

CITY OF TYBEE ISLAND, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007**

CITY OF TYBEE ISLAND, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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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, 2007, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008, 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 and the Schedule of Funding Progress on page 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. 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 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 schedules of expenditures of special purpose local option sales tax proceeds 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
August 21, 2008



**THE CITY OF TYBEE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

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, 2007. 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 \$19,500,031 (net assets) for the fiscal year reported, an increase of \$1,310,635 or 7.2%.
- Total net assets are comprised of the following:
 - Capital assets of \$11,737,217 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 \$3,724,601 restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws and regulation.
 - Unrestricted net assets of \$4,038,213.
- Total unrestricted net assets decreased from \$5,506,035 to \$4,038,213 or 26.6%.
- In fiscal year 2007, General Fund unreserved and undesignated fund balance decreased 26.7% from \$3,553,104 to \$2,604,059.
- The City's governmental funds reported total combined fund balances of \$6,681,595.
- Total revenues for the City increased \$906,646 or 7.1% in 2007 from \$12,713,511 to \$13,620,157.
- Total costs for City Programs increased \$2,990,047 or 32.1% in 2007 from \$9,319,475 to \$12,309,522.

The above financial highlights are presented 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, and (3) notes to the basic financial statements. This report also contains other supplementary information and schedules in addition to the basic financial statements themselves.

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 yearly revenues and expenses are included regardless of when funds are collected or disbursed. 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 to 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 (Special Purpose Local Option Sales Tax). The City's non-major governmental fund is the Emergency 911 Fund.

- The general fund is the chief operating fund of the City.
- The Hotel Motel Tax Fund collects the six percent (6%) accommodations tax charged on short term rentals and administers payments to the Savannah Chamber of Commerce (33.3%) and the International Trade Center (16.7%). The balance of the funds are contributed to the General Fund (50%) and pay for City operations.
- 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 improvements. These funds are only to be used in capital projects.

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

The basic governmental fund financial statements are presented on pages 14 to 19 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. The City's enterprise 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 three enterprise funds: Water and Sewer, Solid Waste Collection, and the River's End RV Park and Campground Fund.

The proprietary fund financial statements are presented on pages 20 to 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 24 of this report.

Notes to the Basic Financial Statements

The financial statements include notes that explain some of the information in the financial statements and provide 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

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules. Combining and individual statements and schedules for non-major funds presented as supplementary financial information of this report begin on page 45.

Compliance Section

The independent auditor's report on internal control over financial reporting begins on page 48.

Independent Accountant's Report on Local Assistance Grants

The State of Georgia Grant Certification Forms are included on pages 58 and 59.

Financial Analysis of the City as a Whole

Net assets serve over time as a useful indicator of a government's financial position. The City's net assets reflects its investment in capital assets. Capital assets are used to provide services. The City's net assets at December 31, 2007 are \$19,500,031. Our analysis below focuses on the net assets as compared to the prior year.

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 7,341,095	\$ 6,860,609	\$ 1,368,888	\$ 2,272,967	\$ 8,709,983	\$ 9,133,576
Capital Assets	5,759,313	5,104,197	18,726,044	18,422,756	24,485,357	23,526,953
Total assets	13,100,408	11,964,806	20,094,932	20,695,723	33,195,340	32,660,529
Liabilities						
Current liabilities	495,761	908,788	295,687	285,386	791,448	1,194,174
Long-term liabilities	146,051	-	12,757,810	13,276,959	12,903,861	13,276,959
Total liabilities	641,812	908,788	13,053,497	13,562,345	13,695,309	14,471,133
Net assets						
Invested in capital assets	5,759,313	5,104,197	5,977,904	5,145,797	11,737,217	10,249,994
Restricted	3,572,610	2,286,982	151,991	146,385	3,724,601	2,433,367
Unrestricted	3,126,673	3,664,839	911,540	1,841,196	4,038,213	5,506,035
Total net assets	\$ 12,458,596	\$ 11,056,018	\$ 7,041,435	\$ 7,133,378	\$ 19,500,031	\$ 18,189,396

Reviewing the net assets and net expenses of governmental and business-type activities separately, the governmental activities net assets were \$12,458,596 of which 46.2% or \$5,759,313 are invested in capital assets. These include property, buildings, parks, vehicles and equipment required by general government, public safety, public works, culture, recreation (other than River's End RV Park) and community development.

The business-type activities net assets were \$7,041,435 of which 85% or \$5,977,904 are invested in capital assets which include: property, infrastructure, plant in service, equipment and vehicles to provide services and generate revenue for these funds. Additional information regarding this year's activity in capital assets may be found in Note 6 on page 35.

The restricted net assets in the governmental activities, \$3,572,610 represent SPLOST funds that must be used only for capital outlays. The restricted net assets in the business-type activities, \$151,991, represents resources in the water sewer fund that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$4,038,213 may be used to meet the government's ongoing obligation to citizens and creditors.

The total unrestricted funds balance is equal to four months of the average maintenance and operation costs of the City. This is short of the goal of six months the City Council determined to be a minimum requirement for the City to recover from a major weather event or adverse economic climate.

The following table provides a summary of the City's activities for the year ended December 31, 2007 compared with the year ended December 31, 2006:

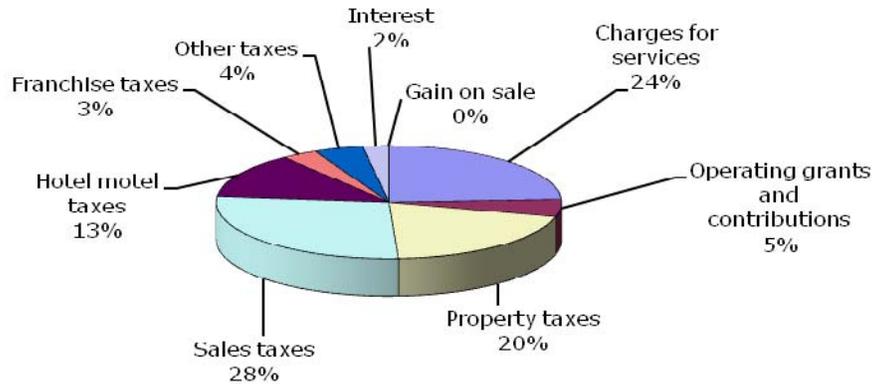
Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 2,556,337	\$ 2,527,285	\$ 2,925,901	\$ 2,439,927	\$ 5,482,238	\$ 4,967,212
Operating grants and contributions	531,847	33,190	-	-	531,847	33,190
Capital grants and contributions	-	-	97,463	389,040	97,463	389,040
General revenues:						
Property taxes	2,105,820	2,019,736	-	-	2,105,820	2,019,736
Other taxes	5,122,080	5,069,502	-	-	5,122,080	5,069,502
Investment earnings	258,005	189,047	22,280	45,784	280,285	234,831
Gain on sale of capital assets	424	-	-	-	424	-
Total revenues	<u>10,574,513</u>	<u>9,838,760</u>	<u>3,045,644</u>	<u>2,874,751</u>	<u>13,620,157</u>	<u>12,713,511</u>
Expenses						
Governmental activities:						
General government	1,464,638	1,163,356	-	-	1,464,638	1,163,356
Judicial	5,021	6,737	-	-	5,021	6,737
Public safety and courts	2,104,347	1,838,110	-	-	2,104,347	1,838,110
Public works	1,313,858	1,144,201	-	-	1,313,858	1,144,201
Culture and recreation	2,987,061	1,765,295	-	-	2,987,061	1,765,295
Community development	1,063,290	727,262	-	-	1,063,290	727,262
Business-type activities:						
Water and sewer service	-	-	1,783,359	1,604,093	1,783,359	1,604,093
Solid waste collection	-	-	781,135	700,515	781,135	700,515
Campground	-	-	806,813	369,906	806,813	369,906
Total expenses	<u>8,938,215</u>	<u>6,644,961</u>	<u>3,371,307</u>	<u>2,674,514</u>	<u>12,309,522</u>	<u>9,319,475</u>
Transfers	(233,720)	(1,472,680)	233,720	1,472,680	-	-
Change in net assets	1,402,578	1,721,119	(91,943)	1,672,917	1,310,635	3,394,036
Beginning net assets	11,056,018	9,334,899	7,133,378	5,460,461	18,189,396	14,795,360
Ending net assets	<u>\$ 12,458,596</u>	<u>\$ 11,056,018</u>	<u>\$ 7,041,435</u>	<u>\$ 7,133,378</u>	<u>\$ 19,500,031</u>	<u>\$ 18,189,396</u>

Changes in revenues for 2007 include a 4.3% increase in property tax revenues from \$2,019,736 to \$2,105,820. The increase was a result of a 13.6% increase in the value of the tax digest (a compilation of the fair market value of property in the City of Tybee Island). Although the millage rate decreased by 1.6%, \$86,084 in additional taxes was collected in 2007 due to the higher tax digest.

