

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**CITY OF TYBEE ISLAND, GEORGIA**

JUNE 30, 2009

City of Tybee Island, Georgia

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City of Tybee Island, Georgia

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Tybee Island, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Tybee Island, Georgia (the "City") as of and for the year ended June 30, 2009, which collectively comprises 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 opinion.

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 and each major fund of the City of Tybee Island, Georgia as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof 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 December 03, 2009, 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, 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 6 through 13 and budgetary comparison information on pages 20 through 23 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Tybee Island, Georgia's basic financial statements. The accompanying schedules of funding progress and schedules of expenditures of special purpose local option sales tax proceeds are presented for the 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 schedule of funding progress and 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.

*Reznick Group, P.C.*

Atlanta, Georgia  
December 03, 2009



THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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 June 30, 2009. 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 \$17,155,056 (net assets) for the fiscal year reported, a decrease of \$1,121,979 or 2%.
- Total net assets are comprised of the following:
  - Capital assets of \$12,179,390 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 \$1,857,425 restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws and regulation.
  - Unrestricted net assets of \$3,118,241.
- Total unrestricted net assets decreased from \$3,480,961 to \$3,118,241 or 10.4%.
- In fiscal year 2009, General Fund unreserved and undesignated fund balance increased 14.5% from \$3,024,215 to \$3,538,716.
- The City's governmental funds reported total combined fund balances of \$5,041,566.

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 CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2009

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, parking services, 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 15 and 16 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 OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2009

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 17 to 24 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

THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2009

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 25 to 28 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 29 of this report.

#### **Notes to the Basic Financial Statements**

The financial statements include notes, which 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 30 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 are presented as supplementary financial information.

#### **Compliance Section**

The independent auditor's report on internal control over financial reporting begins on page 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 June 30, 2009 are \$17,155,056. Our analysis below focuses on the net assets as compared to the prior year.

THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2009

	Governmental Activities		Business-type Activities		Totals							
	#	2009	#	2008	#	2009	#	2008				
<b>Assets</b>												
Current and other assets	\$	6,118,414	\$	6,442,927	\$	1,485,570	\$	848,484	\$	7,603,984	\$	7,291,411
Capital Assets		5,429,325		5,947,640		20,884,284		19,370,134		26,313,609		25,317,774
Total assets		11,547,739		12,390,567		22,369,854		20,218,618		33,917,593		32,609,185
<b>Liabilities</b>												
Current liabilities		818,706		714,184		2,480,698		908,994		3,299,404		1,623,178
Long-term liabilities		-		156,879		13,463,133		12,552,092		13,463,133		12,708,971
Total liabilities		818,706		871,063		15,943,831		13,461,086		16,762,537		14,332,149
<b>Net assets</b>												
Invested in capital assets		5,429,325		6,414,429		6,750,065		6,828,810		12,179,390		13,243,239
Restricted		1,424,245		1,865,754		433,180		153,870		1,857,425		2,019,624
Unrestricted		3,875,463		3,239,321		(757,222)		(225,148)		3,118,241		3,014,173
Total net assets	\$	10,729,033	\$	11,519,504	\$	6,426,023	\$	6,757,532	\$	17,155,056	\$	18,277,036

Reviewing the net assets and net expenses of governmental and business-type activities separately, the governmental activities net assets were \$10,729,033 of which 50.6% 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 \$6,426,023 of which 105% 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 5 on pages 42 to 43.

The restricted net assets in the governmental activities, \$1,424,245 represent SPLOST funds that must be used only for capital outlays. The restricted net assets in the business-type activities, \$433,180 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, \$3,118,241 may be used to meet the government's ongoing obligation to citizens and creditors.

At June 30, 2009, the total unrestricted funds balance is equal to three and one third 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 June 30, 2009 compared with the year ended June 30, 2008:

THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2009

**Summary of Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals							
	#	2009	#	2008	#	2009	#	2008				
<b>Revenues</b>												
Program revenues:												
Charges for services	\$	3,574,188	\$	1,481,081	\$	3,511,683	\$	1,364,319	\$	7,085,871	\$	2,845,400
Operating grants and contributions		-		3,425,332		-		-		-		3,425,332
Capital grants and contributions		60,717		-		9,234		60,717		9,234		9,234
General revenues:												
Property taxes		2,833,885		1,043,952		-		-		2,833,885		1,043,952
Other taxes		3,032,131		1,981,512		-		-		3,032,131		1,981,512
Investment earnings		64,048		97,664		15,029		11,165		79,077		108,829
Gain on sale of capital assets		-		14,856		-		-		-		14,856
<b>Total revenues</b>		<b>9,564,969</b>		<b>8,044,397</b>		<b>3,526,712</b>		<b>1,384,718</b>		<b>13,091,681</b>		<b>9,429,115</b>
<b>Expenses</b>												
Governmental activities:												
General government		2,018,443		915,168		-		-		2,018,443		915,168
Judicial		13,248		3,768		-		-		13,248		3,768
Public safety and courts		2,268,033		1,054,720		-		-		2,268,033		1,054,720
Public works		1,569,337		730,240		-		-		1,569,337		730,240
Culture and recreation		2,958,969		4,161,830		-		-		2,958,969		4,161,830
Community development		1,554,353		1,927,326		-		-		1,554,353		1,927,326
Business-type activities:												
Water and sewer service		-		-		2,057,926		877,301		2,057,926		877,301
Solid waste collection		-		-		815,213		421,854		815,213		421,854
Campground		-		-		958,138		482,165		958,138		482,165
<b>Total expenses</b>		<b>10,382,383</b>		<b>8,793,052</b>		<b>3,831,272</b>		<b>1,781,320</b>		<b>14,213,660</b>		<b>10,574,372</b>
Transfers				(190,437)				190,437		-		-
Change in net assets		(817,414)		(939,092)		(304,565)		(206,165)		(1,121,979)		(1,145,257)
Beginning net assets		11,546,447		12,458,596		6,730,588		-		18,277,035		12,458,596
Ending net assets	\$	<u>10,729,033</u>	\$	<u>11,519,504</u>		<u>6,426,023</u>		<u>(206,165)</u>		<u>17,155,056</u>		<u>11,313,339</u>

The substantial increase in property tax revenues from \$1,043,952 to \$2,833,885 is due to the six month collection period during FY2008 versus the twelve months of FY2009.

The average monthly charges for services increased from \$246,846 to \$297,849. This is due largely to increased parking rates and fines.

Monthly charges for services in the business-type activities increased from \$227,386 to \$292,640. This is due in part to the increase in campground rentals, and the temporary surcharge added to solid waste bills.

FY2009 Campground operating revenue over operating expenses totaled \$223,062 before debt service. Debt service totaled \$592,342. The addition of camping cabins available for rent is expected to increase revenue in the coming year.

The large decrease in expenditures for culture and recreation during FY2009 was due primarily to the beach renourishment project that was completed in FY2008.

THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2009

**Enterprise Funds**

The financial summary of the City's business-type activities for fiscal year 2009 are depicted below. Solid Waste Fund incurred an operating loss, The Campground Fund had an operating profit, but a loss resulted after interest expense on their revenue bonds was included. Management is optimistic that a renegotiated contract for trash pick-up with a new vendor, and the addition of camping cabins at the Campground will result in increased income in the coming fiscal years.

