,084 | 31,470,510 | 32,290,084 | 31,470,510 |
| Landfill | - | - | 1,939,495 | 2,272,441 | 1,939,495 | 2,272,441 |
| Machinery and equipment | 2,398,563 | 2,681,752 | 2,080,539 | 2,382,286 | 4,479,102 | 5,064,038 |
| Infrastructure | 20,254,638 | 21,000,138 | - | - | 20,254,638 | 21,000,138 |
| Total | $ 30,896,239 | $ 31,681,473 | $ 37,237,933 | $ 36,983,447 | $ 68,134,172 | $ 68,664,920 |

**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 million based on the City's 2012 gross digest. However, the City has no general obligation bonded debt.

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, 2012, the City had $19.7 million in debt outstanding compared to $19.6 million in the prior year. The $114 thousand increase in debt is mainly the result of an increase in compensated absences and the landfill postclosure cost offset by a reduction in the 2012 pension obligation.

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 Activites | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Notes payable | $ 6,864,455 | $ 6,997,867 | $ 4,120,438 | $ 3,965,759 | $ 10,984,893 | $ 10,963,626 |
| Certificates of participation | 4,444,000 | 4,444,000 | - | - | 4,444,000 | 4,444,000 |
| Compensated absences | 429,870 | 344,499 | 167,238 | 134,556 | 597,108 | 479,055 |
| Net pension obligations | 330,895 | 664,690 | 158,899 | 319,188 | 489,794 | 983,878 |
| Landfill postclosure | - | - | 3,156,745 | 2,687,771 | 3,156,745 | 2,687,771 |
| **Total** | **$12,069,220** | **$12,451,056** | **$ 7,603,320** | **$ 7,107,274** | **$ 19,672,540** | **$ 19,558,330** |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City's unemployment rate in 2012 was 10.2 percent compared to 11.8 percent in 2011. In contrast, both the statewide and national annual averages were 9 percent and 8.1 percent, respectively.
- The City's millage rate remained at 6.759 mills in 2012.
- The tax digest for 2012 increased due to new establishments and renovations.
- The fiscal year 2013 budget totals $33.9 million for all funds, a $2.1 million increase from the fiscal year 2012 budget.

## 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 ASSETS
## JUNE 30, 2012

| ASSETS | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Downtown Development Authority |
| Cash and cash equivalents | $ 7,341,006 | $ 8,929,765 | $ 16,270,771 | $ 540,452 |
| Investments | 4,138,724 | 3,515,000 | 7,653,724 | 261,054 |
| Taxes receivable | 168,043 | - | 168,043 | - |
| Accounts receivable, net of allowances | 83,598 | 1,561,926 | 1,645,524 | 48,557 |
| Interest receivable | - | - | - | 5,438 |
| Notes receivable | - | - | - | 1,792,907 |
| Due from other governments | 1,019,217 | - | 1,019,217 | - |
| Due from component units | 179,344 | - | 179,344 | - |
| Internal balances | 1,068,572 | (1,068,572) | - | - |
| Inventories | 121,306 | - | 121,306 | - |
| Prepaid expenses | 2,406,328 | - | 2,406,328 | - |
| Fair value of interest rate swap agreement | 1,634,825 | - | 1,634,825 | - |
| Capital assets: | | | | |
| Nondepreciable | 2,928,035 | 653,700 | 3,581,735 | 307,751 |
| Depreciable, net | 27,968,204 | 36,584,233 | 64,552,437 | 2,208,214 |
| Total assets | 49,057,202 | 50,176,052 | 99,233,254 | 5,164,373 |
| **LIABILITIES** | | | | |
| Accounts payable | 320,138 | 571,554 | 891,692 | 1,388 |
| Retainage payable | 370,796 | - | 370,796 | - |
| Accrued liabilities | 240,292 | 102,203 | 342,495 | 3,682 |
| Accrued interest | 236,951 | 40,045 | 276,996 | - |
| Due to primary government | - | - | - | 179,344 |
| Unearned revenues | 1,688,446 | - | 1,688,446 | - |
| Customer deposits payable | - | 918,248 | 918,248 | - |
| Net pension obligation | 330,895 | 158,899 | 489,794 | - |
| Notes payable due within one year | 140,548 | 375,576 | 516,124 | 126,831 |
| Notes payable due in more than one year | 6,723,907 | 3,744,862 | 10,468,769 | 1,532,791 |
| Certificates of participation due in more than one year | 4,444,000 | - | 4,444,000 | - |
| Compensated absences due within one year | 219,400 | 110,870 | 330,270 | - |
| Compensated absences due in more than one year | 210,470 | 56,368 | 266,838 | - |
| Landfill closure/postclosure care costs due in more than one year | - | 3,156,745 | 3,156,745 | - |
| Total liabilities | 14,925,843 | 9,235,370 | 24,161,213 | 1,844,036 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | 23,059,931 | 33,180,787 | 56,240,718 | 2,515,965 |
| Restricted for tourism | 224,195 | - | 224,195 | - |
| Restricted for capital outlay | 7,606,918 | - | 7,606,918 | - |
| Restricted for housing and development | 18,517 | - | 18,517 | - |
| Unrestricted | 3,221,798 | 7,759,895 | 10,981,693 | 804,372 |
| Total net assets | $ 34,131,359 | $ 40,940,682 | $ 75,072,041 | $ 3,320,337 |

**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, 2012

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities | Net (Expenses) Revenues and Changes in Net Assets: Business-type Activities | Net (Expenses) Revenues and Changes in Net Assets: Total | Net (Expenses) Revenues and Changes in Net Assets: Downtown Development Authority |
|---|---|---|---|---|---|---|---|---|
| **Primary government:** | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | $ 649,327 | $ 745,327 | $ 59,847 | $ 3,808 | $ 159,655 | $ - | $ 159,655 | $ - |
| Judicial | 178,322 | 7,462 | - | - | (170,860) | - | (170,860) | - |
| Public safety | 7,341,862 | 2,112,894 | 276,735 | 1,850,033 | (3,102,200) | - | (3,102,200) | - |
| Public works | 4,676,924 | 42,167 | - | 1,953,787 | (2,680,970) | - | (2,680,970) | - |
| Health and welfare | 170,203 | 67,701 | - | - | (102,502) | | (102,502) | |
| Culture and recreation | 603,972 | 3,750 | - | - | (600,222) | - | (600,222) | - |
| Housing and development | 447,122 | 88,697 | 166,907 | 89,948 | (101,570) | - | (101,570) | - |
| Interest on long-term debt | 490,369 | - | - | - | (490,369) | - | (490,369) | - |
| Total governmental activities | 14,558,101 | 3,067,998 | 503,489 | 3,897,576 | (7,089,038) | - | (7,089,038) | - |
| Business-type activities: | | | | | | | | |
| Water | 3,611,599 | 3,604,649 | - | 521,908 | - | 514,958 | 514,958 | - |
| Sewer | 3,792,947 | 3,397,580 | - | 452,510 | - | 57,143 | 57,143 | - |
| Gas | 3,305,305 | 3,416,140 | - | - | - | 110,835 | 110,835 | - |
| Solid waste collection and disposal | 5,333,180 | 5,115,626 | - | 16,429 | - | (201,125) | (201,125) | - |
| Total business-type activities | 16,043,031 | 15,533,995 | - | 990,847 | - | 481,811 | 481,811 | - |
| Total primary government | $ 30,601,132 | $ 18,601,993 | $ 503,489 | $ 4,888,423 | (7,089,038) | 481,811 | (6,607,227) | - |
| **Component units:** | | | | | | | | |
| Tifton Downtown Development Authority | $ 493,404 | $ 59,752 | $ 225,054 | $ 559,071 | - | - | - | 350,473 |
| Total component units | $ 493,404 | $ 59,752 | $ 225,054 | $ 559,071 | - | - | - | 350,473 |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 2,262,020 | - | 2,262,020 | - |
| Sales taxes | | | | | 2,886,689 | - | 2,886,689 | - |
| Insurance premium tax | | | | | 766,884 | - | 766,884 | - |
| Alcoholic beverage taxes | | | | | 417,570 | - | 417,570 | - |
| Hotel motel taxes | | | | | 694,292 | - | 694,292 | - |
| Franchise taxes | | | | | 1,250,993 | - | 1,250,993 | - |
| Other taxes | | | | | 683,644 | - | 683,644 | - |
| Unrestricted investment earnings | | | | | 320,837 | 49,319 | 370,156 | 98,726 |
| Gain on sale of capital assets | | | | | - | 44,189 | 44,189 | - |
| Transfers | | | | | 30,000 | (30,000) | - | - |
| Total general revenues and transfers | | | | | 9,312,929 | 63,508 | 9,376,437 | 98,726 |
| Change in net assets | | | | | 2,223,891 | 545,319 | 2,769,210 | 449,199 |
| Net assets, beginning of year, as restated | | | | | 31,907,468 | 40,395,363 | 72,302,831 | 2,871,138 |
| Net assets, end of year | | | | | $ 34,131,359 | $ 40,940,682 | $ 75,072,041 | $ 3,320,337 |

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

# CITY OF TIFTON, GEORGIA

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2012

| ASSETS | General Fund | SPLOST Fund | Capital Projects Fund | Other Governmental Funds | Totals Governmental Funds |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 2,855,559 | $ 3,418,007 | $ - | $ 252,581 | $ 6,526,147 |
| Investments | 235,321 | 60,460 | 3,842,943 | - | 4,138,724 |
| Taxes receivable, net | 100,336 | - | - | 67,707 | 168,043 |
| Accounts receivable, net | 69,190 | - | - | - | 69,190 |
| Due from other governments | 320,802 | 673,576 | - | 24,839 | 1,019,217 |
| Due from other funds | 63,533 | 5,341 | - | 6,252 | 75,126 |
| Due from component unit | - | - | - | 179,344 | 179,344 |
| Advances to other funds | - | - | 450,759 | - | 450,759 |
| Prepaid expenditures | 1,819,000 | - | - | - | 1,819,000 |
| Total assets | $ 5,463,741 | $ 4,157,384 | $ 4,293,702 | $ 530,723 | $ 14,445,550 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 191,504 | $ 22,613 | $ - | $ 34,608 | $ 248,725 |
| Retainage payable | - | 370,796 | - | - | 370,796 |
| Accrued liabilities | 191,899 | - | - | - | 191,899 |
| Deferred revenues | 109,459 | - | - | 4,954 | 114,413 |
| Due to other funds | 261,189 | - | - | 69,105 | 330,294 |
| Advance from other funds | 352,507 | - | - | - | 352,507 |
| Total liabilities | 1,106,558 | 393,409 | - | 108,667 | 1,608,634 |
| **FUND BALANCES** | | | | | |
| Nonspendable: | | | | | |
| Prepaid expenditures | 1,819,000 | - | - | - | 1,819,000 |
| Advances to other funds | - | - | 450,759 | - | 450,759 |
| Due from component unit | - | - | - | 179,344 | 179,344 |
| Restricted for: | | | | | |
| Capital outlay | - | 3,763,975 | 3,842,943 | - | 7,606,918 |
| Tourism | - | - | - | 224,195 | 224,195 |
| Housing and development | - | - | - | 18,517 | 18,517 |
| Unassigned | 2,538,183 | - | - | - | 2,538,183 |
| Total fund balances | 4,357,183 | 3,763,975 | 4,293,702 | 422,056 | 12,836,916 |
| Total liabilities and fund balances | $ 5,463,741 | $ 4,157,384 | $ 4,293,702 | $ 530,723 | |

| | |
|---|---|
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Cost of capital assets | 44,619,937 |
| Accumulated depreciation | (14,889,879) |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 60,792 |
| Internal service funds are used by management to charge the costs of certain administrative functions to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 3,679,002 |
| Certain liabilities are not due and payable in the current period and are therefore not reported in the funds. | |
| Notes payable | (6,864,455) |
| Certificates of participation | (4,444,000) |
| Compensated absences | (346,229) |
| Accrued interest | (236,951) |
| Net pension obligation | (283,774) |
| Net assets of governmental activities | $ 34,131,359 |

