

CITY OF TYBEE ISLAND, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

CITY OF TYBEE ISLAND, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Tybee Island, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison information for the General Fund and the Hotel Motel Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 and 16, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 58 and 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tybee Island, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the City of Tybee Island, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tybee Island, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 21, 2016

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

As management of the City of Tybee Island, we offer readers of the City of Tybee Island's financial statements this narrative overview and analysis of the financial activities of the City of Tybee Island for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

- The City's total net position is \$32,080,875, an increase of \$411,314. Net position from governmental activities and business type activities increased \$248,979 and \$162,335, respectively.
- The General fund reported fund balance of \$8,107,278. This is an increase of \$1,348,106 over the prior year and represents 94% of current year expenditures.
- The City implemented GASB 68 in fiscal 2015 to more accurately reflect the impact of pension activity on government wide activities. As a result, beginning net position for fiscal 2015 for governmental activities decreased \$1,148,310 and beginning net position for business type activities decreased \$220,769.
- The General fund had favorable budget variances of \$1,348,106.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It is important to note that this statement consolidates the governmental fund's current financial resources (short-term) with capital assets, deferred outflows of resources, long-term liabilities, and deferred inflows of resources.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

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

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

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

The City's government-wide financial statements are presented on pages 17 and 18.

Reporting the City's Most Significant Funds

Unlike government-wide financial statements, the focus of fund financial statements is directed at specific activities of the City rather than the city as a whole. Except for the General fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The City's fund financial statements are divided into three broad categories, namely, (1) governmental funds, (2) proprietary funds, and the (3) fiduciary fund.

Governmental Funds

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

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

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

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

The City presents, in separate columns, funds that are most significant to the City (major funds) and all other governmental funds are aggregated and reported in a single column (non-major funds). The City's governmental fund financial statements are presented on pages 19- 25.

Proprietary Funds

The proprietary fund financial statements consist of a statement of net position, statement of revenues, expenses, and changes in fund net position and statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements.

The City uses proprietary funds to account for business-type activities that charge fees to customers for the use of specific goods or services. For the most part, the balances and activities accounted for in the City's proprietary funds are also reported in the business-type activities columns of the government-wide financial statements.

The City presents in separate columns proprietary funds that are most significant to the City and all other proprietary funds are aggregated and reported in a single column. A statement of cash flows is presented at the fund financial statement level for proprietary funds, but no equivalent statement is presented in the government-wide financial statements for either governmental activities or business-type activities.

The City's proprietary fund financial statements are presented on pages 26 - 29.

Management's Discussion and Analysis
CITY OF TYBEE ISLAND

JUNE 30, 2016

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for the past two years are summarized as follows based on the information included in the government-wide financial statements (see pages 17 and 18):

City of Tybee Island Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 10,378,749	\$ 11,412,803	\$ 1,549,271	\$ 2,228,694	\$ 11,928,020	\$ 13,641,497
Capital Assets	11,857,590	10,833,290	21,953,585	21,686,466	33,811,175	32,519,756
Total Assets	22,236,339	22,246,093	23,502,856	23,915,160	45,739,195	46,161,253
Deferred Outflows of Resources						
Pension contributions subsequent to measurement date	273,044	286,560	52,172	55,094	325,216	341,654
Pension investment return	182,177	-	42,722	-	224,899	-
Total Deferred outflows of resources	455,221	286,560	94,894	55,094	550,115	341,654
Liabilities						
Current Liabilities	1,596,255	1,712,990	1,668,199	1,538,712	3,264,454	3,251,702
Long-term liabilities	1,433,196	1,256,639	9,449,992	10,085,236	10,883,188	11,341,875
Total Liabilities	3,029,451	2,969,629	11,118,191	11,623,948	14,147,642	14,593,577
Deferred Inflows of Resources						
Pension experience differences	50,036	60,655	9,365	11,661	59,401	72,316
Pension assumption changes	1,175	1,557	217	300	1,392	1,857
Pension investment return	-	138,893	-	26,703	-	165,596
Total Deferred inflows of resources	51,211	201,105	9,582	38,664	60,793	239,769
Net Position						
Net investment in capital assets	11,732,793	10,590,975	12,035,534	10,964,911	23,768,327	21,555,886
Restricted for capital outlay	810,887	3,040,619	-	-	810,887	3,040,619
Restricted for debt service	-	-	-	476,103	-	476,103
Unrestricted	7,067,218	5,730,325	434,443	866,628	7,501,661	6,596,953
Total net position	\$ 19,610,898	\$ 19,361,919	\$ 12,469,977	\$ 12,307,642	\$ 32,080,875	\$ 31,669,561

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

Financial Position

The total net position of the City increased by \$411,314 or 1.3% as noted in the table above. The governmental activities net position increased by \$248,979 while the business-type activities net position increased by \$162,335.

City of Tybee Island Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 4,626,520	\$ 4,428,911	\$ 5,115,311	\$ 4,879,979	\$ 9,741,831	\$ 9,308,890
Operating grants and contributions	-	99,328	-	-	-	99,328
Capital grants and contributions	1,710,648	6,899,671	74,602	86,514	1,785,250	6,986,185
General revenues:						
Property taxes	1,880,454	1,919,827	-	-	1,880,454	1,919,827
Other	5,354,551	4,997,571	191	3,745	5,354,742	5,001,316
Gain on sale of capital assets	-	-	-	-	-	-
Total revenues	13,572,173	18,345,308	5,190,104	4,970,238	18,762,277	23,315,546
Expenses						
Governmental activities						
General government	2,119,597	2,163,186	-	-	2,119,597	2,163,186
Judicial	12,400	12,400	-	-	12,400	12,400
Public safety	3,357,865	2,930,929	-	-	3,357,865	2,930,929
Public works	2,044,697	2,079,065	-	-	2,044,697	2,079,065
Cultural and recreation	4,909,745	6,466,294	-	-	4,909,745	6,466,294
Housing & Community development	875,624	1,239,325	-	-	875,624	1,239,325
Other expenses	3,266	4,815	-	-	3,266	4,815
Business-type activities						
Water and sewer service	-	-	3,045,841	2,688,582	3,045,841	2,688,582
Solid waste collection	-	-	1,278,590	1,101,133	1,278,590	1,101,133
Campground	-	-	703,338	649,917	703,338	649,917
Total expenses	13,323,194	14,896,014	5,027,769	4,439,632	18,350,963	19,335,646
Transfers	-	166,558	-	(166,558)	-	-
Change in net position	248,979	3,615,852	162,335	364,048	411,314	3,979,900
Beginning net position, as restated	19,361,919	15,746,067	12,307,642	11,943,594	31,669,561	27,689,661
Ending net position	\$ 19,610,898	\$ 19,361,919	\$ 12,469,977	\$ 12,307,642	\$ 32,080,875	\$ 31,669,561

Governmental Activities

The total revenues for governmental activities decreased \$4,773,135 or 26%. The largest decrease is for capital grants and contributions which decreased \$5,189,023 or 75% because prior year revenues included a grant from the State of Georgia for \$5.8 million for beach improvement projects. Charges for services, which include parking service revenues' increased \$197,609 or 4.46% as tourism and the general economy has improved. Other general revenues which include sales taxes and hotel motel taxes increased \$356,980 or 7.14% as tourism continues to increase.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

Total governmental expenses have decreased by \$1,572,820 or 10.56%. Public Safety expenses increased by \$426,926 or 14.57%, due to increases in personnel in the E911 department. Culture and Recreation expenses decreased by \$1,556,549 or 24.07% due to completion of the seven year beach re-nourishment project financed with SPLOST and State Bond proceeds. Housing and community development expenses decreased \$363,701 or 29.35% because the prior year expenses including a capital expense for \$424,000 that is not included in the fiscal year 2016 budget.

Business-Type Activities

Net position for business type activities increased \$162,335 or 1.3%. The Water and Sewer fund had a decrease of \$124,757; the Rivers End RV Park fund contributed \$288,687; and the Solid Waste fund had a decrease of \$1,595. Below is the analysis of each enterprise fund.

Water and Sewer Fund

Water and Sewer revenues remained consistent with the prior year. Operating expenses increased \$205,873 or 10.02% due to general increases in payroll and fringe benefit expenses, in addition to increased repair and maintenance expense for equipment. There was a significant loss on the disposal of capital assets related to the early replacement of meter reading equipment in 2015 and abandonment of a lift station in 2016. Due to the decrease in operating income in 2016, there were no transfers to other funds.

City of Tybee Island Water and Sewer Fund				
	2016	2015	\$ Change	% Change
Operating revenues	\$ 2,846,291	\$ 2,862,765	\$ (16,474)	-0.58%
Operating expenses	2,259,985	2,054,112	205,873	10.02%
Net operating income (loss)	586,306	808,653	(222,347)	-27.50%
Nonoperating income (expenses)	(151,124)	(142,411)	(8,713)	6.12%
Loss on Disposal of assets	(634,541)	(488,314)	(146,227)	29.95%
Income(loss) before contributions and transfers	(199,359)	177,928	(377,287)	-212.04%
Capital contributions	74,602	86,514	(11,912)	-13.77%
Transfers out	-	(302,000)	302,000	0.00%
Change in net position	(124,757)	(37,558)	(87,199)	232.17%
Beginning net position, restated	10,191,474	10,229,032	(37,558)	-0.37%
Ending net position	\$ 10,066,717	\$ 10,191,474	\$ (124,757)	-1.22%

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

Solid Waste Collection Fund

Solid Waste revenues increased \$48,063 or 7.35% due to rate increases associated with hiring a new garbage collection vendor in April of 2016. Operating expenses increased \$53,421 or 8.22% primarily due to a rate increase charged by the garbage collection vendor.

