

CITY OF TYBEE ISLAND, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

CITY OF TYBEE ISLAND, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison information for the General Fund, the Hotel Motel Tax Fund, and the FEMA/GEMA Grant 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 - 17, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 57 and 58 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 27, 2017, on our consideration of the City of Tybee Island, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tybee Island, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 27, 2017

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

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, 2017. 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 2017 are as follows:

- The City's total net position is \$34,792,086, an increase of \$2,711,211. Net position from governmental activities and business-type activities increased \$1,611,839 and \$1,099,372, respectively.
- The General Fund reported fund balance of \$9,320,931. This is an increase of \$1,213,653 over the prior year and represents 104% of current year expenditures.
- The General Fund had favorable budget variance of \$2,719,199. General Fund revenues were \$823,352 better than the final budget; and actual expenditures were \$1,362,337 less than the final budget.

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, 2017

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

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

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

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

Reporting the City's Most Significant Funds

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

Governmental Funds

The governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and 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, 2017

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 20 - 27.

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 28 - 31.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for the past two years are summarized as follows based on the information included in the government-wide financial statements (see pages 18 and 19):

City of Tybee Island Summary of Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 11,675,838	\$ 10,378,749	\$ 1,292,293	\$ 1,549,271	\$ 12,968,131	\$ 11,928,020
Capital assets	11,803,199	11,857,590	22,316,265	21,953,585	34,119,464	33,811,175
Total assets	23,479,037	22,236,339	23,608,558	23,502,856	47,087,595	45,739,195
Deferred Outflows of Resources						
Pension contributions subsequent to measurement date	264,666	273,044	50,416	52,172	315,082	325,216
Pension experience differences	2,457	-	2,073	-	4,530	-
Pension assumption changes	-	-	3	-	3	-
Pension investment return	-	182,177	3,443	42,722	3,443	224,899
Total deferred outflows of resources	267,123	455,221	55,935	94,894	323,058	550,115
Liabilities						
Current liabilities	1,199,043	1,596,255	1,602,947	1,668,199	2,801,990	3,264,454
Long-term liabilities	1,318,350	1,433,196	8,490,435	9,449,992	9,808,785	10,883,188
Total liabilities	2,517,393	3,029,451	10,093,382	11,118,191	12,610,775	14,147,642
Deferred Inflows of Resources						
Pension contributions subsequent to measurement date	-	-	70	-	70	-
Pension experience differences	-	50,036	-	9,365	-	59,401
Pension assumption changes	794	1,175	137	217	931	1,392
Pension investment differences	5,236	-	1,555	-	6,791	-
Total deferred inflows of resources	6,030	51,211	1,762	9,582	7,792	60,793
Net Position						
Invested in capital assets	11,793,571	11,732,793	13,253,389	12,035,534	25,046,960	23,768,327
Restricted for capital outlay	1,141,884	810,887	-	-	1,141,884	810,887
Restricted for debt service	-	-	-	-	-	-
Unrestricted	8,287,282	7,067,218	315,960	434,443	8,603,242	7,501,661
Total net position	\$ 21,222,737	\$ 19,610,898	\$ 13,569,349	\$ 12,469,977	\$ 34,792,086	\$ 32,080,875

Financial Position

The total net position of the City increased by \$2,711,211 or 8.45% as noted in the table above. The governmental activities net position increased by \$1,611,839 while the business-type activities net position increased by \$1,099,372.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

