

CITY OF TYBEE ISLAND, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2004**

CITY OF TYBEE ISLAND, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1 and 2
Management's Discussion and Analysis.....	3 - 11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund	
Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	16
General Fund - Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Budget (GAAP Basis) and Actual	17 - 19
Hotel / Motel Tax Fund - Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Budget (GAAP Basis) and Actual	20
Statement of Net Assets – Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Fund Net	
Assets - Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Assets and Liabilities– Fiduciary Fund.....	24
Notes to Financial Statements	25 - 44
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Fund	45
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances – Nonmajor Governmental Fund.....	46
Schedule of Expenditures of Special Purpose Local Option Sales	
Tax Proceeds (1998 Resolution).....	47
Schedule of Expenditures of Special Purpose Local Option Sales	
Tax Proceeds (2003 Resolution).....	48
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	49 and 50
Schedule of Findings and Questioned Costs	51 and 52

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
Of City Council
City of Tybee Island
Tybee Island, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Tybee Island, Georgia** (the "City"), as of and for the year ended December 31, 2004, 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 Tybee Island, 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, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Hotel / Motel Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments: Omnibus*, an amendment of GASB Statements No. 31 and 34, and Statement No. 38, *Certain Financial Statement Note Disclosures*, effective January 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2005, on our consideration of the City of Tybee Island, 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.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tybee Island, 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. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedules of expenditures of special purpose local option sales tax proceeds as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia

March 11, 2005 except for Note 14 for which the date is May 19, 2005

**THE CITY OF TYBEE ISLAND
DECEMBER 31, 2004
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the City of Tybee Island, Georgia offers the readers of the City's Annual Audited Financial Statements this narrative overview and analysis of the financial activities of the City of Tybee Island for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the referenced financial statements and footnotes accompanying the financial statements.

Financial Highlights

- The City's assets exceeded its liabilities by \$12,504,829 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - Capital assets, net of related debt, of \$7,909,191 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - Net assets of \$394,380 are restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws and regulations.
 - Unrestricted net assets of \$4,201,258 included SPLOST fund balance in the amount of \$1,418,524 designated for capital projects.
- At the end of the 2004 fiscal year, General Fund unreserved and undesignated fund balance increased from \$2,013,124 to \$2,539,835. This increase of \$526,711 is approximately 9% or one (1) month of total annual General Fund expenditures. At the December 31, 2004, unreserved, undesignated fund balance of \$2,539,835 was 33% or four (4) months of total governmental fund expenditures.
- During the fiscal year ended December 31, 2004, the General Fund's fund balance decreased \$966,915 to \$2,599,556.
- The City's governmental funds reported total combined fund balances of \$4,058,226 for fiscal year ended December 31, 2004. This compares to the prior year ending fund balance of \$4,454,893 showing a decrease of \$396,667 during the year ended December 31, 2004.
- The City of Tybee Island's total debt decreased by \$228,920 from scheduled principal payments on the Water and Sewer Revenue Bond, GEFA and SRF loans for Water Tower Construction and the Waste Water Treatment Plant.

The above financial highlights are explained in more detail in the financial analysis section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document is intended to serve as an introduction to the City of Tybee Island's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the basic financial statements, and (4) supplementary financial information.

Government-wide Financial Statements

The City's basic financial statements include two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. 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 deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The *Statement of Activities*, reports how the City's net assets changed during the fiscal year. All year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, community development, transportation, information services, environmental and general administration. Property taxes, sales taxes and franchise fees finance the majority of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water system, environmental waste systems and participant recreation activities are reported here.

The government-wide financial statements are presented on pages 12 and 13 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three kinds of funds:

- *Governmental funds* – The majority of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City maintains three major and one non-major governmental funds. The City's major governmental funds are: General, Hotel Motel Tax and SPLOST. The City's only non-major governmental fund is the Grant Fund.

- The general fund is the chief operating fund of the City.
- The Hotel Motel Tax Fund collects the 6% accommodations tax charged on short term rentals and administers payments to the Savannah Chamber of Commerce and the International Trade Center.
- The SPLOST fund accounts for the receipts and use of local government shared revenues (SPLOST proceeds) to be used for the acquisition of public safety equipment, construction or improvement of capital facilities, drainage projects and beach renourishment.

The City of Tybee Island adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general and the hotel motel tax funds to demonstrate compliance with this budget.

The basic governmental fund financial statements are presented on pages 15 through 20 of this report.

- *Proprietary funds* – The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information such as cash flows. These are reported in the fund financial statements and generally report services for which the City charges customers a fee.

The City maintains two enterprise funds: Water and Sewer and Solid Waste Collection.

The proprietary fund financial statements are presented on pages 21 through 23 of this report.

- *Fiduciary funds* – The City has one fiduciary fund. These types of funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within other governments. When these assets are held under the terms of a formal trust agreement, a private purpose trust fund is used. The basic fiduciary fund financial statement is presented on page 25 of this report.

Notes to the Basic Financial Statements

The financial statement includes notes that explain some of the information in the financial statements and provides information that is more detailed. The notes are essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Supplementary Financial Information

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds presented as supplementary financial information of this report begin on page 45.

Financial Analysis of the City as a Whole

The City implemented the new financial reporting model used in this report beginning with the fiscal year ended December 31, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City.

The City's net assets at fiscal year-end are \$12,504,829. The following table provides a summary of the City's net assets:

Summary of Net Assets (Table 1)

	Governmental Activities	Business Activities	Total	% of Total
Assets:				
Current Assets	\$ 4,558,816	\$ 689,722	\$ 5,248,538	30 %
Capital Assets	4,549,943	7,944,334	12,494,277	70
Total Assets	9,108,759	8,634,056	17,742,815	100
Liabilities:				
Current Liabilities	395,305	158,336	553,641	11
Long-term Liabilities	99,259	4,585,086	4,684,345	89
Total Liabilities	494,564	4,743,422	5,237,986	100
Net Assets:				
Investment in Capital, Net of Debt	4,549,943	3,359,248	7,909,191	63
Restricted	-	394,380	394,380	3
Unrestricted	4,064,252	137,006	4,201,258	34
Total Net Assets	\$ 8,614,195	\$ 3,890,634	\$ 12,504,829	100

At the end of the fiscal year, the City of Tybee Island is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The general fund, as part of the governmental activities, maintains an unreserved, undesignated fund balance of 33% of operating costs as resolved by city council in the Oct 2-4, 2004, planning retreat. This was determined to be a minimum requirement for the City to recover from a major weather related event or adverse economic climate.

Further analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets were \$3,890,634, of which 86% or \$3,359,248 are invested in capital assets which include: property, infrastructure, plant in service, equipment and vehicles to provide utility service and generate revenue for this fund.

As this is the first year in which government-wide information is available, we have not presented comparative data. However, comparative data will be accumulated and presented to assist analysis in future years.

