

City of Tybee Island, Georgia  
Financial Statements  
and  
Independent Auditors' Report  
For the year ended December 31, 2003



City of Tybee Island, Georgia  
 Annual Financial Report  
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 For the year ended December 31, 2003

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# KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

MARTIN L. KARP, CPA  
DENNIS W. RONNING, CPA  
RICHARD D. TINDOL, CPA

123 ABERCORN STREET • P.O. BOX 9550  
SAVANNAH, GEORGIA 31412  
912-232-0475 TEL. • 912-232-0478 FAX  
888-261-8702 TOLL FREE  
krt@krtcpa.com • www.krtcpa.com

BRADLEY A. LUCAS, CPA  
ANDREW W. BRODMANN, CPA  
A. L. KARP (1925-1969)

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Council  
City of Tybee Island, Georgia

We have audited the accompanying general purpose financial statements of the City of Tybee Island, Georgia as of December 31, 2003, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Tybee Island, Georgia, as of December 31, 2003, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated June 11, 2004 on our consideration of the City of Tybee Island, Georgia's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Tybee Island, Georgia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Karp, Ronning & Tindol, P.C.

*Karp, Ronning & Tindol, P.C.*

Savannah, Georgia  
June 11, 2004

City of Tybee Island, Georgia  
 Combined Balance Sheet – All Fund Types and Account Groups  
 December 31, 2003

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups	
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Debt
<b>Assets and other debits</b>							
<b>Assets:</b>							
Cash and cash equivalents.....	\$ 2,750,827	\$ 10,037	\$ 609,887	\$ 1,419,693	\$ 302,182	\$ -	\$ -
Receivables - net of allowance for uncollectibles							
Taxes.....	220,700	-	-	-	-	-	-
Accounts.....	-	-	-	154,799	-	-	-
Due from other governments.....	-	-	40,518	-	-	-	-
Other.....	13,109	-	-	-	-	-	-
Due from other funds.....	476,711	111,061	213,832	-	-	-	-
Advances to other funds.....	624,709	-	-	-	-	-	-
Prepaid items.....	88,042	-	-	3,440	-	-	-
Restricted assets:							
Cash and cash equivalents.....	-	-	-	303,267	-	-	-
Plant and equipment - net, where applicable of accumulated depreciation.....	-	-	-	8,218,897	-	5,272,635	-
Other assets - net of amortization.....	-	-	-	52,133	-	-	-
Other debits:							
Amount to be provided for retirement of general long-term debt.....	-	-	-	-	-	-	94,883
<b>Total assets and other debits</b>	<b>\$ 4,174,098</b>	<b>\$ 121,098</b>	<b>\$ 864,237</b>	<b>\$ 10,152,229</b>	<b>\$ 302,182</b>	<b>\$ 5,272,635</b>	<b>\$ 94,883</b>
<b>Liabilities, equity and other credits</b>							
<b>Liabilities:</b>							
Accounts payable.....	\$ 312,964	\$ 10,105	\$ 15,961	\$ 109,979	\$ 121	\$ -	\$ -
Accrued payables.....	85,272	-	-	16,474	-	-	-
Due to other funds.....	206,579	70,847	-	222,117	302,061	-	-
Compensated absences payable.....	-	-	-	10,017	-	-	73,349
Current portion of long-term debt.....	-	-	-	131,282	-	-	-
Payable from restricted assets:							
Accrued interest.....	-	-	-	8,903	-	-	-
Current portion of revenue bonds.....	-	-	-	85,000	-	-	-
Advances from other funds.....	-	-	-	624,709	-	-	-
Long-term debt.....	-	-	-	4,585,997	-	-	21,534
Deferred revenue.....	160,892	-	-	-	-	-	-
<b>Total liabilities</b>	<b>765,707</b>	<b>80,952</b>	<b>15,961</b>	<b>5,794,478</b>	<b>302,182</b>	<b>-</b>	<b>94,883</b>
<b>Equity and other credits:</b>							
Investment in general fixed assets.....	-	-	-	-	-	5,272,635	-
Contributed capital.....	-	-	-	1,846,903	-	-	-
Retained earnings:							
Reserved for revenue bond retirement.....	-	-	-	254,249	-	-	-
Reserved for renewal and extension.....	-	-	-	49,018	-	-	-
Unreserved.....	-	-	-	2,207,581	-	-	-
Fund balances:							
Reserved for prepaid items.....	88,042	-	-	-	-	-	-
Reserved for grants.....	62,500	40,146	-	-	-	-	-
Reserved for non-current interfund advances.....	624,709	-	-	-	-	-	-
Reserved for special 1% sales tax projects.....	-	-	848,276	-	-	-	-
Designated for gym construction.....	570,437	-	-	-	-	-	-
Designated for greenspace.....	49,579	-	-	-	-	-	-
Unreserved, undesignated.....	2,013,124	-	-	-	-	-	-
<b>Total equity and other credits</b>	<b>3,408,391</b>	<b>40,146</b>	<b>848,276</b>	<b>4,357,751</b>	<b>-</b>	<b>5,272,635</b>	<b>-</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 4,174,098</b>	<b>\$ 121,098</b>	<b>\$ 864,237</b>	<b>\$ 10,152,229</b>	<b>\$ 302,182</b>	<b>\$ 5,272,635</b>	<b>\$ 94,883</b>

City of Tybee Island, Georgia  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances – All Governmental Fund Types  
 For the Year Ended December 31, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Revenues:</b>			
Taxes.....	\$ 2,804,220	\$ 897,911	\$ -
Licenses and permits.....	196,708	-	-
Intergovernmental revenues.....	143,906	-	757,071
Charges for services.....	1,531,120	-	-
Fines, forfeitures and fees.....	284,291	-	-
Investment income.....	44,799	-	9,434
Miscellaneous revenue.....	213,912	-	-
<b>Total revenues</b>	<b>5,218,956</b>	<b>897,911</b>	<b>766,505</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government.....	962,968	-	-
Judicial.....	18,074	-	-
Public safety.....	1,415,403	-	-
Public works.....	1,652,676	-	-
Culture and recreation.....	520,075	-	-
Housing and development.....	574,103	447,267	-
<b>Total current</b>	<b>5,143,299</b>	<b>447,267</b>	<b>-</b>
<b>Capital outlay:</b>			
General government.....	62,390	-	-
Public safety.....	171,979	-	-
Public works.....	6,500	-	722,588
Culture and recreation.....	519,850	-	-
Housing and development.....	121,286	-	-
<b>Total capital outlay</b>	<b>882,005</b>	<b>-</b>	<b>722,588</b>
<b>Debt service:</b>			
Principal.....	37,848	-	600,000
Interest.....	1,061	-	5,390
<b>Total debt service</b>	<b>38,909</b>	<b>-</b>	<b>605,390</b>
<b>Total expenditures</b>	<b>6,064,213</b>	<b>447,267</b>	<b>1,327,978</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(845,257)</b>	<b>450,644</b>	<b>(561,473)</b>
<b>Other financing sources (uses):</b>			
Operating transfer in.....	450,644	-	-
Operating transfer out.....	-	(450,644)	(452,291)
Sale of surplus property.....	-	-	-
<b>Total financing sources (uses):</b>	<b>450,644</b>	<b>(450,644)</b>	<b>(452,291)</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses.....</b>	<b>(394,613)</b>	<b>-</b>	<b>(1,013,764)</b>
Fund balances - beginning of year.....	3,803,004	40,146	1,862,040
<b>Fund balances - end of year</b>	<b>\$ 3,408,391</b>	<b>\$ 40,146</b>	<b>\$ 848,276</b>

