

CITY OF TYBEE ISLAND, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

CITY OF TYBEE ISLAND, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**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, 2014, 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.

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, 2014, 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.

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 15) and the Schedule of Funding Progress (on page 53) 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 48-8-121, are also presented for purposes of additional analysis and are not a required part of the basis financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedules of expenditures of special purpose local option sales tax proceeds 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 18, 2014, 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 18, 2014

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Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

As management of the City of Tybee Island, we offer readers of the City of Tybee Island'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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014 are as follows:

- The City's total net position is \$29,058,740, an increase of \$3,574,180. Net position from governmental activities and business type activities increased \$1,458,679 and \$2,115,501, respectively.
- The General Fund reported fund balances of \$5,578,999. This represents 70% of current year expenditures.
- All enterprise funds reported improvement in operating income from the prior year.
- The General Fund had favorable budget variances of \$1,663,394.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. 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 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).

The governmental activities of the City include general government, judicial, public safety, public works, community services, recreation, and economic development.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

The business-type activities of the City include water and sewer, sanitation, and criminal justice management.

The City's government-wide financial statements are presented on pages 16 and 17.

Reporting the City's Most Significant Funds

Unlike government-wide financial statements, the focus of fund financial statements is directed towards specific activities of the City rather than the City as a whole. 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. The City's fund financial statements are divided into three broad categories, namely, (1) governmental funds, (2) proprietary funds, and (3) debt service funds.

Governmental Funds

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

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

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 at the bottom of 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 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 18 - 28.

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.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or 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 columns 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 24 - 27.

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 16 and 17):

City of Tybee Island Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 9,811,957	\$ 9,712,272	\$ 1,598,228	\$ 1,091,767	\$ 11,410,185	\$ 10,804,039
Capital Assets	8,444,129	6,460,713	21,164,570	20,322,912	29,608,699	26,783,625
Total Assets	<u>\$ 18,256,086</u>	<u>\$ 16,172,985</u>	<u>\$ 22,762,798</u>	<u>\$ 21,414,679</u>	<u>\$ 41,018,884</u>	<u>\$ 37,587,664</u>
Liabilities						
Current Liabilities	\$ 1,323,716	\$ 690,773	\$ 1,434,159	\$ 1,427,014	\$ 2,757,875	\$ 2,117,787
Long-term liabilities	37,993	46,513	9,164,276	9,938,802	9,202,269	9,985,315
Total Liabilities	1,361,709	737,286	10,598,435	11,365,816	11,960,144	12,103,102
Net Position						
Net Investment in capital assets	8,397,615	6,398,171	11,228,395	9,453,075	19,626,010	15,851,246
Restricted for capital outlay	2,941,875	4,444,880	-	-	2,941,875	4,444,880
Restricted for debt service	-	-	486,132	13,753	486,132	13,753
Unrestricted	5,554,887	4,592,647	449,836	582,034	6,004,723	5,174,681
Total net position	<u>\$ 16,894,377</u>	<u>\$ 15,435,698</u>	<u>\$ 12,164,363</u>	<u>\$ 10,048,862</u>	<u>\$ 29,058,740</u>	<u>\$ 25,484,560</u>

Financial Position

The total net position of the City increased by \$3,574,180 or 14% as noted in the table above. The governmental activities net position increased by \$1,458,679, while the business-type activities net position increased by \$2,115,501.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

City of Tybee Island Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 4,267,161	\$ 4,063,189	\$ 4,775,115	\$ 4,277,103	\$ 9,042,276	\$ 8,340,292
Operating grants and contributions	45,576	129,661	-	-	45,576	129,661
Capital grants and contributions	1,544,976	30,415	72,964	52,827	1,617,940	83,242
General revenues:						
Property taxes	1,911,139	1,729,448	-	-	1,911,139	1,729,448
Other	4,324,788	5,602,287	17	8,791	4,324,805	5,611,078
Gain on sale of capital assets	13,478	8,595	1,134	15,234	14,612	23,829
Total revenues	12,107,118	11,563,595	4,849,230	4,353,955	16,956,348	15,917,550
Expenses						
Governmental activities						
General government	1,652,905	1,746,017	-	-	1,652,905	1,746,017
Judicial	12,200	9,400	-	-	12,200	9,400
Public safety	2,763,213	2,769,752	-	-	2,763,213	2,769,752
Public works	1,822,415	1,944,877	-	-	1,822,415	1,944,877
Cultural and recreation	2,310,333	2,417,857	-	-	2,310,333	2,417,857
Community development	925,285	847,290	-	-	925,285	847,290
Other expenses	1,623	2,075	-	-	1,623	2,075
Business-type activities						
Water and sewer service	-	-	2,216,908	2,096,971	2,216,908	2,096,971
Solid waste collection	-	-	1,057,178	646,588	1,057,178	646,588
Campground	-	-	620,108	934,748	620,108	934,748
Total expenses	9,487,974	9,737,268	3,894,194	3,678,307	13,382,168	13,415,575
Transfers	(1,160,465)	(379,499)	1,160,465	379,499	-	-
Change in net position	1,458,679	1,446,828	2,115,501	1,055,147	3,574,180	2,501,975
Beginning net position	15,435,698	13,988,870	10,048,862	8,993,715	25,484,560	22,982,585
Ending net position	\$ 16,894,377	\$ 15,435,698	\$ 12,164,363	\$ 10,048,862	\$ 29,058,740	\$ 25,484,560

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

Governmental Activities

As noted in the table on the preceding page, total revenues for governmental activities increased \$543,523 or 4.7%. Charges for services, which include parking revenue, increased \$203,972 or 5.02% as tourism and the general economy has improved. Property taxes have increased \$181,691 or 10.5% as real estate values recover from the recession. Other taxes and revenues, which include local option sales taxes and hotel motel taxes, have increased \$157,860 or 2.74% as tourism and the general economy recover.

Total governmental expenses have decreased from \$9,737,268 to \$9,487,974 or 2.56%. General government expenses decreased \$93,112 or 5.33% because finance and administration expenses were allocated to other departments to better reflect the use of these services by other departments. Public works expenses decreased \$122,462 or 6.3% because the prior year included expenses reimbursed under a federal transportation grant. Culture and recreation expenses decreased \$107,524 because of less expense required for beach re-nourishment.

Business-Type Activities

Net position for business type activities increased \$2,115,501 or 21.05%. The water and sewer fund contributed \$1,619,283; the Rivers End RV Park contributed \$469,461; and the solid waste fund contributed \$26,757. Below is the analysis of each enterprise fund.

Water and Sewer Fund

Water and sewer revenues increased \$201,178 or 7.65% due to increase in rates effective January 2014. Operating expenses increased \$133,240 or 7.01% based on significant expenditures for repair and maintenance. The water and sewer fund received \$630,000 of capital contributions from the SPLOST fund to cover new metering systems as well as \$72,964 of additional contributions from developers. The general fund transferred \$302,000 to cover capital and debt service needs.