The following table provides a summary of the City's changes in net assets:

Summary of Changes in Net Assets (Table 2)				
	Governmental Activities	Business Activities	Total	% of Total
Revenues				
Program Revenues:				
Charges for Services	\$ 1,991,283	\$ 1,666,820	\$ 3,658,103	40 %
Operating Grants and Contributions	125,011	-	125,011	1
Capital Grants and Contributions	25,000	215,018	240,018	3
General:				
Property Tax	1,321,559	-	1,321,559	15
Sales Tax	1,956,183	-	1,956,183	22
Hotel/Motel Tax	957,563	-	957,563	11
Franchise Tax	266,874	-	266,874	3
Insurance Premium Tax	159,163	-	159,163	2
Other Tax	231,381	-	231,381	3
Unrestricted Investment Earnings	60,871	20,279	81,150	1
Miscellaneous	77,065	-	77,065	1
Gain on Sales of Assets	7,375	-	7,375	-
Total Revenues	7,179,328	1,902,117	9,081,445	100
Program Expenses:				
Government Activities:				
General Government and Administration				
Administration	1,429,358	-	1,429,358	18
Judicial	16,453	-	16,453	-
Public Safety	1,659,595	-	1,659,595	21
Public Works	1,140,392	-	1,140,392	14
Culture and Recreation	1,124,882	-	1,124,882	14
Housing and Community Development	658,994	-	658,994	8
Interest on Long-Term Debt	412	-	412	-
Business Type Activities:				
Water and Sewer	-	1,407,048	1,407,048	18
Solid Waste Collection	-	564,958	564,958	7
Total Expenses	6,030,086	1,972,006	8,002,092	100
Change in Net Assets	1,149,242	(69,889)	1,079,353	
Beginning Net Assets	7,464,953	3,960,523	11,425,476	
Ending Net Assets	<u>\$ 8,614,195</u>	<u>\$ 3,890,634</u>	<u>\$ 12,504,829</u>	

In 2004, the Solid Waste Collection Fund was established as an enterprise fund and isolated from the General Fund revenue and expenses. This will need to be addressed in the future as to the funding of this business type activity (Table 3).

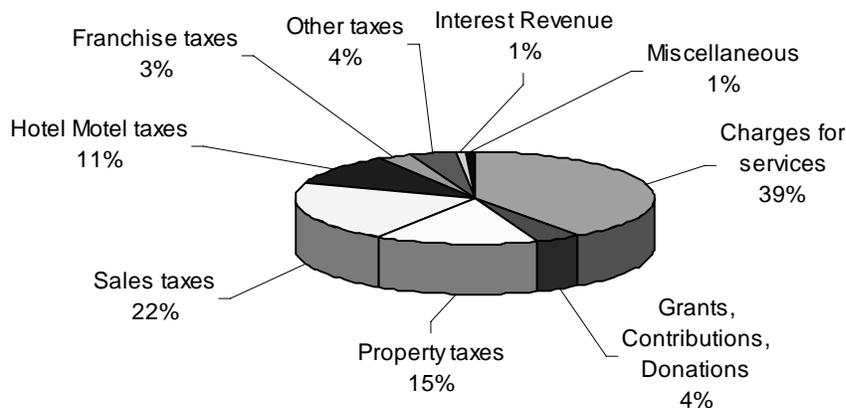
The Water Sewer Fund operated at a profit with two rate increases during the year. The first increase was to eliminate a tiered rate structure implemented on a trial basis in 2003. The second rate increase was to put into practice a new program of annual water and sewer rate increases tied to the consumer price index.

Business-Type Activities (Table 3)

	Water Sewer Enterprise	Solid Waste Collection Enterprise	Total
Operating Revenues	\$ 1,386,056	\$ 280,764	\$ 1,666,820
Operating Expenses	1,193,562	564,958	1,758,520
Operating Income (Loss)	<u>192,494</u>	<u>(284,194)</u>	<u>(91,700)</u>
Non-Operating Income (Expenses)	(193,207)	-	(193,207)
Capital Contributions	215,018	-	215,018
Change in Net Assets	<u>214,305</u>	<u>(284,194)</u>	<u>(69,889)</u>
Beginning Net Assets	4,357,752	-	4,357,752
Prior Period Adjustment	(397,229)	-	(397,229)
Ending Net Assets	<u><u>\$ 4,174,828</u></u>	<u><u>\$ (284,194)</u></u>	<u><u>\$ 3,890,634</u></u>

Refer to Table 4, a graphical representation of the revenues generated in the fiscal year ended December 31, 2004, which illustrates the diversity of the revenue relied on to provide city services. Notice the largest component, charges for services or fees collected to compensate for the use of the city services.

Revenues Sources 2004 (table 4)



Expenditure by Function 2004 (table 5)

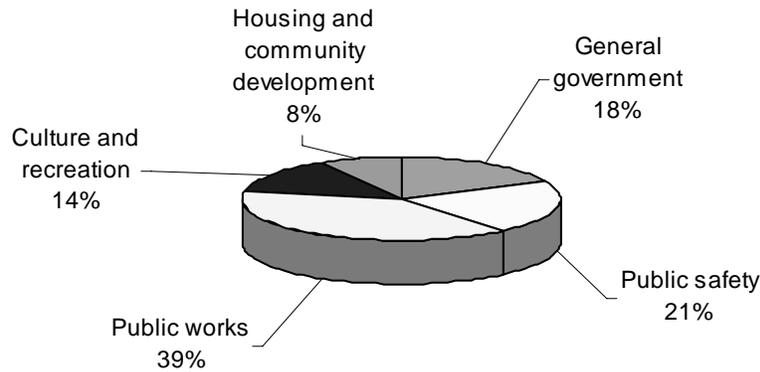
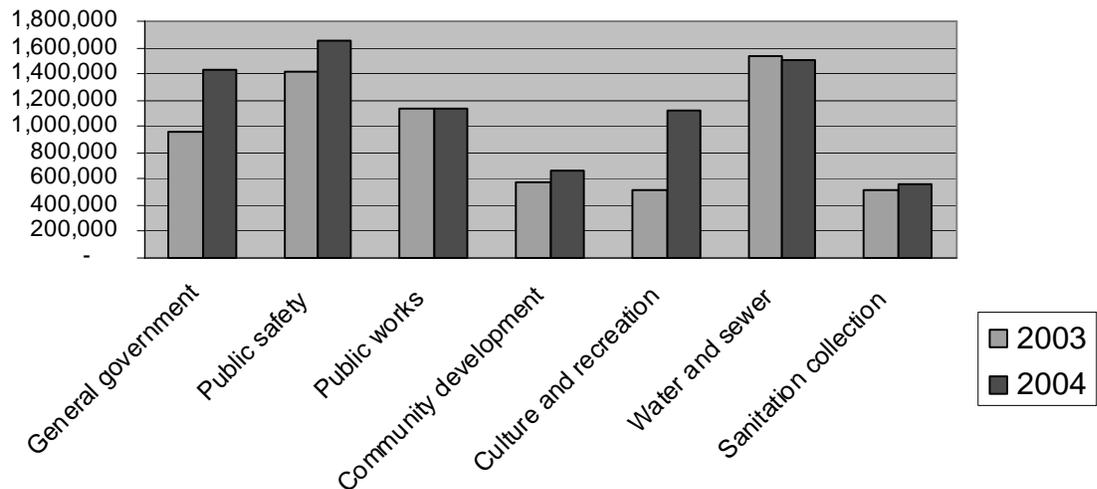


Table 5 represents the expenditures for the fiscal year ended December 31, 2004. A further breakdown of expenses to the department level can be found on page 17 General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual.

Expenditure by Operational Unit (Table 6)



A year over year comparison of the departmental expenditures for the City is illustrated in Table 6.

The increased expenditures in general government was due to the change in classification of the maintenance of general government buildings to general government expenditures from the public works function. Culture and recreation demonstrated a large increase due to the cost of the substantial completion of the Youmans-Solomon Complex, as well as, increasing the City's support of the museums on Tybee Island.

Economic and Budgetary Factors

For the year, national GDP increased 4.4% compared to an increase of 3% in 2003, making 2004 a very solid year for economic growth. In the local economy, job growth improved, Hotel Motel Tax Collections increased 3.3%, and Chatham County saw building permits increased 94.8%. The permits issued for buildings on Tybee Island increased 15% from 54 to 66 for single-family homes and 233% from 18 to 60 for multi-unit construction from 2003 to 2004.

During 2004, the second step of the city council approved Tybee Homestead Exemption for residents was implemented, increasing the exemption from \$40,000 to \$80,000 of assessed value.

The City adopted a general fund budget of \$5,665,059 for calendar year 2005 and a five (5) year Capital Improvement Plan budget of \$9,975,306.

