

**CITY OF TYBEE ISLAND, GEORGIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

**CITY OF TYBEE ISLAND, GEORGIA**  
**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Tybee Island, Georgia's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison information for the General Fund and the Hotel/Motel Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 8, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective July 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-17 and the Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions on pages 60 and 61, 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 basic 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 basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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, 2015

# Management's Discussion and Analysis

**CITY OF TYBEE ISLAND**

**JUNE 30, 2015**

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, 2015. 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 2015 are as follows:

- The City's total net position is \$31,669,561, an increase of \$3,979,900. Net position from governmental activities and business type activities increased \$3,615,852 and \$364,048, respectively.
- The General fund reported fund balance of \$6,759,172. This represents 74% of current year expenditures.
- The City implemented GASB 68 to more accurately reflect the impact of pension activity on government-wide activities. As a result, beginning net position for governmental activities decreased \$1,148,310 and beginning net position for business type activities decreased \$220,769.
- The general fund had favorable budget variances of \$1,180,173.

## **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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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, deferred outflows of resources, long-term liabilities, and deferred inflows of resources.

# Management's Discussion and Analysis

**CITY OF TYBEE ISLAND**

**JUNE 30, 2015**

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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, culture and recreation, and housing and community development.

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

The City's government-wide financial statements are presented on pages 18 and 19.

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

Unlike government-wide financial statements, the focus of fund financial statements is directed at specific activities of the City rather than the city as a whole. Except for the General fund, a 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 the (3) fiduciary fund.

## **Governmental Funds**

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

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 assets, liabilities, and deferred inflows of resources 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.

# Management's Discussion and Analysis

**CITY OF TYBEE ISLAND**

**JUNE 30, 2015**

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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 balance 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 (nonmajor funds). The City's governmental fund financial statements are presented on pages 20 - 26.

## **Proprietary Funds**

The 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.

The City uses proprietary 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 proprietary funds are also reported in the business-type activities columns of the government-wide financial statements.

The City presents in separate columns proprietary funds that are most significant to the City and all other proprietary 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 27 - 30.

# Management's Discussion and Analysis

## CITY OF TYBEE ISLAND

JUNE 30, 2015

### 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 18 and 19):

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 11,412,803	\$ 9,811,957	\$ 2,228,694	\$ 1,598,228	\$ 13,641,497	\$ 11,410,185
Capital Assets	<u>10,833,290</u>	<u>8,444,129</u>	<u>21,686,466</u>	<u>21,164,570</u>	<u>32,519,756</u>	<u>29,608,699</u>
Total Assets	<u>22,246,093</u>	<u>18,256,086</u>	<u>23,915,160</u>	<u>22,762,798</u>	<u>46,161,253</u>	<u>41,018,884</u>
<b>Deferred Outflows of Resources</b>						
Pension contributions subsequent to measurement date	<u>286,560</u>	<u>-</u>	<u>55,094</u>	<u>-</u>	<u>341,654</u>	<u>-</u>
<b>Liabilities</b>						
Current Liabilities	1,712,990	1,323,716	1,538,712	1,434,159	3,251,702	2,757,875
Long-term liabilities	<u>1,256,639</u>	<u>37,993</u>	<u>10,085,236</u>	<u>9,164,276</u>	<u>11,341,875</u>	<u>9,202,269</u>
Total Liabilities	2,969,629	1,361,709	11,623,948	10,598,435	14,593,577	11,960,144
<b>Deferred Inflows of Resources</b>						
Pension experience differences	60,655	-	11,661	1,434,159	72,316	1,434,159
Pension assumption changes	1,557	-	300	-	1,857	-
Pension investment return	<u>138,893</u>	<u>-</u>	<u>26,703</u>	<u>9,164,276</u>	<u>165,596</u>	<u>9,164,276</u>
Total Pension Inflow of Resource	201,105	-	38,664	10,598,435	239,769	10,598,435
<b>Net Assets</b>						
Invested in capital assets	10,590,975	8,397,615	10,964,911	11,228,395	21,555,886	19,626,010
Restricted for capital outlay	3,040,619	2,941,875	-	-	3,040,619	2,941,875
Restricted for debt service	-	-	476,103	486,132	476,103	486,132
Unrestricted	<u>5,730,325</u>	<u>5,554,887</u>	<u>866,628</u>	<u>449,836</u>	<u>6,596,953</u>	<u>6,004,723</u>
Total net position	<u>\$ 19,361,919</u>	<u>\$ 16,894,377</u>	<u>\$ 12,307,642</u>	<u>\$ 12,164,363</u>	<u>\$ 31,669,561</u>	<u>\$ 29,058,740</u>

# Management's Discussion and Analysis

## CITY OF TYBEE ISLAND

JUNE 30, 2015

### Financial Position

The total net position of the City increased by \$3,979,900 or 14.37% as noted in the table above. The governmental activities net position increased by \$3,615,852, while the business-type activities net position increased by \$364,048.

#### City of Tybee Island Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 4,428,911	\$ 4,267,161	\$ 4,879,979	\$ 4,775,115	\$ 9,308,890	\$ 9,042,276
Operating grants and contributions	99,328	45,576	-	-	99,328	45,576
Capital grants and contributions	6,899,671	1,544,976	86,514	72,964	6,986,185	1,617,940
General revenues:						
Property taxes	1,919,827	1,911,139	-	-	1,919,827	1,911,139
Other	4,997,571	4,324,788	3,745	17	5,001,316	4,324,805
Gain on sale of capital assets	-	13,478	-	1,134	-	14,612
<b>Total revenues</b>	<b>18,345,308</b>	<b>12,107,118</b>	<b>4,970,238</b>	<b>4,849,230</b>	<b>23,315,546</b>	<b>16,956,348</b>
<b>Expenses</b>						
Governmental activities						
General government	2,163,186	1,652,905	-	-	2,163,186	1,652,905
Judicial	12,400	12,200	-	-	12,400	12,200
Public safety	2,930,929	2,763,213	-	-	2,930,929	2,763,213
Public works	2,079,065	1,822,415	-	-	2,079,065	1,822,415
Cultural and recreation	6,466,294	2,310,333	-	-	6,466,294	2,310,333
Housing & Community development	1,239,325	925,285	-	-	1,239,325	925,285
Other expenses	4,815	1,623	-	-	4,815	1,623
Business-type activities						
Water and sewer service	-	-	2,688,582	2,216,908	2,688,582	2,216,908
Solid waste collection	-	-	1,101,133	1,057,178	1,101,133	1,057,178
Campground	-	-	649,917	620,108	649,917	620,108
<b>Total expenses</b>	<b>14,896,014</b>	<b>9,487,974</b>	<b>4,439,632</b>	<b>3,894,194</b>	<b>19,335,646</b>	<b>13,382,168</b>
<b>Transfers</b>	<b>166,558</b>	<b>(1,160,465)</b>	<b>(166,558)</b>	<b>1,160,465</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>3,615,852</b>	<b>1,458,679</b>	<b>364,048</b>	<b>2,115,501</b>	<b>3,979,900</b>	<b>3,574,180</b>
Beginning net assets, as restated	15,746,067	15,435,698	11,943,594	10,048,862	27,689,661	25,484,560
Ending net assets	<u>\$ 19,361,919</u>	<u>\$ 16,894,377</u>	<u>\$ 12,307,642</u>	<u>\$ 12,164,363</u>	<u>\$ 31,669,561</u>	<u>\$ 29,058,740</u>

### Governmental Activities

As noted in the table above, the beginning balance is restated from \$16,894,377 to \$15,746,067 due to recording the net pension liability of \$1,148,310 as required by GASB Statement No. 68. The total revenues for governmental activities increased \$6,238,190 or 51.5%. Charges for services, which include parking service revenues, increased \$161,750 or 3.79% as tourism and the general economy have improved.

# Management's Discussion and Analysis

## CITY OF TYBEE ISLAND

JUNE 30, 2015

The State of Georgia issued \$5.8 million in revenue bonds and gave the money to the City for beach improvement projects; therefore, capital grants revenue increased by \$5,354,695 or 346.5%. Property taxes are consistent with the prior year. Other taxes, which include local option sales taxes and hotel motel taxes have increased \$672,783 or 15.56% as tourism and the general economy recover.

Total governmental expenses have increased by \$5,408,040 or 57%. General government expenses increased \$510,281 or 30.87% because certain employee positions and related benefits were transferred from Public Works to the Finance Department; Information Technology Department expenses increased to cover capital equipment purchases; and the City Council approved an increase in the hourly rate paid to the City Attorney. Public Safety expenses increased by \$167,716 or 6.07%, due to the purchase of the new 911 emergency telephone system and two vehicles. Public Works expenses increased by \$256,650 or 14.08% due to purchase of major capital equipment. Culture and Recreation expenses increased by \$4,155,961 or 179.89% due to completion of the seven year beach renourishment project financed with SPLOST and State Bond proceeds.

### Business-Type Activities

Net position for business type activities increased \$364,048 or 3.05%. The Water and Sewer fund had a decrease of (\$37,558); the River's End RV Park fund contributed \$397,843; and the Solid Waste fund had an increase of \$3,763. Below is the analysis of each enterprise fund.

### Water and Sewer Fund

Water and Sewer revenues increased \$31,555 or 1.11% due to increase in rates effective January 2015 based on the 2014 consumer price index of .8%. Operating expenses remained consistent with prior years. There was a significant loss on the disposal of capital assets related to the early replacement of meter reading equipment. Capital contributions in the prior year included \$630,000 of SPLOST funds used to purchase new meter reading equipment.

City of Tybee Island Water and Sewer Fund				
	2015	2014	\$ Change	% Change
Operating revenues	\$ 2,862,765	\$ 2,831,210	\$ 31,555	1.11%
Operating expenses	2,054,112	2,035,208	18,904	0.93%
Net operating income	808,653	796,002	12,651	1.59%
Non-operating expenses	(142,411)	(157,080)	14,669	-9.34%
Loss on disposal of capital assets	(488,314)	(24,603)	(463,711)	1884.77%
Income before contributions & transfers	177,928	614,319	(436,391)	-71.04%
Capital contributions	86,514	702,964	(616,450)	-87.69%
Transfers in (out)	(302,000)	302,000	(604,000)	0.00%
Change in net position	(37,558)	1,619,283	(1,656,841)	-102.32%
Beginning net position, as restated	10,229,032	8,762,866	1,466,166	16.73%
Ending net position	\$ 10,191,474	\$ 10,382,149	\$ (190,675)	-1.84%

# Management's Discussion and Analysis

## CITY OF TYBEE ISLAND

JUNE 30, 2015

### Solid Waste Collection Fund

Solid Waste revenues increased \$6,815 or 1.05% due to rate increases. Operating expenses increased \$29,809 or 4.81% primarily due to a rate increase charged by the garbage collection vendor. Because this fund had positive operating income in 2015, no transfers were required from the General fund.