City of Tybee Island Water and Sewer Fund				
	2014	2013	\$ Change	% Change
Operating revenues	\$ 2,831,210	\$ 2,630,032	\$ 201,178	7.65%
Operating expenses	2,035,208	1,901,968	133,240	7.01%
Net operating income (loss)	<u>796,002</u>	<u>728,064</u>	<u>67,938</u>	<u>9.33%</u>
Nonoperating income (expenses)	(157,080)	(186,212)	29,132	-15.64%
Gain on sale of capital assets	(24,603)	15,234	(39,837)	-261.50%
Income (loss) before contributions & transfers	<u>614,319</u>	<u>557,086</u>	<u>57,233</u>	<u>10.27%</u>
Capital contributions	702,964	52,827	650,137	1230.69%
Transfers in	302,000	-	302,000	0.00%
Change in net position	<u>1,619,283</u>	<u>609,913</u>	<u>1,009,370</u>	<u>165.49%</u>
Beginning net position	8,762,866	8,152,953	609,913	7.48%
Ending net position	<u>\$ 10,382,149</u>	<u>\$ 8,762,866</u>	<u>\$ 1,619,283</u>	<u>18.48%</u>

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

Solid Waste Collection Fund

Solid waste revenues increased \$39,960 or 6.58% due to rate increases. Operating expenses decreased \$26,480 or 4.1% primarily because compactor charges decreased from the prior year. Non-operating transactions in the prior year included a transfer in of \$368,052 to cure accumulated deficits in this fund. Because this fund had positive operating income in 2014, no transfers were necessary.

City of Tybee Island Solid Waste Collection Fund				
	2014	2013	\$ Change	% Change
Operating revenues	\$ 646,865	\$ 606,905	\$ 39,960	6.58%
Operating expenses	620,108	646,588	(26,480)	-4.10%
Net operating income (loss)	26,757	(39,683)	66,440	-167.43%
Transfers in	-	368,052	(368,052)	100.00%
Change in net position	26,757	328,369	(301,612)	-91.85%
Beginning net position	-	(328,369)	328,369	-100.00%
Ending net position	\$ 26,757	\$ -	\$ 26,757	

Rivers' End RV Park Fund

Operating revenues for the RV Park Fund increased \$256,874 or 24.7% as the travel economy recovers and as more people discover this facility and want to return. Operating expenses have increased \$131,100 or 19.72% to meet additional demand.

City of Tybee Island River's End RV Park Fund				
	2014	2013	\$ Change	% Change
Operating revenues	\$ 1,297,040	\$ 1,040,166	\$ 256,874	24.70%
Operating expenses	(796,046)	(664,946)	(131,100)	19.72%
Net operating income (loss)	500,994	375,220	125,774	33.52%
Nonoperating income (expenses)	(259,998)	(269,801)	9,803	-3.63%
Income (loss) before contributions and transfers	240,996	105,418	135,578	128.61%
Transfers in	228,465	11,447	217,018	1895.85%
Change in net position	469,461	116,865	352,596	301.71%
Beginning net position	1,285,996	1,169,131	116,865	10.00%
Ending net position	\$ 1,755,457	\$ 1,285,996	\$ 469,461	36.51%

Financial Analysis of the City's Funds

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

Governmental Fund Balance

The City's combined fund balances as of the end of the current year for governmental funds, presented on page 54, were \$8,528,603. This balance represents a decrease of \$517,597 or 5.72% from last year's ending balance. The tables below reflect changes in governmental fund balances.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

The City Council committed \$3,173,461 or 56.88% of the general fund's fund balance to the following:

- \$750,000 – Beach capital improvement project;
- \$49,002 – Energy efficient projects;
- \$90,476 – Greenspace projects; and
- \$2,283,983 – Increasing general fund reserve balances or economic stabilization.

Legally restricted fund balances include \$2,949,515 of which \$856,772 is restricted for SPLOST 2003 capital projects, \$7,640 is restricted for emergency 911 services, and \$2,085,103 is restricted for SPLOST 2008 capital projects.

City of Tybee Island Governmental Fund Balance

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
General fund	\$ 5,578,999	\$ 4,601,320	\$ 977,679	21.25%
Emergency Telephone 911 F	7,729	-	7,729	100.00%
Hotel/Motel fund	-	-	-	0.00%
SPLOST 2003 Fund	856,772	1,005,721	(148,949)	-14.81%
SPLOST 2008 Fund	<u>2,085,103</u>	<u>3,439,159</u>	<u>(1,354,056)</u>	<u>-39.37%</u>
Total	<u>\$ 8,528,603</u>	<u>\$ 9,046,200</u>	<u>\$ (517,597)</u>	<u>-5.72%</u>

The components of changes to governmental fund balance are analyzed on the table on the following page. Overall governmental revenues increased \$518,152 or 4.43%. Property taxes increased \$351,481 or 5.97% as property values recover from the recession. Charges for services increased \$271,105 or 9.79% as parking revenues have increased as a result of improvements in the travel economy. Fines and forfeitures have decreased \$38,600 or 4.19% as a result of efforts to make travelers aware of City's parking requirement and therefore less need to assess parking and towing fines.

Governmental expenditures increased \$2,606,967 or 27.42%. The primary driver of this increase was the expenditure of \$2,837,668 of SPLOST funds for capital improvements. The most significant capital expenditures were \$1,971,060 expended for the public safety facility and \$630,000 expended for a new water and sewer metering system. General government expenses decreased \$84,900 for 4.96% because of allocations of certain finance expenses to other departments to better reflect the use of these activities as well as reductions in necessary repair and maintenance of building and plant. Public works expenses decreased \$85,384 or 4.74% because the prior year included \$100,510 of public works expenditures which were reimbursed under federal grants. Housing and community development expenses increased \$84,118 or 10.93% and were related to parking activities which increased along with the travel economy.

Management's Discussion and Analysis
CITY OF TYBEE ISLAND

JUNE 30, 2014

City of Tybee Island, Changes in Fund Balances - Governmental Funds

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Property taxes	\$ 6,242,914	\$ 5,891,433	\$ 351,481	5.97%
Licenses and permits	282,900	263,528	19,372	7.35%
Intergovernmental	1,544,976	1,599,851	(54,875)	-3.43%
Charges for services	3,039,901	2,768,796	271,105	9.79%
Fines and forfeitures	882,748	921,348	(38,600)	-4.19%
Interest	11,491	14,342	(2,851)	-19.88%
Other revenues	<u>107,188</u>	<u>138,668</u>	<u>(31,480)</u>	<u>-22.70%</u>
Total revenues	12,112,118	11,597,966	514,152	4.43%
Expenditures				
Current:				
General government	1,625,081	1,709,981	(84,900)	-4.96%
Judicial	12,200	9,400	2,800	29.79%
Public safety	2,764,296	2,733,584	30,712	1.12%
Public works	1,716,439	1,801,823	(85,384)	-4.74%
Culture and recreation	2,137,348	2,213,630	(76,282)	-3.45%
Housing and community development	853,818	769,700	84,118	10.93%
Capital outlay	2,986,944	251,041	2,735,903	1089.82%
Debt service				
Principal (net of refunding)	16,028	15,576	452	2.90%
Interest	<u>1,623</u>	<u>2,075</u>	<u>(452)</u>	<u>-21.78%</u>
Total expenditures	<u>12,113,777</u>	<u>9,506,810</u>	<u>2,606,967</u>	<u>27.42%</u>
Excess of revenues over (under) expenditures	<u>(1,659)</u>	<u>2,091,156</u>	<u>(2,092,815)</u>	<u>-100.08%</u>
Other financing sources (uses)				
Transfers in	1,186,418	1,085,589	100,829	9.29%
Transfers out	(1,716,883)	(1,465,088)	(251,795)	17.19%
Sale of capital assets	<u>14,527</u>	<u>26,929</u>	<u>(12,402)</u>	<u>-46.05%</u>
Total other financing sources (uses)	<u>(515,938)</u>	<u>(352,570)</u>	<u>(163,368)</u>	<u>46.34%</u>
Net change in fund balance	<u>\$ (517,597)</u>	<u>\$ 1,738,586</u>	<u>\$ (2,256,183)</u>	<u>-129.77%</u>

The City of Tybee Island's proprietary funds provide the same type of information found in the government-wide statements but in more detail. 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.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

General Fund Budgetary Highlights

The final budgets passed by the City Council anticipated using \$685,715 of general fund reserves to meet expenses. Actual results were significantly better than projected as the general fund actually provided \$977,679 of fund balance, a \$1,663,394 favorable variance over the final budget.