In 2005, the City will begin work on the replacement of the Butler Avenue Water Line, a \$3,000,000+ project paid for by SPLOST proceeds and a GEFA loan. Also in 2005, the community center will undergo renovation and continuation of the Sewer Rehab Project will occur.

Five Year Capital Improvement Plan (CIP) (Table 7)

City of Tybee Island 2005 Budget Five Year Capital Project Improvement Plan							
Project Funding	Balance / Budgeted	Estimated					Total Funding
		2005	2006	2007	2008	2009	
SPLOST 98	\$ 736,860	\$ 266,000	\$ 350,000	\$ 121,000	\$ -	\$ -	\$ 737,000
SPLOST 2003	635,657	590,000	1,091,597	1,930,375	1,711,000	516,371	5,839,343
GEFA/GMA Loans		887,000	615,000	-	-	571,963	2,073,963
Aid to Construction		180,000	180,000	-	-	-	360,000
Grants		50,000	30,000	25,000	-	-	105,000
Donations		60,000	-	-	-	-	60,000
General Fund		100,000	200,000	300,000	100,000	100,000	800,000
Total Project Funding		\$ 2,133,000	\$ 2,466,597	\$ 2,376,375	\$ 1,811,000	\$ 1,188,334	\$ 9,975,306

Project Description	Project #	Spent or Reserved To Date	Estimated					Total Project Cost
			2005	2006	2007	2008	2009	
Beach Renourishment	401	\$ -	\$ 300,000	\$ -	\$ 100,000	\$ 600,000	\$ -	\$ 1,800,000
			100,000	200,000	300,000	100,000	100,000	
Bike Paths	402	3,200	25,000	30,000	25,000	-	-	80,000
Marine Rescue Squad Facility	403	71,165	-	-	28,835	-	-	28,835
Water/Sewer Rehab	404	1,853,113	180,000	180,000	-	-	-	360,000
Various Drainage Projects	501	111,417	200,000	350,000	121,000	-	-	671,000
Butler Avenue Water Line	502	48,354	887,000	615,000	-	-	-	1,502,000
Playground Equipment	503	-	25,000	-	-	-	-	225,000
			100,000		100,000			
Skate Park	504	-	40,000	-	-	-	-	100,000
			60,000					
Beachside Service Replacement	602	-	-	543,000	-	-	-	543,000
Beachside Looping	603	15,460	-	-	409,540	-	-	409,540
Old Fort Theater	604	-	-	-	350,000	-	-	350,000
Guardhouse/Community Center	605	1,403	-	248,597	-	-	-	248,597
Ft Screvens Water Line Phase I	702	-	-	-	642,000	-	-	642,000
Tybrisa Redevelopment	703	-	50,000	250,000	-	-	-	300,000
Road Projects	-	-	-	-	250,000	-	-	250,000
Ft Screvens Water Line Phase II	801	-	-	-	-	461,000	-	461,000
Marine Science Center	802	-	-	-	-	600,000	-	600,000
Police Facility	901	-	-	-	-	-	428,037	1,000,000
							571,963	
Fire Department Equipment		106,666	66,000	50,000	50,000	50,000	88,334	304,334
Dune Crossovers	405	301,170	-	-	-	-	-	-
Other Projects		845	100,000	-	-	-	-	100,000
Total Project Costs			\$ 2,133,000	\$ 2,466,597	\$ 2,376,375	\$ 1,811,000	\$ 1,188,334	\$ 9,975,306

Requests for Information

This financial report is designed to provide a general overview for the governmental operations of the City of Tybee Island. It is intended for anyone with an interest in our government's finances and management. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to:

The City of Tybee Island
Attn: Jan Fox, CFO
PO Box 2749
Tybee Island, GA 31328

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 3,143,944	\$ 24,382	\$ 3,168,326
Investments	641,675	330,854	972,529
Taxes receivable	141,551	-	141,551
Accounts receivable, net of allowances	16,526	166,580	183,106
Due from other governments	274,616	-	274,616
Internal balances	280,783	(280,783)	-
Prepaid expenses	59,721	6,375	66,096
Restricted assets, cash	-	394,380	394,380
Other assets	-	47,934	47,934
Capital assets:			
Nondepreciable	2,471,794	539,082	3,010,876
Depreciable, net of accumulated depreciation	2,078,149	7,405,252	9,483,401
Total assets	9,108,759	8,634,056	17,742,815
LIABILITIES			
Accounts payable	334,487	128,833	463,320
Accrued liabilities	53,755	29,503	83,258
Deferred revenues	7,063	-	7,063
Note payable due within one year	-	138,008	138,008
Note payable due in more than one year	-	2,882,078	2,882,078
Compensated absences due within one year	99,259	-	99,259
Bonds payable due within one year	-	90,000	90,000
Bonds payable due in more than one year	-	1,475,000	1,475,000
Total liabilities	494,564	4,743,422	5,237,986
NET ASSETS			
Investment in capital assets, net of related debt	4,549,943	3,359,248	7,909,191
Restricted for debt service	-	394,380	394,380
Unrestricted	4,064,252	137,006	4,201,258
Total net assets	\$ 8,614,195	\$ 3,890,634	\$ 12,504,829

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,429,358	\$ 362,627	\$ -	\$ -	\$ (1,066,731)	\$ -	\$ (1,066,731)
Judicial	16,453	-	-	-	(16,453)	-	(16,453)
Public safety	1,659,595	324,831	81,312	-	(1,253,452)	-	(1,253,452)
Public works	1,140,392	-	-	-	(1,140,392)	-	(1,140,392)
Culture and recreation	1,124,882	1,303,825	43,699	25,000	247,642	-	247,642
Housing and community development	658,994	-	-	-	(658,994)	-	(658,994)
Interest on long-term debt	412	-	-	-	(412)	-	(412)
Total governmental activities	<u>6,030,086</u>	<u>1,991,283</u>	<u>125,011</u>	<u>25,000</u>	<u>(3,888,792)</u>	<u>-</u>	<u>(3,888,792)</u>
Business-type activities:							
Water and sewer	1,407,048	1,386,056	-	215,018	-	194,026	194,026
Sanitation collection	564,958	280,764	-	-	-	(284,194)	(284,194)
Total business-type activities	<u>1,972,006</u>	<u>1,666,820</u>	<u>-</u>	<u>215,018</u>	<u>-</u>	<u>(90,168)</u>	<u>(90,168)</u>
Total primary government	<u>\$ 8,002,092</u>	<u>\$ 3,658,103</u>	<u>\$ 125,011</u>	<u>\$ 240,018</u>	<u>(3,888,792)</u>	<u>(90,168)</u>	<u>(3,978,960)</u>
General revenues:							
Property taxes					1,321,559	-	1,321,559
Sales taxes					1,956,183	-	1,956,183
Hotel / motel taxes					957,563	-	957,563
Franchise taxes					266,874	-	266,874
Insurance premium taxes					159,163	-	159,163
Other taxes					231,381	-	231,381
Unrestricted investment earnings					60,871	20,279	81,150
Gain on sale of capital assets					7,375	-	7,375
Miscellaneous					77,065	-	77,065
Total general revenues					<u>5,038,034</u>	<u>20,279</u>	<u>5,058,313</u>
Change in net assets					1,149,242	(69,889)	1,079,353
Net assets, beginning of year					7,464,953	3,960,523	11,425,476
Net assets, end of year					<u>\$ 8,614,195</u>	<u>\$ 3,890,634</u>	<u>\$ 12,504,829</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