City of Tybee Island Solid Waste Collection Fund				
	'2016	'2015	\$ Change	% Change
Operating revenues	\$ 701,743	\$ 653,680	\$ 48,063	7.35%
Operating expenses	703,338	649,917	53,421	8.22%
Net operating income (loss)	(1,595)	3,763	(5,358)	-142.39%
Beginning net position	30,520	26,757	3,763	0.00%
Ending net position	\$ 28,925	\$ 30,520	\$ (1,595)	-5.23%

River's End RV Park Fund

Operating revenues for the River's End RV Park fund increased \$203,743 or 14.94% due to rate increases and additional demand for camping services. Operating expenses have increased by \$190,962 or 22.31% to meet additional demand for service.

City of Tybee Island River's End RV Park Fund				
	2016	2015	\$ Change	% Change
Operating revenues	\$ 1,567,277	\$ 1,363,534	\$ 203,743	14.94%
Operating expenses	1,046,936	855,974	190,962	22.31%
Net operating income (loss)	520,341	507,560	12,781	2.52%
Nonoperating income (expenses)	(231,654)	(245,159)	13,505	-5.51%
Income(loss) before contributions and transfers	288,687	262,401	26,286	10.02%
Transfers in	-	135,442	(135,442)	-100.00%
Change in net position	288,687	397,843	(109,156)	-27.44%
Beginning net position, restated	2,085,648	1,687,805	397,843	23.57%
Ending net position	\$ 2,374,335	\$ 2,085,648	\$ 288,687	13.84%

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

Financial Analysis of the City's Funds

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

Governmental Fund Balance

The City's combined fund balances as of the end of the current year for governmental funds, presented on page 20 were \$8,944,633. This balance represents a decrease of \$863,808 or 8.81% from last year's ending balance. The tables below reflect changes in governmental fund balances.

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

- \$1,015,649 – Future capital projects;
- \$ 30,000 – Revolving loan capital retrofit projects; and
- \$4,976,840 – Economic stabilization.

There are \$837,020 in restricted funds related various projects that includes public safety, road improvements, beach improvements, and park and recreational projects.

City of Tybee Island Governmental Fund Balance

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>%</u>
General fund	\$ 8,107,278	\$ 6,759,172	\$ 1,348,106	19.94%
Confiscated Asset Fund	\$ 1,459	\$ 1,459	-	0.00%
Emergency Telephone 911 Fund	25,009	7,210	17,799	246.87%
Hotel/Motel fund	-	-	-	
SPLOST 2003 Fund	450,649	485,853	(35,204)	-7.25%
SPLOST 2008 Fund	145,681	158,080	(12,399)	-7.84%
SPLOST 2014 Fund	387,534	350,207	37,327	10.66%
Chatham County SPLOST VI Fund	(173,581)	21,146	(194,727)	-920.87%
Capital Grant Fund	624	2,025,334	(2,024,710)	-99.97%
Total	<u>\$ 8,944,653</u>	<u>\$ 9,808,461</u>	<u>\$ (863,808)</u>	<u>-9.66%</u>

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

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

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

	<u>2016</u>	<u>2015</u>	<u>\$Change</u>	<u>% Change</u>
Revenues				
Taxes	\$7,223,651	\$6,878,483	\$ 345,168	4.78%
Licenses and permits	230,242	240,596	(10,354)	-4.50%
Intergovernmental	1,710,191	6,899,343	(5,189,152)	-303.43%
Charges for services	3,471,703	3,227,300	244,403	7.04%
Fines and forfeitures	857,906	865,565	(7,659)	-0.89%
Interest	18,837	10,465	8,372	44.44%
Other revenues	66,669	194,778	(128,109)	-192.16%
Total revenues	<u>13,579,199</u>	<u>18,316,530</u>	<u>(4,737,331)</u>	<u>-34.89%</u>
Expenditures				
Current:				
General government	1,990,680	1,985,090	5,590	0.28%
Judicial	12,400	12,400	-	0.00%
Public safety	3,112,898	2,904,882	208,016	6.68%
Public works	1,865,282	1,916,215	(50,933)	-2.73%
Culture and recreation	4,685,887	6,303,345	(1,617,458)	-34.52%
Housing and community development	797,805	1,221,138	(423,333)	-53.06%
Capital outlay	1,857,290	3,077,223	(1,219,933)	-65.68%
Debt service				
Principal (net of refunding)	117,518	106,322	11,196	9.53%
Interest	3,267	4,815	(1,548)	-47.38%
Total expenditures	<u>14,443,027</u>	<u>17,531,430</u>	<u>(3,088,403)</u>	<u>-21.38%</u>
Excess of revenues over (under) expenditures	<u>(863,828)</u>	<u>785,100</u>	<u>(1,648,928)</u>	<u>190.89%</u>
Other financing sources (uses)				
Transfers in	1,884,563	1,810,141	74,422	3.95%
Transfers out	(1,884,563)	(1,643,583)	(240,980)	12.79%
Issuance of debt	-	302,123	(302,123)	0.00%
Sale of capital assets	-	26,077	(26,077)	0.00%
Total other financing sources (uses)	<u>-</u>	<u>494,758</u>	<u>(494,758)</u>	<u>0.00%</u>
Net change in fund balance	<u>\$ (863,828)</u>	<u>\$ 1,279,858</u>	<u>\$ (2,143,686)</u>	<u>248.16%</u>
Fund balances, beginning of year	<u>9,808,461</u>	<u>8,528,603</u>	<u>1,279,858</u>	<u>13.05%</u>
Fund balances, end of year	<u>\$8,944,633</u>	<u>\$9,808,461</u>	<u>\$ (863,828)</u>	<u>-9.66%</u>

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

Overall governmental revenues decreased \$4,737,331 or 34.89%. Intergovernmental revenues decreased \$5,189,152 because prior year revenues included a grant from the Georgia Department of Natural Resources for beach re-nourishment. Taxes increased \$345,168 or 4.78%. The primary increase in taxes is related to Hotel Motel taxes which increased \$319,457 or 11.46% due general increases in tourism. Charges for services increased \$244,403 or 7.04% and includes an increase of \$198,808 or 6.60% in parking service revenues as a result of improvements in the travel economy. Miscellaneous revenues decreased \$128,109 or 192.16%. Prior year miscellaneous revenues included \$98,952 of late fees for hotel motel taxes as a result of aggressive collections of these taxes.

Overall governmental expenditures decreased \$3,088,403 or 21.38%. Public Safety expenditures increased \$208,016 or 6.68% due to additional positions added to E911 operations. Culture and recreation expenses decreased \$1,617,458 or 34.52% because the prior year included significant beach re-nourishment expenditures which were not necessary in the current year. Housing and Community Development expenditures decreased \$423,333 or 53.06% because the prior year included a \$424,000 purchase of a parking meter system. Capital outlay decreased \$1,219,933 because prior year expenses included significant beach re-nourishment expenditures which were not necessary in the current year.

The City of Tybee Island's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Tybee Island's business-type activities.

General Fund Budgetary Highlights

The final budgets passed by the City Council anticipated not using General fund reserves to meet expenses. Actual results were significantly better than projected as the General fund actually provided \$1,348,106 of fund balance, a \$1,348,106 favorable variance over the final budget due to a transfer in of \$1,553,000 from the Hotel-Motel fund.

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

- For the General fund, the actual revenues were \$298,026 less than budgeted. Revenues were budgeted for \$9,031,899, and actual operating revenues were \$8,733,873. The most significant variance was intergovernmental revenue which was \$362,473 less than budgeted due to the City not drawing down grant funds as a result of delays in the grant project.
- The actual operating expenditures of \$8,633,778 were \$1,105,899 less than the budgeted amount of \$9,739,677 as management continues to adopt very conservative budgets.

Management's Discussion and Analysis
CITY OF TYBEE ISLAND

JUNE 30, 2016

Capital Asset and Debt Administration

Capital Assets

The City has invested \$33,811,177 in capital assets (net of depreciation). Capital assets held by the City at the end of the current and previous year are summarized below:

City of Tybee Island Capital Asset Year End Comparison						
Capital Assets						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Non-depreciable assets:						
Land	\$ 1,102,857	\$ 1,102,857	\$ 411,027	\$ 1,767,600	\$ 1,513,884	\$ 2,870,457
Construction in progress	1,142,540	455,402	6,973,632	6,973,632	8,116,172	7,429,034
Total non-depreciable assets	<u>2,245,397</u>	<u>1,558,259</u>	<u>7,384,659</u>	<u>8,741,232</u>	<u>9,630,056</u>	<u>10,299,491</u>
Depreciable assets:						
Land improvements	-	-	267,387	239,621	267,387	239,621
Building	7,113,042	6,804,703	447,418	441,718	7,560,460	7,246,421
Machinery and equipment	5,111,461	4,393,886	17,973,489	16,333,008	23,084,950	20,726,894
Infrastructure	3,160,068	3,102,200	1,428,258	1,433,896	4,588,326	4,536,096
Total depreciable assets	<u>15,384,571</u>	<u>14,300,789</u>	<u>20,116,552</u>	<u>18,448,243</u>	<u>35,501,123</u>	<u>32,749,032</u>
Less accumulated depreciation	<u>5,772,378</u>	<u>5,025,758</u>	<u>5,547,624</u>	<u>5,503,009</u>	<u>11,320,002</u>	<u>10,528,767</u>
Book value - depreciable assets	<u>9,612,193</u>	<u>9,275,031</u>	<u>14,568,928</u>	<u>12,945,234</u>	<u>24,181,121</u>	<u>22,220,265</u>
Percentage depreciated	37.52%	35.14%	27.58%	29.83%	31.89%	32.15%
Book value - all assets	<u>\$ 11,857,590</u>	<u>\$ 10,833,290</u>	<u>\$ 21,953,587</u>	<u>\$ 21,686,466</u>	<u>\$ 33,811,177</u>	<u>\$ 32,519,756</u>

The schedules of capital asset activity are reported in Note 5, on pages 43 thru 45 of the financial statements. The City added \$1,148,782 of new capital assets which included \$291,123 transferred from construction in progress; and added \$978,261 of additional construction in progress for the governmental type capital assets. Significant additions included:

- \$291,123 for dune refurbishing projects;
- \$140,259 for ground cover for playground;
- \$128,826 for (24) self-contained breathing apparatus;
- \$117,056 for audio visual equipment for theater;
- \$65,000 for used fire truck;
- \$46,996 for (2) police vehicles;
- \$45,997 for Memorial Park pavilion;
- \$55,112 for shade structure;
- \$31,125 for fire department fill station;
- \$13,000 for jaws of life;

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

The City added \$2,842,139 of new capital assets which included \$1,767,600 transferred from construction in progress; and placed \$411,027 of additional construction in progress for the business type capital assets. Significant additions included:

- \$896,088 for Jones Avenue water line;
- \$445,778 for sewer main lift station #6;
- \$1,174,117 for waste water treatment plant digester improvement;
- \$292,688 to rehab lift station #7;
- \$411,027 added to construction in progress for effluent main replacement;

Long-term Debt

At the end of the current year, the City had long term debt related to governmental activities of \$1,765,218 and \$10,224,482 for business type activities.

