

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**CITY OF TYBEE ISLAND, GEORGIA**

JUNE 30, 2011

City of Tybee Island, Georgia

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City of Tybee Island, Georgia

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tybee Island, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Emergency 911 Fund, and the Hotel/Motel Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the City of Tybee Island, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 14 and 21 through 25 and the required supplementary information on page 59 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprises the City of Tybee Island, Georgia's basic financial statements as a whole. The accompanying schedule of federal and state awards on page 63 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, and it not a required part of the basic financial statements. The accompanying schedules of expenditures of special purpose local option sales tax proceeds on pages 60 through 62 are presented for the purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and are not a required part of the basic financial statements. The schedules of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Reznick Group, P.C.*

Atlanta, Georgia  
December 2, 2011



THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

The management of the City of Tybee Island, Georgia (City) offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the referenced financial statements and footnotes accompanying the financial statements.

### Financial Highlights

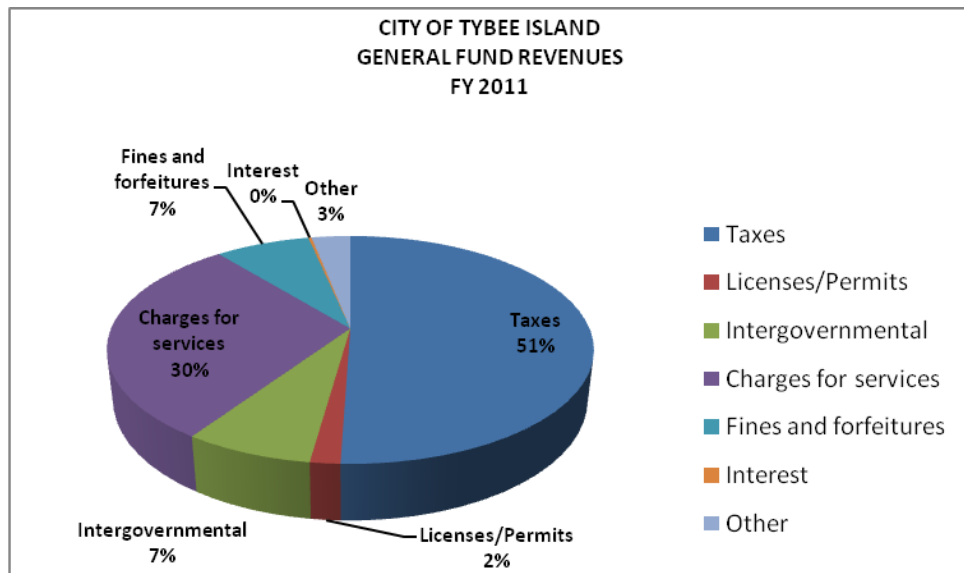
The City's assets exceeded its liabilities by \$18,621,860 (net assets) for the fiscal year reported, an increase of \$1,096,148 or 6.3%.

Total net assets are comprised of the following:

- Net Capital assets of \$15,448,876 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- Net assets of \$729,915 restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws and regulation.
- Total unrestricted net assets of \$2,443,069.
- Total unrestricted net assets decreased from \$2,605,835 to \$2,443,069 or 6.2%.

The City's total revenues exceeded expenses in 2011 by \$1,096,148, an increase of 195%, due to a healthy increase in tourism, which brought with it increased parking revenues and increased hotel/motel tax receipts.

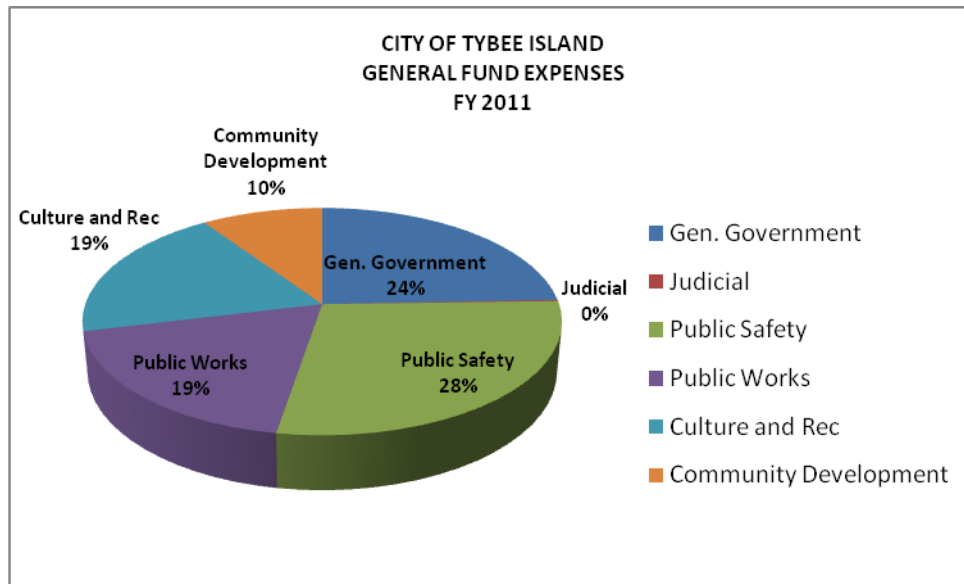
The City's General Fund revenues were as follows:





THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2011

The City's General Fund expenses were as follows:



The City's debt decreased in 2011 by \$973,842 paid towards our revenue bond debt and other loans and notes payable.

Overall, the City's financial condition is good. We have experienced record levels of tourism in the past two years. The record setting tourism has increased our revenues and expenses (primarily in the public safety areas), but management has successfully adjusted expenses accordingly. We are in a good position to continue to serve the high levels of tourism, but are also prepared to quickly adapt to any downturn in an effort to weather the current economic storm.

### Overview of the Financial Statements

This Management Discussion and Analysis document is intended to serve as an introduction to the City of Tybee Island's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information and schedules in addition to the basic financial statements themselves.

### Government-wide Financial Statements

The City's basic financial statements include two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status.



THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2011

Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would also extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The *Statement of Activities*, reports how the City's net assets changed during the fiscal year. All yearly revenues and expenses are included regardless of when funds are collected or disbursed. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

*Governmental activities* – Most of the City's basic services are reported here, including the police, fire, community development, parking services, information services, environmental and general administration. Parking fees, property taxes, sales taxes and franchise fees finance the majority of these activities.

*Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water system, environmental waste systems and participant recreation activities are reported here.

The government-wide financial statements are presented on pages 15 and 16 of this report.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three kinds of funds:

- *Governmental funds* – The majority of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at





THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2011

year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City maintains three major and one non-major governmental funds. The City's major governmental funds are: General, Hotel/Motel Tax and SPLOST (Special Purpose Local Option Sales Tax). The City's non-major governmental fund is the Emergency 911 Fund.

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

The City of Tybee Island adopts annual budgets for its governmental funds. A budgetary comparison statement has been provided for the general and hotel/motel tax funds and demonstrates compliance with these budgets.

The basic governmental fund financial statements are presented on pages 15 to 25 of this report.

- *Proprietary funds* – The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds are identical to the business-type activities that are reported in the



THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2011

government-wide statements but provide more detail and additional information such as cash flows. These are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City maintains two enterprise funds: Water and Sewer and Solid Waste Collection.

The proprietary fund financial statements are presented on pages 26 to 29 of this report.

- *Fiduciary funds* – The City has one fiduciary fund. These types of funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within other governments. When these assets are held under the terms of a formal trust agreement, a private purpose trust fund is used. The basic fiduciary fund financial statement is presented on page 30 of this report.

#### Notes to the Basic Financial Statements

The financial statements include notes, which explain some of the information in the financial statements and provide information that is more detailed. The notes are essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 31 of this report.

#### **Supplementary Financial Information**

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules. Combining and individual statements and schedules for non-major funds are presented as supplementary financial information.

#### **Compliance Section**

The independent auditor's report on internal control over financial reporting begins on page 66.



THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2011

**Financial Analysis of the City as a Whole**

Net assets serve over time as a useful indicator of a government's financial position. The City's net assets at June 30, 2011 were \$18,621,860. The following table provides a summary of the City's net assets:

	Governmental Activities		Business-type Activities		Totals	
	2010	2011	2010	2011	2010	2011
<b>Assets</b>						
Current and other assets	\$ 6,181,741	\$ 5,751,500	\$ 1,072,491	\$ 831,502	\$ 7,254,232	\$ 6,583,002
Capital Assets	13,425,262	13,027,244	13,466,525	13,511,176	26,891,787	26,538,420
Total assets	19,607,003	18,778,744	14,539,016	14,342,678	34,146,019	33,121,422
<b>Liabilities</b>						
Current liabilities	2,519,524	1,619,259	1,235,018	1,007,663	3,754,542	2,626,922
Long-term liabilities	6,210,000	5,930,000	6,655,765	5,942,640	12,865,765	11,872,640
Total liabilities	8,729,524	7,549,259	7,890,783	6,950,303	16,620,307	14,499,562
<b>Net assets</b>						
Invested in capital assets	6,975,262	6,810,902	6,593,919	7,383,715	13,569,181	14,194,617
Restricted	926,690	1,540,601	424,006	443,573	1,350,696	1,984,174
Unrestricted	2,975,527	2,877,982	(369,692)	(434,913)	2,605,835	2,443,069
<b>Total net assets</b>	<b>\$ 10,877,479</b>	<b>\$ 11,229,485</b>	<b>\$ 6,648,233</b>	<b>\$ 7,392,375</b>	<b>\$ 17,525,712</b>	<b>\$ 18,621,860</b>

Reviewing the net assets and net expenses of governmental and business-type activities separately, the governmental activities net assets were \$11,229,485; 61% of which are invested in capital assets. These include property, buildings, parks, vehicles and equipment required by general government, public safety, public works, culture, recreation and community development.