ASSETS	General Fund	Hotel / Motel Tax Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 2,199,824	\$ 11,870	\$ 892,104	\$ 40,146	\$ 3,143,944
Investments	641,675	-	-	-	641,675
Taxes receivable	124,556	16,995	-	-	141,551
Accounts receivable	16,526	-	-	-	16,526
Due from other governments	158,757	-	115,859	-	274,616
Due from other funds	300,484	-	437,836	-	738,320
Prepaid expenditures	59,721	-	-	-	59,721
Total assets	<u>\$ 3,501,543</u>	<u>\$ 28,865</u>	<u>\$ 1,445,799</u>	<u>\$ 40,146</u>	<u>\$ 5,016,353</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 286,845	\$ 20,367	\$ 27,275	\$ -	\$ 334,487
Accrued liabilities	53,755	-	-	-	53,755
Deferred revenues	112,348	-	-	-	112,348
Due to other funds	449,039	8,498	-	-	457,537
Total liabilities	<u>901,987</u>	<u>28,865</u>	<u>27,275</u>	<u>-</u>	<u>958,127</u>
FUND BALANCES					
Fund balances:					
Reserved for:					
Prepaid assets	59,721	-	-	-	59,721
Unreserved:					
Designated:					
Special revenue funds	-	-	-	40,146	40,146
Capital project funds	-	-	1,418,524	-	1,418,524
Undesignated	2,539,835	-	-	-	2,539,835
Total fund balances	<u>2,599,556</u>	<u>-</u>	<u>1,418,524</u>	<u>40,146</u>	<u>4,058,226</u>
Total liabilities and fund balances	<u>\$ 3,501,543</u>	<u>\$ 28,865</u>	<u>\$ 1,445,799</u>	<u>\$ 40,146</u>	
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.					4,549,943
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					105,285
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.					(99,259)
Net assets of governmental activities					<u>\$ 8,614,195</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Hotel / Motel Tax Fund</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 2,938,408	\$ 957,563	\$ 1,045,197	\$ -	\$ 4,941,168
Licenses and permits	301,457	-	-	-	301,457
Intergovernmental	122,717	-	-	-	122,717
Charges for services	1,277,762	-	-	-	1,277,762
Fines and forfeitures	237,790	-	-	-	237,790
Interest	54,576	-	6,295	-	60,871
Contributions	27,294	-	-	-	27,294
Other revenues	241,620	9,719	-	-	251,339
Total revenues	<u>5,201,624</u>	<u>967,282</u>	<u>1,051,492</u>	<u>-</u>	<u>7,220,398</u>
Expenditures					
Current:					
General government	1,341,617	-	-	-	1,341,617
Judicial	16,453	-	-	-	16,453
Public safety	1,636,178	-	-	-	1,636,178
Public works	1,016,974	-	-	-	1,016,974
Culture and recreation	1,975,084	478,808	-	-	2,453,892
Housing and community development	656,136	-	-	-	656,136
Capital outlay	-	-	481,244	-	481,244
Debt service	21,946	-	-	-	21,946
Total expenditures	<u>6,664,388</u>	<u>478,808</u>	<u>481,244</u>	<u>-</u>	<u>7,624,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,462,764)</u>	<u>488,474</u>	<u>570,248</u>	<u>-</u>	<u>(404,042)</u>
Other financing sources (uses):					
Transfers in	488,474	-	-	-	488,474
Transfers out	-	(488,474)	-	-	(488,474)
Sale of capital assets	7,375	-	-	-	7,375
Total other financing sources (uses)	<u>495,849</u>	<u>(488,474)</u>	<u>-</u>	<u>-</u>	<u>7,375</u>
Net change in fund balances	(966,915)	-	570,248	-	(396,667)
Fund balances, beginning of year	3,408,391	-	848,276	40,146	4,296,813
Prior period adjustment	<u>158,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,080</u>
Fund balances, beginning of year, as restated	<u>3,566,471</u>	<u>-</u>	<u>848,276</u>	<u>40,146</u>	<u>4,454,893</u>
Fund balances, end of year	<u>\$ 2,599,556</u>	<u>\$ -</u>	<u>\$ 1,418,524</u>	<u>\$ 40,146</u>	<u>\$ 4,058,226</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

Net change in fund balances - total governmental funds.	\$ (396,667)
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. The amount by which capital outlays exceeded depreciation in the current period.	1,598,730
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(48,445)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	21,534
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.	<u>(25,910)</u>
	<u>\$ 1,149,242</u>

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

**CITY OF TYBEE ISLAND, GEORGIA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 1,356,000	\$ 1,356,000	\$ 1,370,004	\$ 14,004
Local option sales tax	820,000	820,000	910,986	90,986
Franchise taxes	280,000	280,000	266,874	(13,126)
Insurance premium tax	145,000	145,000	159,163	14,163
Alcoholic beverage excise tax	139,100	139,100	157,712	18,612
Real estate transfer tax	35,000	35,000	24,556	(10,444)
Occupational taxes	50,000	50,000	49,113	(887)
Total taxes	<u>2,825,100</u>	<u>2,825,100</u>	<u>2,938,408</u>	<u>113,308</u>
Licenses and permits:				
Regulatory fees	75,000	75,000	80,028	5,028
Building permits	72,500	72,500	135,103	62,603
Building inspections	35,000	35,000	58,070	23,070
Zoning variance requests fees	7,800	7,800	9,075	1,275
Other	4,500	4,500	19,181	14,681
Total licenses and permits	<u>194,800</u>	<u>194,800</u>	<u>301,457</u>	<u>106,657</u>
Intergovernmental	<u>-</u>	<u>-</u>	<u>122,717</u>	<u>122,717</u>
Charges for services:				
Parking fees	1,322,413	1,322,413	1,129,551	(192,862)
Other charges for services	442,200	141,200	148,211	7,011
Total charges for services	<u>1,764,613</u>	<u>1,463,613</u>	<u>1,277,762</u>	<u>(185,851)</u>
Fines and forfeitures:				
Municipal fines	-	168,850	237,790	68,940
Total fines and forfeitures	<u>-</u>	<u>168,850</u>	<u>237,790</u>	<u>68,940</u>
Interest income	<u>85,000</u>	<u>85,000</u>	<u>54,576</u>	<u>(30,424)</u>
Contributions	<u>-</u>	<u>11,039</u>	<u>27,294</u>	<u>16,255</u>
Miscellaneous:				
Rents and royalties	161,381	161,381	174,274	12,893
Other	10,000	1,318,353	67,346	(1,251,007)
Total miscellaneous	<u>171,381</u>	<u>1,479,734</u>	<u>241,620</u>	<u>(1,238,114)</u>
Total revenues	<u>5,040,894</u>	<u>6,228,136</u>	<u>5,201,624</u>	<u>(1,026,512)</u>
Expenditures:				
Current:				
General government				
Governing body	73,688	95,088	84,423	10,665
Clerk of Council	75,303	75,303	68,231	7,072
Chief executive	214,162	261,389	315,222	(53,833)
Financial administration	330,205	479,002	337,870	141,132
Legal	43,000	43,000	58,200	(15,200)
Information technology	181,899	197,585	174,745	22,840
Human resources	33,734	33,734	35,697	(1,963)
Building and plant maintenance	581,290	354,174	267,229	86,945
Total general government	<u>1,533,281</u>	<u>1,539,275</u>	<u>1,341,617</u>	<u>197,658</u>

(Continued)