Also noteworthy is the 10% increase in charges for services in 2007 from 2006. This is due primarily to a rise in Municipal Court fines and forfeiture income, which increased by \$309,944, or 65%. A slow-down in construction on the island resulted in a 38% decrease in income from licenses and permits. Parking revenues decreased by \$247,057 or 19.8%, primarily due to the removal and relocation of parking meters on the Island's south end due to the Tybrisa construction project.

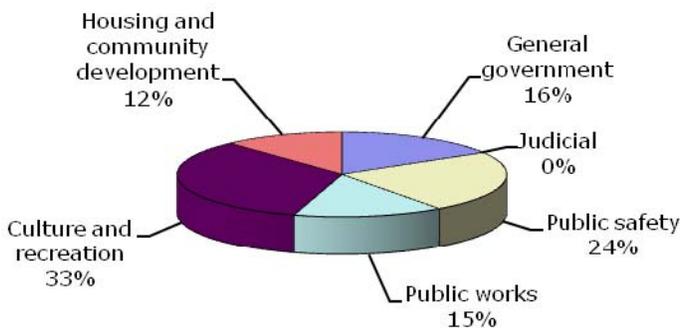
Revenues by Source - Governmental Activities



Charges for services in the business-type activities increased \$485,974 or 20%. Tap and stub fees collected by the Water Sewer Fund dropped dramatically due to the lull in new construction. Between 2006 and 2007, tap and stub fees decreased from \$187,269 to \$18,700, a 901% decline.

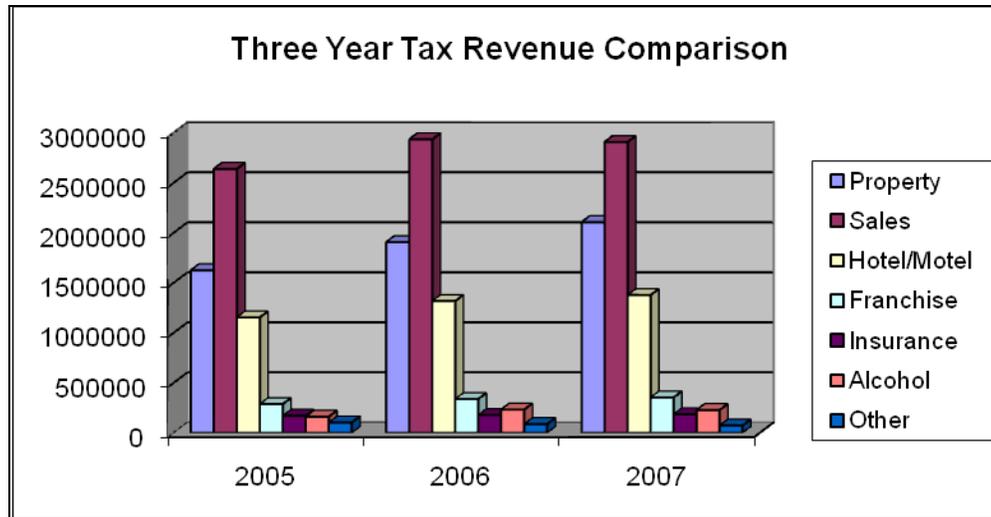
Revenues for year ending December 31, 2007 were impacted by the first complete year of operations for the River's End RV Park and Campground. From its beginning on July 11, 2006 through the end of 2006, the Campground reported revenues of \$278,742. For 2007, revenues increased to \$763,390. This amount is reflected in the Charges for services under business-type activities.

Expenditure by Function - Governmental Activities



A considerable increase in expenditures for culture and recreation occurred during 2007. The City incurred substantial engineering fees related to beach renourishment scheduled to begin in FY09. Overall expenditures rose \$1,047,697 or 68%. Prior to hiring for the 2007 summer season, pay schedules for the lifeguards were reviewed and revised, resulting in increased personnel expense totaling \$172,175, or 151%, over the previous year. Park acquisitions and site improvements such as tennis courts account for much of the increase. Expenditures rose by \$571,193 over the 2006 level.

Tax revenues continued to increase in 2007, but at a more moderate rate than experienced in recent years. The number and price of short term rentals paying hotel/motel tax has steadily increased as well. Sales tax receipts are based on collections in Chatham County which had a slightly weakened 2007.



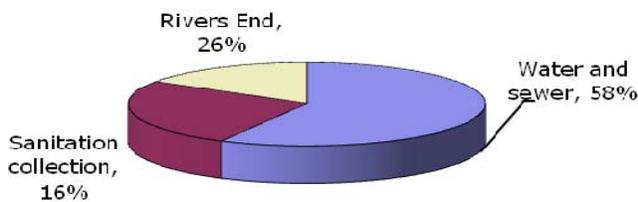
Increases in expenses paralleled growth in the demand for services, with the most notable, recreation in large part due to the hotel motel tax payments to the Savannah Area Chamber and Commerce and International Trade Center and operation of the Youmans Solomon Complex.

Enterprise Funds

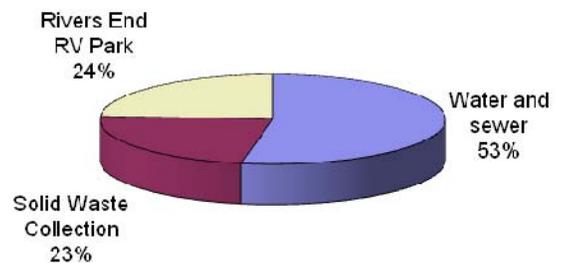
The financial summary of the City's business-type activities for fiscal year 2007 are depicted below. The Water Sewer Fund operated at a profit, while the Solid Waste Collection Enterprise Fund once again required subsidization. The River's End RV Park Enterprise Fund began operations July 11, 2006 and reported its first whole year results in 2007, a loss. The Solid Waste fund ran experienced rate increases, and higher fuel surcharges, and landfill fees that the City did not recoup from customers. Below is the year to year comparison of the City's enterprise funds.

	Business-Type Activities							
	Water Sewer Fund		Solid Waste Fund		River's End RV Park		Totals	
	2007	2006	2007	2006	2007	2006	2007	2006
Operating revenues	\$ 1,693,863	\$ 1,714,999	\$ 468,648	\$ 446,186	\$ 763,390	\$ 278,742	\$ 2,925,901	\$ 2,439,927
Operating expenses	1,592,203	1,239,895	781,135	700,515	462,912	213,765	2,836,250	2,154,175
Operating income (loss)	101,660	475,104	(312,487)	(254,329)	300,478	64,977	89,651	285,752
Nonoperating income (expenses)	(168,876)	(318,414)	-	-	(343,901)	(156,141)	(512,777)	(474,555)
Transfers in	-	-	233,720	622,779	-	-	233,720	622,779
Capital contributions	97,463	1,238,941	-	-	-	-	97,463	1,238,941
Change in net assets	30,247	1,395,631	(78,767)	368,450	(43,423)	(91,164)	(91,943)	1,672,917
Beginning net assets	7,207,355	5,811,724	17,187	(351,263)	(91,164)	-	7,133,378	5,460,461
Ending net assets	\$ 7,237,602	\$ 7,207,355	\$ (61,580)	\$ 17,187	\$ (134,587)	\$ (91,164)	\$ 7,041,435	\$ 7,133,378

Revenue by Source - Business-type Activities



Expenditures by Function - Business-type Activities



Capital Assets and Debt Administration

Capital assets increased, as follows:

- Contracted for purchase and installation of Automated Meter Reading Equipment to automate the water meter readings, provide real time information, customer service and leak detection. \$540,000
- Pay and Display meters placed in service on Butler Avenue and the Lighthouse, \$370,000
- Construction began on the Tybrisa streetscape and traffic flow improvement project, \$370,000
- Guard House renovations completed, \$200,000
- Fort Screven Water line project studies and plans. \$1 million with SPLOST, remainder to be funded with a GEFA loan.
- Resident Manager house built at the Campground, \$90,000

No new long-term debt was incurred by the City in 2007.

Note 7 on page 37 has additional information and detail explaining the City's long term debt commitments.

Economic Outlook

The U.S. Department of Labor, Bureau of Labor Statistics reports that employment in the Savannah MSA topped 200,975 in August, 2007. Seven thousand one hundred and thirty-nine new jobs were added from year-end 2005 to 2006, a 4.4% gain and unemployment in the area remains lower than the state average. The collections from Hotel Motel Tax by the City of Tybee Island increased by 4.5% in 2007 compared to the prior years' collections. The Savannah Chamber of Commerce estimates that employment will rise by 2.2% in 2008, slightly higher than the 2007 rate of increase. Although the tax digest showed a moderate increase in 2007, the continuing stagnant real estate market in the area will likely impact the City's 2008 tax revenues detrimentally.