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

# CITY OF TIFTON, GEORGIA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | General Fund | SPLOST Fund | Capital Projects Fund | Other Governmental Funds | Totals Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes | $ 5,385,972 | $ - | $ - | $ 694,292 | $ 6,080,264 |
| Sales taxes | 2,886,689 | - | - | - | 2,886,689 |
| Charges for services | 1,731,637 | - | - | - | 1,731,637 |
| Licenses and permits | 248,944 | - | - | - | 248,944 |
| Intergovernmental | 237,028 | 3,789,481 | - | 368,396 | 4,394,905 |
| Fines and forfeitures | 979,059 | - | - | - | 979,059 |
| Interest revenue | 6,245 | 6,159 | 309,586 | 2,848 | 324,838 |
| Other revenues | 104,608 | - | - | 3,750 | 108,358 |
| Total revenues | 11,580,182 | 3,795,640 | 309,586 | 1,069,286 | 16,754,694 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | 497,709 | - | - | - | 497,709 |
| Judicial | 185,350 | - | - | - | 185,350 |
| Public safety | 7,066,962 | - | - | 99,554 | 7,166,516 |
| Public works | 2,791,197 | - | - | 11,988 | 2,803,185 |
| Health and welfare | 174,681 | - | - | - | 174,681 |
| Culture and recreation | 138,715 | - | - | 459,445 | 598,160 |
| Housing and development | 262,705 | - | - | 256,854 | 519,559 |
| Capital outlay | - | 1,836,769 | - | - | 1,836,769 |
| Debt service: | | | | | |
| Principal | 35,329 | - | - | 98,083 | 133,412 |
| Interest | 297,423 | - | 228,866 | 43,646 | 569,935 |
| Total expenditures | 11,450,071 | 1,836,769 | 228,866 | 969,570 | 14,485,276 |
| Excess of revenues over expenditures | 130,111 | 1,958,871 | 80,720 | 99,716 | 2,269,418 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers in | 94,001 | 30,000 | - | - | 124,001 |
| Transfers out | - | - | - | (94,001) | (94,001) |
| Proceeds from the sale of capital assets | 30,867 | - | - | - | 30,867 |
| Total other financing sources (uses) | 124,868 | 30,000 | - | (94,001) | 60,867 |
| Net change in fund balances | 254,979 | 1,988,871 | 80,720 | 5,715 | 2,330,285 |
| **Fund balances, beginning of year, as restated** | 4,102,204 | 1,775,104 | 4,212,982 | 416,341 | 10,506,631 |
| **Fund balances, end of year** | $ 4,357,183 | $ 3,763,975 | $ 4,293,702 | $ 422,056 | $ 12,836,916 |

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

# 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, 2012

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | $ | 2,330,285 |
| 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 depreciation exceeded capital outlays in the current period. | | |
| Total capital outlay | | 975,512 |
| Total depreciation | | (1,365,215) |
| The net effect of various miscellaneous transactions (i.e., sales and donations) is to decrease net assets. | | (272,699) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (4,859) |
| 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. | | 139,175 |
| 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 assets. | | |
| Principal repayments | | 133,412 |
| 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 | | (77,546) |
| Current period decrease in net pension obligation | | 286,260 |
| Accrued interest on debt | | 79,566 |
| | $ | 2,223,891 |

**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, 2012

| | Budgeted Amounts | | | Variance with Final |
|---|---|---|---|---|
| | Original | Final | Actual | Budget |
| **REVENUES:** | | | | |
| Property taxes | $ 2,232,146 | $ 2,232,146 | $ 2,239,072 | $ 6,926 |
| Sales taxes | 2,850,000 | 2,850,000 | 2,886,689 | 36,689 |
| Franchise taxes | 1,215,000 | 1,215,000 | 1,250,993 | 35,993 |
| Other taxes | 1,964,800 | 1,964,800 | 1,868,098 | (96,702) |
| Penalties and interest - delinquent taxes | 35,622 | 35,622 | 27,809 | (7,813) |
| Licenses and permits | 152,490 | 152,490 | 248,944 | 96,454 |
| Intergovernmental | 37,000 | 37,000 | 237,028 | 200,028 |
| Charges for services | 1,729,809 | 1,729,809 | 1,731,637 | 1,828 |
| Fines and forfeitures | 1,131,200 | 1,131,200 | 979,059 | (152,141) |
| Interest revenue | 8,000 | 8,000 | 6,245 | (1,755) |
| Other revenues | 76,100 | 76,100 | 104,608 | 28,508 |
| Total revenues | 11,432,167 | 11,432,167 | 11,580,182 | 148,015 |
| **EXPENDITURES:** | | | | |
| **Current:** | | | | |
| **General government:** | | | | |
| City Council | 80,036 | 80,036 | 72,739 | 7,297 |
| General administration | 679,007 | 679,007 | 424,970 | 254,037 |
| Total general government | 759,043 | 759,043 | 497,709 | 261,334 |
| **Municipal court** | 186,126 | 186,126 | 185,350 | 776 |
| **Public safety:** | | | | |
| Police | 4,414,685 | 4,414,685 | 4,578,701 | (164,016) |
| Fire | 2,587,499 | 2,587,499 | 2,488,261 | 99,238 |
| Total public safety | 7,002,184 | 7,002,184 | 7,066,962 | (64,778) |
| **Public works:** | | | | |
| Highways and streets | 2,042,338 | 2,042,338 | 2,062,435 | (20,097) |
| Cemetery | 198,359 | 198,359 | 188,913 | 9,446 |
| Street lights | 249,125 | 251,625 | 263,328 | (11,703) |
| Traffic lights | 21,000 | 18,500 | 16,065 | 2,435 |
| Telecommunications | 10,456 | 10,456 | 260,456 | (250,000) |
| Total public works | 2,521,278 | 2,521,278 | 2,791,197 | (269,919) |
| **Health and welfare:** | | | | |
| Senior citizens center | 120,408 | 120,073 | 117,808 | 2,265 |
| Nutrition program | 59,940 | 60,275 | 56,873 | 3,402 |
| Total health and welfare | 180,348 | 180,348 | 174,681 | 5,667 |
| **Culture and recreation:** | | | | |
| Library | 138,715 | 138,715 | 138,715 | - |
| Total culture and recreation | 138,715 | 138,715 | 138,715 | - |

**(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, 2012

| | Budgeted Amounts | | | Variance with Final |
|---|---|---|---|---|
| | Original | Final | Actual | Budget |
| **Expenditures: (Continued)** | | | | |
| **Current:** | | | | |
| **Housing and development:** | | | | |
| Code enforcement | $ 274,489 | $ 274,489 | $ 262,705 | $ 11,784 |
| **Debt service:** | | | | |
| Principal | 137,624 | 137,624 | 35,329 | 102,295 |
| Interest | 331,361 | 331,361 | 297,423 | 33,938 |
| | 468,985 | 468,985 | 332,752 | 136,233 |
| Total expenditures | 11,531,168 | 11,531,168 | 11,450,071 | 81,097 |
| Excess (deficiency) of revenues over expenditures | (99,001) | (99,001) | 130,111 | 229,112 |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers in | 94,001 | 94,001 | 94,001 | - |
| Proceeds from the sale of capital assets | 5,000 | 5,000 | 30,867 | 25,867 |
| Total other financing sources | 99,001 | 99,001 | 124,868 | 25,867 |
| Net change in fund balances | - | - | 254,979 | 254,979 |
| **Fund balances, beginning of year, as restated** | 4,102,204 | 4,102,204 | 4,102,204 | - |
| **Fund balances, end of year** | $ 4,102,204 | $ 4,102,204 | $ 4,357,183 | $ 254,979 |

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

# CITY OF TIFTON, GEORGIA

## STATEMENT OF NET ASSETS
## PROPRIETARY FUNDS
## JUNE 30, 2012

| | Water Revenue Fund | Sewer Revenue Fund | Gas Revenue Fund | Solid Waste Collection and Disposal Fund | Totals | Governmental Activities Service Fund |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **CURRENT ASSETS** | | | | | | |
| Cash and cash equivalents | $ 1,696,879 | $ 1,638,885 | $ 1,000,553 | $ 4,593,448 | $ 8,929,765 | $ 814,859 |
| Investments | - | - | - | 3,515,000 | 3,515,000 | - |
| Accounts receivable, net of allowances | 416,250 | 378,454 | 251,414 | 515,808 | 1,561,926 | 14,408 |
| Due from other funds | - | - | - | - | - | 1,225,488 |
| Inventories | - | - | - | - | - | 121,306 |
| Prepaid expenses | - | - | - | - | - | 587,328 |
| Total current assets | 2,113,129 | 2,017,339 | 1,251,967 | 8,624,256 | 14,006,691 | 2,763,389 |
| **NONCURRENT ASSETS** | | | | | | |
| Capital assets: | | | | | | |
| Nondepreciable | 65,660 | 389,873 | 130,330 | 67,837 | 653,700 | 224,243 |
| Depreciable, net of accumulated depreciation | 11,407,856 | 18,653,599 | 2,797,957 | 3,724,821 | 36,584,233 | 941,938 |
| Total noncurrent assets | 11,473,516 | 19,043,472 | 2,928,287 | 3,792,658 | 37,237,933 | 1,166,181 |
| Total assets | 13,586,645 | 21,060,811 | 4,180,254 | 12,416,914 | 51,244,624 | 3,929,570 |
| **LIABILITIES** | | | | | | |
| **CURRENT LIABILITIES** | | | | | | |
| Accounts payable | 138,383 | 98,685 | 127,734 | 206,752 | 571,554 | 71,413 |
| Accrued liabilities | 40,847 | 22,605 | 7,536 | 31,215 | 102,203 | 48,393 |
| Accrued interest | - | 25,302 | 14,743 | - | 40,045 | - |
| Current portion - compensated absences | 48,400 | 33,760 | 5,900 | 22,810 | 110,870 | 27,700 |
| Current portion - notes payable | 31,053 | 304,423 | 40,100 | - | 375,576 | - |
| Customer deposits payable | 353,738 | 266,754 | 209,590 | 88,166 | 918,248 | - |
| Due to other funds | 325,637 | 106,322 | 155,959 | 382,402 | 970,320 | - |
| Total current liabilities | 938,058 | 857,851 | 561,562 | 731,345 | 3,088,816 | 147,506 |
| **NONCURRENT LIABILITIES** | | | | | | |
| Compensated absences, net of current portion | 25,541 | 2,991 | 6,596 | 21,240 | 56,368 | 55,941 |
| Notes payable, net of current portion | 32,239 | 3,282,723 | 429,900 | - | 3,744,862 | - |
| Net pension obligation | 63,964 | 30,635 | 15,061 | 49,239 | 158,899 | 47,121 |
| Advance from other funds | - | 98,252 | - | - | 98,252 | - |
| Landfill closure / postclosure care costs | - | - | - | 3,156,745 | 3,156,745 | - |
| Total noncurrent liabilities | 121,744 | 3,414,601 | 451,557 | 3,227,224 | 7,215,126 | 103,062 |
| Total liabilities | 1,059,802 | 4,272,452 | 1,013,119 | 3,958,569 | 10,303,942 | 250,568 |
| **NET ASSETS (DEFICITS)** | | | | | | |
| Invested in capital assets, net of related debt | 11,473,516 | 15,456,326 | 2,458,287 | 3,792,658 | 33,180,787 | 1,166,181 |
| Unrestricted | 1,053,327 | 1,332,033 | 708,848 | 4,665,687 | 7,759,895 | 2,512,821 |
| Total net assets | $ 12,526,843 | $ 16,788,359 | $ 3,167,135 | $ 8,458,345 | $ 40,940,682 | $ 3,679,002 |