**CITY OF TYBEE ISLAND, GEORGIA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current:				
Judicial				
Municipal Court	\$ 900	\$ 26,200	\$ 16,453	\$ 9,747
Total judicial	<u>900</u>	<u>26,200</u>	<u>16,453</u>	<u>9,747</u>
Public safety				
Police administration	1,412,684	1,462,639	1,466,113	(3,474)
Beach patrol	43,000	43,000	6,729	36,271
Fire administration	169,740	183,920	157,094	26,826
Emergency management	5,300	5,300	6,242	(942)
Total public safety	<u>1,630,724</u>	<u>1,694,859</u>	<u>1,636,178</u>	<u>58,681</u>
Public works				
General operations	1,018,427	1,022,527	1,016,974	5,553
Solid waste collection	440,000	-	-	-
Recyclable collection	4,000	-	-	-
Total public works	<u>1,462,427</u>	<u>1,022,527</u>	<u>1,016,974</u>	<u>5,553</u>
Culture and recreation				
General operations	56,100	104,156	118,445	(14,289)
Recreation facilities	-	-	5,821	(5,821)
Recreation centers	114,230	114,230	95,960	18,270
Beach, lifeguards, dunes	155,976	155,976	208,833	(52,857)
Museums	90,000	90,000	215,492	(125,492)
Parks administration	2,500	2,500	15,415	(12,915)
Special projects	-	1,315,107	1,315,118	(11)
Total culture and recreation	<u>418,806</u>	<u>1,781,969</u>	<u>1,975,084</u>	<u>(193,115)</u>
Housing and development				
Zoning and inspection	237,176	237,176	270,740	(33,564)
Parking	381,930	381,930	385,396	(3,466)
Total housing and development	<u>619,106</u>	<u>619,106</u>	<u>656,136</u>	<u>(37,030)</u>
Total current	<u>5,665,244</u>	<u>6,683,936</u>	<u>6,642,442</u>	<u>41,494</u>
Debt service:				
Principal	-	24,550	21,534	3,016
Interest	-	450	412	38
Total debt service	<u>-</u>	<u>25,000</u>	<u>21,946</u>	<u>3,054</u>
Total expenditures	<u>5,665,244</u>	<u>6,708,936</u>	<u>6,664,388</u>	<u>44,548</u>
Deficiency of revenues over expenditures	<u>(624,350)</u>	<u>(480,800)</u>	<u>(1,462,764)</u>	<u>(981,964)</u>
Other financing sources (uses):				
Sale of capital assets	2,500	2,500	7,375	4,875
Transfers in	621,850	478,300	488,474	10,174
Total other financing sources	<u>624,350</u>	<u>480,800</u>	<u>495,849</u>	<u>15,049</u>

(Continued)

**CITY OF TYBEE ISLAND, GEORGIA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Deficiency of revenues and other financing sources under expenditures	\$ -	\$ -	\$ (966,915)	\$ (966,915)
Fund balances, beginning of year	3,408,391	3,408,391	3,408,391	-
Prior period adjustment	-	-	158,080	158,080
Fund balances, beginning of year, as restated	<u>3,408,391</u>	<u>3,408,391</u>	<u>3,566,471</u>	<u>158,080</u>
Fund balances, end of year	<u>\$ 3,408,391</u>	<u>\$ 3,408,391</u>	<u>\$ 2,599,556</u>	<u>\$ (808,835)</u>

CITY OF TYBEE ISLAND, GEORGIA
HOTEL / MOTEL TAX FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 951,600	\$ 957,563	\$ 5,963
Other revenues	5,000	9,719	4,719
Total revenues	<u>956,600</u>	<u>967,282</u>	<u>10,682</u>
Expenditures:			
Current:			
Culture and recreation	478,300	478,808	(508)
Total expenditures	<u>478,300</u>	<u>478,808</u>	<u>(508)</u>
Excess of revenues over expenditures	<u>478,300</u>	<u>488,474</u>	<u>10,174</u>
Other financing sources (uses):			
Transfers out	(478,300)	(488,474)	(10,174)
Total other financing sources (uses)	<u>(478,300)</u>	<u>(488,474)</u>	<u>(10,174)</u>
Excess of revenues and other financing sources over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Collection Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 24,382	\$ -	\$ 24,382
Investments	330,854	-	330,854
Restricted cash and cash equivalents	394,380	-	394,380
Accounts receivable, net of allowances	158,789	7,791	166,580
Due from other funds	371,702	-	371,702
Prepaid expenses	6,375	-	6,375
Total current assets	<u>1,286,482</u>	<u>7,791</u>	<u>1,294,273</u>
Noncurrent assets			
Other assets	47,934	-	47,934
Capital assets:			
Nondepreciable	539,082	-	539,082
Depreciable, net of accumulated depreciation	7,405,252	-	7,405,252
Total noncurrent assets	<u>7,992,268</u>	<u>-</u>	<u>7,992,268</u>
Total assets	<u>9,278,750</u>	<u>7,791</u>	<u>9,286,541</u>
LIABILITIES			
Current liabilities			
Accounts payable	128,833	-	128,833
Accrued liabilities	29,503	-	29,503
Due to other funds	360,500	291,985	652,485
Notes payable, current	138,008	-	138,008
Bonds payable, current	90,000	-	90,000
Total current liabilities	<u>746,844</u>	<u>291,985</u>	<u>1,038,829</u>
Noncurrent liabilities			
Notes payable, net of current portion	2,882,078	-	2,882,078
Bonds payable, net of current portion	1,475,000	-	1,475,000
	<u>4,357,078</u>	<u>-</u>	<u>4,357,078</u>
Total liabilities	<u>5,103,922</u>	<u>291,985</u>	<u>5,395,907</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,359,248	-	3,359,248
Restricted for debt service	394,380	-	394,380
Unrestricted	421,200	(284,194)	137,006
Total net assets	<u>\$ 4,174,828</u>	<u>\$ (284,194)</u>	<u>\$ 3,890,634</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Collection Fund	Totals
OPERATING REVENUES			
Charges for services:			
Water charges	\$ 533,078	\$ -	\$ 533,078
Sewer charges	685,854	-	685,854
Stubbing fees	63,620	-	63,620
Tapping fees	69,204	-	69,204
Other	34,300	-	34,300
Sanitation collection revenue	-	280,764	280,764
Total operating revenues	<u>1,386,056</u>	<u>280,764</u>	<u>1,666,820</u>
OPERATING EXPENSES			
Personnel services	401,766	-	401,766
Administrative	105,718	-	105,718
Utilities	124,195	-	124,195
Supplies	70,189	-	70,189
Repairs and maintenance	148,401	-	148,401
Sanitation services	-	564,958	564,958
Miscellaneous	63,824	-	63,824
Depreciation	279,469	-	279,469
Total operating expenses	<u>1,193,562</u>	<u>564,958</u>	<u>1,758,520</u>
Operating income (loss)	<u>192,494</u>	<u>(284,194)</u>	<u>(91,700)</u>
NONOPERATING INCOME (EXPENSES)			
Interest expense	(213,486)	-	(213,486)
Interest income	20,279	-	20,279
Total nonoperating income	<u>(193,207)</u>	<u>-</u>	<u>(193,207)</u>
Loss before contributions	(713)	(284,194)	(284,907)
CAPITAL CONTRIBUTIONS			
Change in net assets	214,305	(284,194)	(69,889)
NET ASSETS, beginning of year	<u>4,357,752</u>	<u>-</u>	<u>4,357,752</u>
Prior period adjustment	<u>(397,229)</u>	<u>-</u>	<u>(397,229)</u>
NET ASSETS, beginning of year as restated	<u>3,960,523</u>	<u>-</u>	<u>3,960,523</u>
NET ASSETS, end of year	<u>\$ 4,174,828</u>	<u>\$ (284,194)</u>	<u>\$ 3,890,634</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Collection Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,382,066	\$ 564,958	\$ 1,947,024
Payments to suppliers	(1,354,436)	(564,958)	(1,919,394)
Payments to employees	(411,877)	-	(411,877)
Net cash used in operating activities	<u>(384,247)</u>	<u>-</u>	<u>(384,247)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(402,134)	-	(402,134)
Contributed capital	215,018	-	215,018
Principal paid on bonds	(85,000)	-	(85,000)
Principal paid on notes payable	(132,193)	-	(132,193)
Interest paid	(205,067)	-	(205,067)
Net cash used in capital and related financing activities	<u>(609,376)</u>	<u>-</u>	<u>(609,376)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(14,634)	-	(14,634)
Interest earned on operating cash	20,279	-	20,279
Net cash provided by investing activities	<u>5,645</u>	<u>-</u>	<u>5,645</u>
Net decrease in cash and cash equivalents	(987,978)	-	(987,978)
Cash and cash equivalents, beginning of year	1,406,740	-	1,406,740
Cash and cash equivalents, end of year	<u>\$ 418,762</u>	<u>\$ -</u>	<u>\$ 418,762</u>
Classified as:			
Cash and cash equivalents	\$ 24,382	\$ -	\$ 24,382
Restricted assets: cash	394,380	-	394,380
	<u>\$ 418,762</u>	<u>\$ -</u>	<u>\$ 418,762</u>
Reconciliation of operating income (loss) to net cash used in operating activities			
Operating income (loss)	\$ 192,494	\$ (284,194)	\$ (91,700)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	279,469	-	279,469
Change in assets and liabilities:			
(Increase) decrease:			
Accounts receivable	(3,990)	(7,791)	(11,781)
Due from other funds	(371,702)	-	(371,702)
Prepaid expenses	(2,935)	-	(2,935)
Increase (decrease):			
Accounts payable	18,854	-	18,854
Accrued expenses	(10,111)	-	(10,111)
Due to other funds	(486,326)	291,985	(194,341)
Net cash used in operating activities	<u>\$ (384,247)</u>	<u>\$ -</u>	<u>\$ (384,247)</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2004**