	Water Sewer Fund		Solid Waste Fund		River's End RV Park		Totals	
	2009	2008	2009	2008	2009	2008	2009	2008
Operating revenues	\$ 1,980,242	\$ 671,633	\$ 696,875	\$ 279,475	\$ 834,566	\$ 413,211	\$ 3,511,683	\$ 1,364,319
Operating expenses	1,855,526	765,745	815,213	421,854	611,504	301,489	3,282,243	1,489,088
Operating income (loss)	124,716	(94,112)	(118,338)	(142,379)	223,062	111,722	229,440	(124,769)
Nonoperating income (expenses)	(187,371)	(100,391)	-	-	(346,634)	(180,676)	(534,005)	(281,067)
Transfers in	-	-	-	187,000	-	3,437	-	190,437
Capital contributions	-	9,234	-	-	-	-	-	9,234
Change in net assets	(62,655)	(185,269)	(118,338)	44,621	(123,572)	(65,517)	(304,565)	(206,165)
Beginning net assets	6,973,803	7,237,602	(43,111)	(61,580)	(200,104)	(134,587)	6,730,588	7,041,435
Prior Period Adj	-	(51,586)	-	(26,152)	-	-	(77,738)	-
Ending net assets	\$ 6,911,148	\$ 7,000,747	\$ (161,449)	\$ (43,111)	\$ (323,676)	\$ (200,104)	\$ 6,348,285	\$ 6,835,270

**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. 7,139 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 estimated that employment would 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 2010 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 FY2010 Operating Budget and Capital Improvement Budgets were adopted on June 26, 2009.

THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2009

Highlights include:

- o City-wide Drainage Improvements; \$865,022
- o Sewer Line Improvements; \$108,000
- o Additional Beach Crossovers; \$120,000

For more information, the 2010 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](http://www.cityoftybee.org)  
—————

Diane D. Schleicher  
City Manager

Mary M. Hogan, CPA  
Director of Finance

December 2, 2009

City of Tybee Island, Georgia

STATEMENT OF NET ASSETS – GOVERNMENT WIDE

June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,277,320	\$ 297,456	\$ 1,574,776
Investments	2,592,661	-	2,592,661
Accounts receivable, net of allowances	87,542	525,915	613,457
Taxes receivable, net of allowances	1,159,696	-	1,159,696
Internal balances	910,226	-	910,226
Prepaid items	87,233	9,279	96,512
Total current assets	6,114,678	832,650	6,947,328
<b>Restricted assets</b>			
Cash and cash equivalents	3,736	27,875	31,611
Investments	-	405,305	405,305
<b>Capital assets</b>			
Nondepreciable capital assets	1,079,134	8,251,449	9,330,583
Depreciable capital assets, net	4,350,191	12,632,835	16,983,026
<b>Other assets</b>			
Bond issuance costs, net	-	219,740	219,740
Total assets	<u>\$ 11,547,739</u>	<u>\$ 22,369,854</u>	<u>\$ 33,917,593</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 455,825	\$ 618,093	\$ 1,073,918
Accrued expenses	42,408	5,305	47,713
Compensated absences payable	184,185	10,948	195,133
Accrued interest	-	181,588	181,588
Internal balances	136,288	773,938	910,226
Notes and bonds payable	-	890,826	890,826
Total current liabilities	818,706	2,480,698	3,299,404
<b>Long-term liabilities</b>			
Notes and bonds payable	-	13,463,133	13,463,133
Total liabilities	818,706	15,943,831	16,762,537
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,429,325	6,750,065	12,179,390
Restricted for			
Capital outly	1,424,245	-	1,424,245
Debt service	-	433,180	433,180
Unrestricted	3,875,463	(757,222)	3,118,241
Total net assets	10,729,033	6,426,023	17,155,056
Total liabilities and net assets	<u>\$ 11,547,739</u>	<u>\$ 22,369,854</u>	<u>\$ 33,917,593</u>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

STATEMENT OF ACTIVITIES – GOVERNMENT WIDE

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Interest	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 1,997,011	\$ 1,943,624	\$ -	\$ 13,726	\$ (39,661)	\$ -	\$ (39,661)
Judicial	13,248	-	-	-	(13,248)	-	(13,248)
Public safety	2,268,033	1,213,994	-	-	(1,054,039)	-	(1,054,039)
Public works	1,569,337	-	-	-	(1,569,337)	-	(1,569,337)
Culture and recreation	2,958,969	416,570	-	46,991	(2,495,408)	-	(2,495,408)
Housing and community development	1,554,353	-	-	-	(1,554,353)	-	(1,554,353)
Other financing uses	21,432	-	-	-	(21,432)	-	(21,432)
Total governmental activities	<u>10,382,383</u>	<u>3,574,188</u>	<u>-</u>	<u>60,717</u>	<u>(6,747,478)</u>	<u>-</u>	<u>(6,747,478)</u>
<b>Business-type activities</b>							
Water and sewer	2,057,926	1,980,242	-	-	-	(77,684)	(77,684)
Sanitation collection	815,213	696,875	-	-	-	(118,338)	(118,338)
Campground	958,138	834,566	-	-	-	(123,572)	(123,572)
Total business type activities	<u>3,831,277</u>	<u>3,511,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(319,594)</u>	<u>(319,594)</u>
Total primary government	<u>\$ 14,213,660</u>	<u>\$ 7,085,871</u>	<u>\$ -</u>	<u>\$ 60,717</u>	<u>(6,747,478)</u>	<u>(319,594)</u>	<u>(7,067,072)</u>
<b>General revenues</b>							
Property taxes					2,833,885	-	2,833,885
Sales taxes					1,315,439	-	1,315,439
Franchise taxes					356,390	-	356,390
Hotel/Motel taxes					1,356,210	-	1,356,210
Other taxes					4,092	-	4,092
Unrestricted investment earnings					64,048	15,029	79,077
Other financing sources					-	-	-
Transfers					-	-	-
Total general revenues and transfers					<u>5,930,064</u>	<u>15,029</u>	<u>5,945,093</u>
Change in net assets					(817,414)	(304,565)	(1,121,979)
Net assets, beginning of year					<u>11,546,447</u>	<u>6,730,588</u>	<u>18,277,035</u>
Net assets, end of year					<u>\$ 10,729,033</u>	<u>\$ 6,426,023</u>	<u>\$ 17,155,056</u>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Hotel/ Motel Tax Fund	SPLOST Fund	Nonmajor Emergency 911 Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,163,282	\$ 72,491	\$ 45,240	\$ (3,693)	\$ 1,277,320
Investments	1,221,539	-	1,371,122	-	2,592,661
Receivables, net	87,268	-	274	-	87,542
Taxes receivable	906,703	252,993	-	-	1,159,696
Interfund	906,353	-	3,873	-	910,226
Prepaid items	87,176	-	-	57	87,233
Restricted cash	3,736	-	-	-	3,736
<b>Total assets</b>	<b>\$ 4,376,057</b>	<b>\$ 325,484</b>	<b>\$ 1,420,509</b>	<b>\$ (3,636)</b>	<b>\$ 6,118,414</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 257,821	\$ 197,458	\$ -	\$ 546	\$ 455,825
Accrued expenditures	42,408	-	-	-	42,408
Deferred revenues	442,327	-	-	-	442,327
Interfund payable	3,873	128,026	-	4,389	136,288
<b>Total liabilities</b>	<b>746,429</b>	<b>325,484</b>	<b>-</b>	<b>4,935</b>	<b>1,076,848</b>
<b>Fund balances</b>					
Reserved for					
Prepaid items	87,176	-	-	57	87,233
Designated, reported in:					
Capital projects fund	3,736	-	1,420,509	-	1,424,245
General fund	3,538,716	-	-	(8,628)	3,530,088
<b>Total fund balances</b>	<b>3,629,628</b>	<b>-</b>	<b>1,420,509</b>	<b>(8,571)</b>	<b>5,041,566</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,376,057</b>	<b>\$ 325,484</b>	<b>\$ 1,420,509</b>	<b>\$ (3,636)</b>	<b>\$ 6,118,414</b>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS – GOVERNMENT WIDE

June 30, 2009

<b>Total governmental fund balances</b>			\$ 5,041,566
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, not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.			
Cost of capital assets	\$	9,051,418	
Less accumulated depreciation		<u>(3,624,076)</u>	5,429,325
Compensated absence liabilities are not due and payable at year-end and therefore are not reported in the governmental funds.			(184,185)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>442,327</u>
<b>Net assets of governmental activities</b>			<u><u>\$ 10,729,033</u></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