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

# CITY OF TIFTON, GEORGIA

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
## PROPRIETARY FUNDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Water Revenue Fund | Sewer Revenue Fund | Gas Revenue Fund | Solid Waste Collection and Disposal Fund | Totals | Governmental Activities Service Fund |
|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | | |
| Charges for services | $ 3,380,935 | $ 3,311,381 | $ 3,212,804 | $ 4,947,245 | $ 14,852,365 | $ 1,980,739 |
| Penalties and fines | 180,706 | 52,684 | 20,943 | 161,772 | 416,105 | - |
| Miscellaneous | 43,008 | 33,515 | 182,393 | 6,609 | 265,525 | 11,320 |
| Total operating revenues | 3,604,649 | 3,397,580 | 3,416,140 | 5,115,626 | 15,533,995 | 1,992,059 |
| **OPERATING EXPENSES** | | | | | | |
| Personnel services | 1,166,858 | 873,010 | 424,171 | 1,330,654 | 3,794,693 | 1,309,560 |
| Cost of gas sold | - | - | 2,066,678 | - | 2,066,678 | - |
| Contract services | - | - | - | 209,058 | 209,058 | - |
| Utilities | 423,499 | 307,270 | 77,171 | 83,307 | 891,247 | 139,126 |
| Equipment repairs and maintenance | 316,508 | 114,926 | 20,984 | 487,691 | 940,109 | 140,727 |
| System repairs and maintenance | 257,426 | 455,715 | 108,825 | - | 821,966 | - |
| Landfill expenses | - | - | - | 1,366,626 | 1,366,626 | - |
| Supplies | 121,301 | 115,558 | 16,888 | 123,049 | 376,796 | 52,327 |
| Chemicals | 96,301 | - | - | - | 96,301 | - |
| Insurance | 90,743 | 82,734 | 21,304 | 113,248 | 308,029 | 120 |
| Gas, oil, and grease | 81,750 | 41,267 | 18,698 | 352,145 | 493,860 | - |
| Professional services | 44,071 | 94,510 | 23,707 | 36,951 | 199,239 | 81,778 |
| Depreciation | 621,841 | 993,131 | 120,453 | 858,394 | 2,593,819 | 210,366 |
| Postage | 22,026 | 17,435 | 6,698 | 14,531 | 60,690 | - |
| Marketing | - | - | 23,635 | - | 23,635 | - |
| Warehouse/Inventory control | - | 169,601 | - | - | 169,601 | - |
| Administrative and clerical | 361,859 | 352,481 | 352,481 | 352,481 | 1,419,302 | - |
| Miscellaneous | 3,856 | 5,970 | 8,869 | 5,045 | 23,740 | 8,573 |
| Total operating expenses | 3,608,039 | 3,623,608 | 3,290,562 | 5,333,180 | 15,855,389 | 1,942,577 |
| Operating income (loss) | (3,390) | (226,028) | 125,578 | (217,554) | (321,394) | 49,482 |
| **NONOPERATING INCOME (EXPENSES)** | | | | | | |
| Intergovernmental | 263,108 | - | - | - | 263,108 | - |
| Interest income | 4,014 | 4,500 | 4,221 | 36,584 | 49,319 | 2,159 |
| Interest expense | (3,560) | (169,339) | (14,743) | - | (187,642) | - |
| Gain on sale of capital assets | - | - | - | 44,189 | 44,189 | - |
| Total nonoperating income (expenses) | 263,562 | (164,839) | (10,522) | 80,773 | 168,974 | 2,159 |
| Income (loss) before contributions and transfers | 260,172 | (390,867) | 115,056 | (136,781) | (152,420) | 51,641 |
| **CAPITAL CONTRIBUTIONS** | 258,800 | 452,510 | - | 16,429 | 727,739 | 87,534 |
| **TRANSFERS** | | | | | | |
| Transfers out | - | (30,000) | - | - | (30,000) | - |
| Total transfers | - | (30,000) | - | - | (30,000) | - |
| Change in net assets | 518,972 | 31,643 | 115,056 | (120,352) | 545,319 | 139,175 |
| **NET ASSETS, beginning of year, as restated** | 12,007,871 | 16,756,716 | 3,052,079 | 8,578,697 | 40,395,363 | 3,539,827 |
| **NET ASSETS, end of year** | $ 12,526,843 | $ 16,788,359 | $ 3,167,135 | $ 8,458,345 | $ 40,940,682 | $ 3,679,002 |

**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, 2012

| | Water Revenue Fund | Sewer Revenue Fund | Gas Revenue Fund | Solid Waste Collection and Disposal Fund | Totals | Governmental Activities Service Fund |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Receipts from customers and users | $ 3,866,083 | $ 3,507,878 | $ 3,525,482 | $ 5,132,986 | $ 16,032,429 | $ - |
| Receipts from interfund services provided | - | - | - | - | - | 1,766,037 |
| Payments to suppliers | (1,769,285) | (1,732,488) | (2,784,719) | (2,635,553) | (8,922,045) | (541,218) |
| Payments to employees | (1,117,521) | (869,506) | (421,408) | (1,328,294) | (3,736,729) | (1,296,597) |
| Net cash provided by (used in) operating activities | 979,277 | 905,884 | 319,355 | 1,169,139 | 3,373,655 | (71,778) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | |
| Payments on net pension obligation | (64,518) | (30,904) | (15,193) | (49,671) | (160,286) | (47,534) |
| Transfers out | - | (30,000) | - | - | (30,000) | - |
| Net cash used in noncapital financing activities | (64,518) | (60,904) | (15,193) | (49,671) | (190,286) | (47,534) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | |
| Acquisition and construction of capital assets | (748,754) | (9,318) | (896,637) | (478,797) | (2,133,506) | - |
| Proceeds from the sale of capital assets | - | - | - | 57,137 | 57,137 | - |
| Contributions received from other governments - capital | 263,108 | - | - | - | 263,108 | - |
| Payments on advance from other funds | - | (54,452) | - | - | (54,452) | - |
| Principal paid on notes payable | (29,910) | (285,411) | - | - | (315,321) | (7,418) |
| Proceeds from issuance of note payable | - | - | 470,000 | - | 470,000 | - |
| Interest paid | (3,560) | (188,541) | - | - | (192,101) | - |
| Net cash used in capital and related financing activities | (519,116) | (537,722) | (426,637) | (421,660) | (1,905,135) | (7,418) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Purchase of certificate of deposit | - | - | - | (3,515,000) | (3,515,000) | - |
| Interest received | 4,014 | 4,500 | 4,221 | 36,584 | 49,319 | 2,159 |
| Net cash provided by (used in) investing activities | 4,014 | 4,500 | 4,221 | (3,478,416) | (3,465,681) | 2,159 |
| Increase (decrease) in cash and cash equivalents | 399,657 | 311,758 | (118,254) | (2,780,608) | (2,187,447) | (124,571) |
| **Cash and cash equivalents:** | | | | | | |
| Beginning of year | 1,297,222 | 1,327,127 | 1,118,807 | 7,374,056 | 11,117,212 | 939,430 |
| End of year | $ 1,696,879 | $ 1,638,885 | $ 1,000,553 | $ 4,593,448 | $ 8,929,765 | $ 814,859 |

**(Continued)**

# CITY OF TIFTON, GEORGIA

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Water Revenue Fund | Sewer Revenue Fund | Gas Revenue Fund | Solid Waste Collection and Disposal Fund | Totals | Governmental Activities Service Fund |
|---|---|---|---|---|---|---|
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | | | | |
| Operating income (loss) | $ (3,390) | $ (226,028) | $ 125,578 | $ (217,554) | $ (321,394) | $ 49,482 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation | 621,841 | 993,131 | 120,453 | 858,394 | 2,593,819 | 210,366 |
| Changes in assets and liabilities: | | | | | | |
| (Increase) decrease in accounts receivable | 197,755 | 54,867 | 12,315 | (32,006) | 232,931 | (7,339) |
| (Increase) in inventories | - | - | - | - | - | (20,806) |
| (Increase) in prepaid items | - | - | - | - | - | (52,955) |
| (Increase) in due from other funds | - | - | - | - | - | (218,683) |
| Increase (decrease) in accounts payable | 50,055 | 24,979 | (38,781) | 39,606 | 75,859 | (44,808) |
| Increase in accrued liabilities | 49,337 | 3,504 | 2,763 | 2,360 | 57,964 | 12,965 |
| Increase in customer deposits | 16,229 | 14,578 | 56,284 | 9,069 | 96,160 | - |
| Increase in landfill closure/postclosure care costs | - | - | - | 468,973 | 468,973 | - |
| Increase in due to other funds | 47,450 | 40,853 | 40,743 | 40,297 | 169,343 | - |
| Net cash provided by (used in) operating activities | $ 979,277 | $ 905,884 | $ 319,355 | $ 1,169,139 | $ 3,373,655 | $ (71,778) |
| **Noncash capital and related financing activities:** | | | | | | |
| Contributions of capital assets from SPLOST Fund | $ 258,800 | $ 452,510 | $ - | $ 16,429 | $ 727,739 | $ 87,534 |
| Net noncash capital and related financing activities | $ 258,800 | $ 452,510 | $ - | $ 16,429 | $ 727,739 | $ 87,534 |

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

# CITY OF TIFTON, GEORGIA

## STATEMENT OF FIDUCIARY NET ASSETS
## PENSION TRUST FUND
## JUNE 30, 2012

| | Pension Trust Fund |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 1,764,107 |
| Investments at fair value: | |
| Treasury and agency securities | 2,064,811 |
| Domestic common stocks | 7,458,789 |
| Municipal obligations | 2,544,148 |
| Domestic corporate bonds | 1,932,914 |
| Asset backed securities | 293,043 |
| Total assets | 16,057,812 |
| **NET ASSETS** | |
| Held in trust for pension benefits | $ 16,057,812 |

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

# CITY OF TIFTON, GEORGIA

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
## PENSION TRUST FUND
## FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Pension Trust Fund |
|---|---|
| **Additions** | |
| **Contributions:** | |
| Employer | $ 2,136,821 |
| | 2,136,821 |
| **Investment income:** | |
| Net depreciation in fair value of investments | (244,834) |
| Interest and dividends | 459,904 |
| | 215,070 |
| Total additions | 2,351,891 |
| **Deductions** | |
| Administrative expenses | 129,684 |
| Retiree benefits | 1,971,366 |
| Total deductions | 2,101,050 |
| Net increase | 250,841 |
| **Net assets held in trust for benefits:** | |
| Beginning of year | 15,806,971 |
| End of year | $ 16,057,812 |

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

# NOTES TO FINANCIAL STATEMENTS

## 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. With respect to proprietary activities, the City has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". The City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. 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", the component unit's financial statements are discretely presented in the government-wide financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A. The Financial Reporting Entity (Continued)

**Discretely Presented Component Units**

**The City of Tifton Downtown Development Authority** - The City of Tifton Downtown Development Authority (the "Downtown Development Authority") operates the Tift Theatre and 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.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

## 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 fund*** 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 ***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 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.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### 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.