The business-type activities net assets were \$7,392,375. The capital assets include: property, infrastructure, plant in service, equipment and vehicles to provide services and generate revenue for these funds. Additional information regarding this year's activity in capital assets may be found in Note 5 on pages 45 to 46.

The restricted net assets in the governmental activities, \$1,254,259 represent SPLOST funds that must be used only for capital outlays and the current portion of debt service. The restricted net assets in the business-type activities, \$443,573 represents resources in the water sewer fund that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$2,443,069 may be used to meet the government's ongoing obligation to citizens and creditors.



**THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2011**

The following table provides a summary of the City's activities for the year ended June 30, 2011 compared with the year ended June 30, 2010:

	<b>Summary of Changes in Net Assets</b>					
	Governmental Activities		Business-type Activities		Totals	
	2010	2011	2010	2011	2010	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,761,292	\$ 4,573,269	\$ 2,717,326	\$ 3,287,252	\$ 7,478,618	\$ 7,860,521
Operating grants and interest	-	1,299	-	-	-	1,299
Capital grants and contributions	74,458	320,561	-	-	74,458	320,561
General revenues:						
Property taxes	2,341,586	2,689,579	-	-	2,341,586	2,689,579
Other taxes	3,186,351	4,361,748	-	-	3,186,351	4,361,748
Investment earnings	43,259	27,031	18,909	38,640	62,168	65,671
Gain on sale of capital assets	-	856	-	-	-	856
<b>Total revenues</b>	<u>10,406,946</u>	<u>11,974,343</u>	<u>2,736,235</u>	<u>3,325,892</u>	<u>13,143,181</u>	<u>15,300,235</u>
<b>Expenses</b>						
Governmental activities:						
General government	2,266,431	3,272,050	-	-	2,266,431	3,272,050
Judicial	8,072	13,652	-	-	8,072	13,652
Public safety and courts	2,511,053	2,950,808	-	-	2,511,053	2,950,808
Public works	1,501,578	1,904,213	-	-	1,501,578	1,904,213
Culture and recreation	2,012,480	1,737,710	-	-	2,012,480	1,737,710
Community development	1,576,563	308,160	-	-	1,576,563	308,160
Interest on long-term debt	-	901,123	-	-	-	901,123
Business-type activities:						
Water and sewer service	-	-	2,257,831	2,176,083	2,257,831	2,176,083
Solid waste collection	-	-	638,517	666,124	638,517	666,124
<b>Total expenses</b>	<u>9,876,177</u>	<u>11,087,716</u>	<u>2,896,348</u>	<u>2,842,207</u>	<u>12,772,525</u>	<u>13,929,923</u>
Transfers	(58,647)	(260,457)	58,647	260,457	-	-
Change in net assets	472,122	626,170	(101,466)	744,142	370,656	1,370,312
Beginning net assets	10,405,357	10,877,479	6,749,699	6,648,233	17,155,056	17,525,712
Ending net assets	<u>\$ 10,877,479</u>	<u>\$ 11,503,649</u>	<u>\$ 6,648,233</u>	<u>\$ 7,392,375</u>	<u>\$ 17,525,712</u>	<u>\$ 18,896,024</u>

Property tax revenues increased \$347,993 or 14.9%. The Charges for Services revenues increased from \$7,478,618 to \$7,860,521. This is due to an increased improvement in our water department meter reading equipment.

### **Enterprise Funds**

The financial summary of the City's business-type activities for fiscal year 2011 are depicted below. The Solid Waste Fund incurred an operating loss; Management is anticipating that a renegotiated contract for trash pick-up with a new vendor will result in increased income in the upcoming years.



THE CITY OF TYBEE ISLAND  
 MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
 JUNE 30, 2011

	Water and Sewer		Solid Waste		Totals	
	2010	2011	2010	2011	2010	2011
Operating revenues	\$ 2,151,055	\$ 2,664,531	\$ 564,243	\$ 622,721	\$ 2,715,298	\$ 3,287,252
Operating expenses	2,016,846	1,951,764	638,517	666,124	2,655,363	2,617,888
Operating income (loss)	134,209	712,767	(74,274)	(43,403)	59,935	669,364
Nonoperating income (expenses)	(220,048)	(185,679)	-	-	(220,048)	(185,679)
Transfers	-	293,264	58,647	(32,807)	58,647	260,457
Change in net assets	(85,839)	820,352	(15,627)	(76,210)	(101,466)	744,142
Beginning net assets	6,911,148	6,825,309	(161,449)	(177,076)	6,749,699	6,648,233
Ending net assets	\$ 6,825,309	\$ 7,645,661	\$ (177,076)	\$ (253,286)	\$ 6,648,233	\$ 7,392,375

**Economic Outlook**

- The unemployment rate for the Savannah area as of December 31, 2010 was 8.9% compared to 9.8% as of the end of 2009. The unemployment rate for the Savannah statistical area as of December 2010 was lower than that of the state of Georgia as a whole (10.2%) and the national average of 9.1%.
- Until 2011, the City's property gross tax digest had remained about even for the past five years, after reaching its peak in 2008 and 2009. However, for 2012, the City will see the gross property tax value decline by 18.3% as compared to 2011.
- Chatham County retail sales declined for the fourth consecutive year ending December 31, 2010. Retail sales reached a peak in 2006 at \$6.464 billion and then declined to \$6.128 billion and \$5.846 billion in 2008 and 2009, respectively. The decline in retail sales continued in 2011 as retail sales were \$5.78 billion.
- Rates for water and sewer service for 2011 are increased from 2010. The base charges remained the same; however, charges for "super users" were increased. The increase is necessary to fund anticipated increases in the operation and maintenance cost of the system and to fund the water and sewer system capital improvement/capital maintenance plan.
- Despite the Chatham County statistics, the City of Tybee has seen its two busiest tourist seasons in history. The collections of the hotel/motel tax and the parking fees and fines adequately provided resources for management to provide additional services to our additional customers. We have utilized a seasonal /temporary staff to accommodate the tourists and are prepared to downsize as needed due to slower tourist activity on the island.



THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
JUNE 30, 2011

### **Comprehensive Plan**

The city has a comprehensive plan, also known as the Master Plan, which plays a large part in driving the capital improvement budgets for coming years. After public review and comment, the Plan was adopted in January, 2008.

### **Future Budget Highlights**

The FY2012 Operating Budget and Capital Improvement Budgets were adopted on June 23, 2011.

For more information, the 2011 Operating and Capital Budgets are available on the City's website on the Finance page under General Administration.

### **Requests for Information**

This financial report is designed to provide a general overview for the governmental operations of the City of Tybee Island. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to:

The City of Tybee Island  
Finance Department  
PO Box 2749  
Tybee Island, GA 31328

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[www.cityoftybee.org](http://www.cityoftybee.org)

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Diane D. Schleicher  
City Manager

Mary M. Hogan, CPA  
Director of Finance

December 2, 2011

City of Tybee Island, Georgia

STATEMENT OF NET ASSETS – GOVERNMENT WIDE

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 2,228,861	\$ 13,719	\$ 2,242,580
Investments	2,022,821	-	2,022,821
Accounts receivable, net of allowances	141,318	640,663	781,981
Taxes receivable, net of allowances	742,790	-	742,790
Internal balances	356,920	(356,920)	-
Prepaid items	141,974	19,361	161,335
Total current assets	<u>5,634,684</u>	<u>316,823</u>	<u>5,951,507</u>
<b>Restricted assets</b>			
Cash and cash equivalents	3,864	-	3,864
Restricted investments	-	443,573	443,573
<b>Capital assets</b>			
Nondepreciable capital assets	8,192,655	103,632	8,296,287
Depreciable capital assets, net	4,834,589	13,407,544	18,242,133
<b>Other assets</b>			
Bond issuance costs, net	<u>112,952</u>	<u>71,106</u>	<u>184,058</u>
Total assets	<u>18,778,744</u>	<u>14,342,678</u>	<u>33,121,422</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	249,271	184,433	433,704
Accrued expenses	88,502	23,233	111,735
Compensated absences payable	585,819	81,833	667,652
Accrued interest	135,161	18,664	153,825
Notes and bonds payable	<u>286,342</u>	<u>699,500</u>	<u>985,842</u>
Total current liabilities	<u>1,345,095</u>	<u>1,007,663</u>	<u>2,352,758</u>
<b>Long-term liabilities</b>			
Notes and bonds payable	<u>5,930,000</u>	<u>5,942,640</u>	<u>11,872,640</u>
Total liabilities	<u>7,275,095</u>	<u>6,950,303</u>	<u>14,225,398</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,810,902	7,383,715	14,194,617
Restricted for			
Capital outlays	1,254,259	-	1,254,259
Debt service	286,342	443,573	729,915
Unrestricted	<u>3,152,146</u>	<u>(434,913)</u>	<u>2,717,233</u>
Total net assets	<u>\$ 11,503,649</u>	<u>\$ 7,392,375</u>	<u>\$ 18,896,024</u>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