City of Tybee Island Solid Waste Collection Fund				
	2015	2014	\$ Change	% Change
Operating revenues	\$ 653,680	\$ 646,865	\$ 6,815	1.05%
Operating expenses	649,917	620,108	29,809	4.81%
Net operating income	3,763	26,757	(22,994)	-85.94%
Beginning net position, as restated	26,757	-	26,757	0.00%
Ending net position	\$ 30,520	\$ 26,757	\$ 3,763	14.06%

### River's End RV Park Fund

Operating revenues for the River's End RV Park fund increased \$66,494 or 5.13% due to a rate increase for camping services and two additional rental cabins were available for the full year. Operating expenses have increased by \$59,928 or 7.53% to meet additional demand for service.

City of Tybee Island River's End RV Park Fund				
	2015	2014	\$ Change	% Change
Operating revenues	\$ 1,363,534	\$ 1,297,040	\$ 66,494	5.13%
Operating expenses	(855,974)	(796,046)	(59,928)	7.53%
Net operating income (loss)	507,560	500,994	6,566	1.31%
Non-operating income (expenses)	(245,159)	(259,998)	14,839	-5.71%
Income (loss) before contributions and transfers	262,401	240,996	21,405	8.88%
Transfers in	135,442	228,465	(93,023)	-40.72%
Change in net position	397,843	469,461	(71,618)	-15.26%
Beginning net position, restated	1,687,805	1,285,996	401,809	31.24%
Ending net position	\$ 2,085,648	\$ 1,755,457	\$ 330,191	18.81%

# Management's Discussion and Analysis

## CITY OF TYBEE ISLAND

JUNE 30, 2015

### 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 20 were \$9,808,461. This balance represents an increase of \$1,279,858 or 15% from last year's ending balance. The tables below reflect changes in governmental fund balances.

The City Council committed \$6,082,963 or 90% of the General fund's fund balance to the following:

- \$1,015,647 – Future capital projects;
- \$90,476 – Greenspace projects; and
- \$4,976,840 – Economic stabilization.

There are \$3,049,215 in restricted funds primarily for beach related projects.

City of Tybee Island Governmental Fund Balance

	2015	2014	Change
General fund	\$ 6,759,172	\$ 5,578,999	\$ 1,180,173
Confiscated Asset Fund	1,459	-	1,459
Emergency Telephone 911 Fund	7,211	7,729	(518)
SPLOST 2003 Fund	485,852	856,772	(370,920)
SPLOST 2008 Fund	158,080	2,085,103	(1,927,023)
SPLOST 2014 Fund	350,207	-	350,207
Chatham County SPLOST VI Fund	21,146	-	21,146
Capital Grant Fund	2,025,334	-	2,025,334
Total	<u>\$ 9,808,461</u>	<u>\$ 8,528,603</u>	<u>\$ 1,279,858</u>

The components of changes to governmental fund balance are analyzed on the table on the next page:

# Management's Discussion and Analysis

## CITY OF TYBEE ISLAND

**JUNE 30, 2015**

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

	2015	2014	\$ Change	% Change
<b>Revenues</b>				
Taxes	\$ 6,878,483	\$ 6,242,914	\$ 635,569	9.24%
Licenses and permits	240,596	282,900	(42,304)	-17.58%
Intergovernmental	6,899,343	1,544,976	5,354,367	77.61%
Charges for services	3,227,300	3,039,901	187,399	5.81%
Fines and forfeitures	865,565	882,748	(17,183)	-1.99%
Interest	10,465	11,491	(1,026)	-9.80%
Other revenues	<u>194,778</u>	<u>107,188</u>	<u>87,590</u>	<u>44.97%</u>
Total revenues	18,316,530	12,112,118	6,204,412	33.87%
<b>Expenditures</b>				
Current:				
General government	1,985,090	1,625,081	360,009	18.14%
Judicial	12,400	12,200	200	1.61%
Public safety	2,904,882	2,764,296	140,586	4.84%
Public works	1,916,215	1,716,439	199,776	10.43%
Culture and recreation	6,303,345	2,137,348	4,165,997	66.09%
Housing and community development	1,221,138	853,818	367,320	30.08%
Capital outlay	3,077,223	2,986,944	90,279	2.93%
Debt service				
Principal (net of refunding)	106,322	16,028	90,294	84.93%
Interest	<u>4,815</u>	<u>1,623</u>	<u>3,192</u>	<u>66.29%</u>
Total expenditures	<u>17,531,430</u>	<u>12,113,777</u>	<u>5,417,653</u>	<u>30.90%</u>
Excess of revenues over (under) expenditures	<u>785,100</u>	<u>(1,659)</u>	<u>786,759</u>	<u>100.21%</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,810,141	1,186,418	623,723	34.46%
Transfers out	(1,643,583)	(1,716,883)	73,300	-4.46%
Issuance of debt	302,123	-	302,123	100.00%
Sale of capital assets	<u>26,077</u>	<u>14,527</u>	<u>11,550</u>	<u>44.29%</u>
Total other financing sources (uses)	<u>494,758</u>	<u>(515,938)</u>	<u>1,010,696</u>	<u>204.28%</u>
			-	
Net change in fund balance	<u>\$ 1,279,858</u>	<u>\$ (517,597)</u>	<u>\$ 1,797,455</u>	<u>140.44%</u>
Fund balances, beginning of year	<u>8,528,603</u>	<u>9,046,200</u>	<u>(517,597)</u>	<u>-6.07%</u>
Fund balances, end of year	<u>\$ 9,808,461</u>	<u>\$ 8,528,603</u>	<u>\$ 1,279,858</u>	<u>13.05%</u>

# Management's Discussion and Analysis

**CITY OF TYBEE ISLAND**

**JUNE 30, 2015**

Overall governmental revenues increased \$6,204,412 or 33.87%. Intergovernmental revenues increased \$5,354,867, primarily as a result of grants from the Georgia Department of Natural Resources for beach renourishment. Taxes increased \$635,569 or 9.24%. The primary increase in taxes is related to Hotel/Motel taxes which increased \$584,636 or 20.25% due to the City's aggressive actions in collecting past due taxes. Charges for services increased \$187,399 or 5.81% and includes an increase of \$169,726 or 5.60% in parking service revenues as a result of improvements in the travel economy. The local option sales taxes increased \$79,972 or 5.6% due to continued improvements in the travel economy.

Governmental expenditures increased \$5,417,653 or 30.90%. The primary driver of this increase was expenditures for major capital projects. The most significant capital expenditures were \$3,774,666 for beach renourishment and beach related projects.

General government expenses increased \$360,009 or 18.14% primarily due to purchases of capital equipment. Public Safety expenditures increased \$140,586 or 4.84% due to purchases of vehicles and adding a new position. Public Works expenses increased \$199,776 or 10.43% due to the purchase of a backhoe and grader equipment in addition to a truck scale. Housing and Community Development expenses increased \$367,320 or 30.08% due to the Parking Services purchase and replacement of 80 new parking and display meter machines.

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.

## **General Fund Budgetary Highlights**

The final budgets passed by the City Council anticipated not using General fund reserves to meet expenses. Actual results were significantly better than projected as the General fund actually provided \$1,180,173 of fund balance, a \$1,180,173 favorable variance over the final budget.

A comparison of the final budgetary figures and the actual budgetary figures for revenues is located on pages 23 through 25.

- For the General fund, the actual operating revenues were (\$418,534) less than budgeted. Operating revenues were budgeted for \$8,971,904, and actual operating revenues were \$8,553,370. The most significant variance was property taxes which was (\$263,048) less than budgeted. The City overestimated the amount of taxes that would be collected by year end. The budget for the intergovernmental revenues were (\$249,001) less due to the City not drawing down grant funds due to delays in the grant project.
- The actual operating expenditures of \$9,046,630 were \$1,065,419 less than the budgeted amount of \$10,112,049 as management continues to adopt very conservative budgets.

# Management's Discussion and Analysis

## CITY OF TYBEE ISLAND

JUNE 30, 2015

### Capital Asset and Debt Administration

#### Capital Assets

The City has invested \$32,519,756 in capital assets (net of depreciation). Capital assets held by the City at the end of the current and previous year are summarized below:

City of Tybee Island Capital Asset Year-End Comparison						
	Capital Assets					
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Nondepreciable assets:						
Land	\$ 1,102,857	\$ 1,008,070	\$ 1,767,600	\$ 6,973,632	\$ 2,870,457	\$ 7,981,702
Construction in progress	455,402	2,421,923	6,973,632	397,686	7,429,034	2,819,609
Total nondepreciable assets	1,558,259	3,429,993	8,741,232	7,371,318	10,299,491	10,801,311
Depreciable assets:						
Land improvements	-	-	239,621	185,196	239,621	185,196
Buildings	6,804,703	3,564,121	441,718	355,581	7,246,421	3,919,702
Machinery and equipment	4,393,886	4,451,274	16,333,008	2,022,626	20,726,894	6,473,900
Infrastructure	3,102,200	2,792,625	1,433,896	16,296,818	4,536,096	19,089,443
Total depreciable assets	14,300,789	10,808,020	18,448,243	18,860,221	32,749,032	29,668,241
Less accumulated depreciation	5,025,758	5,793,884	5,503,009	5,066,969	10,528,767	10,860,853
Book value - depreciable assets	9,275,031	5,014,136	12,945,234	13,793,252	22,220,265	18,807,388
Percentage depreciated	35.14%	53.61%	29.83%	26.87%	32.15%	36.61%
Book value - all assets	\$ 10,833,290	\$ 8,444,129	\$ 21,686,466	\$ 21,164,570	\$ 32,519,756	\$ 29,608,699

The detailed schedule of capital assets are reported in Note 5, on pages 44 through 46 of the financial statements. The City added \$1,697,852 of new capital assets and placed \$1,473,820 in construction in progress for the governmental type capital assets. Significant additions included:

- \$3,440,341 for construction for a new police department building using SPLOST 2003 and SPLOST 2008 proceeds which was completed in December 2014;
- \$90,790 for audio visual equipment for the new public safety building;
- \$11,794 for two computer servers;
- \$37,193 for a generator for the City Hall building;
- \$49,168 for an HVAC system for the GYM;
- \$108,223 for new vehicles and related equipment for the police and public works departments acquired with general fund and SPLOST money;
- \$ 76,400 for JBC backhoe for public works;
- \$112,000 for motor grader for public works;
- \$12,121 for jet ski for the fire department;
- \$171,209 for mini pumper rescue unit for the fire department;

# Management's Discussion and Analysis

**CITY OF TYBEE ISLAND**

**JUNE 30, 2015**

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- \$287,303 for street paving projects;
- \$46,646 for beach signs;
- \$134,552 for a new 911 emergency telephone system; and
- \$424,000 for 80 new parking meters.

