

**CITY OF TYBEE ISLAND, GEORGIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

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**FINANCIAL REPORT**  
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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the City of Tybee Island, Georgia's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison information for the General Fund and the Hotel Motel Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 1, the City of Tybee Island, Georgia implemented Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. These standards modified terminology and presentation of certain accounts and changed the accounting for bond issuance costs. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 27) and the Schedule of Funding Progress (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 operational, 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 America, which consisted of inquiries of management about 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tybee Island, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basis financial statements. The schedules of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, are also presented for purposes of additional analysis and are not a required part of the basis financial statements.

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The combining and individual nonmajor fund financial statements and schedules and the schedules of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedules of expenditures of special purpose local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tybee Island, Georgia's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 27, 2013

**THE CITY OF TYBEE ISLAND  
MANAGEMENT, DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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 of Tybee Island for the fiscal year ended June 30, 2013. 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.

## **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 present an overall picture of the City's financial position and results of operations. The *Fund financial statements* present information for the City's major funds. The *Notes to the financial statements* provide additional information concerning the City's finances that are not disclosed in the *Government-wide or Fund financial statements*.

The Government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on net position. Governmental activities are primarily supported by property taxes, sales taxes, fines, grants and charges for services. Business-type activities are supported by charges to users of those activities, such as water and sewer service charges, garbage collection service charges and camping service charges.

The *Statement of Net Position* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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). Net position is reported in five categories; 1) net investment in capital assets, 2) restricted for capital projects, 3) restricted for program activities, 4) restricted for debt service, and 5) unrestricted. Assets, liabilities, and net position are reported for all governmental activities separate from the assets, liabilities and net position of business-type activities. Over time, increases or decreases in net position 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.

The *Statement of Activities* presents information on all revenues and expenses of the City and the changes in net position. Expenses and program revenues are reported by major function, providing the net cost of all functions provided by the City. To assist in understanding the City's operations, expenses and program revenues have been reported as governmental activities or business-type activities.

## Management, Discussion and Analysis

### CITY OF TYBEE ISLAND JUNE 30, 2013

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Governmental activities financed by the City include: general government, judicial, public safety, public works, cultural/recreation, parking and planning and zoning activities.

The business-type activities are financed by user charges and include water and sewer, solid waste collection, and campground park services.

The City's government-wide financial statements are presented on pages 28 and 29.

#### **Fund Financial Statements**

*Fund financial statements* present financial information for governmental funds, proprietary funds, and fiduciary funds. These statements provide financial information for the major funds for the City of Tybee Island. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The proprietary fund financial statements provide information on all assets and liabilities of the funds, changes in economic resources (revenues and expenses), and the total economic resources. The fiduciary fund statements provide information concerning assets held in trust by the City on behalf of others.

*Fund financial statements* include a balance sheet and a statement of revenues and expenditures, and changes in fund balances for all governmental funds. A statement of revenues, expenditures, and changes in fund balances - budget and actual, is provided for the City's General Fund and other governmental funds. For the proprietary funds, which includes the business-type activities, a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows are presented. A statement of fiduciary assets and liabilities is presented for the agency fund (municipal court). *Fund financial statements* provide more detailed information about the City's activities. Individual funds are established to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal grants. *Fund financial statements* also disclose the current inflows and outflows of spendable resources and the balances of spendable resources at year end.

The *government-wide financial statements* and the *fund financial statements* provide different views of the City. The government-wide financial statements provide an overall picture of the City's financial standing, split between governmental activities and business-type activities. These statements are comparable to private sector companies. These statements provide a good understanding of the City's overall financial health and how the City paid for various activities, or functions, provided by the City. All assets including land, buildings, roads, bridges, sidewalk, and beach improvements are reported in the Statement of Net Position. All liabilities, including principal outstanding on bonds, capital leases, and future employee benefits obligated but not paid and held by the City are reported in the Statement of Net Position. Transactions between the different functions of the City have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds and a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as bonds, are not included in the *fund financial statements*. A reconciliation is provided as a link to show the changes from the *fund financial statements* to the *government-wide financial statements*.

# Management, Discussion and Analysis

## CITY OF TYBEE ISLAND JUNE 30, 2013

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### **Governmental Funds**

The City maintains 5 individual governmental funds. Those funds include 1) General Fund, 2) Emergency 911 Fund, 3) Hotel Motel Fund, 4) Special Purpose Local Option Sales Tax 2008 Capital Projects Fund; and 5) Special Purpose Local Option Sales Tax 2003 Capital Projects Fund. Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements. Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for the governmental activities in the government-wide financial statements. To do so will disclose the long-term impact of the government's near-term financing decisions.

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 bases 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 position presented in the governmental activities column on the statement of net position. Also, there is an analysis following the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

The City's governmental fund financial statements are presented on pages 30 - 35.

### **Proprietary Funds**

The City of Tybee Island maintains three proprietary funds. Proprietary fund financial statements consist of a statement of net position, statement of revenues, expenses, and changes in fund net position and statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City uses enterprise funds to account for business-type activities that charge fees to customers for the use of specific goods or services. The City of Tybee Island uses enterprise funds to account for its water & sewer services, solid waste collection services and River's End RV Park campground services.

For the most part, the balances and activities accounted for in the City's enterprise funds are also reported in the business-type activities column of the government-wide financial statements. The City presents in separate columns enterprise funds that are most significant to the City 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, but no equivalent statement is presented in the government-wide financial statements for either governmental activities or business-type activities. The City's proprietary fund financial statements are presented on pages 36 - 39.

# Management, Discussion and Analysis

## CITY OF TYBEE ISLAND JUNE 30, 2013

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### Fiduciary Funds

Fiduciary funds are used to account for resources held in trust for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Tybee Island's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund statements can be found on page 40 of this report.

### Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional details concerning the financial activities and financial balances of the City. Additional information about the accounting practices for investments of the City, long-term debt, and the pension plan are some of the items included in the *Notes to the Financial Statements*. The Notes to the Financial Statements can be found on pages 41 - 64 of this report.

### FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2013 are as follows:

- The assets of the City of Tybee Island exceeded its liabilities at the close of the fiscal year by \$25,514,247 (net position). Of this amount, \$5,204,368 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,531,662 as compared to an increase of \$2,514,876 in the prior year, primarily due to increases in the governmental activities' net position;
- As of the close of the current fiscal year, the City of Tybee Island's governmental funds reported combined ending fund balances of \$9,046,200, an increase of \$1,738,586 in comparison to the prior year. This increase was mostly due to the \$1.4M increase in SPLOST revenues for capital projects. The \$9,046,200 fund balance is allocated as follows:

\$ 287,113	non-spendable,
\$4,444,880	restricted for capital projects
\$1,200,979	committed to beach, green space and retrofit revolving loan programs
\$2,283,983	committed to economic stabilization; and
\$ 829,245	assigned FY2014 budget and unfunded retirement liability

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$0;
- The non-spendable fund balance includes a \$159,365 receivable due from the River's End RV Park Fund, and \$127,748 for prepaid expenses; and
- The City of Tybee Island's total debt decreased by \$1,022,746 (8.55%) during the current fiscal year due to debt service payments.

**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the City of Tybee Island's financial position. In the case of the City, assets exceed liabilities by \$25,514,247 at the close of the June 30, 2013 year end.

The largest portion of the City of Tybee Island's net position (62.1%) reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The City of Tybee Island uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

**Overview of the City's Financial Position and Operations**

The City's overall financial position and operations for the past two years are summarized as follows based on the information included in the government-wide financial statements (see pages 28 and 29):

City of Tybee Island Financial Position As a Whole						
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	9,712,272	8,081,353	1,091,767	1,099,196	10,804,039	9,180,549
Capital Assets	6,460,713	6,598,275	20,322,912	19,936,760	26,783,625	26,535,035
Total Assets	16,172,985	14,679,628	21,414,679	21,035,956	37,587,664	35,715,584
<b>Liabilities</b>						
Current Liabilities	690,774	1,207,962	1,397,328	1,843,054	2,088,102	3,051,016
Long-term liabilities	46,513	62,542	9,938,802	10,872,445	9,985,315	10,934,987
Total Liabilities	737,287	1,270,504	11,336,130	12,715,499	12,073,417	13,986,003
<b>Net Assets</b>						
Invested in capital assets	6,398,171	6,520,157	9,453,075	8,477,669	15,851,246	14,997,826
Restricted for capital outlay	4,444,880	3,218,296	-	2,161,776	4,444,880	5,380,072
Restricted for debt service	-	-	13,753	-	13,753	-
Unrestricted	4,592,647	3,670,671	611,721	(1,480,543)	5,204,368	2,190,128
Total net position	\$ 15,435,698	\$ 13,409,124	\$ 10,078,549	\$ 9,158,902.00	\$ 25,514,247	\$ 22,568,026

## Management, Discussion and Analysis

### CITY OF TYBEE ISLAND JUNE 30, 2013

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A review of the table above compares year-end 2013 balances to the 2012 year-end balances.

- ✓ The City's current and other assets increased \$1,623,490 or 17.7% compared to the prior year;
- ✓ Capital assets increased by \$248,590 or .94% compared to the prior year;
- ✓ Current liabilities decreased by (\$933,229), or 30.59% compared to the prior year;
- ✓ Long-term liabilities decreased by (\$949,672), or 8.68% compared to the prior year;
- ✓ Overall, the City's liabilities decreased by (\$1,882,901), or 13.46%;
- ✓ The unrestricted fund balance increased by \$2,984,554, or 136.27%; and
- ✓ The net position increased by \$2,916,536, or 12.92% compared to the prior year.

#### **Financial Position**

The total net position of the City increased by \$2,531,662 (about 12.92%), from \$22,982,585 to \$25,514,247 as noted below. The increase was caused by a current year \$1,446,828 increase in net position by the governmental activities and a \$1,084,834 increase in net position by the business-type activities. While the primary increase in the net position was mostly related to increases in SPLOST revenue and positive earnings in the governmental activities, the primary increase in the net position was mostly related to increases in capital assets in the business-type activities. The overall revenues increased by \$488,154 or 3% over the prior year and the expenditures/expenses increased by \$471,368 or 3.64%.

The following schedule provides a summary of the City's activities for the year ended June 30, 2013 compared with the year ended June 30, 2012 based on information taken from the government-wide financial statements on page 29 of this report.

**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

	Summary of Changes in Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	4,063,189	3,557,577	4,306,790	4,225,010	8,369,979	7,782,587
Operating grants and contributions	129,661	1,346	-	-	129,661	1,346
Capital grants and contributions	30,415	174,578	52,827	-	83,242	174,578
General revenues:						
Property taxes	1,729,448	1,923,041	-	-	1,729,448	1,923,041
Other taxes	5,589,544	5,522,631	-	-	5,589,544	5,522,631
Investment earnings	12,743	22,186	8,791	20,032	21,534	42,218
Gain on sale of capital assets	8,595	12,682	15,234	-	23,829	12,682
Total revenues	<u>11,563,595</u>	<u>11,214,041</u>	<u>4,383,642</u>	<u>4,245,042</u>	<u>15,947,237</u>	<u>15,459,083</u>
Expenses						
Governmental activities						
General government	1,746,017	1,726,346	-	-	1,746,017	1,726,346
Judicial	9,400	21,489	-	-	9,400	21,489
Public safety	2,769,752	2,704,672	-	-	2,769,752	2,704,672
Public works	1,944,877	1,730,894	-	-	1,944,877	1,730,894
Cultural and recreation	2,417,857	2,176,112	-	-	2,417,857	2,176,112
Community development	847,290	863,710	-	-	847,290	863,710
Other expenses	2,075	307	-	-	2,075	307
Business-type activities						
Water and sewer service	-	-	2,096,971	2,088,546	2,096,971	2,088,546
Solid waste collection	-	-	646,588	666,329	646,588	666,329
Campground	-	-	934,748	965,802	934,748	965,802
Total expenses	<u>9,737,268</u>	<u>9,223,530</u>	<u>3,678,307</u>	<u>3,720,677</u>	<u>13,415,575</u>	<u>12,944,207</u>
Transfers	(379,499)	(207,498)	379,499	207,498	-	-
Change in net position	1,446,828	2,362,759	1,084,834	731,863	2,531,662	3,094,622
Beginning net position, restated	<u>13,988,870</u>	<u>11,626,111</u>	<u>8,993,715</u>	<u>8,261,852</u>	<u>22,982,585</u>	<u>19,887,963</u>
Ending net position	<u>15,435,698</u>	<u>13,988,870</u>	<u>10,078,549</u>	<u>8,993,715</u>	<u>25,514,247</u>	<u>22,982,585</u>

**Governmental Activities**

The overall change in net position decreased by \$562,960. The reason for this decrease as compared to the prior year is due to a (\$915,931) decline in governmental activities. In the current year, the governmental activities transferred \$379,499 to the business-type activities to support their operations. In the prior year, solid waste collection, a business-type activity, reported a loss of \$328,369; during the current year the General Fund transferred \$328,369, to the Solid Waste Collection Fund to cover the deficit. The transfers from the General Fund reduced the change in net position from \$1,826,327 to \$1,444,828.

## **Management, Discussion and Analysis**

### **CITY OF TYBEE ISLAND JUNE 30, 2013**

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Although the property taxes collected decreased by (\$193,593) or 10.1%, the governmental activities revenues increased by \$349,554 or 3.12% which is a relatively marginal 4.1% increase when compared to 2012. The City's sales taxes increased by \$1,107,848 or 77.3%. The overall charges for services increased by \$587,392 or 8%. Other taxes revenue increased by \$66,913 or 1.21% while the investment income and capital grant revenues declined from the prior year.

During the current year, departmental expenditures increased in anticipation of collection of budgeted revenues. The culture and recreation function expenditures increased by \$241,745 or 11%. The general governmental function expenditures increased by \$19,671 or 1.13%. The public safety function expenditures increased by \$65,080 or 2.41%. Public works function expenditures increased by \$213,983 or 12.36%. The housing and community development function expenditures decreased by (\$16,420) or 1.90%. The housing and community development function includes the planning & zoning department, the parking division, and the Better Hometown division.

#### **Business-Type Activities**

The growth within the City of Tybee Island had a positive impact overall on the business-type activities which include solid waste collection, water and sewer, and the River's End RV Park activities. The combined changes in net position for these activities reported an increase of \$1,084,834, after transfers in from the General Fund. The combined net gain is a 44.17% increase, or \$352,971 compared to the prior year which was due to transfers in from the General Fund being \$172,001 higher in 2013 compared to the prior year. Without the increase in transfers, the net increase for both years would have been relatively close with a net increase of approximately \$180,970 over the prior year.

- The Water and Sewer operation remains strong and continues to grow and have positive increases despite the fact that the City did not raise rates during the current year. The City provides services to 2,937 full-time resident and commercial utility customers, and approximately 10,000 additional tourists during the spring and summer months.
- The City manages the billing and collection of revenues for its solid waste customers, and outsources the collection and disposal of garbage to a private vendor for both residential and commercial customers. The City's goal in the process is to at a minimum, break-even and attempt to maintain a relative net position balance in order to refrain from having to transfer funds into the Solid Waste Collection Fund from other sources. This is a service that the City provides to its residents which aides residents further by controlling and maintaining the lowest cost for these services, as opposed to allowing a private vendor to take over the entire process and expose residents to garbage fees that could be inflated for profit reasons.
- The River's End RV Park campground activities are operating successfully. The facility is always operating nearly at full capacity, generating constant income from campers. The facility only received a transfer of \$11,447 from the General Fund; therefore, it appears the facility is almost functioning independently without relying on a significant amount of support from other funding sources.

## **Management, Discussion and Analysis**

### **CITY OF TYBEE ISLAND JUNE 30, 2013**

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The business-type activities increased revenues by \$138,600 or 3.26%, while decreasing expenditure activities by (\$42,370) or (1.4%) as a result of changes made to solid waste services which produced a cost savings. The ending net position balance increased by \$1,084,834 from \$8,993,715 to \$10,078,549.

#### **Cost of Program Services**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. It shows for governmental and business-type activities, the combined total cost of services and the combined net cost of services, which identifies the cost of these services supported by tax revenues. The statement of activities can be found on page 29.

Although program revenues make up approximately 35.6% of the governmental revenues, the City is dependent on both charges for services and tax revenues from governmental activities. The cost of services related to governmental activities is \$9,737,268 which approximates 100% of our total tax receipts of \$7,318,992 and 41% of our charges for services receipts, \$1,665,907 out of \$4,063,189.

## **Governmental Funds Financial Analysis**

#### **Reporting the City's Most Significant Funds**

Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

#### **Governmental Funds**

The City maintains three major and two non-major governmental funds. The City's major governmental funds are the General Fund, Hotel Motel Tax Fund, and the Special Purpose Local Options Sale Tax Fund (SPLOST) 2008 Capital Projects Fund. The City's non-major governmental funds are the Emergency 911 Fund, the Grant Fund, and the SPLOST 2003 Capital Projects Fund.

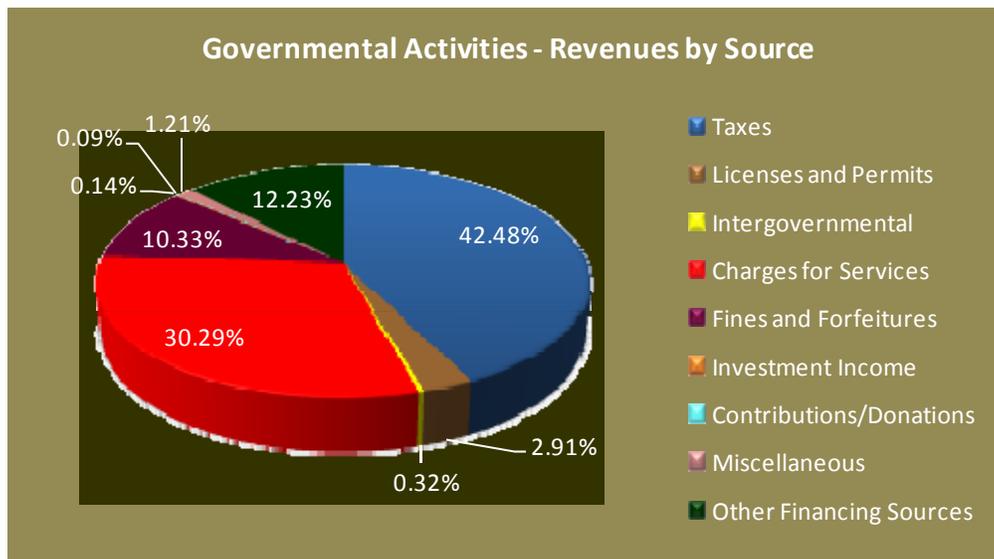
- The General Fund is the chief operating fund for the City.
- The Hotel Motel Tax fund collects the six percent (6%) accommodations tax charged on short-term rentals and administers payments to the Savannah Chamber of Commerce (33.3%) and the International Trade Center (16.7%). The balance of the funds is contributed to the General Fund (50%) and pays for operations.
- The SPLOST 2008 Capital Projects Fund accounts for the receipts and uses of local governmental shared revenues (SPLOST proceeds) to be used for the acquisition of public safety equipment, construction or improvement of capital facilities, drainage projects and beach improvements. The funds are only to be used for capital projects.
- 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 30 - 35.

**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

A comparison of the governmental fund balances to the prior year is shown in the table below. The table shows that the General Fund fund balance increased \$525,259 or 12.89% and the SPLOST 2008 Capital Projects Fund fund balance increased by \$1,323,204 or 6.25% compared to the prior year.

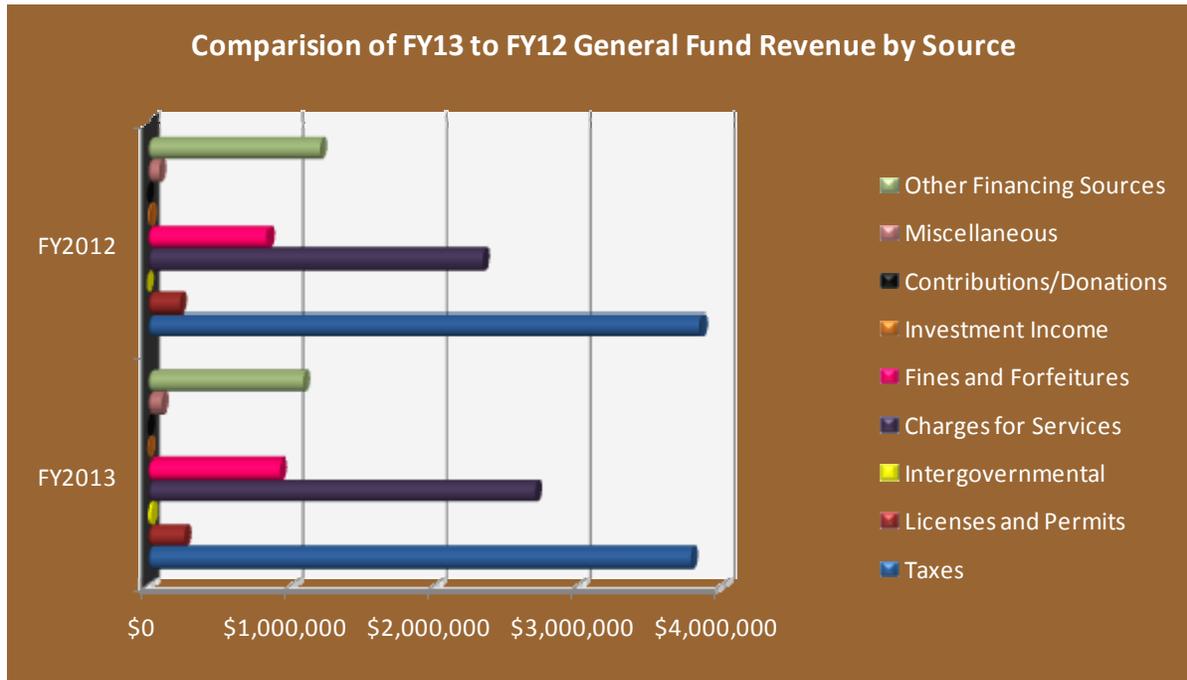
	2013	2012	Change	%
General Fund	\$ 4,601,320	\$ 4,076,061	\$ 525,259	12.89%
Emergency Telephone 911 Fund	-	8,177	(8,177)	-100.00%
Hotel/Motel Fund	-	-	-	0.00%
Grant Fund	-	-	-	0.00%
SPLOST 2003 Fund	1,005,721	1,107,421	(101,700)	-9.18%
SPLOST 2008 Fund	3,439,159	2,115,955	1,323,204	62.53%
Total	\$ 9,046,200	\$ 7,307,614	\$ 1,738,586	23.79%

The chart below shows the governmental activities by revenue source and discloses that although taxes represent 42.48% of governmental activities, property tax receipts declined by (\$67,423) or 3.7%. Charges for services is 30.29%, the second highest source of revenue, followed by other financing sources (contributions from Hotel Motel receipts) of 12.23%.



**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

As presented in the chart that follows, a comparison of revenue sources for year-end 2013 to 2012 discloses that the 3 main sources of revenue remain relatively the same in 2013 as in 2012. A comparison of taxes shows that the balance remains close to the same, while 2013 charges for services increased compared to 2012. In addition, fines and forfeitures and other financing sources increased in 2013 compared to 2012.



The table below compares the General Fund revenues by function as of year-end 2013 to year-end 2012.

City of Tybee Island  
 General Fund  
 Comparison of Year-end 2013 Revenues by Source to 2012's

Revenue Sources	2013	2012	\$ Change	% Change
Taxes	\$3,783,251	\$3,847,219	(\$63,968)	-1.66%
Licenses and Permits	\$263,528	\$225,788	\$37,740	16.71%
Intergovernmental	\$28,816	\$0	\$28,816	100.00%
Charges for Services	\$2,701,558	\$2,336,051	\$365,508	15.65%
Fines and Forfeitures	\$921,348	\$834,954	\$86,394	10.35%
Investment Income	\$12,322	\$22,186	(\$9,863)	-44.46%
Contributions/Donations	\$8,470	\$2,487	\$5,983	240.61%
Miscellaneous	\$109,542	\$89,793	\$19,749	21.99%
Other Financing Sources	\$1,091,348	\$1,200,413	(\$109,065)	-9.09%
<b>Total</b>	<b>\$8,920,184</b>	<b>\$8,558,890</b>	<b>\$361,294</b>	<b>4.22%</b>

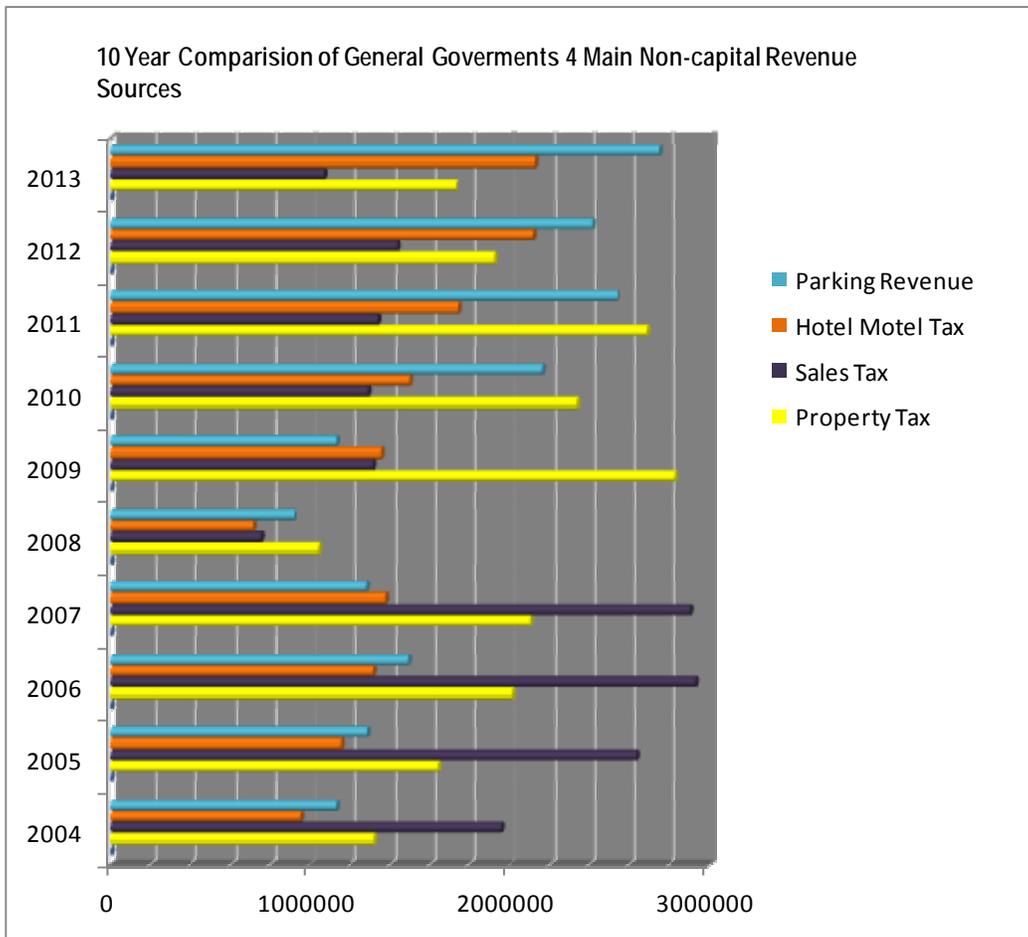
# Management, Discussion and Analysis

## CITY OF TYBEE ISLAND JUNE 30, 2013

The General Fund's four major revenue sources include property taxes, LOST, hotel motel, and parking receipts. The table and chart below present a 10 year comparison of the 4 main revenue sources, from 2004 to 2013. The ten year trend of the 4 main sources of revenue shows that from 2004 to 2007 the revenues steadily increased until 2008. The City only reported 6 months of revenue for 2008 due to a change from calendar year to fiscal year. For the 2009 and 2010 fiscal years, revenues declined compared to 2007 and later recovered in the 2011, 2012 and 2013 fiscal years. Of the 4 main revenue sources, parking receipts is the largest followed by hotel-motel taxes, property taxes and LOST which is reflective of the City of Tybee Island's resort-like operations and a decline in real and personal property tax values in 2012.

City of Tybee Island 10 Year Comparison of the General Government's Main Non-capital Revenue Sources

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Property Tax	\$1,321,559	\$1,641,814	\$2,019,736	\$2,105,820	\$1,043,952	\$2,833,885	\$2,341,586	\$2,689,579	\$1,923,041	\$1,772,414	\$19,693,386
Sales Tax	\$1,956,183	\$2,638,089	\$2,933,265	\$2,906,669	\$756,465	\$1,315,439	\$1,292,362	\$1,339,678	\$1,432,968	\$1,070,291	\$17,641,409
Hotel Motel Tax	\$957,563	\$1,153,431	\$1,316,648	\$1,376,818	\$718,358	\$1,356,210	\$1,503,297	\$1,748,197	\$2,120,150	\$2,108,182	\$14,358,854
Parking Revenue	\$1,129,551	\$1,288,145	\$1,497,222	\$1,284,476	\$919,227	\$1,130,507	\$2,163,838	\$2,538,280	\$2,415,937	\$2,748,355	\$17,115,540
<b>Totals</b>	<b>\$5,364,856</b>	<b>\$6,721,479</b>	<b>\$7,766,871</b>	<b>\$7,673,783</b>	<b>\$3,438,002</b>	<b>\$6,636,041</b>	<b>\$7,301,083</b>	<b>\$8,315,734</b>	<b>\$7,892,096</b>	<b>\$7,699,242</b>	<b>\$68,809,189</b>

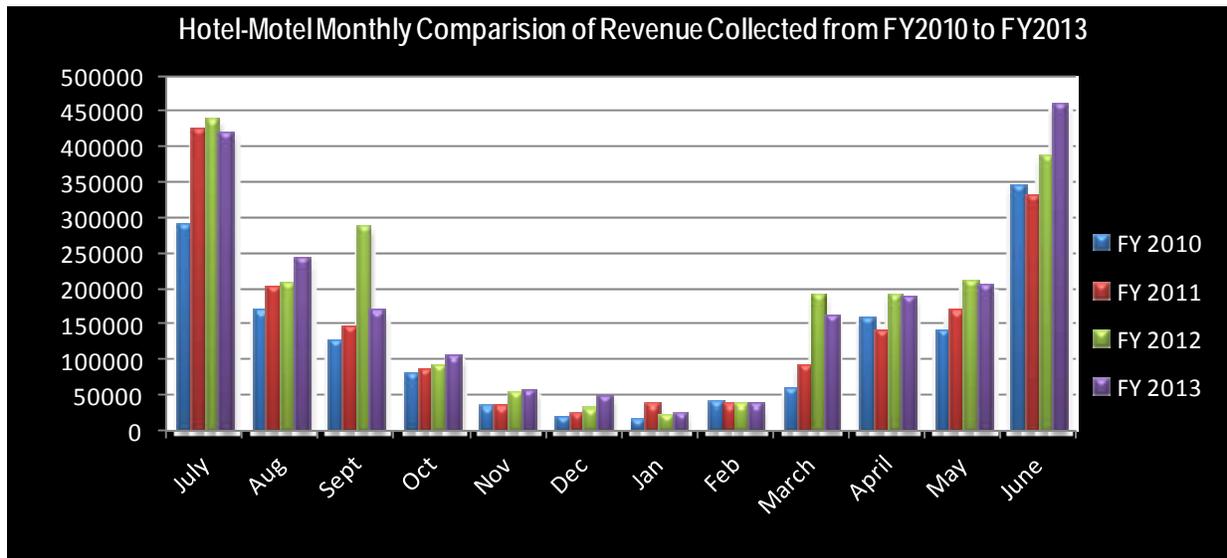


**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

The 2013 hotel motel tax receipts decreased by (\$11,968) or 1.5%. The decrease in 2013 ended a four year trend of annual increases in hotel motel tax revenue. The primary reason for the decline is due to several months of rained-out weekends during the months of March through the first two weeks of May in 2013. The June 2013 hotel-motel receipts made up some of the revenue lost during March to May. Although the hotel motel tax receipts declined in 2013, the receipts for 2013 exceeded the 4 year average by \$248,696 or 13.23%. The table and chart below compare the monthly hotel-motel tax revenue collected for a 4 year period from year ended June 30, 2010 to June 30, 2013 and provide a 4 year average of the monthly revenue collections:

City of Tybee Island Hotel Motel 4 Year History and Average FY 2010-2013

	FY 2010	FY 2011	FY 2012	FY 2013	4 Year Average
July	293,231	426,606	438,211	420,719	394,692
Aug	170,646	204,495	207,409	242,798	206,337
Sept	128,569	145,745	291,398	169,196	183,727
Oct	82,201	87,994	93,935	104,291	92,105
Nov	33,851	36,058	53,980	57,383	45,318
Dec	21,936	25,224	31,313	50,235	32,177
Jan	17,395	36,399	23,872	26,695	26,090
Feb	39,224	36,657	37,129	38,619	37,907
March	60,354	94,780	192,038	163,687	127,715
April	159,981	140,384	191,714	189,640	170,430
May	142,249	168,708	212,519	205,099	182,144
June	345,146	332,490	387,884	460,478	381,500
Total	1,494,784	1,735,541	2,161,403	2,128,838	1,880,142

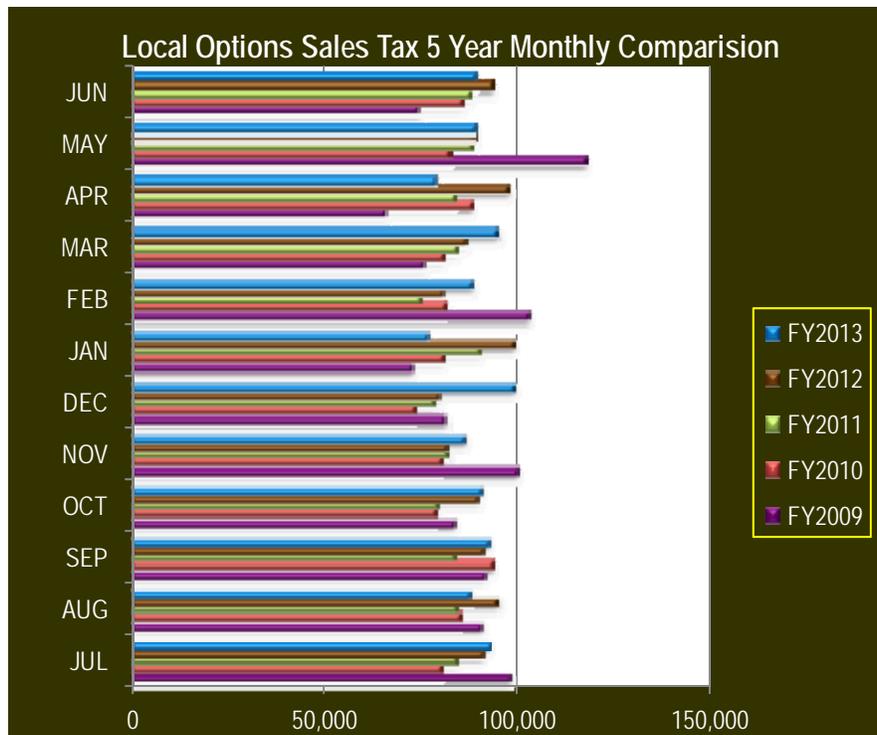


**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

The City of Tybee Island re-negotiated a Local Option Sales Tax (LOST) agreement with the Chatham County government in 2013. The City's percentage share is 2.10%. The table and chart below compare local option sales tax revenues collected on a monthly basis and annually over a 5 year period, in addition to presenting the 5 year average by month and annually. The current year's LOST receipts marginally decreased by (\$9,934) or .92% compared to the prior year. The 2013 annual receipts exceed the 5 year average receipts by \$29,095 or 2.72%. A comparison of the change from 2012 to 2013 (\$9,934) to the change from 2011 to 2012 of \$77,868 shows a more significant decline in the growth of LOST receipts annually.

**City of Tybee Island**  
**Local Options Sales Taxes 5 Year Monthly Comparison and Average**

Month	FY2009	FY2010	FY2011	FY2012	FY2013	5 Year Average
JUL	98,376	80,755	84,406	91,348	93,125	89,602
AUG	91,261	85,436	84,060	95,378	88,078	88,843
SEP	91,835	94,258	83,749	91,816	92,986	90,929
OCT	83,648	78,974	79,560	90,260	90,825	84,654
NOV	100,270	80,719	82,213	82,148	86,579	86,386
DEC	81,805	73,544	78,406	80,405	99,547	82,741
JAN	72,756	81,149	90,218	99,314	77,051	84,098
FEB	103,291	81,859	75,203	81,026	88,673	86,011
MAR	76,254	81,202	84,189	87,124	95,425	84,839
APR	66,268	88,423	83,785	97,979	79,043	83,100
MAY	118,276	82,492	88,572	89,359	89,456	93,631
JUN	74,668	85,585	87,995	94,068	89,502	86,364
<b>TOTAL</b>	<b>1,058,708</b>	<b>994,397</b>	<b>1,002,357</b>	<b>1,080,225</b>	<b>1,070,291</b>	<b>1,041,196</b>

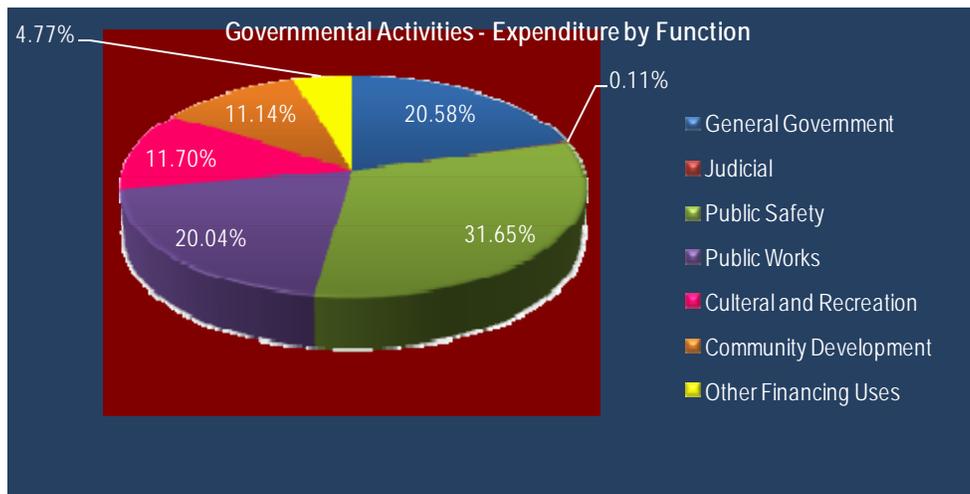


**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

The four highest percentages of expenditures for the governmental activities by function are shown listed below:

- 1. Public Safety 31.65%
- 2. General Government 20.58%
- 3. Public Works 20.04%
- 4. Cultural & Recreation 11.70%

Only 4.77% of the governmental activities expenditures are used to support other funds.



The table below compares the year-end 2013 expenditures by function to the year-end 2012.

**General Fund - Expenditure Comparison of 2013 to 2012**

Function	2013	2012	\$ Change	% Change
	Expenditures	Expenditures		
General Government	\$1,709,981	1,757,267	(\$47,286)	-2.69%
Judicial	\$9,400	21,489	(\$12,089)	-56.26%
Public Safety	\$2,656,845	2,552,159	\$104,686	4.10%
Public Works	\$1,682,546	1,587,155	\$95,392	6.01%
Cultural and Recreation	\$1,149,211	824,430	\$324,781	39.39%
Community Development	\$768,621	1,044,638	(\$276,017)	-26.42%
Debt Service	\$17,651	-	\$17,651	100.00%
Other Financing Uses	\$400,669	242,874	\$157,795	64.97%
<b>Total</b>	<b>\$8,394,924.27</b>	<b>\$8,030,013</b>	<b>\$364,912</b>	<b>4.54%</b>

The general government, judicial and community development function expenditures decreased in 2013 compared to the prior year, while the expenditures of public safety, public works, and culture & recreation functions and other financing uses increased in 2013 compared to the prior year.

**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

**Proprietary Funds Financial Analysis**

**Proprietary Funds**

The City of Tybee Island's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund, Solid Waste Collection Fund, and River's End RV Park Fund at the end of the fiscal year amounted to \$927,376, (\$315,655), and \$0, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Tybee Island's business-type activities.

Business-Type Activities

	Water and Sewer Fund		Solid Waste Fund		River's End RV Park Fund		Totals	
	2013	2012	2013	2012	2013	2012	2013	2012
Operating revenues	2,630,032	2,632,691	606,905	591,246	1,069,853	1,001,073	4,306,790	4,225,010
Operating expenses	(1,901,968)	(1,881,034)	(646,588)	(666,329)	(664,947)	(671,313)	(3,213,503)	(3,218,676)
Net operating income (loss)	728,064	751,657	(39,683)	(75,083)	404,906	329,760	1,093,287	1,006,334
Nonoperating income (expenses)	(186,212)	(187,480)	-	-	(269,801)	(294,489)	(456,013)	(481,969)
Gain on sale of capital assets	15,234	-	-	-	-	-	15,234	-
Income(loss) before contributions & transfers	557,086	564,177	(39,683)	(75,083)	135,105	35,271	652,508	524,365
Capital contributions	52,827	-	-	-	-	-	52,827	-
Transfers in	-	-	368,052	-	11,447	207,498	379,499	207,498
Change in net position	609,913	564,177	328,369	(75,083)	146,552	242,769	1,084,834	731,863
Beginning net position, restated	8,152,953	7,588,776	(328,369)	(253,286)	1,169,131	926,362	8,993,715	8,261,852
Ending net position	8,762,866	8,152,953	-	(328,369)	1,315,683	1,169,131	10,078,549	8,993,715

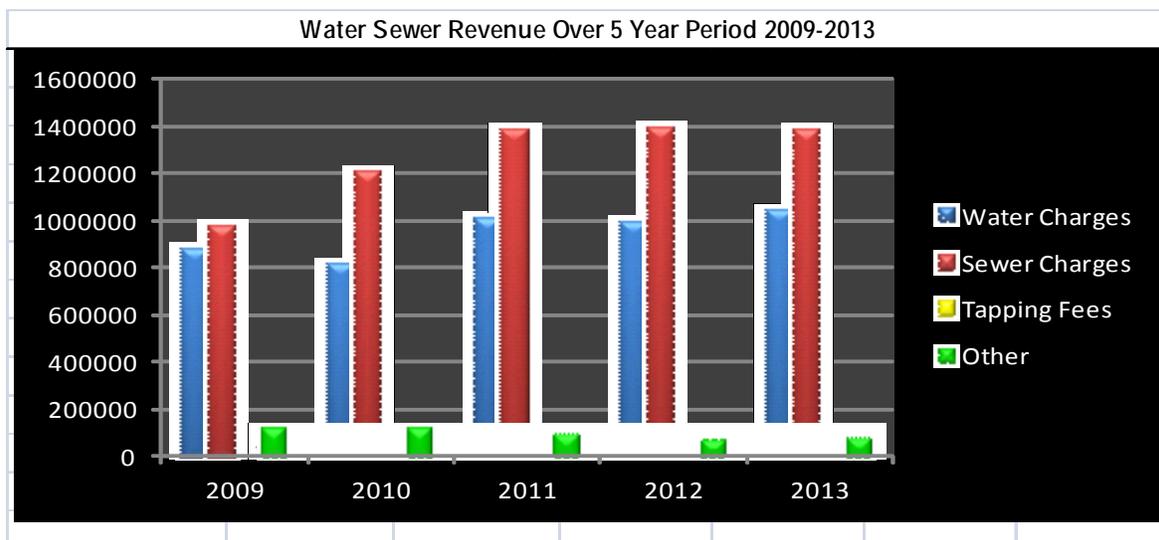
**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

**Water and Sewer Fund**

Comparison of current year and prior year operations of the Water and Sewer Fund can be seen in the table below. Operating income of the Water and Sewer Fund was \$728,064 compared to \$751,657 in the prior year which is a marginal decline of .10%. Operating expenses were \$1,901,968 compared to \$1,881,034 in the prior year which is a 1.11% increase. The year-ending net position increased by \$609,913 or 6.74%.

City of Tybee Island Water and Sewer Fund				
	2013	2012	\$ Change	% Change
Operating revenues	2,630,032	2,632,691	(2,659)	-0.10%
Operating expenses	(1,901,968)	(1,881,034)	(20,934)	1.11%
Net operating income (loss)	728,064	751,657	(23,593)	-3.14%
Nonoperating income (expenses)	(186,212)	(187,480)	1,268	-0.68%
Gain on sale of capital assets	15,234	-	15,234	100.00%
Income(loss) before contributions & transfers	557,086	564,177	(7,091)	-1.26%
Capital contributions	52,827	-	52,827	100.00%
Transfers in	-	-	-	0.00%
Change in net position	609,913	564,177	45,736	8.11%
Beginning net position, restated	8,152,953	7,588,776	564,177	7.43%
Ending net position	8,762,866	8,152,953	609,913	7.48%

The chart below shows a comparison of the water and sewer revenue collections over the past 5 years, from 2009 to 2013. The chart discloses that sewer charges exceed the water charges proportionately close to the same amount each year. Although the water charges and sewer charges significantly increased in fiscal year 2011, annual receipts have remain unchanged from 2011, 2012 and 2013 due to the City not increasing water and sewer rates since 2010.



**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

**Solid Waste Collection Fund**

A review of the Solid Waste Collection Fund operating balances in fiscal year 2013 discloses that the fund increased its operating revenues and decreased its operating expenditures as compared to the prior year. The table below compares the current year and prior year operations for the Solid Waste Collection Fund. Operating losses were (\$39,683) in 2013 compared to (\$75,083) in the prior year. Revenues were \$606,905 in the current year compared to \$591,246 in the prior year. Operating expenses were \$646,588 in the current year compared to \$666,329 in the prior year. The net position (deficit) at the end of the prior year was eliminated in 2013 by a \$368,052 transfer in from the General Fund.

City of Tybee Island Solid Waste Collection Fund				
	2013	2012	\$ Change	% Change
Operating revenues	606,905	591,246	15,659	2.65%
Operating expenses	(646,588)	(666,329)	19,741	-2.96%
Net operating income (loss)	(39,683)	(75,083)	35,400	-47.15%
Capital contributions		-	-	-
Transfers in	368,052	-	368,052	100.00%
Change in net position	328,369	(75,083)	403,452	537.00%
Beginning net position	(328,369)	(253,286)	(75,083)	29.64%
Ending net position	-	(328,369)	328,369	-100.00%

**River's End RV Park Fund**

The table 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 \$146,552 compared to \$242,769 in the prior year. A transfer from the General Fund of \$11,447 was made to cover a small portion of the \$280,000 debt service principle payment. Compared to the prior year, the transfers from the General Fund decreased by 94.48%; therefore, it appears that the River's End RV Park fund operations have made significant progress towards becoming independent and eliminating financial support needed from the General Fund. Operating revenues in 2013 were \$1,069,853 compared to \$1,001,073 in the prior year. Operating expenses were \$664,947 in 2013 compared to \$671,313 in the prior year.

City of Tybee Island River's End RV Park Fund				
	2013	2012	\$ Change	% Change
Operating revenues	1,069,853	1,001,073	68,780	6.87%
Operating expenses	(664,947)	(671,313)	6,366	-0.95%
Net operating income (loss)	404,906	329,760	75,146	22.79%
Nonoperating income (expenses)	(269,801)	(294,489)	24,688	-8.38%
Income(loss) before contributions & transfers	135,105	35,271	99,834	283.05%
Transfers in	11,447	207,498	(196,051)	94.48%
Change in net position	146,552	242,769	(96,217)	-39.63%
Beginning net position, restated	1,169,131	926,362	242,769	26.21%
Ending net position	1,315,683	1,169,131	146,552	12.54%

**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

**General Fund Budgetary Highlights**

The original General Fund budget passed by the City Council for fiscal year 2012-2013 of \$9,958,954 was decreased by 10.65% or (\$958,302) during the year. The General Fund's final amended budget was \$9,000,659. The reason for the significant decrease in the budget was primarily due to the removal of the River's End RV Park campground activities from the General Fund to a separate enterprise fund. During the year, revenues did not exceed the budgetary estimates and expenditures were less than the budgetary estimates, thus eliminating the need to draw upon existing fund balance. A comparison of the final budgetary figures and the actual budgetary figures for revenues are located on page 33.

- The City's budget is prepared according to Georgia law. The most significant fund budgeted is the General Fund.
- For the General Fund, the actual revenues and other financing sources of \$8,920,183 came under the final budget amount of \$9,000,659 by \$80,476 of .89%. The difference was primarily due to a decline in cash receipts due to unfavorable weather conditions in the spring months of 2013. The actual expenditures of \$8,394,924 were (\$623,378) less than the budgeted amount of \$9,000,659 which discloses that departments are more conservative with spending. As a result, all city departments remain within their established budget limits.

Summary Comparison of General Fund Budget to Actual

	2013 Final Budget	2012 Final Actual	Balance	Percentage Change	Comments
<b>General Fund</b>					
<b>Revenues</b>					
Operating revenues	7,915,037	7,828,835	86,202	-1.09%	Percentage under collected
Transfers in	1,061,000	1,064,419	(3,419)	0.32%	Percentage excess collected
Sale of capital assets	24,622	26,929	(2,307)	9.37%	Percentage excess collected
<b>Total revenues</b>	<b>9,000,659</b>	<b>8,920,183</b>	<b>80,476</b>	<b>-0.89%</b>	<b>Overall % of revenues not collected</b>
<b>Expenditures</b>					
Operating expenses	8,501,247	7,976,604	524,643	-6.17%	Percentage under spent
Debt service	17,651	17,651	-	0.00%	N/A
Transfers out	481,752	400,669	81,083	-16.83%	Percentage under spent
<b>Total expenses</b>	<b>9,000,650</b>	<b>8,394,925</b>	<b>605,725</b>	<b>-6.73%</b>	<b>Overall % of money saved from expenses</b>

**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

The table below compares the current year actual revenues and expenditures to the prior year.

Summary Comparison of General Fund FY2013 Actual to FY2012 Actual				
	2013	2012		
	Final Actual	Final Actual	Variance	Percentage Change Comments
General Fund				
Revenues				
Operating revenues	7,828,835	7,358,177	470,658	6.40% Revenues collected increased over prior year
Transfers in	1,064,419	1,105,444	(41,025)	-3.71% Transfers in decreased from prior year
Capital leases	-	82,333	(82,333)	-100.00% Leases proceeds decreased from prior year
Sale of capital assets	26,929	12,682	14,247	112.34% Gain on sale of assets increased over prior year
Total revenues	8,920,183	8,558,635	361,548	4.22% Overall revenues collected increased over prior year
Expenditures				
Operating expenses	7,976,604	7,787,666	188,938	2.43% Expenses increased over prior year
Debt service	17,651	25,864	(8,213)	-31.75% Expenses decreased from prior year
Transfers out	400,669	216,229	184,440	85.30% Transfers out increased over prior year
Total expenses	8,394,924	8,029,759	365,165	4.55% Over all expenses increased over prior year
Net Change in Fund Balance	525,259	528,876	(3,617)	-0.68% Net change in fund balance decreased marginally

**Capital Assets and Debt Administration**

**Capital Assets**

The City has invested \$26.8 million in capital assets (net of depreciation). Combined, 85.16% of this investment is related to land, buildings, grounds and improvements, 8.83% is related to machinery and equipment, and 6.0% is related to infrastructure. Governmental and business-type activities capital assets have decreased by .63% compared to the prior year due to disposal of equipment and a prior period adjustment. Capital assets held by the City at the end of the current and previous year are summarized as follows:

**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

City of Tybee Island Capital Asset Year End Comparison

	Capital Assets							
	Governmental Activities		Business-type Activities		Totals		Change	%
	2013	2012	2013	2012	2013	2012		
Land	1,008,070	1,008,070	6,973,632	6,973,632	7,981,702	7,981,702	-	0.00%
Construction in progress	45,639	18,176	-	-	45,639	18,176	27,463	151.09%
Land improvements	-	-	127,182	61,531	127,182	61,531	65,651	106.70%
Building and improvements	3,564,121	3,564,121	355,581	355,581	3,919,702	3,919,702	-	0.00%
Machinery and equipment	4,397,736	4,373,688	1,364,903	1,542,580	5,762,639	5,916,268	(153,629)	-2.60%
Utility system	-	-	16,269,909	16,038,817	16,269,909	16,038,817	231,092	100.00%
Infrastructure	2,773,691	2,599,690	-	-	2,773,691	2,599,690	174,001	6.69%
	<u>11,789,257</u>	<u>11,563,745</u>	<u>25,091,207</u>	<u>24,972,141</u>	<u>36,880,464</u>	<u>36,535,886</u>	<u>344,578</u>	<u>0.94%</u>

	Accumulated Depreciation							
	Governmental Activities		Business-type Activities		Totals		Change	%
	2013	2012	2013	2012	2013	2012		
Land	-	-	-	-	-	-	-	0.00%
Construction in progress	-	-	-	-	-	-	-	0.00%
Land improvements	-	-	(13,438)	(9,655)	(13,438)	(9,655)	(3,783)	39.18%
Building and improvements	(1,234,607)	(1,126,215)	(66,050)	(54,181)	(1,300,657)	(1,180,396)	(120,261)	10.19%
Machinery and equipment	(3,015,205)	(2,809,506)	(466,378)	(570,193)	(3,481,583)	(3,379,699)	(101,884)	3.01%
Utility system	-	-	(4,222,429)	(3,983,436)	(4,222,429)	-	(4,222,429)	100.00%
Infrastructure	(1,078,732)	(919,689)	-	-	(1,078,732)	(919,689)	(159,043)	17.29%
Total accumulated depreciation	<u>(5,328,544)</u>	<u>(4,855,410)</u>	<u>(4,768,295)</u>	<u>(4,617,465)</u>	<u>(10,096,839)</u>	<u>(5,489,439)</u>	<u>(4,607,400)</u>	<u>83.93%</u>

	Net Capital Assets							
	Governmental Activities		Business-type Activities		Totals		Change	%
	2013	2012	2013	2012	2013	2012		
Land	1,008,070	1,008,070	6,973,632	6,973,632	7,981,702	7,981,702	-	0.00%
Construction in progress	45,639	18,176	-	-	45,639	18,176	27,463	151.09%
Land improvements	-	-	113,744	51,876	113,744	51,876	61,868	119.26%
Building and improvements	2,329,514	2,437,906	289,531	301,400	2,619,045	2,739,306	(120,261)	-4.39%
Machinery and equipment	1,382,531	1,564,182	898,525	972,387	2,281,056	2,536,569	(255,513)	-10.07%
Infrastructure	1,694,959	1,680,001	-	-	1,694,959	1,680,001	14,958	0.89%
Utility system	-	-	12,047,480	12,055,381	12,047,480	12,055,381	(7,901)	-0.07%
Net capital assets	<u>6,460,713</u>	<u>6,708,335</u>	<u>20,322,912</u>	<u>20,354,676</u>	<u>26,783,625</u>	<u>27,063,011</u>	<u>(279,386)</u>	<u>-1.03%</u>

**Management, Discussion and Analysis**  
**CITY OF TYBEE ISLAND JUNE 30, 2013**

During the current year, major capital additions for governmental activities include the following purchases by departments:

<u>Department Name</u>	<u>Amount Expended</u>	<u>Items Purchased</u>
• Police Department	\$73,200	Vehicles and in car cameras;
• Fire Department	\$31,508	4 X 4 vehicles and radios;
• Cultural & Recreation	\$13,624	Ford ranger truck;
• Public Works	\$37,439	Tractor and vehicle; and
• Beach improvements	\$46,708	Repair crossovers

In addition, during the current year, major capital additions for the business-type activities include the following:

<u>Department Name</u>	<u>Amount Expended</u>	<u>Items Purchased</u>
• Water & Sewer Department	\$71,626	Street well repair and equipment
• River's End RV Park Department	\$75,170	Pool improvements and new signs

Additional information on the City's capital assets can be found in Note 5 to the financial statements

**Long-term Debt**

At the end of the current year, the City had long-term debt of \$10,932,379, which was a decrease from the prior year of \$1,022,746. The quality of the loans and bonds are based on the City's financial ability to make principle and interest payments and repay the loan and bonds in full at maturity. The credit confidence of the City has remained stable for several years which attests to the financial health and credit worthiness of the City.

<u>City of Tybee Island Outstanding Long-Term Debt</u>				
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>%</u>
Governmental Activities				
Capital leases	62,542	78,118	(15,576)	-19.94%
Total debt service	62,542	78,118	(15,576)	-19.94%
Business-type activities				
Chatham County Recreation Bond	5,650,000	5,930,000	(280,000)	-4.72%
Water & Sewer - Series 2005 Bond	455,000	600,000	(145,000)	-24.17%
Georgia Municipal Association	66,746	197,094	(130,348)	-66.13%
Georgia Environmental Facility Authority				
Note Payables	4,698,091	5,149,913	(451,822)	-8.77%
Total debt service	10,869,837	11,877,007	(1,007,170)	-8.48%
Total all debt service	10,932,379	11,955,125	(1,022,746)	-8.55%

The total amount of debt related to business-type activities remained stable from the end of 2012 to 2013.

## **Management, Discussion and Analysis**

### **CITY OF TYBEE ISLAND JUNE 30, 2013**

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All of this debt is backed by the revenues of the City's water and sewer system and campground services. The debt position of the City is summarized below and is more fully analyzed in Note 6 beginning on page 55 of the financial statements.

During the current year, debt changes for governmental activities were as follows:

- The General Fund reduced the City's debt position by paying \$15,576 to the Georgia Municipal Association for capital leased acquired in 2012 to purchase a telephone system. The total interest expense paid was \$2,075.

In addition, the following major debt changes for business-type activities were as follows:

- The Water and Sewer Fund reduced the City's debt position by paying \$451,822 to the Georgia Environmental Financial Authority on loans used to replace and repair water and sewer lines and lift stations. The total interest expense accrued and paid was \$163,394.
- The Water and Sewer Fund reduced the City's debt position by paying \$130,348 to the Georgia Municipal Association on a loan used to replace automated meter readers five years ago. The total interest expense accrued and paid was \$4,830.
- The Water and Sewer Fund reduced the City's debt position by paying \$145,000 toward the 2005 series revenue bonds. The total interest expense accrued and paid was \$23,647.
- The River's End RV Park Fund reduced the City's debt position by paying \$280,000 toward the Chatham County Recreational Revenue Bonds issued to acquire the campground. The total interest expense accrued and paid was \$394,992.

The City also has long-term liabilities related to compensated absences. These liabilities, for both governmental activities and business-type activities, were \$196,509 at year end. The compensated absences include accrued vacation and compensation time earned.

### **Economic Factors and Next Year's Budgets and Rates**

Regional economic trends that affect the financial conditions of the City are generally favorable as reflected in the growth of increased revenues of the governmental funds' major revenue sources, parking fees and hotel motel taxes. With the improvement of the economy, tourism is expected to continue to grow. The City expects the tax digest to grow as more building permits are issued for new construction of commercial and residential properties continues. Voters approved a new SPLOST referendum in November, 2013 that will help fund more capital projects and reduce the amount of General Fund and business-type activities money used toward capital projects. Thus, the City will be able to continue to grow its fund balance and net position.

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 governmental funds and proprietary funds for the year ended June 30, 2014.

## **Management, Discussion and Analysis**

### **CITY OF TYBEE ISLAND JUNE 30, 2013**

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In addition to anticipated 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 to significantly reduce the cost of overtime pay.

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 2014 fiscal year.

Overall, the business-type activities conducted by the City are expected to continue to improve. These favorable results are expected to be related to the operations of the Water and Sewer Fund, Solid Waste Collection Fund, and River's End RV Park Fund. The City reviewed water and sewer rates and decided to increase these rates annually based on the consumer price index. The City will initiate the first rate increase in August, 2013.

In addition, the City plans to increase the solid waste collection rates due to anticipated rate increases from the sanitation vendor. The City will raise garbage rates to ensure that the Solid Waste Collection Fund's operations do not incur deficits at year-end and require a significant supplement of money from the General Fund. In the fiscal year 2014 budget, the City will include personnel and fringe benefit costs in the Solid Waste Collection Fund for the first time to ensure that related costs are properly allocated by function.

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 2014 fiscal year.

### **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 government'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 (912) 472-5021, City Hall, 403 Butler Street, Tybee Island, Georgia 31328.

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash and cash equivalents	\$ 4,347,013	\$ 252,267	\$ 4,599,280
Investments	3,649,578	-	3,649,578
Taxes receivable	860,210	-	860,210
Accounts receivable, net of allowances	178,483	527,850	706,333
Due from other governments	335,536	-	335,536
Internal balances	213,702	(213,702)	-
Inventory		32,624	32,624
Prepaid expenses	127,750	6,614	134,364
Restricted assets:			
Cash and cash equivalents	-	13,753	13,753
Investments	-	472,361	472,361
Capital assets:			
Nondepreciable	1,053,709	6,973,632	8,027,341
Depreciable, net of accumulated depreciation	5,407,004	13,349,280	18,756,284
Total assets	<u>16,172,985</u>	<u>21,414,679</u>	<u>37,587,664</u>
<b>LIABILITIES</b>			
Accounts payable	486,278	111,435	597,713
Accrued liabilities	3,185	211,917	215,102
Customer deposits payable	10,000	151,400	161,400
Notes payable due within one year	-	493,662	493,662
Notes payable due in more than one year	-	4,271,175	4,271,175
Capital lease due within one year	16,029	-	16,029
Capital lease due in more than one year	46,513	-	46,513
Compensated absences due within one year	172,000	18,600	190,600
Compensated absences due in more than one year	3,282	2,627	5,909
Bonds payable due within one year	-	440,000	440,000
Bonds payable due in more than one year	-	5,665,000	5,665,000
Total liabilities	<u>737,287</u>	<u>11,365,816</u>	<u>12,103,103</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,398,171	9,453,075	15,851,246
Restricted for capital outlay	4,444,880	-	4,444,880
Restricted for debt service	-	13,753	13,753
Unrestricted	4,592,647	582,034	5,174,681
Total net position	<u>\$ 15,435,698</u>	<u>\$ 10,048,862</u>	<u>\$ 25,484,560</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,746,017	\$ 596,458	\$ 6,425	\$ -	\$ (1,143,134)	\$ -	\$ (1,143,134)
Judicial	9,400	51,702	-	-	42,302	-	42,302
Public safety	2,769,752	603,308	2,070	-	(2,164,374)	-	(2,164,374)
Public works	1,944,877	-	99,430	28,816	(1,816,631)	-	(1,816,631)
Culture and recreation	2,417,857	19,359	20,656	1,599	(2,376,243)	-	(2,376,243)
Housing and community development	847,290	2,792,362	1,080	-	1,946,152	-	1,946,152
Interest on long-term debt	2,075	-	-	-	(2,075)	-	(2,075)
Total governmental activities	<u>9,737,268</u>	<u>4,063,189</u>	<u>129,661</u>	<u>30,415</u>	<u>(5,514,003)</u>	<u>-</u>	<u>(5,514,003)</u>
Business-type activities:							
Water and sewer	2,096,971	2,630,032	-	52,827	-	585,888	585,888
Campground	934,748	1,040,166	-	-	-	105,418	105,418
Sanitation collection	646,588	606,905	-	-	-	(39,683)	(39,683)
Total business-type activities	<u>3,678,307</u>	<u>4,277,103</u>	<u>-</u>	<u>52,827</u>	<u>-</u>	<u>651,623</u>	<u>651,623</u>
Total primary government	<u>\$ 13,415,575</u>	<u>\$ 8,340,292</u>	<u>\$ 129,661</u>	<u>\$ 83,242</u>	<u>(5,514,003)</u>	<u>651,623</u>	<u>(4,862,380)</u>
General revenues:							
Property taxes					1,729,448	-	1,729,448
Sales taxes					2,540,816	-	2,540,816
Hotel / motel taxes					2,108,182	-	2,108,182
Franchise taxes					426,455	-	426,455
Other taxes					514,091	-	514,091
Unrestricted investment earnings					12,743	8,791	21,534
Gain on sale of capital assets					8,595	15,234	23,829
Transfers					(379,499)	379,499	-
Total general revenues and transfers					<u>6,960,831</u>	<u>403,524</u>	<u>7,364,355</u>
Change in net position					<u>1,446,828</u>	<u>1,055,147</u>	<u>2,501,975</u>
Net position, beginning of year, as restated					<u>13,988,870</u>	<u>8,993,715</u>	<u>22,982,585</u>
Net position, end of year					<u>\$ 15,435,698</u>	<u>\$ 10,048,862</u>	<u>\$ 25,484,560</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

<b>ASSETS</b>	<b>General Fund</b>	<b>Hotel/ Motel Tax Fund</b>	<b>2008 SPLOST Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Totals Governmental Funds</b>
Cash and cash equivalents	\$ 372,623	\$ 205,099	\$ 3,199,076	\$ 570,215	\$ 4,347,013
Investments	3,649,578	-	-	-	3,649,578
Taxes receivable	399,732	460,478	-	-	860,210
Accounts receivable	170,175	-	-	8,308	178,483
Due from other governments	89,502	-	246,034	-	335,536
Due from other funds	396,542	-	-	456,597	853,139
Advances to other funds	159,365	-	-	-	159,365
Prepaid items	127,748	-	-	2	127,750
Total assets	<u>\$ 5,365,265</u>	<u>\$ 665,577</u>	<u>\$ 3,445,110</u>	<u>\$ 1,035,122</u>	<u>\$ 10,511,074</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 127,554	\$ 332,788	\$ 3,319	\$ 22,617	\$ 486,278
Accrued liabilities	3,185	-	-	-	3,185
Deposits	10,000	-	-	-	10,000
Due to other funds	456,597	332,789	2,632	6,784	798,802
Total liabilities	<u>597,336</u>	<u>665,577</u>	<u>5,951</u>	<u>29,401</u>	<u>1,298,265</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	166,609	-	-	-	166,609
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	127,748	-	-	-	127,748
Advances to other funds	159,365	-	-	-	159,365
Restricted for capital projects	-	-	3,439,159	1,005,721	4,444,880
Committed for:					
Beach renourishment	750,000	-	-	-	750,000
Retrofit revolving loan	49,002	-	-	-	49,002
Greenspace	401,977	-	-	-	401,977
Economic stabilization	2,283,983	-	-	-	2,283,983
Assigned to:					
Public safety equipment	16,838	-	-	-	16,838
Unfunded retirement liability	299,967	-	-	-	299,967
FY2014 budget	512,440	-	-	-	512,440
Total fund balances	<u>4,601,320</u>	<u>-</u>	<u>3,439,159</u>	<u>1,005,721</u>	<u>9,046,200</u>
Total liabilities and fund balances	<u>\$ 5,365,265</u>	<u>\$ 665,577</u>	<u>\$ 3,445,110</u>	<u>\$ 1,035,122</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					6,460,713
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					166,609
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.					<u>(237,824)</u>
Net position of governmental activities					<u>\$ 15,435,698</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>2008 SPLOST Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 3,783,251	\$ 2,108,182	\$ 1,470,525	\$ -	\$ 7,361,958
Licenses and permits	263,528	-	-	-	263,528
Intergovernmental	28,816	-	-	100,510	129,326
Charges for services	2,701,558	-	-	67,238	2,768,796
Fines and forfeitures	921,348	-	-	-	921,348
Interest	12,322	-	1,599	421	14,342
Other revenues	118,012	20,656	-	-	138,668
Total revenues	<u>7,828,835</u>	<u>2,128,838</u>	<u>1,472,124</u>	<u>168,169</u>	<u>11,597,966</u>
<b>Expenditures</b>					
Current:					
General government	1,709,981	-	-	-	1,709,981
Judicial	9,400	-	-	-	9,400
Public safety	2,656,845	-	-	76,739	2,733,584
Public works	1,682,546	-	-	119,277	1,801,823
Culture and recreation	1,149,211	1,064,419	-	-	2,213,630
Housing and community development	768,621	-	-	1,079	769,700
Capital outlay	-	-	148,920	102,121	251,041
Debt service:					
Principal	15,576	-	-	-	15,576
Interest	2,075	-	-	-	2,075
Total expenditures	<u>7,994,255</u>	<u>1,064,419</u>	<u>148,920</u>	<u>299,216</u>	<u>9,506,810</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(165,420)</u>	<u>1,064,419</u>	<u>1,323,204</u>	<u>(131,047)</u>	<u>2,091,156</u>
<b>Other financing sources (uses):</b>					
Transfers in	1,064,419	-	-	21,170	1,085,589
Transfers out	(400,669)	(1,064,419)	-	-	(1,465,088)
Sale of capital assets	26,929	-	-	-	26,929
Total other financing sources (uses)	<u>690,679</u>	<u>(1,064,419)</u>	<u>-</u>	<u>21,170</u>	<u>(352,570)</u>
Net change in fund balances	525,259	-	1,323,204	(109,877)	1,738,586
<b>Fund balances, beginning of year</b>	<u>4,076,061</u>	<u>-</u>	<u>2,115,955</u>	<u>1,115,598</u>	<u>7,307,614</u>
<b>Fund balances, end of year</b>	<u>\$ 4,601,320</u>	<u>\$ -</u>	<u>\$ 3,439,159</u>	<u>\$ 1,005,721</u>	<u>\$ 9,046,200</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Net change in fund balances - total governmental funds.	\$ 1,738,586
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Total capital outlay	331,204
Total depreciation	(560,492)
The net effect of the sale of capital assets is to decrease net position.	(18,334)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(42,966)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal repayments	15,576
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(16,746)
	<u>\$ 1,446,828</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 2,144,694	\$ 2,095,339	\$ 1,772,414	\$ (322,925)
Local option sales tax	1,000,000	1,070,290	1,070,291	1
Franchise taxes	429,000	426,440	426,455	15
Insurance premium tax	141,243	149,838	149,842	4
Alcoholic beverage excise tax	250,000	296,395	296,401	6
Real estate transfer tax	7,000	7,300	8,172	872
Occupational taxes	61,000	57,330	57,330	-
Energy excise tax	-	1,780	2,346	566
Total taxes	<u>4,032,937</u>	<u>4,104,712</u>	<u>3,783,251</u>	<u>(321,461)</u>
<b>Licenses and permits:</b>				
Regulatory fees	120,000	104,635	104,635	-
Building permits	70,000	109,390	109,397	7
Building inspections	15,000	23,780	23,787	7
Zoning variance requests fees	3,000	3,125	3,125	-
Recording fees	4,000	6,750	6,750	-
Other	31,750	15,829	15,834	5
Total licenses and permits	<u>243,750</u>	<u>263,509</u>	<u>263,528</u>	<u>19</u>
<b>Intergovernmental</b>	<u>-</u>	<u>28,816</u>	<u>28,816</u>	<u>-</u>
<b>Charges for services:</b>				
Parking fees	2,307,231	2,411,809	2,415,126	3,317
Other charges for services	1,339,965	286,427	286,432	5
Total charges for services	<u>3,647,196</u>	<u>2,698,236</u>	<u>2,701,558</u>	<u>3,322</u>
<b>Fines and forfeitures:</b>				
Municipal fines	523,000	312,179	544,112	231,933
Parking fines	430,000	377,225	377,236	11
Total fines and forfeitures	<u>953,000</u>	<u>689,404</u>	<u>921,348</u>	<u>231,944</u>
<b>Interest income</b>	<u>25,000</u>	<u>12,320</u>	<u>12,322</u>	<u>2</u>
<b>Miscellaneous:</b>				
Contributions	3,000	8,470	8,470	-
Rents and royalties	15,498	15,561	15,560	(1)
Other	6,573	94,009	93,982	(27)
Total miscellaneous	<u>25,071</u>	<u>118,040</u>	<u>118,012</u>	<u>(28)</u>
Total revenues	<u>8,926,954</u>	<u>7,915,037</u>	<u>7,828,835</u>	<u>(86,202)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government				
Governing body	72,484	90,284	90,743	(459)
Clerk of council	101,064	81,013	75,073	5,940
City manager	177,567	166,550	163,732	2,818
Financial administration	494,069	484,884	456,442	28,442
Legal	156,300	156,300	148,961	7,339
Information technology	398,978	401,924	397,048	4,876
Human resources	105,922	102,557	97,958	4,599
Building and plant maintenance	311,137	281,125	280,024	1,101
Total general government	<u>1,817,521</u>	<u>1,764,637</u>	<u>1,709,981</u>	<u>54,656</u>

(Continued)

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (Continued)</b>				
<b>Current:</b>				
Judicial				
Municipal Court	\$ 10,100	\$ 9,500	\$ 9,400	\$ 100
Total judicial	<u>10,100</u>	<u>9,500</u>	<u>9,400</u>	<u>100</u>
Public safety				
Police administration	2,246,339	2,212,124	2,199,837	12,287
Beach patrol	74,891	99,891	98,352	1,539
Fire administration	321,355	309,600	293,231	16,369
Emergency management	74,168	71,924	65,425	6,499
Total public safety	<u>2,716,753</u>	<u>2,693,539</u>	<u>2,656,845</u>	<u>36,694</u>
Public works				
General operations	1,628,359	1,563,177	1,465,150	98,027
Solid waste collection	243,500	242,500	217,396	25,104
Total public works	<u>1,871,859</u>	<u>1,805,677</u>	<u>1,682,546</u>	<u>123,131</u>
Culture and recreation				
General operations	199,313	196,463	188,591	7,872
Recreation centers	158,450	158,450	158,450	-
Beach, lifeguards, dunes	575,019	761,386	594,059	167,327
Museums	41,337	41,337	41,337	-
Parks administration	1,568,904	200,111	166,774	33,337
Total culture and recreation	<u>2,543,023</u>	<u>1,357,747</u>	<u>1,149,211</u>	<u>208,536</u>
Housing and development				
Zoning and inspection	229,259	216,586	198,550	18,036
Urban redevelopment	79,936	75,555	68,425	7,130
Parking	629,460	578,006	501,646	76,360
Total housing and development	<u>938,655</u>	<u>870,147</u>	<u>768,621</u>	<u>101,526</u>
Total current expenditures	<u>9,897,911</u>	<u>8,501,247</u>	<u>7,976,604</u>	<u>524,643</u>
<b>Debt service:</b>				
Principal	-	15,576	15,576	-
Interest	-	2,075	2,075	-
Total debt service	<u>-</u>	<u>17,651</u>	<u>17,651</u>	<u>-</u>
Total expenditures	<u>9,897,911</u>	<u>8,518,898</u>	<u>7,994,255</u>	<u>524,643</u>
Deficiency of revenues over expenditures	<u>(970,957)</u>	<u>(603,861)</u>	<u>(165,420)</u>	<u>438,441</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	7,000	24,622	26,929	2,307
Transfers in	1,025,000	1,061,000	1,064,419	3,419
Transfers out	(59,960)	(481,752)	(400,669)	81,083
Total other financing sources (uses)	<u>972,040</u>	<u>603,870</u>	<u>690,679</u>	<u>86,809</u>
Net change in fund balance	<u>1,083</u>	<u>9</u>	<u>525,259</u>	<u>525,250</u>
<b>Fund balances, beginning of year</b>	<u>4,076,061</u>	<u>4,076,061</u>	<u>4,076,061</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 4,077,144</u>	<u>\$ 4,076,070</u>	<u>\$ 4,601,320</u>	<u>\$ 525,250</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**  
**HOTEL/MOTEL TAX FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Taxes	\$ 2,109,500	\$ 2,108,182	\$ (1,318)
Other revenues	20,500	20,656	156
Total revenues	<u>2,130,000</u>	<u>2,128,838</u>	<u>(1,162)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Culture and recreation	1,065,300	1,064,419	881
Total expenditures	<u>1,065,300</u>	<u>1,064,419</u>	<u>881</u>
Excess of revenues over expenditures	<u>1,064,700</u>	<u>1,064,419</u>	<u>(281)</u>
<b>Other financing (uses):</b>			
Transfers out	(1,064,700)	(1,064,419)	281
Total other financing (uses)	<u>(1,064,700)</u>	<u>(1,064,419)</u>	<u>281</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	<u>Water and Sewer Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 246,637	\$ 5,630	\$ -	\$ 252,267
Accounts receivable, net of allowances	423,604	-	104,246	527,850
Inventory	-	32,624	-	32,624
Prepaid expenses	6,206	408	-	6,614
Total current assets	<u>676,447</u>	<u>38,662</u>	<u>104,246</u>	<u>819,355</u>
Noncurrent assets				
Restricted cash	13,753	-	-	13,753
Restricted investments	472,361	-	-	472,361
Capital assets:				
Nondepreciable	103,632	6,870,000	-	6,973,632
Depreciable, net of accumulated depreciation	12,937,942	411,338	-	13,349,280
Total noncurrent assets	<u>13,527,688</u>	<u>7,281,338</u>	<u>-</u>	<u>20,809,026</u>
Total assets	<u>14,204,135</u>	<u>7,320,000</u>	<u>104,246</u>	<u>21,628,381</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	43,568	17,958	49,909	111,435
Accrued liabilities	13,765	198,152	-	211,917
Due to other funds	-	-	54,337	54,337
Compensated absences, current	11,000	7,600	-	18,600
Notes payable, current	493,662	-	-	493,662
Bonds payable, current	150,000	290,000	-	440,000
Total current liabilities	<u>711,995</u>	<u>513,710</u>	<u>104,246</u>	<u>1,329,951</u>
Noncurrent liabilities:				
Advances from other funds	-	159,365	-	159,365
Customer deposits	151,400	-	-	151,400
Compensated absences, net of current portion	1,699	928	-	2,627
Notes payable, net of current portion	4,271,175	-	-	4,271,175
Bonds payable, net of current portion	305,000	5,360,000	-	5,665,000
Total noncurrent liabilities	<u>4,729,274</u>	<u>5,520,293</u>	<u>-</u>	<u>10,249,567</u>
Total liabilities	<u>5,441,269</u>	<u>6,034,003</u>	<u>104,246</u>	<u>11,579,518</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,821,737	1,631,338	-	9,453,075
Restricted for debt service	13,753	-	-	13,753
Unrestricted (deficit)	927,376	(345,342)	-	582,034
Total net position	<u>\$ 8,762,866</u>	<u>\$ 1,285,996</u>	<u>\$ -</u>	<u>\$ 10,048,862</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Water and Sewer Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>				
Charges for services:				
Water charges	\$ 1,024,812	\$ -	\$ -	\$ 1,024,812
Sewer charges	1,384,280	-	-	1,384,280
Camping fees	-	1,040,166	-	1,040,166
Stubbing fees	5,218	-	-	5,218
Tapping fees	7,117	-	-	7,117
Rental fees	171,027	-	-	171,027
Sanitation collection fees	-	-	606,905	606,905
Other	37,578	-	-	37,578
Total operating revenues	<u>2,630,032</u>	<u>1,040,166</u>	<u>606,905</u>	<u>4,277,103</u>
<b>OPERATING EXPENSES</b>				
Personnel services	488,169	297,194	-	785,363
Administrative	249,033	130,651	-	379,684
Utilities	202,288	104,129	-	306,417
Supplies	86,331	87,579	-	173,910
Repairs and maintenance	259,818	24,686	-	284,504
Sanitation services	-	-	646,588	646,588
Miscellaneous	99,446	-	-	99,446
Depreciation	516,883	20,708	-	537,591
Total operating expenses	<u>1,901,968</u>	<u>664,947</u>	<u>646,588</u>	<u>3,213,503</u>
Operating income (loss)	<u>728,064</u>	<u>375,219</u>	<u>(39,683)</u>	<u>1,063,600</u>
<b>NONOPERATING INCOME (EXPENSES)</b>				
Interest expense	(195,003)	(269,801)	-	(464,804)
Interest income	8,791	-	-	8,791
Gain on sale of capital assets	15,234	-	-	15,234
Total nonoperating income (expenses)	<u>(170,978)</u>	<u>(269,801)</u>	<u>-</u>	<u>(440,779)</u>
Income (loss) before contributions and transfer	557,086	105,418	(39,683)	622,821
<b>CAPITAL CONTRIBUTIONS</b>	52,827	-	-	52,827
<b>TRANSFERS IN</b>	-	11,447	368,052	379,499
Change in net position	609,913	116,865	328,369	1,055,147
<b>NET POSITION, beginning of year</b>	<u>8,152,953</u>	<u>1,169,131</u>	<u>(328,369)</u>	<u>8,993,715</u>
<b>NET POSITION, end of year</b>	<u>\$ 8,762,866</u>	<u>\$ 1,285,996</u>	<u>\$ -</u>	<u>\$ 10,048,862</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Water and Sewer Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,685,791	\$ 1,124,141	\$ 284,610	\$ 4,094,542
Payments to suppliers	(908,540)	(383,827)	(652,662)	(1,945,029)
Payments to employees	(490,527)	(301,437)	-	(791,964)
Net cash provided by (used in) operating activities	<u>1,286,724</u>	<u>438,877</u>	<u>(368,052)</u>	<u>1,357,549</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advances from other funds	-	159,365	-	159,365
Transfers in	-	11,447	368,052	379,499
Net cash provided by noncapital financing activities	<u>-</u>	<u>170,812</u>	<u>368,052</u>	<u>538,864</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(412,061)	(65,653)	-	(477,714)
Proceeds from sale of capital assets	39,948	-	-	39,948
Principal paid on bonds	(145,000)	(280,000)	-	(425,000)
Principal paid on notes payable	(582,170)	-	-	(582,170)
Interest paid	(203,337)	(280,815)	-	(484,152)
Net cash used in capital and related financing activities	<u>(1,302,620)</u>	<u>(626,468)</u>	<u>-</u>	<u>(1,929,088)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(8,773)	-	-	(8,773)
Interest earned on operating cash	8,791	-	-	8,791
Net cash provided by investing activities	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>
Net change in cash and cash equivalents	(15,878)	(16,779)	-	(32,657)
Cash and cash equivalents, beginning of year	<u>276,268</u>	<u>22,408</u>	<u>-</u>	<u>298,676</u>
Cash and cash equivalents, end of year	<u>\$ 260,390</u>	<u>\$ 5,629</u>	<u>\$ -</u>	<u>\$ 266,019</u>
<b>Classified as:</b>				
Cash and cash equivalents	\$ 246,637	\$ 5,630	\$ -	\$ 252,267
Restricted assets: cash	13,753	-	-	13,753
	<u>\$ 260,390</u>	<u>\$ 5,630</u>	<u>\$ -</u>	<u>\$ 266,020</u>

(Continued)

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Water and Sewer Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 728,064	\$ 375,219	\$ (39,683)	\$ 1,063,600
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	516,883	20,708	-	537,591
Change in assets and liabilities:				
(Increase) decrease:				
Accounts receivable	27,159	-	(12,914)	14,245
Inventory	-	(32,624)	-	(32,624)
Prepaid expenses	21,374	(408)	-	20,966
Increase (decrease):				
Accounts payable	21,202	(3,750)	(6,074)	11,378
Accrued expenses	(2,358)	(4,243)	-	(6,601)
Customer deposits	28,600	83,975	-	112,575
Due to other funds	(54,200)	-	(309,381)	(363,581)
Net cash provided by (used in) operating activities	<u>\$ 1,286,724</u>	<u>\$ 438,877</u>	<u>\$ (368,052)</u>	<u>\$ 1,357,549</u>
<b>Noncash capital and related financing activities:</b>				
Contributions of capital assets from SPLOST Fund	<u>\$ 52,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,827</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, 2013**

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	<u>Agency Fund Municipal Court</u>
<b>ASSETS</b>	
Cash	\$ 138,808
Total assets	<u>\$ 138,808</u>
 <b>LIABILITIES</b>	
Due to others	<u>\$ 138,808</u>
Total liabilities	<u>\$ 138,808</u>

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

# CITY OF TYBEE ISLAND, GEORGIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

The City of Tybee Island was incorporated October 15, 1887. The City operates under the Council – City 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, water and sewer, sanitation, culture and recreation, planning and zoning, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all City operations and all activities of the City.

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 "The Financial Reporting Entity", as amended by GASB Statements No. 39 and 61, the component unit's financial statements are discretely presented in the government-wide financial statements. The City was determined to have no component units as of June 30, 2013.

#### B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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

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

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, although the agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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 taxes, franchise taxes, licenses, charges for services, and investment income 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.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Hotel/Motel Tax Fund** accounts for the Hotel/Motel accommodation excise tax receipts and distributions to tourism promoting organizations as required by agreements with these organizations.

The **2008 Special Purpose Local Option Sales Tax Fund** is a capital projects fund used to account for projects supported by the special purpose local option sales tax, including road improvements; public safety projects; recreation projects; water and sewer projects; and public building projects.

## NOTES TO FINANCIAL STATEMENTS

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

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

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 ***Rivers End RV Park Fund*** accounts for the revenues and operating costs of the City's Rivers End RV Park. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The ***special revenue funds*** account for revenue sources that are legally restricted to expenditure for specific purposes.

The ***agency fund*** is used to account for the collection and disbursement of monies by the City's Municipal Court on behalf of other governments and individuals.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water, sewer, gas and solid waste functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges 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.

## NOTES TO FINANCIAL STATEMENTS

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### D. Budgets and Budgetary Accounting

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

## NOTES TO FINANCIAL STATEMENTS

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

#### E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

For purposes of the statements of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

#### F. Inventory and Prepaid Items

Inventories are valued at average cost, which approximates market, using the first-in, first-out (FIFO) method. The City accounts for inventory on the purchase basis. Prepaid expenditures/expenses are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure is made for goods or services that were purchased for consumption, but not consumed as of June 30.

#### G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" in the fund financial statements. Short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans are classified as advances. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

## NOTES TO FINANCIAL STATEMENTS

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

#### H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended June 30, 2013, no amounts of interest were capitalized.

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

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	10-40
Machinery and equipment	5-20
Infrastructure	20-50
Utility systems and improvements	20-50

## NOTES TO FINANCIAL STATEMENTS

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

#### I. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources 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.

#### J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### K. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City did not have any items that qualified for reporting in this category.

## NOTES TO FINANCIAL STATEMENTS

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

#### K. Deferred Outflows / Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grant revenue not received within sixty days after year end. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

#### L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance 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. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

## NOTES TO FINANCIAL STATEMENTS

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

#### L. Fund Equity (Continued)

•**Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. City Council has designated the Director of Finance the authorization to assign fund balance.

•**Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

**Net Position** – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### M. Use of 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. LEGAL COMPLIANCE – BUDGETS

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

1. Prior to the beginning of the fiscal year, the various departments submit to the governing council a proposed operating budget for the fiscal year commencing the following July 1<sup>st</sup>.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. Prior to the beginning of the year, the budget is formally enacted through passage of a resolution by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the general fund and the special revenue funds. Project length budgets are adopted for the capital projects fund.
5. The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The governing council must approve all revisions. Expenditures should not exceed the legally adopted budget at the department level without Council action amending the budget. All appropriations lapse at the end of each fiscal year.

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

7. The following General Fund department had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2013:

Governing body	\$ <u>459</u>
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These over expenditures were funded by greater than anticipated revenues and by available fund balance.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS

Total cash and investments as of June 30, 2013, are summarized as follows:

Amounts as presented on the entity wide statement of net position:

Cash and cash equivalents	\$	4,599,280
Investments		3,649,578
Restricted cash		13,753
Restricted investments		472,361

Amounts as presented on the statement of fiduciary assets and liabilities:

Cash		138,808
Total	\$	8,873,780

Cash deposited with financial institutions	\$	4,751,841
Cash deposited with Georgia Fund 1		3,649,578
Certificate of deposit		472,361
Total	\$	8,873,780

State statutes authorize the City to invest in obligations of the U.S. Government and agencies or 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 pool is regulated by the Georgia Office of State Treasurer and is currently rated AA Af by Standard and Poor's.

At June 30, 2013, the City had the following investments:

Investments	Weighted Average Maturity	Fair Value
Georgia Fund 1	43 days	\$ 3,649,578
Certificate of deposit	2022	472,361
		\$ 4,121,939

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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

**Custodial credit risk – deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2013, the City's deposits at one financial institution were undercollateralized by \$244,597 and therefore exposed to custodial credit risk.

**Custodial credit risk – investments.** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At June 30, 2013, the City was not exposed to custodial credit risk for its investments.

### NOTE 4. RECEIVABLES

Property taxes were levied on September 1, 2012, against a taxable digest established as of January 1, 2012. Property taxes were due on November 15, 2012, and were considered delinquent the following day (November 16, 2012) – which would also be the lien date. The net receivables collected during the year ended June 30, 2013, and expected to be collected by August 31, 2013, are recognized as revenues in the year ended June 30, 2013. Net receivables estimated to be collectible subsequent to August 31, 2013, are recorded as revenue when received. Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Hotel/Motel Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Solid Waste Collection Fund</u>
Receivables:					
Taxes	\$ 428,514	\$ 460,478	\$ -	\$ -	\$ -
Accounts	<u>180,175</u>	<u>-</u>	<u>8,308</u>	<u>478,604</u>	<u>118,307</u>
Gross receivables	608,689	460,478	8,308	478,604	118,307
Less: allowance for uncollectibles	<u>(38,782)</u>	<u>-</u>	<u>-</u>	<u>(55,000)</u>	<u>(14,061)</u>
Net total receivables	<u>\$ 569,907</u>	<u>\$ 460,478</u>	<u>\$ 8,308</u>	<u>\$ 423,604</u>	<u>\$ 104,246</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,008,070	\$ -	\$ -	\$ 1,008,070
Construction in progress	18,176	45,639	(18,176)	45,639
Total capital assets, not being depreciated	<u>1,026,246</u>	<u>45,639</u>	<u>(18,176)</u>	<u>1,053,709</u>
Capital assets, being depreciated:				
Buildings and improvements	3,564,121	-	-	3,564,121
Machinery and equipment	4,373,688	111,564	(87,516)	4,397,736
Infrastructure	<u>2,599,690</u>	<u>174,001</u>	<u>-</u>	<u>2,773,691</u>
Total capital assets, being depreciated	<u>10,537,499</u>	<u>285,565</u>	<u>(87,516)</u>	<u>10,735,548</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,126,215)	(108,392)	-	(1,234,607)
Machinery and equipment	(2,809,506)	(293,057)	87,358	(3,015,205)
Infrastructure	<u>(919,689)</u>	<u>(159,043)</u>	<u>-</u>	<u>(1,078,732)</u>
Total accumulated depreciation	<u>(4,855,410)</u>	<u>(560,492)</u>	<u>87,358</u>	<u>(5,328,544)</u>
Total capital assets, being depreciated, net	<u>5,682,089</u>	<u>(274,927)</u>	<u>(158)</u>	<u>5,407,004</u>
Governmental activities capital assets, net	<u>\$ 6,708,335</u>	<u>\$ 10,638</u>	<u>\$ (87,674)</u>	<u>\$ 6,460,713</u>

The beginning balance of accumulated depreciation for governmental activities has been reduced by \$110,061 to correct the balance as of June 30, 2012.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 6,973,632	\$ -	\$ -	\$ 6,973,632
Total capital assets, not being depreciated	6,973,632	-	-	6,973,632
Capital assets, being depreciated:				
Land improvements	61,531	65,651	-	127,182
Buildings	355,581	-	-	355,581
Utility systems and improvements	16,038,817	455,892	(224,800)	16,269,909
Machinery and equipment	1,542,580	8,998	(186,675)	1,364,903
Total capital assets, being depreciated	17,998,509	530,541	(411,475)	18,117,575
Less accumulated depreciation for:				
Land improvements	(9,655)	(3,783)	-	(13,438)
Buildings	(54,181)	(11,869)	-	(66,050)
Utility systems and improvements	(3,983,436)	(439,790)	200,797	(4,222,429)
Machinery and equipment	(570,193)	(82,149)	185,964	(466,378)
Total accumulated depreciation	(4,617,465)	(537,591)	386,761	(4,768,295)
Total capital assets, being depreciated, net	13,381,044	(7,050)	(24,714)	13,349,280
Business-type activities capital assets, net	\$ 20,354,676	\$ 523,491	\$ (436,189)	\$ 20,322,912

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

Governmental activities:	
General government	\$ 29,477
Public safety	126,856
Public works	161,246
Culture and recreation	165,297
Housing and community development	77,616
Total depreciation expense - governmental activities	\$ 560,492
Business-type activities:	
Water and sewer	\$ 516,883
Rivers End RV park	20,708
Total depreciation expense - business-type activities	\$ 537,591

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT

#### Changes in Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital lease payable	\$ 78,118	\$ -	\$ (15,576)	\$ 62,542	\$ 16,029
Compensated absences	158,536	188,682	(171,936)	175,282	172,000
Governmental activity Long-term liabilities	\$ 236,654	\$ 188,682	\$ (187,512)	\$ 237,824	\$ 188,029
<b>Business-type activities:</b>					
Revenue bonds	\$ 6,530,000	\$ -	\$ (425,000)	\$ 6,105,000	\$ 440,000
Notes payable	5,347,007	-	(582,170)	4,764,837	493,662
Compensated absences	17,929	28,205	(24,907)	21,227	18,600
Business-type activity Long-term liabilities	\$ 11,894,936	\$ 28,205	\$ (1,032,077)	\$ 10,891,064	\$ 952,262

The beginning balance of compensated absences for governmental activities has been reduced by \$469,686 to remove the accrual for sick leave. In accordance with City policy, sick leave does not vest.

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

#### Capital Leases

The City has entered into a lease agreement as lessee to finance the acquisition of a phone system. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Capital Leases (continued)

The City's capital lease debt service requirements to maturity, including interest at 2.87% are as follows:

Fiscal Year Ending June 30,				
2014		\$		17,653
2015				17,653
2016				17,653
2017				13,239
Total minimum lease payments				66,198
Less amount representing interest				(3,656)
Present value of minimum lease payments		\$		62,542

#### Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City's outstanding bonds at June 30, 2013 are as follows:

Description	Original Amount	Interest Rate	Due Date	Amount
Water & Sewer, Series 2005	\$ 1,450,000	3.05%	2016	\$ 455,000
Rivers End RV Park, Series 2006	7,130,000	4.85%	2026	5,650,000
				6,105,000
			Less current portion	(440,000)
				\$ 5,665,000

#### Water and Sewer Revenue Refunding and Improvement Bonds, Series 2005

The City of Tybee Island Water and Sewer Revenue Refunding Bonds, Series 2005 were issued May 18, 2005. The Series 2005 bonds were issued to 1) provide funds to refund all of the City's outstanding water and sewer revenue bonds, 2) fully fund a debt service reserve for payment of the Series 2005 Bond, and 3) pay the necessary costs of issuing the bonds and providing for such refunding. These bonds are secured by and payable from net revenues of the City's water and sewer system.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Revenue Bonds (continued)

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

The City of Tybee Island entered into an intergovernmental 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 intergovernmental agreement.

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

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 723,919	\$ 440,000	\$ 283,919
2015	718,910	455,000	263,910
2016	718,173	475,000	243,173
2017	556,524	335,000	221,524
2018	559,791	355,000	204,791
2019 - 2023	2,773,990	2,030,000	743,990
2024 - 2027	2,216,154	2,015,000	201,154
	<u>\$ 8,267,461</u>	<u>\$ 6,105,000</u>	<u>\$ 2,162,461</u>

#### Notes Payable

The Water and Sewer Fund has incurred debt to the Georgia Environmental Facilities Authority for water and sewer system improvements. These notes are as follows at June 30, 2013.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
Wastewater treatment plant upgrade	\$ 3,000,000	3.00%	2022	\$ 1,699,707
Water line extensions	2,188,652	3.18%	2026	1,623,119
Water line extensions	1,422,820	3.08%	2030	1,260,565
				<u>4,583,391</u>
			Less current portion	<u>(312,216)</u>
				<u>\$ 4,271,175</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Notes Payable (Continued)

The Water and Sewer Fund has entered into a note payable agreement to finance the purchase of a lift station grit separator. This note is due in quarterly payments, including interest at 3.09% through February 2014. The outstanding balance of this note at June 30, 2013 is \$114,700.

Additionally, the Water and Sewer Fund has entered into a note payable agreement to finance the purchase of an automated meter reading system. This note is due in quarterly payments, including interest at 3.08% through November 2013. The outstanding balance of this note at June 30, 2013 is \$66,746.

Total notes payable service requirements to maturity are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 633,422	\$ 493,662	\$ 139,760
2015	449,433	321,940	127,493
2016	449,434	331,850	117,584
2017	449,434	342,416	107,018
2018	449,435	352,971	96,464
2019 - 2023	2,144,157	1,833,127	311,030
2024 - 2028	1,079,528	904,996	174,532
2029 - 2030	190,100	183,875	6,225
	<u>\$ 5,844,943</u>	<u>\$ 4,764,837</u>	<u>\$ 1,080,106</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances (including advances) as of June 30, 2013 are as follows:

	Due From					Total
	General Fund	Hotel/Motel Fund	2008 SPLOST Fund	Nonmajor Governmental Funds	Solid Waste Collection Fund	
<b>Due To</b>						
General Fund	\$ -	\$ 332,789	\$ 2,632	\$ 6,784	\$ 54,337	\$ 396,542
Nonmajor governmental funds	456,597	-	-	-	-	456,597
Total	<u>\$ 456,597</u>	<u>\$ 332,789</u>	<u>\$ 2,632</u>	<u>\$ 6,784</u>	<u>\$ 54,337</u>	<u>\$ 853,139</u>

<b>Advance From</b>	<b>Advance To</b>
General Fund	Rivers End
Total	RV Park Fund
	\$ 159,365
	<u>\$ 159,365</u>

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

Interfund transfers for the fiscal year ended June 30, 2013 consisted of the following:

	Transfer From		
	General Fund	Hotel/Motel Fund	Total
<b>Transfer To</b>			
General Fund	\$ -	\$ 1,064,419	\$ 1,064,419
Nonmajor governmental funds	21,170	-	21,170
Rivers End RV Park Fund	11,447	-	11,447
Solid Waste Collection Fund	368,052	-	368,052
Total	<u>\$ 400,669</u>	<u>\$ 1,064,419</u>	<u>\$ 1,465,088</u>

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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. PENSION PLAN

#### Plan Description

The City's defined benefit pension plan, City of Tybee Island Retirement Plan (the "Plan"), provides retirement, disability, and death benefits to plan members and beneficiaries. The City of Tybee Island Retirement Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The benefit provisions and all other requirements are established by City ordinance. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City of Tybee Island Retirement Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street, SW, Atlanta, Georgia 30303. All full-time City employees are eligible to participate in the plan.

#### Funding Policy

The funding policy for the City of Tybee Island Retirement Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the City of Tybee Island Retirement Plan. The City is required to contribute at an actuarially determined rate; the current rate is 15.56% of annual covered payroll.

#### Annual Pension Cost

For the fiscal year ended June 30, 2013, the City's annual pension cost was \$439,324 for the Plan. The recommended contribution of \$439,324 was determined as part of the January 1, 2012 actuarial valuation, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases of 3.5% per year plus age and service based merit increases, and (c) cost of living adjustments of 3.00%. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1988 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for the plan year. The method for determining the actuarial value of assets is part of the GMEBS actuarial funding policy. This method produces an adjusted actuarial value of assets.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLAN (CONTINUED)

#### Trend Information

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

Actuarial Valuation Date	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
5/1/2008	\$ 340,173	100%	-
5/1/2009	436,873	100%	-
7/1/2010	432,899	100%	-
1/1/2011	445,399	100%	-
1/1/2012	439,324	100%	-

As of the most recent valuation date, January 1, 2013, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/13	\$ 5,056,465	\$ 6,248,866	\$ 1,192,401	80.9 %	\$ 3,010,549	39.61 %

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 far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2012.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 9. RISK MANAGEMENT**

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

### **NOTE 10. JOINT VENTURE**

Under Georgia law, the City, in conjunction with other cities and counties in the nine county coastal Georgia region, is a member of the Coastal Georgia Regional Development Commission (RDC) and is required to pay annual dues thereto. During the fiscal year ended June 30, 2013, the City paid \$1,870 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from the Coastal Georgia Regional Development Center, 127 "F" Street, Brunswick, Georgia 31520.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 11. COMMITMENTS AND CONTINGENCIES

#### **Contractual Commitments:**

At June 30, 2013, the City had no material contractual commitments on uncompleted contracts.

#### **Litigation:**

The City is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

#### **Grant Contingencies:**

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

### NOTE 12. HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. For the fiscal year ended June 30, 2013, \$2,128,838 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$709,542 to the Savannah Chamber of Commerce and \$354,877 to the Georgia International Convention Center).

### NOTE 13. RESTATEMENT OF PRIOR YEAR BALANCES

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 13. RESTATEMENT OF PRIOR YEAR BALANCES (CONTINUED)

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to beginning net position of the Water and Sewer Fund and the Rivers End RV Park Fund to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

<u>Water and Sewer Fund</u>	
Net position, as previously reported	\$ 8,209,838
Recognition of issuance costs incurred in prior periods	<u>(56,885)</u>
Net position, as restated	<u><u>\$ 8,152,953</u></u>
<u>Rivers End RV Park Fund</u>	
Net position, as previously reported	\$ 1,277,433
Recognition of issuance costs incurred in prior periods	<u>(108,302)</u>
Net position, as restated	<u><u>\$ 1,169,131</u></u>

These adjustments had the following effect on net position of business-type activities:

<u>Business-type Activities</u>	
Net position, as previously reported	\$ 9,158,902
Recognition of issuance costs as noted above	<u>(165,187)</u>
Net position, as restated	<u><u>\$ 8,993,715</u></u>

The City has determined that a restatement of net position of governmental activities is needed to reflect corrections to the beginning balance of accumulated depreciation of capital assets and compensated absences. Therefore, the following restatements were required:

<u>Governmental Activities</u>	
Net position, as previously reported	\$ 13,409,123
Correction of accumulated depreciation	110,061
Correction of compensated absences	<u>469,686</u>
Net position, as restated	<u><u>\$ 13,988,870</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF TYBEE ISLAND, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

<b>CITY OF TYBEE ISLAND RETIREMENT PLAN</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded / Surplus AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
05/01/08	\$ 3,536,139	\$ 4,627,567	\$ 1,091,428	76.41 %	\$ 2,411,627	45.26 %
05/01/09	2,805,362	4,941,486	2,136,124	56.77	2,711,811	78.77
07/01/10	4,015,133	5,434,428	1,419,295	73.88	2,946,562	48.17
01/01/11	4,189,682	5,620,138	1,430,456	74.55	2,856,841	50.07
01/01/12	4,577,522	6,010,660	1,433,138	76.16	2,774,551	51.65
01/01/13	5,056,465	6,248,866	1,192,401	80.92	3,010,549	39.61

## **COMBINING STATEMENTS AND SCHEDULES**

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**CITY OF TYBEE ISLAND, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	Special Revenue Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Emergency 911 Fund	Grant Fund	SPLOST 2003 Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 570,215	\$ 570,215
Accounts receivable	8,308	-	-	8,308
Due from other funds	-	-	456,597	456,597
Prepaid expenditures	2	-	-	2
Total assets	<u>\$ 8,310</u>	<u>\$ -</u>	<u>\$ 1,026,812</u>	<u>\$ 1,035,122</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,526	\$ -	\$ 21,091	\$ 22,617
Accrued liabilities	-	-	-	-
Due to other funds	6,784	-	-	6,784
Total liabilities	<u>8,310</u>	<u>-</u>	<u>21,091</u>	<u>29,401</u>
<b>FUND BALANCE</b>				
Restricted for:				
Capital projects	-	-	1,005,721	1,005,721
Total fund balance	-	-	1,005,721	1,005,721
Total liabilities and fund balance	<u>\$ 8,310</u>	<u>\$ -</u>	<u>\$ 1,026,812</u>	<u>\$ 1,035,122</u>

**CITY OF TYBEE ISLAND, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>Special Revenue Fund</b>	<b>Capital Projects Funds</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Emergency 911 Fund</b>	<b>Grant Fund</b>	<b>SPLOST 2003 Fund</b>	
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 100,510	\$ -	\$ 100,510
Charges for services	67,238	-	-	67,238
Interest income	-	-	421	421
<b>Total revenues</b>	<b>67,238</b>	<b>100,510</b>	<b>421</b>	<b>168,169</b>
<b>Expenditures:</b>				
Current:				
Public safety	76,739	-	-	76,739
Public works	-	119,277	-	119,277
Housing and development	-	1,079	-	1,079
Capital outlay	-	-	102,121	102,121
<b>Total expenditures</b>	<b>76,739</b>	<b>120,356</b>	<b>102,121</b>	<b>299,216</b>
Deficiency of revenues over expenditures	(9,501)	(19,846)	(101,700)	(131,047)
<b>Other financing sources:</b>				
Transfers in	1,324	19,846	-	21,170
<b>Total other financing sources</b>	<b>1,324</b>	<b>19,846</b>	<b>-</b>	<b>21,170</b>
Net change in fund balance	(8,177)	-	(101,700)	(109,877)
<b>Fund balance, beginning of year</b>	<b>8,177</b>	<b>-</b>	<b>1,107,421</b>	<b>1,115,598</b>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,005,721</b>	<b>\$ 1,005,721</b>

**CITY OF TYBEE ISLAND, GEORGIA**

**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (2008 RESOLUTION)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>Project</b>	<b>Estimated Cost</b>		<b>Expenditures</b>		<b>Cumulative Total</b>
	<b>Original</b>	<b>Current</b>	<b>Prior Years</b>	<b>Current Year</b>	
<b>Public Safety</b>					
Public safety facility	\$ 327,000	\$ 3,245,038	\$ 5,900	\$ 14,318	\$ 20,218
Public safety software upgrade	118,800	-	-	-	-
Public safety vehicle - 6 cylinder	27,164	-	-	-	-
Fire department bay	65,000	104,700	104,700	-	104,700
Fire department and TEMA Generator	35,000	-	-	-	-
Automated meter readers	-	630,000	-	-	-
<b>Street and Infrastructure</b>					
14th Street parking lot drainage project	933,727	-	-	-	-
Street paving and repair	30,050	266,109	266,109	-	266,109
Drainage Tybrisa/Alley	226,350	69,350	-	67,987	67,987
Bike racks	2,000	2,166	2,166	-	2,166
TE grant historic Butler Avenue match	98,906	82,605	59,297	23,308	82,605
Bike trail through Memorial Park	15,000	13,957	-	13,957	13,957
ADA Sidewalk Butler, Silver and 18th Streets	44,000	22,835	22,835	-	22,835
Memorial Park project	2,000	-	-	-	-
Highway 80 bike trail	40,000	50,000	1,680	10,381	12,061
<b>Community Development</b>					
Salt Meadow project	30,000	61,488	6,497	18,969	25,466
GIS	6,500	-	-	-	-
<b>Beach Related Projects</b>					
Beach renourishment	300,000	1,210,000	-	-	-
Bathroom repairs and improvements	36,000	25,637	-	-	-
North Beach mobile restroom	57,000	57,000	-	-	-
2 mobile matss	40,000	39,980	39,980	-	39,980
8th Street dune	30,000	-	-	-	-
<b>Undesignated</b>	<u>5,535,503</u>	<u>42,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,000,000</u>	<u>\$ 5,923,592</u>	<u>\$ 509,164</u>	<u>\$ 148,920</u>	<u>\$ 658,084</u>

**CITY OF TYBEE ISLAND, GEORGIA**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>Project</b>	<b>Estimated Cost</b>		<b>Expenditures</b>		<b>Cumulative Total</b>
	<b>Original</b>	<b>Current</b>	<b>Prior Years</b>	<b>Current Year</b>	
<b>Drainage</b>					
Drainage reconstruction/maintenance North Beach area	\$ 200,000	\$ 559	\$ 559	\$ -	\$ 559
14th Street drainage project	-	966,226	966,226	-	966,226
<b>Water and Sewer Improvements</b>					
Butler Avenue water line	817,000	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
Replacement of 6" ACX water line, Jones Avenue	168,960	-	-	-	-
Fort Screven water line replacement, Lift station upgrades, I&I continuation	440,000	82,522	82,522	-	82,522
<b>Roads</b>					
Various improvements	250,000	-	-	-	-
ADA sidewalk improvement	-	22,000	22,000	-	22,000
Bike paths	100,000	3,200	3,200	-	3,200
Jones Avenue	350,000	178,000	-	-	-
Street paving and sidewalks	-	47,289	-	-	-
<b>Public Safety</b>					
Public safety facility	500,000	310,980	37,900	31,321	69,221
Fire department equipment	-	198,310	163,310	-	163,310
<b>Beach Related</b>					
Beach renourishment	1,000,000	1,000,000	1,000,000	-	1,000,000
<b>Street and Infrastructure</b>					
Drainage Tybrisa/Alley	-	-	-	-	-
<b>Community Development</b>					
Old Fort Theater, guardhouse	600,000	774,825	774,825	-	774,825
Playground equipment	200,000	196,559	196,559	-	196,559
Marine Rescue Squadron facility	100,000	97,665	71,165	-	71,165
Tybee Marine Science Center project	600,000	600,000	17,025	70,800	87,825
South Beach Business District	-	764,381	764,381	-	764,381
<b>Other</b>					
Other capital equipment	190,354	-	-	-	-
	<u>\$ 6,515,354</u>	<u>\$ 7,388,249</u>	<u>\$ 6,245,405</u>	<u>\$ 102,121</u>	<u>\$ 6,347,526</u>

## **COMPLIANCE SECTION**

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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 27, 2013. Our report includes a reference to the implementation of new accounting standards which modified terminology and presentation of certain accounts and changed the accounting for bond issuance costs.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Tybee Island, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tybee Island, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tybee Island, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. 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 2013 -1 and 2013 -2 to be material weaknesses.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Tybee Island, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-3.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macon, Georgia  
December 27, 2013

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

**CITY OF TYBEE ISLAND, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SECTION I**  
**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

**Federal Awards**

There was not an audit of major federal award programs for the fiscal year ended June 30, 2013 due to the total amount expended being less than \$500,000.

**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2013 - 1. Accounting for Compensated Absences**

**Criteria:** A liability for compensated absences should be recorded only if such benefits vest and therefore are payable upon an employee's separation from service with the City.

**Condition:** In the prior year a liability was incorrectly recorded for non-vesting sick leave as part of the City's governmental activities.

**Context:** See above condition.

**Effect:** A prior period adjustment of \$469,686 was required to be recorded to reduce compensated absences payable and increase net position of governmental activities at June 30, 2012.

**Recommendation:** We recommend the City only record a liability for compensated absences if such benefits vest and therefore are payable upon an employee's separation from service with the City.

**Views of Responsible Officials and Planned Corrective Action:** We concur with the recommendation. Sick leave will not be included in the compensated absences liability.

**CITY OF TYBEE ISLAND, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)**

**2013 - 2. Accounting for Capital Assets and Accumulated Depreciation**

**Criteria:** Detailed property records are an important tool in maintaining control over capital assets and ensuring the proper calculation of depreciation.

**Condition:** In the prior year the City's capital asset software over depreciated several assets.

**Context:** See above condition.

**Effect:** A prior period adjustment of \$110,061 was required to be recorded to reduce accumulated depreciation and increase net position of governmental activities at June 30, 2012.

**Recommendation:** We recommend the City closely monitor the calculations provided by its capital asset software to ensure proper calculation of depreciation.

**Views of Responsible Officials and Planned Corrective Action:** We concur with the recommendation and will closely monitor the capital asset software calculations to ensure the proper reporting of depreciation expense.

**2013 - 3. Undercollateralization of City Deposits**

**Criteria:** The Official Code of Georgia (OCGA) Section 45-8-12 ( c) requires all depositories of public funds to pledge securities of not less than 110% of the deposited public funds.

**Condition:** At June 30, 2013, the City's deposits held at one financial institution were undercollateralized.

**Context:** During our audit of cash, it was determined that one financial institution had not pledged securities to cover the deposits of the City which were in excess of FDIC insurance.

**Effect:** City deposits at one financial institution were undercollateralized by \$244,597.

**Recommendation:** We recommend the City periodically review a listing of all accounts opened under the City's federal identification number to determine that all are properly coded as public deposits. Additionally, the City should request a monthly pledging report to determine that each financial institution holding City deposits has pledged securities of not less than 110% of the deposited funds as required by Georgia law..

**CITY OF TYBEE ISLAND, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)**

**2013 - 3. Undercollateralization of City Deposits (Continued)**

**Views of Responsible Officials and Planned Corrective Action:** We concur with the recommendation. The financial institution in question has since corrected the issue. We will monitor the pledging of collateral as recommended.

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

Not Applicable

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

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

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about the City of Tybee Island (the "City"), Georgia's compliance during the year ended June 30, 2013, with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for Local Assistance Grant #07-C-L-12. Management is responsible for the City's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about the City's compliance based on our examination.

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

In our opinion, management's assertion that the City of Tybee Island, Georgia complied with the aforementioned requirement for the year ended June 30, 2013, is fairly stated, in all material respects.

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

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 27, 2013

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

LINE

A	Local Government .....	CITY OF TYBEE ISLAND
B	State Awarding Agency .....	GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS
C	Grant Identification Number .....	07-C-L-12
D	Grant Title .....	AESTHETIC IMPROVEMENTS ON MAIN STREET
E	Grant Award Date .....	10/26/06
F	Grant Amount .....	\$40,000.00

G	COLUMN 1	COLUMN 2	COLUMN 3
	Revised Prior Year Activity	Current Year Activity	Cumulative Grant Activity
	For the Year Ended:	Through the Year Ended:	Through the Year Ended:
	June 30, 2011	June 30, 2013	June 30, 2013
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)		
	\$10,027.50		
I	Grant Receipts or Revenue Recognized	\$0.00	\$40,000.00
	\$19,945.00		
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES	\$0.00	\$40,000.00
	\$29,972.50		
K	Disbursements or Expenditures for Audit Fees	\$0.00	\$0.00
	\$0.00		
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K]	\$0.00	\$0.00
	\$0.00		

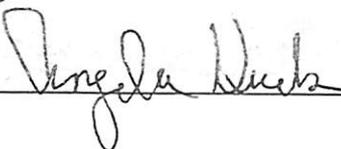
**EDIT CHECKS IF FORM COMPLETED ON EXCEL SPREADSHEET:**

- |   |                      |
|---|----------------------|
| Column 1, Line L equals Column 2, Line L.           | Line A is Completed. |
| Grant Receipts/Revenue Does Not Exceed Grant Award. | Line B is Completed. |
| Date is Provided in Line G, Column 1.               | Line C is Completed. |
| Date is Provided in Line G, Column 2.               | Line D is Completed. |
| Year End Dates on Line G Should Agree.              | Line E is Completed. |
| Column 1, Line L Foots Correctly.                   | Line F is Completed. |
| Column 2, Line L Foots Correctly.                   |                      |
| Audit Fee is Within Legal Limit (\$250).            |                      |

**Certification of Local Government Officials**

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

Signature of Chief Elected Official  Date \_\_\_\_\_

Signature of Chief Financial Officer  Date \_\_\_\_\_