## 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."

## 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 $10,000, 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, 2012, no amounts 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:

| Asset | Years |
|---|---|
| Buildings and improvements | 20-50 |
| Machinery and equipment | 5-20 |
| Infrastructure | 20-50 |
| Distribution Systems | 10-50 |
| Landfill | 20 |

## 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 assets. Bond premiums and discounts, as well as issuance costs and deferred charges, 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 deferred charges and amortized over the term of the related debt.

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. 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 assets.”

***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:

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### K. Fund Equity (Continued)

- ***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.

- ***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 Assets*** – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, 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 assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### L. 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.

## NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2012, are summarized as follows:

| | |
|---|---|
| Amounts as presented on the entity wide statement of net assets: | |
| Cash and cash equivalents | $ 16,270,771 |
| Investments | 7,653,724 |
| Amounts as presented on the fiduciary statement of net assets: | |
| Cash and cash equivalents - Pension Trust Fund | 1,764,107 |
| Investments - Pension Trust Fund | 14,293,705 |
| Total | $ 39,982,307 |
| | |
| Cash deposited with financial institutions | $ 18,034,878 |
| Cash deposited with Georgia Fund 1 | 295,781 |
| Certificate of deposit | 3,515,000 |
| Investments in the Municipal Competitive Trust | 3,842,943 |
| Investments in U.S. government securities | 2,064,811 |
| Investments in municipal bonds | 2,544,148 |
| Investments in corporate bonds | 1,932,914 |
| Investments in asset backed securities | 293,043 |
| Investments in equities | 7,458,789 |
| Total | $ 39,982,307 |

## NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2012, the City had the following investments:

| | | | Investment Maturities (in Years) | | | | |
|---|---|---|---|---|---|---|---|
| **Investment** | **Rating** | **Fair Value** | **Less than 1** | **1 - 5** | **6 - 10** | **11 - 15** | **> 20** |
| Georgia Fund 1 | AAAm | $ 295,781 | $ 295,781 | $ - | $ - | $ - | $ - |
| Certificates of Deposit | | 3,515,000 | - | 3,515,000 | - | - | - |
| Common stock | | 7,458,789 | - | - | - | - | - |
| U.S. Government securities | AA+ | 2,064,811 | - | 734,366 | 1,105,006 | 225,439 | - |
| Municipal bonds | A- | 221,230 | - | 221,230 | - | - | - |
| Municipal bonds | A+ | 473,133 | - | 122,508 | 350,625 | - | - |
| Municipal bonds | AA- | 804,248 | - | 110,919 | 693,329 | - | - |
| Municipal bonds | AA | 523,796 | - | - | 523,796 | - | - |
| Municipal bonds | AA+ | 521,741 | - | 190,139 | 331,602 | - | - |
| Corporate bonds | A- | 1,575,421 | 101,860 | 950,697 | 522,864 | - | - |
| Corporate bonds | AA | 185,357 | - | 185,357 | - | - | - |
| Corporate bonds | AA+ | 172,136 | - | - | 172,136 | - | - |
| Mortgage backed securities | NR | 293,043 | - | - | 98,971 | - | 194,072 |
| Guaranteed investment contract | AA- | 3,842,943 | - | - | - | - | 3,842,943 |
| Total | | $ 21,947,429 | $ 397,641 | $ 6,030,216 | $ 3,798,329 | $ 225,439 | $ 4,037,015 |

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.

## 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, 2012, 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, 2012, 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 16, 2011, (Levy Date) based upon property values assessed as of January 1. The billings were mailed August 1, 2011 and were payable on or before November 15, 2011, for the calendar year 2011 tax. If unpaid by November 15, 2011, the bill becomes delinquent and penalties and interest may be assessed by the City. Property taxes levied for 2011 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the fiscal year ended June 30, 2012 and expected to be collected by

## NOTE 3. RECEIVABLES (CONTINUED)

### Property Taxes (Continued)

August 1, 2012, are recognized as revenues for the year ended June 30, 2012. Net receivables estimated to be collectible subsequent to August 1, 2012 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 2011 for the City's operations was 6.759 mills (mill equals $1 per thousand dollars of assessed value).

Receivables as of June 30, 2012, including the applicable allowances for uncollectible accounts, are as follows:

| | General | SPLOST | Nonmajor Governmental | Water Revenue |
|---|---|---|---|---|
| Receivables: | | | | |
| Taxes | $ 100,336 | $ - | $ 67,707 | $ - |
| Accounts | 115,234 | - | - | 572,093 |
| Interest | - | - | - | - |
| Intergovernmental | 320,802 | 673,576 | 24,839 | - |
| Gross receivables | 536,372 | 673,576 | 92,546 | 572,093 |
| Less: allowance for uncollectibles | (46,044) | - | - | (155,843) |
| Net total receivables | $ 490,328 | $ 673,576 | $ 92,546 | $ 416,250 |

| | Sewer Revenue | Gas Revenue | Solid Waste Coll and Disp | Service |
|---|---|---|---|---|
| Receivables: | | | | |
| Taxes | $ - | $ - | $ - | $ - |
| Accounts | 570,603 | 379,646 | 849,861 | - |
| Interest | - | - | 18,754 | 14,408 |
| Intergovernmental | - | - | - | - |
| Gross receivables | 570,603 | 379,646 | 868,615 | 14,408 |
| Less: allowance for uncollectibles | (192,149) | (128,232) | (352,807) | - |
| Net total receivables | $ 378,454 | $ 251,414 | $ 515,808 | $ 14,408 |

At June 30, 2012, the Downtown Development Authority (component unit) has notes receivable totaling $1,792,907 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 $1,659,622, 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, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 2,522,664 | $ - | $ - | $ - | $ 2,522,664 |
| Construction in progress | 390,962 | 675,549 | (272,699) | (388,441) | 405,371 |
| Total capital assets, not being depreciated | 2,913,626 | 675,549 | (272,699) | (388,441) | 2,928,035 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 7,326,036 | - | - | 388,441 | 7,714,477 |
| Machinery and equipment | 9,920,764 | 387,497 | (2,858) | - | 10,305,403 |
| Infrastructure | 28,264,147 | - | - | - | 28,264,147 |
| Total capital assets, being depreciated | 45,510,947 | 387,497 | (2,858) | 388,441 | 46,284,027 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (2,240,079) | (159,395) | - | - | (2,399,474) |
| Machinery and equipment | (7,239,012) | (670,686) | 2,858 | - | (7,906,840) |
| Infrastructure | (7,264,009) | (745,500) | - | - | (8,009,509) |
| Total accumulated depreciation | (16,743,100) | (1,575,581) | 2,858 | - | (18,315,823) |
| Total capital assets, being depreciated, net | 28,767,847 | (1,188,084) | - | 388,441 | 27,968,204 |
| Governmental activities capital assets, net | $ 31,681,473 | $ (512,535) | $ (272,699) | $ - | $ 30,896,239 |

The beginning balances of capital assets and accumulated depreciation have been adjusted to properly reflect beginning of year balances. See Note 14 for additional information.

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 of $1,166,181, net are included in the above amounts, including additions of $87,534.

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 16,408 |
| Public safety | 414,845 |
| Public works | 925,000 |
| Culture and recreation | 8,962 |
| Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets | 210,366 |
| Total depreciation expense - governmental activities | $ 1,575,581 |

## NOTE 4. CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Business-type activities** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 557,835 | $ - | $ - | $ - | $ 557,835 |
| Construction in progress | - | 95,865 | - | - | 95,865 |
| Total capital assets, not being depreciated | 557,835 | 95,865 | - | - | 653,700 |
| Capital assets, being depreciated: | | | | | |
| Landfill | 6,816,760 | - | - | - | 6,816,760 |
| Buildings and improvements | 727,665 | - | - | - | 727,665 |
| Distribution system | 59,833,685 | 2,337,991 | - | - | 62,171,676 |
| Machinery and equipment | 10,191,356 | 427,399 | (54,390) | - | 10,564,365 |
| Total capital assets, being depreciated | 77,569,466 | 2,765,390 | (54,390) | - | 80,280,466 |
| Less accumulated depreciation for: | | | | | |
| Landfill | (4,544,319) | (332,946) | - | - | (4,877,265) |
| Buildings and improvements | (427,290) | (26,260) | - | - | (453,550) |
| Distribution system | (28,363,175) | (1,518,417) | - | - | (29,881,592) |
| Machinery and equipment | (7,809,070) | (716,196) | 41,440 | - | (8,483,826) |
| Total accumulated depreciation | (41,143,854) | (2,593,819) | 41,440 | - | (43,696,233) |
| Total capital assets, being depreciated, net | 36,425,612 | 171,571 | (12,950) | - | 36,584,233 |
| Business-type activities capital assets, net | $ 36,983,447 | $ 267,436 | $ (12,950) | $ - | $ 37,237,933 |

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

| | |
|---|---|
| Business-type activities: | |
| Water | $ 621,841 |
| Sewer | 993,131 |
| Gas | 120,453 |
| Solid waste collection and disposal | 858,394 |
| Total depreciation expense - business-type activities | $ 2,593,819 |

## NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the Downtown Development Authority for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Downtown Development Authority:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 307,751 | $ - | $ - | $ - | $ 307,751 |
| Total capital assets, not being depreciated | 307,751 | - | - | - | 307,751 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 2,423,039 | 418,954 | - | - | 2,841,993 |
| Furniture and equipment | 20,090 | - | - | - | 20,090 |
| Total capital assets, being depreciated | 2,443,129 | 418,954 | - | - | 2,862,083 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (590,936) | (54,024) | - | - | (644,960) |
| Furniture and equipment | (6,900) | (2,009) | - | - | (8,909) |
| Total accumulated depreciation | (597,836) | (56,033) | - | - | (653,869) |
| Total capital assets, being depreciated, net | 1,845,293 | 362,921 | - | - | 2,208,214 |
| Downtown Development Authority capital assets, net | $ 2,153,044 | $ 362,921 | $ - | $ - | $ 2,515,965 |

## 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, 2012:

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 4.51%. The outstanding balance at June 30, 2012 is $ 898,358.