Comprehensive Plan

The city has completed a comprehensive plan, also known as the Master Plan, which will have a large part in driving the capital improvement budgets for coming years. After public review and comment, the Plan was adopted in January, 2008.

Future Budget Highlights

The original twelve month 2008 Operating Budget and Capital Improvement Budgets were passed on December 20, 2007. Effective July 1, 2008, the City adopted a fiscal year that will run from July 1 to June 30 each year. There will be a six month stub period from January 1 through June 30, 2008. Afterwards, the fiscal years and reporting periods will cover twelve months. Highlights from the 2008 budget include:

- Purchase of a bucket truck for Public Works \$67,000
- Two new police cars at \$21,000 each.
- A command vehicle for the Fire Department \$40,000
- Voice alert system for Emergency Management \$123,000
- \$200,000 towards on-going road rebuilding and resurfacing.
- New Bay and Byers crossover \$60,000, \$40,000 for replacements elsewhere
- Ten ton excavator and trailer for storm drainage operations and repairs \$110,000

For more information, the 2008 Operating and Capital Budgets are available on the City's website on the Finance page under General Administration.

Requests for Information

This financial report is designed to provide a general overview for the governmental operations of the City of Tybee Island. 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
Finance Department
PO Box 2749
Tybee Island, GA 31328

—————
www.cityoftybee.org
—————

Diane D. Schleicher
City Manager

Bonnie S. Kline, CPA
Director of Finance

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 4,452,329	\$ 539,997	\$ 4,992,326
Investments	960,602	378,803	1,339,405
Taxes receivable	921,465	-	921,465
Accounts receivable, net of allowances	19,249	503,028	522,277
Due from other governments	477,414	-	477,414
Internal balances	465,725	(465,725)	-
Prepaid expenses	44,311	14,353	58,664
Restricted assets, cash	-	151,991	151,991
Other assets	-	246,441	246,441
Capital assets:			
Nondepreciable	1,079,134	7,069,909	8,149,043
Depreciable, net of accumulated depreciation	4,680,179	11,656,135	16,336,314
Total assets	<u>13,100,408</u>	<u>20,094,932</u>	<u>33,195,340</u>
 LIABILITIES			
Accounts payable	354,934	125,435	480,369
Accrued liabilities	121,828	170,252	292,080
Unearned revenues	18,999	-	18,999
Note payable due within one year	-	215,297	215,297
Note payable due in more than one year	-	4,377,843	4,377,843
Compensated absences due within one year	146,051	9,670	155,721
Bonds payable due within one year	-	350,000	350,000
Bonds payable due in more than one year	-	7,805,000	7,805,000
Total liabilities	<u>641,812</u>	<u>13,053,497</u>	<u>13,695,309</u>
 NET ASSETS			
Invested in capital assets, net of related debt	5,759,313	5,977,904	11,737,217
Restricted:			
Capital outlay	3,572,610	-	3,572,610
Debt service	-	151,991	151,991
Unrestricted	3,126,673	911,540	4,038,213
Total net assets	<u>\$ 12,458,596</u>	<u>\$ 7,041,435</u>	<u>\$ 19,500,031</u>

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, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,464,638	\$ 593,022	\$ -	\$ -	\$ (871,616)	\$ -	\$ (871,616)
Judicial	5,021	-	-	-	(5,021)	-	(5,021)
Public safety	2,104,347	948,604	529,370	-	(626,373)	-	(626,373)
Public works	1,313,858	-	-	-	(1,313,858)	-	(1,313,858)
Culture and recreation	2,987,061	13,494	2,477	-	(2,971,090)	-	(2,971,090)
Housing and community development	1,063,290	1,001,217	-	-	(62,073)	-	(62,073)
Total governmental activities	<u>8,938,215</u>	<u>2,556,337</u>	<u>531,847</u>	<u>-</u>	<u>(5,850,031)</u>	<u>-</u>	<u>(5,850,031)</u>
Business-type activities:							
Water and sewer	1,783,359	1,693,863	-	97,463	-	7,967	7,967
Sanitation collection	781,135	468,648	-	-	-	(312,487)	(312,487)
Campground	806,813	763,390	-	-	-	(43,423)	(43,423)
Total business-type activities	<u>3,371,307</u>	<u>2,925,901</u>	<u>-</u>	<u>97,463</u>	<u>-</u>	<u>(347,943)</u>	<u>(347,943)</u>
Total primary government	<u>\$ 12,309,522</u>	<u>\$ 5,482,238</u>	<u>\$ 531,847</u>	<u>\$ 97,463</u>	<u>(5,850,031)</u>	<u>(347,943)</u>	<u>(6,197,974)</u>
General revenues:							
Property taxes					2,105,820	-	2,105,820
Sales taxes					2,906,669	-	2,906,669
Hotel / motel taxes					1,376,818	-	1,376,818
Franchise taxes					353,194	-	353,194
Insurance premium taxes					185,403	-	185,403
Other taxes					299,996	-	299,996
Unrestricted investment earnings					258,005	22,280	280,285
Gain on sale of capital assets					424	-	424
Transfers					(233,720)	233,720	-
Total general revenues and transfers					<u>7,252,609</u>	<u>256,000</u>	<u>7,508,609</u>
Change in net assets					1,402,578	(91,943)	1,310,635
Net assets, beginning of year					11,056,018	7,133,378	18,189,396
Net assets, end of year					<u>\$ 12,458,596</u>	<u>\$ 7,041,435</u>	<u>\$ 19,500,031</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

ASSETS	General Fund	Hotel/ Motel Tax Fund	SPLOST Fund	Nonmajor Emergency 911 Fund	Totals Governmental Funds
Cash and cash equivalents	\$ 1,141,030	\$ 23,466	\$ 3,286,695	\$ 1,138	\$ 4,452,329
Investments	960,602	-	-	-	960,602
Taxes receivable	895,254	26,211	-	-	921,465
Accounts receivable	19,249	-	-	-	19,249
Due from other governments	186,029	-	291,385	-	477,414
Due from other funds	17,495	-	-	-	17,495
Advances to other funds	465,725	-	-	-	465,725
Prepaid expenditures	44,311	-	-	-	44,311
Total assets	<u>\$ 3,729,695</u>	<u>\$ 49,677</u>	<u>\$ 3,578,080</u>	<u>\$ 1,138</u>	<u>\$ 7,358,590</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 312,700	\$ 36,571	\$ 5,470	\$ 193	\$ 354,934
Accrued liabilities	120,162	-	-	1,666	121,828
Deferred revenues	182,738	-	-	-	182,738
Due to other funds	-	13,106	-	4,389	17,495
Total liabilities	<u>615,600</u>	<u>49,677</u>	<u>5,470</u>	<u>6,248</u>	<u>676,995</u>
FUND BALANCES					
Fund balances:					
Reserved for:					
Prepaid assets	44,311	-	-	-	44,311
Advances to other funds	465,725	-	-	-	465,725
Unreserved:					
Designated, reported in:					
Capital project funds	-	-	3,572,610	-	3,572,610
Undesignated	2,604,059	-	-	(5,110)	2,598,949
Total fund balances	<u>3,114,095</u>	<u>-</u>	<u>3,572,610</u>	<u>(5,110)</u>	<u>6,681,595</u>
Total liabilities and fund balances	<u>\$ 3,729,695</u>	<u>\$ 49,677</u>	<u>\$ 3,578,080</u>	<u>\$ 1,138</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.	5,759,313
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	163,739
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.	<u>(146,051)</u>
Net assets of governmental activities	<u>\$ 12,458,596</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, 2007**

	<u>General Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>SPLOST Fund</u>	<u>Nonmajor Emergency 911 Fund</u>	<u>Totals Governmental Funds</u>
Revenues					
Taxes	\$ 4,098,510	\$ 1,376,818	\$ 1,791,528	\$ -	\$ 7,266,856
Licenses and permits	236,868	-	-	-	236,868
Intergovernmental	529,370	-	-	-	529,370
Charges for services	1,261,752	-	-	73,556	1,335,308
Fines and forfeitures	795,146	-	-	-	795,146
Interest	136,275	-	121,730	-	258,005
Contributions	3,570	-	-	-	3,570
Other revenues	185,445	2,477	-	-	187,922
Total revenues	<u>7,246,936</u>	<u>1,379,295</u>	<u>1,913,258</u>	<u>73,556</u>	<u>10,613,045</u>
Expenditures					
Current:					
General government	1,402,722	-	-	-	1,402,722
Judicial	5,021	-	-	-	5,021
Public safety	2,071,321	-	-	72,634	2,143,955
Public works	1,454,806	-	-	-	1,454,806
Culture and recreation	1,884,603	688,409	-	-	2,573,012
Housing and community development	1,363,350	-	-	-	1,363,350
Capital outlay	-	-	627,630	-	627,630
Total expenditures	<u>8,181,823</u>	<u>688,409</u>	<u>627,630</u>	<u>72,634</u>	<u>9,570,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(934,887)</u>	<u>690,886</u>	<u>1,285,628</u>	<u>922</u>	<u>1,042,549</u>
Other financing sources (uses):					
Transfers in	690,886	-	-	-	690,886
Transfers out	(233,720)	(690,886)	-	-	(924,606)
Sale of capital assets	1,371	-	-	-	1,371
Total other financing sources (uses)	<u>458,537</u>	<u>(690,886)</u>	<u>-</u>	<u>-</u>	<u>(232,349)</u>
Net change in fund balances	<u>(476,350)</u>	<u>-</u>	<u>1,285,628</u>	<u>922</u>	<u>810,200</u>
Fund balances (deficit), beginning of year	<u>3,590,445</u>	<u>-</u>	<u>2,286,982</u>	<u>(6,032)</u>	<u>5,871,395</u>
Fund balances (deficit), end of year	<u>\$ 3,114,095</u>	<u>\$ -</u>	<u>\$ 3,572,610</u>	<u>\$ (5,110)</u>	<u>\$ 6,681,595</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, 2007**