	Agency Fund Municipal Court
ASSETS	
Cash	\$ 14,801
Total assets	<u>\$ 14,801</u>
LIABILITIES	
Due to others	\$ 14,801
Total liabilities	<u>\$ 14,801</u>

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

CITY OF TYBEE ISLAND, GEORGIA

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Tybee Island was incorporated October 15, 1887. The City operates under the Council – administrator form of government and provides the following services to its citizens as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture and recreation, planning and zoning, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all City operations and all activities of the City.

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 City. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally 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 net assets will include noncurrent assets which were previously reported in the General Fixed Assets Account Group and noncurrent liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

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 considered program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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.

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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 are generally 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.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

The City adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; GASB Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and, Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of January 1, 2004.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity.

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 **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 **SPLOST Fund** accounts for the proceeds of a one percent Special Purpose Local Option Sales Tax. Funds are used for: road improvements; public safety projects; recreation projects; water and sewer projects; and public building projects.

The City reports the following major proprietary funds:

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

The **Solid Waste Collection Fund** accounts for the provision of sanitation collection services to the residents of the City. 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 **agency fund** is used to account for the collection and disbursement of monies by the City's Municipal Court on behalf of other governments and individuals.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services 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 enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods 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

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund, the Hotel / Motel Tax Fund and the Beach Renourishment Grant Fund. All appropriations lapse at the end of the December 31 fiscal year. Revenues and expenditures of the Capital Projects Fund are budgeted on a project length basis and are, therefore, excluded from presentation in the financial statements.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Tybee Island because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

NOTES TO FINANCIAL STATEMENTS

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

E. Deposits and Investments

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.

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 participant's 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 Treasury and Fiscal Services.

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.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items in both the government-wide and fund financial statements.

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 column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	10-40
Machinery & equipment	10-20
Utility plant	20-50

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-Term Obligations

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, are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

Proprietary fund type loans payable are reported as liabilities at their outstanding value.

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. Premiums received on debt issuances are 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.

K. Pensions

The provision for pension cost is recorded on an accrual basis, and the City's policy is to fund pension costs as they accrue.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of assets and liabilities during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,598,730 difference are as follows:

Capital outlay	\$ 1,844,864
Depreciation expense	<u>(246,134)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,598,730</u>

NOTE 3. LEGAL COMPLIANCE – BUDGETS

The City of Tybee Island, Georgia 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 1st.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. Prior to the beginning of the year, the budget is formally enacted through passage of a resolution by the City Council.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

4. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and the capital projects funds. Project length budgets are adopted for the capital projects fund.
5. The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The governing council must approve all revisions. Expenditures should not exceed the legally adopted budget at the department level without Council action amending the budget. All appropriations lapse at the end of each fiscal year.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations.

7. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended December 31, 2004.

Chief executive	\$ 53,833
Legal	15,200
Human resources	1,963
Police administration	3,474
Emergency management	942
Culture and recreation - general operations	14,289
Recreation facilities	5,821
Beach, lifeguards, dunes	52,857
Museums	125,492
Parks administration	12,915
Special projects	11
Zoning and inspection	33,564
Parking	3,466

These overexpenditures were funded by greater than anticipated transfers and by available fund balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CASH AND INVESTMENTS

Cash and Cash Equivalents

The City's deposits include cash on deposit with financial institutions, cash equivalents, including money market accounts, and cash invested in the State of Georgia's local government investment pool, Georgia Fund 1. Cash equivalents subject to federal and state depository insurance are classified as deposits.

At December 31, 2004, the City's deposits were \$4,377,017 and the bank balance was \$4,509,908. The amount of cash held in the bank is classified into three categories of custodial credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in the City's name; 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; and 3) uncollateralized bank accounts. The City's deposits are classified as follows at December 31, 2004:

<u>Category</u>	
1	\$ 300,000
2	4,209,908
3	-
Total	<u>\$ 4,509,908</u>

State statutes require all deposits to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities of the State of Georgia. The collateral pledged by the financial institution's trust department in the City's name is composed of various kinds of securities.

Investments

The City's investment policies are authorized by State statutes and City ordinances. Permissible investments include securities of the United States Treasury, agencies and instrumentalities, repurchase agreements and the Local Government Investment Pool (LGIP) administered by the State of Georgia.

Governmental investments are categorized as either (1) insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, securities held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name. As of December 31, 2004, the City was invested only in LGIP funds in the amount of \$173,019, which are not subject to the above categorization.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CASH AND INVESTMENTS (CONTINUED)

The above amounts are reconciled to the statement of net assets as follows:

Cash		\$	4,377,017		
Investments			173,019		
					\$ 4,550,036
Amounts as presented on the entity wide statement of net assets:					
Governmental activities:					
Cash and cash equivalents		\$	3,143,944		
Investments			641,675		
Business-type activities:					
Cash and cash equivalents			24,382		
Investments			330,854		
Restricted assets, cash			394,380		
Amounts as presented on the fiduciary statement of assets and liabilities:					
Agency Funds:					
Cash and cash equivalents			14,801		
Total			14,801		
					\$ 4,550,036

NOTE 5. RECEIVABLES

Property taxes were levied on October 20, 2004, against a taxable digest established as of January 1, 2004. Property taxes were due on December 20, 2004, and were considered delinquent the following day (December 21, 2004) – which would also be the lien date. Receivables are recorded when taxes are levied and billed.

The net receivables collected during the year ended December 31, 2004, and expected to be collected by February 28, 2005, are recognized as revenues in the year ended December 31, 2004. Net receivables estimated to be collectible subsequent to February 28, 2005, are recorded as revenue when received.