STATEMENT OF ACTIVITIES – GOVERNMENT WIDE

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Interest	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 3,272,050	\$ 3,389,455	\$ 1,299	\$ 320,561	\$ 439,265	\$ -	\$ 439,265
Judicial	13,652	-	-	-	(13,652)	-	(13,652)
Public safety	2,950,808	965,258	-	-	(1,985,550)	-	(1,985,550)
Public works	1,904,213	-	-	-	(1,904,213)	-	(1,904,213)
Culture and recreation	1,737,710	218,556	-	-	(1,519,154)	-	(1,519,154)
Housing and community development	901,123	-	-	-	(901,123)	-	(901,123)
Interest expense	308,160	-	-	-	(308,160)	-	(308,160)
Total governmental activities	<u>11,087,716</u>	<u>4,573,269</u>	<u>1,299</u>	<u>320,561</u>	<u>(6,192,587)</u>	<u>-</u>	<u>(6,192,587)</u>
<b>Business-type activities</b>							
Water and sewer	2,176,083	2,664,531	-	-	-	488,448	488,448
Sanitation collection	666,124	622,721	-	-	-	(43,403)	(43,403)
Total business type activities	<u>2,842,207</u>	<u>3,287,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>445,045</u>	<u>445,045</u>
Total primary government	<u>\$ 13,929,923</u>	<u>\$ 7,860,521</u>	<u>\$ 1,299</u>	<u>\$ 320,561</u>	<u>(6,192,587)</u>	<u>445,045</u>	<u>(5,747,542)</u>
<b>General revenues</b>							
Property taxes					2,689,579	-	2,689,579
Sales taxes					1,339,678	-	1,339,678
Franchise taxes					402,702	-	402,702
SPLOST					846,717	-	846,717
Hotel/Motel - taxes					1,748,197	-	1,748,197
Hotel/Motel - other revenues					18,635	-	18,635
Other taxes					5,819	-	5,819
Unrestricted investment earnings					27,031	38,640	65,671
Proceeds from sale of fixed assets					856	-	856
Transfers					(260,457)	260,457	-
Total general revenues and transfers					<u>6,818,757</u>	<u>299,097</u>	<u>7,117,854</u>
Change in net assets					626,170	744,142	1,370,312
Net assets, beginning of year					<u>10,877,479</u>	<u>6,648,233</u>	<u>17,525,712</u>
Net assets, end of year					<u>\$ 11,503,649</u>	<u>\$ 7,392,375</u>	<u>\$ 18,896,024</u>

The accompanying notes are an integral part of these financial statements



City of Tybee Island, Georgia

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Hotel/ Motel Tax Fund	SPLOST Funds	Nonmajor Emergency 911 Fund	Grant Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 823,885	\$ 84,922	\$ 1,260,294	\$ -	\$ 59,760	\$ 2,228,861
Investments	2,022,821	-	-	-	-	2,022,821
Receivables, net	82,627	-	-	-	58,691	141,318
Taxes receivable	733,177	-	-	9,613	-	742,790
Interfund	459,257	-	-	(101)	(102,236)	356,920
Prepaid items	141,974	-	-	-	-	141,974
Restricted cash	3,864	-	-	-	-	3,864
Total assets	<u>\$ 4,267,605</u>	<u>\$ 84,922</u>	<u>\$ 1,260,294</u>	<u>\$ 9,512</u>	<u>\$ 16,215</u>	<u>\$ 5,638,548</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 136,708	\$ 84,922	\$ 9,899	\$ 1,527	\$ 16,215	\$ 249,271
Accrued expenditures	88,502	-	-	-	-	88,502
Deferred revenues	274,164	-	-	-	-	274,164
Accrued interest	135,161	-	-	-	-	135,161
Notes payable	286,342	-	-	-	-	286,342
Total liabilities	<u>920,877</u>	<u>84,922</u>	<u>9,899</u>	<u>1,527</u>	<u>16,215</u>	<u>1,033,440</u>
<b>Fund balances</b>						
Restricted for:						
Prepaid items	141,974	-	-	-	-	141,974
Accrued expense	-	-	-	7,985	-	7,985
Assigned	3,864	-	1,250,395	-	-	1,254,259
Unassigned	3,200,890	-	-	-	-	3,200,890
Total fund balances	<u>3,346,728</u>	<u>-</u>	<u>1,250,395</u>	<u>7,985</u>	<u>-</u>	<u>4,605,108</u>
Total liabilities and fund balances	<u>\$ 4,267,605</u>	<u>\$ 84,922</u>	<u>\$ 1,260,294</u>	<u>\$ 9,512</u>	<u>\$ 16,215</u>	<u>\$ 5,638,548</u>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

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

June 30, 2011

**Total governmental fund balances** \$ 4,605,108

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.

Cost of capital assets	\$ 17,803,888	
Less accumulated depreciation	<u>(4,776,644)</u>	13,027,244

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 the governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term and related items. (5,930,000)

Deferred revenue liabilities are not due at year-end and therefore are not reported in the funds. 274,164

Intangible assets used in governmental activities are not financial resources and, therefore, not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual amortization expense.

Loan costs	130,000	
Less accumulated amortization	<u>(17,048)</u>	112,952

Compensated absence liabilities are not due and payable at year-end and therefore are not reported in the governmental funds. (585,819)

**Net assets of governmental activities** \$ 11,503,649

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2011

	General Fund	Hotel/ Motel Tax Fund	SPLOST Funds	Nonmajor Emergency 911 Fund	Grant Fund	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 4,163,614	\$ 1,748,197	\$ -	\$ -	\$ -	\$ 5,911,811
Licenses and permits	196,360	-	-	-	-	196,360
Intergovernmental	-	-	846,717	-	-	846,717
Charges for services	3,389,455	-	-	84,822	-	3,474,277
Fines and forfeitures	880,436	-	-	-	-	880,436
Interest	27,031	-	1,299	-	-	28,330
Other revenues	26,849	18,635	-	-	315,908	361,392
<b>Total revenues</b>	<b>8,683,745</b>	<b>1,766,832</b>	<b>848,016</b>	<b>84,822</b>	<b>315,908</b>	<b>11,699,323</b>
<b>Expenditures</b>						
Current						
General government	1,664,498	-	-	-	315,908	1,980,406
Judicial	13,652	-	-	-	-	13,652
Public safety	2,330,007	-	-	68,266	-	2,398,273
Public works	1,588,682	-	344,763	-	-	1,933,445
Culture and recreation	1,828,678	874,099	-	-	-	2,702,777
Housing and community development	786,752	-	-	-	-	786,752
<b>Total expenditures</b>	<b>8,212,269</b>	<b>874,099</b>	<b>344,763</b>	<b>68,266</b>	<b>315,908</b>	<b>9,815,305</b>
Excess (deficiency) of revenues over expenditures	471,476	892,733	503,253	16,556	-	1,884,018
<b>Other financing sources (uses)</b>						
Transfers in	772,480	-	-	-	-	772,480
Transfers out	-	(892,733)	(175,702)	-	-	(1,068,435)
Sale of capital assets	856	-	-	-	-	856
<b>Total other financing sources (uses)</b>	<b>773,336</b>	<b>(892,733)</b>	<b>(175,702)</b>	<b>-</b>	<b>-</b>	<b>(295,099)</b>
<b>Net change in fund balances</b>	<b>1,244,812</b>	<b>-</b>	<b>327,551</b>	<b>16,556</b>	<b>-</b>	<b>1,588,919</b>
Fund balances, beginning of year, as previously reported	(3,828,084)	-	922,844	(8,571)	-	(2,913,811)
Prior period adjustment	5,930,000	-	-	-	-	5,930,000
Fund balances, beginning restated	2,101,916	-	922,844	(8,571)	-	3,016,189
<b>Fund balances, end of year</b>	<b>\$ 3,346,728</b>	<b>\$ -</b>	<b>\$ 1,250,395</b>	<b>\$ 7,985</b>	<b>\$ -</b>	<b>\$ 4,605,108</b>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENT FUNDS TO THE  
STATEMENT OF ACTIVITIES - GOVERNMENT WIDE