Year Ended June 30, 2009

	General Fund	Hotel/ Motel Tax Fund	SPLOST Fund	Nonmajor Emergency 911 Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 4,232,919	\$ 1,356,210	\$ -	\$ -	\$ 5,589,129
Licenses and permits	200,930	-	-	-	200,930
Intergovernmental	29,371	-	17,620	-	46,991
Charges for services	1,943,624	-	-	79,104	2,022,728
Fines and forfeitures	1,134,890	-	-	-	1,134,890
Interest	60,924	-	3,124	-	64,048
Other revenues	229,366	-	-	-	229,366
<b>Total revenues</b>	<b>7,832,024</b>	<b>1,356,210</b>	<b>20,744</b>	<b>79,104</b>	<b>9,288,082</b>
<b>Expenditures</b>					
Current					
General government	1,478,695	-	-	-	1,478,695
Judicial	13,248	-	-	-	13,248
Public safety	2,181,697	-	4,899	81,437	2,268,033
Public works	1,543,142	-	26,195	-	1,569,337
Culture and recreation	2,950,393	678,095	-	-	3,628,488
Housing and community development	876,238	-	-	-	876,238
Capital outlay	-	-	8,576	-	8,576
<b>Total expenditures</b>	<b>9,043,413</b>	<b>678,095</b>	<b>39,670</b>	<b>81,437</b>	<b>9,842,615</b>
over (under) expenditures	(1,211,389)	678,115	(18,926)	(2,333)	(554,533)
<b>Other financing sources (uses)</b>					
Transfers in	1,104,434	-	-	-	1,104,434
Transfers out	(21,453)	(678,115)	(426,319)	-	(1,125,887)
Sale of capital assets	16,890	-	-	-	16,890
<b>Total other financing sources (uses)</b>	<b>1,099,871</b>	<b>(678,115)</b>	<b>(426,319)</b>	<b>-</b>	<b>(4,563)</b>
Net change in fund balances	(111,518)	-	(445,245)	(2,333)	(559,096)
Fund balances, beginning of year	3,741,146	-	1,865,754	(6,238)	5,600,662
Fund balances, end of year	<u>\$ 3,629,628</u>	<u>\$ -</u>	<u>\$ 1,420,509</u>	<u>\$ (8,571)</u>	<u>\$ 5,041,566</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 - GOVERNMENT FUNDS TO THE  
STATEMENT OF ACTIVITIES - GOVERNMENT WIDE

Year Ended June 30, 2009

<b>Net changes in governmental fund balances</b>			\$ (559,096)
Amounts reported for governmental activities in the statement of activities are different because			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.			
	Depreciation expense	\$ (577,905)	
	Capitalizable costs	<u>59,590</u>	(518,315)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the statement of revenues and expenditures of the governmental funds			276,887
The net effect of the sale of fixed assets is to decrease net assets			<u>(16,890)</u>
<b>Change in net assets of governmental activities</b>			<u><u>\$ (817,414)</u></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

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Over /Under Final Budget
<b>Taxes</b>				
Property taxes	\$ 2,442,375	\$ 2,442,375	\$ 2,344,651	\$ (97,724)
Local option sales tax	1,200,000	1,200,000	1,035,262	(164,738)
Franchise tax	376,000	376,000	356,390	(19,610)
Insurance premiums tax	197,000	197,000	189,844	(7,156)
Alcoholic beverage excise tax	260,000	260,000	233,354	(26,646)
Real estate transfer tax	24,000	24,000	22,503	(1,497)
Occupational taxes	54,400	54,400	50,915	(3,485)
Total taxes	<u>4,553,775</u>	<u>4,553,775</u>	<u>4,232,919</u>	<u>(320,856)</u>
<b>Licenses and permits</b>				
Regulatory fees	70,500	70,500	120,770	50,270
Building permits	42,000	42,000	36,905	(5,095)
Building inspections	12,000	12,000	12,871	871
Zoning variance requests fees	450	450	1,263	813
Other	11,160	11,160	29,121	17,961
Total licenses and permits	<u>136,110</u>	<u>136,110</u>	<u>200,930</u>	<u>64,820</u>
<b>Intergovernmental</b>	<u>170,000</u>	<u>170,000</u>	<u>29,371</u>	<u>(140,629)</u>
<b>Charges for services:</b>				
Parking fees	1,760,000	1,760,000	1,649,877	(110,123)
Other charges for services	299,400	299,400	293,747	(5,653)
Total charges for services	<u>2,059,400</u>	<u>2,059,400</u>	<u>1,943,624</u>	<u>(115,776)</u>
<b>Fines and forfeitures</b>				
Municipal fines	500,000	500,000	853,399	353,399
Parking fines and violations	350,000	350,000	281,491	(68,509)
Total fines and forfeitures	<u>850,000</u>	<u>850,000</u>	<u>1,134,890</u>	<u>284,890</u>
<b>Interest income</b>	<u>156,256</u>	<u>156,256</u>	<u>60,924</u>	<u>(95,332)</u>
<b>Miscellaneous</b>				
Contributions	14,000	14,000	13,726	(274)
Rents and royalties	238,200	230,200	4,984	(225,216)
GMA direct leases	1,090,787	1,072,037	-	(1,072,037)
Other	184,961	184,961	210,656	25,695
Total miscellaneous	<u>1,527,948</u>	<u>1,501,198</u>	<u>229,366</u>	<u>(1,271,558)</u>
Total revenues	<u>\$ 9,453,489</u>	<u>\$ 9,426,739</u>	<u>\$ 7,832,024</u>	<u>\$ (1,738,702)</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 - CONTINUED

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Over/Under Final Budget
<b>Expenditures</b>				
General Government				
Governing body	\$ 91,430	\$ 91,430	\$ 108,423	\$ (16,993)
Clerk of council	115,037	116,016	101,652	14,364
City Manager	154,960	147,960	141,604	6,356
Financial administration	424,812	416,812	388,092	28,720
Legal	110,000	110,000	147,412	(37,412)
Information technology	292,536	260,536	292,278	(31,742)
Human resources	98,671	97,671	92,741	4,930
Building and plant maintenance	324,972	324,972	206,493	118,479
Total general government	<u>1,612,418</u>	<u>1,565,397</u>	<u>1,478,695</u>	<u>86,702</u>
Judicial				
Municipal court	10,500	10,500	13,248	(2,748)
Total judicial	<u>10,500</u>	<u>10,500</u>	<u>13,248</u>	<u>(2,748)</u>
Public safety				
Police administration	1,849,135	1,852,924	1,686,803	166,121
Beach patrol	142,320	142,320	106,279	36,041
Fire administration	382,452	284,692	273,035	11,657
Emergency management	112,693	106,693	115,580	(8,887)
Total public safety	<u>2,486,600</u>	<u>2,386,629</u>	<u>2,181,697</u>	<u>204,932</u>
Public works				
General operations	1,985,376	1,773,683	1,499,882	273,801
Solid waste collection	450,000	45,000	43,260	1,740
Total public works	<u>2,435,376</u>	<u>1,818,683</u>	<u>1,543,142</u>	<u>275,541</u>
Culture and recreation				
General operations	182,857	164,307	134,770	29,537
Recreation centers	198,275	165,275	165,275	-
Beach, lifeguards, dunes	978,209	950,164	2,462,592	(1,512,428)
Parks administration	247,400	247,400	187,756	59,644
Total culture and recreation	<u>1,606,741</u>	<u>1,527,146</u>	<u>2,950,393</u>	<u>(1,423,247)</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 - CONTINUED

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Over/Under Final Budget
Zoning and inspection	594,663	744,960	493,444	251,516
Community Development Projects	615,000	-	-	-
Parking	419,954	414,954	382,794	32,160
Total housing and development	1,629,617	1,159,914	876,238	283,676
Total expenditures	9,781,252	8,468,269	9,043,413	(575,144)
Excess (deficiency) of revenues over (under) expenditures	(327,763)	958,470	(1,211,389)	(1,163,558)
Other financing sources (uses):				
Financing uses	(849,725)	(849,725)	-	849,725
Transfers in	703,000	703,000	1,104,434	401,434
Transfers out	-	-	(21,453)	(21,453)
Sale of capital assets	-	50,000	16,890	(33,110)
Total other financing sources (uses)	(146,725)	703,000	1,099,871	1,196,596
Net change in fund balance	(474,488)	1,661,470	(111,518)	33,038
Fund balances, beginning of year	3,741,146	3,741,146	3,741,146	-
Fund balances, end of year	<u>\$ 3,741,146</u>	<u>\$ 3,741,146</u>	<u>\$ 3,629,628</u>	<u>\$ 111,518</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

Year Ended June 30, 2009

	<b>Budgeted Amounts</b>		<b>Variance with Final Budget</b>
	<b>Original and Final</b>	<b>Actual</b>	
<b>Revenues:</b>			
Taxes	\$ 1,400,000	\$ 1,352,291	\$ (47,709)
Other revenues	3,000	3,919	919
Total revenues	<u>1,403,000</u>	<u>1,356,210</u>	<u>(46,790)</u>
<b>Expenditures</b>			
Current:			
Culture and recreation	700,000	678,095	21,905
Total expenditures	<u>700,000</u>	<u>678,095</u>	<u>21,905</u>
Excess of revenues over expenditures	<u>703,000</u>	<u>678,115</u>	<u>(24,885)</u>
<b>Other financing (uses):</b>			
Transfers out	703,000	678,115	24,885
Total other financing (uses)	<u>703,000</u>	<u>678,115</u>	<u>24,885</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<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 FUND

June 30, 2009

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 948,179	\$ (224,982)	\$ (425,741)	\$ 297,456
Accounts receivable, net of allowances	396,663	129,252	-	525,915
Prepaid items	6,489	-	2,790	9,279
Total current assets	1,351,331	(95,730)	(422,951)	832,650
<b>Restricted assets</b>				
Restricted cash	27,875	-	-	27,875
Investments	405,305	-	-	405,305
<b>Capital assets</b>				
Nondepreciable capital assets	1,381,449	-	6,870,000	8,251,449
Depreciable capital assets, net	12,202,798	-	430,037	12,632,835
<b>Other Assets</b>				
Bond issuance costs, net	97,762	-	121,978	219,740
Total assets	<u>\$ 15,466,520</u>	<u>\$ (95,730)</u>	<u>\$ 6,999,064</u>	<u>\$ 22,369,854</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 530,354	\$ 65,719	\$ 22,019	\$ 618,092
Accrued expenses	3,804	-	1,502	5,306
Compensated absences payable	4,299	-	6,649	10,948
Accrued interest	37,987	-	143,601	181,588
Interfund payable	314,969	-	458,969	773,938
Notes payable	650,826	-	240,000	890,826
Total current liabilities	1,542,239	65,719	872,740	2,480,698
<b>Long-term liabilities</b>				
Notes payable, net of current portion	7,013,133	-	6,450,000	13,463,133
Total long-term liabilities	7,013,133	-	6,450,000	13,463,133
Total liabilities	8,555,372	65,719	7,322,740	15,943,831
<b>NET ASSETS</b>				
Invested in capital assets, less related debt	6,018,050	-	732,015	6,750,065
Restricted for				
Capital projects	27,875	-	-	27,875
Debt service	405,305	-	-	405,305
Unrestricted	459,918	(161,449)	(1,055,691)	(757,222)
Total net assets	6,911,148	(161,449)	(323,676)	6,426,023
Total liabilities and net assets	<u>\$ 15,466,520</u>	<u>\$ (95,730)</u>	<u>\$ 6,999,064</u>	<u>\$ 22,369,854</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 FUND

Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
<b>Operating revenues</b>				
Charges for services:				
Water charges	\$ 875,728	\$ -	\$ -	\$ 875,728
Sewer charges	978,839	-	-	978,839
Tapping fees	4,950	-	-	4,950
Other	120,725	-	-	120,725
Sanitation collection revenue	-	696,875	-	696,875
Camping rental fees	-	-	834,566	834,566
Total operating revenues	<u>1,980,242</u>	<u>696,875</u>	<u>834,566</u>	<u>3,511,683</u>
<b>Operating expenses</b>				
Personnel services	343,448	-	279,082	622,530
Administrative	144,000	-	18,000	162,000
Utilities	39,802	-	77,571	117,373
Supplies	306,843	-	71,240	378,083
Repairs and maintenance	243,284	-	44,382	287,666
Sanitation services	-	807,699	-	807,699
Miscellaneous	330,725	7,514	104,840	443,079
Amortization	11,595	-	-	11,595
Depreciation	435,829	-	16,389	452,218
Total operating expenses	<u>1,855,526</u>	<u>815,213</u>	<u>611,504</u>	<u>3,282,243</u>
Operating income (loss)	<u>124,716</u>	<u>(118,338)</u>	<u>223,062</u>	<u>229,440</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenue	15,029	-	-	15,029
Interest expense	(202,400)	-	(346,634)	(549,034)
Loss on disposal of capital assets	-	-	-	-
Net nonoperating revenues (expenses)	<u>(187,371)</u>	<u>-</u>	<u>(346,634)</u>	<u>(534,005)</u>
Change in net assets	(62,655)	(118,338)	(123,572)	(304,565)
Net assets, beginning of year	<u>6,973,803</u>	<u>(43,111)</u>	<u>(200,104)</u>	<u>6,730,588</u>
Net assets, end of year	<u>\$ 6,911,148</u>	<u>\$ (161,449)</u>	<u>\$ (323,676)</u>	<u>\$ 6,426,023</u>

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

City of Tybee Island, Georgia

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	Total
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 1,870,001	\$ 685,973	\$ 834,566	\$ 3,390,540
Cash payments to employees	(492,992)	-	(304,409)	(797,401)
Cash payments to suppliers	(977,078)	(911,774)	(319,051)	(2,207,903)
Net cash provided by (used in) operating activities	<u>399,931</u>	<u>(225,801)</u>	<u>211,106</u>	<u>385,236</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	(1,921,184)	-	(45,185)	(1,966,369)
Principal paid on bonds	(358,752)	-	(230,000)	(588,752)
Funding from note payable	2,401,387	-	-	2,401,387
Interest paid	(179,359)	-	(342,875)	(522,234)
Interfund payable	-	-	(19,467)	(19,467)
Net cash used in capital and related financing activities	<u>(57,908)</u>	<u>-</u>	<u>(637,527)</u>	<u>(695,435)</u>
<b>Cash flows from investing activities</b>				
Net increase in investment securities	(17,857)	-	-	(17,857)
Interest earned on investments	15,029	-	-	15,029
Net cash used in investing activities	<u>(2,828)</u>	<u>-</u>	<u>-</u>	<u>(2,828)</u>
Net increase (decrease) in cash and cash equivalents	339,195	(225,801)	(426,421)	(313,027)
Cash and cash equivalents, beginning of year	<u>636,859</u>	<u>819</u>	<u>680</u>	<u>638,358</u>
Cash and cash equivalents, end of year	<u>\$ 976,054</u>	<u>\$ (224,982)</u>	<u>\$ (425,741)</u>	<u>\$ 325,331</u>
<b>Classified as:</b>				
Cash and cash equivalents	\$ 948,179	\$ (224,982)	\$ (425,741)	\$ 297,456
Cash and cash equivalents, restricted	27,875	-	-	27,875
Total cash and cash equivalents	<u>\$ 976,054</u>	<u>\$ (224,982)</u>	<u>\$ (425,741)</u>	<u>\$ 325,331</u>

(continued)

City of Tybee Island, Georgia

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - CONTINUED

Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
<b>Operating income (loss)</b>	\$ 124,716	\$ (118,338)	\$ 223,062	\$ 229,440
<b>Adjustments</b>				
Depreciation	435,829	-	16,389	452,218
Amortization	11,595	-	-	11,595
Change in accounts receivable	(110,241)	(10,902)	-	(121,143)
Change in prepaid items	31,852	-	3,604	35,456
Change in accounts payable	(88,276)	(96,561)	(24,622)	(209,459)
Change in accrued expenses	1,105	-	(7,327)	(6,222)
Change in compensated absences payable	(6,649)	-	-	(6,649)
Net cash provided by (used in) operating activities	<u>\$ 399,931</u>	<u>\$ (225,801)</u>	<u>\$ 211,106</u>	<u>\$ 385,236</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

June 30, 2009

		<u>Agency Fund Municipal Court</u>
	<b>ASSETS</b>	
Cash and cash equivalents		\$ 31,802
Total assets		<u>\$ 31,802</u>
	<b>LIABILITIES</b>	
Due to others		\$ 31,802
Total liabilities		<u>\$ 31,802</u>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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 government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board ("FASB") statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary fund at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements. The most significant accounting principles utilized by the City are described below.

1. Reporting Entity

The City of Tybee Island was incorporated October 15, 1887. The City operates under the Council-Manager 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 the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14 "The Financial Reporting Entity", the City was determined to have no component units as of June 30, 2009.

2. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

are clearly identifiable with a specific function or segment. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services that report fees and other charges to users of the City's services; (2) operating grants and investment earnings; and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted. Taxes and other items not properly included among program revenues are reported instead as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general and special revenue funds. Proprietary funds include the enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the governmental fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

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

The format of the governmental 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.

4. Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

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. Previous SPLOST was levied in 2003. As of June 30, 2009 the majority of the SPLOST proceeds have been expended for its intended purposes. Remaining SPLOST proceeds unspent as of June 30, 2009 is \$1,416,362.

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.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

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 **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.

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.

Enterprise 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 enterprise fund's water and sewer, solid waste collection, and Rivers End RV Park services. Operating expenses for an enterprise fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

5. 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, the Emergency 911, the SPLOST Fund, the Water and Sewer Fund, the Solid Waste collection Fund, and the Rivers End RV Park Fund. All appropriations lapse at the end of the June 30 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.

6. Deposits and Investments

For purposes of the statements of cash flows, the City considers all highly liquid investments (including restricted assets) with original maturities of three months or less 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.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

Investments are reported at fair value, valued on quoted market values. 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 is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The credit risk associated with the City's investments is primarily due to the City's reliance upon securities of the U.S. Government and its agencies. As with any fixed income portfolio, there exists market price risk in a changing interest rate environment, and some of the City's investments are subject to decline in fair value as interest rates increase. This exposure is focused largely within certain classes of mortgage-backed securities, such as collateralized mortgage obligations. The City invests in these securities in part to maximize yields and in part to hedge against payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. The mortgage-backed securities are reported in aggregate as mortgage-backed securities in the disclosure of investments.

7. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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.

8. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

consumed. Prepaid items of governmental funds in the fund financial statements are offset by an equal amount in the fund balance to indicate that they are not available for general appropriation.

9. 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 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 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 assets 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>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings	10 - 40 years
Machinery & equipment	5 - 20 years
Utility plant	20 - 50 years

10. 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-

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

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.

11. 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 related term of the bonds using the effective yield 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.

Notes payable of proprietary fund types are reported as liabilities at their outstanding value.

In the governmental 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.

12. 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. Net assets restricted for capital outlay on the Statement of Net Assets – Government Wide relate to those funds reserved for SPLOST activities. Net assets restricted for debt service on the Statement of Net Assets – Government Wide related to those funds reserved and other escrows held in accordance with notes and bonds payable.

13. 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 assumption that affect the reported amounts of assets and liabilities and disclosures of

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

contingent assets and liabilities at the date of financial statements and the reported amounts of assets and liabilities during the reporting period. Actual results could differ from those estimates.

14. Subsequent Events

In April 2009, the GASB issued GASB No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.” This standard incorporates governmental accounting literature regarding the recent AICPA pronouncement including subsequent events. That standard incorporates into authoritative accounting literature certain guidance that already existed within generally accepted auditing standards, with the requirements concerning recognition and disclosure of subsequent events remaining essentially unchanged. This guidance addresses events which occur after the balance sheet date but before the issuance of financial statements. Under GASB No.56, as under previous practice, an entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that existed after the balance sheet date. This standard added an additional required disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued.

NOTE 2 - 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 July 1<sup>st</sup>.
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.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

5. 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.

6. The following General Fund departments had excess of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2009.

Governing body	\$	16,993
Legal		37,412
Information technology		31,742
Municipal court		2,748
Emergency management		8,887

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Investment of Funds

The City is permitted to invest funds in deposit accounts at federally insured financial institutions; in obligation of the U.S. Treasury or U.S. Government agencies; Local or State Government Investment Pools; and Repurchase Agreements with financial institutions (as long as the entire balance is collateralized by specifically identified securities of the U.S. Government or its agencies). Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

The City maintains a pooled cash account that contains unrestricted cash that is available to all of the funds. The cash deposited and withdrawn from the pooled cash is tracked through a claim on pooled cash account on each of the funds trial balances. If a fund withdraws more cash than it has deposited into the account then the funds cash balance will show as negative thus indicating an amount owed back to the pooled cash account.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

Total deposits and investments as of June 30, 2009, are summarized as follows:

As Reported in the Statement of Net Assets:

Primary Government:

Cash and cash equivalents	\$ 1,574,776
Cash and cash equivalents, restricted	31,611
Investments, restricted	405,305
Agency Fund - Cash	31,802
Cash deposited with financial institutions	<u>\$ 2,043,494</u>
Cash deposited with financial institutions	\$ 2,043,494
Cash deposited with Georgia Fund 1	2,592,661
Total cash deposited and invested	<u>\$ 4,636,155</u>

Deposits

As of June 30, 2009, the City's cash and cash equivalent deposits are categorized below to give an indication of the level of collateralization provided to the City in connection with its cash and cash equivalents. Category 1 includes deposits insured by the Federal Depository Insurance Corporation or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions trust department or agent in the City's name. Category 3 represents uncollateralized deposits including bank balances collateralized with securities held by the pledging institutions financial institution or by its trust department or agent but not in the Authority's name.

	Category			Bank Balance	Carrying amount
	1	2	3		
Cash	\$ 1,638,189	\$ -	\$ -	\$ 1,659,157	\$ 1,638,189
Certificates of deposits	405,305	-	-	405,305	405,305
	<u>\$ 2,043,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,064,462</u>	2,043,494
Georgia Fund I					<u>2,592,661</u>
					<u>\$ 4,636,155</u>

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of a deposit or investment. The City manages interest rate risk by attempting to match

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

deposit and investment maturities and interest payment terms with expected cash requirements. The maturities of the deposits and investments as of June 30, 2009 are as follows:

Cash and cash equivalents	Total Fair Value	Less than 6 months	6-12 Months	1-5 Years	5-10 Years	More than 10 Years
Cash	\$ 1,638,189	\$ 1,638,189	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	405,305	-	-	405,305	-	-
Georgia Fund I	2,592,661	2,592,661	-	-	-	-
Total cash and cash equivalents	<u>\$ 4,636,155</u>	<u>\$ 4,230,850</u>	<u>\$ -</u>	<u>\$ 405,305</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in a mutual fund, or external investment pools).

Credit Risk

Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality rating of investments in debt securities, as described by a national statistical rating organization such as Standard and Poor's (S&P). The City's policy provides that investments in corporate bonds and other fixed income securities must have a rating of A or better. All of the City's deposits and investments have a AAA rating.

As of June 30, 2009, management believes it does not have significant concentration of credit risk, credit risk, or interest rate risk.

NOTE 4 - RECEIVABLES

Property taxes were levied on September 15, 2008 against a taxable digest established as of January 1, 2008. Property taxes were due on November 15, 2008, and were considered delinquent the following day (November 16, 2008) which would also be the lien date. Additionally, one-half of the 2009 property taxes were levied in April 2009. Receivables are recorded when taxes are levied and billed.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

The net receivables collected during the year ended June 30, 2009, and expected to be collected by August 31, 2009, are recognized as revenues in the year ended June 30, 2009. Net receivables estimated to be collectible subsequent to August 31, 2009, are deferred and recorded as revenue when received in the governmental funds.

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

	Governmental			Business-Type		Allowance for Doubtful Accounts	Total
	General	Hotel/Motel	SPLOST	Water and Sewer	Solid Waste collection		
Receivables:							
Taxes	\$ 945,677	\$ 252,993	\$ -	\$ -	\$ -	\$ (38,974)	\$ 1,159,696
Accounts receivables	96,197	-	274	420,115	142,313	(45,442)	613,457
Intergovernmental	906,353	-	3,873	-	-	-	910,226
Total	\$ 1,948,227	\$ 252,993	\$ 4,147	\$ 420,115	\$ 142,313	\$ (84,416)	\$ 2,683,379

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,008,069	\$ -	\$ -	\$ 1,008,069
Construction in progress	71,065	-	-	71,065
Total	1,079,134	-	-	1,079,134
Capital assets, being depreciated				
Land improvements	243,100	-	-	243,100
Buildings	3,809,667	-	-	3,809,667
Machinery and equipment	3,995,763	59,590	(135,836)	3,919,517
Total	8,048,530	59,590	(135,836)	7,972,284
Less accumulated depreciation for:				
Land improvements	(182,956)	(4,009)	-	(186,965)
Buildings	(1,375,791)	(152,468)	-	(1,528,259)
Machinery and equipment	(1,621,277)	(421,428)	135,836	(1,906,869)
Total	(3,180,024)	(577,905)	135,836	(3,622,093)
Total Capital assets, being depreciated, net	4,868,506	(518,315)	-	4,350,191
Governmental activities capital assets, net	\$ 5,947,640	\$ (518,315)	\$ -	\$ 5,429,325

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,973,632	\$ -	\$ -	\$ 6,973,632
Construction in progress	801,925	475,892	-	1,277,817
Total	<u>7,775,557</u>	<u>475,892</u>	<u>-</u>	<u>8,251,449</u>
Capital assets, being depreciated				
Land improvements	627,241	406,077	-	1,033,318
Utility plant	13,494,031	882,412	-	14,376,443
Buildings	215,126	201,987	-	417,113
Total	<u>14,336,398</u>	<u>1,490,476</u>	<u>-</u>	<u>15,826,874</u>
Less accumulated depreciation for:				
Land improvements	(367,638)	(74,031)	-	(441,669)
Utility plant	(2,364,316)	(368,437)	-	(2,732,753)
Buildings	(9,867)	(9,750)	-	(19,617)
Total	<u>(2,741,821)</u>	<u>(452,218)</u>	<u>-</u>	<u>(3,194,039)</u>
Total Capital assets, being depreciated, net	<u>11,594,577</u>	<u>1,038,258</u>	<u>-</u>	<u>12,632,835</u>
Business-type activities capital assets, net	<u>\$ 19,370,134</u>	<u>\$ 1,514,150</u>	<u>\$ -</u>	<u>\$ 20,884,284</u>

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

Governmental activities	
General government	\$ 27,976
Public safety	165,032
Public works	78,339
Culture and recreation	161,767
Housing and community development	144,791
Total depreciation expense - governmental activities	<u>\$ 577,905</u>
Business-type activities	
Water and sewer	\$ 435,829
Rivers End RV Park	16,389
Total depreciation expense - business type activities	<u>\$ 452,218</u>

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

NOTE 6 - 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 and collateralizes the bonds with the associated assets. The City's Water and Sewer Fund revenue bonds and the Chatham County Recreation Authority revenue bonds outstanding at June 30, 2009 are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
Water and Sewer, series 2005	\$ 1,450,000	3.72%	2016	\$ 995,000
Rivers End RV Park, series 2006	7,130,000	4.85%	2026	6,690,000
				<u>\$ 7,685,000</u>
		Less Current Portion		<u>(370,000)</u>
				<u><u>\$ 7,315,000</u></u>

Water and Sewer Revenue Refunding and Improving 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.

There are a number of limitations and restrictions contained in the various bond indentures. The City was not in compliance with the requirement to provide net revenues which are at least 1.15 times the amount required to be paid into the debt service account in the then current sinking fund year.

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

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

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>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 370,000	\$ 355,659	\$ 725,659
2011	385,000	338,819	723,819
2012	400,000	321,373	721,373
2013	425,000	291,975	716,975
2014	440,000	286,616	726,616
2015 - 2019	1,990,000	1,129,071	3,119,071
2020 - 2024	2,130,000	643,110	2,773,110
2025 - 2027	1,545,000	114,824	1,659,824
	<u>\$ 7,685,000</u>	<u>\$ 3,481,447</u>	<u>\$ 11,166,447</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 June 30, 2009.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
2000 SRF - Wastewater treatment plant upgrade	\$ 2,991,414	3.00%	2023	\$ 2,282,739
GEFA Construction - Water line extensions	2,188,652	3.16%	2026	1,984,833
GEFA Construction - Water Sewer	1,152,539	3.08%	2029	1,152,539
Automated Water Meter	627,456	3.05%	2013	565,197
Lift Station Grit Separator	721,424	3.09%	2014	683,651
				<u>6,668,959</u>
		Less Current Portion		<u>(520,826)</u>
				<u>\$ 6,148,133</u>

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

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

<u>Fiscal Year Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 520,826	\$ 195,942	\$ 716,768
2011	540,606	182,600	723,206
2012	557,423	165,783	723,206
2013	574,762	148,443	723,206
2014	484,932	130,823	615,691
2015 - 2019	1,607,975	464,092	2,072,067
2020 - 2024	1,693,675	236,956	1,930,631
2025 - 2029	688,760	232,601	921,361
	<u>\$ 6,668,959</u>	<u>\$ 1,757,240</u>	<u>\$ 8,426,135</u>

The Water and Sewer Funds total long term debt service requirements to maturity including interest are as follows:

<u>Fiscal Year Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 890,826	\$ 551,601	\$ 1,442,427
2011	925,606	521,419	1,447,025
2012	957,423	487,156	1,444,579
2013	999,762	440,418	1,440,181
2014	924,932	417,438	1,342,371
2015 - 2019	3,597,975	1,593,163	5,191,138
2020 - 2024	3,823,675	880,066	4,703,741
2025 - 2027	2,233,760	347,425	2,581,185
	<u>\$ 14,353,959</u>	<u>\$ 5,238,687</u>	<u>\$ 19,592,646</u>
Notes and bonds payable current	\$ 890,826	\$ 551,601	\$ 1,442,427
Notes and bonds payable long term, net of current portion	13,463,133	4,687,086	18,150,219
	<u>\$ 14,353,959</u>	<u>\$ 5,238,687</u>	<u>\$ 19,592,646</u>

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Claims on judgement payable	\$ 103,486	\$ -	\$ (103,486)	\$ -	\$ -
Compensated absences	156,879	95,710	(68,404)	184,185	184,185
Governmental activity					
Long-term liabilities	<u>\$ 260,365</u>	<u>\$ 95,710</u>	<u>\$ (171,890)</u>	<u>\$ 184,185</u>	<u>\$ 184,185</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 8,055,000	\$ -	\$ (370,000)	\$ 7,685,000	\$ 370,000
Notes payable	4,486,324	2,501,419	(318,784)	6,668,959	520,826
Compensated absences	9,670	8,586	(7,308)	10,948	10,948
Business-type activity					
Long-term liabilities	<u>\$ 12,550,994</u>	<u>\$ 2,510,005</u>	<u>\$ (696,092)</u>	<u>\$ 14,364,907</u>	<u>\$ 901,774</u>

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

NOTE 7 - PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Tybee Island Retirement Plan (the "Plan"), provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The Plan participates in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. GMEBS handles all administration 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 retirement.

Regulations of the State of Georgia assign the authority to establish and amend the benefit provisions of plans that participate in GMEBS to the respective employer entities; for the 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 Plan.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

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 Plan. The City is required to contribute at an actuarially determined rate; the current rate is 14.41% 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.

Annual Pension Cost

For the year ended June 30, 2009, the City's annual pension cost was \$340,173 for the Plan. Recommended contributions of \$492,733 and \$340,173 were determined as part of the May 1, 2009 and May 1, 2008 actuarial valuations, respectively, using the projected until credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases for inflation of 5.50% per year and for merit or seniority of 5.50% per year, (c) 5.50% postretirement benefit increases, and (d) cost of living adjustments of 3.00%. The period, and the related method, for amortizing the initial unfunded actuarial liability was 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 investment return assumption.

Trend Information

Trend information, which gives an 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>
5/1/2004	\$ 272,331	100%	-
5/1/2005	283,138	100%	-
5/1/2006	274,184	100%	-
5/1/2007	283,377	100%	-
5/1/2008	340,173	100%	-

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

As of the most recent valuation date, May 1, 2009, the funded status of the Plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
5/1/2009	\$ 2,805,362	\$ 4,941,486	\$ 2,136,124	56.77%	\$ 2,711,811	78.77%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of May 1, 2009.

NOTE 8 - 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 laws 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.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

Settled claims in the past three (3) years have not exceeded insurance coverage.

NOTE 9 - 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 Center ("RDC") and is required to pay dues thereto. Membership in these organizations is required by the OCGA Section 50-8-34, which provides for their organizational structure. 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 RDC, 127 "F" Street, Brunswick, Georgia 31520.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Contractual Commitments

The City entered into multiple contracts with BRW Construction totaling \$1,530,695 for work being performed on the City's drainage system and lift station. As of June 30, 2009 \$945,980 has yet to be incurred. In addition, the City has entered into a contract with Southern Champ Construction Inc. for an original amount of \$1,197,973 for improvements to the Fort Screven water system. As of June 30, 2009 the contract, which includes change orders of \$61,550, totals \$1,259,523. As of June 30, 2009, \$458,732 remains payable and is included in accounts payable on the Water and Sewer Fund Statement of Net Assets. Of the \$458,732 payable \$61,924 relates to retainage payable.

Litigation

The City is a defendant in various lawsuits in which claims are being made by a various parties. Although the legal and financial responsibility with respect to such litigation cannot be ascertained, management is of the opinion, based upon the advice of counsel, that the resolution of these matters will not have a material adverse effect on the City's financial condition.

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.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

NOTES 11 - HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. For the year ended June 30, 2009, \$1,352,210 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$452,018 to the Savannah Chamber of Commerce and \$226,077 to the Georgia International Convention Center).

NOTE 12 - INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances (including advances) as of June 30, 2009 are as follows:

<b>Due To</b>	<b>Due From</b>					<b>Total</b>
	<b>General</b>	<b>Water and Sewer</b>	<b>Rivers End RV Park</b>	<b>Hotel/Motel Tax</b>	<b>Nonmajor Governmental</b>	
General Fund	\$ -	\$ 314,969	\$ 458,969	\$ 128,026	\$ 4,389	\$ 906,353
SPLOST	3,873	-	-	-	-	3,873
<b>Total</b>	<b>\$ 3,873</b>	<b>\$ 314,969</b>	<b>\$ 458,969</b>	<b>\$ 128,026</b>	<b>\$ 4,389</b>	<b>\$ 910,226</b>

Interfund transfers for the twelve months ended June 30, 2009 consisted of the following:

<b>Transfer From</b>	<b>Transfer To</b>	
	<b>General</b>	<b>Total</b>
Hotel/Motel	\$ 678,115	\$ 678,115
<b>Total</b>	<b>\$ 678,115</b>	<b>\$ 678,115</b>

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 13 - DEFICIT FUND BALANCE

The following funds reported deficits in fund balances/net assets at June 30, 2009:

Emergency 911 Fund	\$ 8,571
Solid Waste Fund	161,449
Rivers End RV Park Fund	323,676

The fund deficits above will be reduced through increased user charges.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

NOTE 14 - 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 June 30, 2009, the City had three participants and recognized expenditures of \$12,365.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tybee Island, Georgia

SCHEDULE OF FUNDING PROGRESS

Year Ended June 30, 2009

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Liability as a Percentage of Covered Payroll</b>
5/1/2004	\$ 2,118,882	\$ 3,257,070	\$ 1,138,188	65.05%	\$ 1,830,243	62.19%
5/1/2005	2,451,611	3,686,830	1,235,219	66.50%	1,924,698	64.18%
5/1/2006	2,820,445	3,810,009	989,564	74.03%	2,109,394	46.91%
5/1/2007	3,182,033	4,157,135	975,102	76.54%	2,006,483	48.60%
5/1/2008	3,563,139	4,627,567	1,091,428	76.41%	2,411,627	45.26%
5/1/2009	2,805,362	4,941,486	2,136,124	56.77%	2,711,811	78.77%

City of Tybee Island, Georgia

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

Year Ended June 30, 2009

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
<b>Drainage</b>	\$ 3,616,428	\$ 400,000	\$ -	\$ -	\$ -
Inlet Avenue	-	-	174,537	-	174,537
Lulwater 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.	-	-	468,463	-	468,463
Soloman Avenue and Van Horne St.	-	-	115,603	-	115,603
Beach Side Streets	-	-	13,122	-	13,122
14th & 15th St. Parking Lots	-	-	69,140	26,195	95,335
12th Avenue	-	-	29,565	-	29,565
2nd & 13th-14th Street	-	-	154,579	-	154,579
Other Drainage Projects	-	-	-	-	-
Beach Renourishment	-	-	1,060,614	-	1,060,614
Debt service - beach renourishment	-	-	109,382	-	109,382
<b>Water Sewer</b>					
Elevated Water Tank	-	-	76,431	-	76,431
Debt service - Elevated Water Tank	-	-	545,761	-	545,761
<b>Public Safety</b>					
Fire Engine	160,000	-	160,000	-	160,000
Fire Department Equipment	66,000	-	57,209	-	57,209
<b>Miscellaneous Projects</b>	80,000	-	-	-	-
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>\$ 400,000</u>	<u>\$ 3,634,374</u>	<u>\$ 26,195</u>	<u>\$ 3,660,569</u>

City of Tybee Island, Georgia

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

Year Ended June 30, 2009

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
<b>Drainage</b>					
Drainage reconstruction/maintenance	\$ 200,000	\$ -	\$ 559	\$ -	\$ 559
Jones Avenue	350,000	-	-	-	-
North Beach Area	200,000	-	-	-	-
<b>Water and Sewer</b>					
Butler Avenue Water Line	817,000	-	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	629,456	82,522	-	82,522
<b>Roads</b>					
Various Improvements	250,000	-	-	-	-
<b>Other</b>					
Bike Paths	100,000	-	3,200	-	3,200
Police Facility	500,000	43,093	33,001	4,899	37,900
Beach Renourishment	1,000,000	-	1,000,000	-	1,000,000
Old Ford Theater, Guardhouse	600,000	60,000	766,249	8,576	774,825
Playground Equipment	200,000	-	196,559	-	196,559
Marine Rescue Squadron Facility	100,000	-	71,165	-	71,165
Other Capital (CIP)	100,000	-	-	-	-
Fire Department Equipment	-	-	163,310	-	163,310
South Beach Business District	-	-	764,381	-	764,381
Marine Science Center	600,000	600,000	-	-	-
	<u>\$ 6,425,000</u>	<u>\$ 1,332,549</u>	<u>\$ 5,226,679</u>	<u>\$ 13,475</u>	<u>\$ 5,240,154</u>

## **COMPLIANCE SECTION**

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

To the Honorable Mayor and  
Members of the City Council  
City of Tybee Island, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Tybee Island, Georgia as of and for the year ended June 30, 2009, which collectively comprise the City of Tybee Island, Georgia's basic financial statements and have issued our report thereon dated December 03, 2009. 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 opinions 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.

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 City of Tybee Island, Georgia'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 City of Tybee Island, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Tybee Island, Georgia's internal control.

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 City of Tybee Island, Georgia'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 internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the following paragraph.

*Compliance with bond covenant* – For the year ended June 30, 2009, the City was in violation of the rate covenant contained in the 2005 Water and Sewer Revenue Bond Ordinance. The Bond Ordinance states that the City is to provide net revenues which are at least 1.15 times the amount required to be paid into the debt service account in the then current sinking fund year.

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

*Reznick Group, P.C.*

Atlanta, Georgia  
December 03, 2009

City of Tybee Island, Georgia

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2009

**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>  X  </u> yes <u>    </u> none reported
Noncompliance material to financial statements noted?	<u>  X  </u> yes <u>    </u> no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2009 due to the total amount expended being less than \$500,000.

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2009 - 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 property taxes receivable on an accrual basis in the General Fund as of June 30, 2009.

Context: Reznick recalculated the receivable amount based on confirmations from the County.

Effect: An audit adjustment to increase property taxes receivable, increase property tax revenue, decrease allowance for bad debt, and increase deferred revenue, was required to be recorded within the General Fund as of June 30, 2009.

City of Tybee Island, Georgia

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

Year Ended June 30, 2009

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.

**2009 - 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 June 30, 2009.

Context: As a result of accounts receivable not being properly reconciled excessive amounts of manual journal entries are made for minimal amounts to properly state the account balances.

Effect: Audit adjustments were made to the various accounts and funds to properly record the receivable amounts that were noted as of June 30, 2009

Recommendation: We recommend the City begin recording all necessary accounts receivable adjustments at the end of each financial reporting cycle. We also recommend that reconciliations be performed outside of the accounting software and manual journal entries be approved before they are made in order to avoid an excessive number of manual journal entries.

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.

**2009 – 3. Internal Controls within the Enterprise Software**

Criteria: The City has procedures in place that require approvals from the Department Head, the Director of Finance or the City Manager, and a City Council member or the Mayor in order for a purchase order to be created, approved, and paid. This approval process is run through the City's accounting software.

City of Tybee Island, Georgia

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

Year Ended June 30, 2009

Condition: During a walkthrough of the internal controls it was noted that there were not restrictions on who could sign off to approve purchase orders in the system. For example, the staff accountant in charge of disbursements was able to sign off as the department head and the director of finance.

Context: See above condition.

Effect: With this weakness in the internal controls, an employee with the access to the accounting software would be able to approve fraudulent purchase orders which could result in a financial loss to the City.

Recommendation: We recommend the City contact the company that provides the accounting software and inquire whether additional restrictions can be added in the software so that only certain employees with the proper rights would be able to approve purchase orders.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. This control will be put into place subsequent to year end.

**2009 - 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 timely reconcile the fixed asset additions and deletions made during the year ended June 30, 2009.

Context: See above condition.

Effect: Capital asset additions and deletions were recorded through expense during the year and were not reconciled and capitalized as of June 30, 2009. As a result, after year-end, the director of finance had to go back through the expenses and reconcile all of the capital asset additions and deletions on the funds affected. This resulted in large audit entries to update and properly record the capital assets for the year ended June 30, 2009.

City of Tybee Island, Georgia

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

Year Ended June 30, 2009

**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 throughout the year to avoid large adjustments at year-end.

**Views of Responsible Officials and Planned Corrective Action:** We concur with the finding. We will review all fixed asset activity and properly record items added or deleted in accordance with GAAP.

**2009 - 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 properly or timely reconcile the accounts payable and accrued liability accounts throughout the year ended June 30, 2009.

**Context:** As a result of accounts payable and accrued liabilities not being properly reconciled excessive amounts of manual journal entries are made for minimal amounts to properly state the account balances.

**Effect:** Audit adjustments were made to properly accrue amounts that had not been recorded or reconciled on the various funds affected for the year-end June 30, 2009.

**Recommendation:** We recommend the City begin reconciling 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. We also recommend that reconciliations be performed outside of the accounting software and manual journal entries be approved before they are made in order to avoid excessive amounts of manual journal entries.

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

**2009 - 6. Management of Due to / From (Internal) Accounts and Pooled Cash Accounts**

**Criteria:** Generally accepted accounting principles require consideration of the collectability of receivables of all kinds whether external or internal to the City. As part of that process, the City

City of Tybee Island, Georgia

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

Year Ended June 30, 2009

should review the amounts (interfund receivables and payables) in each fund to determine if amounts should instead be treated as operating transfers in/out during any given fiscal year. Also, controls should be in place to ensure that expenditures from pooled cash accounts within individual funds do not exceed each applicable fund's share of the pooled cash.

Condition: The City's unadjusted trial balance reported significant amounts of overstated and understated pooled cash. In addition, large cash balances were recorded for cash amounts that had been withdrawn during the year. Adjustments were necessary to properly state the individual funds share of the pooled cash via adjustments to due to/due from accounts and transfers.

Context: As a result of internal accounts and cash not being properly reconciled an excessive number of manual journal entries are made for minimal amounts to properly state the account balances.

Effect: Audit adjustments were made to properly state the claim on pooled cash for those funds and accounts affected. In addition adjustments were made to record the large withdraws from cash accounts that went unrecorded during the year end June 30, 2009.

Recommendation: We recommend the City review all pooled cash accounts, and interfund receivables and payables on a quarterly basis and consider the need for settlement between funds at that time via transfers in/out by the respective funds. We also recommend that all cash accounts be reconciled on a monthly basis and all unreconciled items be investigated and manual journal entries be approved before they are made in order to avoid an excessive number of manual journal entries.

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

**2009 - 7. 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 Water and Sewer Fund during the year ended June 30, 2009. As of year-end, portions of the debt and escrow activity for new loans had not been recorded.

Context: See above condition.

City of Tybee Island, Georgia

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

Year Ended June 30, 2009

Effect: Audit adjustments were determined and made to properly record the loan and escrow balances on the Water and Sewer Fund as of June 30, 2009.

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.

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

Not Applicable

## **STATUS OF PRIOR YEAR AUDIT FINDINGS**

### **2008 - 1. Taxes Receivable**

For the period ending June 30, 2008, 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: Unresolved. See finding 2009 - 1.

### **2008 - 2. Accounts Receivable**

For the period ending June 30, 2008, the City did not appropriately 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.

Status: Unresolved. See finding 2009-2

### **2008 - 3. Maintenance of Equity/Fund Balance Accounts**

For the period ending June 30, 2008, the City did not properly post all prior year adjusting journal entries, thereby creating a difference in beginning Fund balance as compared to the prior year in the General Fund

Status: Resolved, all PY entries were booked.

### **2008 - 4. Management of Capital Asset Accounts**

For the period ending June 30, 2008, the City did not properly capitalize purchased assets in the Water and Sewer Fund and the Rivers End RV Park Fund.

Status: Unresolved. See 2009-4

### **2008 - 5. Management of Accounts Payable and Accrued Liabilities**

For the period ending June 30, 2008, the City did not properly report accounts payable liabilities as required under generally accepted accounting principles.

Status: Unresolved. See 2009-5

**2007 - 6. Management of prepaid assets**

For the period ending June 30, 2008, the City did not properly record prepaid expense and expenditure transactions.

Status: Resolved.

**2008 - 7. Management of Due to / From (Internal) Accounts**

For the year ending June 30, 2008, the City did not properly record the due to/from accounts in the General Fund and the E911 Fund.

Status: Unresolved. See 2009-7

**2008 - 8. Debt Transaction**

For the period ending June 30, 2008, the City did not properly record debt activity of the Water Sewer Fund.

Status: Unresolved. See 2009-8