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

	<u>General</u>	<u>Hotel / Motel</u>	<u>SPLOST</u>	<u>Water and Sewer</u>	<u>Solid Waste Collection</u>	<u>Total</u>
Receivables:						
Taxes	\$ 143,833	\$ 16,995	\$ -	\$ -	\$ -	\$ 160,828
Accounts	16,526	-	-	170,027	10,987	197,540
Intergovernmental	158,757	-	115,859	-	-	274,616
Gross receivables	319,116	16,995	115,859	170,027	10,987	632,984
Less: allowance for uncollectibles	(19,277)	-	-	(11,238)	(3,196)	(33,711)
Net total receivables	<u>\$ 299,839</u>	<u>\$ 16,995</u>	<u>\$ 115,859</u>	<u>\$ 158,789</u>	<u>\$ 7,791</u>	<u>\$ 599,273</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2004, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 798,069	\$ -	\$ -	\$ 798,069
Construction in progress	287,465	1,386,260	-	1,673,725
Total	<u>1,085,534</u>	<u>1,386,260</u>	<u>-</u>	<u>2,471,794</u>
Capital assets, being depreciated:				
Land improvements	187,124	-	-	187,124
Buildings	1,705,767	353,669	-	2,059,436
Machinery and equipment	1,829,250	104,935	-	1,934,185
Total	<u>3,722,141</u>	<u>458,604</u>	<u>-</u>	<u>4,180,745</u>
Less accumulated depreciation for:				
Land improvements	(159,174)	(9,356)	-	(168,530)
Buildings	(788,076)	(101,394)	-	(889,470)
Machinery and equipment	(909,212)	(135,384)	-	(1,044,596)
Total	<u>(1,856,462)</u>	<u>(246,134)</u>	<u>-</u>	<u>(2,102,596)</u>
Total capital assets, being depreciated, net	<u>1,865,679</u>	<u>212,470</u>	<u>-</u>	<u>2,078,149</u>
Governmental activities capital assets, net	<u>\$ 2,951,213</u>	<u>\$ 1,598,730</u>	<u>\$ -</u>	<u>\$ 4,549,943</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 103,632	\$ -	\$ -	\$ 103,632
Construction in progress	225,344	210,106	-	435,450
Total	<u>328,976</u>	<u>210,106</u>	<u>-</u>	<u>539,082</u>
Capital assets, being depreciated:				
Machinery and equipment	379,942	-	-	379,942
Utility plan	8,387,236	192,030	-	8,579,266
Total	<u>8,767,178</u>	<u>192,030</u>	<u>-</u>	<u>8,959,208</u>
Less accumulated depreciation for:				
Machinery and equipment	(208,510)	(36,579)	-	(245,089)
Utility plan	(1,065,977)	(242,890)	-	(1,308,867)
Total	<u>(1,274,487)</u>	<u>(279,469)</u>	<u>-</u>	<u>(1,553,956)</u>
Total capital assets, being depreciated, net	<u>7,492,691</u>	<u>(87,439)</u>	<u>-</u>	<u>7,405,252</u>
Business-type activities capital assets, net	<u>\$ 7,821,667</u>	<u>\$ 122,667</u>	<u>\$ -</u>	<u>\$ 7,944,334</u>

The net beginning balance of governmental capital assets has been decreased by \$2,321,422 to properly reflect City assets as of December 31, 2003.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	\$	44,997
Public safety		71,275
Public works		121,214
Culture and recreation		8,648
Total depreciation expense - governmental activities	\$	246,134
Business-type activities:		
Water and sewer	\$	279,469
Total depreciation expense - business-type activities	\$	279,469

NOTE 7. LONG-TERM DEBT

Revenue Bonds:

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City's Water and Sewer Fund's revenue bonds outstanding at December 31, 2004 are as follows:

Description	Original Amount	Interest Rate	Due Date	Amount
Water and Sewer, Series 1994	\$ 2,205,000	4.30% - 6.75%	2016	\$ 1,565,000
				1,565,000
		Less current portion		(90,000)
				\$ 1,475,000

Water and Sewer Revenue Refunding and Improvement Bonds, Series 1994

The City of Tybee Island Water and Sewer Revenue Refunding and Improvement Bonds, Series 1994 were issued June 1, 1994. The Series 1994 bonds were issued to 1) provide funds to refund all of the City's outstanding water and sewer revenue bonds, 2) acquire, construct, and equip extensions of and additions and improvements to the water and sewer system of the City and 3) pay the necessary costs of issuing the bonds and providing for such refunding. These bonds are secured by and payable from net revenues of the City's water and sewer system.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds: (Continued)

Revenue bond debt service requirements to maturities, including interest, are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 189,295	\$ 90,000	\$ 99,295
2006	188,790	95,000	93,790
2007	187,890	100,000	87,890
2008	191,430	110,000	81,430
2009	189,398	115,000	74,398
2010 - 2014	948,000	705,000	243,000
2015 - 2019	373,963	350,000	23,963
	<u>\$ 2,268,766</u>	<u>\$ 1,565,000</u>	<u>\$ 703,766</u>

Other Long-Term Debt:

The Water and Sewer Fund has incurred debt to the Georgia Environmental Facilities Authority for water and sewer system improvements. These notes are as follows at December 31, 2004:

<u>Description / Purpose</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
1984 GEFA - System improvements	\$ 304,804	6.80%	2013	\$ 159,631
2000 SRF - Wastewater treatment plant upgrade	2,991,414	3.00%	2023	<u>2,860,455</u>
				3,020,086
			Less current portion	<u>(138,008)</u>
				<u>\$ 2,882,078</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Other Long-Term Debt (Continued)

The Water and Sewer Fund's other long-term debt service requirements to maturity, including interest of are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 233,331	\$ 138,008	\$ 95,323
2006	231,193	141,498	89,695
2007	231,193	146,441	84,752
2008	231,193	151,553	79,640
2009	231,193	156,939	74,254
2010 - 2014	1,109,441	823,176	286,265
2015 - 2019	1,029,290	872,655	156,635
2020 - 2022	617,485	589,816	27,669
	<u>\$ 3,914,319</u>	<u>\$ 3,020,086</u>	<u>\$ 894,233</u>

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 21,534	\$ -	\$ (21,534)	\$ -	\$ -
Compensated absences	73,349	128,166	(102,256)	99,259	99,259
Governmental activity					
Long-term liabilities	<u>\$ 94,883</u>	<u>\$ 128,166</u>	<u>\$ (123,790)</u>	<u>\$ 99,259</u>	<u>\$ 99,259</u>
Business-type activities:					
Revenue bonds	\$ 1,650,000	\$ -	\$ (85,000)	\$ 1,565,000	\$ 90,000
Notes payable	3,152,279	-	(132,193)	3,020,086	138,008
Business-type activity					
Long-term liabilities	<u>\$ 4,802,279</u>	<u>\$ -</u>	<u>\$ (217,193)</u>	<u>\$ 4,585,086</u>	<u>\$ 228,008</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Tybee Island Retirement Plan, provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The City of Tybee Island Retirement Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. GMEBS handles all administrative and investment functions related to the plan. All full-time City employees are eligible to participate in the plan. Benefits vest after five years of service. Members may retire upon reaching the age of 65, with five years of service. Early retirement is possible upon reaching the age of 55, with 10 years of service. Benefits are calculated at 1.25% to 2.00% of the average monthly earnings for the period of the five highest years prior to the retirement, payable monthly for life. Regulations of the State of Georgia assign the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities; for the City of Tybee Island Retirement Plan, the authority rests with the City Council of Tybee Island.

The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the City of Tybee Island Retirement Plan. 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 GMEBS. The City makes all contributions to the City of Tybee Island Retirement Plan. The City is required to contribute at an actuarially determined rate; the current rate is 14.9% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the GMEBS Board of Trustees.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (CONTINUED)

Annual Pension Cost

For the year ended December 31, 2004, the City's annual pension cost was \$274,664 for the plan. Recommended contributions of \$272,331 and \$260,357 were determined as part of the May 1, 2004, and May 1, 2003 actuarial valuations, respectively, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases for inflation of 5.0% per year and for merit or seniority of 0.5% per year, (c) 3% postretirement benefit increases, and (d) no cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1988 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions; and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for the plan year. The method for determining the actuarial value of assets is part of the GMEBS actuarial funding policy. This method produces an adjusted actuarial value of assets. A smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 8%, which is the valuation's investment return assumption.