## NOTE 5. LONG-TERM DEBT (CONTINUED)

### Notes Payable (Continued)

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 outstanding balance on the loan at June 30, 2012 is $5,966,097.

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

| Fiscal Year Payable | Total | Principal | Interest |
|---|---|---|---|
| 2013 | $ 491,730 | $ 140,548 | $ 351,182 |
| 2014 | 491,729 | 148,172 | 343,557 |
| 2015 | 491,729 | 155,316 | 336,413 |
| 2016 | 721,006 | 380,171 | 340,835 |
| 2017 | 721,006 | 399,138 | 321,868 |
| 2018 - 2022 | 3,259,211 | 1,953,831 | 1,305,380 |
| 2023 - 2027 | 2,925,726 | 2,109,189 | 816,537 |
| 2028 - 2030 | 1,765,418 | 1,578,090 | 187,328 |
| | $ 10,867,555 | $ 6,864,455 | $ 4,003,100 |

Business-Type Activities

Georgia Environmental Facilities Authority note dated April 1, 2002, in the original amount of $1,216,338 to be used for sewer system improvements. The loan is to be repaid in 56 quarterly installments of $29,065 including interest at 4.43% beginning May 1, 2002. The outstanding balance at June 30, 2012 is $399,651.

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, 2012 is $2,412,138.

## NOTE 5. LONG-TERM DEBT (CONTINUED)

### Notes Payable (Continued)

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, 2012 is $775,356.

Note payable with a local financial institution dated August 5, 2011, in the original amount of $470,000 to be used for gas line extensions. The loan is to be repaid in annual installments of $56,456 including interest at 3.48% beginning August 1, 2013. The outstanding balance at June 30, 2012 is $470,000.

Note payable with a local financial institution obtained as a part of the agreement with Tift County for taking over the County's water operations in 2009. The loan is to be repaid in annual installments of $33,470 through fiscal year 2014. The outstanding balance at June 30, 2012 is $63,292.

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

| Fiscal Year Payable | Total | Principal | Interest |
|---|---|---|---|
| 2013 | $ 551,593 | $ 375,576 | $ 176,017 |
| 2014 | 551,593 | 392,313 | 159,280 |
| 2015 | 596,595 | 376,582 | 220,013 |
| 2016 | 489,059 | 364,643 | 124,416 |
| 2017 | 401,865 | 292,594 | 109,271 |
| 2018 - 2022 | 2,009,323 | 1,679,131 | 330,192 |
| 2023 - 2027 | 485,018 | 431,299 | 53,719 |
| 2028 - 2032 | 221,849 | 208,300 | 13,549 |
| | $ 5,306,895 | $ 4,120,438 | $ 1,186,457 |

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 $1,659,622 at June 30, 2012.

## 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:

| Fiscal Year Payable | Total | Principal | Interest |
|---|---|---|---|
| 2013 | $ 203,707 | $ 126,831 | $ 76,876 |
| 2014 | 203,606 | 132,010 | 71,596 |
| 2015 | 203,605 | 138,669 | 64,936 |
| 2016 | 203,605 | 145,667 | 57,938 |
| 2017 | 203,605 | 153,021 | 50,584 |
| 2018 - 2022 | 881,809 | 715,542 | 166,267 |
| 2023 - 2026 | 262,099 | 247,882 | 14,217 |
| | $ 2,162,036 | $ 1,659,622 | $ 502,414 |

### 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

## 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 Aa1 by Moody's. At June 30, 2012, the floating rate being paid by the City is 0.49%, and the market value of this agreement is $1,634,825, an increase of $855,029 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, 2012 based on the derivative contract. This market value is reported as an asset in the statement of net assets. 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 assets.

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

| Fiscal Year Payable | Total | Principal | Interest |
|---|---|---|---|
| 2013 | $ 211,090 | $ - | $ 211,090 |
| 2014 | 211,090 | - | 211,090 |
| 2015 | 211,090 | - | 211,090 |
| 2016 | 211,090 | - | 211,090 |
| 2017 | 211,090 | - | 211,090 |
| 2018 - 2022 | 1,055,450 | - | 1,055,450 |
| 2023 - 2027 | 1,055,450 | - | 1,055,450 |
| 2028 | 4,655,090 | 4,444,000 | 211,090 |
| | $ 7,821,440 | $ 4,444,000 | $ 3,377,440 |

## 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 assets is $810,820.

**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 2018, 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, 2012 of $2,345,924 is reported in the Solid Waste Collection and Disposal Fund and represents the cumulative amount reported to date based on the use of approximately 74% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of $824,244 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in 2012, 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.

## NOTE 5. LONG-TERM DEBT (CONTINUED)

### Changes in Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Notes payable | $ 6,997,867 | $ - | $ (133,412) | $ 6,864,455 | $ 140,548 |
| Certificates of participation | 4,444,000 | - | - | 4,444,000 | - |
| Net pension obligation | 664,690 | - | (333,795) | 330,895 | - |
| Compensated absences | 344,499 | 304,787 | (219,416) | 429,870 | 219,400 |
| Governmental activity Long-term liabilities | $ 12,451,056 | $ 304,787 | $ (686,623) | $ 12,069,220 | $ 359,948 |
| **Business-type activities:** | | | | | |
| Notes payable | $ 3,965,759 | $ 470,000 | $ (315,321) | $ 4,120,438 | $ 375,576 |
| Net pension obligation | 319,188 | - | (160,289) | 158,899 | - |
| Compensated absences | 134,556 | 143,464 | (110,782) | 167,238 | 110,870 |
| Landfill closure / postclosure | 2,687,771 | 468,974 | - | 3,156,745 | - |
| Business-type activity Long-term liabilities | $ 7,107,274 | $ 1,082,438 | $ (586,392) | $ 7,603,320 | $ 486,446 |
| **Downtown Development Authority:** | | | | | |
| Notes payable | $ 2,315,771 | $ - | $ (656,149) | $ 1,659,622 | $ 126,831 |

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, $83,641 of the Service Fund's compensated absences and the Service Fund's net pension obligation of $47,121 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.

## NOTE 6. BUDGET COMPLIANCE

### Excess of Expenditures Over Appropriations

The following General Fund departments had actual expenditures in excess of appropriations (all funded by greater than anticipated transfers and available fund balance) for the year ended June 30, 2012:

| | |
|---|---|
| Police | $ 164,016 |
| Highways and streets | 20,097 |
| Street lights | 11,703 |
| Telecommunications | 250,000 |

## NOTE 7. 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 188 active participants, 148 retirees and beneficiaries receiving benefits, and 32 terminated plan members entitled to but not yet receiving benefits, as of June 30, 2012.

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.

## NOTE 7. PENSION PLAN (CONTINUED)

### Plan Description (Continued)

#### Basis of Accounting

The accrual basis of accounting is used for the pension trust fund. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred. Employer contributions to the Plan are recognized when due and the City has made a formal commitment to provide the contribution. Plan members make no contributions to the Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

#### Investment Values

Investments of the pension trust fund are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates market value. Securities traded on a national exchange are valued at last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value, and the carrying amount of cash deposits reasonably estimates fair value.

#### Funding Policy

The City is required to contribute an actuarially determined amount annually to the Plan's trust. A contribution amount is determined using actuarial methods and assumptions approved by the City and intended to satisfy the minimum required contribution requirements as set forth in controlling State of Georgia statutes. Plan participants are not required to contribute to the Plan.

The City's actuarially determined contribution, pension cost and increase in net pension obligation for the year ended June 30, 2012 is as follows:

| | |
|---|---|
| Annual required contribution | $ 1,621,847 |
| Interest on net pension obligation | 76,251 |
| Adjustments to annual required contribution | (55,361) |
| Annual pension cost | 1,642,737 |
| Employer contributions made | 2,136,821 |
| Decrease in net pension obligation | (494,084) |
| Net pension obligation, beginning of year | 983,878 |
| Net pension obligation, end of year | $ 489,794 |

## NOTE 7. PENSION PLAN (CONTINUED)

### Plan Description (Continued)

#### Funding Policy (Continued)

**SCHEDULE OF PENSION COSTS AND CONTRIBUTIONS**

| Year Ending June 30, | Annual Pension Cost (APC) | Employer Contributions | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|---|
| 2007 | $ 2,236,723 | $ 2,154,091 | 96% | 49,724 |
| 2008 | 2,142,217 | 1,368,906 | 64% | 2,001,671 |
| 2009 | 2,271,596 | 3,622,319 | 159% | 650,948 |
| 2010 | 2,327,374 | 2,168,078 | 93% | 810,244 |
| 2011 | 1,600,445 | 1,426,811 | 89% | 983,878 |
| 2012 | 1,642,737 | 2,136,821 | 130% | 489,794 |

The assumptions used in the July 1, 2012 actuarial valuation are as follows:

| | |
|---|---|
| Valuation Date | July 1, 2012 |
| Actuarial cost method | Aggregate cost |
| Amortization method | Level percentage, open |
| Remaining amortization period | 30 years |
| Actuarial asset valuation method | Five year smoothed market |
| Inflation rate | 7.75% |
| Rate of return on investments | 7.75% |
| 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 employeees who retired at or beyond age 65; and all beneficiaries in payment status as of the valuation date. |

The actuarial funding method used is the aggregate cost method. Under this actuarial cost method, a funding cost is developed for the plan as a level percentage of payroll. The level funding percentage is calculated as the excess of the total future benefit liability over accumulated assets and future employee contributions, with this excess spread over the expected future payroll for current active participants. The normal cost is equal to the level of funding percentage multiplied by the expected payroll for the year immediately following the valuation date. The actuarial accrued liability is equal to the accumulated assets. Therefore under the aggregate cost method, no unfunded accrued liability is developed.

## NOTE 7. PENSION PLAN (CONTINUED)

### Plan Description (Continued)

#### Funding Policy (Continued)

Due to the aggregate cost method not identifying or separately amortizing unfunded actuarial liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method and the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

As of the most recent valuation date, July 1, 2012, 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) |
|---|---|---|---|---|---|---|
| 07/01/12 | $ 16,243,719 | $ 28,355,976 | $ 12,112,257 | 57.3 % | $ 5,530,562 | 219.01 % |

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. 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, 2012.

## NOTE 8. INTERFUND BALANCES AND TRANSFERS

The City's interfund receivables and payables at June 30, 2012 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.

| | Due From | | | |
|---|---|---|---|---|
| | General | Nonmajor Governmental | Water Revenue | Sewer Revenue |
| **Due To** | | | | |
| General fund | $ - | $ 63,533 | $ - | $ - |
| SPLOST fund | - | 5,341 | - | - |
| Nonmajor governmental fund | 6,252 | - | - | - |
| Internal service fund | 254,937 | 231 | 325,637 | 106,322 |
| Total | $ 261,189 | $ 69,105 | $ 325,637 | $ 106,322 |

| | Gas Revenue | Solid Waste Coll and Disp | Total |
|---|---|---|---|
| **Due To** | | | |
| General fund | $ - | $ - | $ 63,533 |
| SPLOST fund | - | - | 5,341 |
| Nonmajor governmental fund | - | - | 6,252 |
| Internal service fund | 155,959 | 382,402 | 1,225,488 |
| Total | $ 155,959 | $ 382,402 | $ 1,300,614 |

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.

| | Advance To | | |
|---|---|---|---|
| | General | Sewer Revenue | Total |
| **Advance From** | | | |
| Capital projects fund | $ 352,507 | $ 98,252 | $ 450,759 |

## NOTE 8. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended June 30, 2012 consisted of the following:

| | Transfer To | | |
|---|---|---|---|
| | General | SPLOST | Total |
| **Transfer From** | | | |
| Nonmajor governmental fund | $ 94,001 | $ - | $ 94,001 |
| Sewer revenue fund | - | 30,000 | 30,000 |
| Total | $ 94,001 | $ 30,000 | $ 124,001 |

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 9. 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 10. HOTEL/MOTEL TAX

The City imposes a 5% hotel/motel tax on lodging facilities within the City. For the fiscal year ended June 30, 2012, $694,292 of hotel/motel tax was collected. Of the total collected, $277,243 was paid to the Tifton-Tift County Tourism Association, $109,975 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 $287,957 was spent by the City in accordance with OCGA 48-13-51.