City of Tybee Island, Georgia  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balance – Budget and Actual – General and Special Revenue Funds  
 For the Year Ended December 31, 2003

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes.....	\$ 2,638,600	\$ 2,804,220	\$ 165,620	\$ 897,911	\$ 897,911	\$ -
Licenses and permits.....	133,500	196,708	63,208	-	-	-
Intergovernmental revenues.....	127,000	143,906	16,906	-	-	-
Charges for services.....	1,407,018	1,531,120	124,102	-	-	-
Fines, forfeitures and fees.....	302,500	284,291	(18,209)	-	-	-
Investment income.....	55,500	44,799	(10,701)	-	-	-
Miscellaneous revenue.....	170,300	213,912	43,612	-	-	-
<b>Total revenues</b>	<b>4,834,418</b>	<b>5,218,956</b>	<b>384,538</b>	<b>897,911</b>	<b>897,911</b>	<b>-</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government.....	994,081	962,968	31,113	-	-	-
Judicial.....	24,800	18,074	6,726	-	-	-
Public safety.....	1,481,681	1,415,403	66,278	-	-	-
Public works.....	1,654,055	1,652,676	1,379	-	-	-
Culture and recreation.....	520,276	520,075	201	-	-	-
Housing and development.....	616,042	574,103	41,939	448,956	447,267	1,689
<b>Total current</b>	<b>5,290,935</b>	<b>5,143,299</b>	<b>147,636</b>	<b>448,956</b>	<b>447,267</b>	<b>1,689</b>
<b>Capital outlay:</b>						
General government.....	111,523	62,390	49,133	-	-	-
Public safety.....	172,469	171,979	490	-	-	-
Public works.....	6,500	6,500	-	-	-	-
Culture and recreation.....	531,884	519,850	12,034	-	-	-
Housing and development.....	121,710	121,286	424	-	-	-
<b>Total capital outlay</b>	<b>944,086</b>	<b>882,005</b>	<b>62,081</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Debt service:</b>						
Principal.....	41,218	37,848	3,370	-	-	-
Interest.....	2,047	1,061	986	-	-	-
<b>Total debt service</b>	<b>43,265</b>	<b>38,909</b>	<b>4,356</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>6,278,286</b>	<b>6,064,213</b>	<b>214,073</b>	<b>448,956</b>	<b>447,267</b>	<b>1,689</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,443,868)</b>	<b>(845,257)</b>	<b>598,611</b>	<b>448,955</b>	<b>450,644</b>	<b>1,689</b>
<b>Other financing sources (uses):</b>						
Operating transfer in.....	449,500	450,644	1,144	-	-	-
Operating transfer out.....	-	-	-	(448,955)	(450,644)	(1,689)
Sale of surplus property.....	750	-	(750)	-	-	-
<b>Total financing sources (uses):</b>	<b>450,250</b>	<b>450,644</b>	<b>394</b>	<b>(448,955)</b>	<b>(450,644)</b>	<b>(1,689)</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses.....</b>						
	(993,618)	(394,613)	599,005	-	-	-
Fund balances - beginning of year.....	3,803,004	3,803,004	-	40,146	40,146	-
<b>Fund balances - end of year</b>	<b>\$ 2,809,386</b>	<b>\$ 3,408,391</b>	<b>\$ 599,005</b>	<b>\$ 40,146</b>	<b>\$ 40,146</b>	<b>\$ -</b>

City of Tybee Island, Georgia  
Statement of Revenues, Expenses, and  
Changes in Retained Earnings – Water and Sewer Enterprise Fund  
For the Year Ended December 31, 2003

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Operating revenues:	
Water charges.....	\$ 555,051
Sewer charges.....	643,664
Stubbing fees.....	35,468
Tapping fees.....	44,938
Aid to construction.....	135,833
Other.....	129,868
Total operating revenues	1,544,822
Operating expenses:	
Personnel services.....	369,422
Administrative services.....	168,885
Depreciation.....	417,463
Repairs and maintenance.....	165,194
Utilities.....	82,881
Operating supplies.....	50,189
Other.....	73,427
Total operating expenses	1,327,461
Operating income (loss)	217,361
Nonoperating revenues (expenses)	
Interest earned on investments.....	20,707
Bond issuance costs.....	(4,199)
Interest expense.....	(207,393)
Total nonoperating revenues (expenses)	(190,885)
Income before operating transfers.....	26,476
Operating transfer in.....	452,291
Net income.....	478,767
Retained earnings, beginning of year.....	2,032,081
Retained earnings, end of year	\$ 2,510,848

City of Tybee Island, Georgia  
Statement of Cash Flows  
Water and Sewer Enterprise Fund  
For the Year Ended December 31, 2003

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Cash flows from operating activities:	
Cash received from customers.....	\$ 1,569,728
Cash paid to vendors.....	(513,058)
Cash paid to employees.....	(375,696)
Net cash provided by operating activities	<u>680,974</u>
Cash flows from noncapital financing activities:	
Operating transfers from other funds.....	452,291
Interfund borrowings.....	249,401
Net cash used by noncapital financing activities	<u>701,692</u>
Cash flows from capital and related financing activities:	
Principal payments - bonds payable.....	(80,000)
Principal payments - notes payable.....	(475,261)
Interest paid.....	(207,766)
Acquisition, construction, or improvement of capital assets.....	(225,344)
Net cash used by capital and related financing activities	<u>(988,371)</u>
Cash flows from investing activities:	
Interest received.....	20,707
Net cash provided by investing activities	<u>20,707</u>
Net increase (decrease) in cash and cash equivalents.....	415,002
Cash and cash equivalents, beginning of year.....	<u>1,307,958</u>
Cash and cash equivalents, end of year	<u>\$ 1,722,960</u>
Operating income (loss).....	<u>\$ 217,361</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense.....	417,463
(Increase) decrease in accounts receivable.....	24,906
(Increase) decrease in prepaid items.....	918
Increase (decrease) in accounts payable and accrued expenses.....	26,600
Increase (decrease) in compensated absences.....	(6,274)
Total adjustments	<u>463,613</u>
Net cash provided by operating activities	<u>\$ 680,974</u>

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tybee Island, Georgia was organized October 15, 1887. The City operates under a council-administrator form of government and provides the following services as authorized by its charter: general administrative services, public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, education, public improvements, and planning and zoning.

The accounting policies of the City of Tybee Island, Georgia conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

### A. Reporting Entity

Governmental Accounting Standards Board Statement No. 14 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose it will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. Using the above criteria, the City has no component units.

#### 1. Joint Venture

Under Georgia law, the City is a member of the Coastal Georgia Regional Development Commission and is required to pay annual dues thereto. During the year ended December 31, 2003, the City paid \$3,053 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC 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 an RDC. Separate financial statements may be obtained from Coastal Georgia Regional Development Commission, Post Office Box 1917, Brunswick, Georgia 30904.

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

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with the legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:

**Governmental funds** are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgements which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, sanitation fees, grants from other governments, and interest on investments are susceptible to accrual. Revenue from sales tax, fines, forfeits and penalties, and franchise fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

Governmental funds include the following fund type:

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 revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *capital projects funds* account for the receipt and use of the One Percent Special Local Option Sales Tax proceeds.

*Proprietary funds* are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Governmental Accounting and Standards Board (GASB) Statement #20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Funds, provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The City has elected to follow GASB pronouncements exclusively after that date.

Proprietary funds include the following fund type:

The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Fiduciary funds* account for assets held by the government in a trustee or agency capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

Fiduciary funds include the following fund type:

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

*Account Groups.* The *general fixed assets account group* is used to account for fixed assets not accounted for in the proprietary funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of the proprietary funds.

## C. Assets, Liabilities and Equity

### 1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the United States Government and agencies of corporations of the United States Government; 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 Georgia Fund I. Georgia Fund I 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 Office of Treasury and

Fiscal Services is the State of Georgia regulatory agency providing oversight for the pool. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value).

All investments are reported at fair value.

## **2. Receivables and Payables**

All property tax and trade receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is \$17,700 at December 31, 2003.

Property values assessed on January 1, 2003 and taxes were levied on August 21, 2003. Tax bills are rendered in two installments on April 30<sup>th</sup> and October 31<sup>st</sup> and are due 60 days after the respective installment date. Property taxes are considered past due 60 days after the second installment date at which time the applicable property is subject to lien and penalties and interest are assessed.

## **3. Interfund Receivables and Payables**

Short-term amounts owed between funds are classified as "due to/from other funds". Interfund loans are classified as "advances to/from other funds" and are offset by a fund balance reserve account.

## **4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

## **5. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Sinking Fund is used to segregate resources accumulated for debt service payments. The Renewal and Extension Fund is used to report resources set aside to fund asset renewals and replacements.

## **6. Fixed Assets**

Fixed assets used in governmental fund types of the City are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair market value at the date of donation. Assets in the general fund fixed asset account group are not depreciated.

Public domain (infrastructure) general fixed assets (i.e., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed asset group or capitalized in the proprietary fund.

Property, plant and equipment in the proprietary fund of the City are recorded at cost. Property, plant and equipment donated to the proprietary fund type operations are recorded at their estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized in the proprietary fund as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary fund of the City using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Utility plant in service	5 – 50
Other equipment	3 – 10

#### **7. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred in the proprietary fund and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

#### **8. Long-term Obligation**

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate funds.

Bond issuance costs are amortized over the life of the bonds using the straight-line method.

#### **9. Fund Equity**

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from other governments, developers, customers or other funds.

#### **10. Interfund Eliminations**

Interfund eliminations have not been made in the aggregation of this data.

#### **11. Comparative Data / Reclassifications**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

1. Prior to the beginning of the fiscal year, the various departments submit to the governing council a proposed operating budget for the fiscal year commencing the following January 1<sup>st</sup>. The operating budget includes the proposed expenditures and the means of financing them.
2. A public hearing is held prior to the beginning of the fiscal year to obtain taxpayer comments.
3. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and capital project fund.
5. The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Project length budgets are adopted for the capital projects fund.
6. The governing council must approve all revisions. Budget amounts are as originally adopted or modified by the governing council.
7. Appropriations lapse at year end; however, reappropriation of amounts to cover significant expenditures is made by Mayor and Council during the fiscal year as an amendment to the budget.
8. The legal level of budgetary control (level at which expenditures may not legally exceed the budget) is the department level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Since no significant encumbrances exist at year-end, encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

The carrying amount of the City’s cash-on-hand and deposits with financial institutions was \$5,327,270 and the bank balance was \$5,360,858. The bank balance was categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the City in its name.....	\$ 400,000
Amount collateralized with securities held by the pledging financial institution’s trust department in the City’s name.....	4,960,858
Total bank balance	\$ 5,360,858

Investments at December 31, 2003, were \$68,623, which was deposited with the State of Georgia’s Local Government Investment Pool.

**B. Receivables**

Receivables as of year-end, including the applicable allowances for uncollectible accounts are as follows:

Receivable	General	Capital Projects	Enterprise	Total
Taxes.....	\$ 238,400	\$ -	\$ -	\$ 238,400
Accounts.....	-	-	161,266	161,266
Due from other governments.....	-	40,518	-	40,518
Other.....	13,109	-	-	13,109
Gross receivable.....	251,509	40,518	161,266	453,293
Less: allowance for uncollectibles	(17,700)	-	(6,467)	(6,467)
Net total receivables	<u>\$ 233,809</u>	<u>\$ 40,518</u>	<u>\$ 154,799</u>	<u>\$ 446,826</u>

**C. Fixed Assets**

A summary of changes in the general fixed asset account group for the year ended December 31, 2003, was as follows:

Asset Class	Balance 12/31/2002	Additions	Deletions	Balance 12/31/2003
Land.....	\$ 207,322	\$ -	\$ -	\$ 207,322
Building.....	1,169,640	-	-	1,169,640
Equipment.....	3,408,422	199,786	-	3,608,208
Construction in progress.....	-	287,465	-	287,465
Totals	<u>\$ 4,785,384</u>	<u>\$ 487,251</u>	<u>\$ -</u>	<u>\$ 5,272,635</u>

A summary of changes in proprietary fund type fixed assets for the City at December 31, 2003 follows:

Asset Class	Balance 12/31/2002	Additions	Deletions	Balance 12/31/2003
Land.....	\$ 98,335	\$ -	\$ -	\$ 98,335
Utility plant in service.....	11,660,932	-	-	11,660,932
Equipment.....	475,826	-	-	475,826
Construction in process.....	-	225,344	-	225,344
Totals	<u>\$ 12,235,093</u>	<u>\$ 225,344</u>	<u>\$ -</u>	12,460,437
			Accumulated depreciation	(4,241,540)
			Plant and equipment - net	<u>\$ 8,218,897</u>

**D. Interfund Receivables and Payables**

*Current Amounts Due To/From.* The composition of current interfund balances as of December 31, 2003, is as follows:

Receivable Fund	Payable Fund	Amount
General	Hotel - Motel Tax Fund	\$ 70,847
General	Water and Sewer	103,803
General	Municipal Court	302,061
	Sub-total due to General fund	<u>476,711</u>
Grant	General	111,061
	Sub-total due to Grant fund	<u>111,061</u>
SPLOST	General	95,518
SPLOST	Water and Sewer	118,314
	Sub-total due to SPLOST fund	<u>213,832</u>
		<u><u>\$ 801,604</u></u>

*Advances and Loans.* Interfund advances and loans at December 31, 2003 are as follows:

Receivable Fund	Payable Fund	Amount
General	Water and Sewer	\$ 624,709

**E. Leases**

*Capital Leases.* The following is an analysis of the leased property under capital leases by major classes:

Asset Description	General Long-term Debt
Vehicles.....	\$ 95,728

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2003, were as follows:

Year Ending December 31,	General Long-term Debt		
	Principal	Interest	Total
2004.....	\$ 21,534	\$ 418	\$ 21,952
2005.....	-	-	-
2006.....	-	-	-
2007.....	-	-	-
2008.....	-	-	-
Total	<u>\$ 21,534</u>	<u>\$ 418</u>	<u>\$ 21,952</u>

**F. Long-term Debt**

*Changes in General Long-term Liabilities.* During the year ended December 31, 2003, the following changes occurred in liabilities reported in the general long-term debt account group:

Liability Description	Balance 12/31/2002	Additions	Deletions	Balance 12/31/2003
Capital leases.....	\$ 58,517	\$ -	\$ 36,983	\$ 21,534
Beach Renourishment advance....	600,000	-	600,000	-
Compensated absences.....	93,197	-	19,848	73,349
Totals	<u>\$ 751,714</u>	<u>\$ -</u>	<u>\$ 656,831</u>	<u>\$ 94,883</u>

*Beach Renourishment Loan.* The City has entered into a loan agreement with Chatham County, Georgia for a principal amount of \$1,000,000. The proceeds were used to finance the City's share of costs related to certain beach renourishment projects. The City, as security for a source of repayment, has pledged an amount equal to the principal, proceeds that the City anticipates receiving as a result of any distribution from the 1998 – 2004 One Percent Special Local Option Sales Tax. The term of the loan agreement is not to exceed November 30, 2004 at which time the entire outstanding principal amount together with any accrued interest shall be due and payable unless paid sooner by the City. The interest rate is 3 ½ % per annum.

*Changes in Proprietary Fund Type Long-term Liabilities.* The following is a summary of changes in the long-term debt of the Water and Sewer fund for the year ended December 31, 2003:

Liability Description	Balance 12/31/2002	Additions	Deletions	Balance 12/31/2003
Water and Sewer Revenue				
Bonds, Series 1994.....	\$ 1,730,000	\$ -	\$ 80,000	\$ 1,650,000
GEFA Loans.....	636,126	-	462,509	173,617
SRF Loan.....	2,991,414	16,252	29,004	2,978,662
Totals	<u>\$ 5,357,540</u>	<u>\$ 16,252</u>	<u>\$ 571,513</u>	<u>\$ 4,802,279</u>

*Revenue Bonds.* The City also issues bonds where the City pledges income derived for the acquired or constructed assets to pay debt service.

*GEFA and SRF Loans.* The City has entered into loan agreements with the Georgia Environmental Facilities Authority (GEFA), a state agency. The GEFA makes low interest long-term loans to fund improvements to publicly owned water and sewer systems.

The following shows the details of Water and Sewer fund long-term liabilities through December 31, 2003:

Liability Description / Purpose	Original Amount	Interest Rate	Balance 12/31/2003
Water and Sewer Revenue Bonds, Series 1994	\$ 2,205,000	4.30% - 6.75%	\$ 1,650,000
1984 GEFA - Water and Sewer Improvements	304,804	6.80%	173,617
2000 SRF - Wastewater Treatment Plant Upgrade	2,991,414	3.00%	2,978,662
		Total liabilities	4,802,279
		Less: current portion	(216,282)
		Long-term amount	<u>\$ 4,585,997</u>

Proprietary Fund Type Long-term maturities

**Revenue Bonds**

Year Ending December 31,	Water and Sewer Revenue Series 1994		
	Principal	Interest	Total
2004.....	\$ 85,000	\$ 103,986	\$ 188,986
2005.....	90,000	98,853	188,853
2006.....	95,000	93,315	188,315
2007.....	100,000	87,382	187,382
2008.....	110,000	80,862	190,862
2009 - 2013.....	660,000	284,690	944,690
2014 - 2018.....	510,000	50,139	560,139
Totals	<u>\$ 1,650,000</u>	<u>\$ 799,227</u>	<u>\$ 2,449,227</u>

**GEFA Loan**

Year Ending December 31,	1984 GEFA Loan		
	Principal	Interest	Total
2004.....	\$ 13,987	\$ 11,454	\$ 25,441
2005.....	14,962	10,479	25,441
2006.....	16,006	9,435	25,441
2007.....	17,123	8,319	25,442
2008.....	18,317	7,124	25,441
2009 - 2013.....	93,222	14,903	108,125
Totals	<u>\$ 173,617</u>	<u>\$ 61,714</u>	<u>\$ 235,331</u>

**SRF Loan**

Year Ending December 31,	2000 SRF Loan		
	Principal	Interest	Total
2004.....	\$ 118,207	\$ 88,038	\$ 206,245
2005.....	121,793	84,452	206,245
2006.....	125,488	80,757	206,245
2007.....	129,295	76,950	206,245
2008.....	133,218	73,027	206,245
2009 - 2013.....	729,226	301,999	1,031,225
2014 - 2018.....	846,764	184,461	1,031,225
2019 - 2023.....	774,671	50,308	824,979
Totals	<u>\$ 2,978,662</u>	<u>\$ 939,992</u>	<u>\$ 3,918,654</u>

**G. Contributed Capital**

The changes in the City's contributed capital accounts for its proprietary fund were as follows:

Contributed capital, beginning of year.....	\$ 1,846,903
Contributing sources:	
Other governments.....	-
Others.....	-
Contributed capital, end of year	<u>\$ 1,846,903</u>

**H. Reserved Fund Balances / Retained Earnings and Restricted Asset Accounts**

*Reserved for prepaid items – General Fund.* This reserve is used to segregate a portion of fund balance to indicate that, prepaid items do not represent “available spendable resources” even though they are a component of net current assets.

*Reserved for grants – General Fund, Grant Fund.* This reserve is used to segregate unspent grant revenues.

*Reserved for non-current interfund advance – General Fund.* This reserve is used to segregate a portion of fund balance to indicate that, advances to other funds do not represent “available spendable resources” even though they are a component of current assets.

*Reserved for special 1 % sales tax projects – Capital Projects Fund.* This reserve represents funds to be used for approved special one percent sales tax projects.

*Reserved for revenue bond retirements – Water and Sewer Fund.* This reserve represents funds to be used for the retirement of Water and Sewer revenue bonds.

*Reserved for renewal and extension fund – Water and Sewer Fund.* This reserve represents future capital expenditures related to the Water and Sewer plant.

*Changes in Reservations and Designations.* The changes in the City’s reservations and designations were as follows:

Reservation / Designation	Beginning Balance	Change	Ending Balance
<b>General Fund</b>			
Reserved for prepaid items	\$ 39,220	\$ 48,822	\$ 88,042
Reserved for grants	95,172	(32,672)	62,500
Reserved for non-current interfund advances	624,709	-	624,709
Designated for gym construction	700,414	(129,977)	570,437
Designated for storm drainage	40,000	(40,000)	-
Designated for greenspace	15,390	34,189	49,579
<b>Beach Renourishment Grant Fund</b>			
Reserved for grants	40,146	-	40,146
<b>Capital Projects Fund</b>			
Reserved for special 1% sales tax projects	1,862,040	(1,013,764)	848,276
<b>Water and Sewer Fund</b>			
Reserved for revenue bond retirement	285,331	(31,082)	254,249
Reserved for renewal and extension fund	48,477	541	49,018

The balances of the proprietary fund’s restricted asset accounts at December 31, 2003 are as follows:

Revenue bond sinking fund account.....	\$ 254,249
Revenue bond renewal and extension fund account.....	49,018
Total restricted assets	<u>\$ 303,267</u>

#### **IV. OTHER INFORMATION**

##### **A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers compensation for which the City carries the following insurance coverage:

*Risk Pools.* The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims – incurred but not reported (IBNR) – is established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims, which the City is liable (up to the applicable deductible), which were outstanding and unpaid at December 31, 2003. No provisions have been made in the financial statements for any estimate of potential claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia law. As a participant in the GMAWCSIF, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency, as management believes the likelihood for assessment is remote.

*Self-Insurance.* The City pays unemployment claims to the state department of labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

##### **B. New Fund**

The City created one new agency fund (Municipal Court Fund). This fund was created to comply with the Local Government Uniform Chart of Accounts and Reporting Act (HB491). The fund accounts on a temporary basis for fines collected by the municipal court that ultimately are transmitted to the General Fund.

**C. Segment Information – Enterprise Fund**

The City maintains one enterprise fund. The Water and Sewer Fund accounts for the provision of basic water and sewer services to all citizens. Selected segment information for the year ended December 31, 2003, is as follows:

Operating revenue.....	<u>\$ 1,544,822</u>
Operating expenses:	
Depreciation.....	417,463
Other.....	<u>909,998</u>
Total operating expenses	<u>1,327,461</u>
Operating income.....	217,361
Net nonoperating revenues (expenses).....	(190,885)
Operating transfer-in.....	<u>452,291</u>
Net income (loss)	<u>\$ 478,767</u>
Current assets.....	\$ 1,881,199
Current liabilities.....	<u>583,772</u>
Net working capital (deficit)	<u>\$ 1,297,427</u>
Total assets.....	\$ 10,152,229
Total liabilities.....	<u>5,794,478</u>
Fund equity	<u>\$ 4,357,751</u>
Long-term liabilities payable from operating revenue.....	<u>\$ 5,210,706</u>

**D. Contingent Liabilities**

The City receives a number of grants that are subject to program compliance audits by the grantors. Noncompliance with the terms and provisions of these grant agreements could result in contingent liabilities to the grantor agencies.

Various claims are pending against the City. The City attorney estimates that the potential effect of these claims net of insurance coverage would not be material in relation to the overall financial statements.

**E. Employee Retirement Systems and Plans**

*Plan Description.* The City of Tybee Island Retirement Plan is a noncontributory plan covering all full-time employees. The plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer type plan. GMEBS handles all administrative and investment functions relative to the plan. Benefits are fully vested after 10 years of service. Participants become eligible to retire at age 65, with 5 years of participation in the plan. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 1.25% of final average earnings up to a participant's amount of covered compensation, plus 2% of final average earnings in excess of the participant's covered compensation, all multiplied by the participant's years of total credited service. These benefit provisions and all other requirements are established by local ordinance. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to GMEBS, 201 Pryor Street, SW, Atlanta, Georgia 30303.

*Funding Policy.* The City's policy is to contribute the actuarially determined amount as recommended by the actuary. Employees do not contribute to the plan. The Board of Trustees of the GMEBS has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1988 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise), and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The recommended contribution under this policy for the 2003 plan year is developed below.

	<u>2003</u>
Normal Cost	
Plan benefits	\$ 140,246
Administrative expenses	6,497
Amortization of the unfunded actuarial accrued liability	103,850
Interest	9,764
Recommended contribution	260,357
Covered payroll	1,769,544
Recommended contribution as a percentage of covered payroll	14.4%

The above contribution exceeds the estimated minimum annual contribution under Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

*Annual Pension Cost.* For 2002 plan year, the City's annual pension costs of \$162,054 were equal to the City's required and actual contributions. The required contribution was determined as a part of the May 1, 2003 actuarial valuation using the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets as described in the tables of Significant Actuarial Assumptions and Actuarial Assumptions and Methods. The period, and related method, for amortizing the initial unfunded actuarial accrued liability over 30 years from 1988 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for the plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar. These amortization periods, if applicable, are open for this plan year.

*Significant Actuarial Assumptions.* The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

**Actuarial Assumptions and Methods**

**Economic Assumptions**

Interest rate	8.0 %
Annual rates of increase in salaries	5.5 %
Future Social Security wage bases	5.5 %
Inflation rate	3.0 %

**Demographic Assumptions**

Mortality	1983 GAM Table	
Termination	<u>Age</u>	<u>Rate</u>
	20	.2580
	30	.1560
	40	.0945
	50	.0585
	60	---
Disability	50% of 1975 SSA Study	
Retirement	Employees: 65 with 5 years of service	
	Police: Earlier of 65 with 5 years of service or 60 with 20 years of service	
Form of payment	Life annuity	

**Actuarial Methods**

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Actuarial Value of Assets	Roll forward prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during 10 prior years.

*Concentrations.* At September 30, 2003 there were no investments (other than investments in securities issued or guaranteed by the U.S. government) in entities that represent 5% or more of the net assets of the pension plan.

***Schedule of Employer Contributions***

<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
5/1/00	\$ 139,026	100%	-
5/1/01	162,054	100%	-
5/1/02	239,585	100%	-

City of Tybee Island, Georgia  
Notes to Financial Statements

*Schedule of Funding Progress*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability [AAL] --Entry Age (b)	Unfunded AAL [UAAL] (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) As a Percentage Of Covered Payroll ((b-a)/c)
5/1/01	\$ 1,387,378	\$ 1,958,732	\$ 571,354	70.8%	\$ 1,514,810	37.7%
5/1/02	1,613,078	2,492,213	879,135	64.7%	1,769,544	49.7%
5/1/03	1,890,246	2,852,885	962,639	66.3%	1,807,477	53.2%

City of Tybee Island, Georgia  
 General Fund  
 Comparative Balance Sheets  
 December 31, 2003 and 2002

	2003	2002
<b>Assets</b>		
Cash.....	\$ 2,750,827	\$ 2,469,537
Receivables:		
Taxes (net of allowance for uncollectibles of \$17,700).....	220,700	657,182
Other receivables.....	13,109	13,016
Due from other funds.....	476,711	421,515
Advances to other funds.....	624,709	624,709
Prepaid items.....	88,042	39,220
Total assets	\$ 4,174,098	\$ 4,225,179
<b>Liabilities and fund balance</b>		
Liabilities:		
Accounts payable.....	\$ 312,964	\$ 171,456
Accrued payables.....	85,272	-
Due to other funds.....	206,579	35,351
Deferred revenue.....	160,892	215,368
Total liabilities	765,707	422,175
Fund balance:		
Reserved for prepaid items.....	88,042	39,220
Reserved for grants.....	62,500	95,172
Reserved for non-current interfund advances.....	624,709	624,709
Designated for gym construction.....	570,437	700,414
Designated for storm drainage.....	-	40,000
Designated for greenspace.....	49,579	15,390
Unreserved, undesignated.....	2,013,124	2,288,099
Total fund balance	3,408,391	3,803,004
Total liabilities and fund balance	\$ 4,174,098	\$ 4,225,179

City of Tybee Island, Georgia  
General Fund  
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance  
For the Years Ended December 31, 2003 and 2002

	2003	2002
<b>Revenues:</b>		
Taxes.....	\$ 2,804,220	\$ 2,425,127
Licenses and permits.....	196,708	165,990
Intergovernmental revenues.....	143,906	77,752
Charges for services.....	1,531,120	1,464,474
Fines and forfeitures.....	284,291	245,673
Investment income.....	44,799	70,864
Miscellaneous revenue.....	213,912	191,901
<b>Total revenues</b>	<b>5,218,956</b>	<b>4,641,781</b>
<b>Expenditures:</b>		
<b>Current:</b>		
General governmental.....	962,968	812,583
Judicial.....	18,074	22,882
Public safety.....	1,415,403	1,315,712
Public works.....	1,652,676	1,394,491
Health and welfare.....	-	2,222
Culture and recreation.....	520,075	313,151
Housing and development.....	574,103	421,734
<b>Total current</b>	<b>5,143,299</b>	<b>4,282,775</b>
<b>Capital outlay:</b>		
General governmental.....	62,390	71,319
Public safety.....	171,979	208,423
Public works.....	6,500	21,223
Culture and recreation.....	519,850	14,684
Housing and development.....	121,286	30,060
<b>Total capital outlay</b>	<b>882,005</b>	<b>345,709</b>
<b>Debt service:</b>		
Principal.....	37,848	47,652
Interest.....	1,061	4,029
<b>Total debt service</b>	<b>38,909</b>	<b>51,681</b>
<b>Total expenditures</b>	<b>6,064,213</b>	<b>4,680,165</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(845,257)</b>	<b>(38,384)</b>
<b>Other financing sources (uses):</b>		
Operating transfers in.....	450,644	442,554
Sale of surplus property.....	-	621
<b>Total financing sources (uses)</b>	<b>450,644</b>	<b>443,175</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses.....</b>	<b>(394,613)</b>	<b>404,791</b>
<b>Fund balance, beginning of year.....</b>	<b>3,803,004</b>	<b>3,398,213</b>
<b>Fund balance, end of year</b>	<b>\$ 3,408,391</b>	<b>\$ 3,803,004</b>

City of Tybee Island, Georgia  
General Fund  
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Years Ended December 31, 2003 and 2002

	2003		Variance Favorable (Unfavorable)	2002
	Budget	Actual		Actual
<b>Revenues:</b>				
Taxes.....	\$ 2,638,600	\$ 2,804,220	\$ 165,620	\$ 2,425,127
Licenses and permits.....	133,500	196,708	63,208	165,990
Intergovernmental revenues.....	127,000	143,906	16,906	77,752
Charges for services.....	1,407,018	1,531,120	124,102	1,464,474
Fines and forfeitures.....	302,500	284,291	(18,209)	245,673
Investment income.....	55,500	44,799	(10,701)	70,864
Miscellaneous revenue.....	170,300	213,912	43,612	191,901
Total revenues	<u>4,834,418</u>	<u>5,218,956</u>	<u>384,538</u>	<u>4,641,781</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General governmental.....	994,081	962,968	31,113	812,583
Judicial.....	24,800	18,074	6,726	22,882
Public safety.....	1,481,681	1,415,403	66,278	1,315,712
Public works.....	1,654,055	1,652,676	1,379	1,394,491
Health and welfare.....	-	-	-	2,222
Culture and recreation.....	520,276	520,075	201	313,151
Housing and development.....	616,042	574,103	41,939	421,734
Total current	<u>5,290,935</u>	<u>5,143,299</u>	<u>147,636</u>	<u>4,282,775</u>
<b>Capital outlay:</b>				
General governmental.....	111,523	62,390	49,133	71,319
Public safety.....	172,469	171,979	490	208,423
Public works.....	6,500	6,500	-	21,223
Culture and recreation.....	531,884	519,850	12,034	14,684
Housing and development.....	121,710	121,286	424	30,060
Total capital outlay	<u>944,086</u>	<u>882,005</u>	<u>62,081</u>	<u>345,709</u>
<b>Debt service:</b>				
Principal.....	41,218	37,848	3,370	47,652
Interest.....	2,047	1,061	986	4,029
Total debt service	<u>43,265</u>	<u>38,909</u>	<u>4,356</u>	<u>51,681</u>
Total expenditures	<u>6,278,286</u>	<u>6,064,213</u>	<u>214,073</u>	<u>4,680,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,443,868)</u>	<u>(845,257)</u>	<u>598,611</u>	<u>(38,384)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in.....	449,500	450,644	1,144	442,554
Sale of surplus property.....	750	-	(750)	621
Total financing sources (uses)	<u>450,250</u>	<u>450,644</u>	<u>394</u>	<u>443,175</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses.....	(993,618)	(394,613)	599,005	404,791
Fund balance, beginning of year.....	3,803,004	3,803,004	-	3,398,213
Fund balance, end of year	<u>\$ 2,809,386</u>	<u>\$ 3,408,391</u>	<u>\$ 599,005</u>	<u>\$ 3,803,004</u>

City of Tybee Island, Georgia  
Special Revenue Funds  
Combining Balance Sheet  
December 31, 2003  
With Comparative Totals for 2002

	Beach Renourishment Grant Fund	Hotel - Motel Tax Fund	2003	2002
<b>Assets</b>				
Cash.....	\$ (70,915)	\$ 80,952	\$ 10,037	\$ 459,439
Due from other funds.....	111,061	-	111,061	-
Total assets	<u>\$ 40,146</u>	<u>\$ 80,952</u>	<u>\$ 121,098</u>	<u>\$ 459,439</u>
<b>Liabilities and fund balance</b>				
Liabilities:				
Accounts payable.....	\$ -	\$ 10,105	\$ 10,105	\$ 36,840
Due to other funds.....	-	70,847	70,847	382,453
Total liabilities	<u>-</u>	<u>80,952</u>	<u>80,952</u>	<u>419,293</u>
Fund balance:				
Reserved for beach renourishment.....	40,146	-	40,146	40,146
Unreserved, undesignated.....	-	-	-	-
Total fund balance	<u>40,146</u>	<u>-</u>	<u>40,146</u>	<u>40,146</u>
Total liabilities and fund balance	<u>\$ 40,146</u>	<u>\$ 80,952</u>	<u>\$ 121,098</u>	<u>\$ 459,439</u>

City of Tybee Island, Georgia  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year December 31, 2003  
With Comparative Totals for 2002

	Beach Renourishment Grant Fund	Hotel - Motel Tax Fund	2003	2002
Revenues:				
Taxes.....	\$ -	\$ 897,911	\$ 897,911	\$ 883,293
Total revenues	-	897,911	897,911	883,293
Expenditures:				
Current:				
Housing and development.....	-	447,267	447,267	822,474
Total current	-	447,267	447,267	822,474
Total expenditures	-	447,267	447,267	822,474
Excess (deficiency) of revenues over (under) expenditures.....	-	450,644	450,644	60,819
Other financing sources (uses):				
Operating transfers in (out).....	-	(450,644)	(450,644)	(442,554)
Total financing sources (uses)	-	(450,644)	(450,644)	(442,554)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses.....	-	-	-	(381,735)
Fund balances, beginning of year.....	40,146	-	40,146	421,881
Fund balance, end of year	\$ 40,146	\$ -	\$ 40,146	\$ 40,146

City of Tybee Island, Georgia  
 Beach Renourishment Grant Fund  
 Comparative Statements of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the Years Ended December 31, 2003 and 2002

	2003		2002	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Intergovernmental.....	\$ -	\$ -	\$ -	\$ -
Interest earned.....		-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
Housing and development.....	-	-	-	381,735
Total current	-	-	-	381,735
Total expenditures	-	-	-	381,735
Fund balance, beginning of year.....	40,146	40,146	-	421,881
Fund balance, end of year	<u>\$ 40,146</u>	<u>\$ 40,146</u>	<u>\$ -</u>	<u>\$ 40,146</u>

City of Tybee Island, Georgia  
Hotel – Motel Tax Fund  
Comparative Statements of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Years Ended December 31, 2003 and 2002

	2003		Variance Favorable (Unfavorable)	2002
	Budget	Actual		Actual
Revenues:				
Taxes.....	\$ 897,911	\$ 897,911	\$ -	\$ 883,293
Total revenues	<u>897,911</u>	<u>897,911</u>	<u>-</u>	<u>883,293</u>
Expenditures:				
Current:				
Housing and development.....	448,956	447,267	1,689	440,739
Total current	<u>448,956</u>	<u>447,267</u>	<u>1,689</u>	<u>440,739</u>
Total expenditures	<u>448,956</u>	<u>447,267</u>	<u>1,689</u>	<u>440,739</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>448,955</u>	<u>450,644</u>	<u>1,689</u>	<u>442,554</u>
Other financing sources (uses):				
Operating transfers (out).....	(448,955)	(450,644)	(1,689)	(442,554)
Total financing sources (uses)	<u>(448,955)</u>	<u>(450,644)</u>	<u>(1,689)</u>	<u>(442,554)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses.....	-	-	-	-
Fund balance, beginning of year.....	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Tybee Island, Georgia  
 1998 Special Purpose Local Option Sales Tax Fund  
 Comparative Balance Sheets  
 December 31, 2003 and 2002

	2003	2002
<b>Assets</b>		
Cash.....	\$ 609,887	\$ 1,893,477
Receivables:		
Due from other governments.....	40,518	-
Due from other funds.....	213,832	35,351
Total assets	\$ 864,237	\$ 1,928,828
<b>Liabilities and equity</b>		
Liabilities:		
Accounts payable.....	\$ 15,961	\$ 442
Due to other funds.....	-	66,346
Total liabilities	15,961	66,788
Fund Balance:		
Reserved for special 1% sales tax projects.....	848,276	1,862,040
Total fund balance	848,276	1,862,040
Total liabilities and equity	\$ 864,237	\$ 1,928,828

City of Tybee Island, Georgia  
1998 Special Purpose Local Option Sales Tax Fund  
Comparative Statements of Revenue, Expenditures, and Changes in Fund Balances  
For the Years Ended December 31, 2003 and 2002

	2003	2002
<b>Revenues:</b>		
Intergovernmental revenues.....	\$ 757,071	\$ 866,153
Interest.....	9,434	30,825
Total revenues	766,505	896,978
<b>Expenditures:</b>		
Capital outlay:		
Public safety.....	-	160,000
Public works.....	722,588	17,351
Total capital outlay	722,588	177,351
Debt service:		
Principal.....	600,000	400,000
Interest.....	5,390	29,571
Total debt service	605,390	429,571
Total expenditures	1,327,978	606,922
Excess (deficiency) of revenues over (under) expenditures	(561,473)	290,056
Other financing sources (uses):		
Operating transfer out.....	(452,291)	(37,388)
Total financing sources (uses)	(452,291)	(37,388)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses.....	(1,013,764)	252,668
Fund balance, beginning of year.....	1,862,040	1,609,372
Fund balance, end of year	\$ 848,276	\$ 1,862,040

City of Tybee Island, Georgia  
Water and Sewer Enterprise Fund  
Comparative Balance Sheets  
December 31, 2003 and 2002

	2003	2002
<b>Assets</b>		
Current assets:		
Cash.....	\$ 1,419,693	\$ 974,150
Accounts receivable (net allowance for uncollectibles).....	154,799	179,706
Due from other funds.....	-	65,428
Prepaid items.....	3,440	4,358
Total current assets	1,577,932	1,223,642
Restricted assets:		
Bond sinking fund.....	254,249	285,331
Renewal and extension fund.....	49,018	48,477
Total restricted assets	303,267	333,808
Fixed assets:		
Land.....	98,335	98,335
Utility plant in service.....	11,660,932	11,660,932
Other equipment.....	475,826	475,826
Accumulated depreciation.....	(4,241,540)	(3,824,077)
Construction in progress.....	225,344	-
Fixed assets (net of accumulated depreciation)	8,218,897	8,411,016
Other assets:		
Prepaid bond issuance costs.....	92,369	92,369
Less amortization.....	(40,236)	(36,038)
Total other assets	52,133	56,331
Total assets	\$ 10,152,229	\$ 10,024,797

(continued)

City of Tybee Island, Georgia  
Water and Sewer Enterprise Fund  
Comparative Balance Sheets  
December 31, 2003 and 2002

	2002	2001
<b>Liabilities and equity</b>		
Current liabilities payable from current assets:		
Accounts payable.....	\$ 109,979	\$ 88,498
Accrued payables.....	16,474	11,355
Due to other funds.....	222,117	38,144
Compensated absences.....	10,017	16,291
Notes payable - current.....	131,282	475,261
Total current liabilities payable from current assets	489,869	629,549
Current liabilities payable from restricted assets:		
Accrued interest on revenue bonds.....	8,903	9,276
Bonds payable - current.....	85,000	80,000
Total current liabilities payable from restricted assets	93,903	89,276
Other liabilities:		
Advances from other funds.....	624,709	624,709
Long-term debt:		
Bonds payable - Series 1994 Water and Sewer Revenue Bonds.....	1,565,000	1,650,000
Notes payable - Georgia Environmental Facilities Authority.....	3,020,997	3,152,279
Total other liabilities	5,210,706	5,426,988
Total liabilities	5,794,478	6,145,813
Equity:		
Contributed capital:		
Federal government.....	1,383,040	1,383,040
State government.....	350,940	350,940
Other funds.....	112,923	112,923
Total contributed capital	1,846,903	1,846,903
Retained earnings:		
Reserved for revenue bond retirement.....	254,249	285,331
Reserved for renewal and extension.....	49,018	48,477
Unreserved.....	2,207,581	1,698,273
Total retained earnings	2,510,848	2,032,081
Total equity	4,357,751	3,878,984
Total liabilities and equity	\$ 10,152,229	\$ 10,024,797

(concluded)

City of Tybee Island, Georgia  
Water and Sewer Enterprise Fund  
Comparative Statements of Revenues, Expenses, and Changes in Retained Earnings  
For the Years Ended December 31, 2003 and 2002

	2003	2002
Operating revenues:		
Water charges.....	\$ 555,051	\$ 606,620
Sewer charges.....	643,664	668,455
Stubbing fees.....	35,468	24,100
Tapping fees.....	44,938	31,390
Aid to construction.....	135,833	72,886
Other.....	129,868	99,167
	<b>Total operating revenues</b>	<b>1,544,822</b>
	<b>1,544,822</b>	<b>1,502,618</b>
Operating expenses:		
Personnel services.....	369,422	358,082
Administrative services.....	168,885	86,837
Depreciation.....	417,463	378,893
Repairs and maintenance.....	165,194	77,724
Utilities.....	82,881	113,219
Operating supplies.....	50,189	37,416
Other.....	73,427	99,214
	<b>Total operating expenses</b>	<b>1,327,461</b>
	<b>1,327,461</b>	<b>1,151,385</b>
	<b>Operating income (loss)</b>	<b>217,361</b>
	<b>217,361</b>	<b>351,233</b>
Nonoperating revenues (expenses):		
Interest earned on investments.....	20,707	5,893
Bond issuance costs.....	(4,199)	(4,199)
Interest expense.....	(207,393)	(155,070)
	<b>Total nonoperating revenues (expenses)</b>	<b>(190,885)</b>
	<b>(190,885)</b>	<b>(153,376)</b>
Income before operating transfers.....	26,476	197,857
Operating transfer in.....	452,291	37,388
	<b>Net income</b>	<b>235,245</b>
	<b>235,245</b>	<b>235,245</b>
Retained earnings, beginning of year.....	2,032,081	1,796,836
	<b>Retained earnings, end of year</b>	<b>\$ 2,510,848</b>
	<b>\$ 2,510,848</b>	<b>\$ 2,032,081</b>

City of Tybee Island, Georgia  
Water and Sewer Enterprise Fund  
Comparative Statements of Cash Flows  
For the Year Ended December 31, 2003

	2003	2002
<b>Cash flows from operating activities:</b>		
Cash received from customers.....	\$ 1,569,728	\$ 1,469,645
Cash paid to vendors.....	(513,058)	(594,954)
Cash paid to employees.....	(375,696)	(354,298)
Net cash provided by operating activities	680,974	520,393
<b>Cash flows from noncapital financing activities:</b>		
Operating transfers from other funds.....	452,291	37,388
Interfund borrowings.....	249,401	(92,102)
Net cash used by noncapital financing activities	701,692	(54,714)
<b>Cash flows from capital and related financing activities:</b>		
Proceeds of borrowing for capital purposes.....	-	1,009,728
Principal payments - bonds payable.....	(80,000)	(80,000)
Principal payments - notes payable.....	(475,261)	(28,690)
Principal payments - capital leases.....	-	(6,252)
Interest paid.....	(207,766)	(155,437)
Acquisition, construction, or improvement of capital assets.....	(225,344)	(845,620)
Net cash used by capital and related financing activities	(988,371)	(106,271)
<b>Cash flows from investing activities:</b>		
Interest received.....	20,707	5,893
Net cash provided by investing activities	20,707	5,893
Net increase (decrease) in cash and cash equivalents.....	415,002	365,301
Cash and cash equivalents, beginning of year.....	1,307,958	942,657
Cash and cash equivalents, end of year	\$ 1,722,960	\$ 1,307,958
Operating income (loss).....	\$ 217,361	\$ 351,233
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation expense.....	417,463	378,893
(Increase) decrease in accounts receivable.....	24,906	(32,973)
(Increase) decrease in prepaid items.....	918	(950)
Increase (decrease) in accounts payable and accrued expenses.....	26,600	(179,594)
Increase (decrease) in compensated absences.....	(6,274)	3,784
Total adjustments	463,613	169,160
Net cash provided by operating activities	\$ 680,974	\$ 520,393

City of Tybee Island, Georgia  
Municipal Court Fund  
Comparative Balance Sheets  
December 31, 2003 and 2002

	2003	2002
<b>Assets</b>		
Cash.....	\$ 302,182	\$ -
Total assets	\$ 302,182	\$ -
<b>Liabilities</b>		
Liabilities:		
Accounts payable.....	\$ 121	\$ -
Due to other funds.....	302,061	-
Total liabilities	\$ 302,182	\$ -

City of Tybee Island, Georgia  
Municipal Court Fund  
Statement of Changes in Assets and Liabilities  
For the Year Ended December 31, 2003

	Beginning Balance <u>12/31/2002</u>	Additions	Deletions	Ending Balance <u>12/31/2003</u>
<b>Assets</b>				
Cash.....	\$ -	\$ 391,907	\$ 89,725	\$ 302,182
Total assets	<u>\$ -</u>	<u>\$ 391,907</u>	<u>\$ 89,725</u>	<u>\$ 302,182</u>
<b>Liabilities</b>				
Accounts payable.....	\$ -	\$ 74,152	\$ 74,031	\$ 121
Due to other funds.....	-	317,755	15,694	302,061
Total liabilities	<u>\$ -</u>	<u>\$ 391,907</u>	<u>\$ 89,725</u>	<u>\$ 302,182</u>

City of Tybee Island, Georgia  
Schedule of Projects Constructed with Special Sales Tax Proceeds  
For the Year Ended December 31, 2003

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total Cost
<b>Drainage</b>	<b>\$ 3,616,428</b>	<b>\$ 3,000,000</b>			
Beach Renourishment.....			\$ 1,060,614	\$ -	\$ 1,060,614
Debt service - beach renourishment.....			103,992	5,390	109,382
Inlet Avenue.....			174,537	-	174,537
Lullwater Court.....			11,747	-	11,747
1st Street.....			20,683	-	20,683
Storm drainage studies.....			108,246	-	108,246
6th Street, 7th Street and Butler Avenue.....			39,322	342,601	381,923
Solomon Avenue.....			-	26,801	26,801
Van Horne Street.....			-	85,752	85,752
Beach Side Streets.....			-	13,122	13,122
14th & 15th Street Parking Lots.....			-	69,140	69,140
12th Avenue.....			-	20,240	20,240
Water and Sewer capital outlay:					
Elevated Water Tank.....			76,431	-	76,431
Debt service - Elevated Water Tank.....			93,470	452,291	545,761
<b>Public Safety</b>	<b>160,000</b>	<b>160,000</b>			
Fire Engine.....			160,000	-	160,000
<b>Miscellaneous projects</b>	<b>80,000</b>	<b>250,000</b>			
Paving Oceanview Court, Jones Street and Center Street.....			42,453		42,453
Paving Project PR8531-56.....			33,740		33,740
Paving Captains Row and Maintenance Yard.....			-	46,120	46,120
Dune Crossover Refurbishment.....			-	118,812	118,812
Total	<u>\$ 3,856,428</u>	<u>\$ 3,410,000</u>	<u>\$ 1,925,235</u>	<u>\$ 1,180,269</u>	<u>\$ 3,105,504</u>

Note: Prior year beach renourishment costs have been revised upward by \$61,792 to include debt service costs not reflected in prior year amounts.

City of Tybee Island, Georgia  
Schedule of Required Expenditures Generated by the Hotel – Motel Tax  
For the Year Ended December 31, 2003

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Revenue:	
Hotel/Motel taxes	<u>\$ 894,534</u>
Expenditures:	
Tourism expenditures	<u>\$ 447,267</u>
Percentage of expenditures to revenues	<u>50%</u>