A comparison of the final budgetary figures and the actual budgetary figures for revenues are located on pages 21 and 22.

- For the General Fund, the actual revenues were \$759,942 better than budgeted. Revenues were budgeted for \$7,506,341, and actual revenues were \$8,266,283. The most significant improvement was parking fees. Actual results were \$749,448 better than budgeted as the travel economy has improved better than what had been anticipated.
- The actual expenditures of \$7,870,593 were \$500,480 less than the budgeted amount of \$8,371,073 as management continues to adopt very conservative budgets.

Capital Asset and Debt Administration

Capital Assets

The City has invested \$29,608,699 in capital assets (net of depreciation). Capital assets held by the City at the end of the current and previous year are summarized below:

	Capital Assets					
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Non-depreciable assets:						
Land	\$ 1,008,070	\$ 1,008,070	\$ 6,973,632	\$ 6,973,632	\$ 7,981,702	\$ 7,981,702
Construction in progress	2,421,923	45,639	397,686	-	2,819,609	45,639
Total non-depreciable assets	3,429,993	1,053,709	7,371,318	6,973,632	10,801,311	8,027,341
Depreciable assets:						
Land improvements	-	-	185,196	127,182	185,196	127,182
Building	3,564,121	3,564,121	355,581	355,581	3,919,702	3,919,702
Machinery and equipment	4,451,274	4,485,252	2,022,626	1,364,903	6,473,900	5,850,155
Infrastructure	2,792,625	2,686,175	16,296,818	16,269,909	19,089,443	18,956,084
Total depreciable assets	10,808,020	10,735,548	18,860,221	18,117,575	29,668,241	28,853,123
Less accumulated depreciation	5,793,884	5,328,544	5,066,969	4,768,295	10,860,853	10,096,839
Book value - depreciable assets	5,014,136	5,407,004	13,793,252	13,349,280	18,807,388	18,756,284
Percentage depreciated	53.61%	49.63%	26.87%	26.32%	36.61%	34.99%
Book value - all assets	\$ 8,444,129	\$ 6,460,713	\$ 21,164,570	\$ 20,322,912	\$ 29,608,699	\$ 26,783,625

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

The detailed schedule of capital assets is reported in Note 5, on pages 41 – 43, of the financial statements. Significant additions included:

- \$2,376,284 for construction in progress was spent on the construction for a new police department building using SPLOST 2003 and SPLOST 2008 proceeds which will be completed in December 2014;
- \$99,240 for two police vehicles and other police equipment;
- \$11,000 for two jet skis for the fire ocean rescue division;
- \$630,000 for water and sewer automatic meter readers;
- \$210,000 for beach re-nourishment project;
- \$298,810 for sewer main lift station No. 3;
- \$167,855 for sewer main lift station no. 6;
- \$229,830 for Jones Avenue water line replacement; and
- \$65,273 for water equipment and engineering costs.

Long-term Debt

At the end of the current year, the City had long term debt related to governmental activities of \$46,514 and \$9,936,175 for business type activities.

The debt position of the City is summarized below and is more fully analyzed in Note 6 beginning on page 44 of the financial statements.

City of Tybee Island Outstanding Long-Term Debt				
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Governmental Activities				
Capital leases	\$ 46,514	\$ 62,542	\$ (16,028)	-25.63%
Business-type activities				
Chatham County Recreation Bond	5,360,000	5,650,000	(290,000)	-5.13%
Water & Sewer - Series 2005 Bond	305,000	455,000	(150,000)	-32.97%
Georgia Municipal Association	-	66,746	(66,746)	-100.00%
Georgia Environmental Facility Authority Note Payables	<u>4,271,175</u>	<u>4,698,091</u>	<u>(426,916)</u>	<u>-9.09%</u>
Total debt service business-type activities	<u>9,936,175</u>	<u>10,869,837</u>	<u>(933,662)</u>	<u>-8.59%</u>
Total all debt service	<u>\$ 9,982,689</u>	<u>\$ 10,932,379</u>	<u>\$ (949,690)</u>	<u>-8.69%</u>

- The Water and Sewer Fund reduced the City's debt position by paying \$426,916 to the Georgia Environmental Financial Authority for loans borrowed to replace and repair water and sewer lines and lift stations. The total interest expense accrued and paid was \$137,751. The balance due is \$4,271,175.
- The Water and Sewer Fund reduced the City's debt position by paying \$66,746 to the Georgia Municipal Association for a loan borrowed to replace automated meter readers five years ago. The total interest expense accrued and paid was \$418. The loan is paid in full.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2014

- The Water and Sewer Fund reduced the City's debt position by paying \$150,000 toward 2005 Series revenue bonds. The total interest expense accrued and paid was \$16,948. The balance due is \$305,000.
- The River's End RV Park Fund reduced the City's debt position by paying \$290,000 toward the Chatham County Recreational Revenue Bonds issued to acquire the campground. The total interest expense accrued and paid was 261,132. The balance due is \$5,360,000.

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 balances.

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 fund and proprietary funds for the year ended June 30, 2015.

The City does plan to increase rates charges on service rates and fees on governmental-type function services during the 2014-2015 fiscal year.

In fiscal year 2014-2015, the City plans to complete two major capital projects. The first project is an approximately \$12.8M beach capital improvement project which will be funded with Federal, State, SPLOST and local money. The City plans to complete construction of a \$3.6M 16,000 square foot police department building funded with SPLOST 2003 and SPLOST 2008 resources.

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 2015 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 upon the consumer price index. The City scheduled the next water and sewer rate January 2015.

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 2015 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, 2014

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 4,396,802	\$ 408,122	\$ 4,804,924
Investments	3,766,071	-	3,766,071
Taxes receivable	825,138	-	825,138
Accounts receivable, net of allowances	190,147	599,795	789,942
Due from other governments	490,263	-	490,263
Internal balances	29,093	(29,093)	-
Inventory		96,522	96,522
Prepaid expenses	114,443	36,750	151,193
Restricted assets:			
Cash and cash equivalents	-	13,771	13,771
Investments	-	472,361	472,361
Capital assets:			
Nondepreciable	3,429,993	7,371,318	10,801,311
Depreciable, net of accumulated depreciation	5,014,136	13,793,252	18,807,388
Total assets	18,256,086	22,762,798	41,018,884
LIABILITIES			
Accounts payable	1,121,608	244,758	1,366,366
Accrued liabilities	2,865	218,611	221,476
Customer deposits payable	10,750	175,250	186,000
Notes payable due within one year	-	321,940	321,940
Notes payable due in more than one year	-	3,949,235	3,949,235
Capital lease due within one year	16,493	-	16,493
Capital lease due in more than one year	30,021	-	30,021
Compensated absences due within one year	172,000	18,600	190,600
Compensated absences due in more than one year	7,972	5,041	13,013
Bonds payable due within one year	-	455,000	455,000
Bonds payable due in more than one year	-	5,210,000	5,210,000
Total liabilities	1,361,709	10,598,435	11,960,144
NET POSITION			
Net investment in capital assets	8,397,615	11,228,395	19,626,010
Restricted for capital outlay	2,941,875	-	2,941,875
Restricted for debt service	-	486,132	486,132
Unrestricted	5,554,887	449,836	6,004,723
Total net position	\$ 16,894,377	\$ 12,164,363	\$ 29,058,740