The debt position of the City is summarized below and is more fully analyzed in Note 6 beginning on page 46 of the financial statements.

City of Tybee Island Outstanding Long-Term Debt				
	2016	2015	Change	%
Governmental Activities				
Capital leases	\$ 124,797	\$ 242,315	\$ (117,518)	-94.17%
Compensated absences	221,678	175,826	45,852	20.68%
Net pension liability	1,418,743	1,124,055	294,688	20.77%
Total debt service governmental-type activities	1,765,218	1,542,196	223,022	12.63%
Business-type activities				
Chatham County Recreation Bond	4,735,000	5,055,000	(320,000)	-6.76%
Water & Sewer - Series 2005 Bond	-	155,000	(155,000)	
Georgia Environmental Facility Authority Note Payables	5,183,053	5,511,555	(328,502)	-6.34%
Compensated absences	26,601	24,583	2,018	7.59%
Net pension liability	279,828	216,106	63,722	22.77%
Total debt service business-type activities	10,224,482	10,962,244	(737,762)	-7.22%
Total all debt service	\$ 10,349,279	\$ 11,204,559	\$ (855,280)	-8.26%

- The governmental and business-type activities include a cumulative net pension liability of \$1,698,571 for current year and \$1,340,161 for the prior year.
- The governmental activities acquired two capital leases originally totaling \$302,123 from SunTrust Bank to finance the purchase of equipment for Public Safety and the Public Works departments. The outstanding balance of capital leases June 30, 2016 is \$124,797.
- The Water and Sewer fund reduced the City's debt position by paying \$366,881 to the Georgia Environmental Financial Authority for loans borrowed to replace and repair water and sewer lines and lift stations. The total interest expense accrued and paid was \$130,018. The balance due is \$5,183,053.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2016

- The Water and Sewer fund reduced the City's debt position by paying \$155,000 toward 2005 Series revenue bonds. The total interest expense accrued and paid was \$5,766. This was the final balance due on this debt series.
- The River's End RV Park fund reduced the City's debt position by paying \$320,000 toward the Chatham County Recreational Revenue Bonds issued to acquire the campground. The total interest expense accrued and paid was \$231,653. The balance due is \$4,735,000.

Economic Factors and Next Year's Budgets and Rates

The City expects the tax digest to remain steady as new construction for residential development has slowed and commercial development is not expected to change. The City will continue to issue 40 to 55 special event permits which generate tourism for the City throughout the year which will help maintain the level of the City's major revenue sources, parking fees and hotel motel taxes, both which continue to increase each year. The recovery of home prices that led to higher property tax collections and appraised property values was offset by the City's reduction in the mileage rate for 2016.

The Chatham County Government pledged \$805,925 from its SPLOST VI proceeds to the City to spend on beach related capital projects. In 2015-2016, the City used \$1,050,000 of the money to build a bathroom-beach shower facility and concession stand in the north beach area of the island.

In fiscal year 2017, the City plans to refinance the campground revenue bond debt service to lower the interest rate from 4.25% to at least 2.25% for the remaining 10 year term.

The State of Georgia plans continue to construct a test well on the north end of the island. The City expects to learn the resulting of project from the State of Georgia by December of 2016. The success of the test well will significantly impact the future of the City's Water and Sewer fund operations and its needs to generate enough revenue to finance the construction and operations of a water filter plant. Although each year the City increases its water and sewer rates annually in January based on the consumer price index, these rate increases are not enough to finance the future operations of a water filter plant. The City plans to make significant changes in how the water & sewer rates increase going forward. In fiscal year 2017, the City plans to refinance the three of the water & sewer's GEFA and GELAC loans to lower the interest rates from 3%+ to at least 2.25%. The City plans to finance two large capital projects with an additional loan from GEFA for \$1.6 million.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department (912) 472-5021, City Hall, 403 Butler Street, Tybee Island, Georgia 31328.

CITY OF TYBEE ISLAND, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and cash equivalents	\$ 3,782,126	\$ 1,173,193	\$ 4,955,319
Investments	5,068,117	-	5,068,117
Taxes receivable	982,192	-	982,192
Accounts receivable, net of allowances	138,135	334,291	472,426
Due from other governments	232,367	-	232,367
Internal balances	57,922	(57,922)	-
Inventory	-	61,697	61,697
Prepaid expenses	117,890	38,010	155,900
Capital assets:			
Nondepreciable	2,245,397	7,384,659	9,630,056
Depreciable, net of accumulated depreciation	9,612,193	14,568,928	24,181,121
Total assets	22,236,339	23,502,856	45,739,195
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	273,044	52,172	325,216
Pension investment return	182,177	42,722	224,899
Total deferred outflows of resources	455,221	94,894	550,115
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts payable	1,210,498	438,678	1,649,176
Accrued liabilities	3,274	109,665	112,939
Retainage payable	41,811	-	41,811
Unearned revenue	-	125,916	125,916
Customer deposits payable	8,650	219,450	228,100
Notes payable due within one year	-	412,889	412,889
Notes payable due in more than one year	-	4,770,164	4,770,164
Capital lease due within one year	115,168	-	115,168
Capital lease due in more than one year	9,629	-	9,629
Compensated absences due within one year	216,854	26,601	243,455
Compensated absences due in more than one year	4,824	-	4,824
Bonds payable due within one year	-	335,000	335,000
Bonds payable due in more than one year	-	4,400,000	4,400,000
Net pension liability	1,418,743	279,828	1,698,571
Total liabilities	3,029,451	11,118,191	14,147,642
DEFERRED INFLOWS OF RESOURCES			
Pension experience differences	50,036	9,365	59,401
Pension assumption changes	1,175	217	1,392
Total deferred inflows of resources	51,211	9,582	60,793
NET POSITION			
Net investment in capital assets	11,732,793	12,035,534	23,768,327
Restricted for capital outlay	810,887	-	810,887
Unrestricted	7,067,218	434,443	7,501,661
Total net position	\$ 19,610,898	\$ 12,469,977	\$ 32,080,875

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

CITY OF TYBEE ISLAND, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,119,597	\$ 372,759	\$ -	\$ -	\$ (1,746,838)	\$ -	\$ (1,746,838)
Judicial	12,400	98,340	-	-	85,940	-	85,940
Public safety	3,357,865	610,204	-	1,651,917	(1,095,744)	-	(1,095,744)
Public works	2,044,697	-	-	58,731	(1,985,966)	-	(1,985,966)
Culture and recreation	4,909,745	25,441	-	-	(4,884,304)	-	(4,884,304)
Housing and community development	875,624	3,519,776	-	-	2,644,152	-	2,644,152
Interest on long-term debt	3,267	-	-	-	(3,267)	-	(3,267)
Total governmental activities	13,323,194	4,626,520	-	1,710,648	(6,986,026)	-	(6,986,026)
Business-type activities:							
Water and sewer	3,045,841	2,846,291	-	74,602	-	(124,948)	(124,948)
Rivers End RV Park	1,278,590	1,567,277	-	-	-	288,687	288,687
Solid Waste collection	703,338	701,743	-	-	-	(1,595)	(1,595)
Total business-type activities	5,027,769	5,115,311	-	74,602	-	162,144	162,144
Total primary government	\$ 18,350,963	\$ 9,741,831	\$ -	\$ 1,785,250	(6,986,026)	162,144	(6,823,882)
General revenues:							
Property taxes					1,880,454	-	1,880,454
Sales taxes					1,132,807	-	1,132,807
Hotel / motel taxes					3,107,136	-	3,107,136
Franchise taxes					475,249	-	475,249
Other taxes					620,979	-	620,979
Unrestricted investment earnings					18,380	191	18,571
Total general revenues					7,235,005	191	7,235,196
Change in net position					248,979	162,335	411,314
Net position, beginning of year					19,361,919	12,307,642	31,669,561
Net position, end of year					\$ 19,610,898	\$ 12,469,977	\$ 32,080,875