Trend Information

Trend information, which gives indication of the progress made in accumulating sufficient assets to pay benefits when due, is presented below.

Actuarial Valuation Date	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
05/01/00	\$ 139,026	100 %	-
05/01/01	162,054	100	-
05/01/02	239,585	100	-
05/01/03	272,331	100	-

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (CONTINUED)

Trend Information (Continued)

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability as a Percentage of Covered Payroll
05/01/01	\$ 1,387,378	\$ 1,958,732	\$ 571,354	70.8%	\$ 1,514,810	37.7 %
05/01/02	1,613,078	2,492,213	879,135	64.7	1,769,544	49.7
05/01/03	1,890,246	2,852,885	962,639	66.3	1,807,477	53.3
05/01/04	2,118,882	2,700,665	581,783	78.5	1,830,243	31.8

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts 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 pool's 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 funds being required to pay any claim of loss. The City is also to allow the pool's 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 funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds 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 (3) years have not exceeded insurance coverage.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the nine county coastal Georgia region, is a member of the Coastal Georgia Regional Development Commission (RDC) and is required to pay annual dues thereto. During its fiscal year ended December 31, 2004, 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 the Coastal Georgia Regional Development Center, 127 "F" Street, Brunswick, Georgia 31520.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Contractual Commitments:

At December 31, 2004, the City had no material contractual commitments on uncompleted contracts.

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.

Grant Contingencies:

The City has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. CHANGE IN REPORTING ENTITY

For the fiscal year ended December 31, 2004, the financial statements of the City of Tybee Island, Georgia have been changed to include the Solid Waste Collection Fund. This fund was previously included within the General Fund, but has been changed to comply with the Uniform Chart of Accounts.

NOTE 13. RESTATEMENT OF 2003 FUND BALANCE

The City's General Fund has been restated to correct beginning balances of accounts receivables. The restatement within the General Fund properly increased accounts receivables and fund balance by \$158,080.

The City has restated Water and Sewer beginning assets to properly correct beginning balances of capital assets. The restatement within the Water and Sewer Fund properly decreased capital assets and retained earnings by \$397,229.

NOTE 14. SUBSEQUENT EVENT

In May 2005, the City issued new Water and Sewer Revenue Bonds in the amount of \$1,450,000. These bonds effectively refunded the City's outstanding 1994 Water and Sewer Revenue Bonds.

NOTE 15. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax. For the fiscal year ended December 31, 2004, \$957,563 of hotel / motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$319,144 to the Savannah Chamber of Commerce and \$159,665 to the Georgia International Convention Center).

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Beach Renourishment Grant Fund** accounts for the receipt of grant funds awarded to the City for the City's beach renourishment projects.

CITY OF TYBEE ISLAND, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
DECEMBER 31, 2004

	<u>Beach Renourishment Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 40,146	\$ 40,146
Total assets	<u>\$ 40,146</u>	<u>\$ 40,146</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
FUND BALANCE		
Unreserved, designated	40,146	40,146
Total fund balance	<u>40,146</u>	<u>40,146</u>
Total liabilities and fund balance	<u>\$ 40,146</u>	<u>\$ 40,146</u>

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Beach Renourishment Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:		
Fines and forfeitures	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
Expenditures:		
Public safety	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>
Other financing sources:		
Transfers in	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>
Net change in fund balance	-	-
Fund balance, beginning of year	<u>40,146</u>	<u>40,146</u>
Fund balance, end of year	<u><u>\$ 40,146</u></u>	<u><u>\$ 40,146</u></u>

CITY OF TYBEE ISLAND, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (1998 RESOLUTION)**

FOR THE YEAR ENDED DECEMBER 31, 2004

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage	\$ 3,616,428	\$ 3,000,000			
Beach Renourishment			\$ 1,060,614	\$ -	\$ 1,060,614
Debt service - beach renourishment			109,382	-	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	12,475	120,721
6th St. 7th St. and Butler Ave.			381,923	84,815	466,738
Solomon Avenue and Van Horne St.			112,553	3,050	115,603
Beach Side Streets			13,122	-	13,122
14th & 15th St. Parking Lots			69,140	-	69,140
12th Avenue			20,240	9,325	29,565
Water and Sewer					
Elevated Water Tank			76,431	-	76,431
Debt service - Elevated Water Tank			545,761	-	545,761
Public Safety	160,000	160,000			
Fire Engine			160,000	-	160,000
Miscellaneous Projects	80,000	250,000			
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	182,692	301,504
	<u>\$ 3,856,428</u>	<u>\$ 3,410,000</u>	<u>\$ 3,105,504</u>	<u>\$ 292,357</u>	<u>\$ 3,397,861</u>

CITY OF TYBEE ISLAND, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (2003 RESOLUTION)**

FOR THE YEAR ENDED DECEMBER 31, 2004

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage					
Drainage reconstruction/maintenance	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -
Jones Avenue	350,000	350,000	-	-	-
North Beach Area	200,000	200,000	-	-	-
Water and Sewer					
Butler Avenue Water Line	817,000	817,000	-	48,354	48,354
Water Line Looping	224,040	224,040	-	15,460	15,460
Replacement of 6" AC Water Line, Jones Ave	168,960	168,960	-	-	-
Replace Fort Area Cast Iron Water Lines, Lift Station Upgrades, I&I Continuation	440,000	440,000	-	22,788	22,788
Beach Side of Butler Water Line Imp.	575,000	575,000	-	-	-
Roads					
20,000 Lineal Feet	250,000	250,000	-	-	-
Bike Paths	100,000	100,000	-	3,200	3,200
Police Facility	500,000	500,000	-	14,200	14,200
Beach Renourishment	1,000,000	1,000,000	-	-	-
Old Fort Theater, Guardhouse	600,000	600,000	-	1,403	1,403
Playground Equipment	200,000	200,000	-	-	-
Marine Rescue Squadron Facility	100,000	100,000	-	71,165	71,165
Other Capital (CIP)	100,000	100,000	-	-	-
Marine Science Center	600,000	600,000	-	-	-
	<u>\$ 6,425,000</u>	<u>\$ 6,425,000</u>	<u>\$ -</u>	<u>\$ 176,570</u>	<u>\$ 176,570</u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Honorable Mayor and Members
Of City Council
City of Tybee Island
Tybee Island, Georgia**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia, as of and for the year ended December 31, 2004, which collectively comprise the City of Tybee Island, Georgia's basic financial statements and have issued our report thereon dated March 11, 2005. 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

In planning and performing our audit, we considered the City of Tybee Island, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tybee Island, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as item B-1.

We also noted certain matters that we reported to management of the City of Tybee Island, Georgia in a separate letter dated March 11, 2005.

This report is intended solely for the information and use of management, the City Council, others within the City, and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
March 11, 2005

CITY OF TYBEE ISLAND, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2004

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Tybee Island.
2. No reportable conditions relating to the audit of the financial statements are reported in the 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*.
3. One instance of noncompliance disclosed during the audit of the financial statements of the City of Tybee Island is reported in the 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*, and is included in the Schedule of Findings and Questioned Costs as item B-1.
4. A single audit was not performed due to the City not expending greater than \$500,000 of federal grant funds during the year ended December 31, 2004.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

1. Segregation of Duties -

Condition: Appropriate segregation of duties does not exist between recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the City.

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Effect: Failure to properly segregate duties between recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

CITY OF TYBEE ISLAND, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2004

B. FINDINGS-FINANCIAL STATEMENTS AUDIT (CONTINUED)

1. Segregation of Duties (Continued) -

Recommendation: The duties of recording, distribution, and reconciliation of accounts should be segregated between employees.

Response: We concur. We are in the process of reviewing our respective systems to evaluate and determine the most efficient and effective solution to properly segregate duties between recording, distribution, and reconciliation of accounts to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

Not applicable

II. STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported