

CITY OF TYBEE ISLAND, GEORGIA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

For the Year Ended June 30, 2012

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, each major fund, and the aggregate remaining fund information, of the City of Tybee Island, Georgia (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tybee Island, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Emergency 911 Fund, and the Hotel/Motel Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2013, 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 54 through 63 and the required supplementary information on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of American, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tybee Island, Georgia's financial statements as a whole. The introductory section and the combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Baird & Company, CPAs, LLC

Augusta, Georgia
July 24, 2013

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

As management of the City of Tybee Island (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2012 are as follows:

- The assets of the City of Tybee Island exceeded its liabilities at the close of the fiscal year by \$22,568,026 (net assets). Of this amount, \$14,997,826 is invested in capital assets, net of related debt; \$5,380,072 is restricted; and \$2,190,128 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,514,876 as compared to a increase of \$1,370,312 in the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$4,076,061, an increase of \$905,035 over the prior fiscal year.
- The SPLOST Fund has \$3,223,376 available to spend on designated capital projects.
- Certain prior year balances have been restated to compare to current year presentation. See Note 15 page 53.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to those financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net assets and the statement of activities, which are described below.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two 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 is improving or deteriorating. It is important to note that this statement consolidates the governmental fund's current financial resources (short-term) with capital assets and long-term liabilities.

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and planning and development.

The business-type activities of the City include water and sewer, campground park, and sanitation. The City's government-wide financial statements are presented on pages 16 and 17.

Reporting the City's Most Significant Funds

Unlike government-wide financial statements, the focus of fund financial statements is directed at specific activities of the City rather than the City as a whole. Except for the General Fund, a special revenue fund is established to satisfy managerial control over committed resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The City's fund financial statements are divided into two broad categories, namely, (1) governmental funds and (2) proprietary funds.

Governmental Funds

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a fiscal year, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the statement of revenues, expenditures, and changes in fund balances for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because different accounting basis are used to prepare fund financial statements, there are often significant differences between the totals presented in these financial statements. For this reason, there is an analysis at the bottom of the balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, on page 21, there is a reconciliation of the statement of revenues, expenditures, and changes in fund balance of governmental funds to the statement of activities.

The City presents in separate columns funds that are most significant to the City (major funds) and all other governmental funds are aggregated and reported in a single column (non-major funds). The City's governmental fund financial statements are presented on pages 13 and 15.

Proprietary Funds

Proprietary fund financial statements consist of a statement of net assets, the statement of revenues, expenses, and changes in net assets and statement of cash flows, which are prepared on the accrual basis of accounting. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds.

The City uses Enterprise Funds to account for business-type activities that typically charge fees to customers for the use of specific goods or services. Balances and activities accounted for in the City's Enterprise Funds are also reported in the business-type activities columns of the government-wide financial statements and used the same basis of accounting as the government-wide statements.

The City presents in separate columns Enterprise Funds that are most significant to the City (major enterprise funds) and all other Enterprise Funds are aggregated and reported in a single column. A statement of cash flows is presented at the fund financial statement level for proprietary funds.

The City's proprietary fund financial statements are presented on pages 23 to 25.

**CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for the past two fiscal years are summarized as follows based on the information included in the government-wide financial statements (see pages 16 and 17).

	<u>2012</u>	<u>2011 restated</u>	<u>2012</u>	<u>2011 restated</u>	<u>2012</u>	<u>2011 restated</u>
Current and other assets	\$ 8,081,353	\$ 6,539,041	\$ 1,099,196	\$ 540,798	\$ 9,180,549	\$ 7,079,839
Capital assets, net	<u>6,598,275</u>	<u>6,432,165</u>	<u>19,936,760</u>	<u>20,766,544</u>	<u>26,535,035</u>	<u>27,198,709</u>
Total assets	<u>14,679,628</u>	<u>12,971,206</u>	<u>21,035,956</u>	<u>21,307,342</u>	<u>35,715,584</u>	<u>34,278,548</u>
Other liabilities	1,207,962	1,345,095	1,843,054	1,007,663	3,051,016	2,352,758
Long-term liabilities	<u>62,542</u>	<u>-</u>	<u>10,872,445</u>	<u>11,872,640</u>	<u>10,934,987</u>	<u>11,872,640</u>
Total liabilities	<u>1,270,504</u>	<u>1,345,095</u>	<u>12,715,499</u>	<u>12,880,303</u>	<u>13,986,003</u>	<u>14,225,398</u>
Net assets:						
Invested in capital assets, net of related debt	6,520,157	6,145,823	8,477,669	8,709,083	14,997,826	14,854,906
Restricted	3,218,296	1,540,601	2,161,776	443,573	5,380,072	1,984,174
Unrestricted	<u>3,670,671</u>	<u>3,939,687</u>	<u>(1,480,543)</u>	<u>(725,617)</u>	<u>2,190,128</u>	<u>3,214,070</u>
Total net assets	<u>\$ 13,409,124</u>	<u>\$ 11,626,111</u>	<u>\$ 9,158,902</u>	<u>\$ 8,427,039</u>	<u>\$ 22,568,026</u>	<u>\$ 20,053,150</u>

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Financial Position

The total net assets of the City increased \$2,514,876 or 12.5%, from \$20,053,150 to \$22,568,026 as noted in the following table.

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011 restated</u>	<u>2012</u>	<u>2011 restated</u>	<u>2012</u>	<u>2011 restated</u>
Revenues:						
Program revenues						
Charges for services	\$ 3,557,577	\$ 3,477,678	\$ 4,225,010	\$ 4,382,843	\$ 7,782,587	\$ 7,860,521
Operating grants and contributions	1,346	1,299	-	-	1,346	1,299
Capital grants and contributions	174,578	320,561	-	-	174,578	320,561
General revenues:						
Property taxes	1,923,041	2,689,579	-	-	1,923,041	2,689,579
Sales taxes	1,432,968	1,339,678	-	-	1,432,968	1,339,678
Franchise taxes	426,620	402,702	-	-	426,620	402,702
SPLOST	1,492,107	846,717	-	-	1,492,107	846,717
Hotel / Motel Taxes	2,120,150	1,748,197	-	-	2,120,150	1,748,197
Other revenues	50,786	24,454	-	-	50,786	24,454
Gain on sale of assets	12,682	856	-	-	12,682	856
Unrestricted investment earnings	22,186	27,031	20,032	38,640	42,218	65,671
Total revenues	<u>11,214,041</u>	<u>10,878,752</u>	<u>4,245,042</u>	<u>4,421,483</u>	<u>15,459,083</u>	<u>15,300,235</u>
Expenses:						
General government	1,726,346	2,007,679	-	-	1,726,346	2,007,679
Judicial	21,489	13,652	-	-	21,489	13,652
Public safety	2,704,672	2,950,808	-	-	2,704,672	2,950,808
Public works	1,730,894	1,904,213	-	-	1,730,894	1,904,213
Culture and recreation	2,176,112	2,354,557	-	-	2,176,112	2,354,557
Planning and development	863,710	901,123	-	-	863,710	901,123
Other expenses	307	-	-	-	307	-
Water & sewer	-	-	2,088,546	2,176,083	2,088,546	2,176,083
Solid Waste	-	-	666,329	666,124	666,329	666,124
RV Park	-	-	965,802	955,684	965,802	955,684
Total expenses	<u>9,223,530</u>	<u>10,132,032</u>	<u>3,720,677</u>	<u>3,797,891</u>	<u>12,944,207</u>	<u>13,929,923</u>
Increase in net assets before transfers	<u>1,990,511</u>	<u>746,720</u>	<u>524,365</u>	<u>623,592</u>	<u>2,514,876</u>	<u>1,370,312</u>
Transfers	<u>(207,498)</u>	<u>(260,457)</u>	<u>207,498</u>	<u>260,457</u>	<u>-</u>	<u>-</u>
Changes in net assets	1,783,013	486,263	731,863	884,049	2,514,876	1,370,312
Net assets, beginning of year	11,626,111	10,877,479	8,427,039	6,648,233	20,053,150	17,525,712
Restatement of prior year balance	-	262,369	-	894,757	-	1,157,126
Net assets, end of year	<u>\$ 13,409,124</u>	<u>\$ 11,626,111</u>	<u>\$ 9,158,902</u>	<u>\$ 8,427,039</u>	<u>\$ 22,568,026</u>	<u>\$ 20,053,150</u>

Governmental Activities

Net assets for governmental activities increased \$1,783,013 or 15.3%. Governmental revenues increased \$335,289 or 3.1%. Property taxes decreased \$766,538 or 28.5% because of a decline in appraised property values due to approval of taxpayers' appeals; SPLOST revenues increased \$645,390 or 76.22% because revenues from the 2009 resolution did not begin until October 2010 and revenues are increasing as the economy improves. Hotel taxes increased \$371,953 or 21% as the economy continues to improve. Grant revenues decreased \$145,983 or 45.5% due to a reduction in grants. Sales taxes increased \$93,290 or 7% as the economy continues to improve.

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Governmental Expenses decreased from \$10,132,032 to \$9,223,530 or \$908,502 (8.8%). Prior year expenditures included significant increases in accruals for compensated absences; higher depreciation costs as well as the removal of expenses for River's End RV Park from the General Fund and the establishment of the River's End RV Park being as an Enterprise Fund.

Business-Type Activities

Net assets for business type activities increased \$731,863 from the prior fiscal year. The activities of each enterprise fund are discussed below.

Water and Sewer Fund

Comparison of current year and prior year operations can be seen in the table below. Operating income for the Water and Sewer Fund was \$751,655 compared to \$712,767 in the prior fiscal year, an increase of \$38,888 or 5.4%. In 2011 the Water and Sewer fund received a transfer from the General fund for \$293,264. There were no transfers in 2012.

City of Tybee Island, Water and Sewer Fund

	2012	2011	\$ Change	% Change	
Operating revenues	\$ 2,632,689	\$ 2,664,531	\$ (31,842)	(1.20)	%
Operating expenses					
Personnel services	453,650	499,580	(45,930)	(9.19)	
Administrative	144,000	144,000	-	-	
Supplies	360,473	333,667	26,806	8.03	
Miscellaneous	417,959	551,104	(133,145)	(24.16)	
Amortization	14,221	14,606	(385)	(2.64)	
Depreciation	490,731	408,807	81,924	20.04	
	<u>1,881,034</u>	<u>1,951,764</u>	<u>(70,730)</u>	<u>(3.62)</u>	
Operating Income (loss)	<u>751,655</u>	<u>712,767</u>	<u>38,888</u>	<u>5.46</u>	
Non-operating revenues (expenses)					
Interest revenue	20,032	38,640	(18,608)	(48.16)	
Interest expense	(207,512)	(224,319)	16,807	(7.49)	
Transfers in (out)	-	293,264	(293,264)	(100.00)	
	<u>(187,480)</u>	<u>107,585</u>	<u>(295,065)</u>	<u>(274.26)</u>	
Net income (loss)	<u>\$ 564,175</u>	<u>\$ 820,352</u>	<u>(256,177)</u>	<u>(31.23)</u>	%

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
JUNE 30, 2012

Solid Waste Collection Fund

The schedule below compares the current year and prior year operations for the Solid Waste Collection Fund. Operating losses were \$75,083 in 2012 compared to \$43,403 in the prior year. Revenues were \$591,246 in the current year compared to \$622,721 in the prior year. Operating expenses were \$666,329 compared to \$666,124 in the prior year. At June 30, 2012, the deficit in this fund is \$328,369. This deficit will be cured by a transfer from the General Fund in fiscal 2013.

City of Tybee Island, Solid Waste Collection Fund

	2012	2011	\$ Change	% Change
Operating revenues	\$ 591,246	\$ 622,721	\$ (31,475)	(5.05) %
Operating expenses				
Sanitation services	649,083	639,181	9,902	1.55
Administrative	9,000	9,000	-	-
Miscellaneous	8,246	17,943	(9,697)	(54.04)
	<u>666,329</u>	<u>666,124</u>	<u>205</u>	<u>0.03</u>
Operating Income (loss)	<u>(75,083)</u>	<u>(43,403)</u>	<u>(31,680)</u>	<u>72.99</u>
Non-operating revenues (expenses)				
Transfers in (out)	-	(32,807)	32,807	(100.00)
	<u>-</u>	<u>(32,807)</u>	<u>32,807</u>	<u>(100.00)</u>
Net income (loss)	<u>\$ (75,083)</u>	<u>\$ (76,210)</u>	<u>1,127</u>	<u>(1.48) %</u>

River's End RV Park Fund

The schedule below compares the current year and prior year operations for the River's End RV Park Fund. Net income for the River's End RV Park fund was \$242,771 compared to \$139,907 in the prior year. Transfers from the General Fund of \$207,498 were made to cover debt service principal. Revenues in 2012 were \$1,001,075 compared to \$1,095,591 in the prior year. Operating expenses were \$671,313 in 2012 compared to \$647,524 in the prior year.

City of Tybee Island, River's End RV Park Fund

	2012	2011	\$ Change	% Change
Operating revenues	\$ 1,001,075	\$ 1,095,591	\$ (94,516)	(8.63) %
Operating expenses				
Personnel services	269,883	252,590	17,293	6.85
Administrative	163,812	173,045	(9,233)	(5.34)
Supplies	213,993	183,443	30,550	16.65
Amortization	4,650	4,650	-	-
Depreciation	18,975	33,796	(14,821)	(43.85)
	<u>671,313</u>	<u>647,524</u>	<u>23,789</u>	<u>3.67</u>
Operating Income (loss)	<u>329,762</u>	<u>448,067</u>	<u>(118,305)</u>	<u>(26.40)</u>
Non-operating revenues (expenses)				
Interest expense	(294,489)	(308,160)	13,671	(4.44)
Transfers in (out)	207,498	-	207,498	-
	<u>(86,991)</u>	<u>(308,160)</u>	<u>221,169</u>	<u>(71.77)</u>
Net income (loss)	<u>\$ 242,771</u>	<u>\$ 139,907</u>	<u>102,864</u>	<u>73.52 %</u>

**CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
JUNE 30, 2012**

Financial Analysis of the City's Funds

As noted earlier, the City of Tybee Island uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Balance

The City's combined fund balances as of the end of the current fiscal year for governmental funds, presented on page 18, were \$7,307,614 compared to \$5,508,767 in the prior fiscal year.

City of Tybee Island Governmental Fund Balance

	<u>2012</u>	<u>2011 Restated</u>	<u>\$ Change</u>
General Fund	\$ 4,076,061	\$ 3,547,185	\$ 528,876
Hotel / Motel Tax Fund	-	-	-
SPLOST Funds	3,223,376	1,953,597	1,269,779
Nonmajor Funds	8,177	7,985	192
Total Governmental Fund Balance	<u>7,307,614</u>	<u>5,508,767</u>	<u>1,798,847</u>

Changes in governmental fund balances are reflected in the table on the next page.

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
JUNE 30, 2012

City of Tybee Island Changes in Governmental Fund Balance

	<u>2012</u>	<u>2011 Restated</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Property Taxes	\$ 1,839,837	\$ 2,200,589	(360,752)	(16.39) %
Sales taxes	1,085,309	1,006,685	78,624	7.81
Hotel Motel Taxes	2,120,150	1,748,197	371,953	21.28
Franchise taxes	426,620	402,702	23,918	5.94
Insurance premium taxes	141,243	183,337	(42,094)	(22.96)
Alcohol Taxes	283,345	273,828	9,517	3.48
Other taxes	70,864	96,473	(25,609)	(26.55)
Licenses and permits	203,344	196,360	6,984	3.56
SPLOST	1,492,107	846,717	645,390	76.22
Grants	171,641	315,905	(144,264)	(45.67)
Fines and forfeitures	815,998	880,436	(64,438)	(7.32)
Charges for services	2,497,947	2,455,414	42,533	1.73
Interest revenue	23,532	28,330	(4,798)	(16.94)
Other revenues	94,011	45,484	48,527	106.69
Total revenues	<u>\$ 11,265,948</u>	<u>\$ 10,680,457</u>	<u>\$ 585,491</u>	<u>5.48</u>
Expenditures				
Current:				
General government	\$ 1,757,749	\$ 1,980,406	(222,657)	(11.24)
Judicial	21,489	13,652	7,837	57.41
Public safety	2,771,438	2,353,849	417,589	17.74
Public works	1,790,703	1,933,445	(142,742)	(7.38)
Culture and recreation	2,095,933	1,785,539	310,394	17.38
Planning and development	891,442	786,752	104,690	13.31
Debt service:				
Principal (net of refunding)	25,558	42,905	(17,347)	(40.43)
Interest	307	1,519	(1,212)	(79.79)
Total expenditures	<u>9,354,619</u>	<u>8,898,067</u>	<u>456,552</u>	<u>5.13</u>
Excess of revenues over expenditures	<u>1,911,329</u>	<u>1,782,390</u>	<u>128,939</u>	<u>7.23 %</u>
Proceeds from sale of assets	12,682	856	11,826	
Proceeds from capital lease	82,333		82,333	
Transfers in	1,130,128	772,480	357,648	
Transfers out	(1,337,625)	(1,068,435)	(269,190)	
Total other financing sources (uses)	<u>(112,482)</u>	<u>(295,099)</u>	<u>182,617</u>	
Net change in fund balances	<u>\$ 1,798,847</u>	<u>\$ 1,487,291</u>	<u>\$ 311,556</u>	

Excess of revenues over expenditures prior to other financing sources (uses) in the Governmental Funds for the current fiscal year was \$1,911,329 as compared to \$1,782,390 in the prior fiscal year, an increase of \$128,939 or 7.23%.

Overall governmental revenues increased \$585,491 or 5.48%. The more significant changes were property taxes which decreased \$360,752 or 16.39% because the assessment of property values declined; Hotel motel taxes increased \$371,953 or 21.28% as the general economy improves; SPLOST revenues increased \$645,390 or 76.22% as we had a full year of revenue recognition in 2012 and the general economy improved. Grant revenue decreased \$144,264 or 45.67% because a grant from the Georgia Environmental Facilities Authority was nearing completion at June 30, 2011.

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
JUNE 30, 2012

Overall governmental expenditures increased \$456,552 or 5.13%. The more significant changes were a decrease in general government expenditures of \$222,657 or 11% as reimbursable grant expenditures recognized in the prior year were no longer available in 2012. Public safety expenses increased \$417,589 or 17.74% as a result of increased expenditures for equipment from the General Fund and SPLOST funds as well as general increases in spending in this category; Culture and recreation expenses increased \$310,394. Approximately \$190,000 of this increase is related to increases in Hotel Motel taxes and the related increase in amounts paid to Chatham County. The remainder of the increase in Culture and recreation expense is related to general increases in expenses. Planning and development expenses increased \$104,690 or 13.31% because of an increase in personnel and because of expenses for leased equipment.

General Fund Budgetary Highlights

The final amended budgets passed by the City Council anticipated using fund balance of \$1,017,443. Actual results, in fact, added fund balance to \$528,876.

A comparison of the final budgetary figures and the actual budgetary figures for revenues are located on page 23. Realized General Fund revenues were \$933,811 less than budgeted, however, this short fall was more than offset by reduced expenditures which were \$1,652,913 less than budgeted and transfers out to other funds was \$827,837 less than budgeted.

Following are some of the more significant variances between budgeted and actual results.

- Tax revenues were \$416,655 less than budgeted because of a decline in assessed property value.
- Fines and forfeitures were \$501,189 less than budgeted because of the decline in crime.
- General government expenditures were \$1,222,926 less than budgeted because of austerity measures implemented by management.
- Culture and recreation expenditures were \$196,514 less than budgeted primarily because the city only expended \$79,656 out of \$216,000 budgeted for costs related to beach re-nourishment saving \$148,365; and saved \$40,239 from the Park Administration budget for personnel costs and capital outlay.

**CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
JUNE 30, 2012**

Capital Asset and Debt Administration

Capital Assets

The City has invested \$26,952,951 in capital assets (net of depreciation). Capital assets held by the City at the end of the current and previous fiscal years are summarized as follows:

City of Tybee Island, Capital Assets, net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011 restated</u>	<u>2012</u>	<u>2011 restated</u>	<u>2012</u>	<u>2011 restated</u>
Land	\$ 1,008,070	\$ 1,008,070	\$ 6,973,632	\$ 6,973,632	\$ 7,981,702	\$ 7,981,702
Construction in Progress	18,176	314,586	-	-	18,176	314,586
Land Improvements	1,655,199	1,405,967	784,297	823,197	2,439,496	2,229,164
Buildings	2,354,353	2,356,865	8,122	10,493	2,362,475	2,367,358
Utility Plant and Equipment			12,282,230	12,637,788	12,282,230	12,637,788
Machinery and equipment	1,562,477	1,346,677	306,395	321,434	1,868,872	1,668,111
	<u>\$ 6,598,275</u>	<u>\$ 6,432,165</u>	<u>\$ 20,354,676</u>	<u>\$ 20,766,544</u>	<u>\$ 26,952,951</u>	<u>\$ 27,198,709</u>

Capital assets have decreased as a result of depreciation in excess of capital additions. The detailed capital assets schedule is reported in Note 5 of the footnotes to the financial statements.

Long-term Debt

At the end of the current fiscal year, the City had long-term debt related to business-type activities of \$11,877,007. Bonds, notes, and capital leases outstanding as of the fiscal year ended June 30, 2012 are fully secured by the full faith and credit of the City. Business-type activities debt is secured by water and sewer, and River's End RV Park campground revenues.

The debt position of the City is summarized below and is more fully analyzed in Note 6 of the footnotes to the financial statements.

City of Tybee Island Outstanding Long-Term Liabilities

	<u>2012</u>	<u>2011</u>
Governmental Activities		
Notes Payable	\$ -	\$ 21,342
Capital Leases	78,118	-
	<u>\$ 78,118</u>	<u>\$ 21,342</u>
Business-type Activities		
Chatham Co Recreation Bond	\$ 5,930,000	\$ 6,195,000
Water & Sewer - Series 2005	600,000	735,000
Georgia Environmental Facility Authority Notes Payable	5,347,007	5,909,482
	<u>\$ 11,877,007</u>	<u>\$ 12,839,482</u>

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
JUNE 30, 2012

Economic Factors and Next Fiscal Year's Budgets and Rates

Regional economic trends that affect the financial conditions of the City of Tybee Island are generally favorable. The City of Tybee Island, along with most of the other coastal economies, continues to experience increased revenues as a result of the recovering economy. As a result, service levels and revenue projections will be adjusted as economic conditions dictate. Legislation was passed by the State that will reduce the ad valorem taxes collected for motor vehicles in May of 2013. The City shall continue to work with the Tybee Tourism Commission and event planners to promote the City and generate revenue for the community.

The City expects keep the millage rate the same at 4.18 mills as the City anticipates the property tax digest to increase marginally.

All of these factors, as well as others referred to elsewhere in this report, were taken into consideration in preparing the budget for the General Fund for the year ended June 30, 2013. These budgetary changes are expected to offset declines in certain grants that have been traditionally made by the state and federal governments.

In addition to increases in revenue sources, the City has implemented a plan to better control operating expenditures for the next budgetary period. These strategies include cost reduction strategies for most departments.

If the strategies described above are realized, the City's budgetary fund balance for the General Fund is expected to increase by approximately 2% by the end of the 2013 fiscal year.

Overall, the business-type activities conducted by the City are expected to continue to improve. Most of these favorable results are expected to be related to the operations of the Water and Sewer Fund. The City plans to increase the water & sewer rates based on the consumer price index over the last three years. The increase in water & sewer rates will aid the City in accumulating enough retained earnings in future years to pay for the cost of capital outlay projects and eliminate the need to incur loans.

The City plans to increase the sanitation rates because the Solid Waste Fund is not generating enough revenue to cover its cost.