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, 2014

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	\$ 1,652,905	\$ 387,559	\$ 1,725	\$ -	\$ (1,263,621)	\$ -	\$ (1,263,621)
Judicial	12,200	124,552	-	-	112,352	-	112,352
Public safety	2,763,213	463,028	300	1,029,479	(1,270,406)	-	(1,270,406)
Public works	1,822,415	-	-	509,717	(1,312,698)	-	(1,312,698)
Culture and recreation	2,310,333	20,667	43,551	-	(2,246,115)	-	(2,246,115)
Housing and community development	925,285	3,271,355	-	5,780	2,351,850	-	2,351,850
Interest on long-term debt	1,623	-	-	-	(1,623)	-	(1,623)
Total governmental activities	<u>9,487,974</u>	<u>4,267,161</u>	<u>45,576</u>	<u>1,544,976</u>	<u>(3,630,261)</u>	<u>-</u>	<u>(3,630,261)</u>
Business-type activities:							
Water and sewer	2,216,908	2,831,210	-	72,964	-	687,266	687,266
Campground	1,057,178	1,297,040	-	-	-	239,862	239,862
Sanitation collection	620,108	646,865	-	-	-	26,757	26,757
Total business-type activities	<u>3,894,194</u>	<u>4,775,115</u>	<u>-</u>	<u>72,964</u>	<u>-</u>	<u>953,885</u>	<u>953,885</u>
Total primary government	<u>\$ 13,382,168</u>	<u>\$ 9,042,276</u>	<u>\$ 45,576</u>	<u>\$ 1,617,940</u>	<u>(3,630,261)</u>	<u>953,885</u>	<u>(2,676,376)</u>
General revenues:							
Property taxes					1,911,139	-	1,911,139
Sales taxes					1,078,003	-	1,078,003
Hotel / motel taxes					2,258,445	-	2,258,445
Franchise taxes					429,231	-	429,231
Other taxes					547,618	-	547,618
Unrestricted investment earnings					11,491	17	11,508
Gain on sale of capital assets					13,478	1,134	14,612
Transfers					(1,160,465)	1,160,465	-
Total general revenues and transfers					<u>5,088,940</u>	<u>1,161,616</u>	<u>6,250,556</u>
Change in net position					<u>1,458,679</u>	<u>2,115,501</u>	<u>3,574,180</u>
Net position, beginning of year					<u>15,435,698</u>	<u>10,048,862</u>	<u>25,484,560</u>
Net position, end of year					<u>\$ 16,894,377</u>	<u>\$ 12,164,363</u>	<u>\$ 29,058,740</u>

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

CITY OF TYBEE ISLAND, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2014

ASSETS	General Fund	Hotel/ Motel Tax Fund	2008 SPLOST Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 1,217,973	\$ -	\$ 2,320,195	\$ 858,634	\$ 4,396,802
Investments	3,766,071	-	-	-	3,766,071
Taxes receivable	335,341	489,797	-	-	825,138
Accounts receivable	182,528	-	-	7,619	190,147
Due from other governments	96,590	-	393,673	-	490,263
Due from other funds	158,675	-	-	-	158,675
Prepaid items	114,354	-	-	89	114,443
Total assets	<u>\$ 5,871,532</u>	<u>\$ 489,797</u>	<u>\$ 2,713,868</u>	<u>\$ 866,342</u>	<u>\$ 9,941,539</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 130,787	\$ 360,215	\$ 628,765	\$ 1,841	\$ 1,121,608
Accrued liabilities	2,865	-	-	-	2,865
Deposits payable	10,750	-	-	-	10,750
Due to other funds	-	129,582	-	-	129,582
Total liabilities	<u>144,402</u>	<u>489,797</u>	<u>628,765</u>	<u>1,841</u>	<u>1,264,805</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>148,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,131</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	114,354	-	-	89	114,443
Notes receivable-long term	54,550	-	-	-	54,550
Restricted for capital projects					
Capital projects	-	-	2,085,103	856,772	2,941,875
Public safety	-	-	-	7,640	7,640
Committed for:					
Beach re-nourishment	750,000	-	-	-	750,000
Retrofit revolving loan	49,002	-	-	-	49,002
Greenspace	90,476	-	-	-	90,476
Economic stabilization	2,283,983	-	-	-	2,283,983
Assigned to:					
Palms Up Tree Replacement Project	24,270	-	-	-	24,270
Public safety equipment	1,500	-	-	-	1,500
Unfunded retirement liability	295,606	-	-	-	295,606
FY2015 budget	1,227,433	-	-	-	1,227,433
Unassigned	687,825	-	-	-	687,825
Total fund balances	<u>5,578,999</u>	<u>-</u>	<u>2,085,103</u>	<u>864,501</u>	<u>8,528,603</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,871,532</u>	<u>\$ 489,797</u>	<u>\$ 2,713,868</u>	<u>\$ 866,342</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.					8,444,129
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					148,131
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.					
Capital lease					(46,514)
Compensated absences					(179,972)
Net position of governmental activities					<u>\$ 16,894,377</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, 2014**

	<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>
Revenues					
Taxes	\$ 3,984,469	\$ 2,258,445	\$ -	\$ -	\$ 6,242,914
Licenses and permits	282,900	-	-	-	282,900
Intergovernmental	62,870	-	1,482,106	-	1,544,976
Charges for services	2,980,001	-	-	59,900	3,039,901
Fines and forfeitures	882,748	-	-	-	882,748
Interest	9,658	-	1,506	327	11,491
Other revenues	63,637	43,551	-	-	107,188
Total revenues	<u>8,266,283</u>	<u>2,301,996</u>	<u>1,483,612</u>	<u>60,227</u>	<u>12,112,118</u>
Expenditures					
Current:					
General government	1,625,081	-	-	-	1,625,081
Judicial	12,200	-	-	-	12,200
Public safety	2,676,705	-	-	87,591	2,764,296
Public works	1,716,439	-	-	-	1,716,439
Culture and recreation	986,350	1,150,998	-	-	2,137,348
Housing and community development	853,818	-	-	-	853,818
Capital outlay	-	-	2,837,668	149,276	2,986,944
Debt service:					
Principal	16,028	-	-	-	16,028
Interest	1,623	-	-	-	1,623
Total expenditures	<u>7,888,244</u>	<u>1,150,998</u>	<u>2,837,668</u>	<u>236,867</u>	<u>12,113,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>378,039</u>	<u>1,150,998</u>	<u>(1,354,056)</u>	<u>(176,640)</u>	<u>(1,659)</u>
Other financing sources (uses):					
Transfers in	1,150,998	-	-	35,420	1,186,418
Transfers out	(565,885)	(1,150,998)	-	-	(1,716,883)
Sale of capital assets	14,527	-	-	-	14,527
Total other financing sources (uses)	<u>599,640</u>	<u>(1,150,998)</u>	<u>-</u>	<u>35,420</u>	<u>(515,938)</u>
Net change in fund balances	977,679	-	(1,354,056)	(141,220)	(517,597)
Fund balances, beginning of year	<u>4,601,320</u>	<u>-</u>	<u>3,439,159</u>	<u>1,005,721</u>	<u>9,046,200</u>
Fund balances, end of year	<u>\$ 5,578,999</u>	<u>\$ -</u>	<u>\$ 2,085,103</u>	<u>\$ 864,501</u>	<u>\$ 8,528,603</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, 2014**