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

CITY OF TYBEE ISLAND, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,521,864	\$ -	\$ 275,008	\$ 985,254	\$ 3,782,126
Investments	5,068,117	-	-	-	5,068,117
Taxes receivable	415,655	566,537	-	-	982,192
Accounts receivable	65,539	-	-	72,596	138,135
Due from other governments	101,989	-	-	130,378	232,367
Due from other funds	171,266	-	-	-	171,266
Prepaid items	117,555	-	-	335	117,890
Total assets	<u>\$ 8,461,985</u>	<u>\$ 566,537</u>	<u>\$ 275,008</u>	<u>\$ 1,188,563</u>	<u>\$ 10,492,093</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 172,900	\$ 453,193	\$ 274,384	\$ 310,021	\$ 1,210,498
Accrued liabilities	3,274	-	-	-	3,274
Retainage payable	-	-	-	41,811	41,811
Due to other funds	-	113,344	-	-	113,344
Deposits payable	8,650	-	-	-	8,650
Total liabilities	<u>184,824</u>	<u>566,537</u>	<u>274,384</u>	<u>351,832</u>	<u>1,377,577</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>169,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,883</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	117,555	-	-	335	117,890
Restricted for:					
Capital projects	-	-	624	810,263	810,887
Public safety	-	-	-	26,133	26,133
Committed for:					
Future capital projects	1,015,649	-	-	-	1,015,649
Retrofit revolving loan	30,000	-	-	-	30,000
Economic stabilization	4,976,840	-	-	-	4,976,840
Assigned to:					
Palms Up Tree Replacement Project	29,740	-	-	-	29,740
Beach renourishment	300,000	-	-	-	300,000
Community Development Project	1,500	-	-	-	1,500
FY2017 budget	1,378,943	-	-	-	1,378,943
Unassigned	257,051	-	-	-	257,051
Total fund balances	<u>8,107,278</u>	<u>-</u>	<u>624</u>	<u>836,731</u>	<u>8,944,633</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,461,985</u>	<u>\$ 566,537</u>	<u>\$ 275,008</u>	<u>\$ 1,188,563</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					11,857,590
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					169,883
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.					
Capital lease					(124,797)
Net pension liability					(1,418,743)
Deferred inflow of resources - pension contributions					273,044
Deferred outflows of resources - pension experience differences					(50,036)
Deferred outflows of resources - pension assumption changes					(1,175)
Deferred inflows of resources - pension investment return					182,177
Compensated absences					(221,678)
Net position of governmental activities					<u>\$ 19,610,898</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund	Hotel/ Motel Tax Fund	Grant Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues					
Taxes	\$ 4,116,515	\$ 3,107,136	\$ -	\$ -	\$ 7,223,651
Licenses and permits	230,242	-	-	-	230,242
Intergovernmental	58,274	-	-	1,651,917	1,710,191
Charges for services	3,411,952	-	-	59,751	3,471,703
Fines and forfeitures	857,906	-	-	-	857,906
Interest	17,756	-	624	457	18,837
Other revenues	41,228	25,441	-	-	66,669
Total revenues	8,733,873	3,132,577	624	1,712,125	13,579,199
Expenditures					
Current:					
General government	1,990,680	-	-	-	1,990,680
Judicial	12,400	-	-	-	12,400
Public safety	2,798,513	-	-	314,385	3,112,898
Public works	1,865,176	-	-	106	1,865,282
Culture and recreation	1,094,263	1,566,290	2,025,334	-	4,685,887
Housing and community development	797,805	-	-	-	797,805
Capital outlay	-	-	-	1,857,290	1,857,290
Debt service:					
Principal	72,680	-	-	44,838	117,518
Interest	2,261	-	-	1,006	3,267
Total expenditures	8,633,778	1,566,290	2,025,334	2,217,625	14,443,027
Excess (deficiency) of revenues over (under) expenditures	100,095	1,566,287	(2,024,710)	(505,500)	(863,828)
Other financing sources (uses):					
Transfers in	1,566,287	-	-	318,276	1,884,563
Transfers out	(318,276)	(1,566,287)	-	-	(1,884,563)
Total other financing sources (uses)	1,248,011	(1,566,287)	-	318,276	-
Net change in fund balances	1,348,106	-	(2,024,710)	(187,224)	(863,828)
Fund balances, beginning of year	6,759,172	-	2,025,334	1,023,955	9,808,461
Fund balances, end of year	\$ 8,107,278	\$ -	\$ 624	\$ 836,731	\$ 8,944,633

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

CITY OF TYBEE ISLAND, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Net change in fund balances - total governmental funds.	\$	(863,828)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Total capital outlay		1,835,920
Total depreciation		(748,245)
The net effect of the sale of capital assets is to decrease net position.		(63,375)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(7,026)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal repayments		117,518
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense		23,867
Compensated absences		(45,852)
	\$	<u>248,979</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 2,066,607	\$ 1,991,684	\$ 1,887,480	\$ (104,204)
Local option sales tax	1,050,000	1,132,807	1,132,807	-
Franchise taxes	390,000	443,402	475,249	31,847
Insurance premium tax	150,000	172,285	172,285	-
Alcoholic beverage excise tax	280,000	331,682	350,993	19,311
Real estate transfer tax	8,500	11,025	14,020	2,995
Occupational taxes	57,000	66,039	66,039	-
Energy excise tax	7,500	14,500	17,642	3,142
Total taxes	<u>4,009,607</u>	<u>4,163,424</u>	<u>4,116,515</u>	<u>(46,909)</u>
Licenses and permits:				
Regulatory fees	102,000	104,450	104,450	-
Building permits	75,000	81,500	81,532	32
Building inspections	20,000	25,286	25,286	-
Zoning variance requests fees	2,500	1,500	1,450	(50)
Recording fees	5,000	1,800	1,750	(50)
Other	18,750	16,440	15,774	(666)
Total licenses and permits	<u>223,250</u>	<u>230,976</u>	<u>230,242</u>	<u>(734)</u>
Intergovernmental	<u>380,163</u>	<u>420,747</u>	<u>58,274</u>	<u>(362,473)</u>
Charges for services:				
Parking fees	2,965,250	3,232,470	3,232,134	(336)
Other charges for services	148,405	181,121	179,818	(1,303)
Total charges for services	<u>3,113,655</u>	<u>3,413,591</u>	<u>3,411,952</u>	<u>(1,639)</u>
Fines and forfeitures:				
Municipal fines	453,000	458,200	570,264	112,064
Parking fines	345,000	289,000	287,642	(1,358)
Total fines and forfeitures	<u>798,000</u>	<u>747,200</u>	<u>857,906</u>	<u>110,706</u>
Interest income	<u>9,000</u>	<u>17,400</u>	<u>17,756</u>	<u>356</u>
Miscellaneous:				
Contributions	3,100	410	410	-
Rents and royalties	14,401	17,701	17,796	95
Other	674,796	20,450	23,022	2,572
Total miscellaneous	<u>692,297</u>	<u>38,561</u>	<u>41,228</u>	<u>2,667</u>
Total revenues	<u>9,225,972</u>	<u>9,031,899</u>	<u>8,733,873</u>	<u>(298,026)</u>
Expenditures:				
Current:				
General government				
Governing body	210,581	210,581	201,579	9,002
Clerk of council	109,706	110,638	97,006	13,632
City manager	197,450	218,387	200,727	17,660
Financial administration	445,297	473,297	410,461	62,836
Legal	169,000	229,495	231,538	(2,043)
Information technology	474,078	474,078	470,836	3,242
Human resources	107,333	107,333	101,656	5,677
Building and plant maintenance	356,984	330,305	276,877	53,428
Total general government	<u>2,070,429</u>	<u>2,154,114</u>	<u>1,990,680</u>	<u>163,434</u>

(Continued)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current:				
Judicial				
Municipal Court	\$ 16,000	\$ 16,000	\$ 12,400	\$ 3,600
Total judicial	<u>16,000</u>	<u>16,000</u>	<u>12,400</u>	<u>3,600</u>
Public safety				
Police administration	2,367,949	2,367,949	2,279,993	87,956
Beach patrol	129,412	129,412	118,636	10,776
Fire administration	431,808	431,808	335,535	96,273
Emergency management	69,167	69,167	64,349	4,818
Total public safety	<u>2,998,336</u>	<u>2,998,336</u>	<u>2,798,513</u>	<u>199,823</u>
Public works				
General operations	2,074,714	2,083,787	1,601,502	482,285
Solid waste collection	188,500	265,840	263,674	2,166
Total public works	<u>2,263,214</u>	<u>2,349,627</u>	<u>1,865,176</u>	<u>484,451</u>
Culture and recreation				
General operations	167,767	167,767	162,492	5,275
Recreation centers	158,450	158,450	158,450	-
Beach, lifeguards, dunes	536,839	491,839	482,695	9,144
Museums	41,337	41,337	34,836	6,501
Parks administration	235,844	284,152	255,790	28,362
Total culture and recreation	<u>1,140,237</u>	<u>1,143,545</u>	<u>1,094,263</u>	<u>49,282</u>
Housing and development				
Zoning and inspection	353,352	373,545	245,264	128,281
Urban redevelopment	119,549	137,549	111,982	25,567
Parking	943,315	491,925	440,559	51,366
Total housing and development	<u>1,416,216</u>	<u>1,003,019</u>	<u>797,805</u>	<u>205,214</u>
Total current expenditures	<u>9,904,432</u>	<u>9,664,641</u>	<u>8,558,837</u>	<u>1,105,804</u>
Debt service:				
Principal	55,710	72,680	72,680	-
Interest	1,582	2,356	2,261	95
Total debt service	<u>57,292</u>	<u>75,036</u>	<u>74,941</u>	<u>95</u>
Total expenditures	<u>9,961,724</u>	<u>9,739,677</u>	<u>8,633,778</u>	<u>1,105,899</u>
Excess (deficiency) of revenues over expenditures	<u>(735,752)</u>	<u>(707,778)</u>	<u>100,095</u>	<u>807,873</u>
Other financing sources (uses):				
Sale of capital assets	40	-	-	-
Transfers in	1,175,000	1,553,000	1,566,287	13,287
Transfers out	(439,288)	(845,222)	(318,276)	526,946
Total other financing sources (uses)	<u>735,752</u>	<u>707,778</u>	<u>1,248,011</u>	<u>540,233</u>