The City added \$217,847 of new capital assets and placed \$1,369,914 in construction in progress for the business type capital assets. Significant additions included:

- \$19,939 for Kubota for the campground;
- \$21,155 for two electric cars for the campground;
- \$65,279 for tent site improvements for the campground;
- \$36,190 for the Fort Screven well;
- \$277,652 for rehab lift station no. 7, project was placed in CIP;
- \$269,373 for the sewer main lift station no. 6 increasing the project's CIP balance from \$167,855 to \$437,228;
- \$617,348 for the Jones Avenue water line replacement increasing the project's CIP balance from \$229,830 to \$847,178; and
- \$179,703 for a sludge digester for the waste water treatment plant, placed in CIP.

## **Long-term Debt**

At the end of the current year, the City had long term debt related to governmental activities of \$1,542,196 and \$10,962,244 for business type activities.

The debt position of the City is summarized below and is more fully analyzed in Note 6 beginning on page 47 of the financial statements.

# Management's Discussion and Analysis

## CITY OF TYBEE ISLAND

**JUNE 30, 2015**

### City of Tybee Island Outstanding Long-Term Debt

	2015	2014	\$ Change	% Change
<b>Governmental Activities</b>				
Capital leases	\$ 242,315	\$ 46,514	\$ 195,801	80.80%
Compensated absences	175,826	179,972	(4,146)	-2.36%
Net pension liability	<u>1,124,055</u>	<u>1,411,991</u>	<u>(287,936)</u>	<u>-25.62%</u>
Total debt service governmental-type activities	1,542,196	1,638,477	(96,281)	-6.24%
<b>Business-type activities</b>				
Chatham County Recreation Bond	5,055,000	5,360,000	(305,000)	-6.03%
Water & Sewer - Series 2005 Bond	155,000	305,000	(150,000)	-96.77%
Georgia Environmental Facility Authority Note Payables	5,511,555	4,271,175	1,240,380	22.51%
Compensated absences	24,583	23,641	942	3.83%
Net pension liability	<u>216,106</u>	<u>271,464</u>	<u>(55,358)</u>	<u>-25.62%</u>
Total debt service business-type activities	<u>10,962,244</u>	<u>10,231,280</u>	<u>730,964</u>	<u>6.67%</u>
Total all debt service	<u>\$ 12,504,440</u>	<u>\$ 11,869,757</u>	<u>\$ 634,683</u>	<u>5.08%</u>

- The governmental and business-type activities include a cumulative net pension liability of \$1,340,161 for current year and \$1,683,455 for the prior year;
- The governmental activities acquired two capital leases totaling \$302,123 from SunTrust Bank to finance the purchase of equipment for Public Safety and the Public Works departments. The outstanding balance of capital leases June 30, 2015 is \$242,315.
- The Water and Sewer fund reduced the City's debt position by paying \$322,330 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 \$138,205. The balance due is \$5,511,555. The balance due includes a new loan for \$1,562,710 from the Georgia Environmental Financial Authority to replace Jones Avenue water lines, and repair and upgrade sewer main lift station no. 6 and rehab lift station no. 7. The loan proceeds are drawn down as work is completed and the final draw down occurred in July 2015.
- 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 \$11,530. The final balance is due on June 1, 2016 for \$155,000.
- The River's End RV Park fund reduced the City's debt position by paying \$305,000 toward the Chatham County Recreational Revenue Bonds issued to acquire the campground. The total interest expense accrued and paid was \$353,475. The balance due is \$5,055,000.

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

The City expects the tax digest to remain steady as new construction for residential development has slowed and commercial development is not expected to change. The City may face competition for tourism due to the redevelopment of Jekyll Island's beach resort area which includes a new convention center, hotels and shopping areas. Annual conferences that were held in the Savannah area that benefit our City are going to Jekyll Island in Brunswick, Georgia. The City will continue to issue 40 to 50 special event permits which generate tourism for the City throughout the year which will help maintain the level of the City's major revenue sources, parking fees and hotel/motel taxes, both which continue to increase each year. The recovery of home prices that led to higher property tax collections and appraised property values was offset by the City's reduction in the mileage rate for 2016.

The Chatham County Government pledged \$6 million from its SPLOST VI proceeds to the City to spend on beach related capital projects. In 2015-2016, the City plans to use \$1,050,000 of the money to build a bathroom-beach shower facility and concession stand in the north beach area of the island.

The State of Georgia plans to construct a test well on the north end of the island behind the City's River's End RV Park Campground. The construction process is expected to last at least 18 months and noise from the construction may deter visitors of the campgrounds resulting in reduction of revenue. In 2016 the campground bond debt service can be refinanced lowering the interest rate from 4.25% to less than 3%.

The success of the test well will significantly impact the future of the City's Water and Sewer fund operations and its needs to generate enough revenue to finance the construction and operations of a water filter plant. Although each year the City increases its water and sewer rates annually in January based on the consumer price index, these rate increases are not enough to finance the future operations of a water filter plant.

### 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, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,829,979	\$ 1,762,193	\$ 7,592,172
Investments	3,922,439	-	3,922,439
Taxes receivable	1,048,467	-	1,048,467
Accounts receivable, net of allowances	169,142	404,262	573,404
Due from other governments	259,714	-	259,714
Internal balances	72,663	(72,663)	-
Inventory	-	90,291	90,291
Prepaid expenses	110,399	44,611	155,010
Capital assets:			
Nondepreciable	1,558,259	8,741,232	10,299,491
Depreciable, net of accumulated depreciation	9,275,031	12,945,234	22,220,265
Total assets	22,246,093	23,915,160	46,161,253
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions subsequent to measurement date	286,560	55,094	341,654
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
<b>LIABILITIES</b>			
Accounts payable	1,411,688	234,078	1,645,766
Accrued liabilities	3,195	228,176	231,371
Customer deposits payable	12,550	199,450	212,000
Notes payable due within one year	-	377,425	377,425
Notes payable due in more than one year	-	5,134,130	5,134,130
Capital lease due within one year	117,519	-	117,519
Capital lease due in more than one year	124,796	-	124,796
Compensated absences due within one year	168,038	24,583	192,621
Compensated absences due in more than one year	7,788	-	7,788
Bonds payable due within one year	-	475,000	475,000
Bonds payable due in more than one year	-	4,735,000	4,735,000
Net pension liability	1,124,055	216,106	1,340,161
Total liabilities	2,969,629	11,623,948	14,593,577
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension experience differences	60,655	11,661	72,316
Pension assumption changes	1,557	300	1,857
Pension investment return	138,893	26,703	165,596
Total deferred inflows of resources	201,105	38,664	239,769
<b>NET POSITION</b>			
Net investment in capital assets	10,590,975	10,964,911	21,555,886
Restricted for capital outlay	3,040,619	-	3,040,619
Unrestricted	5,730,325	1,342,731	7,073,056
Total net position	\$ 19,361,919	\$ 12,307,642	\$ 31,669,561