Year Ended June 30, 2011

<b>Net changes in governmental fund balances</b>			\$ 1,588,919
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation and amortization expense.			
	Depreciation expense	\$ (652,928)	
	Amortization expense	(4,649)	
	Capitalizable costs	<u>505,524</u>	(152,053)
Transfer of capital assets reported as capital outlays from the Water/Sewer Fund to the Governmental Fund.			35,498
Compensated absence liabilities are not due and payable at year-end and therefore are not reported in the Funds.			(585,819)
Governmental funds report debt service payments as expenditures. However, in the statement of activities, only the interest expense is reported. The remainder reduces the liability in the statement of net assets.			
	Total debt service payments		(296,387)
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.			<u>36,012</u>
<b>Change in net assets of governmental activities</b>			<u><u>\$ 626,170</u></u>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Over/(Under) Final Budget
<b>Taxes</b>				
Property taxes	\$ 2,239,268	\$ 2,255,272	\$ 2,223,412	\$ (31,860)
Local option sales tax	1,000,000	1,000,000	1,006,685	6,685
Franchise tax	377,000	377,000	402,702	25,702
Insurance premiums tax	189,000	189,000	183,337	(5,663)
Alcoholic beverage excise tax	245,000	245,000	273,828	28,828
Real estate transfer tax	10,000	10,000	8,666	(1,334)
Occupational taxes	61,550	61,550	64,984	3,434
Total taxes	4,121,818	4,137,822	4,163,614	25,792
<b>Licenses and permits</b>				
Regulatory fees	104,000	104,000	92,333	(11,667)
Building permits	44,000	44,000	69,030	25,030
Building inspections	16,500	16,500	14,893	(1,607)
Zoning variance requests fees	2,500	2,500	3,825	1,325
Other	26,000	26,000	16,279	(9,721)
Total licenses and permits	193,000	193,000	196,360	3,360
Parking fees	1,653,000	1,865,350	2,067,203	201,853
Other charges for services	1,260,550	1,260,550	1,322,252	61,702
Total charges for services	2,913,550	3,125,900	3,389,455	263,555
<b>Fines and forfeitures</b>				
Municipal fines	626,000	626,000	353,124	(272,876)
Parking fines and violations	380,000	380,000	527,312	147,312
Total fines and forfeitures	1,006,000	1,006,000	880,436	(125,564)
<b>Interest income</b>	50,000	50,000	27,031	(22,969)
<b>Miscellaneous</b>				
Contributions	11,500	11,500	4,653	(6,847)
Rents and royalties	177,100	16,100	15,934	(166)
Other - miscellaneous	75,000	75,000	6,262	(68,738)
Total miscellaneous	263,600	102,600	26,849	(75,751)
Total revenues	\$ 8,547,968	\$ 8,615,322	\$ 8,683,745	\$ 68,423

(continued)

City of Tybee Island, Georgia

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance (Over)/Under Final Budget
<b>Expenditures</b>				
General Government				
Governing body	\$ 84,927	\$ 74,692	\$ 65,163	\$ 9,529
Clerk of council	122,643	122,374	122,627	(253)
City Manager	146,107	146,111	144,460	1,651
Financial administration	480,687	495,613	448,082	47,531
Legal	140,000	165,000	140,991	24,009
Information technology	328,916	388,963	351,137	37,826
Human resources	99,446	99,371	94,353	5,018
Building and plant maintenance	329,372	344,412	297,685	46,727
Total general government	<u>1,732,098</u>	<u>1,836,536</u>	<u>1,664,498</u>	<u>172,038</u>
Judicial				
Municipal court	10,950	22,200	13,652	8,548
Total judicial	<u>10,950</u>	<u>22,200</u>	<u>13,652</u>	<u>8,548</u>
Public safety				
Police administration	1,879,408	1,839,747	1,779,437	60,310
Beach patrol	141,045	177,735	175,750	1,985
Fire administration	353,324	341,889	308,084	33,805
Emergency management	80,450	76,035	66,736	9,299
Total public safety	<u>2,454,227</u>	<u>2,435,406</u>	<u>2,330,007</u>	<u>105,399</u>
Public works				
General operations	1,412,532	1,467,953	1,399,182	68,771
Solid waste collection	189,500	189,500	189,500	-
Total public works	<u>1,602,032</u>	<u>1,657,453</u>	<u>1,588,682</u>	<u>68,771</u>
Culture and recreation				
General operations	171,588	164,341	166,420	(2,079)
Recreation centers	165,043	165,043	165,275	(232)
Beach, lifeguards, dunes	587,880	537,103	361,335	175,768
Parks administration	1,489,714	1,550,414	1,135,648	414,766
Total culture and recreation	<u>2,414,225</u>	<u>2,416,901</u>	<u>1,828,678</u>	<u>588,223</u>

(continued)

City of Tybee Island, Georgia

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL - CONTINUED

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance (Over)/Under Final Budget
Housing and community development				
Community Development Projects	417,387	387,533	320,395	67,138
Parking	425,106	493,610	466,357	27,253
Total housing and community development	842,493	881,143	786,752	94,391
Total expenditures	9,056,025	9,249,639	8,212,269	1,037,370
Excess (deficiency) of revenues over (under) expenditures	(508,057)	(634,317)	471,476	1,105,793
Other financing sources (uses):				
Financing uses	(180,943)	(215,683)	-	215,683
Financing sources	850,000	850,000	892,733	42,733
Transfers out	(161,000)	-	(120,253)	(120,253)
Sale of capital assets	-	-	856	856
Total other financing sources (uses)	508,057	634,317	773,336	139,019
Net change in fund balances	-	-	1,244,812	1,244,812
Fund balances, beginning of year as previously reported	3,741,146	3,741,146	(3,828,084)	7,569,230
Prior period adjustment	-	-	5,930,000	(5,930,000)
Fund balances, beginning restated	\$ 3,741,146	\$ 3,741,146	2,101,916	\$ 1,639,230
Fund balance, end of year			\$ 3,346,728	

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

HOTEL/MOTEL TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Variance with Final Budget
	Original and Final	Actual	
<b>Revenues:</b>			
Taxes	\$ 1,694,000	\$ 1,748,197	\$ 54,197
Other revenues	3,000	18,635	15,635
Total revenues	<u>1,697,000</u>	<u>1,766,832</u>	<u>69,832</u>
<b>Expenditures</b>			
Current:			
Culture and recreation	847,000	874,099	(27,099)
Total expenditures	<u>847,000</u>	<u>874,099</u>	<u>(27,099)</u>
Excess of revenues over expenditures	<u>850,000</u>	<u>892,733</u>	<u>42,733</u>
<b>Other financing sources(uses):</b>			
Transfers out	850,000	892,733	(42,733)
Total other financing sources(uses)	<u>850,000</u>	<u>892,733</u>	<u>(42,733)</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balances, beginning of year</b>		<u>-</u>	
<b>Fund balances, end of year</b>		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements



City of Tybee Island, Georgia

EMERGENCY 911 FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Variance with Final Budget
	Original and Final	Actual	
<b>Revenues:</b>			
911 Charges	\$ 79,965	\$ 84,822	\$ 4,857
Total revenues	<u>79,965</u>	<u>84,822</u>	<u>4,857</u>
<b>Expenditures</b>			
Current:			
Administration	80,206	68,266	11,940
Total expenditures	<u>80,206</u>	<u>68,266</u>	<u>11,940</u>
Excess of revenues over expenditures	<u>(241)</u>	<u>16,556</u>	<u>16,797</u>
Net change in fund balances	<u>\$ -</u>	<u>16,556</u>	<u>\$ (16,556)</u>
<b>Fund balances, beginning of year</b>		<u>(8,571)</u>	
<b>Fund balances, end of year</b>		<u>\$ 7,985</u>	

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2011

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Collection Fund	Totals
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 13,719	\$ -	\$ 13,719
Accounts receivable, net of allowances	536,755	103,908	640,663
Prepaid items	19,361	-	19,361
Interfund payable	(54,200)	(302,720)	(356,920)
Total current assets	515,635	(198,812)	316,823
<b>Restricted assets</b>			
Restricted investments	443,573	-	443,573
<b>Non current assets</b>			
Nondepreciable capital assets	103,632	-	103,632
Depreciable capital assets, net	13,407,544	-	13,407,544
<b>Other Assets</b>			
Bond issuance costs, net	71,106	-	71,106
Total assets	14,541,490	(198,812)	14,342,678
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	129,959	54,474	184,433
Accrued expenditures	23,233	-	23,233
Compensated absences payable	81,833	-	81,833
Accrued interest	18,664	-	18,664
Notes payable - current	699,500	-	699,500
Total current liabilities	953,189	54,474	1,007,663
<b>Long-term liabilities</b>			
Notes payable, net of current portion	5,942,640	-	5,942,640
Total long-term liabilities	5,942,640	-	5,942,640
Total liabilities	6,895,829	54,474	6,950,303
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,383,715	-	7,383,715
Restricted for			
Debt service	443,573	-	443,573
Unrestricted	(181,627)	(253,286)	(434,913)
Total net assets	\$ 7,645,661	\$ (253,286)	\$ 7,392,375

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

City of Tybee Island, Georgia

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND

Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Collection Fund	Totals
<b>Operating revenues</b>			
Charges for services:			
Water charges	\$ 1,011,163	\$ -	\$ 1,011,163
Sewer charges	1,387,704	-	1,387,704
Tapping fees	4,288	-	4,288
Other	97,573	-	97,573
Rental revenue	163,803	-	163,803
Sanitation collection revenue	-	622,721	622,721
Total operating revenues	<u>2,664,531</u>	<u>622,721</u>	<u>3,287,252</u>
<b>Operating expenses</b>			
Personnel services	499,580	-	499,580
Administrative	144,000	9,000	153,000
Supplies	333,667	-	333,667
Sanitation services	-	639,181	639,181
Miscellaneous	551,104	17,943	569,047
Amortization	14,606	-	14,606
Depreciation	408,807	-	408,807
Total operating expenses	<u>1,951,764</u>	<u>666,124</u>	<u>2,617,888</u>
Operating income (loss)	<u>712,767</u>	<u>(43,403)</u>	<u>669,364</u>
<b>Nonoperating revenues (expenses)</b>			
Interest revenue	38,640	-	38,640
Interest expense	(224,319)	-	(224,319)
Net nonoperating revenues (expenses)	<u>(185,679)</u>	<u>-</u>	<u>(185,679)</u>
Transfers in/(out)	<u>293,264</u>	<u>(32,807)</u>	<u>260,457</u>
Change in net assets	820,352	(76,210)	744,142
Net assets, beginning of year	<u>6,825,309</u>	<u>(177,076)</u>	<u>6,648,233</u>
Net assets, end of year	<u>\$ 7,645,661</u>	<u>\$ (253,286)</u>	<u>\$ 7,392,375</u>