The activities of the River's End RV Park are expected to increase modestly and its financial position is not expected to change significantly by the end of the 2013 fiscal year. Although the user charges were increased, these increases in revenues will most likely be offset by the costs related to re-paying campground's debt service in the upcoming year.

CITY OF TYBEE ISLAND, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS- Continued
JUNE 30, 2012

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department, City of Tybee Island, 403 Butler Avenue, Tybee Island, Georgia or (912) 472-5021.

BASIC FINANCIAL STATEMENTS

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 557,533	\$ 298,676	\$ 856,209
Investments	2,567,597	-	2,567,597
Accounts receivable, net of allowances	1,077,817	562,085	1,639,902
Taxes receivable, net of allowances	426,323	-	426,323
Internal balances	417,918	(417,918)	-
Prepaid items	169,741	27,580	197,321
Total current assets	5,216,929	470,423	5,687,352
Restricted assets			
Restricted cash	2,864,424	-	2,864,424
Restricted investments	-	463,588	463,588
Capital assets			
Nondepreciable capital assets	1,026,246	6,973,632	7,999,878
Depreciable capital assets, net	5,572,029	13,381,044	18,953,073
Other assets			
Bond issuance costs, net	-	165,187	165,187
Total assets	14,679,628	21,453,874	36,133,502
LIABILITIES			
Current Liabilities			
Accounts payable	471,409	194,826	666,235
Accrued expenses	92,755	40,420	133,175
Compensated absences payable	628,222	35,429	663,651
Accrued interest	-	147,290	147,290
Lease payable	15,576	-	15,576
Notes and bonds payable	-	1,007,243	1,007,243
Total current liabilities	1,207,962	1,425,208	2,633,170
Long-term liabilities			
Lease payable	62,542	-	62,542
Notes and bonds payable	-	10,869,764	10,869,764
Total liabilities	1,270,504	12,294,972	13,565,476
NET ASSETS			
Invested in capital assets, net of related debt	6,520,157	8,477,669	14,997,826
Restricted for:			
Capital outlays	3,202,720	1,154,533	4,357,253
Debt service	15,576	1,007,243	1,022,819
Unrestricted	3,670,671	(1,480,543)	2,190,128
Total net assets	\$ 13,409,124	\$ 9,158,902	\$ 22,568,026

The accompanying notes are an integral part of these financial statements

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Interest	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,726,346	\$ 2,466,494	\$ 1,346	\$ 2,937	\$ 744,431	\$	\$ 744,431
Judicial	21,489	-	-	-	(21,489)		(21,489)
Public safety	2,704,672	887,739	-	171,641	(1,645,292)		(1,645,292)
Public works	1,730,894	203,344	-	1,492,107	(35,443)		(35,443)
Culture and recreation	2,176,112	-	-	-	(2,176,112)		(2,176,112)
Housing and community development	863,710	-	-	-	(863,710)		(863,710)
Interest expense	307	-	-	-	(307)		(307)
Total governmental activities	9,223,530	3,557,577	1,346	1,666,685	(3,997,922)		(3,997,922)
Business-type activities:							
Water and Sewer Fund	2,088,546	2,632,691	-	-	-	544,145	544,145
Solid Waste Collection Fund	666,329	591,246	-	-	-	(75,083)	(75,083)
River's End RV Park Fund	965,802	1,001,073	-	-	-	35,271	35,271
Total business-type activities	3,720,677	4,225,010	-	-	-	504,333	504,333
Total primary government	\$ 12,944,207	\$ 7,782,587	\$ 1,346	\$ 1,666,685	(3,997,922)	504,333	(3,493,589)
General revenues:							
Property taxes					1,923,041	-	1,923,041
Sales taxes					1,432,968	-	1,432,968
Franchise taxes					426,620	-	426,620
Hotel/Motel- taxes					2,120,150	-	2,120,150
Hotel/Motel- other revenues					50,786	-	50,786
Unrestricted investment earnings					22,186	20,032	42,218
Proceeds from sale of capital assets					12,682	-	12,682
Transfers					(207,498)	207,498	-
Total general revenues and transfers					5,780,935	227,530	6,008,465
Change in net assets					1,783,013	731,863	2,514,876
Net assets, beginning of year (restated)					11,626,111	8,427,039	20,053,150
Net assets, end of year					\$ 13,409,124	\$ 9,158,902	\$ 22,568,026

The accompanying notes are an integral part of these financial statements

CITY OF TYBEE ISLAND, GEORGIA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Hotel/ Motel Tax Fund	SPLOST Funds	Nonmajor Emergency 911 Fund	Nonmajor Grant Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 426,394	\$ 106,184	\$ -	\$ 272	\$ 24,683	\$ 557,533
Investments	2,567,597	-	-	-	-	2,567,597
Receivables, net	248,897	387,884	384,860	10,017	46,159	1,077,817
Taxes receivable, net	426,323	-	-	-	-	426,323
Interfund receivables	682,342	-	-	-	-	682,342
Prepaid expenses	169,741	-	-	-	-	169,741
Restricted cash	3,867	-	2,860,557	-	-	2,864,424
 Total assets	\$ 4,525,161	\$ 494,068	\$ 3,245,417	\$ 10,289	\$ 70,842	\$ 8,345,777
 LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 148,781	\$ 300,587	\$ 22,041	\$ -	\$ -	\$ 471,409
Accrued expenditures	90,744	-	-	2,011	-	92,755
Deferred revenues	209,575	-	-	-	-	209,575
Interfund payables	-	193,481	-	101	70,842	264,424
 Total liabilities	449,100	494,068	22,041	2,112	70,842	1,038,163
 Fund Balances						
Nonspendable						
Prepaid	169,741	-	-	-	-	169,741
Restricted for:						
Capital projects	-	-	3,223,376	-	-	3,223,376
Committed	3,202,720	-	-	-	-	3,202,720
Assigned	18,094	-	-	-	-	18,094
Unassigned	685,506	-	-	8,177	-	693,683
 Total fund balances	4,076,061	-	3,223,376	8,177	-	7,307,614
 Total liabilities and fund balances	\$ 4,525,161	\$ 494,068	\$ 3,245,417	\$ 10,289	\$ 70,842	\$ 8,345,777

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
JUNE 30, 2012

Total fund balances - governmental funds \$ 7,307,614

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund statement, but are reported in the governmental activities of the Statement of Net Assets

Those assets consist of:

Land	1,008,070
Construction in process	18,176
Land improvements	2,599,690
Buildings and improvements	3,564,121
Machinery and equipment	4,373,688
Accumulated depreciation	<u>(4,965,470)</u>

Total capital assets 6,598,275

Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long term liabilities at year end consist of :

Capital lease payable	(78,118)
Compensated absences payable	<u>(628,222)</u>

Total long term liabilities (706,340)

Taxes that are not available to pay for the current period expenditures are deferred in the funds.

Property taxes	<u>209,575</u>
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Net assets of governmental activities \$ 13,409,124

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Hotel/ Motel Tax Fund	SPLOST Funds	Nonmajor Emergency 911 Fund	Nonmajor Grant Fund	Total Governmental Funds
REVENUES						
Taxes	\$ 3,847,218	\$ 2,120,150	\$ -	\$ -	\$ -	\$ 5,967,368
Licenses and permits	203,344	-	-	-	-	203,344
Intergovernmental	-	-	1,492,107	-	171,641	1,663,748
Charges for services	2,426,206	-	-	71,741	-	2,497,947
Fines and forfeitures	815,998	-	-	-	-	815,998
Investment earnings	22,186	-	1,346	-	-	23,532
Contributions and donations	2,937	-	-	-	-	2,937
Other revenues	40,288	50,786	-	-	-	91,074
Total revenues	<u>7,358,177</u>	<u>2,170,936</u>	<u>1,493,453</u>	<u>71,741</u>	<u>171,641</u>	<u>11,265,948</u>
EXPENDITURES						
Current expenditures:						
General government	1,659,637	-	-	-	-	1,659,637
Judicial	21,489	-	-	-	-	21,489
Public safety	2,504,298	-	-	71,502	-	2,575,800
Public works	1,587,201	-	-	-	-	1,587,201
Culture and recreation	947,869	1,065,539	-	-	-	2,013,408
Housing and development	794,321	-	-	-	-	794,321
Debt service:						
Principal	25,558	-	-	-	-	25,558
Interest	307	-	-	-	-	307
Capital outlay:						
General government	98,111	-	-	-	-	98,111
Public safety	47,860	-	110,600	-	37,178	195,638
Public works	-	-	89,553	-	113,949	203,502
Culture and recreation	65,500	-	17,025	-	-	82,525
Housing and development	61,380	-	6,496	-	29,245	97,121
Total expenditures	<u>7,813,531</u>	<u>1,065,539</u>	<u>223,674</u>	<u>71,502</u>	<u>180,372</u>	<u>9,354,618</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(455,354)</u>	<u>1,105,397</u>	<u>1,269,779</u>	<u>239</u>	<u>(8,731)</u>	<u>1,911,330</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease	82,333	-	-	-	-	82,333
Sale of capital assets	12,682	-	-	-	-	12,682
Transfer in	1,105,444	-	-	-	8,731	1,114,175
Transfer out	(216,229)	(1,105,397)	-	(47)	-	(1,321,673)
Total other financing sources (uses)	<u>984,230</u>	<u>(1,105,397)</u>	<u>-</u>	<u>(47)</u>	<u>8,731</u>	<u>(112,483)</u>
CHANGE IN FUND BALANCES	528,876	-	1,269,779	192	-	1,798,847
FUND BALANCES, BEGINNING OF YEAR, PREVIOUSLY REPORTED	<u>3,171,026</u>	<u>-</u>	<u>1,250,395</u>	<u>7,985</u>	<u>-</u>	<u>4,429,406</u>
PRIOR PERIOD ADJUSTMENT	<u>376,159</u>	<u>-</u>	<u>703,202</u>	<u>-</u>	<u>-</u>	<u>1,079,361</u>
FUND BALANCES, BEGINNING OF YEAR, RESTATED	<u>3,547,185</u>	<u>-</u>	<u>1,953,597</u>	<u>7,985</u>	<u>-</u>	<u>5,508,767</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,076,061</u>	<u>\$ -</u>	<u>\$ 3,223,376</u>	<u>\$ 8,177</u>	<u>\$ -</u>	<u>\$ 7,307,614</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 – GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net changes in governmental fund balances \$ 1,798,847

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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	676,897	
Depreciation expense	<u>(528,963)</u>	<u>147,934</u>

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenues 6/30/2012	209,575	
Deferred revenues 6/30/2011	<u>(274,164)</u>	<u>(64,589)</u>

The issuance of long term debt (bonds, notes, leases) provides current financial resources to the governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of the governmental funds.

Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items

Principal retirements	25,558	
Increase in vacation pay earned and not used	(42,403)	
Less: Issuance of debt	<u>(82,334)</u>	<u>(99,179)</u>

Change in net assets of governmental activities \$ 1,783,013

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 – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amount</u>		Actual Amount	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Over (Under)
REVENUES				
Taxes	\$ 4,011,296	\$ 4,263,873	\$ 3,847,218	\$ (416,655)
Licenses and permits	161,400	204,094	203,344	(750)
Charges for services	3,059,507	2,379,211	2,426,206	46,995
Fines and forfeitures	1,305,000	1,317,187	815,998	(501,189)
Investment earnings	25,000	25,000	22,186	(2,814)
Other revenues	<u>90,857</u>	<u>102,623</u>	<u>43,225</u>	<u>(59,398)</u>
 Total revenues	 <u>8,653,060</u>	 <u>8,291,988</u>	 <u>7,358,177</u>	 <u>(933,811)</u>
EXPENDITURES				
Current				
General government	1,878,758	2,980,674	1,757,748	(1,222,926)
Judicial	23,200	23,200	21,489	(1,711)
Public safety	2,557,150	2,602,655	2,552,158	(50,497)
Public works	1,674,576	1,682,184	1,587,201	(94,983)
Culture and recreation	2,475,047	1,209,883	1,013,369	(196,514)
Housing and development	876,383	924,942	855,701	(69,241)
Debt Service:				
Principal	41,387	41,387	25,558	(15,829)
Interest and other charges	<u>1,519</u>	<u>1,519</u>	<u>307</u>	<u>(1,212)</u>
 Total expenditures	 <u>9,528,020</u>	 <u>9,466,444</u>	 <u>7,813,531</u>	 <u>(1,652,913)</u>
 Excess (deficiency) of revenues over expenditures	 <u>(874,960)</u>	 <u>(1,174,456)</u>	 <u>(455,354)</u>	 <u>719,102</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	7,350	12,682	12,682	-
Capital leases	83,000	83,000	82,333	(667)
Prior year fund balance	102,650	1,017,443	-	(1,017,443)
Transfers in	850,000	1,105,397	1,105,444	47
Transfer out	<u>-</u>	<u>(1,044,066)</u>	<u>(216,229)</u>	<u>827,837</u>
 Total other financing sources	 <u>1,043,000</u>	 <u>1,174,456</u>	 <u>984,230</u>	 <u>(190,226)</u>
 CHANGE IN FUND BALANCE	 <u>\$ 168,040</u>	 <u>\$ -</u>	 <u>528,876</u>	 <u>\$ 528,876</u>
 FUND BALANCE, BEGINNING OF YEAR, PREVIOUSLY REPORTED			<u>3,171,026</u>	
Prior Period Adjustment			<u>376,159</u>	
FUND BALANCE, BEGINNING OF YEAR, RESTATED			<u>3,547,185</u>	
 FUND BALANCE, END OF YEAR			<u>\$ 4,076,061</u>	

The accompanying notes are an integral part of these financial statements

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Solid Waste Collection Fund	River's End RV Fund	Total
	ASSETS			
Current assets:				
Cash and cash equivalents	\$ 276,268	\$ -	\$ 22,408	\$ 298,676
Accounts receivable, net of allowances	470,753	91,332	-	562,085
Prepaid items	27,580	-	-	27,580
	774,601	91,332	22,408	888,341
Total current assets				
Restricted assets				
Restricted investments	463,588	-	-	463,588
Non current assets				
Nondepreciable capital assets	103,632	-	6,870,000	6,973,632
Depreciable capital assets, net	13,014,651	-	366,393	13,381,044
Other assets				
Bond issuance costs	56,885	-	108,302	165,187
	14,413,357	91,332	7,367,103	21,871,792
Total assets				
	LIABILITIES			
Current liabilities				
Accounts payable	117,135	55,983	21,708	194,826
Accrued expenditures	27,649	-	12,771	40,420
Compensated absences payable	35,429	-	-	35,429
Interfund payable	54,200	363,718	-	417,918
Accrued interest	22,099	-	125,191	147,290
Notes payable- current	727,243	-	280,000	1,007,243
	983,755	419,701	439,670	1,843,126
Total current liabilities				
Long-term liabilities				
Notes payable, net of current portion	5,219,764	-	5,650,000	10,869,764
	5,219,764	-	5,650,000	10,869,764
Total long-term liabilities				
Total liabilities	6,203,519	419,701	6,089,670	12,712,890
	NET ASSETS			
Investments in capital assets, net of related debt	7,171,276	-	1,306,393	8,477,669
Restricted for debt service	749,342	-	405,191	1,154,533
Unrestricted	289,220	(328,369)	(434,151)	(473,300)
	8,209,838	(328,369)	1,277,433	9,158,902
Total net assets				

The accompanying notes are an integral part of these financial statements

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			Total
	Water & Sewer Fund	Solid Waste Collection Fund	River's End RV Fund	
Operating revenues				
Charges for services				
Water charges	\$ 994,712	\$ -	\$ -	\$ 994,712
Sewer charges	1,395,077	-	-	1,395,077
Camping fees	-	-	1,001,073	1,001,073
Tapping fees	4,825	-	-	4,825
Other	72,821	-	-	72,821
Rental revenue	165,256	-	-	165,256
Sanitation collection revenue	-	591,246	-	591,246
	<u>2,632,691</u>	<u>591,246</u>	<u>1,001,073</u>	<u>4,225,010</u>
Total operating revenues				
Operating expenses				
Personnel services	453,650	-	269,883	723,533
Administrative	144,000	9,000	163,812	316,812
Sanitation services	-	649,083	-	649,083
Supplies	360,473	-	213,993	574,466
Other operating expenses	417,959	8,246	-	426,205
Amortization	14,221	-	4,650	18,871
Depreciation	490,731	-	18,975	509,706
	<u>1,881,034</u>	<u>666,329</u>	<u>671,313</u>	<u>3,218,676</u>
Total operating expenses				
Operating income (loss)	<u>751,657</u>	<u>(75,083)</u>	<u>329,760</u>	<u>1,006,334</u>
Non-operating revenues (expenses)				
Interest revenue	20,032	-	-	20,032
Interest expense	(207,512)	-	(294,489)	(502,001)
	<u>(187,480)</u>	<u>-</u>	<u>(294,489)</u>	<u>(481,969)</u>
Net non-operating revenues (expenses)				
Income (loss) before contributions and transfers	<u>564,177</u>	<u>(75,083)</u>	<u>35,271</u>	<u>524,365</u>
Transfers in	-	-	207,498	207,498
	<u>-</u>	<u>-</u>	<u>207,498</u>	<u>207,498</u>
Total contributions and transfers				
Change in net assets	<u>564,177</u>	<u>(75,083)</u>	<u>242,769</u>	<u>731,863</u>
NET ASSETS, BEGINNING OF YEAR, previously reported	<u>7,645,661</u>	<u>(253,286)</u>	<u>-</u>	<u>7,392,375</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>1,034,664</u>	<u>1,034,664</u>
NET ASSETS, BEGINNING OF YEAR, restated	<u>7,645,661</u>	<u>(253,286)</u>	<u>1,034,664</u>	<u>8,427,039</u>
NET ASSETS, END OF YEAR	<u>\$ 8,209,838</u>	<u>\$ (328,369)</u>	<u>\$ 1,277,433</u>	<u>\$ 9,158,902</u>

The accompanying notes are an integral part of these financial statements

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Collection Fund	River's End RV Fund	Total
Cash flows from operating activities				
Receipts from customers	\$ 2,698,691	\$ 603,822	\$ 1,001,075	\$ 4,303,588
Payments to employees	(495,637)	(9,000)	(257,112)	(761,749)
Payments to suppliers	(799,474)	(594,822)	(356,097)	(1,750,393)
Payments for interfund services used	(144,000)	-	-	(144,000)
Net cash provided by operating activities	<u>1,259,580</u>	<u>-</u>	<u>387,866</u>	<u>1,647,446</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(97,838)	-	-	(97,838)
Principal paid on bonds	(695,133)	-	(265,000)	(960,133)
Interest paid	(204,077)	-	(169,298)	(373,375)
Interfund payable	-	-	(138,658)	(138,658)
Net cash (used in) capital and related financing activities	<u>(997,048)</u>	<u>-</u>	<u>(572,956)</u>	<u>(1,570,004)</u>
Cash flows from investing activities				
Transfer in/out	-	-	207,498	207,498
Purchase of investments	(20,015)	-	-	(20,015)
Interest earned on investments	20,032	-	-	20,032
Net cash provided by investing activities	<u>17</u>	<u>-</u>	<u>207,498</u>	<u>207,515</u>
Net increase in cash	262,549	-	22,408	284,957
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,719</u>	<u>-</u>	<u>-</u>	<u>13,719</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 276,268</u>	<u>\$ -</u>	<u>\$ 22,408</u>	<u>\$ 298,676</u>
Classified as				
Cash and cash equivalents, restricted	-	-	-	-
Total cash and cash equivalents	<u>\$ 276,268</u>	<u>\$ -</u>	<u>\$ 22,408</u>	<u>\$ 298,676</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating (loss) income	<u>\$ 751,657</u>	<u>\$ (75,083)</u>	<u>\$ 329,760</u>	<u>\$ 1,006,334</u>
Adjustments				
Depreciation	490,731	-	18,975	509,706
Amortization	14,221	-	4,650	18,871
Change in accounts receivable	66,004	12,576	-	78,580
Change in prepaid items	(8,219)	-	-	(8,219)
Change in accrued liabilities	4,416	-	12,771	17,187
Change in compensated absences payable	(46,404)	-	-	(46,404)
Change in accounts payable	(12,824)	1,509	21,708	10,393
Change in interfund payables/receivables	-	60,998	-	60,998
Net cash provided by operating activities	<u>\$ 1,259,582</u>	<u>\$ -</u>	<u>\$ 387,864</u>	<u>\$ 1,647,446</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, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 64,577
Accounts receivable	<u>5,498</u>
Total assets	<u>70,075</u>
LIABILITIES	
Accounts payable	26,161
Cash bonds pending	<u>43,914</u>
Total liabilities	<u>\$ 70,075</u>

The accompanying notes are an integral part of these financial statements

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, Georgia 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, 2012.

2. Basis of Presentation, Basis of Accounting

Government-wide Statements: (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary 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 is offset by program revenues. Direct expenses are those that 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 is which function generates the revenue. For grants and contributions, the

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund Financial Statements: Separate financial statements are provided for governmental funds and proprietary 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 and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or 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.

Property taxes, sales and use taxes, franchise taxes, licenses, interest and federal and state grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", the corresponding assets (receivables) in non-exchange 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.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 River's End RV Park (Park) was moved from the General Fund to its own proprietary fund during the fiscal year 2012.

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 Funds** account 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 project; and public building projects. The remaining 2003 SPLOST proceeds unspent as of June 30, 2012 are \$1,124,447. During the year ended June 30, 2011, the City began receiving 2008 SPLOST proceeds. Remaining SPLOST proceeds unspent as of June 30, 2012 are \$3,223,376.

The City reports the following major proprietary funds:

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

The **Solid Waste Collection Fund** accounts for the provision of sanitation collection services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The **River's End RV Park Fund** accounts for activities of the River's End RV Park owned by the City.

The City reports the following non-major governmental funds:

The **Emergency 911 Fund** accounts for the proceeds related to the cell phone companies usage of the 911 phone services on the island. All activities necessary to provide such services are accounted for in this fund.

The **Grant Fund** accounts for the proceeds received from various grants awarded to the City during the year ended June 30, 2012. The funds received are to be used for their specific purpose as defined by the awarding agency.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following fiduciary fund:

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 2, 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with enterprise fund's water and sewer, and solid waste collection 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 non-operating 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 their intended use first, then unrestricted resources as they are needed.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, and the Emergency 911 Fund All appropriations lapse at the end of the 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.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Property Taxes

Property taxes for the current year were assessed and collected by Chatham County and subsequently remitted to the City. Property taxes are typically assessed twice a year by Chatham County on April 1 and September 15. All property taxes collected are recorded in the General Fund. The millage rate assessment by the City for the year ended June 30, 2012 was 4.186 mills.

6. Deferred Revenue

Deferred revenues at the fund level arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise in both the fund level and government-wide level when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

7. 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.

Investments are reported at fair value, based 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

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

8. 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.

9. Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2012 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 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.

10. 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.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Useful Life</u>
Land improvements	20 years
Buildings	10- 40 years
Machinery & equipment	5 - 20 years
Utility plant	20 - 50 years

11. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. If an employee retires or dies, they are eligible to receive \$25 for each eight hour sick leave day that is accumulated and unused. There is no liability for non-vested accumulated rights to receive sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

12. Accrued Liabilities and Long-Term Liabilities

In the government-wide financial statements, and proprietary 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 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.

13. Notes payable of proprietary funds are reported as liabilities at their outstanding value.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the governmental funds financial statements, governmental funds 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. In general, governmental fund payable and accrued liabilities that, once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

14. Fund Equity

Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Statement No. 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

Non-spendable – amounts that are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – amounts constrained to specific purposes by third parties (statutory, bond covenant or granting agency), through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority; reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove the constraint.

Assigned – amounts the City intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned – amounts that are available for any purpose; positive amounts are reported only in the general fund.

For the classification of Governmental Fund balances, the City considers expenditure to be made from the most restrictive first when more than one classification is available. The City would typically use restricted fund balances first; followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

NOTE 2 - LEGAL COMPLIANCE-BUDGETS

Investment of Funds

The City of Tybee Island, Georgia follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. 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 1st.
- b. Public hearings are conducted at City Hall to obtain taxpayer comments.
- c. Prior to the beginning of the year, the budget is formally enacted through passage of a resolution by the City Council.
- d. 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. The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- e. 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.

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

- f. No General Fund departments had excess of actual expenditures over appropriations for the fiscal year ended June 30, 2012.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS

Investment of funds

The City is permitted to invest funds in deposit accounts at federally insured financial institutions; in obligations 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.

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

As reported in the Statement of Net Assets:

Primary Government:

Cash and cash equivalents	\$ 856,209
Cash and cash equivalents, restricted	2,864,424
Investments, unrestricted	2,567,597
Investments, restricted	463,588
Agency Fund- Cash	<u>64,577</u>
Total cash deposited and invested	<u><u>\$ 6,816,395</u></u>
Cash deposited with financial institutions	\$ 4,248,798
Cash deposited with Georgia Fund 1	<u>2,567,597</u>
Total cash deposited and invested	<u><u>\$ 6,816,395</u></u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Deposits

As of June 30, 2012, 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 Deposit 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	\$ 3,785,210	\$ -	\$ -	\$ 3,731,325	\$ 3,785,210
Certificates of deposits	463,588	-	-	463,588	463,588
	<u>\$ 4,248,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,194,913</u>	4,248,798
Georgia Fund 1					<u>2,567,597</u>
					<u>\$ 6,816,395</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 deposit and investment maturities and interest payment terms with expected cash requirements. The maturities of the deposits and investments as of June 30, 2012 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
Certificates of deposits	463,588	-	-	463,588	-	-
Georgia Fund I	<u>2,567,597</u>	<u>2,567,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 6,816,395</u>	<u>\$ 6,353,060</u>	<u>\$ -</u>	<u>\$ 463,588</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).

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. The 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 & 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 an AAA rating.

As of June 30, 2012, management believes it does not have significant concentration of credit risk, or interest rate risk.

NOTE 4 - RECEIVABLES

Property taxes were levied on September 15, 2011 against a taxable digest established as of January 1, 2011. Property taxes were due on November 15, 2011, and were considered delinquent the following day (November 16, 2011) which would also be the lien date. Additionally, one-half of the 2011 property taxes were levied in April 2011. Receivables are recorded when taxes are levied and billed.

The net receivables collected during the year ended June 30, 2012, and expected to be collected by August 30, 2012, are recognized as revenues in the year ended June 30, 2012. Net receivables estimated to be collectible subsequent to August 31, 2012, 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		Total
	General Fund	Hotel Motel Fund	SPLOST	Non-major Govt Funds	Water and Sewer	Solid Waste Collection	
Accounts receivable	\$ 152,465	\$ 387,884	\$ -	\$ 10,017	\$ 517,716	\$ 105,393	\$ 1,173,475
Taxes	457,236	-	-	-	-	-	457,236
Intergovernmental	96,432	-	384,860	46,158	-	-	527,450
Gross receivables	706,133	387,884	384,860	56,175	517,716	105,393	2,158,161
Less: allowance for uncollectibles	(30,913)	-	-	-	(46,963)	(14,061)	(91,937)
Net total receivables	\$ 675,220	\$ 387,884	\$ 384,860	\$ 56,175	\$ 470,753	\$ 91,332	\$ 2,066,224

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance 7/1/2011 as previously reported	Balance 7/1/2011 restated	Additions	Transfers to RV Fund	Transfers/ Deletions	Balance 6/30/2012
Governmental activities:						
Capital assets not being depreciated						
Land	\$ 7,878,070	\$ 7,878,070	\$ -	\$ (6,870,000)	\$ -	\$ 1,008,070
Construction in progress	<u>314,586</u>	<u>314,586</u>	<u>18,176</u>	<u>-</u>	<u>(314,586)</u>	<u>18,176</u>
Total capital assets not being depreciated	<u>8,192,656</u>	<u>8,192,656</u>	<u>18,176</u>	<u>(6,870,000)</u>	<u>(314,586)</u>	<u>1,026,246</u>
Capital assets being depreciated						
Land improvements	2,260,448	2,260,448	87,855	(61,531)	312,918	2,599,690
Buildings and improvements	3,231,014	3,480,507	104,700	(22,754)	1,668	3,564,121
Machinery and equipment	<u>4,119,770</u>	<u>4,288,551</u>	<u>484,342</u>	<u>(399,205)</u>	<u>-</u>	<u>4,373,688</u>
Total capital assets being depreciated	<u>9,611,232</u>	<u>10,029,506</u>	<u>676,897</u>	<u>(483,490)</u>	<u>314,586</u>	<u>10,537,499</u>
Less accumulated depreciation:						
Land improvements	(269,926)	(801,040)	(151,541)	8,090	-	(944,491)
Buildings and improvements	(2,041,976)	(1,113,149)	(108,880)	12,261	-	(1,209,768)
Machinery and equipment	<u>(2,464,742)</u>	<u>(2,620,440)</u>	<u>(268,542)</u>	<u>77,771</u>	<u>-</u>	<u>(2,811,211)</u>
Less accumulated depreciation	<u>(4,776,644)</u>	<u>(4,534,629)</u>	<u>(528,963)</u>	<u>98,122</u>	<u>-</u>	<u>(4,965,470)</u>
Net capital assets being depreciated	<u>4,834,588</u>	<u>5,494,877</u>	<u>147,934</u>	<u>(385,368)</u>	<u>314,586</u>	<u>5,572,029</u>
Governmental activities capital assets - net	<u><u>\$ 13,027,244</u></u>	<u><u>\$ 13,687,533</u></u>	<u><u>\$ 166,110</u></u>	<u><u>\$ (7,255,368)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,598,275</u></u>

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

General government	\$ 24,303
Public safety	128,872
Public works	143,693
Culture and recreation	162,706
Housing and development	<u>69,389</u>
Total depreciation expense - governmental activities	<u><u>\$ 528,963</u></u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>7/1/2011</u>	<u>Additions</u>	<u>Transfers</u> <u>From Govt Funds</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance</u> <u>6/30/2012</u>
Business type activities:					
Water Sewer Fund:					
Capital assets not being depreciated					
Land	\$ 103,632	\$ -	\$ -	\$ -	\$ 103,632
Total capital assets not being depreciated	<u>103,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,632</u>
Capital assets being depreciated					
Land improvements	1,250,770	5,546	-	-	1,256,316
Utility plant and equipment	15,768,821	70,551	-	-	15,839,372
Other	<u>397,590</u>	<u>21,741</u>	<u>-</u>	<u>-</u>	<u>419,331</u>
Total capital assets being depreciated	<u>17,417,181</u>	<u>97,838</u>	<u>-</u>	<u>-</u>	<u>17,515,019</u>
Less accumulated depreciation for:					
Land improvements	(481,014)	(42,881)	-	-	(523,895)
Utility plant and equipment	(3,079,153)	(410,815)	-	-	(3,489,968)
Buildings	<u>(449,470)</u>	<u>(37,035)</u>	<u>-</u>	<u>-</u>	<u>(486,505)</u>
Less accumulated depreciation	<u>(4,009,637)</u>	<u>(490,731)</u>	<u>-</u>	<u>-</u>	<u>(4,500,368)</u>
Net capital assets being depreciated	<u>13,407,544</u>	<u>(392,893)</u>	<u>-</u>	<u>-</u>	<u>13,014,651</u>
Water sewer fund capital assets - net	<u>\$ 13,511,176</u>	<u>\$ (392,893)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,118,283</u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>7/1/2011</u>	<u>Additions</u>	<u>Transfers</u> <u>From Govt Funds</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance</u> <u>6/30/2012</u>
River's End RV Park Fund:					
Capital assets not being depreciated					
Land	\$ -	\$ -	\$ 6,870,000	\$ -	\$ 6,870,000
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>6,870,000</u>	<u>-</u>	<u>6,870,000</u>
Capital assets being depreciated					
Land improvements	-	-	61,531	-	61,531
Buildings	-	-	22,754	-	22,754
Vehicles and equipment	-	-	399,205	-	399,205
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>483,490</u>	<u>-</u>	<u>483,490</u>
Less accumulated depreciation for:					
Land improvements	-	(1,565)	(8,090)	-	(9,655)
Buildings	-	(2,371)	(12,261)	-	(14,632)
Vehicles and equipment	-	(15,039)	(77,771)	-	(92,810)
Less accumulated depreciation	<u>-</u>	<u>(18,975)</u>	<u>(98,122)</u>	<u>-</u>	<u>(117,097)</u>
Net capital assets being depreciated	<u>-</u>	<u>(18,975)</u>	<u>385,368</u>	<u>-</u>	<u>366,393</u>
River's end rv park fund capital assets - net	<u>\$ -</u>	<u>\$ (18,975)</u>	<u>\$ 7,255,368</u>	<u>\$ -</u>	<u>\$ 7,236,393</u>
Business type activities capital assets - net	<u>\$ 13,511,176</u>	<u>\$ (411,868)</u>	<u>\$ 7,255,368</u>	<u>\$ -</u>	<u>\$ 20,354,676</u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - LONG-TERM DEBT

A. Governmental Funds

General obligations of the City consisted of the following for the year ended June 30, 2012:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due within</u>
	<u>7/1/2012</u>	<u> </u>	<u> </u>	<u>6/30/2012</u>	<u>One Year</u>
<u>Governmental Activities</u>					
Notes payable	\$ 21,342	\$ -	\$ (21,342)	\$ -	\$ -
Capital lease payable - phone system	-	82,334	(4,216)	78,118	15,576
Accrued compensated absences	<u>585,819</u>	<u>42,403</u>	<u>-</u>	<u>628,222</u>	<u>628,222</u>
 Total debt - governmental activities	 <u>\$ 607,161</u>	 <u>\$ 124,737</u>	 <u>\$ (25,558)</u>	 <u>\$ 706,340</u>	 <u>\$ 643,798</u>

Equipment Lease/Purchase

In March, 2012, the City entered into a lease/purchase agreement with the lease amount totaling \$82,334. As of June 30, 2012, the lease totaled \$78,118, bearing interest of 2.87%, which is a five year lease/purchase agreement with Georgia Municipal Association to fund equipment lease/purchase. The City began making monthly principal and interest payments with a minimum amount of \$4,413 during May, 2012. The note matures in February, 2017. The aggregate maturities of long term debt for this loan are as follows:

	<u>For the year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>June 30,</u>	<u> </u>	<u> </u>	<u>Debt Service</u>
2013	\$	15,576	\$ 2,075	\$ 17,651
2014		16,027	1,624	17,651
2015		16,493	1,158	17,651
2016		16,971	680	17,651
2017		<u>13,051</u>	<u>187</u>	<u>13,238</u>
	\$	<u>78,118</u>	\$ <u>5,724</u>	\$ <u>83,842</u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - LONG-TERM DEBT (Continued)

B. Business-type Activities

The following is a summary of changes in long-term debt for the Enterprise Funds for the year ended June 30, 2012:

	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2012	Due within One Year
<u>Business-type Activities</u>					
Revenue bond - Chatham Co. Recreation Bond	\$ 6,195,000	\$ -	\$ (265,000)	\$ 5,930,000	\$ 280,000
Water & Sewer Revenue Refunding Bond - Series 2005	735,000	-	(135,000)	600,000	145,000
Notes payable	5,909,482	-	(562,475)	5,347,007	582,243
Accrued compensated absences	81,833	-	(46,404)	35,429	35,429
	<u>\$ 12,921,315</u>	<u>\$ -</u>	<u>\$ (1,008,879)</u>	<u>\$ 11,912,436</u>	<u>\$ 1,042,672</u>
Total debt - business-type activities	<u>\$ 12,921,315</u>	<u>\$ -</u>	<u>\$ (1,008,879)</u>	<u>\$ 11,912,436</u>	<u>\$ 1,042,672</u>

Revenue Bonds

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.

	For the year ending June 30,	Principal	Interest	Total Debt Service
<u>Water & Sewer Revenue Refunding Bond - Series 2005</u>				
2013		\$ 145,000	\$ 22,320	\$ 167,320
2014		150,000	16,926	166,926
2015		150,000	11,346	161,346
2016		<u>155,000</u>	<u>5,766</u>	<u>160,766</u>
Total		<u>\$ 600,000</u>	<u>\$ 56,358</u>	<u>\$ 656,358</u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - LONG-TERM DEBT (Continued)

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

For the year ending June 30,	Principal	Interest	Total Debt Service
Revenue Bond - Chatham Co. Recreation Bond			
2013	\$ 280,000	\$ 280,815	\$ 560,815
2014	290,000	266,993	556,993
2015	305,000	252,564	557,564
2016	320,000	237,408	557,408
2017	335,000	221,524	556,524
2018-2022	1,940,000	840,263	2,780,263
2023-2026	2,460,000	309,673	2,769,673
Total	<u>\$ 5,930,000</u>	<u>\$ 2,409,240</u>	<u>\$ 8,339,240</u>

Other Long-Term Debt

The City has incurred debt to the Georgia Environmental Facilities Authority for water and sewer system and emergency siren improvements. These notes are as follows at June 30, 2012:

Business-type Activities			Total	Due in One
<u>Summary Note Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Year</u>
GELAC -2001- 3,000,000 Plant Upgrade	\$ 1,852,168	\$ 309,253	\$ 2,161,421	\$ 152,461
GELAC-2006 - 2,188,652 Butler Ave Water Line	1,717,900	493,626	2,211,526	94,781
GELAC-2010 - 1,422,820 Fort Screven Water Line	1,316,275	398,932	1,715,207	55,782
GELAC-2009 - 627,456 AMR	197,094	5,294	202,388	130,348
GELAC-2009 - 721,424 Grit Separator	263,570	6,773	271,749	148,871
	<u>\$ 5,347,007</u>	<u>\$ 1,213,878</u>	<u>\$ 6,562,291</u>	<u>\$ 582,243</u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - LONG-TERM DEBT (Continued)

Notes Payable - Business Type Activities

For the year ending			Total
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
GELAC -2001- \$3,000,000 Plant Upgrade			
2013	\$ 152,461	\$ 53,398	\$ 205,859
2014	157,009	48,849	205,858
2015	161,785	44,073	205,858
2016	166,643	39,215	205,858
2017	171,831	34,026	205,857
2018-2022	940,494	88,796	1,029,290
2023	101,945	896	102,841
Total	<u>\$ 1,852,168</u>	<u>\$ 309,253</u>	<u>\$ 2,161,421</u>

For the year ending			Total
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
GELAC-2006 - \$2,188,652 Butler Ave. Water Line			
2013	\$ 94,781	\$ 53,256	\$ 148,037
2014	97,839	50,197	148,036
2015	100,996	47,040	148,036
2016	104,255	43,781	148,036
2017	107,619	40,417	148,036
2018-2022	592,483	212,702	805,185
2023-2027	619,927	46,233	666,160
Total	<u>\$ 1,717,900</u>	<u>\$ 493,626</u>	<u>\$ 2,211,526</u>

For the year ending			Total
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
GELAC-2010 - \$1,422,820 Fort Screven Water Line			
2013	\$ 55,782	\$ 39,758	\$ 95,540
2014	57,524	38,016	95,540
2015	59,321	36,218	95,539
2016	61,174	34,366	95,540
2017	63,085	32,455	95,540
2018-2022	346,247	131,453	477,700
2023-2027	403,813	73,886	477,699
2028-2030	269,329	12,780	282,109
Total	<u>\$ 1,316,275</u>	<u>\$ 398,932</u>	<u>\$ 1,715,207</u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - LONG-TERM DEBT (Continued)

For the year ending June 30,	Principal	Interest	Total Debt Service
GELAC-2009 AMR - \$627,456 AMR			
2013	\$ 130,348	\$ 4,530	\$ 134,878
2014	66,746	764	67,510
Total	<u>\$ 197,094</u>	<u>\$ 5,294</u>	<u>\$ 202,388</u>

For the year ending June 30,	Principal	Interest	Total Debt Service
GELAC-2009 GRIT - \$721,424 Grit Separator			
2013	\$ 148,871	\$ 6,430	\$ 155,301
2014	114,699	1,749	116,448
Total	<u>\$ 263,570</u>	<u>\$ 8,179</u>	<u>\$ 271,749</u>

For the governmental activities, compensated absences and claims and judgments are generally liquidated by the General Fund and Emergency 911 Special Revenue Fund. For the business-type activities, compensated absences are generally liquidated by the Water and Sewer Fund and River's 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. Benefits vest 50% after five years of service and 100% after ten years of service. Members may retire upon reaching age of 65, with ten years of service. Benefits are calculated based on years of service plus age in years plus earnings for 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.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 - PENSION PLAN (Continued)

The Georgia Municipal Employees Benefit system issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy

The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 15.56% 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, 2012, the City's annual pension cost was \$439,324 for the Plan. Recommended contributions of \$439,324 and \$445,399 were determined as part of the July 1, 2012 and July 1, 2011 actuarial valuations, respectively using the projected unit credit actuarial cost method. An alternative recommended contribution of \$533,846 was determined as part of the July 1, 2011 actuarial valuation. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.50% plus age and service based upon merit increase per year, (c) 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 7.75 %, which is the investment return assumption.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 - PENSION PLAN (Continued)

Trend Information

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

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of Annual Pension Cost Contributions	Net Pension Obligation
5/1/2006	\$ 274,108	100%	\$ -
5/1/2007	\$ 283,377	100%	\$ -
5/1/2008	\$ 340,173	100%	\$ -
5/1/2009	\$ 436,873	100%	\$ -
7/1/2010	\$ 432,899	100%	\$ -
7/1/2011	\$ 445,399	100%	\$ -
7/1/2012	\$ 439,324	100%	\$ -

As of the most recent valuation date, July 1, 2012, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
7/1/2012	\$ 4,577,522	\$ 6,010,660	\$ 1,433,138	76.16%	\$ 2,774,551	51.65%

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 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 July 1, 2012.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 - PENSION PLAN (Continued)

Termination Benefits

The City's policy for termination benefits is as follows: upon termination of a non-retiring employee, the employee receives the following: all vacation hours accrued but not paid out up to a maximum of 240 hours. Hourly employees receive all comp time earned and accrued up to the maximum of 240 hours. The City will also pay 65% of the COBRA benefits for eligible employees for the eligible period.

Postemployment Benefits Other Than Pension Benefits

In accordance with GASB 45 requirements, the City of Tybee Island is required to attribute the cost of post retirement benefits to the time during which the employee is working for the employer. GASB requires allocation of the costs of a post-retirement benefit plan over the years of active employment; it does not require the funding of such benefits. GASB 45 requirement was implemented by the City as of the year ended December 31, 2010. The City elected not to establish a separate trust fund to account for other postemployment benefits, and has not funded the plan.

The City currently contracts with Blue Cross Blue Shield to administer postretirement health care benefits. The City's obligation to provide these benefits was created by the City as part of their retirement plan. The City provides health insurance coverage for employees that participated in the Voluntary Early Retirement Program until age 65. Employees become eligible to participate in the program if they were full time 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. As part of the City's retirement plan, the City Council established a predetermined rate of \$344, per month, that the City would pay for those participants' health insurance premiums up until age 65. Any premium costs above the predetermined amount became the sole responsibility of the participants. During 2005, the City terminated its voluntary early retirement program.

Currently, there is only one participant in the early retirement health insurance program. During 2012, the City incurred premium costs of \$4,128. The City's obligation for this participant will expire on May 10, 2013. For fiscal year end 2013, the City will incur premium costs of \$3,784.

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 following public entities: the Georgia Inter-local Risk Management Agency Property and Liability Insurance fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund. These public entities, which are risk pools, currently operate as common risk management and insurance programs and insurance programs for member local governments

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 50-8-39, 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 obligation of an RDC. Separate financial statements may be obtained from the Coastal Georgia RDC, 127 "F" Street, Brunswick, Georgia 31520.

NOTE 10 - BOND ISSUANCE COST

Bond issuance costs relate to the bonds payable and are amortized over the term of the related loan using the effective yield method.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Contractual Commitments

There were no contractual commitments at June 30, 2012.

Litigation

The City is a defendant in various lawsuits in which claims are being made by 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.

NOTE 12 - HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. For the year ended June 30, 2012, \$2,120,150 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$738,586 to the Savannah Chamber of Commerce and \$326,954 to the Georgia International Convention Center).

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances (including advances) as of June 30 2012 are as follows:

	Due from:					
Due to:	Water Sewer	Hotel Motel	Grant	E911	Solid Waste	Total
General Fund	\$ 54,200	\$ 193,481	\$ 70,842	\$ 101	\$ 363,718	\$ 682,342
Total	<u>\$ 54,200</u>	<u>\$ 193,481</u>	<u>\$ 70,842</u>	<u>\$ 101</u>	<u>\$ 363,718</u>	<u>\$ 682,342</u>

The General Fund and SPLOST cash are held in separate bank accounts.

The City collects rooms sales tax reports and receives payments on a monthly basis. Receipts are deposited into the Hotel/Motel Tax Fund and posted to the General Fund through the due to/from account.

Interfund receivable and payable balances related to pooled cash as of June 30, 2012 are as follows:

	Due from:		
Due to:	Grant Fund	Solid Waste	Total
General Fund	\$ 70,842	\$ 60,998	\$ 131,840

The Solid Waste and Grant funds each had a negative cash balance. The City recorded a payable to the General fund for the negative cash balance related to the pooled cash amount.

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

	Transfers to			
Transfers from	General Fund	Grant	River's End RV Park Fund	Total
General fund	\$ -	\$ 8,731	\$ 207,498	\$ 216,229
E 911	47	-	-	47
Grant	-	-	-	-
Hotel/Motel	<u>1,105,397</u>	<u>-</u>	<u>-</u>	<u>1,105,397</u>
Total	<u>\$ 1,105,444</u>	<u>\$ 8,731</u>	<u>\$ 207,498</u>	<u>\$ 1,321,673</u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 - INTERFUND BALANCES AND TRANSFERS (Continued)

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.

The City keeps fifty percent of the receipts from the Hotel/Motel tax and transfers them to the General Fund. The Solid Waste Fund has costs that were greater than the revenue received.

NOTE 14 - DEFICIT FUND BALANCE

The following fund reported deficits in fund balances/net assets at June 30, 2012:

Solid Waste	\$ <u>328,368</u>
-------------	-------------------

The fund deficit above will be reduced through increased user charges or transfers from the General Fund.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

General Fund: The City has determined that a restatement of beginning fund balance of the General Fund is necessary for the following: (1) to remove non-fund level activity for the River's End RV Park, adjust non-current debt, bond issue costs, accumulated depreciation (2) to correct LOST revenue, (3) to correct SPLOST transfers made in error, (4) to correct a Hotel Motel transfer made in error. The adjustment was made to restate the beginning fund balances in the General Fund, which is included on the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds.

Fund balance June 30, 2011, as previously reported	\$ 3,171,026
to remove fund level activity for River's End RV Park	264,300
correction to LOST revenue	91,348
correction to Hotel Motel transfer	166,245
to remove accrued interest from fund level	135,161
correction for SPLOST transfer	175,702
to adjust cash balance for SPLOST	<u>(456,597)</u>
Fund balance June 30, 2011, as restated	<u>\$ 3,547,185</u>

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 15 - PRIOR PERIOD ADJUSTMENTS (Continued)

SPLOST Fund: The City has determined that a restatement of beginning fund balance of the SPLOST Fund is necessary to reverse prior year transfers from the fund that were made in error and to recognize revenue earned in prior year that was not previously reported.

Fund balance June 30, 2011, as previously reported	\$ 1,250,395
to adjust cash balance for transfers made from	
General fund	456,597
to adjust for revenues earned in prior year	<u>246,605</u>
Fund balance June 30, 2011, as restated	<u>\$ 1,953,597</u>

River's End RV Park Fund: The City determined that a restatement was needed to change the fund from a part of the General fund to its own propriety fund.

Net assets, June 30, 2011, as previously reported	\$ -
change in reporting entity	<u>1,034,664</u>
Net assets, June 30, 2011, as restated	<u>\$ 1,034,664</u>

Governmental Activities: As a result of the adjustments to the fund level balances, and errors the City discovered in their capital asset schedule, the beginning net assets of the governmental activities have been restated from the prior year.

Net assets, June 30, 2011, as previously reported	\$ 11,327,947
errors in capital assets	660,289
River's End RV Park Fund Change	(1,034,664)
errors in p/y expenses	(7,361)
adjustments to SPLOST fund	246,605
adjustments to Hotel/Motel Transfer error	166,245
adjustments to General fund	<u>267,050</u>
Net assets, June 30, 2011, as restated	<u>\$ 11,626,111</u>

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report, July 24, 2013, for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosures.

COMBINING AND INDIVIDUAL FUND STATEMENTS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with the City that are not required legally, or by sound financial management, to be accounted for in another fund.

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Taxes				
Property tax	\$ 2,180,996	\$ 2,214,298	\$ 1,839,837	\$ (374,461)
Local option sales tax	950,000	1,085,309	1,085,309	-
Franchise tax	376,000	426,620	426,620	-
Insurance premium tax	183,300	183,300	141,244	(42,056)
Alcoholic beverage excise tax	250,000	283,346	283,346	-
Real estate transfer tax	6,000	6,000	6,549	549
Occupational taxes	<u>65,000</u>	<u>65,000</u>	<u>64,313</u>	<u>(687)</u>
 Total taxes	 <u>4,011,296</u>	 <u>4,263,873</u>	 <u>3,847,218</u>	 <u>(416,655)</u>
Licenses and permits				
Regulatory fees	75,000	108,591	108,591	-
Building permits	70,000	75,183	75,183	-
Building inspections	13,000	16,920	16,920	-
Zoning variance requests fees	<u>3,400</u>	<u>3,400</u>	<u>2,650</u>	<u>(750)</u>
 Total licenses and permits	 <u>161,400</u>	 <u>204,094</u>	 <u>203,344</u>	 <u>(750)</u>
Charges for services				
Parking fees	1,735,650	2,045,651	2,045,651	-
Other charges for services	<u>1,323,857</u>	<u>333,560</u>	<u>380,555</u>	<u>46,995</u>
 Total charges for services	 <u>3,059,507</u>	 <u>2,379,211</u>	 <u>2,426,206</u>	 <u>46,995</u>
Fines and forfeitures				
Municipal fines	880,000	880,000	401,006	(478,994)
Parking fines and violations	<u>425,000</u>	<u>437,187</u>	<u>414,992</u>	<u>(22,195)</u>
 Total fines and forfeitures	 <u>1,305,000</u>	 <u>1,317,187</u>	 <u>815,998</u>	 <u>(501,189)</u>
Interest income				
	<u>25,000</u>	<u>25,000</u>	<u>22,186</u>	<u>(2,814)</u>
Miscellaneous				
Contributions	3,730	3,744	2,937	(807)
Rents and royalties	16,234	18,761	17,842	(919)
Other- miscellaneous	<u>70,893</u>	<u>80,118</u>	<u>22,446</u>	<u>(57,672)</u>
 Total miscellaneous	 <u>90,857</u>	 <u>102,623</u>	 <u>43,225</u>	 <u>(59,398)</u>
 Total revenues	 <u>\$ 8,653,060</u>	 <u>\$ 8,291,988</u>	 <u>\$ 7,358,177</u>	 <u>\$ (933,811)</u>
EXPENDITURES				
General Government				
Governing body	\$ 79,142	\$ 74,064	\$ 73,440	\$ (624)
Clerk of council	106,863	98,342	98,342	-
City manager	152,648	152,648	148,422	(4,226)
Financial administration	478,061	491,932	445,788	(46,144)
Legal	157,300	156,317	127,278	(29,039)
Information technology	372,625	476,425	467,434	(8,991)
Human resources	107,211	107,211	104,408	(2,803)
Building and plant maintenance	358,614	358,614	287,743	(70,871)
Bad debt expense	2,500	2,500	-	(2,500)
Contingency	<u>63,794</u>	<u>1,062,621</u>	<u>4,893</u>	<u>(1,057,728)</u>
 Total general government	 <u>1,878,758</u>	 <u>2,980,674</u>	 <u>1,757,748</u>	 <u>(1,222,926)</u>

CITY OF TYBEE ISLAND, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL – CONTINUED
YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Judicial				
Municipal court	23,200	23,200	21,489	(1,711)
Total judicial	<u>23,200</u>	<u>23,200</u>	<u>21,489</u>	<u>(1,711)</u>
Public safety				
Police administration	2,034,145	2,035,881	2,022,096	(13,785)
Beach patrol	83,451	89,710	89,710	-
City marshall	57,939	74,214	72,623	(1,591)
Fire administration	310,871	332,106	305,332	(26,774)
Emergency management	70,744	70,744	62,397	(8,347)
Total public safety	<u>2,557,150</u>	<u>2,602,655</u>	<u>2,552,158</u>	<u>(50,497)</u>
Public works				
General operations	1,485,576	1,485,684	1,418,953	(66,731)
Solid waste collection	189,000	196,500	168,248	(28,252)
Total public works	<u>1,674,576</u>	<u>1,682,184</u>	<u>1,587,201</u>	<u>(94,983)</u>
Culture and recreation				
General operations	184,534	186,034	178,124	(7,910)
Recreation centers	160,050	160,050	160,050	-
Museums	53,865	55,115	55,115	-
Beach, lifeguards, dunes	562,370	579,507	431,142	(148,365)
Campground	1,285,051	-	-	-
Parks administration	229,177	229,177	188,938	(40,239)
Total culture and recreation	<u>2,475,047</u>	<u>1,209,883</u>	<u>1,013,369</u>	<u>(196,514)</u>
Housing and community development				
Community development projects	329,294	376,320	343,873	(32,447)
Parking	547,089	548,622	511,828	(36,794)
Total housing and community development	<u>876,383</u>	<u>924,942</u>	<u>855,701</u>	<u>(69,241)</u>
Debt service				
Principal	41,387	41,387	25,558	(15,829)
Interest	1,519	1,519	307	(1,212)
Total debt service	<u>42,906</u>	<u>42,906</u>	<u>25,865</u>	<u>(17,041)</u>
Total expenditures	<u>9,528,020</u>	<u>9,466,444</u>	<u>7,813,531</u>	<u>(1,652,913)</u>

CITY OF TYBEE ISLAND, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL – CONTINUED
YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(874,960)</u>	<u>(1,174,456)</u>	<u>(455,354)</u>	<u>(719,102)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	7,350	12,682	12,682	-
Capital leases	83,000	83,000	82,333	(667)
Prior year fund balance	102,650	1,017,443	-	(1,017,443)
Transfer in	850,000	1,105,397	1,105,444	47
Transfers out	<u>-</u>	<u>(1,044,066)</u>	<u>(216,229)</u>	<u>827,837</u>
Total other financing sources	<u>1,043,000</u>	<u>1,174,456</u>	<u>984,230</u>	<u>(190,226)</u>
Net change in fund balance	<u>168,040</u>	<u>-</u>	<u>528,876</u>	<u>528,876</u>
Fund balance beginning of year as previously reported			3,171,026	
Prior period adjustment			<u>376,159</u>	
Fund balance, beginning restated			<u>3,547,185</u>	
Fund balance, end of year			<u>\$ 4,076,061</u>	

**CITY OF TYBEE ISLAND, GEORGIA
NONMAJOR GOVERNMENT FUNDS**

SPECIAL REVENUE FUNDS

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

Emergency Telephone System Funds – The Emergency Telephone System Fund is used to account for the collection of 911 phone surcharges used for operation and maintenance of the 911 telephone system.

Hotel Motel Tax Funds - The Hotel Motel Tax Fund is used to account for the collection of Hotel Motel excise tax receipts and distributions to tourism promoting organizations as required by agreements with these organizations.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Special Purpose Local Option Sales Tax Fund – The SPLOST Fund is used to account for property acquisition and construction of projects designated to be funded by revenue from special purpose local option sales tax collections.

Grant Fund – The Grant Fund is used to account for capital projects funded by grant funds.

CITY OF TYBEE ISLAND, GEORGIA
EMERGENCY 911 FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
911 charges	\$ 79,353	\$ 79,353	\$ 71,741	\$ (7,612)
Total Revenues	<u>79,353</u>	<u>79,353</u>	<u>71,741</u>	<u>(7,612)</u>
Expenditures				
Current				
Administration	<u>79,353</u>	<u>79,353</u>	<u>71,502</u>	<u>7,851</u>
Total Expenditures	<u>79,353</u>	<u>79,353</u>	<u>71,502</u>	<u>7,851</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>239</u>	<u>239</u>
Other financing uses				
Transfers (out)	<u>-</u>	<u>-</u>	<u>(47)</u>	<u>(47)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(47)</u>	<u>(47)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>192</u>	<u>\$ 192</u>
Fund Balance, beginning of year			<u>7,985</u>	
Fund Balance, end of year			<u>\$ 8,177</u>	

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Taxes	\$ 1,700,000	\$ 2,120,150	\$ 2,120,150	\$ -
Penalties/late fees	<u>-</u>	<u>50,786</u>	<u>50,786</u>	<u>-</u>
Total Revenues	<u>1,700,000</u>	<u>2,170,936</u>	<u>2,170,936</u>	<u>-</u>
Expenditures				
Current				
Culture and recreation	<u>850,000</u>	<u>1,065,538</u>	<u>1,065,539</u>	<u>(1)</u>
Total Expenditures	<u>850,000</u>	<u>1,065,538</u>	<u>1,065,539</u>	<u>(1)</u>
Excess of revenues over expenditures	<u>850,000</u>	<u>1,105,398</u>	<u>1,105,397</u>	<u>1</u>
Other financing uses				
Transfers out	<u>(850,000)</u>	<u>(1,105,398)</u>	<u>(1,105,397)</u>	<u>1</u>
Total other financing uses	<u>(850,000)</u>	<u>(1,105,398)</u>	<u>(1,105,397)</u>	<u>1</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance, beginning of year			<u>-</u>	
Fund Balance, end of year			<u>\$ -</u>	

FIDUCIARY FUNDS

CITY OF TYBEE ISLAND, GEORGIA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Municipal Court
ASSETS	
Cash and cash equivalents	\$ 64,577
Accounts receivable	5,498
Total assets	\$ 70,075
LIABILITIES	
Accounts payable	\$ 26,161
Cash bonds pending	43,914
Total liabilities	\$ 70,075

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE FUNDING PROGRESS
YEAR ENDED JUNE 30, 2012**

Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	(c) Covered Payroll	UAAL as a percentage of covered payroll (b-a)/c
5/1/2005	\$ 2,451,611	\$ 3,686,830	\$ 1,235,219	66.5%	\$ 1,924,698	64.2%
5/1/2006	2,820,445	3,810,009	989,564	74.0%	2,109,394	46.9%
5/1/2007	3,182,033	4,157,135	975,102	76.5%	2,006,483	48.6%
5/1/2008	3,563,139	4,627,567	1,064,428	77.0%	2,411,627	44.1%
5/1/2009	2,805,362	4,941,486	2,136,124	56.8%	2,711,811	78.8%
5/1/2010	4,015,133	5,434,428	1,419,295	73.9%	2,946,562	48.2%
7/1/2011	4,189,682	5,620,138	1,430,456	74.5%	2,856,841	50.1%
7/1/2012	4,577,522	6,010,660	1,433,138	76.2%	2,774,551	51.7%

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS (1998 RESOLUTION)
YEAR ENDED JUNE 30, 2012

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
Drainage	\$ 3,616,428	\$ 1,250,000	\$ -	\$ -	\$ -
Inlet Avenue	-	174,537	174,537	-	174,537
Lulater 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	-	-	95,335	-	95,335
12th Avenue	-	-	29,565	-	29,565
2nd & 13th-14th Street	-	-	154,579	-	154,579
Beach Renourishment	-	1,000,000	1,060,614	-	1,060,614
Debt service- beach renourishment	-	-	109,382	-	109,382
Water and Sewer					
Elevated Water Tank	-	625,000	76,431	-	76,431
Debt service- Elevated Water Tank	-	-	545,761	-	545,761
Public Safety					
Fire Engine	160,000	160,000	160,000	-	160,000
Fire Department Equipment	66,000	66,000	57,209	-	57,209
Miscellaneous Projects					
Paving Oceanview Court, Jones Street and Center Street	80,000	385,032	-	-	-
Paving Project PR8531-56	-	-	42,453	-	42,453
Paving Captains Row and Maintenance Yard	-	-	33,740	-	33,740
Dune Crossover Refurbishment	-	-	46,120	-	46,120
Total	<u>\$ 3,922,428</u>	<u>\$ 3,660,569</u>	<u>\$ 3,660,569</u>	<u>\$ -</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, 2012

Project	Estimated Cost		Expenditures			
	Original	Current	Prior Years	Prior Years Restated	Current Year	Cumulative Total
Drainage						
Drainage reconstruction/maintenance	200,000	559	559	559	-	559
Jones Avenue	350,000	-	-	-	-	-
North Beach Area	200,000	-	-	-	-	-
Water and Sewer						
Butler Avenue Water Line	817,000	2,130,273	2,130,273	2,130,273	-	2,130,273
Beach Side of Butler Water Line Imp.	575,000	-	-	-	-	-
Water Line Looping	224,040	15,460	15,460	15,460	-	15,460
14th Street Drainage Project	-	966,226	643,463	966,226	-	966,226
Replacement of 6" AC Water Line, Jones Avenue	168,960	-	-	-	-	-
Fort Screven Water Lines Replacement Lift Station Upgrades, I&I Continuation	440,000	82,522	82,522	82,522	-	82,522
Roads						
Various Improvements	250,000	-	-	-	-	-
Other						
Bike Paths	100,000	3,200	3,200	3,200	-	3,200
Police Facility	500,000	517,871	37,900	37,900	-	37,900
Beach Renourishment	1,000,000	1,000,000	1,000,000	1,000,000	-	1,000,000
Old Ford Theatre, Guardhouse	600,000	774,825	774,825	774,825	-	774,825
Playground Equipment	200,000	196,559	196,559	196,559	-	196,559
Marine Rescue Squadron Facility	100,000	97,665	71,165	71,165	-	71,165
ADA Sidewalk Improvement	-	22,000	22,000	22,000	-	22,000
Other Capital (CIP)	100,000	-	-	-	-	-
Fire Department Equipment	-	198,310	163,310	163,310	-	163,310
South Beach Business District	-	764,381	764,381	764,381	-	764,381
Marine Science Center	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>17,025</u>	<u>17,025</u>
Total	<u>\$ 6,425,000</u>	<u>\$ 7,369,851</u>	<u>\$ 5,905,617</u>	<u>\$ 6,228,380</u>	<u>\$ 17,025</u>	<u>\$ 6,245,405</u>

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS (2008 RESOLUTION)
YEAR ENDED JUNE 30, 2012

Project	Estimated Cost		Expenditures			
	Original	Current	Prior Years	Prior Years Restated	Current Year	Cumulative Total
Public Safety						
Public Safety Facility	\$ 327,000	\$ 2,328,414	\$ -	\$ -	\$ 5,900	\$ 5,900
Public Safety Software Upgrade	118,800	118,800	-	-	-	-
Public Safety Vehicle 6-Cylinder	27,164	27,164	-	-	-	-
Fire Department Bay	65,000	104,700	-	-	104,700	104,700
Fire Department & TEMA Generator	35,000	35,000	-	-	-	-
Street and Infrastructure						
14th Street Parking Lot Drainage Project	933,727	-	322,763	-	-	-
Street Paving and Repair	30,050	266,109	-	-	-	-
Drainage Tybrisa/Alley	226,350	226,350	-	266,109	-	266,109
Bike Racks	2,000	2,166	-	-	2,166	2,166
TE Grant Historic Butler Ave Match	67,656	67,656	-	36,406	22,771	59,177
Bike Trail thru Memorial Park	16,000	16,000	-	-	-	-
Advertisement Of Historic Butler Ped.	31,250	31,250	-	-	120	120
ADA Sidewalk Butler, Silver, 18th St.	44,000	44,000	-	-	22,835	22,835
Hwy 80 Bike Trail	40,000	40,000	-	-	1,680	1,680
Community Development						
Salt Meadow Proj	30,000	30,000	-	-	6,497	6,497
GIS	6,500	6,500	-	-	-	-
Beach Related Projects						
Beach Renourishment	300,000	857,100	-	-	-	-
Bathroom Repairs and Improvements	36,000	36,000	-	-	-	-
North Beach Mobile Restroom	57,000	57,000	-	-	-	-
2 Mobie Matss	40,000	40,000	-	-	39,980	39,980
8th Street Dune	30,000	30,000	-	-	-	-
Undesignated	<u>5,536,503</u>	<u>2,145,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,000,000</u>	<u>\$ 6,510,000</u>	<u>\$ 322,763</u>	<u>\$ 302,515</u>	<u>\$ 206,649</u>	<u>\$ 509,164</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, each major fund and the aggregate remaining fund information of the City of Tybee Island, Georgia (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-1 through 2012-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2012-4 through 2012-8 to be significant deficiencies, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 *Governmental Auditing Standards* and is described in the following paragraph.

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

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

Baird & Company, CPAs, LLC

Augusta, Georgia
July 24, 2013

**CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

**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> </u> yes <u> x </u> no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2012 due to the total amount expended being less than \$500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-1 Restatement of Prior year Balances

Material Weakness

Criteria: The beginning fund balances should be fairly stated according to generally accepted accounting principles.

Condition: The beginning fund balances were not fairly stated according to generally accepted accounting principles.

Context: During our audit, several prior period adjustments were identified which resulted in the restatement of the beginning balances of certain funds as noted below:

- In the General Fund, restatements were necessary to reverse duplicate entries made in the prior year, to remove accrued interest and the portion of long term debt inaccurately posted to fund level, transfers inaccurately made from SPLOST fund in prior years and to transfer River's End RV Park net assets to a propriety fund.
- In the SPLOST fund, restatements were necessary to adjust cash balances and revenue due to May and June 2011 revenue not being recognized in the prior year and transfers recorded that were not actually done.
- In the River's End RV Park fund restatements were necessary to transfer assets, liabilities and net assets from the General Fund and Governmental Statements.
- For Governmental Activities, the effect of the above mentioned adjustments to the governmental funds and the River's End RV Park fund. Additionally, adjustments were required to correct prior period misstatements of capital assets and accumulated depreciation.

Cause: Management did not have internal controls in place for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis

Management

Response: Management concurs with this findings and management will work to resolve.

2012-2 Maintenance of Capital Asset Schedule and Depreciation

Material Weakness

- Criteria:** Generally accepted accounting principles require the reporting of all capital assets at their historic cost, which is written off periodically, or depreciated in a systematic and rational manner.
- Condition:** The capital asset schedule was not properly reconciled to the trial balance and capital assets were not fairly stated.
- Context:** During our audit we noted the balances on the subsidiary ledger for capital assets did not accurately reflect all capital asset additions and disposals for the year under audit. The beginning balances did not agree to the City's prior year ending balances. Depreciation was not accurately calculated. We found two schedules are being maintained - an excel schedule and a schedule generated from the financial software. There were errors in the formulas on the excel schedule and the depreciation from the schedule being generated from the financial software was not calculating correctly.
- Cause:** Management did not have internal controls in place for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- Recommendation:** To improve internal control and operating efficiency, management should establish policies and procedures for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis
- Management Response:** Management concurs with this finding and management will work to resolve.

2012-3 Recording of Debt Payments - Water and Sewer Funds

Material Weakness

- Criteria:** Generally accepted accounting principles require that debt liability and interest expense be fairly stated.
- Condition:** Liability for debt and interest expense were not fairly stated.
- Context:** During our audit we noted that although payments to the debt had been made, the liability had not decreased since the prior year. Principal payments had been recorded as an expense rather than as a decrease in the liability.
- Cause:** Management did not have internal controls in place for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- Recommendation:** To improve internal control and operating efficiency, management should establish policies and procedures for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- Management Response:** Management concurs with this finding and will work to resolve.

2012-4 Recording of Receivables/Revenue/Deferred Tax Revenue

Significant Deficiency

- Criteria:** All accounts receivable, revenue and deferred revenue should be fairly stated in accordance with generally accepted accounting principles when recognition criteria have been met.
- Condition:** Accounts receivable, revenue, and deferred revenue were not fairly stated according to generally accepted accounting principles.
- Context:** During our audit we noted that the City had not reversed prior year tax receivables and deferred revenue nor recorded current year receivables and deferred revenue. SPLOST, LOST and grant receivables had not been recorded. Amounts expended for grant awarded had not been recorded as a receivable. Funds received for prior year grants had not been reversed and were recorded to revenue rather than as a reversal to the accounts receivable account.
- Cause:** Management did not have internal controls in place for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- Recommendation:** To improve internal control and operating efficiency, management should establish policies and procedures for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis
- Management Response:** Management concurs with this finding and will work to resolve.

2012-5 Recording of Accounts Payable - Water and Sewer Fund

Significant Deficiency

Criteria: Generally accepted accounting principles require that accounts payable be recorded in the period the liability was incurred.

Condition: Accounts payable were recorded in current year incorrectly.

Context: During our audit we noted two invoices for items that had not yet been ordered at 6/30/2012 recorded as being payable. Additionally, these items appeared on the capital asset listing at 6/30/2012.

Cause: Management did not have internal controls in place for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis

Management Response: Management concurs with this finding and will work to resolve.

2012-6 Recording of Long Term Assets and Liabilities at Fund Level

Significant deficiency

Criteria: Capital assets, depreciation, long-term debt, bond issuance costs, amortization of bond expense and accrued interest should be recorded in the government-wide financial statements and not at the government fund level in accordance with GASB.

Condition: Capital assets, depreciation, bond issuance costs and amortization, accrued interest expense, and long term debt were recorded at the fund level.

Cause: Management did not have internal controls in place for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis

Management Response: Management concurs with this finding and will work to resolve.

2012-7 Audit Adjustments Not Posted to Books After Audit Completion

Significant Deficiency

Criteria: After the audit is completed, all audit adjustments should be posted to City's accounting system and balances for year end reconciled to the final audited financial statements.

Condition: Beginning fund balances and net assets were not fairly stated.

Cause: Management did not have internal controls in place for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Management Response: Management concurs with this finding and will work to resolve.

2012-8 Previously Significant Deficiencies and Material Weaknesses

Significant Deficiency

Criteria: Reported significant deficiencies and material weaknesses should be evaluated and necessary remedial action taken to address.

Condition: Findings 2012-2, 2012-3 and 2012-4 were communicated in prior years and are repeat findings.

Cause: Management did not have internal controls in place for management or employees, in the normal course of performing their assigned functions, to monitor that appropriate action had been taken to address reported significant deficiencies and material weaknesses.

Recommendation: To improve internal control and operating efficiency, management should establish policies and procedures for management or employees, in the normal course of performing their assigned functions, to evaluate, monitor and correct reported deficiencies and material weaknesses on a timely basis.

Management Response: Management concurs with this finding and will work to resolve.