(Continued)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Net change in fund balance	\$ -	\$ -	\$ 1,348,106	\$ 1,348,106
Fund balances, beginning of year	<u>6,759,172</u>	<u>6,759,172</u>	<u>6,759,172</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,759,172</u>	<u>\$ 6,759,172</u>	<u>\$ 8,107,278</u>	<u>\$ 1,348,106</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 3,150,000	\$ 3,107,136	\$ (42,864)
Other revenues	25,000	25,441	441
Total revenues	<u>3,175,000</u>	<u>3,132,577</u>	<u>(42,423)</u>
Expenditures:			
Current:			
Culture and recreation	1,575,000	1,566,290	8,710
Total expenditures	<u>1,575,000</u>	<u>1,566,290</u>	<u>8,710</u>
Excess of revenues over expenditures	<u>1,600,000</u>	<u>1,566,287</u>	<u>(33,713)</u>
Other financing uses:			
Transfers out	(1,600,000)	(1,566,287)	33,713
Total other financing uses	<u>(1,600,000)</u>	<u>(1,566,287)</u>	<u>33,713</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	<u>Water and Sewer Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,133,028	\$ 6,172	\$ 33,993	\$ 1,173,193
Accounts receivable, net of allowances	266,652	-	67,639	334,291
Inventory	30,983	30,714	-	61,697
Prepaid expenses	16,044	21,966	-	38,010
Total current assets	<u>1,446,707</u>	<u>58,852</u>	<u>101,632</u>	<u>1,607,191</u>
Noncurrent assets				
Capital assets:				
Nondepreciable	514,659	6,870,000	-	7,384,659
Depreciable, net of accumulated depreciation	13,994,938	573,990	-	14,568,928
Total noncurrent assets	<u>14,509,597</u>	<u>7,443,990</u>	<u>-</u>	<u>21,953,587</u>
Total assets	<u>15,956,304</u>	<u>7,502,842</u>	<u>101,632</u>	<u>23,560,778</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	36,306	15,866	-	52,172
Pension investment return	26,740	15,982	-	42,722
Total deferred outflows of resources	<u>63,046</u>	<u>31,848</u>	<u>-</u>	<u>94,894</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
LIABILITIES				
Current liabilities:				
Accounts payable	326,913	39,058	72,707	438,678
Accrued liabilities	11,546	98,119	-	109,665
Due to other funds	-	57,922	-	57,922
Compensated absences, current	13,501	13,100	-	26,601
Notes payable, current	412,889	-	-	412,889
Bonds payable, current	-	335,000	-	335,000
Unearned revenue	-	125,916	-	125,916
Total current liabilities	<u>764,849</u>	<u>669,115</u>	<u>72,707</u>	<u>1,506,671</u>
Noncurrent liabilities:				
Customer deposits	219,450	-	-	219,450
Notes payable, net of current portion	4,770,164	-	-	4,770,164
Bonds payable, net of current portion	-	4,400,000	-	4,400,000
Net pension liability	191,425	88,403	-	279,828
Total noncurrent liabilities	<u>5,181,039</u>	<u>4,488,403</u>	<u>-</u>	<u>9,669,442</u>
Total liabilities	<u>5,945,888</u>	<u>5,157,518</u>	<u>72,707</u>	<u>11,176,113</u>
DEFERRED INFLOWS OF RESOURCES				
Pension experience differences	6,591	2,774	-	9,365
Pension assumption changes	154	63	-	217
Total deferred inflows of resources	<u>6,745</u>	<u>2,837</u>	<u>-</u>	<u>9,582</u>
NET POSITION				
Net investment in capital assets	9,326,544	2,708,990	-	12,035,534
Unrestricted (deficit)	740,173	(334,655)	28,925	434,443
Total net position	<u>\$ 10,066,717</u>	<u>\$ 2,374,335</u>	<u>\$ 28,925</u>	<u>\$ 12,469,977</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Water and Sewer Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services:				
Water charges	\$ 1,080,827	\$ -	\$ -	\$ 1,080,827
Sewer charges	1,496,697	-	-	1,496,697
Camping fees	-	1,567,277	-	1,567,277
Stubbing fees	9,337	-	-	9,337
Tapping fees	14,561	-	-	14,561
Rental fees	202,132	-	-	202,132
Sanitation collection fees	-	-	701,743	701,743
Other	42,737	-	-	42,737
Total operating revenues	<u>2,846,291</u>	<u>1,567,277</u>	<u>701,743</u>	<u>5,115,311</u>
OPERATING EXPENSES				
Personnel services	680,959	371,099	-	1,052,058
Administrative	88,132	312,288	-	400,420
Utilities	250,543	124,666	-	375,209
Supplies	96,381	127,879	-	224,260
Repairs and maintenance	374,812	66,108	-	440,920
Sanitation services	-	-	703,338	703,338
Miscellaneous	230,150	-	-	230,150
Depreciation	539,008	44,896	-	583,904
Total operating expenses	<u>2,259,985</u>	<u>1,046,936</u>	<u>703,338</u>	<u>4,010,259</u>
Operating income (loss)	<u>586,306</u>	<u>520,341</u>	<u>(1,595)</u>	<u>1,105,052</u>
NONOPERATING INCOME (EXPENSES)				
Interest expense	(151,315)	(231,654)	-	(382,969)
Interest income	191	-	-	191
Loss on sale of capital assets	(634,541)	-	-	(634,541)
Total nonoperating expenses	<u>(785,665)</u>	<u>(231,654)</u>	<u>-</u>	<u>(1,017,319)</u>
Income (loss) before contributions	(199,359)	288,687	(1,595)	87,733
CAPITAL CONTRIBUTIONS				
	74,602	-	-	74,602
Change in net position	(124,757)	288,687	(1,595)	162,335
NET POSITION, beginning of year	<u>10,191,474</u>	<u>2,085,648</u>	<u>30,520</u>	<u>12,307,642</u>
NET POSITION, end of year	<u>\$ 10,066,717</u>	<u>\$ 2,374,335</u>	<u>\$ 28,925</u>	<u>\$ 12,469,977</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Water and Sewer Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,950,254	\$ 1,563,174	\$ 687,751	\$ 5,201,179
Payments to suppliers	(847,345)	(605,078)	(682,079)	(2,134,502)
Payments to employees	(685,016)	(367,223)	-	(1,052,239)
Net cash provided by operating activities	<u>1,417,893</u>	<u>590,873</u>	<u>5,672</u>	<u>2,014,438</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,377,498)	(33,466)	-	(1,410,964)
Proceeds from notes payable	-	-	-	-
Principal paid on bonds	(155,000)	(320,000)	-	(475,000)
Principal paid on notes payable	(328,502)	-	-	(328,502)
Interest paid	(151,756)	(237,407)	-	(389,163)
Net cash used in capital and related financing activities	<u>(2,012,756)</u>	<u>(590,873)</u>	<u>-</u>	<u>(2,603,629)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on operating cash	191	-	-	191
Net cash provided by investing activities	<u>191</u>	<u>-</u>	<u>-</u>	<u>191</u>
Net change in cash and cash equivalents	(594,672)	-	5,672	(589,000)
Cash and cash equivalents, beginning of year	<u>1,727,700</u>	<u>6,172</u>	<u>28,321</u>	<u>1,762,193</u>
Cash and cash equivalents, end of year	<u>\$ 1,133,028</u>	<u>\$ 6,172</u>	<u>\$ 33,993</u>	<u>\$ 1,173,193</u>
Classified as:				
Cash and cash equivalents	<u>\$ 1,133,028</u>	<u>\$ 6,172</u>	<u>\$ 33,993</u>	<u>\$ 1,173,193</u>
	<u>\$ 1,133,028</u>	<u>\$ 6,172</u>	<u>\$ 33,993</u>	<u>\$ 1,173,193</u>

(Continued)

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Water and Sewer Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 586,306	\$ 520,341	\$ (1,595)	\$ 1,105,052
Adjustments to reconcile operating income (loss) to net cash provided by operating				
Depreciation	539,008	44,896	-	583,904
Change in assets and liabilities:				
(Increase) decrease:				
Accounts receivable	83,963	-	(13,992)	69,971
Inventory	27,204	1,390	-	28,594
Prepaid expenses	(4,835)	11,436	-	6,601
Increase (decrease):				
Accounts payable	170,304	13,037	21,259	204,600
Accrued expenses	(693)	5,672	-	4,979
Customer deposits	20,000	10,638	-	30,638
Net pension liability	(3,364)	(1,796)	-	(5,160)
Due to other funds	-	(14,741)	-	(14,741)
Net cash provided by operating activities	<u>\$ 1,417,893</u>	<u>\$ 590,873</u>	<u>\$ 5,672</u>	<u>\$ 2,014,438</u>
Noncash capital and related financing activities:				
Noncash investing, capital, and financing activities:				
Contributions from developers	\$ 74,602	\$ -	\$ -	\$ 74,602
	<u>\$ 74,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,602</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2016**

	<u>Agency Fund Municipal Court</u>
ASSETS	
Cash	\$ 98,485
Total assets	<u>\$ 98,485</u>
LIABILITIES	
Due to others	\$ 98,485
Total liabilities	<u>\$ 98,485</u>

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

CITY OF TYBEE ISLAND, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity should include those of the City and its component unit. The component unit discussed below had no activity or account balances, for the year ended June 30, 2016, to report in the financial statements.

The Downtown Development Authority ("the Authority") was activated by the Mayor and City Council in August 2014. The Authority is part of the City's Main Street Program and Directors serve as the Tybee Island Main Street Board of Directors for the Development Authority. Program Directors are appointed by City Council to provide assistance and opportunities, as available that encourage economic growth and development while preserving the unique architectural and community heritage. The Authority had no financial activity during the fiscal year ending June 30, 2016.

B. Government-wide and Fund Financial Statements

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements, although the agency fund has no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

The City reports the following major governmental funds:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

The **capital projects funds** account for expenditures for capital improvements made the City. Financing is provided by special purpose local sales tax.

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

The **enterprise 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, the Emergency 911 Fund, and the Confiscated Assets Fund. All appropriations lapse at the end of the June 30 fiscal year. Revenues and expenditures of the Capital Projects Fund are budgeted on a project length basis and are, therefore, excluded from presentation in the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

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

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

F. Inventory and Prepaid Items

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

G. Short-Term Interfund Receivables/Payables

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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

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

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended June 30, 2016, no amounts of interest were capitalized.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-Term Liabilities

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

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

J. Compensated Absences

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

K. Deferred Outflows/Inflows of Resources

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

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

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

L. Pensions

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

M. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Use of Estimates

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

NOTE 2. LEGAL COMPLIANCE – BUDGETS

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

Total cash and investments as of June 30, 2016, are summarized as follows:

Amounts as presented on the entity wide statement of net position:	
Cash and cash equivalents	\$ 4,955,319
Investments	5,068,117
Amounts as presented on the statement of fiduciary assets and liabilities:	
Cash	98,485
Total	\$ 10,121,921
Cash deposited with financial institutions	\$ 5,053,804
Cash deposited with Georgia Fund 1	5,068,117
Total	\$ 10,121,921

State statutes authorize the City to invest in obligations of the U.S. Government and agencies or corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value). The pool is regulated by the Georgia Office of the State Treasurer and is currently rated AA+ by Standard and Poor's.

At June 30, 2016, the City had the following investments:

Investments	Maturity	Fair Value
Georgia Fund 1	42 days weighted average	\$ 5,068,117

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At June 30, 2016, the City was not exposed to custodial credit risk for its deposits.

Custodial credit risk – investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At June 30, 2016, the City was not exposed to custodial credit risk for its investments.

NOTE 4. RECEIVABLES

Property taxes were levied on September 15, 2015 with a due date of November 15, 2015, and again on April 1, 2016 with a due date of June 1, 2016. Taxes are considered delinquent after November 15 and June 1 for the respective levy dates– which would also be the lien date. The net receivables collected during the year ended June 30, 2016, and expected to be collected by August 31, 2016, are recognized as revenues in the year ended June 30, 2016. Net receivables estimated to be collectible subsequent to August 31, 2016, are recorded as revenue when received. Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Hotel/Motel Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Solid Waste Collection Fund</u>
Receivables:					
Taxes	\$ 439,834	\$ 566,537	\$ -	\$ -	\$ -
Accounts	123,588	-	72,596	297,321	75,265
Gross receivables	<u>563,422</u>	<u>566,537</u>	<u>72,596</u>	<u>297,321</u>	<u>75,265</u>
Less: allowance for uncollectibles	(82,228)	-	-	(30,669)	(7,626)
Net total receivables	<u>\$ 481,194</u>	<u>\$ 566,537</u>	<u>\$ 72,596</u>	<u>\$ 266,652</u>	<u>\$ 67,639</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, is as follows:

	<u>Beginning</u> Balance	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,102,857	\$ -	\$ -	\$ -	\$ 1,102,857
Construction in progress	455,402	978,261	-	(291,123)	1,142,540
Total capital assets, not being depreciated	<u>1,558,259</u>	<u>978,261</u>	<u>-</u>	<u>(291,123)</u>	<u>2,245,397</u>
Capital assets, being depreciated:					
Buildings and improvements	6,804,703	45,997	-	262,342	7,113,042
Machinery and equipment	4,393,886	782,575	(65,000)	-	5,111,461
Infrastructure	3,102,200	29,087	-	28,781	3,160,068
Total capital assets, being depreciated	<u>14,300,789</u>	<u>857,659</u>	<u>(65,000)</u>	<u>291,123</u>	<u>15,384,571</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,430,727)	(176,075)	-	-	(1,606,802)
Machinery and equipment	(2,063,927)	(383,712)	1,625	-	(2,446,014)
Infrastructure	(1,531,104)	(188,458)	-	-	(1,719,562)
Total accumulated depreciation	<u>(5,025,758)</u>	<u>(748,245)</u>	<u>1,625</u>	<u>-</u>	<u>(5,772,378)</u>
Total capital assets, being depreciated, net	<u>9,275,031</u>	<u>109,414</u>	<u>(63,375)</u>	<u>291,123</u>	<u>9,612,193</u>
Governmental activities capital assets, net	<u>\$ 10,833,290</u>	<u>\$ 1,087,675</u>	<u>\$ (63,375)</u>	<u>\$ -</u>	<u>\$ 11,857,590</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Construction in progress	\$ 1,767,600	\$ 411,027	\$ -	\$ (1,767,600)	\$ 411,027
Land	6,973,632	-	-	-	6,973,632
Total capital assets, not being depreciated	8,741,232	411,027	-	(1,767,600)	7,384,659
Capital assets, being depreciated:					
Land improvements	239,621	27,766	-	-	267,387
Buildings	441,718	5,700	-	-	447,418
Utility systems and improvements	16,333,008	1,041,073	(1,168,192)	1,767,600	17,973,489
Machinery and equipment	1,433,896	-	(5,638)	-	1,428,258
Total capital assets, being depreciated	18,448,243	1,074,539	(1,173,830)	1,767,600	20,116,552
Less accumulated depreciation for:					
Land improvements	(45,009)	(20,566)	-	-	(65,575)
Buildings	(91,977)	(17,239)	-	-	(109,216)
Utility systems and improvements	(4,866,547)	(443,860)	533,651	-	(4,776,756)
Machinery and equipment	(499,476)	(102,239)	5,638	-	(596,077)
Total accumulated depreciation	(5,503,009)	(583,904)	539,289	-	(5,547,624)
Total capital assets, being depreciated, net	12,945,234	490,635	(634,541)	1,767,600	14,568,928
Business-type activities capital assets, net	\$ 21,686,466	\$ 901,662	\$ (634,541)	\$ -	\$ 21,953,587

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$ 65,840
Public safety	230,658
Public works	176,797
Culture and recreation	202,530
Housing and community development	72,420
Total depreciation expense - governmental activities	<u>\$ 748,245</u>

Business-type activities:

Water and sewer	\$ 539,008
Rivers End RV park	44,896
Total depreciation expense - business-type activities	<u>\$ 583,904</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease payable	\$ 242,315	\$ -	\$ (117,518)	\$ 124,797	\$ 115,168
Compensated absences	175,826	315,358	(269,506)	221,678	216,854
Net pension liability	1,124,055	724,479	(429,791)	1,418,743	-
Governmental activity Long-term liabilities	\$ 1,542,196	\$ 1,039,837	\$ (816,815)	\$ 1,765,218	\$ 332,022
Business-type activities:					
Notes payable	\$ 5,511,555	\$ 38,380	\$ (366,882)	\$ 5,183,053	\$ 412,889
Revenue bonds payable	5,210,000	-	(475,000)	4,735,000	335,000
Compensated absences	24,583	59,992	(57,974)	26,601	26,601
Net pension liability	216,106	158,066	(94,344)	279,828	-
Business-type activity Long-term liabilities	\$ 10,962,244	\$ 256,438	\$ (994,200)	\$ 10,224,482	\$ 774,490

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

Capital Leases

The City has entered into a lease agreement as lessee to finance the acquisition of a phone system, E911 equipment, and certain other machinery and equipment. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception.

	Governmental Activities
Machinery and equipment	\$ 405,286
Less: Accumulated depreciation	(71,837)
	\$ 333,449

Current year depreciation for the leased equipment is \$27,290.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Capital Leases (Continued)

The City's capital lease debt service requirements to maturity, including interest ranging from 1.44% to 2.87% are as follows:

Fiscal Year Ending June 30,		
2017	\$	116,373
2018		9,548
Total minimum lease payments		125,921
Less amount representing interest		(1,124)
Present value of minimum lease payments	\$	124,797

Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City's outstanding bonds at June 30, 2016, are as follows:

Description	Original Amount	Interest Rate	Due Date	Amount
Rivers End RV Park, Series 2006	\$ 7,130,000	4.85%	2026	\$ 4,735,000
				4,735,000
			Less current portion	(335,000)
				\$ 4,400,000

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

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

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

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

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 556,524	\$ 335,000	\$ 221,524
2018	559,791	355,000	204,791
2019	557,210	370,000	187,210
2020	553,901	385,000	168,901
2021	554,744	405,000	149,744
2022 - 2026	2,771,194	2,345,000	426,194
2027	553,095	540,000	13,095
	<u>\$ 6,106,459</u>	<u>\$ 4,735,000</u>	<u>\$ 1,371,459</u>

Notes Payable

The Water and Sewer Fund has incurred debt to the Georgia Environmental Facilities Authority for water and sewer system improvements. These notes are as follows at June 30, 2016.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
Wastewater treatment plant upgrade	\$ 2,991,414	3.00%	2022	\$ 1,214,271
Water line extensions	2,188,652	3.18%	2026	1,320,028
Water line extensions	1,422,820	3.08%	2030	1,082,474
Water line extensions and lift stations	1,601,090	1.40%	2035	1,566,280
				<u>5,183,053</u>
			Less current portion	(412,889)
				<u>\$ 4,770,164</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Total notes payable service requirements to maturity are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 541,385	\$ 412,889	\$ 128,496
2018	542,498	424,315	118,183
2019	541,265	436,316	104,949
2020	541,266	448,603	92,663
2021	541,266	461,459	79,807
2022 - 2026	1,985,736	1,752,767	232,969
2027 - 2031	997,666	846,784	150,882
2032 - 2036	412,893	399,920	12,973
	<u>\$ 6,103,975</u>	<u>\$ 5,183,053</u>	<u>\$ 920,922</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of June 30, 2016, are as follows:

<u>Due To</u>	Due From		Total
	Hotel Motel Tax Fund	River End RV Park Fund	
General Fund	\$ 113,344	\$ 57,922	\$ 171,266
Total	\$ 113,344	\$ 57,922	\$ 171,266

Interfund transfers for the fiscal year ended June 30, 2016, consisted of the following:

<u>Transfer To</u>	Transfer From		Total
	General Fund	Hotel/Motel Fund	
General Fund	\$ -	\$ 1,566,287	\$ 1,566,287
Nonmajor governmental funds	318,276	-	318,276
Total	\$ 318,276	\$ 1,566,287	\$ 1,884,563

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN

Plan Description

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

Plan membership. As of January 1, 2016, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	37
Terminated employees entitled to benefits but not yet receiving them	44
Active plan members	<u>97</u>
Total membership in the plan	<u><u>178</u></u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Employees make no contributions to the Plan. The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2016, the City's contribution rate was 11.12% of annual payroll. City contributions to the Plan were \$433,621 for the year ended June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015.