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

Net change in fund balances - total governmental funds.	\$ 810,200
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	656,063
The net effect of the sale of fixed assets is to decrease net assets.	(947)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(38,956)
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>(23,782)</u>
	<u>\$ 1,402,578</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 2,326,100	\$ 2,326,100	\$ 2,144,776	\$ (181,324)
Local option sales tax	1,080,000	1,080,000	1,115,141	35,141
Franchise taxes	340,000	340,000	353,194	13,194
Insurance premium tax	185,000	185,000	185,403	403
Alcoholic beverage excise tax	250,000	250,000	227,067	(22,933)
Real estate transfer tax	26,000	26,000	22,253	(3,747)
Occupational taxes	42,000	42,000	50,676	8,676
Total taxes	<u>4,249,100</u>	<u>4,249,100</u>	<u>4,098,510</u>	<u>(150,590)</u>
Licenses and permits:				
Regulatory fees	85,000	85,000	98,570	13,570
Building permits	150,000	150,000	84,366	(65,634)
Building inspections	75,000	75,000	24,418	(50,582)
Zoning variance requests fees	10,000	10,000	875	(9,125)
Other	62,700	62,700	28,639	(34,061)
Total licenses and permits	<u>382,700</u>	<u>382,700</u>	<u>236,868</u>	<u>(145,832)</u>
Intergovernmental	<u>285,850</u>	<u>257,000</u>	<u>529,370</u>	<u>272,370</u>
Charges for services:				
Parking fees	1,386,500	1,387,000	1,001,217	(385,783)
Other charges for services	262,850	957,700	260,535	(697,165)
Total charges for services	<u>1,649,350</u>	<u>2,344,700</u>	<u>1,261,752</u>	<u>(1,082,948)</u>
Fines and forfeitures:				
Municipal fines	519,000	519,000	795,146	276,146
Total fines and forfeitures	<u>519,000</u>	<u>519,000</u>	<u>795,146</u>	<u>276,146</u>
Interest income	<u>125,000</u>	<u>125,000</u>	<u>136,275</u>	<u>11,275</u>
Contributions	<u>-</u>	<u>-</u>	<u>3,570</u>	<u>3,570</u>
Miscellaneous:				
Rents and royalties	182,300	183,400	188,033	4,633
Other	12,500	12,500	(2,588)	(15,088)
Total miscellaneous	<u>194,800</u>	<u>195,900</u>	<u>185,445</u>	<u>(10,455)</u>
Total revenues	<u>7,405,800</u>	<u>8,073,400</u>	<u>7,246,936</u>	<u>(826,464)</u>
Expenditures:				
Current:				
General government				
Governing body	86,344	84,108	78,458	5,650
Clerk of Council	95,938	88,976	90,531	(1,555)
Chief executive	194,040	185,319	199,746	(14,427)
Financial administration	382,168	513,106	391,458	121,648
Legal	140,600	65,600	132,950	(67,350)
Information technology	245,342	218,207	244,040	(25,833)
Human resources	89,207	117,012	85,289	31,723
Building and plant maintenance	202,105	15,680	180,250	(164,570)
Total general government	<u>1,435,744</u>	<u>1,288,008</u>	<u>1,402,722</u>	<u>(114,714)</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Current:				
Judicial				
Municipal Court	\$ 7,300	\$ 7,300	\$ 5,021	\$ 2,279
Total judicial	<u>7,300</u>	<u>7,300</u>	<u>5,021</u>	<u>2,279</u>
Public safety				
Police administration	1,667,155	1,589,076	1,667,667	(78,591)
Beach patrol	80,568	72,160	86,381	(14,221)
Fire administration	259,562	234,056	248,029	(13,973)
Emergency management	77,636	74,821	69,244	5,577
Total public safety	<u>2,084,921</u>	<u>1,970,113</u>	<u>2,071,321</u>	<u>(101,208)</u>
Public works				
General operations	1,432,446	1,592,927	1,406,306	186,621
Solid waste collection	73,500	73,500	48,500	25,000
Total public works	<u>1,505,946</u>	<u>1,666,427</u>	<u>1,454,806</u>	<u>211,621</u>
Culture and recreation				
General operations	174,134	441,528	151,508	290,020
Recreation centers	148,000	88,660	136,697	(48,037)
Beach, lifeguards, dunes	820,569	377,942	874,417	(496,475)
Museums	70,000	70,000	70,043	(43)
Parks administration	249,168	36,490	651,938	(615,448)
Total culture and recreation	<u>1,461,871</u>	<u>1,014,620</u>	<u>1,884,603</u>	<u>(869,983)</u>
Housing and development				
Zoning and inspection	706,777	676,730	662,030	14,700
Parking	687,870	754,697	701,320	53,377
Total housing and development	<u>1,394,647</u>	<u>1,431,427</u>	<u>1,363,350</u>	<u>68,077</u>
Total expenditures	<u>7,890,429</u>	<u>7,377,895</u>	<u>8,181,823</u>	<u>(803,928)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(484,629)</u>	<u>695,505</u>	<u>(934,887)</u>	<u>(1,630,392)</u>
Other financing sources (uses):				
Sale of capital assets	40,000	40,000	1,371	(38,629)
Transfers in	651,129	651,129	690,886	39,757
Transfers out	<u>(233,720)</u>	<u>(233,720)</u>	<u>(233,720)</u>	<u>-</u>
Total other financing sources (uses)	<u>457,409</u>	<u>457,409</u>	<u>458,537</u>	<u>1,128</u>
Net change in fund balance	<u>(27,220)</u>	<u>1,152,914</u>	<u>(476,350)</u>	<u>(1,629,264)</u>
Fund balances, beginning of year	<u>3,590,445</u>	<u>3,590,445</u>	<u>3,590,445</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,563,225</u>	<u>\$ 4,743,359</u>	<u>\$ 3,114,095</u>	<u>\$ (1,629,264)</u>

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

**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, 2007**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,292,000	\$ 1,376,818	\$ 84,818
Other revenues	5,000	2,477	(2,523)
Total revenues	<u>1,297,000</u>	<u>1,379,295</u>	<u>82,295</u>
Expenditures:			
Current:			
Culture and recreation	645,871	688,409	(42,538)
Total expenditures	<u>645,871</u>	<u>688,409</u>	<u>(42,538)</u>
Excess of revenues over expenditures	<u>651,129</u>	<u>690,886</u>	<u>39,757</u>
Other financing (uses):			
Transfers out	(651,129)	(690,886)	(39,757)
Total other financing (uses)	<u>(651,129)</u>	<u>(690,886)</u>	<u>(39,757)</u>
Net change in fund balance	<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>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

DECEMBER 31, 2007

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 461,375	\$ 9,620	\$ 69,002	\$ 539,997
Investments	378,803	-	-	378,803
Restricted cash and cash equivalents	151,991	-	-	151,991
Accounts receivable, net of allowances	393,615	109,413	-	503,028
Prepaid expenses	12,383	-	1,970	14,353
Total current assets	<u>1,398,167</u>	<u>119,033</u>	<u>70,972</u>	<u>1,588,172</u>
Noncurrent assets				
Other assets	120,270	-	126,171	246,441
Capital assets:				
Nondepreciable	199,909	-	6,870,000	7,069,909
Depreciable, net of accumulated depreciation	11,436,320	-	219,815	11,656,135
Total noncurrent assets	<u>11,756,499</u>	<u>-</u>	<u>7,215,986</u>	<u>18,972,485</u>
Total assets	<u>13,154,666</u>	<u>119,033</u>	<u>7,286,958</u>	<u>20,560,657</u>
LIABILITIES				
Current liabilities				
Accounts payable	59,204	64,888	1,343	125,435
Accrued liabilities	24,059	-	146,193	170,252
Compensated absences	5,661	-	4,009	9,670
Bonds payable, current	120,000	-	230,000	350,000
Total current liabilities	<u>424,221</u>	<u>64,888</u>	<u>381,545</u>	<u>870,654</u>
Noncurrent liabilities				
Advance from other fund	-	115,725	350,000	465,725
Notes payable, net of current portion	4,377,843	-	-	4,377,843
Bonds payable, net of current portion	1,115,000	-	6,690,000	7,805,000
Total noncurrent liabilities	<u>5,492,843</u>	<u>115,725</u>	<u>7,040,000</u>	<u>12,648,568</u>
Total liabilities	<u>5,917,064</u>	<u>180,613</u>	<u>7,421,545</u>	<u>13,519,222</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,808,089	-	169,815	5,977,904
Restricted for debt service	151,991	-	-	151,991
Unrestricted	1,277,522	(61,580)	(304,402)	911,540
Total net assets	<u>\$ 7,237,602</u>	<u>\$ (61,580)</u>	<u>\$ (134,587)</u>	<u>\$ 7,041,435</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, 2007**