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, 2015**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Governmental activities:							
General government	\$ 2,163,186	\$ 383,978	\$ 375	\$ -	\$ (1,778,833)	\$ -	\$ (1,778,833)
Judicial	12,400	50,844	-	-	38,444	-	38,444
Public safety	2,930,929	607,441	-	549,091	(1,774,397)	-	(1,774,397)
Public works	2,079,065	-	-	166,579	(1,912,486)	-	(1,912,486)
Culture and recreation	6,466,294	19,156	98,953	6,155,140	(193,045)	-	(193,045)
Housing and community development	1,239,325	3,367,492	-	28,861	2,157,028	-	2,157,028
Interest on long-term debt	4,815	-	-	-	(4,815)	-	(4,815)
Total governmental activities	<u>14,896,014</u>	<u>4,428,911</u>	<u>99,328</u>	<u>6,899,671</u>	<u>(3,468,104)</u>	<u>-</u>	<u>(3,468,104)</u>
Business-type activities:							
Water and sewer	2,688,582	2,862,765	-	86,514	-	260,697	260,697
River's End RV Park	1,101,133	1,363,534	-	-	-	262,401	262,401
Solid Waste collection	649,917	653,680	-	-	-	3,763	3,763
Total business-type activities	<u>4,439,632</u>	<u>4,879,979</u>	<u>-</u>	<u>86,514</u>	<u>-</u>	<u>526,861</u>	<u>526,861</u>
Total primary government	<u>\$ 19,335,646</u>	<u>\$ 9,308,890</u>	<u>\$ 99,328</u>	<u>\$ 6,986,185</u>	<u>(3,468,104)</u>	<u>526,861</u>	<u>(2,941,243)</u>
General revenues:							
Property taxes					1,919,827	-	1,919,827
Sales taxes					1,157,975	-	1,157,975
Hotel/motel taxes					2,787,679	-	2,787,679
Franchise taxes					460,660	-	460,660
Other taxes					581,120	-	581,120
Unrestricted investment earnings					10,137	3,745	13,882
Transfers					166,558	(166,558)	-
Total general revenues and transfers					<u>7,083,956</u>	<u>(162,813)</u>	<u>6,921,143</u>
Change in net position					<u>3,615,852</u>	<u>364,048</u>	<u>3,979,900</u>
Net position, beginning of year, as restated					<u>15,746,067</u>	<u>11,943,594</u>	<u>27,689,661</u>
Net position, end of year					<u>\$ 19,361,919</u>	<u>\$ 12,307,642</u>	<u>\$ 31,669,561</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>General Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>2008 SPLOST Fund</u>	<u>Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,582,780	\$ -	\$ 175,598	\$ 2,049,279	\$ 1,022,322	\$ 5,829,979
Investments	3,922,439	-	-	-	-	3,922,439
Taxes receivable	511,550	536,917	-	-	-	1,048,467
Accounts receivable	161,193	-	-	-	7,949	169,142
Due from other governments	127,415	-	-	-	132,299	259,714
Due from other funds	183,272	-	-	-	-	183,272
Prepaid items	110,325	-	-	-	74	110,399
Total assets	<u>\$ 7,598,974</u>	<u>\$ 536,917</u>	<u>\$ 175,598</u>	<u>\$ 2,049,279</u>	<u>\$ 1,162,644</u>	<u>\$ 11,523,412</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 647,148	\$ 426,308	\$ 17,518	\$ 23,945	\$ 296,769	\$ 1,411,688
Accrued liabilities	3,195	-	-	-	-	3,195
Deposits payable	12,550	-	-	-	-	12,550
Due to other funds	-	110,609	-	-	-	110,609
Total liabilities	<u>662,893</u>	<u>536,917</u>	<u>17,518</u>	<u>23,945</u>	<u>296,769</u>	<u>1,538,042</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	<u>176,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,909</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid items	110,325	-	-	-	74	110,399
Transfers to other funds	72,663	-	-	-	-	72,663
Restricted for:						
Capital projects	-	-	158,080	2,025,334	857,205	3,040,619
Public safety	-	-	-	-	8,596	8,596
Committed for:						
Future capital projects	1,015,647	-	-	-	-	1,015,647
Greenspace	90,476	-	-	-	-	90,476
Economic stabilization	4,976,840	-	-	-	-	4,976,840
Assigned to:						
Palms Up Tree Replacement Project	36,195	-	-	-	-	36,195
Beach renourishment	150,000	-	-	-	-	150,000
Community Development Project	1,500	-	-	-	-	1,500
Future wage and benefit increases	101,362	-	-	-	-	101,362
Marine Rescue ADA	22,500	-	-	-	-	22,500
FY 2016 budget	181,664	-	-	-	-	181,664
Unassigned	-	-	-	-	-	-
Total fund balances	<u>6,759,172</u>	<u>-</u>	<u>158,080</u>	<u>2,025,334</u>	<u>865,875</u>	<u>9,808,461</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,598,974</u>	<u>\$ 536,917</u>	<u>\$ 175,598</u>	<u>\$ 2,049,279</u>	<u>\$ 1,162,644</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.						10,833,290
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						176,909
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						
Capital lease						(242,315)
Net pension liability						(1,124,055)
Deferred inflow of resources - pension contributions						286,560
Deferred outflows of resources - pension experience differences						(60,655)
Deferred outflows of resources - pension assumption changes						(1,557)
Deferred outflows of resources - pension investment return						(138,893)
Compensated absences						(175,826)
Net position of governmental activities						<u>\$ 19,361,919</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, 2015**

	<u>General Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>2008 SPLOST Fund</u>	<u>Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 4,090,804	\$ 2,787,679	\$ -	\$ -	\$ -	\$ 6,878,483
Licenses and permits	240,596	-	-	-	-	240,596
Intergovernmental	83,590	-	395,027	5,800,000	620,726	6,899,343
Charges for services	3,168,312	-	-	-	58,988	3,227,300
Fines and forfeitures	865,565	-	-	-	-	865,565
Interest	10,137	-	88	-	240	10,465
Other revenues	94,366	98,953	-	-	1,459	194,778
Total revenues	<u>8,553,370</u>	<u>2,886,632</u>	<u>395,115</u>	<u>5,800,000</u>	<u>681,413</u>	<u>18,316,530</u>
<b>Expenditures</b>						
Current:						
General government	1,985,090	-	-	-	-	1,985,090
Judicial	12,400	-	-	-	-	12,400
Public safety	2,826,424	-	-	-	78,458	2,904,882
Public works	1,916,215	-	-	-	-	1,916,215
Culture and recreation	1,085,363	1,443,316	-	3,774,666	-	6,303,345
Housing and community development	1,221,138	-	-	-	-	1,221,138
Capital outlay	-	-	2,322,138	-	755,085	3,077,223
Debt service:						
Principal	62,125	-	-	-	44,197	106,322
Interest	3,169	-	-	-	1,646	4,815
Total expenditures	<u>9,111,924</u>	<u>1,443,316</u>	<u>2,322,138</u>	<u>3,774,666</u>	<u>879,386</u>	<u>17,531,430</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(558,554)</u>	<u>1,443,316</u>	<u>(1,927,023)</u>	<u>2,025,334</u>	<u>(197,973)</u>	<u>785,100</u>
<b>Other financing sources (uses):</b>						
Issuance of debt	167,601	-	-	-	134,522	302,123
Sale of capital assets	26,077	-	-	-	-	26,077
Transfers in	1,745,316	-	-	-	64,825	1,810,141
Transfers out	(200,267)	(1,443,316)	-	-	-	(1,643,583)
Total other financing sources (uses)	<u>1,738,727</u>	<u>(1,443,316)</u>	<u>-</u>	<u>-</u>	<u>199,347</u>	<u>494,758</u>
Net change in fund balances	1,180,173	-	(1,927,023)	2,025,334	1,374	1,279,858
<b>Fund balances, beginning of year</b>	<u>5,578,999</u>	<u>-</u>	<u>2,085,103</u>	<u>-</u>	<u>864,501</u>	<u>8,528,603</u>
<b>Fund balances, end of year</b>	<u>\$ 6,759,172</u>	<u>\$ -</u>	<u>\$ 158,080</u>	<u>\$ 2,025,334</u>	<u>\$ 865,875</u>	<u>\$ 9,808,461</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, 2015**

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

Net change in fund balances - total governmental funds.	\$ 1,279,858
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	3,171,672
Total depreciation	(607,430)
The net effect of the sale of capital assets is to decrease net position.	(175,081)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	28,778
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	106,322
Debt proceeds	(302,123)
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.	
Pension expense	109,710
Compensated absences	4,146
	\$ 3,615,852

**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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 2,071,677	\$ 2,154,097	\$ 1,891,049	\$ (263,048)
Local option sales tax	1,190,000	1,157,975	1,157,975	-
Franchise taxes	390,000	429,009	460,660	31,651
Insurance premium tax	150,000	161,264	161,264	-
Alcoholic beverage excise tax	275,000	329,975	331,716	1,741
Real estate transfer tax	6,200	13,580	14,630	1,050
Occupational taxes	57,000	57,211	57,211	-
Energy excise tax	-	14,547	16,299	1,752
Total taxes	<u>4,139,877</u>	<u>4,317,658</u>	<u>4,090,804</u>	<u>(226,854)</u>
<b>Licenses and permits:</b>				
Regulatory fees	110,000	102,098	102,098	-
Building permits	110,000	81,735	81,735	-
Building inspections	20,000	21,982	21,982	-
Zoning variance requests fees	3,500	2,450	2,450	-
Recording fees	6,000	4,375	4,375	-
Other	19,100	32,825	27,956	(4,869)
Total licenses and permits	<u>268,600</u>	<u>245,465</u>	<u>240,596</u>	<u>(4,869)</u>
<b>Intergovernmental</b>	<u>230,501</u>	<u>332,591</u>	<u>83,590</u>	<u>(249,001)</u>
<b>Charges for services:</b>				
Parking fees	2,461,072	3,033,324	3,033,324	-
Other charges for services	122,075	133,885	134,988	1,103
Total charges for services	<u>2,583,147</u>	<u>3,167,209</u>	<u>3,168,312</u>	<u>1,103</u>
<b>Fines and forfeitures:</b>				
Municipal fines	470,000	470,000	531,397	61,397
Parking fines	350,000	335,099	334,168	(931)
Total fines and forfeitures	<u>820,000</u>	<u>805,099</u>	<u>865,565</u>	<u>60,466</u>
<b>Interest income</b>	<u>10,000</u>	<u>10,000</u>	<u>10,137</u>	<u>137</u>
<b>Miscellaneous:</b>				
Contributions	4,000	3,100	375	(2,725)
Rents and royalties	14,401	19,156	19,156	-
Other	1,118,332	71,626	74,835	3,209
Total miscellaneous	<u>1,136,733</u>	<u>93,882</u>	<u>94,366</u>	<u>484</u>
Total revenues	<u>9,188,858</u>	<u>8,971,904</u>	<u>8,553,370</u>	<u>(418,534)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government				
Governing body	170,499	183,750	175,390	8,360
Clerk of council	104,964	105,126	92,664	12,462
City manager	190,370	190,943	188,684	2,259
Financial administration	388,748	397,965	341,020	56,945
Legal	174,000	174,000	161,023	12,977
Information technology	595,295	607,618	595,025	12,593
Human resources	118,992	109,979	98,786	11,193
Building and plant maintenance	359,949	364,639	332,498	32,141
Total general government	<u>2,102,817</u>	<u>2,134,020</u>	<u>1,985,090</u>	<u>148,930</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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued):</b>				
<b>Current:</b>				
Judicial				
Municipal Court	\$ 13,020	\$ 13,020	\$ 12,400	\$ 620
Total judicial	<u>13,020</u>	<u>13,020</u>	<u>12,400</u>	<u>620</u>
Public safety				
Police administration	2,545,860	2,576,793	2,357,122	219,671
Beach patrol	129,412	129,412	73,371	56,041
Fire administration	370,295	382,628	331,052	51,576
Emergency management	68,731	71,657	64,879	6,778
Total public safety	<u>3,114,298</u>	<u>3,160,490</u>	<u>2,826,424</u>	<u>334,066</u>
Public works				
General operations	1,950,897	1,969,933	1,632,915	337,018
Solid waste collection	218,500	320,878	283,300	37,578
Total public works	<u>2,169,397</u>	<u>2,290,811</u>	<u>1,916,215</u>	<u>374,596</u>
Culture and recreation				
General operations	117,511	117,511	111,813	5,698
Recreation centers	158,450	158,450	158,450	-
Beach, lifeguards, dunes	526,532	525,191	502,122	23,069
Museums	41,837	109,207	108,707	500
Parks administration	242,515	234,738	204,271	30,467
Total culture and recreation	<u>1,086,845</u>	<u>1,145,097</u>	<u>1,085,363</u>	<u>59,734</u>
Housing and development				
Zoning and inspection	297,134	290,165	210,725	79,440
Urban redevelopment	83,850	103,690	98,658	5,032
Parking	606,092	974,756	911,755	63,001
Total housing and development	<u>987,076</u>	<u>1,368,611</u>	<u>1,221,138</u>	<u>147,473</u>
Total current expenditures	<u>9,473,453</u>	<u>10,112,049</u>	<u>9,046,630</u>	<u>1,065,419</u>
<b>Debt service:</b>				
Principal	16,493	62,125	62,125	-
Interest	4,659	4,026	3,169	857
Total debt service	<u>21,152</u>	<u>66,151</u>	<u>65,294</u>	<u>857</u>
Total expenditures	<u>9,494,605</u>	<u>10,178,200</u>	<u>9,111,924</u>	<u>1,066,276</u>
Deficiency of revenues over expenditures	<u>(305,747)</u>	<u>(1,206,296)</u>	<u>(558,554)</u>	<u>647,742</u>
<b>Other financing sources (uses):</b>				
Issuance of debt	321,022	167,601	167,601	-
Sale of capital assets	5,000	26,077	26,077	-
Transfers in	1,270,000	1,723,386	1,745,316	21,930
Transfers out	(1,290,275)	(710,768)	(200,267)	510,501
Total other financing sources (uses)	<u>305,747</u>	<u>1,206,296</u>	<u>1,738,727</u>	<u>532,431</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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Net change in fund balance	\$ -	\$ -	\$ 1,180,173	\$ 1,180,173
<b>Fund balances, beginning of year</b>	<u>5,578,999</u>	<u>5,578,999</u>	<u>5,578,999</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 5,578,999</u>	<u>\$ 5,578,999</u>	<u>\$ 6,759,172</u>	<u>\$ 1,180,173</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, 2015**

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Taxes	\$ 2,787,679	\$ 2,787,679	\$ -
Other revenues	99,001	98,953	(48)
Total revenues	<u>2,886,680</u>	<u>2,886,632</u>	<u>(48)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Culture and recreation	1,443,330	1,443,316	14
Total expenditures	<u>1,443,330</u>	<u>1,443,316</u>	<u>14</u>
Excess of revenues over expenditures	<u>1,443,350</u>	<u>1,443,316</u>	<u>(34)</u>
<b>Other financing uses:</b>			
Transfers out	(1,443,350)	(1,443,316)	34
Total other financing uses	<u>(1,443,350)</u>	<u>(1,443,316)</u>	<u>34</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	<u>Water and Sewer Fund</u>	<u>River's End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,727,700	\$ 6,172	\$ 28,321	\$ 1,762,193
Accounts receivable, net of allowances	350,615	-	53,647	404,262
Inventory	58,187	32,104	-	90,291
Prepaid expenses	11,209	33,402	-	44,611
Total current assets	<u>2,147,711</u>	<u>71,678</u>	<u>81,968</u>	<u>2,301,357</u>
Noncurrent assets				
Capital assets:				
Nondepreciable	1,871,232	6,870,000	-	8,741,232
Depreciable, net of accumulated depreciation	12,359,814	585,420	-	12,945,234
Total noncurrent assets	<u>14,231,046</u>	<u>7,455,420</u>	<u>-</u>	<u>21,686,466</u>
Total assets	<u>16,378,757</u>	<u>7,527,098</u>	<u>81,968</u>	<u>23,987,823</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions subsequent to measurement date	38,211	16,883	-	55,094
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	156,609	26,021	51,448	234,078
Accrued liabilities	11,987	216,189	-	228,176
Due to other funds	-	72,663	-	72,663
Compensated absences, current	14,194	10,389	-	24,583
Notes payable, current	377,425	-	-	377,425
Bonds payable, current	155,000	320,000	-	475,000
Total current liabilities	<u>715,215</u>	<u>645,262</u>	<u>51,448</u>	<u>1,411,925</u>
Noncurrent liabilities:				
Customer deposits	199,450	-	-	199,450
Notes payable, net of current portion	5,134,130	-	-	5,134,130
Bonds payable, net of current portion	-	4,735,000	-	4,735,000
Net pension liability	149,883	66,223	-	216,106
Total noncurrent liabilities	<u>5,483,463</u>	<u>4,801,223</u>	<u>-</u>	<u>10,284,686</u>
Total liabilities	<u>6,198,678</u>	<u>5,446,485</u>	<u>51,448</u>	<u>11,696,611</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension experience differences	8,088	3,573	-	11,661
Pension assumption changes	208	92	-	300
Pension investment return	18,520	8,183	-	26,703
Total deferred inflows of resources	<u>26,816</u>	<u>11,848</u>	<u>-</u>	<u>38,664</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,564,491	2,400,420	-	10,964,911
Unrestricted (deficit)	1,626,983	(314,772)	30,520	1,342,731
Total net position	<u>\$ 10,191,474</u>	<u>\$ 2,085,648</u>	<u>\$ 30,520</u>	<u>\$ 12,307,642</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Water and Sewer Fund</u>	<u>River's End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>				
Charges for services:				
Water charges	\$ 1,115,885	\$ -	\$ -	\$ 1,115,885
Sewer charges	1,499,075	-	-	1,499,075
Camping fees	-	1,363,534	-	1,363,534
Stubbing fees	7,150	-	-	7,150
Tapping fees	11,809	-	-	11,809
Rental fees	194,770	-	-	194,770
Sanitation collection fees	-	-	653,680	653,680
Other	34,076	-	-	34,076
Total operating revenues	<u>2,862,765</u>	<u>1,363,534</u>	<u>653,680</u>	<u>4,879,979</u>
<b>OPERATING EXPENSES</b>				
Personnel services	626,471	327,383	-	953,854
Administrative	82,658	206,020	-	288,678
Utilities	249,288	131,810	-	381,098
Supplies	135,985	129,233	-	265,218
Repairs and maintenance	222,836	27,357	-	250,193
Sanitation services	-	-	649,917	649,917
Miscellaneous	193,495	-	-	193,495
Depreciation	543,379	34,171	-	577,550
Total operating expenses	<u>2,054,112</u>	<u>855,974</u>	<u>649,917</u>	<u>3,560,003</u>
Operating income	<u>808,653</u>	<u>507,560</u>	<u>3,763</u>	<u>1,319,976</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>				
Interest expense	(146,156)	(245,159)	-	(391,315)
Interest income	3,745	-	-	3,745
Loss on sale of capital assets	(488,314)	-	-	(488,314)
Total non-operating expenses	<u>(630,725)</u>	<u>(245,159)</u>	<u>-</u>	<u>(875,884)</u>
Income before contributions and transfers	177,928	262,401	3,763	444,092
<b>CAPITAL CONTRIBUTIONS</b>	86,514	-	-	86,514
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	135,442	-	135,442
Transfers out	(302,000)	-	-	(302,000)
Total other financing sources (uses)	<u>(302,000)</u>	<u>135,442</u>	<u>-</u>	<u>(166,558)</u>
Change in net position	(37,558)	397,843	3,763	364,048
<b>NET POSITION, beginning of year, as restated</b>	<u>10,229,032</u>	<u>1,687,805</u>	<u>26,757</u>	<u>11,943,594</u>
<b>NET POSITION, end of year</b>	<u>\$ 10,191,474</u>	<u>\$ 2,085,648</u>	<u>\$ 30,520</u>	<u>\$ 12,307,642</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, 2015**

	<u>Water and Sewer Fund</u>	<u>River's End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 3,029,741	\$ 1,453,434	\$ 677,344	\$ 5,160,519
Payments to suppliers	(878,577)	(513,308)	(649,023)	(2,040,908)
Payments to employees	(636,969)	(335,524)	-	(972,493)
Net cash provided by operating activities	<u>1,514,195</u>	<u>604,602</u>	<u>28,321</u>	<u>2,147,118</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in (out)	(302,000)	135,442	-	(166,558)
Net cash provided by (used in) noncapital financing activities	<u>(302,000)</u>	<u>135,442</u>	<u>-</u>	<u>(166,558)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(1,319,590)	(181,657)	-	(1,501,247)
Principal paid on bonds	(150,000)	(305,000)	-	(455,000)
Proceeds from notes payable	1,562,710	-	-	1,562,710
Principal paid on notes payable	(322,330)	-	-	(322,330)
Interest paid	(147,934)	(252,565)	-	(400,499)
Net cash used in capital and related financing activities	<u>(377,144)</u>	<u>(739,222)</u>	<u>-</u>	<u>(1,116,366)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of investments	472,361	-	-	472,361
Interest earned on operating cash	3,745	-	-	3,745
Net cash provided by investing activities	<u>476,106</u>	<u>-</u>	<u>-</u>	<u>476,106</u>
Net change in cash and cash equivalents	1,311,157	822	28,321	1,340,300
Cash and cash equivalents, beginning of year	<u>416,543</u>	<u>5,350</u>	<u>-</u>	<u>421,893</u>
Cash and cash equivalents, end of year	<u>\$ 1,727,700</u>	<u>\$ 6,172</u>	<u>\$ 28,321</u>	<u>\$ 1,762,193</u>

(Continued)

**CITY OF TYBEE ISLAND, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Water and Sewer Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 808,653	\$ 507,560	\$ 3,763	\$ 1,319,976
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	543,379	34,171	-	577,550
Change in assets and liabilities:				
(Increase) decrease:				
Accounts receivable	142,776	-	52,757	195,533
Inventory	10,750	(4,519)	-	6,231
Prepaid expenses	598	(8,459)	-	(7,861)
Increase (decrease):				
Accounts payable	(5,663)	(5,910)	894	(10,679)
Accrued expenses	4,131	(1,677)	-	2,454
Customer deposits	24,200	17,237	-	41,437
Net pension liability	(14,629)	(6,464)	-	(21,093)
Due to other funds	-	72,663	(29,093)	43,570
Net cash provided by operating activities	<u>\$ 1,514,195</u>	<u>\$ 604,602</u>	<u>\$ 28,321</u>	<u>\$ 2,147,118</u>
<b>Noncash capital and related financing activities:</b>				
Contributions from developers	\$ 86,514	\$ -	\$ -	\$ 86,514

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, 2015**

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	<u>Agency Fund Municipal Court</u>
<b>ASSETS</b>	
Cash	\$ 44,358
Total assets	<u>\$ 44,358</u>
<b>LIABILITIES</b>	
Due to others	\$ 44,358
Total liabilities	<u>\$ 44,358</u>

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

# CITY OF TYBEE ISLAND, GEORGIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

The City of Tybee Island was incorporated on 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.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity should include those of the City and its component unit. The component unit discussed below had no activity or account balances for the year ended June 30, 2015, to report in the financial statements.

The Downtown Development Authority ("the Authority") was activated by the Mayor and City Council in August 2014. The Authority is part of the City's Main Street Program and Directors serve as the Tybee Island Main Street Board of Directors for the Development Authority. Program Directors are appointed by City Council to provide assistance and opportunities, as available, that encourage economic growth and development while preserving the unique architectural and community heritage. The Authority had no financial activity during the fiscal year ending June 30, 2015.

#### 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*.

## NOTES TO FINANCIAL STATEMENTS

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

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

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.

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 revenue 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 organizations promoting tourism as required by agreements with these organizations.

## NOTES TO FINANCIAL STATEMENTS

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

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

The **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.

The **Grant Fund** accounts for capital grants used to finance major capital projects. The projects include beach renourishments, removal of derelict structure and other beach related projects.

The City reports the following major proprietary funds:

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

The **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 **Capital Projects Fund** is used to account for expenditures for capital improvements made by the County. Financing is provided by special purpose local option sales tax.

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.

## NOTES TO FINANCIAL STATEMENTS

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

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

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.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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 non-operating 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, the Emergency 911 Fund, and the Confiscated Assets Fund. All appropriations lapse at the end of the June 30 fiscal year. Revenues and expenditures of the Capital Projects Fund are budgeted on a project length basis and are, therefore, excluded from presentation in the financial statements.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Tybee Island because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

## NOTES TO FINANCIAL STATEMENTS

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

#### **E. Cash and Cash Equivalents**

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

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

#### **F. Inventory and Prepaid Items**

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### H. Capital Assets

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

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

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended June 30, 2015, no amounts of interest were capitalized.

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### I. Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### J. Compensated Absences

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

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

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*, established 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Other than the items related to the changes in the net pension liability as discussed below, the City did not have any items that qualified for reporting in this category.

## NOTES TO FINANCIAL STATEMENTS

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In addition to the items related to the changes in the net pension liability as discussed below, 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 sixty days after year-end. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized in pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year-end but subsequent to the measurement date of the City's net pension liability are reported as deferred inflows of resources.

#### L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Tybee Island Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### M. 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### M. Fund Equity (Continued)

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.

***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 is 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### **N. 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.

### **NOTE 2. LEGAL COMPLIANCE – BUDGETS**

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

1. Prior to the beginning of the fiscal year, the various departments submit to the governing council a proposed operating budget for the fiscal year commencing the following July 1<sup>st</sup>.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. Prior to the beginning of the year, the budget is formally enacted through passage of a resolution by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the general fund and the special revenue funds. Project length budgets are adopted for the capital projects fund.
5. The budget for the general fund and the special revenue funds is 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, 2015, are summarized as follows:

Amounts as presented on the entity wide statement of net position:	
Cash and cash equivalents	\$ 7,592,172
Investments	3,922,439
Amounts as presented on the statement of fiduciary assets and liabilities:	
Cash	44,358
Total	\$ 11,558,969
Cash deposited with financial institutions	\$ 7,636,530
Cash deposited with Georgia Fund 1	3,922,439
Total	\$ 11,558,969

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 loans 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"). 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 and Poor's.

At June 30, 2015, the City had the following investments:

Investments	Maturity	Fair Value
Georgia Fund 1	56 days weighted average	\$ 3,922,439

## 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, 2015, 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, 2015, the City was not exposed to custodial credit risk for its investments.

### NOTE 4. RECEIVABLES

Property taxes were levied on September 1, 2014 with a due date of November 1, 2014 and again on April 1, 2015 with a due date of June 1, 2015. Taxes are considered delinquent after November 1 and June 1 for the respective levy dates– which would also be the lien date. The net receivables collected during the year ended June 30, 2015, and expected to be collected by August 31, 2015, are recognized as revenues in the year ended June 30, 2015. Net receivables estimated to be collectible subsequent to August 31, 2015, 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	\$ 530,209	\$ 536,917	\$ -	\$ -	\$ -
Accounts	225,743	-	7,949	380,075	59,246
Gross receivables	<u>755,952</u>	<u>536,917</u>	<u>7,949</u>	<u>380,075</u>	<u>59,246</u>
Less: allowance for uncollectibles	(83,209)	-	-	(29,460)	(5,599)
Net total receivables	<u><u>\$ 672,743</u></u>	<u><u>\$ 536,917</u></u>	<u><u>\$ 7,949</u></u>	<u><u>\$ 350,615</u></u>	<u><u>\$ 53,647</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,008,070	\$ 100,000	\$ (5,213)	\$ -	\$ 1,102,857
Construction in progress	2,421,923	1,473,820	-	(3,440,341)	455,402
Total capital assets, not being depreciated	<u>3,429,993</u>	<u>1,573,820</u>	<u>(5,213)</u>	<u>(3,440,341)</u>	<u>1,558,259</u>
Capital assets, being depreciated:					
Buildings and improvements	3,564,121	-	(199,759)	3,440,341	6,804,703
Machinery and equipment	4,451,274	1,281,958	(1,339,346)	-	4,393,886
Infrastructure	2,792,625	315,894	(6,319)	-	3,102,200
Total capital assets, being depreciated	<u>10,808,020</u>	<u>1,597,852</u>	<u>(1,545,424)</u>	<u>3,440,341</u>	<u>14,300,789</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,400,344)	(184,924)	154,541	-	(1,430,727)
Machinery and equipment	(3,013,250)	(270,163)	1,219,486	-	(2,063,927)
Infrastructure	(1,380,290)	(152,343)	1,529	-	(1,531,104)
Total accumulated depreciation	<u>(5,793,884)</u>	<u>(607,430)</u>	<u>1,375,556</u>	<u>-</u>	<u>(5,025,758)</u>
Total capital assets, being depreciated, net	<u>5,014,136</u>	<u>990,422</u>	<u>(169,868)</u>	<u>3,440,341</u>	<u>9,275,031</u>
Governmental activities capital assets, net	<u>\$ 8,444,129</u>	<u>\$ 2,564,242</u>	<u>\$ (175,081)</u>	<u>\$ -</u>	<u>\$ 10,833,290</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ 397,686	\$ 1,369,914	\$ -	-	\$ 1,767,600
Land	6,973,632	-	-	\$ -	6,973,632
Total capital assets, not being depreciated	<u>7,371,318</u>	<u>1,369,914</u>	<u>-</u>	<u>-</u>	<u>8,741,232</u>
Capital assets, being depreciated:					
Land improvements	185,196	54,425	-	-	239,621
Buildings	355,581	86,137	-	-	441,718
Utility systems and improvements	16,296,818	36,190	-	-	16,333,008
Machinery and equipment	2,022,626	41,095	(629,825)	-	1,433,896
Total capital assets, being depreciated	<u>18,860,221</u>	<u>217,847</u>	<u>(629,825)</u>	<u>-</u>	<u>18,448,243</u>
Less accumulated depreciation for:					
Land improvements	(26,413)	(18,596)	-	-	(45,009)
Buildings	(78,631)	(13,346)	-	-	(91,977)
Utility systems and improvements	(4,431,752)	(434,795)	-	-	(4,866,547)
Machinery and equipment	(530,173)	(110,813)	141,510	-	(499,476)
Total accumulated depreciation	<u>(5,066,969)</u>	<u>(577,550)</u>	<u>141,510</u>	<u>-</u>	<u>(5,503,009)</u>
Total capital assets, being depreciated, net	<u>13,793,252</u>	<u>(359,703)</u>	<u>(488,315)</u>	<u>-</u>	<u>12,945,234</u>
Business-type activities capital assets, net	<u>\$ 21,164,570</u>	<u>\$ 1,010,211</u>	<u>\$ (488,315)</u>	<u>\$ -</u>	<u>\$ 21,686,466</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 62,831
Public safety	121,759
Public works	200,663
Culture and recreation	183,006
Housing and community development	39,171
Total depreciation expense - governmental activities	<u>\$ 607,430</u>
Business-type activities:	
Water and sewer	\$ 543,379
River's End RV park	34,171
Total depreciation expense - business-type activities	<u>\$ 577,550</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, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital lease payable	\$ 46,514	\$ 302,123	\$ (106,322)	\$ 242,315	\$ 117,519
Compensated absences	179,972	227,702	(231,848)	175,826	168,038
Net pension liability	1,411,991	695,646	(983,582)	1,124,055	-
Governmental activity Long-term liabilities	\$ 1,638,477	\$ 1,225,471	\$ (1,321,752)	\$ 1,542,196	\$ 285,557
<b>Business-type activities:</b>					
Notes payable	\$ 4,271,175	\$ 1,562,710	\$ (322,330)	\$ 5,511,555	\$ 377,425
Revenue bonds payable	5,665,000	-	(455,000)	5,210,000	475,000
Compensated absences	23,641	56,212	(55,270)	24,583	24,583
Net pension liability	271,464	133,741	(189,099)	216,106	-
Business-type activity Long-term liabilities	\$ 10,231,280	\$ 1,752,663	\$ (1,021,699)	\$ 10,962,244	\$ 877,008

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, E911 equipment, and certain other machinery and equipment. 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.

	<b>Governmental Activities</b>
Machinery and equipment	\$ 405,286
Less: Accumulated depreciation	(43,220)
	\$ 362,066

Current year depreciation for the leased equipment is \$17,723.

## 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,		
2016	\$	120,786
2017		116,373
2018		9,548
Total minimum lease payments		246,707
Less amount representing interest		(4,392)
Present value of minimum lease payments	\$	242,315

#### 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, 2015 are as follows:

Description	Original Amount	Interest Rate	Due Date	Amount
Water & Sewer, Series 2005	\$ 1,450,000	3.05%	2016	\$ 155,000
River's End RV Park, Series 2006	7,130,000	4.85%	2026	5,055,000
				5,210,000
			Less current portion	(475,000)
				\$ 4,735,000

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

The City of Tybee Island Water and Sewer Revenue Refunding and Improvement 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>
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	553,901	385,000	168,901
2021 - 2025	2,772,259	2,235,000	537,259
2026 - 2027	1,106,774	1,055,000	51,774
	<u>\$ 6,824,632</u>	<u>\$ 5,210,000</u>	<u>\$ 1,614,632</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, 2015.