## NOTE 11. 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 South Georgia Regional Commission and is required to pay annual dues thereto. During its year ended June 30, 2012, the City paid $25,074 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 South Georgia Regional Commission, P.O. Box 1223, Valdosta, Georgia 31603.

## NOTE 11. JOINT VENTURES (CONTINUED)

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 12. 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.

### 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.

## NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 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 $1,924,328.

At June 30, 2012, the outstanding debt of MGAG was approximately $277,418,960. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately $3,924,479 at June 30, 2012.

## NOTE 13. 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. RISK MANAGEMENT (CONTINUED)

The risk pools are to defend and protect the members of the risk pools against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The risk pools are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

## NOTE 14. PRIOR PERIOD RESTATEMENT

The City has determined that a restatement of beginning fund balance of the General Fund is necessary to correct: (1) reporting of various bank accounts maintained by City departments for which neither the activity of the accounts, nor the account balances were recorded in prior years; (2) the reporting of activity associated with the 1998 GMA lease pool. These adjustments resulted in a change to the beginning fund balance of the General Fund as follows:

| | |
|---|---|
| Fund balance, as previously reported | $ 4,305,763 |
| Recording of departmental bank accounts | 26,767 |
| Recording of GMA lease pool activity | (230,326) |
| Fund balance, as restated | $ 4,102,204 |

The City has determined that a restatement of beginning fund balance of the Capital Projects Fund is necessary to correct the reporting of activity associated with the 1998 GMA lease pool. This adjustment resulted in a change to the beginning fund balance of the Capital Projects Fund as follows:

| | |
|---|---|
| Fund balance, as previously reported | $ - |
| Recording of GMA lease pool activity | 4,212,982 |
| Fund balance, as restated | $ 4,212,982 |

The City has determined that a restatement of beginning net assets of the Water Revenue Fund is necessary to correct: (1) the reporting of inventory which was obsolete in its entirety and which should have been written off in prior years; (2) the reporting of a liability associated with a note payable related to the County’s water operations and which the City agreed to repay when it took over the operations of the County’s water system; and (3) the reporting of a liability for the Water Fund’s share of the City’s net pension obligation (NPO). These adjustments resulted in a change to the beginning net assets of the Water Revenue Fund as follows:

## NOTE 14. PRIOR PERIOD RESTATEMENT (CONTINUED)

| | |
|---|---|
| Net assets, as previously reported | $ 12,346,778 |
| Adjustment for obsolete inventory | (117,223) |
| Recording of note payable | (93,202) |
| Recording of NPO | (128,482) |
| Net assets, as restated | $ 12,007,871 |

The City has determined that a restatement of beginning net assets of the Sewer Revenue Fund is necessary to correct: (1) the reporting of inventory which was obsolete in its entirety and which should have been written off in prior years; and (2) the reporting of a liability for the Sewer Revenue Fund's share of the City's net pension obligation (NPO). These adjustments resulted in a change to the beginning net assets of the Sewer Fund as follows:

| | |
|---|---|
| Net assets, as previously reported | $ 16,843,056 |
| Adjustment for obsolete inventory | (24,801) |
| Recording of NPO | (61,539) |
| Net assets, as restated | $ 16,756,716 |

The City has determined that a restatement of beginning net assets of the Gas Revenue Fund is necessary to correct: (1) the reporting of inventory which was obsolete in its entirety and which should have been written off in prior years; and (2) the reporting of a liability for the Gas Revenue Fund's share of the City's net pension obligation (NPO). These adjustments resulted in a change to the beginning net assets of the Gas Fund as follows:

| | |
|---|---|
| Net assets, as previously reported | $ 3,288,276 |
| Adjustment for obsolete inventory | (205,943) |
| Recording of NPO | (30,254) |
| Net assets, as restated | $ 3,052,079 |

The City has determined that a restatement of beginning net assets of the Solid Waste Collection and Disposal Fund is necessary to correct the reporting of a liability for the Solid Waste Collection and Disposal Fund's share of the City's net pension obligation (NPO). These adjustments resulted in a change to the beginning net assets of the Solid Waste Collection and Disposal Fund as follows:

| | |
|---|---|
| Net assets, as previously reported | $ 7,943,653 |
| Recording of NPO | (98,910) |
| Adjustment to landfill closure/postclosure care costs | 733,954 |
| Net assets, as restated | $ 8,578,697 |

## NOTE 14. PRIOR PERIOD RESTATEMENT (CONTINUED)

The City has determined that a restatement of beginning net assets of the Service Fund is necessary to correct: (1) the reporting of inventory which was obsolete in its entirety and which should have been written off in prior years; and (2) the reporting of a liability for the Service Fund's share of the City's net pension obligation (NPO). These adjustments resulted in a change to the beginning net assets of the Service Fund as follows:

| | |
|---|---|
| Net assets, as previously reported | $ 3,677,462 |
| Adjustment for obsolete inventory | (42,980) |
| Recording of NPO | (94,655) |
| Net assets, as restated | $ 3,539,827 |

The City has determined that a restatement of beginning net assets of the governmental activities in the Statement of Activities is necessary to correct: (1) adjustments made for the opening fund balance of the General Fund and Capital Projects Fund as noted in the first and second tables of this note; (2) reporting of capital assets related to additional construction in progress which existed at June 30, 2011; (3) reporting of accumulated depreciation to correct the beginning balance: (4) reporting of the liability associated with the 1998 GMA lease pool; and (5) reporting of only the governmental activities portion of the City's net pension obligation (NPO). In the prior year, the entire NPO was recorded as a liability of governmental activities. The NPO should have been allocated to the proprietary funds as well. These adjustments resulted in a change to the beginning net assets of Governmental Activities as follows:

| | |
|---|---|
| Net assets, as previously reported | $ 31,773,799 |
| Adjustment for General Fund restatements | 148,950 |
| Adjustment for Capital Projects Fund restatements | 3,860,474 |
| Adjustment for capital assets | 177,973 |
| Adjustment for accumulated depreciation | (140,961) |
| Adjustment for GMA lease pool liability | (4,188,975) |
| Adjustment for inventory of the Service Fund | (42,980) |
| Adjustment for NPO of Service Fund | (94,655) |
| Adjustment for NPO of governmental funds | 413,843 |
| Net assets, as restated | $ 31,907,468 |

## NOTE 15. SUBSEQUENT EVENTS

Subsequent to year end, the City entered into an agreement with ESG Operations, Inc., ("ESG"), effective November 1, 2012, for the management of the City's water and water treatment facilities. The initial term of this agreement is 10 years and may be renewed thereafter for one successive 10-year term. The contracted base fee for the first nine months shall be prorated based on an annual amount of $2,080,000. Thus the actual amount for fiscal year ending June 30, 2013 shall be $1,560,000. The base fee will be renegotiated each year. As part of the agreement, the City will lease certain vehicles and equipment to ESG. ESG shall be responsible for providing insurance coverage and regular maintenance for the vehicles and equipment. The City will maintain property damage coverage for said vehicles and equipment.

Effective April 1, 2013, the City took over the operations of the Tift Theatre from the Tifton Downtown Development Authority.

On August 27, 2012, the City entered into an agreement with Ty Ty Peanut Company and LTF Greenhouses, LLC (the companies) in which the companies agreed to pay the City for the costs of acquisition, construction and installation of a natural gas pipeline to each of the said companies. Ty Ty Peanut Company agreed to pay $280,088 and LTF Greenhouses, LLC agreed to pay $370,631. The aforementioned amounts bear an interest rate of 2.16 percent over a 10-year period. The companies also committed to purchasing minimum quantities of natural gas from the City for 10 years or until their debt is paid in full.

On September 12, 2012, the City entered into an agreement with Omega Farm Supply, Inc. (Omega) in which Omega shall pay $243,066 bearing an interest rate of 2.16 percent over a 10-year period to the City for the costs of acquisition, construction and installation of the natural gas pipeline to Omega. Omega has also committed to purchasing minimum quantities of natural gas from the City for 10 years or until the debt is paid in full.

On September 12, 2012, the City entered into an agreement with R.A.W. Construction, LLC to construct and install a natural gas main extension to serve Ty Ty Peanut Company, LTF Greenhouses, LLC, and Omega Farm Supply, Inc. for a total cost of $893,785.

On September 12, 2012, the City also entered into a lease-purchase agreement with Georgia Municipal Association (GMA) for natural gas line extensions in the amount of $893,785.40 for 10 years at an interest rate of 2.16 percent.

Additionally, subsequent to year end, the City paid the full amount of its net pension obligation as of June 30, 2012.

# REQUIRED SUPPLEMENTARY INFORMATION

# 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) |
|---|---|---|---|---|---|---|
| 07/01/07 | $ 12,934,096 | $ 26,729,532 | $ 13,795,436 | 48.39 % | $ 7,535,451 | 183.07 % |
| Not applicable | 13,965,037 | N/A | N/A | N/A | N/A | N/A |
| 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 |

The assumptions used in the preparation of the above schedule are disclosed in Note 7 to the financial statements.

**Note:** An actuarial valuation was not performed as of July 1, 2008.

# COMBINING STATEMENTS
# AND SCHEDULES

# CITY OF TIFTON, GEORGIA

## NONMAJOR GOVERNMENTAL FUNDS

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## 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.