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
OPERATING REVENUES				
Charges for services:				
Water charges	\$ 852,994	\$ -	\$ -	\$ 852,994
Sewer charges	779,595	-	-	779,595
Stubbing fees	8,250	-	-	8,250
Tapping fees	10,450	-	-	10,450
Other	42,574	-	-	42,574
Sanitation collection revenue	-	468,648	-	468,648
Camping rental fees	-	-	763,390	763,390
Total operating revenues	<u>1,693,863</u>	<u>468,648</u>	<u>763,390</u>	<u>2,925,901</u>
OPERATING EXPENSES				
Personnel services	333,506	-	214,819	548,325
Administrative	207,375	-	18,800	226,175
Utilities	157,569	-	72,397	229,966
Supplies	81,279	-	45,851	127,130
Repairs and maintenance	322,055	-	26,551	348,606
Sanitation services	-	781,135	-	781,135
Miscellaneous	98,245	-	72,289	170,534
Depreciation	392,174	-	12,205	404,379
Total operating expenses	<u>1,592,203</u>	<u>781,135</u>	<u>462,912</u>	<u>2,836,250</u>
Operating income (loss)	<u>101,660</u>	<u>(312,487)</u>	<u>300,478</u>	<u>89,651</u>
NONOPERATING INCOME (EXPENSES)				
Interest expense	(191,156)	-	(343,901)	(535,057)
Interest income	22,280	-	-	22,280
Total nonoperating income (expenses)	<u>(168,876)</u>	<u>-</u>	<u>(343,901)</u>	<u>(512,777)</u>
Loss before contributions and transfers	(67,216)	(312,487)	(43,423)	(423,126)
TRANSFERS				
Transfers in	-	233,720	-	233,720
Total transfers	<u>-</u>	<u>233,720</u>	<u>-</u>	<u>233,720</u>
CAPITAL CONTRIBUTIONS	<u>97,463</u>	<u>-</u>	<u>-</u>	<u>97,463</u>
Change in net assets	30,247	(78,767)	(43,423)	(91,943)
NET ASSETS (DEFICIT), beginning of year	<u>7,207,355</u>	<u>17,187</u>	<u>(91,164)</u>	<u>7,133,378</u>
NET ASSETS (DEFICIT), end of year	<u>\$ 7,237,602</u>	<u>\$ (61,580)</u>	<u>\$ (134,587)</u>	<u>\$ 7,041,435</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, 2007**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,500,595	\$ 425,237	\$ 763,390	\$ 2,689,222
Payments to suppliers	(97,236)	(767,354)	(242,154)	(1,106,744)
Payments to employees	(333,613)	-	(205,441)	(539,054)
Net cash provided by (used in) operating activities	1,069,746	(342,117)	315,795	1,043,424
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from other funds	-	115,725	350,000	465,725
Transfers in	-	233,720	-	233,720
Net cash provided by noncapital financing activities	-	349,445	350,000	699,445
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(598,258)	-	(96,326)	(694,584)
Capital contributions	84,380	-	-	84,380
Principal paid on bonds	(110,000)	-	(210,000)	(320,000)
Principal paid on notes payable	(208,819)	-	-	(208,819)
Interest paid	(193,851)	-	(356,371)	(550,222)
Net cash used in capital and related financing activities	(1,026,548)	-	(662,697)	(1,689,245)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(16,710)	-	-	(16,710)
Interest earned on operating cash	22,280	-	-	22,280
Net cash provided by investing activities	5,570	-	-	5,570
Net increase in cash and cash equivalents	48,768	7,328	3,098	59,194
Cash and cash equivalents, beginning of year	564,598	2,292	65,904	632,794
Cash and cash equivalents, end of year	<u>\$ 613,366</u>	<u>\$ 9,620</u>	<u>\$ 69,002</u>	<u>\$ 691,988</u>
Classified as:				
Cash and cash equivalents	\$ 461,375	\$ 9,620	\$ 69,002	\$ 539,997
Restricted assets: cash	151,991	-	-	151,991
	<u>\$ 613,366</u>	<u>\$ 9,620</u>	<u>\$ 69,002</u>	<u>\$ 691,988</u>

(Continued)

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 101,660	\$ (312,487)	\$ 300,478	\$ 89,651
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	392,174	-	12,205	404,379
Change in assets and liabilities:				
(Increase) decrease:				
Accounts receivable	(193,268)	(43,411)	-	(236,679)
Due from other funds	746,033	-	-	746,033
Prepaid expenses	8,109	-	(1,970)	6,139
Increase (decrease):				
Accounts payable	15,145	13,781	(4,296)	24,630
Accrued expenses	(107)	-	9,378	9,271
Net cash provided by (used in) operating activities	<u>\$ 1,069,746</u>	<u>\$ (342,117)</u>	<u>\$ 315,795</u>	<u>\$ 1,043,424</u>
Noncash investing, capital, and financing activities:				
Contribution of capital assets from other funds	<u>\$ 13,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,083</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, 2007

	<u>Agency Fund Municipal Court</u>
ASSETS	
Cash	\$ 13,243
Total assets	<u>\$ 13,243</u>
 LIABILITIES	
Due to others	\$ 13,243
Total liabilities	<u>\$ 13,243</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 accounting principles generally accepted in the United States of America ("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.

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 "The Financial Reporting Entity", the City was determined to have no component units as of December 31, 2007.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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.

The **Rivers End RV Park Fund** accounts for the revenues and operating costs of the City's Rivers End RV Park. 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 Emergency 911 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 participants' shares sold and redeemed based on \$1 per share. The fair value of the City's position in the Pool is the same as the value of Pool shares (\$1 per share value). The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia.

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 is referred to as either "due to/from other funds (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). 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, 2007, 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.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose not to include all such items regardless of their acquisition date, but rather only those infrastructure assets acquired subsequent to the adoption of GASB No. 34 as allowed by the GASB. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

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	5-20
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 notes 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. 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.

L. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 funds 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 \$656,063 difference are as follows:

Capital outlay	\$ 1,100,363
Depreciation expense	<u>(444,300)</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><u>\$ 656,063</u></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.
4. Formal budgetary integration is employed as a management control device during the year for the general fund and the special revenue 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).

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

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 and special revenue funds had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended December 31, 2007.

Clerk of Council	\$ 1,555
Chief executive	14,427
Legal	67,350
Information technology	25,833
Building and plant maintenance	164,570
Police administration	78,591
Beach patrol	14,221
Fire administration	13,973
Recreation centers	48,037
Beach, lifeguards, dunes	496,475
Museums	43
Parks administration	615,448

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2007, are summarized as follows:

As reported in the Statement of Net Assets:

Primary government:

Cash and cash equivalents	\$ 4,992,326
Investments	1,339,405
Restricted assets, cash	151,991
Agency Fund - Cash	13,243
	<u>\$ 6,496,965</u>

Cash deposited with financial institutions	\$ 5,536,363
Cash deposited with Georgia Fund 1	960,602
	<u>\$ 6,496,965</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of December 31, 2007, the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At December 31, 2007, the City had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	16 day weighted average	\$ 960,602
Certificates of Deposit	5 year weighted average	378,803
		\$ 1,339,405

Interest rate risk. As a means of limiting its exposure to fair value losses arising from fluctuating interest rates, the City's investment policy has been established to structure the investment portfolio so that securities mature to meet the City's cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity as well as investing operating funds primarily in short-term securities, money market funds, certificates of deposit or similar investment pools.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2007, the City did not have any balances exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 5. RECEIVABLES

Property taxes were levied on August 1, 2007, against a taxable digest established as of January 1, 2007. Property taxes were due on December 20, 2007, and were considered delinquent the following day (December 21, 2007) – 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, 2007, and expected to be collected by February 28, 2008, are recognized as revenues in the year ended December 31, 2007. Net receivables estimated to be collectible subsequent to February 28, 2008, are recorded as revenue when received.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES (CONTINUED)