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

City of Tybee Island, Georgia

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Solid Waste Collection Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 2,565,162	\$ 617,981	\$ 3,183,143
Cash payments to employees	(562,254)	(9,000)	(571,254)
Cash payments to suppliers	(855,807)	(654,656)	(1,510,463)
Net cash provided by (used in) operating activities	<u>1,147,101</u>	<u>(45,675)</u>	<u>1,101,426</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(453,458)	-	(453,458)
Principal paid on bonds	(740,184)	-	(740,184)
Interest paid	(224,319)	-	(224,319)
Interfund payable	(41,460)	-	(41,460)
Net cash used in capital and related financing activities	<u>(1,459,421)</u>	<u>-</u>	<u>(1,459,421)</u>
<b>Cash flows from investing activities</b>			
Transfers in/out	293,264	45,675	338,939
Interest earned on investments	19,073	-	19,073
Net cash provided by investing activities	<u>312,337</u>	<u>45,675</u>	<u>358,012</u>
Net increase in cash and cash equivalents	17	-	17
Cash and cash equivalents, beginning of year	<u>13,702</u>	<u>-</u>	<u>13,702</u>
Cash and cash equivalents, end of year	<u>\$ 13,719</u>	<u>\$ -</u>	<u>\$ 13,719</u>
<b>Classified as:</b>			
Cash and cash equivalents, restricted	\$ -	\$ -	\$ -
Total cash and cash equivalents	<u>\$ 13,719</u>	<u>\$ -</u>	<u>\$ 13,719</u>

(continued)

City of Tybee Island, Georgia

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - CONTINUED

Year Ended June 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Solid Waste Collection Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
<b>Operating income (loss)</b>	\$ 712,767	\$ (43,403)	\$ 669,364
<b>Adjustments</b>			
Depreciation	408,807	-	408,807
Amortization	14,606	-	14,606
Change in accounts receivable	(99,369)	(4,740)	(104,109)
Change in prepaid items	(6,844)	-	(6,844)
Change in accounts payable	35,808	2,468	38,276
Change in accrued expenses	81,326	-	81,326
Net cash provided by (used in) operating activities	<u>\$ 1,147,101</u>	<u>\$ (45,675)</u>	<u>\$ 1,101,426</u>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS

June 30, 2011

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 44,634
Accounts receivable	<u>5,498</u>
Total assets	<u>\$ 50,132</u>
<b>LIABILITIES</b>	
Due to others	<u>\$ 50,132</u>
Total liabilities	<u>\$ 50,132</u>

The accompanying notes are an integral part of these financial statements

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Tybee Island, Georgia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (“FASB”) statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary fund at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements. The most significant accounting principles utilized by the City are described below.

1. Reporting Entity

The City of Tybee Island was incorporated October 15, 1887. The City operates under the Council-Manager form of government and provides the following services to its citizens as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture and recreation, planning and zoning, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all City operations and all activities of the City.

Based upon the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14 “The Financial Reporting Entity”, the City was determined to have no component units as of June 30, 2011.

2. Government-Wide and Fund Financial Statements

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

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

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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

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

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

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

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



City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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

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

The format of the governmental fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity.

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. Due to the significant amount of funding the Rivers End RV Park (Park) receives from the General Fund in order to operate the Park was removed from the proprietary funds during the fiscal year 2010 and is now included in the General Fund.

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

The **SPLOST Fund** accounts for the proceeds of a one percent Special Purpose Local Option Sales Tax. Funds are used for: road improvements; public safety projects; recreation projects; water and sewer projects; and public building projects. As of June 30, 2011, the majority of the 2003 SPLOST proceeds have been expended for their intended purposes. During the year ended June 30, 2011, the City began receiving 2009 SPLOST proceeds. Remaining SPLOST proceeds unspent as of June 30, 2011 are \$1,260,294.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

The **Grant Fund** accounts for the proceeds received from various grants awarded to the City during the year ended June 30, 2011. The funds received are to be used for their specific purpose as defined by the awarding agency.

The City reports the following major proprietary funds:

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

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

The City reports the following non-major governmental funds:

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

Additionally, the City reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 2, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with enterprise fund's water and sewer, and solid waste collection services. Operating expenses for an enterprise fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

4. Grant Awards

On June 7, 2010, the City was awarded a grant by the Georgia Environmental Facilities Authority ("GEFA") as part of the U. S. Department of Energy's, Energy Efficiency and Conservation Block Grant Program in the amount of \$299,677. The proceeds of the grant were used to develop and implement projects to improve energy efficient and reduce energy use and fossil fuel emissions. During the year ended June 30, 2011, the City received \$278,064 of grant funds. As of June 30, 2011, \$14,892 remains payable and is included in accounts payable on the Governmental Funds – Balance Sheets.

On May 31, 2011, the City was awarded a grant by the Georgia Department of Transportation in the amount of \$125,000. The proceeds of the grant will be used to provide a safe walkway between State Route ("SR") 26/Butler Ave. and Country Street ("CS") 804/Tybrsia Street, in addition to slow down traffic in those areas. The estimated cost of the project is \$156,250, in which the City is responsible for 20 percent or \$31,250 of project costs with the remaining costs funded by the grant award. As of June 30, 2011, the City had received \$26,429 of grant proceeds and incurred total costs of \$36,521.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, the Emergency 911, the SPLOST Fund, the Water and Sewer Fund, and the Solid Waste collection 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.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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

6. Property Taxes

Property taxes for the current year were assessed and collect by Chatham County and subsequently remitted to the City. Property taxes are typically assessed twice a year by Chatham County on April 1 and September 15. All property taxes collected are recorded in the General Fund. The millage rate assessment by the City for the year ended June 30, 2011, was 4.186.

7. Deferred Revenue

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

8. Deposits and Investments

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

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers’ acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia (“Georgia Fund 1”). Georgia Fund 1 was created under OCGA 36-83-8 and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like Pool. The Pool is not registered with the SEC as an investment

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

company. The Pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The Pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The fair value of the City's position in the Pool is the same as the value of Pool shares (\$1 per share value). The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia.

Investments are reported at fair value, based on quoted market values. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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

#### 9. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

10. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. Prepaid items of governmental funds in the fund financial statements are offset by an equal amount in the fund balance to indicate that they are not available for general appropriation.

11. Capital Assets

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

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

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

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

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

12. 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-vested 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.

13. Accrued Liabilities and Long-Term Liabilities

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the related term of the bonds using the effective yield method, which approximates the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

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

In the governmental fund financial statements, governmental fund recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In general, governmental fund payable and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

15. Fund Balance

Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

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

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

#### 16. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of assets and liabilities during the reporting period. Actual results could differ from those estimates.



City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 2 - LEGAL COMPLIANCE-BUDGETS

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

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

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

- f. No General Fund departments had excess of actual expenditures over appropriations for the fiscal year ended June 30, 2011.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investment of Funds

The City is permitted to invest funds in deposit accounts at federally insured financial institutions; in obligation of the U.S. Treasury or U.S. Government agencies; Local or State Government Investment Pools; and Repurchase Agreements with financial institutions (as long as the entire balance is collateralized by specifically identified securities of the U.S.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Government or its agencies). Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

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

Total deposits and investments as of June 30, 2011, are summarized as follows:

As Reported in the Statement of Net Assets:	
Primary Government:	
Cash and cash equivalents	\$ 2,242,580
Cash and cash equivalents, restricted	3,864
Investments, unrestricted	2,022,821
Investments, restricted	443,573
Agency Fund - Cash	44,634
Total cash deposited and invested	<u>\$ 4,757,472</u>
Cash deposited with financial institutions	\$ 2,734,651
Cash deposited with Georgia Fund 1	2,022,821
Total cash deposited and invested	<u>\$ 4,757,472</u>

Deposits

As of June 30, 2011, the City's cash and cash equivalent deposits are categorized below to give an indication of the level of collateralization provided to the City in connection with its cash and cash equivalents. Category 1 includes deposits insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions trust department or agent in the City's name. Category 3 represents uncollateralized deposits including bank balances collateralized with securities held by the pledging institutions financial institution or by its trust department or agent but not in the Authority's name.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

	Category			Bank Balance	Carrying Amount
	1	2	3		
Cash	\$ 2,291,078	\$ -	\$ -	\$ 2,331,546	\$ 2,291,078
Certificates of deposits	443,573	-	-	443,573	443,573
	<u>\$ 2,734,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,775,119</u>	<u>2,734,651</u>
Georgia Fund I					<u>2,022,821</u>
					<u>\$ 4,757,472</u>

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of a deposit or investment. The City manages interest rate risk by attempting to match deposit and investment maturities and interest payment terms with expected cash requirements. The maturities of the deposits and investments as of June 30, 2011 are as follows:

Cash and cash equivalents	Total Fair Value	Less than 6 months	6-12 Months	1-5 Years	5-10 Years	More than 10 Years
Cash	\$ 2,291,078	\$ 2,291,078	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	443,573	-	-	443,573	-	-
Georgia Fund I	2,022,821	2,022,821	-	-	-	-
Total cash and cash equivalents	<u>\$ 4,757,472</u>	<u>\$ 4,313,899</u>	<u>\$ -</u>	<u>\$ 443,573</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

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

Credit Risk

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

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

As of June 30, 2011, management believes it does not have significant concentration of credit risk, credit risk, or interest rate risk.