## 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, 2012

| ASSETS | Special Revenue Funds: Community Development Revolving Loan Fund | Special Revenue Funds: Hotel/Motel Tax Fund | Special Revenue Funds: Grant Fund | Capital Projects Fund: CDBG Grant Fund | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 18,517 | $ 187,833 | $ 45,231 | $ 1,000 | $ 252,581 |
| Taxes receivable | - | 67,707 | - | - | 67,707 |
| Due from other governments | - | - | 24,839 | - | 24,839 |
| Due from other funds | - | - | 6,252 | - | 6,252 |
| Due from component unit | 179,344 | - | - | - | 179,344 |
| Total assets | $ 197,861 | $ 255,540 | $ 76,322 | $ 1,000 | $ 530,723 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| **LIABILITIES** | | | | | |
| Accounts payable | $ - | $ 31,345 | $ 3,263 | $ - | $ 34,608 |
| Due to other funds | - | - | 69,105 | - | 69,105 |
| Deferred revenue | - | - | 3,954 | 1,000 | 4,954 |
| Total liabilities | - | 31,345 | 76,322 | 1,000 | 108,667 |
| **FUND BALANCES** | | | | | |
| Nonspendable: | | | | | |
| Due from component unit | 179,344 | - | - | - | 179,344 |
| Restricted for: | | | | | |
| Housing and development | 18,517 | - | - | - | 18,517 |
| Tourism | - | 224,195 | - | - | 224,195 |
| Total fund balances | 197,861 | 224,195 | - | - | 422,056 |
| Total liabilities and fund balances | $ 197,861 | $ 255,540 | $ 76,322 | $ 1,000 | $ 530,723 |

# CITY OF TIFTON, GEORGIA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Special Revenue Funds | | | Capital Projects Fund | |
|---|---|---|---|---|---|
| | Community Development Revolving Loan Fund | Hotel/Motel Tax Fund | Grant Fund | CDBG Grant Fund | Total |
| **Revenues:** | | | | | |
| Taxes | $ - | $ 694,292 | $ - | $ - | $ 694,292 |
| Intergovernmental | - | - | 357,396 | 11,000 | 368,396 |
| Interest revenue | 2,177 | 671 | - | - | 2,848 |
| Other revenues | - | 3,750 | - | - | 3,750 |
| Total revenues | 2,177 | 698,713 | 357,396 | 11,000 | 1,069,286 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Public safety | - | - | 99,554 | - | 99,554 |
| Public works | - | - | 988 | 11,000 | 11,988 |
| Culture and recreation | - | 459,445 | - | - | 459,445 |
| Housing and development | - | - | 256,854 | - | 256,854 |
| Debt service: | | | | | |
| Principal | - | 98,083 | - | - | 98,083 |
| Interest | - | 43,646 | - | - | 43,646 |
| Total expenditures | - | 601,174 | 357,396 | 11,000 | 969,570 |
| Excess of revenues over expenditures | 2,177 | 97,539 | - | - | 99,716 |
| **Other financing uses** | | | | | |
| Transfers out | - | (94,001) | - | - | (94,001) |
| Total other financing uses | - | (94,001) | - | - | (94,001) |
| Net change in fund balances | 2,177 | 3,538 | - | - | 5,715 |
| **Fund balances, beginning of year** | 195,684 | 220,657 | - | - | 416,341 |
| **Fund balances, end of year** | $ 197,861 | $ 224,195 | $ - | $ - | $ 422,056 |

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| Project Description | Original Estimated Cost | Revised Estimated Cost | Expenditures | | |
|---|---|---|---|---|---|
| | | | Prior Years | Current Year | Total |
| **2006 Referendum** | | | | | |
| Street and sidewalk improvements | $ 2,670,000 | $ 2,670,000 | $ 2,017,942 | $ 148 | $ 2,018,090 |
| New fire station and equipment | 2,660,000 | 2,660,000 | 612,205 | 769,360 | 1,381,565 |
| Police equipment | 414,000 | 414,000 | 308,229 | - | 308,229 |
| Sewer system improvements | 6,831,000 | 6,831,000 | 4,502,717 | 375,931 | 4,878,648 |
| Water system improvements | 5,200,000 | 5,200,000 | 3,818,386 | 258,800 | 4,077,186 |
| Drainage improvements | 2,500,000 | 2,500,000 | 1,542,812 | 29,484 | 1,572,296 |
| Senior center improvements | 750,000 | 750,000 | 31,371 | - | 31,371 |
| City hall renovations | 1,000,000 | 1,000,000 | 207,682 | 87,534 | 295,216 |
| Recycling facility improvements | 450,000 | 450,000 | 241,991 | 16,429 | 258,420 |
| Landfill/Sanitation equipment | 650,000 | 650,000 | 582,775 | - | 582,775 |
| Park and cemetery improvements | 200,000 | 200,000 | - | 2,287 | 2,287 |
| Maintenance warehouse improvements | 650,000 | 650,000 | 302,400 | 9,933 | 312,333 |
| M.I.S. Improvements | 1,850,000 | 1,850,000 | 939,804 | 183,213 | 1,123,017 |
| | $ 25,825,000 | $ 25,825,000 | $ 15,108,314 | $ 1,733,119 | $ 16,841,433 |

| | |
|---|---|
| Total per Combining Statement of Revenues, Expenditures and Changes in Fund Balance | $ 1,836,769 |
| Expenditures funded by grant revenues | (27,070) |
| Expenditures for which reimbursement received from the County | (46,580) |
| Expenditures funded by a transfer from Sewer Fund | (30,000) |
| | $ 1,733,119 |

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| Project Description | Original Estimated Cost | Revised Estimated Cost | Expenditures | | |
|---|---|---|---|---|---|
| | | | Prior Years | Current Year | Total |
| **2001 Referendum** | | | | | |
| Street and sidewalk improvements | $ 1,000,000 | $ 1,000,000 | $ 688,499 | $ - | $ 688,499 |
| New fire station | 650,000 | 650,000 | 174 | - | 174 |
| New fire trucks | 500,000 | 500,000 | 691,490 | - | 691,490 |
| Sewer system improvements | 1,000,000 | 1,000,000 | 710,150 | - | 710,150 |
| Water system improvements | 1,000,000 | 1,000,000 | 1,150,534 | - | 1,150,534 |
| Drainage improvements | 590,000 | 590,000 | 464,280 | - | 464,280 |
| Police department building | 3,021,000 | 3,021,000 | 3,132,477 | - | 3,132,477 |
| Visitor information center | 300,000 | 300,000 | 447,562 | - | 447,562 |
| Public parking | 679,000 | 679,000 | 495,053 | - | 495,053 |
| | $ 8,740,000 | $ 8,740,000 | $ 7,780,219 | $ - | $ 7,780,219 |

Total per Combining Statement of Revenues, Expenditures and Changes in Fund Balance $ -

# COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

# 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 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, 2012, which collectively comprise the City of Tifton, Georgia's basic financial statements and have issued our report thereon dated August 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

Management of the City of Tifton, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-1 through 2012-8, 2012-11, and 2012-13 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-9 and 2012-10 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-12.

We noted certain other matters that we reported to management of the City of Tifton, Georgia in a separate letter dated June XX, 2013.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Council, others within the entity, the State of Georgia, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
August 13, 2013

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED JUNE 30, 2012

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### SECTION I
### SUMMARY OF AUDIT RESULTS

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | __X__ yes ____ no |
| Significant deficiencies identified not considered to be material weaknesses? | __X__ yes ____ none reported |
| Noncompliance material to financial statements noted? | __X__ yes ____ no |

***Federal Awards***

There was not an audit of major federal award programs as of June 30, 2012 due to the City not having expended $500,000 of federal funds during the fiscal year.

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED JUNE 30, 2012

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### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES

**2012 - 1. Reconciliation of Bank Accounts**

**Criteria**: Timely completion of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Monthly reconciliation is vital to any organization to ensure that those individuals making financial decisions are receiving accurate and complete information related to the entity's cash flows.

Additionally, once bank accounts are reconciled, an appropriate member of management should review the reconciliations for any unusual items, investigate and fully resolve such items, and document his or her approval by initialing the form.

**Condition**: At the beginning of our audit fieldwork we became aware that many, if not all, City bank accounts had not been reconciled to the general ledger for most of the 2012 fiscal year. While some sort of "reconciliation process" was taking place by Finance staff, there was no actual reconciliation of the bank statement balances to the general ledger cash accounts.

**Context**: We addressed this matter with the City and it was determined that audit fieldwork would be put on hold until the bank accounts were reconciled to the general ledger. Finance staff then spent a significant amount of time reconciling each of the City's 32 bank accounts.

**Effect:** By not reconciling bank accounts to the general ledger on a monthly basis, the City is exposing itself to potential loss from errors or misappropriation and is not able to make informed decisions related to cash flows.

**Recommendation**: As of the completion of our audit fieldwork, the Finance staff is current on all bank reconciliations. We recommend the bank reconciliation process continue on a timely basis and a procedure be put in place whereby a member of management reviews the bank reconciliations and documents his or her approval on the bank reconciliation form.

**Views of Responsible Officials and Planned Corrective Action:** We will ensure that all bank accounts are reconciled in a timely manner and will ensure that a member of management reviews and approves each of the reconciliations.

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2012 - 2. Maintenance of General Ledgers for the Activities of the Pension Accounts and CDBG Grant**

**Criteria**: Good, sound internal controls require that books of original entry be maintained and periodically balanced. A general ledger creates a trail of transactions for the location and correction of errors as well as creating a system of checks and balances.

**Condition**: During our discussions with Finance Department personnel, we were informed that no general ledger has ever been maintained by the City for the Pension Trust Fund. For each year's annual financial statement audit, all pension account statements and reports were forwarded to the external auditor for compilation of a trial balance to be used for year-end financial reporting purposes. Additionally, during fiscal year 2012, the City used two different checking accounts for activities related to the pension plan, neither of which were reconciled on a regular basis, which further complicated the issue. A significant amount of time was spent by the interim Finance Director compiling a trial balance for year-end audit purposes.

Additionally, no general ledger has been maintained for the City's CDBG Grant Fund or the City's Community Development Revolving Loan Fund.

**Context**: See above condition

**Effect:** By not utilizing a general ledger to record the ongoing activities of the Pension Fund, the CDBG Grant Fund and the Community Development Revolving Loan Fund, and not reconciling accounts on a regular basis, the City is unable to determine whether receipts and disbursements are being properly handled, and is exposing itself to the risk that errors may occur and not be detected in the normal course of operations.

**Recommendation**: We recommend the City immediately establish a general ledger for the Pension Trust Fund, the CDBG Grant Fund and the Community Development Revolving Loan Fund.

**Views of Responsible Officials and Planned Corrective Action:** We have established general ledgers for the Pension Trust Fund, the CDBG Grant Fund, and the CDBG Revolving Loan Fund.

**2012 - 3. Accounting for the City's Participation in the 1998 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 lease pool agreement with GMA provides that the City owns their portion of the assets invested in the pool and is responsible for the payment of the portion of the principal and interest of the Certificates of Participation. The principal is

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2012 - 3. Accounting for the City's Participation in the 1998 GMA Lease Pool (Continued)**

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.

**Condition**: The City did not properly record its participation in the GMA lease pool in prior years. The City had been recording each individual lease of equipment as a liability in the fund for which the equipment was leased. Additionally, assets were not recorded for the City's investment account and the fair value of the interest rate swap associated with the investment, and no liability was recorded for the City's portion of the lease pool liability.

**Context**: See above condition.

**Effect:** Prior period adjustments were required to increase investments, advances to other funds, and beginning of the year fund balance by $3,899,087, $313,895 and $4,212,982, respectively.

**Recommendation**: We recommend the City properly account for its activity in the GMA lease pool.

**Views of Responsible Officials and Planned Corrective Action:** We concur with this finding and recommendations, and we will establish procedures to ensure proper accounting of the City's activity in the GMA lease pool.

**2012 - 4. Accounting for Obsolete Inventory and Reconciliation of Fuel Inventory to General Ledger**

**Criteria**: Generally accepted accounting principles require writing off of obsolete inventory immediately upon identification. Additionally, inventory should be reconciled to the general ledger on a monthly basis.