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

Net change in fund balances - total governmental funds.	\$ (517,597)
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.	
Total capital outlay	2,565,289
Total depreciation	(580,824)
The net effect of the sale of capital assets is to decrease net position.	(1,049)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(18,478)
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	16,028
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.	
Compensated absences	<u>(4,690)</u>
	<u>\$ 1,458,679</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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 2,046,647	\$ 2,046,647	\$ 1,929,617	\$ (117,030)
Local option sales tax	1,050,000	1,050,000	1,078,003	28,003
Franchise taxes	394,000	394,000	429,231	35,231
Insurance premium tax	150,000	150,000	155,676	5,676
Alcoholic beverage excise tax	275,000	275,000	314,514	39,514
Real estate transfer tax	6,200	6,200	9,465	3,265
Occupational taxes	57,000	57,000	59,784	2,784
Energy excise tax	-	-	8,179	8,179
Total taxes	<u>3,978,847</u>	<u>3,978,847</u>	<u>3,984,469</u>	<u>5,622</u>
Licenses and permits:				
Regulatory fees	105,000	105,000	103,290	(1,710)
Building permits	90,000	90,000	111,604	21,604
Building inspections	18,000	18,000	24,686	6,686
Zoning variance requests fees	3,000	3,000	4,050	1,050
Recording fees	5,000	5,000	6,500	1,500
Other	21,700	21,700	32,770	11,070
Total licenses and permits	<u>242,700</u>	<u>242,700</u>	<u>282,900</u>	<u>40,200</u>
Intergovernmental	<u>225,000</u>	<u>231,055</u>	<u>62,870</u>	<u>(168,185)</u>
Charges for services:				
Parking fees	2,095,300	2,114,150	2,863,598	749,448
Other charges for services	118,750	128,750	116,403	(12,347)
Total charges for services	<u>2,214,050</u>	<u>2,242,900</u>	<u>2,980,001</u>	<u>737,101</u>
Fines and forfeitures:				
Municipal fines	430,000	446,838	474,990	28,152
Parking fines	315,000	315,000	407,758	92,758
Total fines and forfeitures	<u>745,000</u>	<u>761,838</u>	<u>882,748</u>	<u>120,910</u>
Interest income	<u>10,000</u>	<u>10,000</u>	<u>9,658</u>	<u>(342)</u>
Miscellaneous:				
Contributions	2,500	2,500	1,800	(700)
Rents and royalties	14,401	14,401	16,359	1,958
Other	22,100	22,100	45,478	23,378
Total miscellaneous	<u>39,001</u>	<u>39,001</u>	<u>63,637</u>	<u>24,636</u>
Total revenues	<u>7,454,598</u>	<u>7,506,341</u>	<u>8,266,283</u>	<u>759,942</u>
Expenditures:				
Current:				
General government				
Governing body	155,152	156,652	152,348	4,304
Clerk of council	101,582	99,982	90,314	9,668
City manager	165,851	171,092	169,993	1,099
Financial administration	326,679	339,161	321,762	17,399
Legal	152,000	146,422	144,042	2,380
Information technology	397,678	421,205	415,778	5,427
Human resources	97,643	115,843	110,233	5,610
Building and plant maintenance	285,200	243,277	220,611	22,666
Total general government	<u>1,681,785</u>	<u>1,693,634</u>	<u>1,625,081</u>	<u>68,553</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Current:				
Judicial				
Municipal Court	\$ 10,100	\$ 12,900	\$ 12,200	\$ 700
Total judicial	<u>10,100</u>	<u>12,900</u>	<u>12,200</u>	<u>700</u>
Public safety				
Police administration	2,263,480	2,319,011	2,243,252	75,759
Beach patrol	65,001	90,001	65,105	24,896
Fire administration	308,409	310,008	294,737	15,271
Emergency management	68,355	77,755	73,611	4,144
Total public safety	<u>2,705,245</u>	<u>2,796,775</u>	<u>2,676,705</u>	<u>120,070</u>
Public works				
General operations	1,704,141	1,721,257	1,473,684	247,573
Solid waste collection	178,500	243,500	242,755	745
Total public works	<u>1,882,641</u>	<u>1,964,757</u>	<u>1,716,439</u>	<u>248,318</u>
Culture and recreation				
General operations	109,206	119,406	116,081	3,325
Recreation centers	158,450	158,450	158,450	-
Beach, lifeguards, dunes	617,915	494,615	477,806	16,809
Museums	41,337	41,337	41,337	-
Parks administration	223,461	211,261	192,676	18,585
Total culture and recreation	<u>1,150,369</u>	<u>1,025,069</u>	<u>986,350</u>	<u>38,719</u>
Housing and development				
Zoning and inspection	217,096	218,496	205,470	13,026
Urban redevelopment	76,681	77,758	74,374	3,384
Parking	540,358	581,684	573,974	7,710
Total housing and development	<u>834,135</u>	<u>877,938</u>	<u>853,818</u>	<u>24,120</u>
Total current expenditures	<u>8,264,275</u>	<u>8,371,073</u>	<u>7,870,593</u>	<u>500,480</u>
Debt service:				
Principal	16,028	16,028	16,028	-
Interest	1,624	1,623	1,623	-
Total debt service	<u>17,652</u>	<u>17,651</u>	<u>17,651</u>	<u>-</u>
Total expenditures	<u>8,281,927</u>	<u>8,388,724</u>	<u>7,888,244</u>	<u>500,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(827,329)</u>	<u>(882,383)</u>	<u>378,039</u>	<u>1,260,422</u>
Other financing sources (uses):				
Sale of capital assets	1,000	1,000	14,527	13,527
Transfers in	1,018,000	1,018,000	1,150,998	132,998
Transfers out	(416,435)	(822,332)	(565,885)	256,447
Total other financing sources (uses)	<u>602,565</u>	<u>196,668</u>	<u>599,640</u>	<u>402,972</u>
Net change in fund balance	(224,764)	(685,715)	977,679	1,663,394
Fund balances, beginning of year	<u>4,601,320</u>	<u>4,601,320</u>	<u>4,601,320</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,376,556</u>	<u>\$ 3,915,605</u>	<u>\$ 5,578,999</u>	<u>\$ 1,663,394</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, 2014**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 2,258,445	\$ 2,258,445	\$ -
Other revenues	43,551	43,551	-
Total revenues	<u>2,301,996</u>	<u>2,301,996</u>	<u>-</u>
Expenditures:			
Current:			
Culture and recreation	1,150,998	1,150,998	-
Total expenditures	<u>1,150,998</u>	<u>1,150,998</u>	<u>-</u>
Excess of revenues over expenditures	<u>1,150,998</u>	<u>1,150,998</u>	<u>-</u>
Other financing uses:			
Transfers out	(1,150,998)	(1,150,998)	-
Total other financing uses	<u>(1,150,998)</u>	<u>(1,150,998)</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF TYBEE ISLAND, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2014