NOTE 4 - RECEIVABLES

Property taxes were levied on September 15, 2010 against a taxable digest established as of January 1, 2010. Property taxes were due on November 15, 2010, and were considered delinquent the following day (November 16, 2010) which would also be the lien date. Additionally, one-half of the 2011 property taxes were levied in April 2011. Receivables are recorded when taxes are levied and billed.

The net receivables collected during the year ended June 30, 2011, and expected to be collected by August 31, 2011, are recognized as revenues in the year ended June 30, 2011. Net receivables estimated to be collectible subsequent to August 31, 2011, are deferred and recorded as revenue when received in the governmental funds.

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

	Governmental			Business-Type		Allowance for Doubtful Accounts	Total
	General	Nonmajor Emergency 911 Fund	Grant Fund	Water and Sewer	Solid Waste collection		
Receivables:							
Accounts receivables	\$ 82,627	\$ -	\$ 58,691	\$ 536,755	\$ 103,908	\$ -	\$ 781,981
Taxes	764,090	-	9,613	-	-	(30,913)	742,790
Intergovernmental	459,257	(101)	(102,236)	(54,200)	(302,720)	-	-
Total	\$ 1,305,974	\$ (101)	\$ (33,932)	\$ 482,555	\$ (198,812)	\$ (30,913)	\$ 1,524,771

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer from Enterprise Fund</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 7,878,070	\$ -	\$ -	\$ -	\$ 7,878,070
Construction in progress	117,751	314,586	(117,751)	-	314,586
Total	<u>7,995,821</u>	<u>314,586</u>	<u>(117,751)</u>	<u>-</u>	<u>8,192,656</u>
Capital assets, being depreciated:					
Land improvements	724,609	18,042	-	-	742,651
Buildings	4,842,235	18,176	(119,386)	7,786	4,748,811
Machinery and equipment	3,986,313	154,720	(85,896)	64,633	4,119,770
Total	<u>9,553,157</u>	<u>190,938</u>	<u>(205,282)</u>	<u>72,419</u>	<u>9,611,232</u>
Less accumulated depreciation for:					
Land improvements	(211,162)	(58,764)	-	-	(269,926)
Buildings	(1,708,983)	(328,932)	-	(4,061)	(2,041,976)
Machinery and equipment	(2,203,571)	(228,311)	-	(32,860)	(2,464,742)
Total	<u>(4,123,716)</u>	<u>(616,007)</u>	<u>-</u>	<u>(36,921)</u>	<u>(4,776,644)</u>
Total Capital assets, being depreciated, net	<u>5,429,441</u>	<u>(425,069)</u>	<u>(205,282)</u>	<u>35,498</u>	<u>4,834,588</u>
Governmental activities capital assets, net	<u>\$ 13,425,262</u>	<u>\$ (110,483)</u>	<u>\$ (323,033)</u>	<u>\$ 35,498</u>	<u>\$ 13,027,244</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer to Governmental Fund</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 103,632	\$ -	\$ -	\$ -	\$ 103,632
Total	<u>103,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,632</u>
Capital assets, being depreciated:					
Land improvements	1,250,770	-	-	-	1,250,770
Utility plant and equipment	15,323,144	510,310	-	(64,633)	15,768,821
Buildings	389,807	15,569	-	(7,786)	397,590
Total	<u>16,963,721</u>	<u>525,879</u>	<u>-</u>	<u>(72,419)</u>	<u>17,417,181</u>
Less accumulated depreciation for:					
Land improvements	(456,485)	(24,529)	-	-	(481,014)
Utility plant	(2,703,049)	(408,964)	-	32,860	(3,079,153)
Buildings	(441,294)	(12,237)	-	4,061	(449,470)
Total	<u>(3,600,828)</u>	<u>(445,730)</u>	<u>-</u>	<u>36,921</u>	<u>(4,009,637)</u>
Total Capital assets, being depreciated, net	<u>13,362,893</u>	<u>80,149</u>	<u>-</u>	<u>(35,498)</u>	<u>13,407,544</u>
Business-type activities capital assets, net	<u>\$ 13,466,525</u>	<u>\$ 80,149</u>	<u>\$ -</u>	<u>\$ (35,498)</u>	<u>\$ 13,511,176</u>

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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

Governmental activities		
General government		\$ 27,273
Public safety		201,509
Public works		85,975
Culture and recreation		187,582
Housing and community development		150,589
Total depreciation expense - governmental activities		<u>\$ 652,928</u>
Business-type activities		
Water and sewer		<u>\$ 408,807</u>
Total depreciation expense - business type activities		<u>\$ 408,807</u>

NOTE 6 - LONG-TERM DEBT

Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service and collateralizes the bonds with the associated assets. The City's Water and Sewer Fund revenue bonds and the Chatham County Recreation Authority revenue bonds outstanding at June 30, 2011 are as follows:

Water and Sewer Revenue Refunding and Improving Bonds, Series 2005:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
Water and Sewer, series 2005	\$ 1,450,000	3.72%	2016	\$ 735,000
			Less Current Portion	(135,000)
				<u>\$ 600,000</u>

Interest expense for the bond during the year ended June 30, 2011 was as follows:

<u>Description</u>	<u>Interest Expense</u>
Water and Sewer, series 2005	\$ 32,178

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
Rivers End RV Park, series 2006	\$ 7,130,000	4.85%	2026	\$ 6,195,000
			Less Current Portion	(265,000)
				<u>\$ 5,930,000</u>

Interest expense for the bond during the year ended June 30, 2011 was as follows:

<u>Description</u>	<u>Interest Expense</u>
Rivers End RV Park, series 2006	\$ 306,641

Water and Sewer Revenue Refunding and Improving Bonds, Series 2005

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

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

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

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

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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

Water and Sewer Revenue Refunding and Improving Bonds, Series 2005:

<u>Fiscal Year Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 135,000	\$ 27,342	\$ 162,342
2013	145,000	22,320	167,320
2014	150,000	16,926	166,926
2015	150,000	11,346	161,346
2016	155,000	5,766	160,766
Total	<u>\$ 735,000</u>	<u>\$ 83,700</u>	<u>\$ 818,700</u>

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

<u>Fiscal Year Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 265,000	\$ 294,030	\$ 559,030
2013	280,000	280,814	560,814
2014	290,000	266,992	556,992
2015	305,000	252,564	557,564
2016	320,000	237,408	557,408
2017-2021	1,850,000	932,169	2,782,169
2022-2026	2,345,000	426,194	2,771,194
2027-2031	540,000	13,095	553,095
Total	<u>\$ 6,195,000</u>	<u>\$ 2,703,265</u>	<u>\$ 8,898,265</u>

Other Long-Term Debt

The City has incurred debt to the Georgia Environmental Facilities Authority for water and sewer system and emergency siren improvements. These notes are as follows at June 30, 2011.



City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Description	Fund	Original Amount	Interest Rate	Maturity	Amount
2000 SRF - Wastewater treatment plant upgrade	Water/Sewer	\$ 2,991,414	3.00%	2023	\$ 1,999,952
GEFA Construction - Water line extensions	Water/Sewer	2,188,652	3.16%	2026	1,809,718
GEFA Construction - Water Sewer	Water/Sewer	1,422,820	3.08%	2029	1,370,457
Automated Water Meter	Water/Sewer	627,456	3.05%	2013	319,084
Emergency Siren System	General	123,078	3.22%	2011	21,342
Lift Station Grit Separator	Water/Sewer	721,424	3.09%	2014	407,929
					<u>5,928,482</u>
			Less Current Portion		<u>(585,842)</u>
					<u>\$ 5,342,640</u>

Interest expense for other long-term debt during the year ended June 30, 2011 was as follows:

Description	Interest Expense
2000 SRF - Wastewater treatment plant upgrade	\$ 62,346
GEFA Construction - Water line extensions	59,089
GEFA Construction - Water Sewer	43,172
Automated Water Meter	12,215
Emergency Siren System	1,519
Lift Station Grit Separator	15,319
Total	<u>\$ 193,660</u>

The City's other long-term debt service requirements to maturity, including interest are as follows:

Fiscal Year Payable	Principal	Interest	Total
2012	\$ 585,842	\$ 175,370	\$ 761,212
2013	582,243	157,372	739,615
2014	489,359	142,827	632,186
2015	322,102	127,332	449,434
2016	332,072	117,662	449,734
2017-2021	1,822,508	421,665	2,244,173
2022-2026	1,365,829	160,784	1,526,613
2027-2031	428,527	23,196	451,723
Total	<u>\$ 5,928,482</u>	<u>\$ 1,326,209</u>	<u>\$ 7,254,691</u>

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

The City's total long term debt service requirements to maturity including interest are as follows:

<u>Fiscal Year Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 985,842	\$ 496,742	\$ 1,482,584
2013	1,007,243	460,506	1,467,749
2014	929,359	426,745	1,356,104
2015	777,102	391,242	1,168,344
2016	807,072	360,836	1,167,908
2017-2021	3,672,508	1,353,834	5,026,342
2022-2026	3,710,829	586,978	4,297,807
2027-2031	968,527	36,291	1,004,818
Total	<u>\$ 12,858,482</u>	<u>\$ 4,113,173</u>	<u>\$ 16,971,655</u>
Notes and bonds payable current	\$ 985,842	\$ 496,742	\$ 1,482,584
Notes and bonds payable long-term, net of current portion	11,872,640	3,616,431	15,489,071
Total	<u>\$ 12,858,482</u>	<u>\$ 4,113,173</u>	<u>\$ 16,971,655</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Revenue Bonds	\$ 6,450,000	\$ -	\$ (255,000)	\$ 6,195,000	\$ 265,000
Notes payable	62,729	-	(41,387)	21,342	21,342
Compensated absences	177,243	408,576	-	585,819	585,819
Governmental activity Long-term liabilities	<u>\$ 6,689,972</u>	<u>\$ 408,576</u>	<u>\$ (296,387)</u>	<u>\$ 6,802,161</u>	<u>\$ 872,161</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 865,000	\$ -	\$ (130,000)	\$ 735,000	\$ 135,000
Notes payable	6,454,595	-	(545,113)	5,909,482	564,500
Compensated absences	4,836	76,997	-	81,833	81,833
Business-type activity Long-term liabilities	<u>\$ 7,324,431</u>	<u>\$ 76,997</u>	<u>\$ (675,113)</u>	<u>\$ 6,726,315</u>	<u>\$ 781,333</u>

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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

NOTE 7 - PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Tybee Island Retirement Plan (the "Plan"), provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The Plan participates in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. GMEBS handles all administration and investment functions related to the plan. All full-time City employees are eligible to participate in the plan. Benefits vest after five years of service. Members may retire upon reaching age of 65, with five years of service. Early retirement is possible upon reaching age of 55, with 10 years of service. Benefits are calculated based on years of service plus age in years plus earnings for the five highest years prior to retirement.

Regulations of the State of Georgia assign the authority to establish and amend the benefit provisions of plans that participate in GMEBS to the respective employer entities; for the Plan, the authority rests with the City Council of Tybee Island.

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

Funding Policy

The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 15.32% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the GMEBS Board of Trustees.

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Annual Pension Cost

For the year ended June 30, 2011, the City's annual pension cost was \$445,399 for the Plan. Recommended contributions of \$445,399 and \$432,899 were determined as part of the July 1, 2011 and July 1, 2010 actuarial valuations, respectively, using the projected until credit actuarial cost method. An alternative recommended contribution of \$500,442 was determined as part of the July 1, 2010 actuarial valuation. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.50% plus age and service based upon merit increase per year, (c) cost of living adjustments of 3.00%. The period, and the related method, for amortizing the initial unfunded actuarial liability was 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for the plan year. The method for determining the actuarial value of assets is part of the GMEBS actuarial funding policy. This method produces an adjusted actuarial value of assets. A smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 7.75%, which is the investment return assumption.

Trend Information

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

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
5/1/2006	\$ 274,184	100%	\$ -
5/1/2007	\$ 283,377	100%	\$ -
5/1/2008	\$ 340,173	100%	\$ -
5/1/2009	\$ 436,873	100%	\$ -
7/1/2010	\$ 432,899	100%	\$ -
7/1/2011	\$ 445,399	100%	\$ -

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

As of the most recent valuation date, July 1, 2011, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
7/1/2011	\$ 4,189,682	\$ 5,620,138	\$ 1,430,456	74.55%	\$ 2,856,841	50.07%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2011.

Termination Benefits

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

NOTE 8 - RISK MANAGEMENT

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

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. Settled claims in the past three (3) years have not exceeded insurance coverage.

NOTE 9 - JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the nine county coastal Georgia region, is a member of the Coastal Georgia Regional Development Center ("RDC") and is required to pay dues thereto. Membership in these organizations is required by the OCGA Section 50-8-34, which provides for their organizational structure. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from the Coastal Georgia RDC, 127 "F" Street, Brunswick, Georgia 31520.

NOTE 10 - BOND ISSUANCE COST

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Contractual Commitments

The City entered into a contract with Waters Mechanical, Inc., for an original amount of \$173,298, for the Memorial Park geothermal energy project. As of June 30, 2011 the

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

contract totaled \$173,298 and \$14,892 was payable and is included in accounts payable on the Governmental Funds – Balance Sheets.

Litigation

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

Grant Contingencies

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

NOTES 12 - HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. For the year ended June 30, 2011, \$1,748,197 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$582,674 to the Savannah Chamber of Commerce and \$291,425 to the Georgia International Convention Center).

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances (including advances) as of June 30, 2011 are as follows:

	<b>Due From</b>				
	<u>Solid Waste</u>	<u>Grant</u>	<u>Emergency Fund</u>	<u>Water/Sewer</u>	<u>Total</u>
<b>Due To</b>					
General Fund	\$ 302,720	\$ 102,236	\$ 101	\$ 54,200	\$459,257
Total	<u>\$ 302,720</u>	<u>\$ 102,236</u>	<u>\$ 101</u>	<u>\$ 54,200</u>	<u>\$459,257</u>

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

City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

The City of Tybee Island was awarded a GEFA grant in the amount of \$299,677 to upgrade the City's buildings to make them more energy efficient. Once the money is spent the City provides GEFA with invoices showing the work was done and GEFA will reimburse the City that amount. The General Fund has funded the Grant Fund \$100,000 that was spent on construction and improvements to capital assets.

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

Interfund receivable and payable balances related to pooled cash as of June 30, 2011 are as follows:

	<b>Due From</b>			
	E911	Solid Waste	Water and sewer	Total
<b>Due To</b>				
General Fund	\$ 101	\$ 112,807	\$ 131,507	\$ 244,415

The E 911, Solid Waste and Water and Sewer funds each had a negative cash balance. The City recorded a payable to the General fund for the negative cash balance related to the pooled cash amount.

Interfund transfers for the twelve months ended June 30, 2011 consisted of the following:

	<b>Transfer To</b>			
	General	Solid Waste	Water/Sewer	Total
<b>Transfer From</b>				
General Fund	\$ -	\$ -	\$ (328,762)	\$ (328,762)
Solid Waste	32,807	-	-	32,807
SPLOST	175,702	-	-	175,702
Hotel/Motel	892,733	-	-	892,733
Total	\$ 1,101,242	\$ -	\$ (328,762)	\$ 772,480

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



City of Tybee Island, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

The City keeps fifty percent of the receipts from the Hotel/Motel tax and transfers them to the General Fund. The Solid Waste Fund had costs that were greater than the revenue received. Therefore, the city had to make a transfer from the General Fund to the Solid Waste Fund to cover the cost.

NOTE 14 - DEFICIT FUND BALANCE

The following funds reported deficits in fund balances/net assets at June 30, 2011:

Solid Waste Fund	\$ 253,286
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The fund deficits above will be reduced through increased user charges.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

During the year, City Management discovered that an error was made in prior periods relating to the presentation of the General Fund notes payable, which is included on the Balance Sheet of the Governmental Funds. In the prior periods the General Fund notes payable included the long-term portion of notes payable, which should have only reflected the current portion of notes payable, amounts due within one year or less. An adjustment was made in the current year to reflect the proper presentation of the General Fund notes payable balance as of June 30, 2011. The adjustment was made to restate the beginning fund balances in the General Fund, which is included on the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tybee Island, Georgia

SCHEDULE OF FUNDING PROGRESS

Year Ended June 30, 2011

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</b>
5/1/2005	\$ 2,451,611	\$ 3,686,830	\$ 1,235,219	66.50%	\$ 1,924,698	64.18%
5/1/2006	\$ 2,820,445	\$ 3,810,009	\$ 989,564	74.03%	\$ 2,109,394	46.91%
5/1/2007	\$ 3,182,033	\$ 4,157,135	\$ 975,102	76.54%	\$ 2,006,483	48.60%
5/1/2008	\$ 3,563,139	\$ 4,627,567	\$ 1,091,428	76.41%	\$ 2,411,627	45.26%
5/1/2009	\$ 2,805,362	\$ 4,941,486	\$ 2,136,124	56.77%	\$ 2,711,811	78.77%
7/1/2010	\$ 4,015,133	\$ 5,434,428	\$ 1,419,295	73.88%	\$ 2,946,562	48.17%
7/1/2011	\$ 4,189,682	\$ 5,620,138	\$ 1,430,456	74.55%	\$ 2,856,841	50.07%