**Condition**: Based on discussions with management and review of prior year inventory information, a significant amount of obsolete supplies inventory has been carried on the City books for several years, with write-offs being taken in small increments for the past few years. Additionally, the City's fuel inventory is not being reconciled to the general ledger on a monthly basis.

**Context**: See above condition.

**Effect:** Prior period adjustments were required to decrease inventory and decrease beginning of the year net assets (equity) in the following amounts: Water Fund - $117,223; Sewer Fund - $24,801; Gas Fund - $205,943; and Service Fund - $42,980.

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2012 - 4. Accounting for Obsolete Inventory and Reconciliation of Fuel Inventory to General Ledger (Continued)**

**Recommendation**: We recommend the City implement procedures to ensure that inventory is being adequately controlled and periodically reviewed for obsolescence. We additionally recommend that any inventory be periodically, not less than monthly, reconciled to the general ledger.

**Views of Responsible Officials and Planned Corrective Action:** We will implement procedures to ensure that inventory is being adequately controlled and reviewed for obsolescence. We will also ensure that inventory is reconciled to the general ledger on a monthly basis.

**2012 - 5. Accounting for Note Payable for Water Operations**

**Criteria**: In 2006, the City agreed to take over the operations of the Tift County Water Authority and combine it with the activity of the City's water operations. As part of this agreement with Tift County, the City would be responsible for all future payments on the County's water system note payable with a local financial institution. While the debt remains in the name of Tift County, by agreement, the City is responsible for the repayment of the debt.

**Condition**: The City did not record the note payable on the books of the Water Fund in 2006 when the agreement took place. All payments on the debt have been made annually by the City since 2006, with both principal and interest expensed at the time the payments were made.

**Context**: See above condition.

**Effect:** A prior period adjustment was required to be recorded to reflect the outstanding balance of the note payable at the beginning of the fiscal year. This adjustment increased notes payable and decreased net assets by $93,202.

**Recommendation**: We recommend the City record the subsequent annual principal payments on the note as a reduction of the liability, and record the interest payments as an expense.

**Views of Responsible Officials and Planned Corrective Action:** We concur and, going forward, will ensure that the liability and related expenses for the note payable are properly recorded.

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED JUNE 30, 2012

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### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2012 - 6. 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. The City does not maintain detailed listings of its capital assets (land, buildings, improvements, machinery and equipment, utility systems and infrastructure) and related depreciation.
2. 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.
3. An inventory of all City property and equipment has not been done in a number of years.

**Context**: See above condition.

**Effect:** By the City not maintaining a detail listing of capital assets, additions and disposals were not recorded as they occurred, and therefore could have been overlooked when the year-end closeout process was done by the prior auditor. Additionally, with no subsidiary ledgers maintained for construction projects, all costs associated with a project may not have been captured. This is especially true with projects that cross fiscal year ends. Finally, without a periodic inventory of capital assets, the City is unable to identify loss or unauthorized use of property.

**Recommendation**: We recommend the City utilize the capital asset module of its financial software to record and maintain detail listings of all City capital assets. Separate listings should be maintained by fund, and further detailed by asset type. Additionally, a subsidiary ledger should be maintained for each capital project in process and all costs associated with the project recorded. This will ensure that all costs are captured and the use of SPLOST funds and grant funds are appropriate. Finally, the City should perform a complete inventory of its capital assets as soon as possible.

**Views of Responsible Officials and Planned Corrective Action:** We will perform a complete inventory of all capital assets. Once the inventory is done, we will implement our capital assets module within a reasonable period of time. We are in the process of establishing a capital improvement plan for all ongoing projects and accounting for the costs of each ongoing project on a project-by-project basis.

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED JUNE 30, 2012

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2012 - 7. Internal Controls over Journal Entries**

**Criteria**: In accordance with SAS No. 99, examination of journal entries and other adjustments is required as part of the audit process to address the risk of management override of controls.

**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. Additionally, no procedures were in place in FY2012 for maintaining documentation of journal entries or approval of journal entries by an individual not involved in the initiation or posting of journal entries.

**Context**: See above condition.

**Effect:** Without a separate code to identify adjusting journal entries, a requirement that supporting documentation be maintained for each adjusting journal entry, and a policy for the review and approval of each adjusting journal entry by a member of management, the City is exposing itself to the risk of inappropriate adjustments being made to City accounts. Additionally, without proper documentation being maintained for each entry, an audit trail is not present when questions arise in the future.

**Recommendation**: We recommend the City immediately contact its software provider and request a change whereby adjusting journal entries can be distinguished from cash receipts and disbursement activity. Additionally, the City should adopt a policy whereby attaching supporting documentation to each adjusting journal entry is required to provide an audit trail, and review and approval of each entry by someone other than the individual initiating and posting the entry is required. Such approval should be noted by a sign off on the journal entry form.

**Views of Responsible Officials and Planned Corrective Action:** We are working on modifying our processes so our software will show journal entries only when they are true journal entries. We are also creating a report which will show all journal entries posted for a specified period of time. In addition, we have established procedures to ensure all journal entries are reviewed and approved by a member of management and are properly supported. We are also establishing a control in our software which will require a member of management's approval before a journal entry can be posted.

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED JUNE 30, 2012

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2012 - 8. Recording of Liability to the City's Pension Fund**

**Criteria**: Governmental Accounting Standards Board Statements No. 25 and 27 require the recording of a liability on the books of a government for its net pension obligation. Such liability should be allocated among City funds and governmental activities as appropriate.

**Condition**: The City's net pension obligation of $983,878 at June 30, 2011 was recorded in its entirety as a liability of governmental activities.

**Context**: See above condition.

**Effect:** A prior period adjustment in the amount of $413,843 was required to reduce the beginning balance of the net pension obligation of governmental activities. Additionally, prior period adjustments were required in the following funds, and in the following amounts to record each fund's share of the net pension obligation: Water Fund - $128,482, Sewer Fund - $61,539, Gas Fund - $30,254, Solid Waste Fund - $98,910, and Service Fund - $94,655.

**Recommendation**: We recommend the City calculate the allocation of the net pension obligation/asset, if any, among the City's funds and governmental activities and record the proper adjustment during the June 30 close out process.

**Views of Responsible Officials and Planned Corrective Action:** We will establish procedures to ensure that the allocation of the net pension obligation is properly calculated and recorded at year end.

**2012 - 9. Bank Accounts Maintained by City Departments 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 ten (10) bank accounts maintained by departments of the City, but which have not been recorded on the books of the City. Additionally, the Finance Department has no oversight over these accounts and no controls are in place to ensure funds are received and disbursed in an appropriate manner.

**Context**: See above condition.

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2012 - 9. Bank Accounts Maintained by City Departments Not Included on the City's Books (Continued)**

**Effect:** This matter was discussed with Finance officials and they subsequently provided a journal entry to record the cash and activity of these accounts in the City's General Fund. This journal entry resulted in a prior period adjustment to fund balance in the amount of $26,767 to record the beginning of year cash balances, an adjustment to increase cash by $23,140 to account for the end of the year cash balances, an adjustment to increase revenues by $13,028 and an adjustment to increase expenditures by $16,655.

**Recommendation**: We recommend the City implement controls over these departmental accounts if they are to remain in place, and the activity of these accounts should be periodically posted to the City's General Fund.

**Views of Responsible Officials and Planned Corrective Action:** We will establish controls over departmental bank accounts, and the activity of these accounts will be periodically posted to the General Fund.

**2012 - 10. Recording of Accrued Interest on Note Payable**

**Criteria**: Interest accrued on long-term debt of enterprise fund operations but not paid as of year-end should be recorded as a liability in the applicable fund.

**Condition**: The City did not record accrued interest payable for the outstanding note in the Gas Fund as of June 30, 2012.

**Context**: See above condition.

**Effect:** This matter was discussed with Finance officials who determined that an adjusting entry of $14,743 was necessary to properly adjust accrued interest payable and interest expense.

**Recommendation**: We recommend the City review all long-term debt at year-end to determine the need for interest accruals.

**Views of Responsible Officials and Planned Corrective Action:** We will implement procedures to ensure all interest payable is properly accrued at year end.

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED JUNE 30, 2012

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2012 - 11. Recording of Advance Payments**

**Criteria**: Payments received from other governments in advance of the start of an intergovernmental project should be recorded as a liability on the books of the City.

**Condition**: The City received an advance payment from the City of Nashville for a project that did not begin until subsequent to year-end. This payment was incorrectly recorded as miscellaneous income in the City's Gas Fund.

**Context**: See above condition.

**Effect:** This matter was discussed with Finance officials who determined the need for an audit adjustment in the amount of $52,000 to increase liabilities and decrease income.

**Recommendation**: We recommend the City review all receipts of funds to determine the appropriate posting to the general ledger.

**Views of Responsible Officials and Planned Corrective Action:** We will review all receipts to ensure proper posting to the general ledger.

**2012 - 12. 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.

**Context**: See above condition.

**Effect:** By not maintaining a separate special revenue fund to account for confiscated asset activities, the City is not in compliance with state law.

**Recommendation**: We recommend the City establish a Confiscated Assets Fund to account for these activities. Additionally, because the Confiscated Assets Fund is a special revenue fund, an annual budget should be adopted by City Council.

**Views of Responsible Officials and Planned Corrective Action:** We will establish a Confiscated Assets Fund and will account for all confiscated asset activities within this fund which will allow the City to be in compliance with state law.

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED JUNE 30, 2012

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### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2012 - 13. Recording of Landfill Closure/Postclosure Care Liability**

**Criteria**: Closure and postclosure care costs are paid only near or after the date that the landfill stops accepting waste. However, standards require governments to report 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.

**Condition**: The City did not adjust the closure/postclosure care liability recorded in the Solid Waste Fund to the liability as calculated by the City based on landfill capacity used to date at June 30, 2011 or June 30, 2012.

**Context**: See above condition.

**Effect:** This matter was discussed with Finance officials who determined the need for a prior period adjustment in the amount of $733,954 to reduce the liability for closure/postclosure care at June 30, 2011, and a current year adjustment of $468,973 to increase the liability for closure/postclosure care at June 30, 2012.

**Recommendation**: We recommend the City adjust the liability for closure/postclosure care costs to the liability calculated based on the landfill capacity used to date.

**Views of Responsible Officials and Planned Corrective Action:** We will implement procedures to ensure the liability for closure/postclosure care costs is properly calculated and recorded at year end.

# CITY OF TIFTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED JUNE 30, 2012

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

Not Applicable

# CITY OF TIFTON, GEORGIA

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
## FOR THE YEAR ENDED JUNE 30, 2012

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### STATUS OF PRIOR YEAR AUDIT FINDINGS

**11 – 1. Segregation of Duties**

**Condition**: Some departments of the City of Tifton do not employ sufficient personnel to provide for the adequate segregation of duties.

**Auditee Response/Status:** The City has reviewed these departments and reassigned personnel and their duties and added compensating controls in order to better segregate duties. Resolved.

**11 – 2. Reconciliation of Inventory to General Ledger**

**Condition**: The City maintains various items of inventory including fuel. Monthly reconciliations of the City's fuel usage and inventory balances were not reconciled to the general ledger.

**Auditee Response/Status:** Fuel usage and inventory balances were not reconciled to the general ledger on a monthly basis nor at year end. Unresolved – see current year finding 2012-4.