<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	\$ 1,380,914
Water line extensions	2,188,652	3.18%	2026	1,424,283
Water line extensions	1,422,820	3.08%	2030	1,143,648
Water line extensions and lift stations	1,562,710	1.40%	2036	1,562,710
				5,511,555
			Less current portion	(377,425)
				<u>\$ 5,134,130</u>

## NOTES TO FINANCIAL STATEMENTS

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### 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>
2016	\$ 509,409	\$ 377,425	\$ 131,984
2017	538,840	411,020	127,820
2018	539,065	422,768	116,297
2019	539,063	434,746	104,317
2020	539,065	447,012	92,053
2021 - 2025	2,180,589	1,899,925	280,664
2026 - 2030	1,230,235	1,058,305	171,930
2031 - 2035	448,146	430,565	17,581
2036	29,876	29,789	87
	<u>\$ 6,554,288</u>	<u>\$ 5,511,555</u>	<u>\$ 1,042,733</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances (including advances) as of June 30, 2015 are as follows:

<u>Due To</u>	Due From		
	<u>Hotel/Motel Fund</u>	<u>River's End RV Park Fund</u>	<u>Total</u>
General Fund	\$ 110,609	\$ 72,663	\$ 183,272
Total	\$ 110,609	\$ 72,663	\$ 183,272

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, 2015 consisted of the following:

<u>Transfer To</u>	Transfer From			
	<u>General Fund</u>	<u>Hotel/Motel Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 1,443,316	\$ 302,000	\$ 1,745,316
Nonmajor governmental funds	64,825	-	-	64,825
River's End RV Park Fund	135,442	-	-	135,442
Water and Sewer Fund	-	-	-	-
Total	\$ 200,267	\$ 1,443,316	\$ 302,000	\$ 1,945,583

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. DEFINED BENEFIT PENSION PLAN

#### Plan Description

The City of Tybee Island, Georgia, has established a non-contributory defined benefit pension plan (City of Tybee Island Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive 2% multiplied by the average of the three highest years of regular earnings multiplied by the total credited years of service. The City Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at [www.gmanet.com](http://www.gmanet.com) or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

*Plan Membership.* As of January 1, 2015, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	34
Terminated employees entitled to benefits but not yet receiving them	43
Active plan members	<u>96</u>
Total membership in the plan	<u><u>173</u></u>

*Contributions.* The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Employees make no contributions to the Plan. The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2015, the City's contribution rate was 13.65% of annual payroll. City contributions to the Plan were \$428,260 for the year ended June 30, 2015.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Net Pension Liability of the City

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

The City's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

*Actuarial Assumptions.* The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	3.25% plus service based merit increases
Net Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with gender-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – June 30, 2014.

The cost of living adjustment is assumed to be 3.00%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Net Pension Liability of the City (Continued)

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	-%	
Total	100%	

\* Rates shown are net of the 3.25% assumed rate of inflation

*Discount Rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

*Changes in the Net Pension Liability of the City.* The changes in the components of the net pension liability of the City for the year ended June 30, 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 7,369,468	\$ 5,686,013	\$ 1,683,455
<i>Changes for the year:</i>			
Service cost	254,414	-	254,414
Interest	559,195	-	559,195
Differences between expected and actual experience	(90,395)	-	(90,395)
Contributions—employer	-	428,260	(428,260)
Net investment income	-	651,704	(651,704)
Benefit payments, including refunds of employee contributions	(308,101)	(308,101)	-
Administrative expense	-	(15,776)	15,776
Other	(2,320)	-	(2,320)
<i>Net changes</i>	412,793	756,087	(343,294)
Balances at June 30, 2015	\$ 7,782,261	\$ 6,442,100	\$ 1,340,161

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Net Pension Liability of the City (Continued)

*Changes in the Net Pension Liability of the City (Continued).* The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
City of Tybee Island's net pension liability	\$ 2,424,226	\$ 1,340,161	\$ 446,570

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 a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014 and the current sharing pattern of costs between employer and employee.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$324,734. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (72,316)
Changes in assumptions	-	(1,857)
Net difference between projected and actual earnings on pension plan investments	-	(165,596)
City contributions subsequent to the measurement date	341,654	-
Total	\$ 341,654	\$ (239,769)

City contributions subsequent to the measurement date of \$341,654 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a component of pension expense as follows:

Year ending June 30:	
2016	\$ (59,942)
2017	(59,942)
2018	(59,942)
2019	(59,943)
Total	\$ (239,769)

## NOTES TO FINANCIAL STATEMENTS

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

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigations, 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, 2015, the City paid \$2,225 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

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### 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, 2015, \$2,886,632 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$962,114 to the Savannah Chamber of Commerce and \$481,202 to the Georgia International Convention Center).

### NOTE 13. CHANGES IN ACCOUNTING PRINCIPLES

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, through which accounting for pension plans and the related disclosure requirements were modified. A restatement to the July 1, 2014 beginning net position was required to recognize these changes in accounting principles. The resulting adjustments to the government-wide statements are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Beginning net position, July 1, 2014, as previously reported	\$ 16,894,377	\$ 12,164,363
Change in accounting principle for the implementation of GASB Statement No. 68	(1,148,310)	(220,769)
Beginning net position, July 1, 2014, as restated	\$ 15,746,067	\$ 11,943,594

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 13. CHANGES IN ACCOUNTING PRINCIPLES (CONTINUED)

The resulting adjustments to the enterprise funds are as follows:

	<b>Water and Sewer Fund</b>
Beginning net position, July 1, 2014, as previously reported	\$ 10,382,149
Change in accounting principle for the implementation of GASB Statement No. 68	<u>(153,117)</u>
Beginning net position, July 1, 2014, as restated	<u><u>\$ 10,229,032</u></u>
	<b>Rivers End RV Park Fund</b>
Beginning net position, July 1, 2014, as previously reported	\$ 1,755,457
Change in accounting principle for the implementation of GASB Statement No. 68	<u>(67,652)</u>
Beginning net position, July 1, 2014, as restated	<u><u>\$ 1,687,805</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF TYBEE ISLAND, GEORGIA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2015
<b>Total pension liability</b>	
Service cost	\$ 254,414
Interest on total pension liability	559,195
Differences between expected and actual experience	(90,395)
Changes of assumptions	(2,320)
Benefit payments, including refunds of employee contributions	(308,101)
<b>Net change in total pension liability</b>	412,793
<b>Total pension liability - beginning</b>	7,369,468
<b>Total pension liability - ending (a)</b>	\$ 7,782,261
 <b>Plan fiduciary net position</b>	
Contributions - employer	428,260
Net investment income	651,704
Benefit payments, including refunds of employee contributions	(308,101)
Administrative expenses	(15,776)
<b>Net change in plan fiduciary net position</b>	756,087
<b>Plan fiduciary net position - beginning</b>	5,686,013
<b>Plan fiduciary net position - ending (b)</b>	\$ 6,442,100
 <b>City's net pension liability - ending (a) - (b)</b>	\$ 1,340,161
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	82.78%
 <b>Covered-employee payroll</b>	\$ 3,837,698
 <b>City's net pension liability as a percentage of covered-employee payroll</b>	34.92%

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated.

**CITY OF TYBEE ISLAND, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CITY CONTRIBUTIONS**

	2015
Actuarially determined contribution	\$ 455,536
Contributions in relation to the actuarially determined contribution	428,260
Contribution deficiency (excess)	\$ 27,276
Covered-employee payroll	3,837,698
Contributions as a percentage of covered-employee payroll	11.2%

**Notes to the Schedule**

Valuation Date	January 1, 2015
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.25%, plus service based merit increases
Cost-of-living Adjustment	3.00%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective amortization period of 10 years

The schedule will present 10 years of information once it is accumulated.

## **COMBINING STATEMENTS AND SCHEDULES**

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# NONMAJOR GOVERNMENTAL FUNDS

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## Special Revenue Funds

**E911 Fund-** This fund is used to account for the operations of the E911 system.

**Confiscated Assets Fund-** This fund is used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from drug enforcement.

## Capital Projects Funds

**2003 SPLOST Fund-** This fund is used to account for capital projects financed from special purpose local option sales taxes. The projects include drainage, water and sewer, and road projects. These projects are financed with a special one percent sales tax.

**2014 SPLOST Fund-** This fund is used to account for capital projects financed from special purpose local option sales taxes. The projects include public safety buildings and equipment, beach related projects, road projects, and water and sewer equipment. These projects are financed with a special one percent sales tax.

**Chatham County SPLOST Fund-** This fund is used to account for capital projects financed from special purpose local option sales tax proceeds contributed by Chatham County government. The projects include beach related projects. These projects are financed with a special one percent sales tax.

**CITY OF TYBEE ISLAND, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,722	\$ 1,020,600	\$ 1,022,322
Accounts receivable	7,949	-	7,949
Due from other governments	-	132,299	132,299
Prepaid expenditures	74	-	74
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 9,745</u>	<u>\$ 1,152,899</u>	<u>\$ 1,162,644</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,075	\$ 295,694	\$ 296,769
Total liabilities	<u>1,075</u>	<u>295,694</u>	<u>296,769</u>
<b>FUND BALANCE</b>			
Nonspendable - prepaid items	74	-	74
Restricted for:			
Public safety	8,596	-	8,596
Capital projects	-	857,205	857,205
Total fund balance	<u>8,670</u>	<u>857,205</u>	<u>865,875</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<u>\$ 9,745</u>	<u>\$ 1,152,899</u>	<u>\$ 1,162,644</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, 2015**

	<b>Nonmajor Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 620,726	\$ 620,726
Charges for services	58,988	-	58,988
Interest income	-	240	240
Other revenues	1,459	-	1,459
Total revenues	<u>60,447</u>	<u>620,966</u>	<u>681,413</u>
<b>Expenditures:</b>			
Current:			
Public safety	78,458	-	78,458
Capital outlay	134,552	620,533	755,085
Debt service:			
Principal	44,197	-	44,197
Interest	1,646	-	1,646
Total expenditures	<u>258,853</u>	<u>620,533</u>	<u>879,386</u>
Excess (deficiency) of revenues over expenditures	<u>(198,406)</u>	<u>433</u>	<u>(197,973)</u>
<b>Other financing sources:</b>			
Issuance of debt	134,522	-	134,522
Transfers in	64,825	-	64,825
Total other financing sources	<u>199,347</u>	<u>-</u>	<u>199,347</u>
Net change in fund balance	941	433	1,374
<b>Fund balance, beginning of year</b>	<u>7,729</u>	<u>856,772</u>	<u>864,501</u>
<b>Fund balance, end of year</b>	<u>\$ 8,670</u>	<u>\$ 857,205</u>	<u>\$ 865,875</u>