City of Tybee Island, Georgia

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

Year Ended June 30, 2011

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
<b>Drainage</b>	\$ 3,616,428	\$ 1,250,000	\$ -	\$ -	\$ -
Inlet Avenue	-	174,537	174,537	-	174,537
Lulwater Court	-	-	11,747	-	11,747
1st Street	-	-	20,683	-	20,683
Storm Drainage Studies	-	-	120,721	-	120,721
6th St., 7th St., and Butler Ave.	-	-	468,463	-	468,463
Soloman Avenue and Van Horne St.	-	-	115,603	-	115,603
Beach Side Streets	-	-	13,122	-	13,122
14th & 15th St. Parking Lots	-	-	95,335	-	95,335
12th Avenue	-	-	29,565	-	29,565
2nd & 13th-14th Street	-	-	154,579	-	154,579
Beach Renourishment	-	1,000,000	1,060,614	-	1,060,614
Debt service - beach renourishment	-	-	109,382	-	109,382
<b>Water Sewer</b>					
Elevated Water Tank	-	625,000	76,431	-	76,431
Debt service - Elevated Water Tank	-	-	545,761	-	545,761
<b>Public Safety</b>					
Fire Engine	160,000	160,000	160,000	-	160,000
Fire Department Equipment	66,000	66,000	57,209	-	57,209
<b>Miscellaneous Projects</b>	80,000	425,000			
Paving Oceanview Court, Jones Street and Center Street	-	-	42,453	-	42,453
Paving Project PR8531-56	-	-	33,740	-	33,740
Paving Captains Row and Maintenance Yard	-	-	46,120	-	46,120
Dune Crossover Refurbishment	-	-	324,504	-	324,504
<b>Total</b>	<u>\$ 3,922,428</u>	<u>\$ 3,700,537</u>	<u>\$ 3,660,569</u>	<u>\$ -</u>	<u>\$ 3,660,569</u>

City of Tybee Island, Georgia

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

Year Ended June 30, 2011

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
<b>Drainage</b>					
Drainage reconstruction/maintenance	\$ 200,000	\$ -	\$ 559	\$ -	\$ 559
Jones Avenue	350,000	-	-	-	-
North Beach Area	200,000	-	-	-	-
<b>Water and Sewer</b>					
Butler Avenue Water Line	817,000	1,616,040	2,130,273	-	2,130,273
Beach Side of Butler Water Line Imp.	575,000	-	-	-	-
Water Line Looping	224,040	-	15,460	-	15,460
14th Street Drainage Project	-	-	643,463	-	643,463
Replacement of 6" AC Water Line, Jones Avenue	168,960	-	-	-	-
Fort Screven Water Lines Replacement Lift Station Upgrades, I&I Continuatio	440,000	1,000,667	82,522	-	82,522
<b>Roads</b>					
Various Improvements	250,000	250,000	-	-	-
<b>Other</b>					
Bike Paths	100,000	-	3,200	-	3,200
Police Facility	500,000	50,000	37,900	-	37,900
Beach Renourishment	1,000,000	1,000,000	1,000,000	-	1,000,000
Old Fort Theater, Guardhouse	600,000	700,000	774,825	-	774,825
Playground Equipment	200,000	200,000	196,559	-	196,559
Marine Rescue Squadron Facility	100,000	75,000	71,165	-	71,165
ADA Sidewalk Improvement	15,103	22,000	-	22,000	22,000
Other Capital (CIP)	100,000	100,000	-	-	-
Fire Department Equipment	-	345,000	163,310	-	163,310
South Beach Business District	-	500,000	764,381	-	764,381
Marine Science Ceneter	600,000	600,000	-	-	-
<b>Total</b>	<b>\$ 6,440,103</b>	<b>\$ 6,458,707</b>	<b>\$ 5,883,617</b>	<b>\$ 22,000</b>	<b>\$ 5,905,617</b>

City of Tybee Island, Georgia

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION  
SALES TAX PROCEEDS (2009 RESOLUTION)

Year Ended June 30, 2011

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Cumulative Total
<b>Public Safety</b>					
Public Safety Facility	\$ 327,000	\$ -	\$ -	\$ -	\$ -
Fire Department Bay	65,000	-	-	-	-
<b>Street and Infrastructure</b>					
14th Street Drainage Project	125,847	322,763	-	322,763	322,763
Street Paving and Repair	30,050	-	-	-	-
Memorial Park Project	2,000	-	-	-	-
Bike Racks	2,000	-	-	-	-
TE Grant Butler Ave Match	25,000	-	-	-	-
Bike Trail thru Memorial Park	15,000	-	-	-	-
<b>Beach Related Projects</b>					
Bathroom Repairs and Improvements	36,000	-	-	-	-
North Beach Mobile Restroom	57,000	-	-	-	-
8th Street Dune	30,000	-	-	-	-
<b>Total</b>	<u>\$ 714,897</u>	<u>\$ 322,763</u>	<u>\$ -</u>	<u>\$ 322,763</u>	<u>\$ 322,763</u>

City of Tybee Island, Georgia

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2011

<b>Federal Grantor/Pass-through Grantor/Program</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Energy Pass through Georgia Environmental Finance Authority Energy Efficiency and Conservation Block Grant Program	81.128	89697358	<u>\$ 278,064</u>

<b>State Program Title</b>	<b>Identifying Number</b>	<b>State Expenditures</b>
Department of Transportation State of Georgia Transportation Enhancement Activities	CSTEE-008-00(997)	<u>\$ 26,429</u>

City of Tybee Island, Georgia

COMBINING STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS

Year Ended June 30, 2011

	<b><u>Municipal Court</u></b>	<b><u>Total Agency Funds</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 44,634	\$ 44,634
Accounts receivable	<u>5,498</u>	<u>5,498</u>
Total assets	<u><u>\$ 50,132</u></u>	<u><u>\$ 50,132</u></u>
<b>LIABILITIES</b>		
Due to others	<u>\$ 50,132</u>	<u>\$ 50,132</u>
Total liabilities	<u><u>\$ 50,132</u></u>	<u><u>\$ 50,132</u></u>



## **COMPLIANCE SECTION**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Tybee Island, Georgia as of and for the year ended June 30, 2011, which collectively comprise the City of Tybee Island, Georgia's basic financial statements and have issued our report thereon dated December 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2011-2 to be a material weakness in internal control over financial reporting.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2011-1 to be significant deficiencies, as defined above.

### Compliance and Other Matters

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

*Compliance with bond covenant* – For the year ended June 30, 2011, the City was in violation of the rate covenant contained in the 2005 Water and Sewer Revenue Bond Ordinance. The Bond Ordinance states that the City is to provide net revenues which are at least 1.15 times the amount required to be paid into the debt service account in the then current sinking fund year.

We also noted certain matters that we reported to management of the City of Tybee Island, Georgia in a separate letter dated December 2, 2011.

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

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

*Reznick Group, P.C.*

Atlanta, Georgia  
December 2, 2011

City of Tybee Island, Georgia

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2011

**SECTION I  
SUMMARY OF AUDIT RESULTS**

Financial Statements

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

**Federal Awards**

There was not an audit of major federal award programs as of June 30, 2011 due to the total amount expended being less than \$500,000.

City of Tybee Island, Georgia

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

Year Ended June 30, 2011

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2011 - 1. Taxes Receivable**

Criteria: Accounting principles generally accepted in the United States require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: The City did not appropriately record property taxes receivable on an accrual basis in the General Fund as of June 30, 2011. - Significant deficiency

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

Effect: An audit adjustment to increase property taxes receivable, increase property tax revenue, decrease allowance for bad debt, and increase deferred revenue, was required to be recorded within the General Fund as of June 30, 2011.

Recommendation: We recommend the City begin recording all necessary tax adjustments at the end of each financial reporting cycle.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will begin recording all necessary tax adjustments as appropriate in future periods.

**2011 - 2. Management of Capital Asset Accounts**

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner. Assets donated by outside parties should also be reported, but at the estimated fair value on the date of the donation.

Condition: The City did not properly reconcile the capital asset additions and deletions and the capital asset schedule to the trial balance for the year ended June 30, 2011.- Material weakness

Context: See above condition.

Effect: Capital asset additions, deletions and transfers were recorded through expense during the year and were not reconciled and capitalized as of June 30, 2011. As a result, the trial balance did not properly reflect the actual capital assets per the reconciled schedule. This resulted in large audit entries to update and properly record the capital assets for the year ended June 30, 2011.

City of Tybee Island, Georgia

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

Year Ended June 30, 2011

**Recommendation:** We recommend the City review all capital asset activity and capitalize assets based on the City's capitalization policy and in accordance with generally accepted accounting principles throughout the year to avoid large adjustments at year-end. In addition, agree the "Fixed Assets Class" report to the trial balance.

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

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

Not Applicable

## STATUS OF PRIOR YEAR AUDIT FINDINGS

### **2010 - 1. Taxes Receivable**

For the period ending June 30, 2010, the City did not appropriately record the year end property taxes receivable in the General Fund.

Status: Unresolved, See 2011-1

### **2010 - 2. Accounts Receivable**

For the period ending June 30, 2010, the City did not properly reconcile its general ledger and subsidiary listing and did not record various year end accounts receivable in the City's funds during the year ended June 30, 2010.

Status: Resolved

### **2010 - 3. Management of Capital Asset Accounts**

For the period ending June 30, 2010, the City did not properly reconcile the capital assets additions and deletions and the capital assets schedule to the trial balance for the year ended June 30, 2010.

Status: Unresolved, See 2011-2

### **2010 - 4. Debt Transactions**

For the period ending June 30, 2010, the City did not properly record the debt activity of the Water and Sewer Fund during the year ended June 30, 2010.

Status: Resolved

### **2010 - 5. Cash Reconciliations**

For the period ending June 30, 2010, the City did not properly reconcile one of the cash accounts. The reconciliation had multiple deposits recorded more than once, thus overstating the cash balance.

Status: Resolved