Actuarial assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – June 30, 2014.

The cost of living adjustment is assumed to be 3.00%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

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

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

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

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 7,782,261	\$ 6,442,100	\$ 1,340,161
<i>Changes for the year:</i>			
Service cost	271,181	-	271,181
Interest	591,196	-	591,196
Differences between expected and actual experience	(6,456)	-	(6,456)
Contributions—employer	-	450,057	(450,057)
Net investment income	-	67,622	(67,622)
Benefit payments, including refunds of employee contributions	(307,853)	(307,853)	-
Administrative expense	-	(20,168)	20,168
Other	-	-	-
<i>Net changes</i>	<u>548,068</u>	<u>189,658</u>	<u>358,410</u>
Balances at June 30, 2016	<u>\$ 8,330,329</u>	<u>\$ 6,631,758</u>	<u>\$ 1,698,571</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Tybee Island's net pension liability	\$ 2,480,886	\$ 1,698,571	\$ 756,201

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2015, and the current sharing pattern of costs between employer and employee.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2016, the City recognized pension expense of \$404,593. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (59,401)
Changes in assumptions	-	(1,392)
Net difference between projected and actual earnings on pension plan investments	224,899	-
City contributions subsequent to the measurement date	325,216	-
Total	\$ 550,115	\$ (60,793)

City contributions subsequent to the measurement date of \$325,216 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a component of pension expense as follows:

Year ending June 30:	
2017	\$ (26,041)
2018	(26,041)
2019	(26,041)
2020	(85,983)
Total	\$ (164,106)

NOTES TO FINANCIAL STATEMENTS

NOTE 9. RISK MANAGEMENT

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

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

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

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

NOTE 10. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the nine county coastal Georgia region, is a member of the Coastal Georgia Regional Commission (RC) and is required to pay annual dues thereto. During the fiscal year ended June 30, 2016, the City paid \$1,752 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from the Coastal Georgia Regional Commission, 127 "F" Street, Brunswick, Georgia 31520.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

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

Grant Contingencies

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

NOTE 12. HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. For the fiscal year ended June 30, 2016, \$3,107,136 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$1,044,089 to the Savannah Chamber of Commerce and \$522,201 to the Georgia International Convention Center).

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TYBEE ISLAND, GEORGIA

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

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 271,181	\$ 254,414
Interest on total pension liability	591,196	559,195
Differences between expected and actual experience	(6,456)	(90,395)
Changes of assumptions	-	(2,320)
Benefit payments, including refunds of employee contributions	<u>(307,853)</u>	<u>(308,101)</u>
Net change in total pension liability	548,068	412,793
Total pension liability - beginning	<u>7,782,261</u>	<u>7,369,468</u>
Total pension liability - ending (a)	<u>\$ 8,330,329</u>	<u>\$ 7,782,261</u>
Plan fiduciary net position		
Contributions - employer	\$ 450,057	\$ 428,260
Net investment income	67,622	651,704
Benefit payments, including refunds of employee contribution	(307,853)	(308,101)
Administrative expenses	<u>(20,168)</u>	<u>(15,776)</u>
Net change in plan fiduciary net position	189,658	756,087
Plan fiduciary net position - beginning	<u>6,442,100</u>	<u>5,686,013</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,631,758</u>	<u>\$ 6,442,100</u>
City's net pension liability - ending (a) - (b)	<u>\$ 1,698,571</u>	<u>\$ 1,340,161</u>
Plan fiduciary net position as a percentage of the total pension liability	79.61%	82.78%
Covered employee payroll	\$ 3,832,932	\$ 3,837,698
City's net pension liability as a percentage of covered employee payroll	44.32	34.92%

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

CITY OF TYBEE ISLAND, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY CONTRIBUTIONS

	2016	2015
Actuarially determined contribution	\$ 433,621	\$ 455,536
Contributions in relation to the actuarially determined contribution	433,621	455,536
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 3,832,932	\$ 3,837,698
Contributions as a percentage of covered employee payroll	11.30%	11.87%

Notes to the Schedule

Valuation Date	January 1, 2016
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost-of-living Adjustment	3.00%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective amortization period of 10 years.

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

COMBINING STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

E911 Fund- To account for the operations of the E-911 system.

Confiscated Assets Fund- To account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from drug enforcement.

Capital Project Funds

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

2008 Special Purpose Local Option Sales Tax Fund- To account for projects supported by the special purpose local option sales tax, including road improvements; public safety projects; recreation projects; water and sewer projects; and public building projects.

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

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

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 17,870	\$ 967,384	\$ 985,254
Accounts receivable	8,263	64,333	72,596
Due from other governments	-	130,378	130,378
Prepaid expenditures	335	-	335
	<u>26,468</u>	<u>1,162,095</u>	<u>1,188,563</u>
Total assets	\$ 26,468	\$ 1,162,095	\$ 1,188,563
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 310,021	\$ 310,021
Retainage payable	-	41,811	41,811
Total liabilities	<u>-</u>	<u>351,832</u>	<u>351,832</u>
FUND BALANCE			
Nonspendable - prepaid items	335	-	335
Restricted for:			
Public safety	26,133	-	26,133
Capital projects	-	810,263	810,263
Total fund balance	<u>26,468</u>	<u>810,263</u>	<u>836,731</u>
Total liabilities and fund balance	\$ 26,468	\$ 1,162,095	\$ 1,188,563

CITY OF TYBEE ISLAND, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental	\$ -	\$ 1,651,917	\$ 1,651,917
Charges for services	59,751	-	59,751
Interest income	-	457	457
Total revenues	59,751	1,652,374	1,712,125
Expenditures:			
Current:			
Public safety	314,385	-	314,385
Public works	-	106	106
Capital outlay	-	1,857,290	1,857,290
Debt service:			
Principal	44,838	-	44,838
Interest	1,006	-	1,006
Total expenditures	360,229	1,857,396	2,217,625
Deficiency of revenues over expenditures	(300,478)	(205,022)	(505,500)
Other financing sources:			
Transfers in	318,276	-	318,276
Total other financing sources	318,276	-	318,276
Net change in fund balance	17,798	(205,022)	(187,224)
Fund balance, beginning of year	8,670	1,015,285	1,023,955
Fund balance, end of year	\$ 26,468	\$ 810,263	\$ 836,731

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016**

ASSETS	E911 Fund	Confiscated Assets Fund	Total Nonmajor Special Revenue Funds
Cash and cash equivalents	\$ 16,411	\$ 1,459	\$ 17,870
Accounts receivable	8,263	-	8,263
Prepaid expenditures	335	-	335
Total assets	\$ 25,009	\$ 1,459	\$ 26,468
FUND BALANCE			
Unreserved, undesignated			
Nonspendable - prepaid items	335	-	335
Restricted for:			
Public safety	24,674	1,459	26,133
Total fund balance	\$ 25,009	\$ 1,459	\$ 26,468

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	E911 Fund	Confiscated Assets Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Charges for services	\$ 59,751	\$ -	\$ 59,751
Total revenues	<u>59,751</u>	<u>-</u>	<u>59,751</u>
Expenditures:			
Current:			
Public safety	314,385	-	314,385
Debt Service:			
Principal	44,838	-	44,838
Interest	1,006	-	1,006
Total expenditures	<u>360,229</u>	<u>-</u>	<u>360,229</u>
Deficiency of revenues over expenditures	<u>(300,478)</u>	<u>-</u>	<u>(300,478)</u>
Other financing sources:			
Transfers in	318,276	-	318,276
Total other financing sources	<u>318,276</u>	<u>-</u>	<u>318,276</u>
Net change in fund balance	17,798	-	17,798
Fund balance, beginning of year	<u>7,211</u>	<u>1,459</u>	<u>8,670</u>
Fund balance, end of year	<u>\$ 25,009</u>	<u>\$ 1,459</u>	<u>\$ 26,468</u>

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2016**

	2003 SPLOST Fund	2008 SPLOST Fund	2014 SPLOST Fund	Chatham County SPLOST Fund	Total Nonmajor Capital Project Funds
ASSETS					
Cash and cash equivalents	\$ 454,015	\$ 147,222	\$ 194,726	\$ 171,421	\$ 967,384
Accounts receivable	-	-	64,333	-	64,333
Due from other governments	-	-	130,378	-	130,378
Total assets	\$ 454,015	\$ 147,222	\$ 389,437	\$ 171,421	\$ 1,162,095
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,366	\$ 1,561	\$ 1,903	\$ 303,191	\$ 310,021
Retainage payable	-	-	-	41,811	41,811
Total liabilities	3,366	1,561	1,903	345,002	351,832
FUND BALANCE					
Restricted for:					
Capital projects	450,649	145,661	387,534	(173,581)	810,263
Total fund balance	450,649	145,661	387,534	(173,581)	810,263
Total liabilities and fund balance	\$ 454,015	\$ 147,222	\$ 389,437	\$ 171,421	\$ 1,162,095

CITY OF TYBEE ISLAND, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2003 SPLOST Fund	2008 SPLOST Fund	2014 SPLOST Fund	Chatham County SPLOST Fund	Total Nonmajor Capital Project Funds
Revenues:					
Intergovernmental	\$ -	\$ -	\$ 742,878	\$ 909,039	\$ 1,651,917
Interest income	194	64	110	89	457
Total revenues	<u>194</u>	<u>64</u>	<u>742,988</u>	<u>909,128</u>	<u>1,652,374</u>
Expenditures:					
Current:					
Public works	-	-	-	106	106
Capital outlay	35,397	12,483	705,661	1,103,749	1,857,290
Total expenditures	<u>35,397</u>	<u>12,483</u>	<u>705,661</u>	<u>1,103,855</u>	<u>1,857,396</u>
Net change in fund balance	(35,203)	(12,419)	37,327	(194,727)	(205,022)
Fund balance, beginning of year	<u>485,852</u>	<u>158,080</u>	<u>350,207</u>	<u>21,146</u>	<u>1,015,285</u>
Fund balance, end of year	<u>\$ 450,649</u>	<u>\$ 145,661</u>	<u>\$ 387,534</u>	<u>\$ (173,581)</u>	<u>\$ 810,263</u>

CITY OF TYBEE ISLAND, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (2014 RESOLUTION)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Public Safety					
Police Department Vehicles	\$ 120,000	\$ 120,000	\$ 47,816	\$ 66,138	\$ 113,954
Public Safety Software Upgrade	165,000	200,070	-	29,849	29,849
Fire Department Truck	630,000	630,000	171,331	27,020	198,351
Fire Department Equipment	630,000	192,727	-	184,539	184,539
Water and Sewer					
Various Projects	1,554,000	-	-	-	-
Street and Infrastructure					
Street Paving and Repair	550,000	18,164	-	18,164	18,164
Marsh Hen Trail/Highway 80 Bike Trail	47,000	47,000	1,400	10,091	11,491
Cultural and Recreation					
Memorial Park Bathroom Facility	12,000	12,709	-	10,750	10,750
Memorial Park Pavilion Building	20,000	45,997	-	45,997	45,997
Playground Equipment	120,000	195,390	-	196,057	196,057
Friends/Post Tybee Theater Audio Video Equipment	-	117,056	-	117,056	117,056
Various Projects	332,000	-	-	-	-
Beach Related					
Mobi Matss	20,000	20,000	-	-	-
	<u>\$ 4,200,000</u>	<u>\$ 1,599,113</u>	<u>\$ 220,547</u>	<u>\$ 705,661</u>	<u>\$ 926,208</u>

CITY OF TYBEE ISLAND, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
(CHATHAM COUNTY VI RESOLUTION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Beach Related					
North Beach Bathroom Facility and Concession Stand	\$ 850,000	\$ 999,894	\$ 28,146	\$ 910,364	\$ 938,510
Beach Derelict Structure Removal Project	-	185,416	-	185,416	185,416
North Beach Concession Stand Equipment	-	15,800	-	7,969	7,969
Program Management Fees	-	1,906	-	106	106
Undesignated	-	796,984	-	-	-
	<u>\$ 850,000</u>	<u>\$ 2,000,000</u>	<u>\$ 28,146</u>	<u>\$ 1,103,855</u>	<u>\$ 1,132,001</u>

CITY OF TYBEE ISLAND, GEORGIA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Public Safety					
Public Safety Facility	\$ 327,000	\$ 3,273,341	\$ 3,273,341	\$ -	\$ 3,273,341
Fire Department Bay	65,000	-	-	-	-
Fire Department and TEMA Generator	35,000	-	-	-	-
Public Safety Software Upgrade	118,800	104,700	104,700	-	104,700
Public Safety Vehicle- 6 Cylinder	27,164	-	-	-	-
Street and Infrastructure					
14th Street Parking Lot Drainage Project	933,727	-	-	-	-
Street Paving and Repair	30,050	266,109	266,109	-	266,109
Drainage Tybrisa/Alley	226,350	68,588	68,588	-	68,588
Bike Racks	2,000	2,166	2,166	-	2,166
TE Grant Historic Butler Avenue Match	98,906	69,678	82,605	-	82,605
Bike Trail through Memorial Park	15,000	13,957	13,957	-	13,957
ADA Sidewalk Butler, Silver and 18th Streets	44,000	22,835	22,835	-	22,835
Memorial Park Project	2,000	135,291	-	10,485	10,485
Highway 80 Bike Trail	40,000	77,162	64,235	-	64,235
Automated Meter Readers	-	630,000	630,000	-	630,000
Community Development					
Salt Meadow Project	30,000	60,887	39,375	1,998	41,373
GIS	6,500	-	-	-	-
Beach Related Projects					
Beach Renourishment	300,000	1,210,000	1,210,000	-	1,210,000
Bathroom Repairs and Improvements	36,000	-	-	-	-
North Beach Mobile Restroom	57,000	-	-	-	-
2 Mobile Matss	40,000	39,980	39,980	-	39,980
8th Street Dune	30,000	-	-	-	-
Undesignated					
	5,535,503	-	-	-	-
	<u>\$ 8,000,000</u>	<u>\$ 5,974,694</u>	<u>\$ 5,817,891</u>	<u>\$ 12,483</u>	<u>\$ 5,830,374</u>

CITY OF TYBEE ISLAND, GEORGIA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage					
Drainage reconstruction/maintenance	\$ 200,000	\$ 559	\$ 559	\$ -	\$ 559
North Beach area	200,000	-	-	-	-
14th Street drainage project	-	966,226	966,226	-	966,226
Water and Sewer Improvements					
Beach side of Butler water line imp.	575,000	2,130,273	2,130,273	-	2,130,273
Butler Avenue Water Line	817,000	-	-	-	-
Water line looping	224,040	15,460	15,460	-	15,460
Replacement of 6" ACX water line improvement	168,960	-	-	-	-
Fort Screven water line replacement, Lift station upgrades, I&I continuation	440,000	82,522	82,522	-	82,522
Roads					
Various improvements	250,000	-	-	-	-
ADA sidewalk improvement	-	22,000	22,000	-	22,000
Bike paths	100,000	3,200	3,200	-	3,200
Jones Avenue	350,000	175,653	175,653	-	175,653
Street paving and sidewalks	-	70,000	70,000	-	70,000
Marsh Hen Trail TE match	-	23,251	15,354	6,363	21,717
Public Safety					
Public safety facility	500,000	294,402	294,402	-	294,402
Fire department equipment	-	163,310	163,310	-	163,310
Beach Related					
Beach renourishment	1,000,000	1,000,000	1,000,000	-	1,000,000
Street and Infrastructure					
Drainage Tybrisa/Alley	-	-	-	-	-
Community Development					
Old Fort Theater, guardhouse	600,000	774,825	774,825	-	774,825
Playground equipment	200,000	196,559	196,559	-	196,559
Marine Rescue Squadron facility	100,000	71,165	71,165	-	71,165
Tybee Marine Science Center project	600,000	600,000	122,045	29,034	151,079
South Beach Business District	-	764,381	764,381	-	764,381
Other					
Other capital equipment	190,354	-	-	-	-
	<u>\$ 6,515,354</u>	<u>\$ 7,353,786</u>	<u>\$ 6,867,934</u>	<u>\$ 35,397</u>	<u>\$ 6,903,331</u>

COMPLIANCE SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Tybee Island, Georgia's basic financial statements and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may

exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

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

City of Tybee Island, Georgia's Response to the Finding

The City of Tybee Island, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Tybee Island, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Macon, Georgia
December 21, 2016

Mauldin & Jenkins, LLC

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Yes No

Significant deficiencies identified not considered
to be material weaknesses?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

There was not an audit of major federal award programs for the fiscal year ended June 30, 2016 due to the total amount expended being less than \$750,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2016 - 001. Municipal Court – Accounting for Cash Bonds

Criteria: Good, sound internal controls require reconciliations of accounts to detail listings or supporting documentation be performed on a periodic basis to ensure account balances are properly stated. As an agency fund, the Municipal Court is charged with the responsibility of collecting cash bonds and holding those bonds until disposition of the court cases. Depending on the decision of the judge, the cash bond is returned to the individual charged, or is paid out to the City and appropriate state agencies.

Condition/Context: While performing audit procedures for the Municipal Court, we noted the Jail Bond Bank Account had a balance of \$76,535 at June 30, 2016, while the detail listing of cash bonds held at June 30, 2016 only reflected a total of \$32,658. Based on our comparison of cash receipts, judges orders for disbursement, and actual disbursements, the majority of the \$43,877 difference between the account balance and the listing of cash bonds held were bond forfeitures that should have been disbursed to the General Fund at various times throughout fiscal year 2016.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2016 - 001. Municipal Court – Accounting for Cash Bonds (Continued)

Condition/Context (continued):

In order for disbursements to be made for these forfeitures, the appropriate documentation must be provided to the Finance Department. In August of 2015, the Finance Department provided the Municipal Court with detailed written procedures to be used for the receipt and disbursement of all funds collected by the Municipal Court. Had these procedures been followed, the Municipal Court would have been able to provide appropriate documentation to the Finance Department for disbursement of the forfeitures to the General Fund.

Effect: The Municipal Court is not following proper cash receipt and disbursement procedures related to cash bonds which has resulted in forfeitures not being timely disbursed to the General Fund.

Recommendation: We recommend personnel in the Municipal Court office work to immediately put into place the appropriate cash receipts and disbursement procedures, and begin providing the appropriate documentation to disburse cash bonds as soon as the judge's orders for disbursement have been made. Additionally, the listing of cash bonds held should be reconciled with the Jail Bond bank account on a monthly basis.

Views of Responsible Officials and Planned Corrective Action: We concur. We will require the Municipal Court to follow the appropriate procedures so that records are properly maintained and submitted for timely disbursement of funds.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

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