**CITY OF TYBEE ISLAND, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2015**

<b>ASSETS</b>	<b>E911 Fund</b>	<b>Confiscated Assets Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
Cash and cash equivalents	\$ 263	\$ 1,459	\$ 1,722
Accounts receivable	7,949	-	7,949
Prepaid expenditures	74	-	74
 Total assets	<u>\$ 8,286</u>	<u>\$ 1,459</u>	<u>\$ 9,745</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,075	\$ -	\$ 1,075
Total liabilities	<u>1,075</u>	<u>-</u>	<u>1,075</u>
 <b>FUND BALANCE</b>			
Nonspendable - prepaid items	74	-	74
Restricted for:			
Public safety	7,137	1,459	8,596
Total fund balance	<u>7,211</u>	<u>1,459</u>	<u>8,670</u>
 Total liabilities and fund balance	<u>\$ 8,286</u>	<u>\$ 1,459</u>	<u>\$ 9,745</u>

**CITY OF TYBEE ISLAND, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>E911 Fund</u>	<u>Confiscated Assets Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Revenues:</b>			
Charges for services	\$ 58,988	\$ -	\$ 58,988
Other revenues		1,459	1,459
Total revenues	<u>58,988</u>	<u>1,459</u>	<u>60,447</u>
<b>Expenditures:</b>			
Current:			
Public safety	78,458	-	78,458
Capital outlay	134,552	-	134,552
Debt Service:			
Principal	44,197	-	44,197
Interest	1,646	-	1,646
Total expenditures	<u>258,853</u>	<u>-</u>	<u>258,853</u>
Excess (deficiency) of revenues over (under) expenditures	(199,865)	1,459	(198,406)
<b>Other financing sources:</b>			
Debt proceeds	134,522	-	134,522
Transfers in	64,825	-	64,825
Total other financing sources	<u>199,347</u>	<u>-</u>	<u>199,347</u>
Net change in fund balance	(518)	1,459	941
<b>Fund balance, beginning of year</b>	<u>7,729</u>	<u>-</u>	<u>7,729</u>
<b>Fund balance, end of year</b>	<u>\$ 7,211</u>	<u>\$ 1,459</u>	<u>\$ 8,670</u>

**CITY OF TYBEE ISLAND, GEORGIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**JUNE 30, 2015**

	<u>2003 SPLOST Fund</u>	<u>2014 SPLOST Fund</u>	<u>Chatham County SPLOST Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 733,730	\$ 265,724	\$ 21,146	\$ 1,020,600
Due from other governments	-	132,299	-	132,299
Total assets	<u>\$ 733,730</u>	<u>\$ 398,023</u>	<u>\$ 21,146</u>	<u>\$ 1,152,899</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 247,878	\$ 47,816	\$ -	\$ 295,694
Total liabilities	<u>247,878</u>	<u>47,816</u>	<u>-</u>	<u>295,694</u>
<b>FUND BALANCE</b>				
Restricted for:				
Capital projects	485,852	350,207	21,146	857,205
Total fund balance	<u>485,852</u>	<u>350,207</u>	<u>21,146</u>	<u>857,205</u>
Total liabilities and fund balance	<u>\$ 733,730</u>	<u>\$ 398,023</u>	<u>\$ 21,146</u>	<u>\$ 1,152,899</u>

**CITY OF TYBEE ISLAND, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>2003 SPLOST Fund</b>	<b>2014 SPLOST Fund</b>	<b>Chatham County SPLOST Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 570,726	\$ 50,000	\$ 620,726
Interest income	212	28	-	240
Total revenues	<u>212</u>	<u>570,754</u>	<u>50,000</u>	<u>620,966</u>
<b>Expenditures:</b>				
Capital outlay	371,132	220,547	28,854	620,533
Total expenditures	<u>371,132</u>	<u>220,547</u>	<u>28,854</u>	<u>620,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(370,920)</u>	<u>350,207</u>	<u>21,146</u>	<u>433</u>
Net change in fund balance	(370,920)	350,207	21,146	433
<b>Fund balance, beginning of year</b>	<u>856,772</u>	<u>-</u>	<u>-</u>	<u>856,772</u>
<b>Fund balance, end of year</b>	<u>\$ 485,852</u>	<u>\$ 350,207</u>	<u>\$ 21,146</u>	<u>\$ 857,205</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, 2015**

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
<b>Public Safety</b>					
Public Safety Facility	\$ 327,000	\$ 3,273,341	\$ 1,991,278	\$ 1,282,063	\$ 3,273,341
Fire Department Bay	65,000	-	-	-	-
Fire Department and TEMA Generator	35,000	-	-	-	-
Public Safety Software Upgrade	118,800	104,700	104,700	-	104,700
Public Safety Vehicle- 6 Cylinder	27,164	-	-	-	-
<b>Street and Infrastructure</b>					
14th Street Parking Lot Drainage Project	933,727	-	-	-	-
Street Paving and Repair	30,050	266,109	266,109	-	266,109
Drainage Tybrisa/Alley	226,350	68,588	68,588	-	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	77,162	27,002	37,233	64,235
Automated Meter Readers	-	630,000	630,000	-	630,000
<b>Community Development</b>					
Salt Meadow Project	30,000	60,887	36,532	2,842	39,374
GIS	6,500	-	-	-	-
<b>Beach Related Projects</b>					
Beach Renourishment	300,000	1,210,000	210,000	1,000,000	1,210,000
Bathroom Repairs and Improvements	36,000	136,568	-	-	-
North Beach Mobile Restroom	57,000	-	-	-	-
Two Mobie mats	40,000	39,980	39,980	-	39,980
8th Street Dune	30,000	-	-	-	-
<b>Undesignated</b>	5,535,503	-	-	-	-
	<u>\$ 8,000,000</u>	<u>\$ 5,975,971</u>	<u>\$ 3,495,752</u>	<u>\$ 2,322,138</u>	<u>\$ 5,817,890</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, 2015**

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
<b>Drainage</b>					
Drainage reconstruction/maintenance	\$ 200,000	\$ 559	\$ 559	\$ -	\$ 559
North Beach area	200,000	-	-	-	-
14th Street drainage project	-	966,226	966,226	-	966,226
<b>Water and Sewer Improvements</b>					
Beach side of Butler water line imp.	575,000	2,130,273	2,130,273	-	2,130,273
Butler Avenue Water Line	817,000	-	-	-	-
Water line looping	224,040	15,460	15,460	-	15,460
Replacement of 6" ACX water line improvement	168,960	-	-	-	-
Fort Screven water line replacement, Lift station upgrades, I & I continuation	440,000	82,522	82,522	-	82,522
<b>Roads</b>					
Various improvements	250,000	-	-	-	-
ADA sidewalk improvement	-	22,000	22,000	-	22,000
Bike paths	100,000	3,200	3,200	-	3,200
Jones Avenue	350,000	175,653	-	175,653	175,653
Street paving and sidewalks	-	70,000	2,227	67,773	70,000
Marsh Hen Trail TE match	-	23,251	-	15,354	15,354
<b>Public Safety</b>					
Public safety facility	500,000	294,402	204,879	89,523	294,402
Fire department equipment	-	163,310	163,310	-	163,310
<b>Beach Related</b>					
Beach renourishment	1,000,000	1,000,000	1,000,000	-	1,000,000
<b>Street and Infrastructure</b>					
Drainage Tybrisa/Alley	-	-	-	-	-
<b>Community Development</b>					
Old Fort Theater, guardhouse	600,000	774,825	774,825	-	774,825
Playground equipment	200,000	196,559	196,559	-	196,559
Marine Rescue Squadron facility	100,000	71,165	71,165	-	71,165
Tybee Marine Science Center project	600,000	600,000	99,216	22,829	122,045
South Beach Business District	-	764,381	764,381	-	764,381
<b>Other</b>					
Other capital equipment	190,354	-	-	-	-
	<u>\$ 6,515,354</u>	<u>\$ 7,353,786</u>	<u>\$ 6,496,802</u>	<u>\$ 371,132</u>	<u>\$ 6,867,934</u>

**CITY OF TYBEE ISLAND, GEORGIA**  
**SCHEDULE OF EXPENDITURES OF**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (2014 RESOLUTION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
<b>Public Safety</b>					
Police Department Vehicles	\$ 120,000	\$ 120,000	\$ -	\$ 47,816	\$ 47,816
Public Safety Software Upgrade	165,000	165,000	-	-	-
Fire Department Truck	630,000	630,000	-	171,331	171,331
Fire Department Equipment	630,000	192,727	-	-	-
<b>Water and Sewer</b>					
Various Projects	1,554,000	-	-	-	-
<b>Street and Infrastructure</b>					
Street Paving and Repair	550,000	-	-	-	-
Highway 80 Bike Trail	47,000	47,000	-	1,400	1,400
<b>Cultural and Recreation</b>					
Memorial Park Bathroom Facility	12,000	-	-	-	-
Park Pavilion Building	20,000	20,000	-	-	-
Playground Equipment	120,000	120,000	-	-	-
Various Projects	332,000	-	-	-	-
<b>Beach Related</b>					
Mobie Mats	20,000	20,000	-	-	-
	<u>\$ 4,200,000</u>	<u>\$ 1,314,727</u>	<u>\$ -</u>	<u>\$ 220,547</u>	<u>\$ 220,547</u>

**CITY OF TYBEE ISLAND, GEORGIA**  
**SCHEDULE OF EXPENDITURES OF**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**  
**(CHATHAM COUNTY VI RESOLUTION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Cumulative Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
<b>Beach Related</b>					
North Beach Bathroom Facility and Concession Stand	\$ 850,000	\$ 50,000	\$ -	\$ 28,854	\$ 28,854
<b>Undesignated</b>	<u>5,150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,000,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 28,854</u>	<u>\$ 28,854</u>

## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia (the "City"), as of and for the year ended June 30, 2015, 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, 2015. Our report includes a reference to the changes in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

**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.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Tybee Island, Georgia's financial statements are free 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 matter that is 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, 2015

*Mauldin & Jenkins, LLC*

**CITY OF TYBEE ISLAND, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	___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, 2015 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, 2015**

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No prior year findings.