Receivables as of yearend, 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	\$ 1,077,591	\$ 26,211	\$ -	\$ -	\$ -	\$ 1,103,802
Accounts	28,178	-	-	403,741	114,202	546,121
Intergovernmental	186,029	-	291,385	-	-	477,414
Gross receivables	<u>1,291,798</u>	<u>26,211</u>	<u>291,385</u>	<u>403,741</u>	<u>114,202</u>	<u>2,127,337</u>
Less: allowance for uncollectibles	(191,266)	-	-	(10,126)	(4,789)	(206,181)
Net total receivables	<u>\$ 1,100,532</u>	<u>\$ 26,211</u>	<u>\$ 291,385</u>	<u>\$ 393,615</u>	<u>\$ 109,413</u>	<u>\$ 1,921,156</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2007 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 798,069	\$ 210,000	\$ -	\$ -	\$ 1,008,069
Construction in progress	71,065	-	-	-	71,065
Total	<u>869,134</u>	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>1,079,134</u>
Capital assets, being depreciated:					
Land improvements	187,124	55,976	-	-	243,100
Buildings	3,734,002	42,228	-	-	3,776,230
Machinery and equipment	2,932,022	792,159	(49,628)	-	3,674,553
Total	<u>6,853,148</u>	<u>890,363</u>	<u>(49,628)</u>	<u>-</u>	<u>7,693,883</u>
Less accumulated depreciation for:					
Land improvements	(177,557)	(3,394)	-	-	(180,951)
Buildings	(1,152,352)	(148,170)	-	-	(1,300,522)
Machinery and equipment	(1,288,176)	(292,736)	48,681	-	(1,532,231)
Total	<u>(2,618,085)</u>	<u>(444,300)</u>	<u>48,681</u>	<u>-</u>	<u>(3,013,704)</u>
Total capital assets, being depreciated, net	<u>4,235,063</u>	<u>446,063</u>	<u>(947)</u>	<u>-</u>	<u>4,680,179</u>
Governmental activities capital assets, net	<u>\$ 5,104,197</u>	<u>\$ 656,063</u>	<u>\$ (947)</u>	<u>\$ -</u>	<u>\$ 5,759,313</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 6,973,632	\$ -	\$ -	\$ -	\$ 6,973,632
Construction in progress	269,517	320,336	-	(493,576)	96,277
Total	<u>7,243,149</u>	<u>320,336</u>	<u>-</u>	<u>(493,576)</u>	<u>7,069,909</u>
Capital assets, being depreciated:					
Machinery and equipment	494,570	22,913	-	-	517,483
Utility plant	12,720,559	268,092	-	493,576	13,482,227
Buildings	100,000	96,326	-	-	196,326
Total	<u>13,315,129</u>	<u>387,331</u>	<u>-</u>	<u>493,576</u>	<u>14,196,036</u>
Less accumulated depreciation for:					
Machinery and equipment	(298,187)	(49,710)	-	-	(347,897)
Utility plant	(1,835,946)	(349,463)	-	-	(2,185,409)
Buildings	(1,389)	(5,206)	-	-	(6,595)
Total	<u>(2,135,522)</u>	<u>(404,379)</u>	<u>-</u>	<u>-</u>	<u>(2,539,901)</u>
Total capital assets, being depreciated, net	<u>11,179,607</u>	<u>(17,048)</u>	<u>-</u>	<u>493,576</u>	<u>11,656,135</u>
Business-type activities capital assets, net	<u>\$ 18,422,756</u>	<u>\$ 303,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,726,044</u>

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

Governmental activities:	
General government	\$ 65,123
Public safety	121,304
Public works	31,182
Culture and recreation	118,662
Housing and community development	108,029
Total depreciation expense - governmental activities	<u>\$ 444,300</u>
Business-type activities:	
Water and sewer	\$ 392,174
Rivers End RV Park	12,205
Total depreciation expense - business-type activities	<u>\$ 404,379</u>

NOTES TO FINANCIAL STATEMENTS

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 revenue bonds and the Chatham County Recreation Authority revenue bonds outstanding at December 31, 2007 are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
Water and Sewer, Series 2005	\$ 1,450,000	3.72%	2016	\$ 1,235,000
Rivers End RV Park, Series 2006	7,130,000	4.85%	2026	6,920,000
				<u>8,155,000</u>
		Less current portion		<u>(350,000)</u>
				<u>\$ 7,805,000</u>

Water and Sewer Revenue Refunding and Improvement Bonds, Series 2005

The City of Tybee Island Water and Sewer Revenue Refunding Bonds, Series 2005 were issued May 18, 2005. The Series 2005 bonds were issued to 1) provide funds to refund all of the City's outstanding water and sewer revenue bonds, 2) fully fund a debt service reserve for payment of the Series 2005 Bond, 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)

Chatham County Recreation Authority Revenue Bonds (City of Tybee Island – Campground Project), Series 2006

The City of Tybee Island entered into an intergovernmental lease agreement with the Chatham County Recreation Authority to issue the Chatham County Recreation Authority Revenue Bonds (City of Tybee Island – Campground Project), Series 2006. The Series 2006 bonds were issued on June 28, 2006 to 1) provide funds needed to pay the cost of acquiring a campground and 2) pay the necessary costs of issuing the bonds. These bonds are secured by and payable from revenues to be received by the Authority from the City pursuant to the Lease.

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>
2008	\$ 731,562	\$ 350,000	\$ 381,562
2009	725,943	360,000	365,943
2010	734,839	385,000	349,839
2011	727,636	395,000	332,636
2012	729,947	415,000	314,947
2013 - 2017	3,483,558	2,205,000	1,278,558
2018 - 2022	2,823,218	2,030,000	793,218
2023 - 2026	2,265,018	2,015,000	250,018
	<u>\$ 12,221,721</u>	<u>\$ 8,155,000</u>	<u>\$ 4,066,721</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, 2007:

<u>Description/ Purpose</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
2000 SRF - Wastewater treatment plant upgrade	\$ 2,991,414	3.00%	2023	\$ 2,484,080
GEFA Construction - Water line extensions	\$ 2,188,652	3.18%	2026	2,109,060
				<u>4,593,140</u>
			Less current portion	<u>(215,297)</u>
				<u>\$ 4,377,843</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>
2008	\$ 353,896	\$ 215,297	\$ 138,599
2009	353,895	222,036	131,859
2010	353,895	228,931	124,964
2011	353,895	236,056	117,839
2012	353,895	243,384	110,511
2013 - 2017	1,769,474	1,335,491	433,983
2018 - 2022	1,769,387	1,556,605	212,782
2023 - 2026	592,148	555,340	36,808
	<u>\$ 5,900,485</u>	<u>\$ 4,593,140</u>	<u>\$ 1,307,345</u>

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended December 31, 2007 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:					
Compensated absences	\$ 122,269	\$ 158,057	\$ (134,275)	\$ 146,051	\$ 146,051
Governmental activity					
Long-term liabilities	<u>\$ 122,269</u>	<u>\$ 158,057</u>	<u>\$ (134,275)</u>	<u>\$ 146,051</u>	<u>\$ 146,051</u>
Business-type activities:					
Revenue bonds	\$ 8,475,000	\$ -	\$ (320,000)	\$ 8,155,000	\$ 350,000
Notes payable	4,801,959	-	(208,819)	4,593,140	215,297
Compensated absences	7,207	14,741	(12,278)	9,670	9,670
Business-type activity					
Long-term liabilities	<u>\$ 13,284,166</u>	<u>\$ 14,741</u>	<u>\$ (541,097)</u>	<u>\$ 12,757,810</u>	<u>\$ 574,967</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund. For the business-type activities, compensated absences are generally liquidated by the Water and Sewer Fund and the Rivers End RV Park Fund.

The beginning balance of business-type activities compensated absences has been adjusted to include the balance of \$7,207 which was previously recorded within accrued liabilities.

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 14.12% 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, 2007, the City's annual pension cost was \$282,623 for the plan. Recommended contributions of \$283,377 and \$274,184 were determined as part of the May 1, 2007 and May 1, 2006 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.

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
05/01/02	\$ 239,585	100 %	\$ -
05/01/03	272,331	100	-
05/01/04	283,138	100	-
05/01/05	274,184	100	-
05/01/06	283,377	100	-

NOTES TO FINANCIAL STATEMENTS

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 workers' 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.

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, 2007, the City paid \$3,158 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES

Contractual Commitments:

At December 31, 2007, 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.

NOTE 12. HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. For the fiscal year ended December 31, 2007, \$1,376,818 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$458,893 to the Savannah Chamber of Commerce and \$229,516 to the Georgia International Convention Center).

NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances (including advances) as of December 31, 2007 are as follows:

<u>Due To</u>	Due From				<u>Total</u>
	Solid Waste	Rivers End RV Park	Hotel/ Motel Tax	Nonmajor Governmental	
General Fund	\$ -	\$ -	\$ 13,106	\$ 4,389	\$ 17,495
General Fund - Advances	115,725	350,000	-	-	465,725
Total	\$ 115,725	\$ 350,000	\$ 13,106	\$ 4,389	\$ 483,220

Interfund receivables and payables result from timing differences related to payroll and other year end transactions which normally clear within one to two months. Advances to/from other funds represent amounts not expected to be repaid within one year from the date of the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended December 31, 2007 consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>		<u>Total</u>
	<u>General</u>	<u>Solid Waste</u>	
General	\$ -	\$ 233,720	\$ 233,720
Hotel/Motel Tax	690,886	-	690,886
	\$ 690,886	\$ 233,720	\$ 924,606

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

NOTE 14. DEFICIT FUND BALANCE

The following funds reported deficits in fund balances/net assets at December 31, 2007:

Emergency 911 Fund	\$ 5,110
Solid Waste Fund	61,580
Rivers End RV Park Fund	134,587

The fund deficits above will be reduced through increased user charges and General Fund appropriations.

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The City provides health insurance for retirees that participate in the voluntary early retirement program until age 65. Employees become eligible to participate in the voluntary early retirement program if they were fulltime employees whose combined age and years of total credited service equaled 75 as of August 1, 2004, as established by Section 2-4-51 of the City of Tybee Island Retirement Plan. The annual cost related to these participants is included in the negotiations with the City's health insurance provider. For the year ended December 31, 2007, the City had three participants and recognized expenditures of \$13,051.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TYBEE ISLAND, GEORGIA
 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
05/01/03	\$ 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
05/01/05	2,451,611	3,686,830	1,235,219	66.5	1,924,698	64.2
05/01/06	2,820,445	3,810,009	989,564	74.0	2,109,394	46.9
05/01/07	3,182,033	4,157,135	975,102	76.5	2,006,483	48.6

CITY OF TYBEE ISLAND, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2007

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage	\$ 3,616,428	\$ 1,250,000			
Inlet Avenue			\$ 174,537	\$ -	\$ 174,537
Lullwater Court			11,747	-	11,747
1st Street			20,683	-	20,683
Storm Drainage Studies			120,721	-	120,721
6th St., 7th St. and Butler Ave.			466,738	-	466,738
Solomon Avenue and Van Horne St.			115,603	-	115,603
Beach Side Streets			13,122	-	13,122
14th & 15th St. Parking Lots			69,140	-	69,140
12th Avenue			29,565	-	29,565
2nd & 13th-14th Street			57,787	63,292	121,079
Other Drainage Projects					
Beach Renourishment	-	1,000,000	1,060,614	-	1,060,614
Debt service - beach renourishment			109,382	-	109,382
Water and Sewer	-	625,000			
Elevated Water Tank			76,431	-	76,431
Debt service - Elevated Water Tank			545,761	-	545,761
Public Safety					
Fire Engine	160,000	160,000	160,000	-	160,000
Fire Department Equipment	66,000	66,000	57,209	-	57,209
Miscellaneous Projects	80,000	425,000			
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			324,504	-	324,504
	<u>\$ 3,922,428</u>	<u>\$ 3,526,000</u>	<u>\$ 3,535,857</u>	<u>\$ 63,292</u>	<u>\$ 3,599,149</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, 2007

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage					
Drainage reconstruction/maintenance	\$ 200,000	\$ -	\$ -	\$ 559	\$ 559
Jones Avenue	350,000	-	-	-	-
North Beach Area	200,000	-	-	-	-
Water and Sewer					
Butler Avenue Water Line	817,000	1,616,040	2,130,273	-	2,130,273
Beach Side of Butler Water Line Imp.	575,000	-	-	-	-
Water Line Looping	224,040	-	15,460	-	15,460
Replacement of 6" AC Water Line, Jones Avenue	168,960	-	-	-	-
Fort Screven Water Lines Replacement, Lift Station Upgrades, I&I Continuation	440,000	1,000,667	63,523	13,083	76,606
Roads					
Various Improvements	250,000	250,000	-	-	-
Other					
Bike Paths	100,000	-	3,200	-	3,200
Police Facility	500,000	50,000	14,200	30	14,230
Beach Renourishment	1,000,000	1,000,000	-	-	-
Old Fort Theater, Guardhouse	600,000	700,000	235,528	530,721	766,249
Playground Equipment	200,000	200,000	190,282	6,277	196,559
Marine Rescue Squadron Facility	100,000	75,000	71,165	-	71,165
Other Capital (CIP)	100,000	100,000	-	-	-
Fire Department Equipment	-	345,000	-	-	-
South Beach Business District	-	500,000	-	13,668	13,668
Marine Science Center	600,000	600,000	-	-	-
	<u>\$ 6,425,000</u>	<u>\$ 6,436,707</u>	<u>\$ 2,723,631</u>	<u>\$ 564,338</u>	<u>\$ 3,287,969</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, 2007, which collectively comprise the City of Tybee Island, Georgia's basic financial statements and have issued our report thereon dated August 21, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tybee Island, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tybee Island, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2007 - 1 through 2007 - 6 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007 - 1 through 2007 - 6 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the City of Tybee Island, Georgia in a separate letter dated August 21, 2008.

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

This report is intended solely for the information and use of management, the City Council, others within the 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
August 21, 2008

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	<u> X </u> yes <u> </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> yes <u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no

Federal Awards

There was not an audit of major federal award programs as of December 31, 2007 due to the total amount expended being less than \$500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2007 - 1. Taxes Receivable

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: The City did not appropriately record the year end property taxes receivable and hotel/motel taxes receivable in the General Fund and Hotel/Motel Tax Fund during the year ended December 31, 2007. Consequently, in relation to the hotel/motel taxes, the City also did not appropriately record the associated payables due to outside parties and the General Fund.

Context: We addressed this matter with the City and they were able to determine the appropriate property taxes receivable and hotel/motel tax accruals that should be recorded as of December 31, 2007.

Effect: An audit adjustment to decrease accounts receivable in the amount of \$24,989, increase culture and recreation expenses in the amount of \$8,254, decrease transfers out in the amount of \$15,035, decrease tax revenue in the amount of \$4,303, increase cash in the amount of \$53,678, decrease accounts payable in the amount of \$17,346, and increase due to other funds in the amount of \$43,557 was required to be recorded by the Hotel/Motel Tax Fund as of December 31, 2007. A corresponding audit adjustment to increase the amount due from other funds in the amount of \$13,106, to reduce cash in the amount of \$53,741 and decrease transfers in the amount of \$40,635 was required to be recorded by the General Fund as of December 31, 2007.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007 - 1. Taxes Receivable (Continued)

In addition, an audit adjustment to decrease property taxes receivable in the amount of \$196,810, decrease deferred revenues in the amount of \$38,956, decrease property tax revenues in the amount of \$157,349, and decrease miscellaneous revenue in the amount of \$505 was required to be recorded in the General Fund as of December 31, 2007.

Recommendation: We recommend the City begin recording all necessary tax adjustments at the end of each financial reporting cycle.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will begin recording all necessary tax adjustments as appropriate in future periods.

2007 - 2. Accounts Receivable

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period.

Condition: The City did not properly reconcile its general ledger and subsidiary listings on a monthly basis, and did not record various year end accounts receivable in the City's Funds during the year ended December 31, 2007.

Context: We addressed the matter with the City and they were able to determine the appropriate receivables that should be recorded as of December 31, 2007.

Effect: An audit adjustment to increase accounts receivable in the amount of \$52,498, to increase revenue in the amount of \$22,650, and to decrease cash in the amount of \$29,848 was required to be recorded in the Water and Sewer Fund as of December 31, 2007. An audit adjustment to increase intergovernmental receivable in the amount of \$142,731 and to increase revenue by the same amount was required to be recorded in the SPLOST Fund as of December 31, 2007. An audit adjustment to increase accounts receivable in the amount of \$13,825 and to increase revenue by the same amount was required to be recorded in the Solid Waste Fund as of December 31, 2007.

Recommendation: We recommend the City begin recording all necessary accounts receivable adjustments at the end of each financial reporting cycle.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will begin recording all necessary accounts receivable adjustments at the end of each reporting cycle.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007 - 3. Debt Transactions

Criteria: Proprietary funds use the economic resources measurement focus, which requires those funds to report all assets and liabilities, including long-term debt.

Condition: The City did not properly record the debt activity of the Rivers End RV Park Fund during the year ended December 31, 2007.

Context: See above condition.

Effect: An audit adjustment to decrease unamortized bond issuance costs in the amount of \$377,140, decrease accrued interest liability in the amount of \$172,903, decrease bonds payable in the amount of \$210,000 and to decrease interest expense in the amount of \$5,763 was required to be recorded by the Rivers End RV Park Fund as of December 31, 2007.