	<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>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 402,772	\$ 5,350	\$ -	\$ 408,122
Accounts receivable, net of allowances	493,391	-	106,404	599,795
Inventory	68,937	27,585	-	96,522
Prepaid expenses	11,807	24,943	-	36,750
Total current assets	<u>976,907</u>	<u>57,878</u>	<u>106,404</u>	<u>1,141,189</u>
Noncurrent assets				
Restricted cash	13,771	-	-	13,771
Restricted investments	472,361	-	-	472,361
Capital assets:				
Nondepreciable	501,318	6,870,000	-	7,371,318
Depreciable, net of accumulated depreciation	13,355,317	437,935	-	13,793,252
Total noncurrent assets	<u>14,342,767</u>	<u>7,307,935</u>	<u>-</u>	<u>21,650,702</u>
Total assets	<u>15,319,674</u>	<u>7,365,813</u>	<u>106,404</u>	<u>22,791,891</u>
LIABILITIES				
Current liabilities:				
Accounts payable	162,272	31,932	50,554	244,758
Accrued liabilities	12,253	206,358	-	218,611
Due to other funds	-	-	29,093	29,093
Compensated absences, current	11,000	7,600	-	18,600
Notes payable, current	321,940	-	-	321,940
Bonds payable, current	150,000	305,000	-	455,000
Total current liabilities	<u>657,465</u>	<u>550,890</u>	<u>79,647</u>	<u>1,288,002</u>
Noncurrent liabilities:				
Customer deposits	175,250	-	-	175,250
Compensated absences, net of current portion	575	4,466	-	5,041
Notes payable, net of current portion	3,949,235	-	-	3,949,235
Bonds payable, net of current portion	155,000	5,055,000	-	5,210,000
Total noncurrent liabilities	<u>4,280,060</u>	<u>5,059,466</u>	<u>-</u>	<u>9,339,526</u>
Total liabilities	<u>4,937,525</u>	<u>5,610,356</u>	<u>79,647</u>	<u>10,627,528</u>
NET POSITION				
Net investment in capital assets	9,280,460	1,947,935	-	11,228,395
Restricted for debt service	486,132	-	-	486,132
Unrestricted (deficit)	615,557	(192,478)	26,757	449,836
Total net position	<u>\$ 10,382,149</u>	<u>\$ 1,755,457</u>	<u>\$ 26,757</u>	<u>\$ 12,164,363</u>

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

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CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<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>
OPERATING REVENUES				
Charges for services:				
Water charges	\$ 1,091,534	\$ -	\$ -	\$ 1,091,534
Sewer charges	1,463,342	-	-	1,463,342
Camping fees	-	1,297,040	-	1,297,040
Stubbing fees	8,800	-	-	8,800
Tapping fees	11,405	-	-	11,405
Rental fees	170,059	-	-	170,059
Sanitation collection fees	-	-	646,865	646,865
Other	86,070	-	-	86,070
Total operating revenues	<u>2,831,210</u>	<u>1,297,040</u>	<u>646,865</u>	<u>4,775,115</u>
OPERATING EXPENSES				
Personnel services	567,836	311,585	-	879,421
Administrative	97,985	174,609	-	272,594
Utilities	241,025	119,203	-	360,228
Supplies	97,761	105,690	-	203,451
Repairs and maintenance	157,919	55,646	-	213,565
Sanitation services	-	-	620,108	620,108
Miscellaneous	278,489	-	-	278,489
Depreciation	594,193	29,313	-	623,506
Total operating expenses	<u>2,035,208</u>	<u>796,046</u>	<u>620,108</u>	<u>3,451,362</u>
Operating income	<u>796,002</u>	<u>500,994</u>	<u>26,757</u>	<u>1,323,753</u>
NONOPERATING INCOME (EXPENSES)				
Interest expense	(157,097)	(261,132)	-	(418,229)
Interest income	17	-	-	17
Gain (loss) on sale of capital assets	(24,603)	1,134	-	(23,469)
Total nonoperating income (expenses)	<u>(181,683)</u>	<u>(259,998)</u>	<u>-</u>	<u>(441,681)</u>
Income before contributions and transfers	614,319	240,996	26,757	882,072
CAPITAL CONTRIBUTIONS	702,964	-	-	702,964
TRANSFERS IN	302,000	228,465	-	530,465
Change in net position	1,619,283	469,461	26,757	2,115,501
NET POSITION, beginning of year	<u>8,762,866</u>	<u>1,285,996</u>	<u>-</u>	<u>10,048,862</u>
NET POSITION, end of year	<u>\$ 10,382,149</u>	<u>\$ 1,755,457</u>	<u>\$ 26,757</u>	<u>\$ 12,164,363</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, 2014

	<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>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,785,273	\$ 1,151,740	\$ 619,463	\$ 4,556,476
Payments to suppliers	(829,013)	(460,670)	(619,463)	(1,909,146)
Payments to employees	(570,472)	(308,047)	-	(878,519)
Net cash provided by operating activities	<u>1,385,788</u>	<u>383,023</u>	<u>-</u>	<u>1,768,811</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	<u>302,000</u>	<u>228,465</u>	<u>-</u>	<u>530,465</u>
Net cash provided by noncapital financing activities	<u>302,000</u>	<u>228,465</u>	<u>-</u>	<u>530,465</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(747,819)	(58,014)	-	(805,833)
Proceeds from sale of capital assets	16,926	3,238	-	20,164
Principal paid on bonds	(150,000)	(290,000)	-	(440,000)
Principal paid on notes payable	(493,662)	-	-	(493,662)
Interest paid	(157,097)	(266,992)	-	(424,089)
Net cash used in capital and related financing activities	<u>(1,531,652)</u>	<u>(611,768)</u>	<u>-</u>	<u>(2,143,420)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on operating cash	<u>17</u>	<u>-</u>	<u>-</u>	<u>17</u>
Net cash provided by investing activities	<u>17</u>	<u>-</u>	<u>-</u>	<u>17</u>
Net change in cash and cash equivalents	156,153	(280)	-	155,873
Cash and cash equivalents, beginning of year	<u>260,390</u>	<u>5,630</u>	<u>-</u>	<u>266,020</u>
Cash and cash equivalents, end of year	<u>\$ 416,543</u>	<u>\$ 5,350</u>	<u>\$ -</u>	<u>\$ 421,893</u>
Classified as:				
Cash and cash equivalents	\$ 402,772	\$ 5,350	\$ -	\$ 408,122
Restricted assets: cash	13,771	-	-	13,771
	<u>\$ 416,543</u>	<u>\$ 5,350</u>	<u>\$ -</u>	<u>\$ 421,893</u>

(Continued)

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<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>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 796,002	\$ 500,994	\$ 26,757	\$ 1,323,753
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	594,193	29,313	-	623,506
Change in assets and liabilities:				
(Increase) decrease:				
Accounts receivable	(69,787)	-	(2,158)	(71,945)
Inventory	(68,937)	5,039	-	(63,898)
Prepaid expenses	(5,601)	(24,535)	-	(30,136)
Increase (decrease):				
Accounts payable	118,704	13,974	645	133,323
Accrued expenses	(2,636)	3,538	-	902
Customer deposits	23,850	14,065	-	37,915
Due to other funds	-	(159,365)	(25,244)	(184,609)
Net cash provided by operating activities	<u>\$ 1,385,788</u>	<u>\$ 383,023</u>	<u>\$ -</u>	<u>\$ 1,768,811</u>
Noncash capital and related financing activities:				
Contributions of capital assets from SPLOST Fund	\$ 630,000	\$ -	\$ -	\$ 630,000
Contributions from developers	72,964	-	-	72,964
	<u>\$ 702,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 702,964</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, 2014

	<u>Agency Fund Municipal Court</u>
ASSETS	
Cash	\$ 72,096
Total assets	<u>\$ 72,096</u>
 LIABILITIES	
Due to others	\$ 72,096
Total liabilities	<u>\$ 72,096</u>

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

CITY OF TYBEE ISLAND, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, it was determined that the City has no component units as of June 30, 2014.

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

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 fund has 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

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

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

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

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, 2014, 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

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

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* 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

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 the 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 60 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

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. Through resolution, City Council has authorized the Director of Finance 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

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 1st.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. Prior to the beginning of the year, the budget is formally enacted through passage of a resolution by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the general fund and the special revenue funds. Project length budgets are adopted for the capital projects fund.
5. The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

Total cash and investments as of June 30, 2014, are summarized as follows:

Amounts as presented on the entity wide statement of net position:	
Cash and cash equivalents	\$ 4,804,924
Investments	3,766,071
Restricted cash	13,771
Restricted investments	472,361
Amounts as presented on the statement of fiduciary assets and liabilities:	
Cash	72,096
Total	\$ 9,129,223
Cash deposited with financial institutions	\$ 4,890,791
Cash deposited with Georgia Fund 1	3,766,071
Certificate of deposit	472,361
Total	\$ 9,129,223

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+ by Standard & Poor's.

At June 30, 2014, the City had the following investments:

Investments	Maturity	Fair Value
Georgia Fund 1	62 days weighted average	\$ 3,766,071
Certificate of deposit	2022	472,361
		\$ 4,238,432

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. At June 30, 2014, the City was not exposed to custodial credit risk for its deposits.

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, 2014, the City was not exposed to custodial credit risk for its investments.

NOTE 4. RECEIVABLES

Property taxes were levied on September 15, 2013, against a taxable digest established as of January 1, 2013. Property taxes were due on November 15, 2013, and were considered delinquent the following day (November 16, 2013) – which would also be the lien date. The net receivables collected during the year ended June 30, 2014, and expected to be collected by August 31, 2014, are recognized as revenues in the year ended June 30, 2014. Net receivables estimated to be collectible subsequent to August 31, 2014, 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	\$ 367,159	\$ 489,797	\$ -	\$ -	\$ -
Accounts	192,528	-	7,619	523,747	111,404
Gross receivables	559,687	489,797	7,619	523,747	111,404
Less: allowance for uncollectibles	(41,818)	-	-	(30,356)	(5,000)
Net total receivables	<u>\$ 517,869</u>	<u>\$ 489,797</u>	<u>\$ 7,619</u>	<u>\$ 493,391</u>	<u>\$ 106,404</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,008,070	\$ -	\$ -	\$ 1,008,070
Construction in progress	45,639	2,376,284	-	2,421,923
Total capital assets, not being depreciated	<u>1,053,709</u>	<u>2,376,284</u>	<u>-</u>	<u>3,429,993</u>
Capital assets, being depreciated:				
Buildings and improvements	3,564,121	-	-	3,564,121
Machinery and equipment	4,397,736	800,071	(746,533)	4,451,274
Infrastructure	<u>2,773,691</u>	<u>18,934</u>	<u>-</u>	<u>2,792,625</u>
Total capital assets, being depreciated	<u>10,735,548</u>	<u>819,005</u>	<u>(746,533)</u>	<u>10,808,020</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,234,607)	(165,737)	-	(1,400,344)
Machinery and equipment	(3,015,205)	(113,529)	115,484	(3,013,250)
Infrastructure	<u>(1,078,732)</u>	<u>(301,558)</u>	<u>-</u>	<u>(1,380,290)</u>
Total accumulated depreciation	<u>(5,328,544)</u>	<u>(580,824)</u>	<u>115,484</u>	<u>(5,793,884)</u>
Total capital assets, being depreciated, net	<u>5,407,004</u>	<u>238,181</u>	<u>(631,049)</u>	<u>5,014,136</u>
Governmental activities capital assets, net	<u>\$ 6,460,713</u>	<u>\$ 2,614,465</u>	<u>\$ (631,049)</u>	<u>\$ 8,444,129</u>

Included in the above table as a decrease is equipment of \$630,000 which was transferred to the Water and Sewer Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 397,686	\$ -	\$ 397,686
Land	6,973,632	-	-	6,973,632
Total capital assets, not being depreciated	<u>6,973,632</u>	<u>397,686</u>	<u>-</u>	<u>7,371,318</u>
Capital assets, being depreciated:				
Land improvements	127,182	58,014	-	185,196
Buildings	355,581	-	-	355,581
Utility systems and improvements	16,269,909	362,594	(335,685)	16,296,818
Machinery and equipment	1,364,903	690,503	(32,780)	2,022,626
Total capital assets, being depreciated	<u>18,117,575</u>	<u>1,111,111</u>	<u>(368,465)</u>	<u>18,860,221</u>
Less accumulated depreciation for:				
Land improvements	(13,438)	(12,975)	-	(26,413)
Buildings	(66,050)	(12,581)	-	(78,631)
Utility systems and improvements	(4,222,429)	(503,479)	294,156	(4,431,752)
Machinery and equipment	(466,378)	(94,471)	30,676	(530,173)
Total accumulated depreciation	<u>(4,768,295)</u>	<u>(623,506)</u>	<u>324,832</u>	<u>(5,066,969)</u>
Total capital assets, being depreciated, net	<u>13,349,280</u>	<u>487,605</u>	<u>(43,633)</u>	<u>13,793,252</u>
Business-type activities capital assets, net	<u>\$ 20,322,912</u>	<u>\$ 885,291</u>	<u>\$ (43,633)</u>	<u>\$ 21,164,570</u>

Included in the above table as an increase, is \$630,000 of equipment which was transferred from governmental activities to the Water and Sewer Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 29,796
Public safety	146,095
Public works	163,881
Culture and recreation	172,014
Housing and community development	69,038
Total depreciation expense - governmental activities	<u>\$ 580,824</u>
Business-type activities:	
Water and sewer	\$ 594,193
Rivers End RV park	29,313
Total depreciation expense - business-type activities	<u>\$ 623,506</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital lease payable	\$ 62,542	\$ -	\$ (16,028)	\$ 46,514	\$ 16,493
Compensated absences	175,282	222,087	(217,397)	179,972	172,000
Governmental activity					
Long-term liabilities	<u>\$ 237,824</u>	<u>\$ 222,087</u>	<u>\$ (233,425)</u>	<u>\$ 226,486</u>	<u>\$ 188,493</u>
Business-type activities:					
Notes payable	\$ 4,764,837	\$ -	\$ (493,662)	\$ 4,271,175	\$ 321,940
Revenue bonds payable	6,105,000	-	(440,000)	5,665,000	455,000
Compensated absences	21,227	49,922	(47,508)	23,641	18,600
Business-type activity					
Long-term liabilities	<u>\$ 10,891,064</u>	<u>\$ 49,922</u>	<u>\$ (981,170)</u>	<u>\$ 9,959,816</u>	<u>\$ 795,540</u>

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.

	<u>Governmental Activities</u>
Machinery and equipment	\$ 82,334
Less: Accumulated depreciation	<u>(18,593)</u>
	<u>\$ 63,741</u>

Current year depreciation for the leased equipment is \$8,230.

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,		
2015	\$	17,653
2016		17,653
2017		13,239
Total minimum lease payments		48,545
Less amount representing interest		(2,031)
Present value of minimum lease payments	\$	46,514

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, 2014 are as follows:

Description	Original Amount	Interest Rate	Due Date	Amount
Water & Sewer, Series 2005	\$ 1,450,000	3.05%	2016	\$ 305,000
Rivers End RV Park, Series 2006	7,130,000	4.85%	2026	5,360,000
				5,665,000
			Less current portion	(455,000)
				\$ 5,210,000

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>
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	557,210	370,000	187,210
2020 - 2024	2,773,110	2,130,000	643,110
2025 - 2027	1,659,824	1,545,000	114,824
	<u>\$ 7,543,542</u>	<u>\$ 5,665,000</u>	<u>\$ 1,878,542</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, 2014.

<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	\$ 1,542,698
Water line extensions	2,188,652	3.18%	2026	1,525,280
Water line extensions	1,422,820	3.08%	2030	1,203,197
				<u>4,271,175</u>
			Less current portion	(321,940)
				<u>\$ 3,949,235</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Total notes payable service requirements to maturity are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	449,434	363,966	85,468
2020 - 2024	1,938,299	1,681,573	256,726
2025 - 2029	931,492	783,594	147,898
2030	94,560	92,865	1,695
	<u>\$ 5,211,521</u>	<u>\$ 4,271,175</u>	<u>\$ 940,346</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances (including advances) as of June 30, 2014 are as follows:

<u>Due To</u>	Due From		
	Hotel/Motel Fund	Solid Waste Collection Fund	Total
General Fund	\$ 129,582	\$ 29,093	\$ 158,675
Total	\$ 129,582	\$ 29,093	\$ 158,675

Interfund receivables and payables result from timing differences related to payroll and other year end transactions which normally clear within one to two months.

Interfund transfers for the fiscal year ended June 30, 2014 consisted of the following:

<u>Transfer To</u>	Transfer From		
	General Fund	Hotel/Motel Fund	Total
General Fund	\$ -	\$ 1,150,998	\$ 1,150,998
Nonmajor governmental funds	35,420	-	35,420
Rivers End RV Park Fund	228,465	-	228,465
Water and Sewer Fund	302,000	-	302,000
Total	\$ 565,885	\$ 1,150,998	\$ 1,716,883

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

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 13.69% of annual covered payroll.

Annual Pension Cost

For the fiscal year ended June 30, 2014, the City's annual pension cost was \$419,168 for the Plan. The recommended contribution of \$419,168 was determined as part of the January 1, 2013 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
5/1/2009	\$ 436,873	100%	-
7/1/2010	432,899	100%	-
1/1/2011	445,399	100%	-
1/1/2012	439,324	100%	-
1/1/2013	419,168	100%	-

As of the most recent valuation date, January 1, 2014, 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)
01/01/14	\$ 5,579,895	\$ 6,769,656	\$ 1,189,761	82.4 %	\$ 3,280,949	36.26 %

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, 2013.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RISK MANAGEMENT

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

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

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

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

NOTE 10. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the nine county coastal Georgia region, is a member of the Coastal Georgia Regional Commission (RC) and is required to pay annual dues thereto. During the fiscal year ended June 30, 2014, the City paid \$1,785 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC 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 RC. Separate financial statements may be obtained from the Coastal Georgia Regional Commission, 127 "F" Street, Brunswick, Georgia 31520.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES

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, 2014, \$2,301,996 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$767,255 to the Savannah Chamber of Commerce and \$383,743 to the Georgia International Convention Center).

REQUIRED SUPPLEMENTARY INFORMATION

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

CITY OF TYBEE ISLAND RETIREMENT PLAN						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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
01/01/14	5,579,895	6,769,656	1,189,761	82.43	3,280,949	36.26

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COMBINING STATEMENTS AND SCHEDULES

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

ASSETS	Special Revenue Fund Emergency 911 Fund	Capital Project Fund SPLOST 2003 Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 1,446	\$ 857,188	\$ 858,634
Accounts receivable	7,619	-	7,619
Prepaid expenditures	89	-	89
Total assets	<u>\$ 9,154</u>	<u>\$ 857,188</u>	<u>\$ 866,342</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,425	\$ 416	\$ 1,841
Total liabilities	<u>1,425</u>	<u>416</u>	<u>1,841</u>
FUND BALANCE			
Unreserved, undesignated			
Nonspendable - prepaid items	89	-	89
Restricted for:			
Public safety	7,640	-	7,640
Capital projects	-	856,772	856,772
Total fund balance	<u>7,729</u>	<u>856,772</u>	<u>864,501</u>
Total liabilities and fund balance	<u>\$ 9,154</u>	<u>\$ 857,188</u>	<u>\$ 866,342</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, 2014**

	Special Revenue Fund Emergency 911 Fund	Capital Project Fund SPLOST 2003 Fund	Total Nonmajor Governmental Funds
Revenues:			
Charges for services	\$ 59,900	\$ -	\$ 59,900
Interest income	-	327	327
Total revenues	<u>59,900</u>	<u>327</u>	<u>60,227</u>
Expenditures:			
Current:			
Public safety	87,591	-	87,591
Capital outlay	-	149,276	149,276
Total expenditures	<u>87,591</u>	<u>149,276</u>	<u>236,867</u>
Deficiency of revenues over expenditures	<u>(27,691)</u>	<u>(148,949)</u>	<u>(176,640)</u>
Other financing sources:			
Transfers in	35,420	-	35,420
Total other financing sources	<u>35,420</u>	<u>-</u>	<u>35,420</u>
Net change in fund balance	7,729	(148,949)	(141,220)
Fund balance, beginning of year	<u>-</u>	<u>1,005,721</u>	<u>1,005,721</u>
Fund balance, end of year	<u>\$ 7,729</u>	<u>\$ 856,772</u>	<u>\$ 864,501</u>

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, 2014

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Public Safety					
Public safety facility	\$ 327,000	\$ 3,220,198	\$ 20,218	\$ 1,971,060	\$ 1,991,278
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	-	-	-	-
Street and Infrastructure					
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	68,588	67,987	601	68,588
Bike racks	2,000	2,166	2,166	-	2,166
TE grant historic Butler Avenue match	98,906	69,678	82,605	-	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	96,791	12,061	14,941	27,002
Automated meter readers	-	630,000	-	630,000	630,000
Community Development					
Salt Meadow project	30,000	60,887	25,466	11,066	36,532
GIS	6,500	-	-	-	-
Beach Related Projects					
Beach re-nourishment	300,000	1,210,000	-	210,000	210,000
Bathroom repairs and improvements	36,000	27,000	-	-	-
North Beach mobile restroom	57,000	57,000	-	-	-
2 mobile matss	40,000	39,980	39,980	-	39,980
8th Street dune	30,000	-	-	-	-
Undesignated					
	5,535,503	85,994	-	-	-
	<u>\$ 8,000,000</u>	<u>\$ 5,975,883</u>	<u>\$ 658,084</u>	<u>\$ 2,837,668</u>	<u>\$ 3,495,752</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, 2014

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage					
Drainage reconstruction/maintenance North Beach area	\$ 200,000	\$ 559	\$ 559	\$ -	\$ 559
14th Street drainage project	-	966,226	966,226	-	966,226
Water and Sewer Improvements					
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
Roads					
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	-	70,000	-	2,227	2,227
Public Safety					
Public safety facility	500,000	288,594	69,221	135,658	204,879
Fire department equipment	-	163,310	163,310	-	163,310
Beach Related					
Beach renourishment	1,000,000	1,000,000	1,000,000	-	1,000,000
Street and Infrastructure					
Drainage Tybrisa/Alley	-	-	-	-	-
Community Development					
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	87,825	11,391	99,216
South Beach Business District	-	764,381	764,381	-	764,381
Other					
Other capital equipment	190,354	-	-	-	-
	<u>\$ 6,515,354</u>	<u>\$ 7,353,574</u>	<u>\$ 6,347,526</u>	<u>\$ 149,276</u>	<u>\$ 6,496,802</u>

COMPLIANCE SECTION

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

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

We have audited, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Tybee Island, Georgia's basic financial statements and have issued our report thereon dated December 18, 2014.

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.

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tybee Island, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 18, 2014

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

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

Federal Awards

There was not an audit of major federal award programs for the fiscal year ended June 30, 2014 due to the total amount expended being less than \$500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

No current year findings.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2013 - 1. Accounting for Compensated Absences

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

Context: We addressed this matter with City personnel and they were able to determine the appropriate adjusted at June 30, 2013.

Auditee Response/Status: Resolved

2013 - 2. Accounting for Capital Assets and Accumulated Depreciation

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

Context: We addressed this matter with City personnel and they were able to determine the appropriate adjusted at June 30, 2013.

Auditee Response/Status: Resolved

2013 - 3. Under collateralization of City Deposits

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

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.

Auditee Response/Status: Resolved