Recommendation: We recommend the City record all debt transactions appropriately as they occur during the year.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will begin recording all debt transactions appropriately as they occur during the year.

2007 - 4. Management of Capital Asset Accounts

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner. Assets donated by outside parties should also be reported, but at the estimated fair value on the date of the donation.

Condition: The City did not properly capitalize purchased assets in the Water and Sewer Fund and the Rivers End RV Park Fund during the year ended December 31, 2007. In addition, the City did not properly report capital outlay as expenditures in the General Fund.

Context: See above condition.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007 - 4. Management of Capital Asset Accounts (Continued)

Effect: An audit adjustment to increase capital assets in the amount of \$94,453, decrease capital outlay by \$96,326, and increase depreciation expense in the amount of \$1,873 was required to be recorded in the Rivers End RV Park Fund as of December 31, 2007. An audit adjustment to decrease capital assets in the amount of \$79,876, increase capital contributions in the amount of \$13,083, and increase depreciation expense in the amount of \$92,959 was required to be recorded in the Water and Sewer Fund as of December 31, 2007. An audit adjustment to decrease capital assets in the amount of \$135,278, decrease depreciation expense in the amount of \$9,206, and decrease transfers in the amount of \$144,484 was required to be recorded in the E911 Fund as of December 31, 2007. An audit adjustment to decrease construction in progress in the amount of \$779,026 and increase expenditures by the same amount was required to be recorded in the General Fund as of December 31, 2007.

Recommendation: We recommend the City review all capital asset activity and capitalize assets based on the City's capitalization policy and in accordance with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will review all capital asset activity and properly record items based on our capitalization policy and in accordance with generally accepted accounting principles.

2007 - 5. Management of Accounts Payable and Accrued Liabilities

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The City did not appropriately address the above criteria as it relates to accounts payable and accrued expenditures/expense items that existed as of December 31, 2007 within the General Fund, the E911 Fund, the Water and Sewer Fund, the Solid Waste Fund, and the Rivers End RV Park Fund.

Context: We addressed this matter with City officials and they were able to determine the amount of accounts payable that should be recorded as of December 31, 2007.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007 - 5. Management of Accounts Payable and Accrued Liabilities (Continued)

Effect: An audit adjustment to increase accounts payable in the amount of \$58,059, increase accrued expenditures in the amount of \$20,337, increase cash in the amount of \$122,696, increase due from other funds in the amount of \$15,725, and decrease expenditures in the amount of \$60,025 was required to be recorded in the General Fund as of December 31, 2007. An audit adjustment to increase accrued expenses in the amount of \$1,138 and increase cash by the same amount was required to be recorded within the E911 Fund as of December 31, 2007. An audit adjustment to increase accounts payable in the amount of \$53,259, increase accrued expenses in the amount of \$4,934, increase cash in the amount of \$6,409, increase miscellaneous expenses in the amount of \$9,684, increase construction in progress in the amount of \$43,575, decrease salaries in the amount of \$594, and decrease interest in the amount of \$881 was required to be recorded in the Water and Sewer Fund as of December 31, 2007. An audit adjustment to decrease accounts payable in the amount of \$67,680, decrease pooled cash in the amount of \$42,334, increase due to other funds in the amount of \$15,725, and decrease operating expenses in the amount of \$9,620 was required to be recorded in the Solid Waste Fund as of December 31, 2007. An audit adjustment to increase accrued expenses in the amount of \$6,331, increase cash in the amount of \$4,867, increase salaries expense in the amount of \$2,312, and decrease interest expense in the amount of \$848 was required to be recorded in the Rivers End RV Park Fund as of December 31, 2007.

Recommendation: We recommend the City begin recognizing and recording accounts payable as required, and record the necessary adjustments to reflect the accounts payable balances at the conclusion of each financial reporting cycle.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to improve our accounts payable reconciliation process in future years for year end and month end reporting purposes.

2007 - 6. Management of Due to / From (Internal) Accounts

Criteria: Internal controls should be put in place to ensure that the amounts reported as due to/from are appropriate.

Condition: The City did not properly record the due to/from accounts in the General Fund and the E911 Fund as of December 31, 2007.

Context: See above condition.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2007

2007 - 6. Management of Due to / From (Internal) Accounts (Continued)

Effect: An audit adjustment to increase due from E911 Fund in the amount of \$14,790, decrease cash in the amount of \$1,241, and decrease salaries expense in the amount of \$13,549 was required to be recorded in the General Fund as of December 31, 2007. An audit adjustment to increase due to General Fund in the amount of \$1,854, increase cash in the amount of \$1,241, and increase expenses in the amount of \$613 was required to be recorded in the E911 Fund as of December 31, 2007.

Recommendation: We recommend the City thoroughly review the due to/from accounts monthly to ensure amounts are appropriately recorded.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. Regular reviews will be made to accurately report interfund balances.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

CITY OF TYBEE ISLAND, GEORGIA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007

STATUS OF PRIOR YEAR AUDIT FINDINGS

2006 - 1. Taxes Receivable in the Hotel/Motel Tax Fund

For the year ending December 31, 2006, we noted the City did not appropriately record the year end property taxes receivable and hotel motel taxes receivable in the General Fund and Hotel/Motel Tax Fund.

Status: The above finding was not completely corrected for the year ended December 31, 2007. See finding 2007 - 1.

2006 - 2. Management of Due To/From (Interfund) Accounts

For the year ending December 31, 2006, we noted the City did not appropriately report significant amounts in the due to/from accounts.

Status: The above finding was not completely corrected for the year ended December 31, 2007. See finding 2007 - 6.

2006 - 3. Accrued Interest Payable on Outstanding Debt

For the year ending December 31, 2006, we noted the City did not fully accrue the interest payable on its outstanding revenue bonds within the Rivers End RV Park Fund and the Water and Sewer Fund.

Status: The above finding was not completely corrected for the year ended December 31, 2007. See finding 2007 - 3.

2006 - 4. Pooled Cash Reporting

For the year ending December 31, 2006, we noted the City did not properly adjust its pooled cash balance within the Emergency 911 Fund for over expenditure.

Status: The above finding was corrected for the year ended December 31, 2007.

2006 - 5. Accounts Payable Liabilities

For the year ending December 31, 2006, we noted the City did not properly report accounts payable liabilities as required under generally accepted accounting principles.

Status: The above finding was not completely corrected for the year ended December 31, 2007. See finding 2007 - 5.

**INDEPENDENT ACCOUNTANT'S REPORT
ON LOCAL ASSISTANCE GRANTS**

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

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about the City of Tybee Island, Georgia's compliance during the fiscal year ended December 31, 2007 with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for Local Assistance Grants #01-C-L-806 and #07-C-L-12. Management is responsible for the City of Tybee Island, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about the City of Tybee Island, Georgia's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the City of Tybee Island, Georgia's compliance with the above mentioned requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Tybee Island, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that the City of Tybee Island, Georgia complied with the aforementioned requirement for the fiscal year ended December 31, 2007 is fairly stated, in all material respects.

This report is intended solely for the information and use of the City of Tybee Island, Georgia City Council 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
August 21, 2008

**State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)**

LINE

A	Local Government	City of Tybee Island, Georgia
B	State Awarding Agency	Department of Community Affairs State of Georgia
C	Grant Identification Number	01-C-L-806
D	Grant Title	Snow Fence
E	Grant Award Date	02/26/01
F	Grant Amount	\$50,000.00

	COLUMN 1 Current Year Activity		COLUMN 2 Cumulative Grant Activity
	For the Year Ended: December 31, 2007		Through the Year Ended: December 31, 2007
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	\$38,168.00	
I	Grant Receipts or Revenue Recognized	\$0.00	\$50,000.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES	\$0.00	\$11,832.00
K	Disbursements or Expenditures for Audit Fees	\$0.00	\$0.00
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K]	\$38,168.00	\$38,168.00

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose for which the grant was made.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____

**State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)**

LINE

A Local Government	City of Tybee Island, Georgia
B State Awarding Agency	Department of Community Affairs State of Georgia
C Grant Identification Number	07-C-L-12
D Grant Title	Aesthetic Improvements on Main Street
E Grant Award Date	10/26/06
F Grant Amount	\$40,000.00

	COLUMN 1 Current Year Activity	COLUMN 2 Cumulative Grant Activity
	For the Year Ended: December 31, 2007	Through the Year Ended: December 31, 2007
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue) \$0.00	
I	Grant Receipts or Revenue Recognized \$40,000.00	\$40,000.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES \$19,972.50	\$19,972.50
K	Disbursements or Expenditures for Audit Fees \$0.00	\$0.00
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K] \$20,027.50	\$20,027.50

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose for which the grant was made.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____