City of Tybee Island Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 5,172,170	\$ 4,626,520	\$ 5,654,438	\$ 5,115,311	\$ 10,826,608	\$ 9,741,831
Operating grants and contributions	283,728	-	-	-	283,728	-
Capital grants and contributions	2,805,628	1,710,648	41,402	74,602	2,847,030	1,785,250
General revenues:						
Property taxes	1,953,759	1,880,454	-	-	1,953,759	1,880,454
Other	5,366,774	5,354,551	190	191	5,366,964	5,354,742
Investment earnings	19,423	-	-	-	19,423	-
Gain on sale of capital assets	-	-	-	-	-	-
Total revenues	15,601,482	13,572,173	5,696,030	5,190,104	21,297,512	18,762,277
Expenses						
Governmental activities						
General government	2,332,012	2,119,597	-	-	2,332,012	2,119,597
Judicial	128,685	12,400	-	-	128,685	12,400
Public safety	3,571,445	3,357,865	-	-	3,571,445	3,357,865
Public works	3,692,668	2,044,697	-	-	3,692,668	2,044,697
Cultural and recreation	3,078,900	4,909,745	-	-	3,078,900	4,909,745
Housing & community development	973,753	875,624	-	-	973,753	875,624
Other expenses	1,204	3,266	-	-	1,204	3,266
Business-type activities						
Water and sewer service	-	-	2,398,097	3,045,841	2,398,097	3,045,841
Solid waste collection	-	-	1,065,115	1,278,590	1,065,115	1,278,590
Campground	-	-	1,344,422	703,338	1,344,422	703,338
Total expenses	13,778,667	13,323,194	4,807,634	5,027,769	18,586,301	18,350,963
Transfers	(210,976)	-	210,976	-	-	-
Change in net position	1,611,839	248,979	1,099,372	162,335	2,711,211	411,314
Beginning net position	19,610,898	19,361,919	12,469,977	12,307,642	32,080,875	31,669,561
Ending net position	\$ 21,222,737	\$ 19,610,898	\$ 13,569,349	\$ 12,469,977	\$ 34,792,086	\$ 32,080,875

Governmental Activities

The total revenues for governmental activities increased \$2,029,309 or 14.95%. The largest increase is for capital grants and contributions which increased \$1,094,980 or 64%. Current year capital grants included FEMA reimbursements of \$1,979,012 which was offset by a decrease of \$868,888 in SPLOST funding from Chatham County. Charges for service increased \$545,650 or 11.79%. Contributing to this increase was an increase of \$254,356 in fines and forfeitures.

Total governmental expenses have increased \$458,169 or 3.44%. Judicial expenses increased \$116,285 or 937%. These expenses were included in public safety expenses in the prior year. Public works expenses increased \$1,647,971 or 80.6% as a result of storm damage repair. The increase was mostly offset by reimbursements from FEMA. Culture and recreation expenses decreased \$1,830,845 or 37.29% because prior year expenditures included over \$2 million in expenses for beach re-nourishment, which were not required in the current year. General government expenses increased \$212,415 or 10.02% primarily as a result of increases in contractual services.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

Business-Type Activities

Net position for business-type activities increased \$1,099,372 or 8.82%. The Water and Sewer Fund had an increase of \$748,159; the Rivers End RV Park Fund contributed \$380,903; and the Solid Waste Fund had a decrease of (\$29,690). Below is the analysis of each enterprise fund.

Water and Sewer Fund

Water and Sewer revenues increased \$258,373 or 9.08% primarily due to the receipt of \$115,000 from the Georgia Environmental Finance Authority for a test well water study. In January, 2017 the City increased the water and sewer rates by the consumer price index for 2016 that was 2.5%. The City received \$32,709 from the Homeland Security Federal Emergency Management Agency and Georgia Emergency Management Agency as reimbursement due to damages caused by Hurricane Matthew. Operating expenses were consistent with the prior year. 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.

City of Tybee Island Water and Sewer Fund				
	2017	2016	\$ Change	% Change
Operating revenues	\$ 3,104,664	\$ 2,846,291	\$ 258,373	9.08%
Operating expenses	2,251,560	2,259,985	(8,425)	-0.37%
Net operating income (loss)	853,104	586,306	266,798	45.50%
Nonoperating income (expenses)	(146,347)	(151,124)	4,777	-3.16%
Loss on disposal of assets	-	(634,541)	634,541	-100.00%
Income (loss) before contributions	706,757	(199,359)	906,116	-454.51%
Capital contributions	41,402	74,602	(33,200)	-44.50%
Change in net position	748,159	(124,757)	872,916	-699.69%
Beginning net position	10,066,717	10,191,474	(124,757)	-1.22%
Ending net position	\$ 10,814,876	\$ 10,066,717	\$ 748,159	7.43%

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

Solid Waste Collection Fund

Solid Waste revenues increased \$150,652 or 21.47% due to increases in recycling revenues. Operating expenses increased \$361,777 or 51.44% primarily due to \$225,210 in additional expenses related to implementation of a recycling program and \$137,638 of expenses for yard waste removal from hurricane damage. The General Fund transferred \$183,030 to the solid waste collection fund to cover operating deficits.

City of Tybee Island Solid Waste Collection Fund				
	2017	2016	\$ Change	% Change
Operating revenues	\$ 852,395	\$ 701,743	\$ 150,652	21.47%
Operating expenses	1,065,115	703,338	361,777	51.44%
Operating income (loss) before transfers	(212,720)	(1,595)	(211,125)	13236.68%
Transfers in	183,030	-	183,030	100.00%
Beginning net position	28,925	30,520	(1,595)	0.00%
Ending net position	\$ (765)	\$ 28,925	\$ (29,690)	-102.64%

River's End RV Park Fund

Operating revenues for the River's End RV Park fund increased \$130,102 or 8.3% due to additional demand for camping services. Operating expenses have increased by \$193,119 or 18.45% to meet additional demand for service.

City of Tybee Island River's End RV Park Fund				
	2017	2016	\$ Change	% Change
Operating revenues	\$ 1,697,379	\$ 1,567,277	\$ 130,102	8.30%
Operating expenses	1,240,055	1,046,936	193,119	18.45%
Net operating income (loss)	457,324	520,341	(63,017)	-12.11%
Nonoperating income (expenses)	(104,367)	(231,654)	127,287	-54.95%
Income before transfers	352,957	288,687	64,270	22.26%
Transfers in	27,946	-	27,946	0.00%
Change in net position	380,903	288,687	92,216	31.94%
Beginning net position	2,374,335	2,085,648	288,687	13.84%
Ending net position	\$ 2,755,238	\$ 2,374,335	\$ 380,903	16.04%

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

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 pages 20 - 21 were \$10,277,936. This balance represents an increase of \$1,333,303 or 12.97% from last year's ending balance. The tables below reflect changes in governmental fund balances.

The City Council committed \$6,022,489 or 65% of the General Fund's fund balance to the following:

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

The following schedule reflects changes in the fund balance for the City's governmental funds.

	2017	2016	Change	%
General Fund	\$ 9,320,931	\$ 8,107,278	\$ 1,213,653	14.97%
Hotel/Motel Fund	-	-	-	- %
FEMA/GEMA Grant Fund	-	-	-	- %
Chatham County SPLOST VI Fund	(167,819)	(173,581)	5,762	-3.32%
Confiscated Asset Fund	1,460	1,459	1	0.07%
Emergency Telephone 911 Fund	1,119	25,009	(23,890)	-95.53%
SPLOST 2003 Fund	447,782	450,649	(2,867)	-0.64%
SPLOST 2008 Fund	3,622	145,681	(142,059)	-97.51%
SPLOST 2014 Fund	670,209	387,534	282,675	72.94%
Capital Grant Fund	632	624	8	1.28%
Total	\$ 10,277,936	\$ 8,944,653	\$ 1,333,283	12.97%

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

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

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

	2017	2016	\$ Change	% Change
Revenues				
Taxes	\$ 7,301,440	\$ 7,223,651	\$ 77,789	1.07%
Licenses and permits	266,214	230,242	35,972	13.51%
Intergovernmental	2,844,766	1,710,191	1,134,575	39.88%
Charges for services	3,565,415	3,471,703	93,712	2.63%
Fines and forfeitures	1,112,262	857,906	254,356	22.87%
Interest	20,436	18,837	1,599	7.82%
Other revenues	228,279	66,669	161,610	70.79%
Total revenues	<u>15,338,812</u>	<u>13,579,199</u>	<u>1,759,613</u>	<u>11.47%</u>
Expenditures				
Current:				
General government	2,228,272	1,990,680	237,592	10.66%
Judicial	126,223	12,400	113,823	90.18%
Public safety	3,276,789	3,112,898	163,891	5.00%
Public works	3,502,895	1,865,282	1,637,613	46.75%
Culture and recreation	2,860,895	4,685,887	(1,824,992)	-63.79%
Housing and community development	899,492	797,805	101,687	11.30%
Capital outlay	783,594	1,857,290	(1,073,696)	-137.02%
Debt service				
Principal (net of refunding)	115,169	117,518	(2,349)	-2.04%
Interest	1,204	3,267	(2,063)	-171.35%
Total expenditures	<u>13,794,533</u>	<u>14,443,027</u>	<u>(648,494)</u>	<u>-4.70%</u>
Excess of revenues over (under) expenditures	<u>1,544,279</u>	<u>(863,828)</u>	<u>2,408,107</u>	<u>155.94%</u>
Other financing sources (uses)				
Transfers in	2,193,810	1,884,563	309,247	14.10%
Transfers out	(2,404,786)	(1,884,563)	(520,223)	21.63%
Total other financing sources (uses)	<u>(210,976)</u>	<u>-</u>	<u>(210,976)</u>	<u>0.00%</u>
Net change in fund balance	<u>\$ 1,333,303</u>	<u>\$ (863,828)</u>	<u>\$ 2,197,131</u>	<u>164.79%</u>
Fund balances, beginning of year	<u>8,944,633</u>	<u>9,808,461</u>	<u>(863,828)</u>	<u>-9.66%</u>
Fund balances, end of year	<u>\$ 10,277,936</u>	<u>\$ 8,944,633</u>	<u>\$ 1,333,303</u>	<u>12.97%</u>

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

Overall governmental revenues increased \$1,759,613 or 11.47%. Intergovernmental revenues increased \$1,134,575 or 39.88% as a result of FEMA reimbursements for storm damage. Tax revenues and charges for services were consistent with prior year. Fines and forfeitures increased \$254,356 or 22.87% due to increased assessments for court costs. Other revenues increased \$161,610 or 70.79% and is primarily related to insurance reimbursements.

Overall governmental expenditures decreased \$648,494 or 4.7%. General government expenditures increased \$237,592 or 10.66% primarily due to increases in contractual services. Judicial expenditures increased \$113,823 or 90.18%. These expenditures were included in public safety expenditures in the prior year. Public Safety expenditures increased \$163,891 or 5% due to additional positions for beach patrol and general increases in costs. Public works expenditures increased \$1,637,613 or 46.75% as a result of repair and clean up from storm damage. Culture and recreation expenditures decreased \$1,824,992 or 63.79% because the prior year included significant beach re-nourishment expenditures which were not necessary in the current year. Capital outlay decreased \$1,073,696 or 137% because prior year expenditures included \$908,000 for beach restroom facilities not required 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 \$1,213,653 of fund balance, a \$2,719,199 favorable variance over the final budget.

A comparison of the final budgetary figures and the actual budgetary figures for revenues are located on pages 23 - 27.

- For the General Fund, the actual operating revenues were \$823,352 better than budgeted. Operating revenues were budgeted for \$8,566,129, and actual operating revenues were \$9,389,481. The most significant variances were tax revenue which was \$306,878 better than budgeted due to increases in property values which impacts property taxes and increases in the general economy which impacts local option sales taxes. Parking fees were \$330,498 better than budgeted as tourism increased. Municipal fines were \$234,735 better than budgeted due to increased tourism and demand for parking space.
- The actual operating expenditures of \$8,934,630 were \$1,362,337 less than the budgeted amount of \$10,296,967 as management continues to adopt very conservative budgets.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

Capital Asset and Debt Administration

Capital Assets

The City has invested \$34,119,464 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	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Land	\$ 1,102,857	\$ 1,102,857	\$ 6,973,632	\$ 6,973,632	\$ 8,076,489	\$ 8,076,489
Construction in progress	314,507	1,142,540	893,203	411,027	1,207,710	1,553,567
Total non-depreciable assets	1,417,364	2,245,397	7,866,835	7,384,659	9,284,199	9,630,056
Depreciable assets:						
Land improvements	-	-	300,814	267,387	300,814	267,387
Building	8,121,175	7,113,042	460,358	447,418	8,581,533	7,560,460
Machinery and equipment	5,684,071	5,111,461	18,398,634	17,973,489	24,082,705	23,084,950
Infrastructure	3,158,535	3,160,068	1,458,099	1,428,258	4,616,634	4,588,326
Total depreciable assets	16,963,781	15,384,571	20,617,905	20,116,552	37,581,686	35,501,123
Less accumulated depreciation	6,577,946	5,772,378	6,168,475	5,547,624	12,746,421	11,320,002
Book value - depreciable assets	10,385,835	9,612,193	14,449,430	14,568,928	24,835,265	24,181,121
Percentage depreciated	38.78%	37.52%	29.92%	27.58%	33.92%	31.89%
Book value - all assets	\$ 11,803,199	\$ 11,857,590	\$ 22,316,265	\$ 21,953,587	\$ 34,119,464	\$ 33,811,177

The schedules of capital asset activity are reported in Note 5 of the financial statements. The City added \$1,620,524 of new governmental capital assets which included \$1,204,798 transferred from construction in progress; and added \$376,765 of additional construction in progress. Significant additions included:

- \$1,008,133 for North Beach restrooms;
- \$196,665 for enhanced police software systems;
- \$398,945 for various vehicles and equipment; and
- \$16,781 for additions to beach crossovers.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

The City added \$501,353 of new business-type capital assets which included \$425,145 transferred from construction in progress; and placed \$907,321 of additional construction in progress for the business-type capital assets. Significant additions included:

- \$425,143 for sewage outfield upgrade;
- \$845,499 for water main upgrade;
- \$47,703 for water ultra violet equipment;
- \$29,841 for water pump; and
- \$46,369 for improvements to RV park.

Long-term Debt

At the end of the current year, the City had long-term debt related to governmental activities of \$1,552,044 and \$9,344,803 for business-type activities.

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

City of Tybee Island Outstanding Long-Term Debt

	2017	2016	Change	%
Governmental Activities				
Capital leases	\$ 9,628	\$ 124,797	\$ (115,169)	-1196.19%
Compensated absences	288,782	221,678	67,104	23.24%
Net pension liability	1,253,634	1,418,743	(165,109)	-13.17%
Total debt service governmental-type activities	1,552,044	1,765,218	(213,174)	-13.74%
Business-type activities				
Chatham County Recreation Bond	4,129,364	4,735,000	(605,636)	-14.67%
Water & Sewer - Series 2005 Bond	3,370,255	-	3,370,255	100.00%
Georgia Environmental Facility Authority Note Payables	1,563,257	5,183,053	(3,619,796)	-231.55%
Compensated absences	34,790	26,601	8,189	23.54%
Net pension liability	247,137	279,828	(32,691)	-13.23%
Total debt service business-type activities	9,344,803	10,224,482	(879,679)	-9.41%
Total all debt service	\$ 10,896,847	\$ 11,989,700	\$ (1,092,853)	-10.03%

- The governmental and business-type activities include a cumulative net pension liability of \$1,500,771 for current year and \$1,698,571 for the prior year;
- The Water and Sewer fund issued \$3,645,000 series 2016 refunding bonds to pay off various notes payable to the Georgia Environmental Facilities Authority in order to reduce interest rates.
- The River's End RV Park fund issued \$4,466,000 series 2016 refunding revenue bonds to pay off existing bonds to reduce interest rates.

Management’s Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

Economic Factors and Next Year’s Budgets and Rates

In October of 2016, the City was impacted by Hurricane Matthew and, as a result, the City incurred \$2.2M in costs due to the storm. The City’s out of pocket cost for the storm was \$232,864. Hotels, motels and short-term rental properties are a primary source of revenue for the City. At least four hundred of those properties, including several of the largest hotels and condominium properties, were damaged, leaving the property uninhabitable beyond June 30, 2017. Prior to FY2017, the City’s hotel and motel excise taxes increased each year until this year in which it decreased by \$52,450 as shown in the schedule below:

	2014	2015	2016	2017
	\$ 2,301,996	\$ 2,886,632	\$ 3,132,577	\$ 3,080,127
Change from prior year	\$ 173,158	\$ 584,636	\$ 245,945	\$ (52,450)

A comparison of FY2016 to FY2017 normal monthly taxes collected by at least four of the larger hotels disclosed a loss of \$159,819 in hotel-motel excise taxes for this fiscal year. Therefore, in FY2018, the City expects the hotel-motel taxes to recover and grow to a minimum of \$3.2M.

In FY2018, the City expects the tax digest to remain steady as new construction for residential development has increased and commercial development is not expected to change. The City will continue to issue 40 to 50 special event permits which generate tourism for the City throughout the year which will help maintain the level of the City’s major revenue sources, parking fees and hotel motel taxes, both of which continue to increase each year. The City plans to increase the parking fees to finance building a new Marine Science Center facility. The reassessment of residential and commercial property damaged by Hurricane Matthew led to lower appraised property values and property tax collections that led to the 2017 millage rate of 4.044 mills being 1.5% higher than the rollback millage rate of 3.984 mills.

For fiscal year 2018, the Chatham County Government pledged \$1.7 million from its SPLOST VI proceeds to the City to spend on beach related capital projects resulting from beach erosion caused by Hurricane Matthew.

The River’s End RV Park operations continues to grow and have positive year end net earnings, although the operations are not generating enough cash flow to cover the entire annual debt service payment. As the cash flow improves, the City shall develop a plan to have the River’s End RV Park repay the receivable owned to the General Fund.

The City increases the water and sewer rates annually in January based on the consumer price index, these rate increases are not enough to finance future larger construction projects; therefore, the City shall continue finance major capital projects through the Georgia Environmental Finance Authority (“GEFA”). The City will complete two capital projects for \$1.7M financed GEFA loans.

Management's Discussion and Analysis

CITY OF TYBEE ISLAND

JUNE 30, 2017

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, City Hall, 403 Butler Street, Tybee Island, Georgia 31328 or by calling (912) 472-5021.

CITY OF TYBEE ISLAND, GEORGIA

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and cash equivalents	\$ 6,718,727	\$ 1,090,509	\$ 7,809,236
Investments	1,288,197	-	1,288,197
Taxes receivable	927,119	-	927,119
Accounts receivable, net of allowances	71,950	326,751	398,701
Due from other governments	1,923,441	-	1,923,441
Internal balances	391,899	(391,899)	-
Inventory	-	65,284	65,284
Prepaid expenses	354,505	201,648	556,153
Capital assets:			
Nondepreciable	1,417,364	7,866,835	9,284,199
Depreciable, net of accumulated depreciation	10,385,835	14,449,430	24,835,265
Total assets	<u>23,479,037</u>	<u>23,608,558</u>	<u>47,087,595</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	264,666	50,416	315,082
Pension experience differences	2,457	2,073	4,530
Pension assumption changes	-	3	3
Pension investment return	-	3,443	3,443
Total deferred outflows of resources	<u>267,123</u>	<u>55,935</u>	<u>323,058</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts payable	737,972	308,470	1,046,442
Accrued liabilities	214,881	15,183	230,064
Retainage payable	6,096	-	6,096
Unearned revenue	-	179,076	179,076
Customer deposits payable	6,400	245,850	252,250
Notes payable due within one year	-	71,344	71,344
Notes payable due in more than one year	-	1,491,913	1,491,913
Capital lease due within one year	9,628	-	9,628
Compensated absences due within one year	224,066	34,790	258,856
Compensated absences due in more than one year	64,716	-	64,716
Bonds payable due within one year	-	748,234	748,234
Bonds payable due in more than one year	-	6,751,385	6,751,385
Net pension liability	1,253,634	247,137	1,500,771
Total liabilities	<u>2,517,393</u>	<u>10,093,382</u>	<u>12,610,775</u>
DEFERRED INFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	-	70	70
Pension investment differences	5,236	1,555	6,791
Pension assumption changes	794	137	931
Total deferred inflows of resources	<u>6,030</u>	<u>1,762</u>	<u>7,792</u>
NET POSITION			
Net investment in capital assets	11,793,571	13,253,389	25,046,960
Restricted for capital outlay	1,141,884	-	1,141,884
Unrestricted	8,287,282	315,960	8,603,242
Total net position	<u>\$ 21,222,737</u>	<u>\$ 13,569,349</u>	<u>\$ 34,792,086</u>

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

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 2,332,012	\$ 551,772	\$ -	\$ -	\$ (1,780,240)	\$ -	\$ (1,780,240)
Judicial	128,685	218,145	-	-	89,460	-	89,460
Public safety	3,571,445	806,628	-	785,544	(1,979,273)	-	(1,979,273)
Public works	3,692,668	-	283,728	41,072	(3,367,868)	-	(3,367,868)
Culture and recreation	3,078,900	34,965	-	1,979,012	(1,064,923)	-	(1,064,923)
Housing and community development	973,753	3,560,660	-	-	2,586,907	-	2,586,907
Interest on long-term debt	1,204	-	-	-	(1,204)	-	(1,204)
Total governmental activities	<u>13,778,667</u>	<u>5,172,170</u>	<u>283,728</u>	<u>2,805,628</u>	<u>(5,517,141)</u>	<u>-</u>	<u>(5,517,141)</u>
Business-type activities:							
Water and sewer	2,398,097	3,104,664	-	41,402	-	747,969	747,969
River's End RV Park	1,344,422	1,697,379	-	-	-	352,957	352,957
Solid waste collection	1,065,115	852,395	-	-	-	(212,720)	(212,720)
Total business-type activities	<u>4,807,634</u>	<u>5,654,438</u>	<u>-</u>	<u>41,402</u>	<u>-</u>	<u>888,206</u>	<u>888,206</u>
Total primary government	<u>\$ 18,586,301</u>	<u>\$ 10,826,608</u>	<u>\$ 283,728</u>	<u>\$ 2,847,030</u>	<u>(5,517,141)</u>	<u>888,206</u>	<u>(4,628,935)</u>
General revenues:							
Property taxes					1,953,759	-	1,953,759
Sales taxes					1,197,236	-	1,197,236
Hotel / motel taxes					3,066,765	-	3,066,765
Franchise taxes					465,555	-	465,555
Insurance premium taxes					186,618	-	186,618
Other taxes					450,600	-	450,600
Unrestricted investment earnings					19,423	190	19,613
Transfers					(210,976)	210,976	-
Total general revenues and transfers					<u>7,128,980</u>	<u>211,166</u>	<u>7,340,146</u>
Change in net position					1,611,839	1,099,372	2,711,211
Net position, beginning of year					19,610,898	12,469,977	32,080,875
Net position, end of year					<u>\$ 21,222,737</u>	<u>\$ 13,569,349</u>	<u>\$ 34,792,086</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Hotel/ Motel Tax Fund	FEMA/GEMA Grant Fund	Chatham County SPLOST Fund	Nonmajor Governmental Funds	Totals Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,474,967	\$ -	\$ -	\$ 312,110	\$ 931,650	\$ 6,718,727
Investments	1,288,197	-	-	-	-	1,288,197
Taxes receivable	420,400	506,719	-	-	-	927,119
Accounts receivable	63,203	-	-	-	8,747	71,950
Due from other governments	106,832	-	1,479,488	198,769	138,352	1,923,441
Due from other funds	1,766,948	-	-	-	70,278	1,837,226
Advance to other funds	391,899	-	-	-	-	391,899
Prepaid items	353,968	-	-	-	537	354,505
Total assets	<u>\$ 9,866,414</u>	<u>\$ 506,719</u>	<u>\$ 1,479,488</u>	<u>\$ 510,879</u>	<u>\$ 1,149,564</u>	<u>\$ 13,513,064</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 302,025	\$ 412,856	\$ 11,535	\$ -	\$ 11,556	\$ 737,972
Accrued liabilities	3,274	-	211,607	-	-	214,881
Retainage payable	-	-	-	-	6,096	6,096
Due to other funds	-	93,863	1,256,346	479,929	7,088	1,837,226
Deposits payable	6,400	-	-	-	-	6,400
Total liabilities	<u>311,699</u>	<u>506,719</u>	<u>1,479,488</u>	<u>479,929</u>	<u>24,740</u>	<u>2,802,575</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - intergovernmental	44,808	-	-	198,769	-	243,577
Unavailable revenue - property taxes	188,976	-	-	-	-	188,976
Total deferred inflows of resources	<u>233,784</u>	<u>-</u>	<u>-</u>	<u>198,769</u>	<u>-</u>	<u>432,553</u>
FUND BALANCES						
Nonspendable:						
Prepaid items	353,968	-	-	-	537	354,505
Advances to other funds	391,899	-	-	-	-	391,899
Restricted for:						
Capital projects	-	-	-	17,597	822,245	839,842
Public safety vehicles and equipment	-	-	-	-	302,042	302,042
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
Marine Rescue ADA	22,500	-	-	-	-	22,500
FY2018 budget	1,464,535	-	-	-	-	1,464,535
Unassigned	734,300	-	-	(185,416)	-	548,884
Total fund balances	<u>9,320,931</u>	<u>-</u>	<u>-</u>	<u>(167,819)</u>	<u>1,124,824</u>	<u>10,277,936</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,866,414</u>	<u>\$ 506,719</u>	<u>\$ 1,479,488</u>	<u>\$ 510,879</u>	<u>\$ 1,149,564</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.	11,803,199
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	432,553
Certain long-term liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	
Capital lease	(9,628)
Net pension liability	(1,253,634)
Deferred outflows of resources - pension contributions	264,666
Deferred outflows of resources - pension experience differences	2,457
Deferred inflows of resources - pension assumption changes	(794)
Deferred inflows of resources - pension investment return	(5,236)
Compensated absences	(288,782)
Net position of governmental activities	<u>\$ 21,222,737</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, 2017**

	General Fund	Hotel/ Motel Tax Fund	FEMA/GEMA Grant Fund	Chatham County SPLOST Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues						
Taxes	\$ 4,234,675	\$ 3,066,765	\$ -	\$ -	\$ -	\$ 7,301,440
Licenses and permits	266,214	-	-	-	-	266,214
Intergovernmental	40,059	-	1,979,012	40,151	785,544	2,844,766
Charges for services	3,501,958	-	-	-	63,457	3,565,415
Fines and forfeitures	1,112,262	-	-	-	-	1,112,262
Interest	19,397	-	-	25	1,014	20,436
Other revenues	214,916	13,363	-	-	-	228,279
Total revenues	<u>9,389,481</u>	<u>3,080,128</u>	<u>1,979,012</u>	<u>40,176</u>	<u>850,015</u>	<u>15,338,812</u>
Expenditures						
Current:						
General government	2,218,694	-	9,578	-	-	2,228,272
Judicial	126,223	-	-	-	-	126,223
Public safety	2,927,727	-	20,626	-	328,436	3,276,789
Public works	1,450,790	-	2,052,105	-	-	3,502,895
Culture and recreation	1,241,175	1,540,064	79,656	-	-	2,860,895
Housing and community development	899,492	-	-	-	-	899,492
Capital outlay	-	-	-	34,414	749,180	783,594
Debt service:						
Principal	69,681	-	-	-	45,488	115,169
Interest	848	-	-	-	356	1,204
Total expenditures	<u>8,934,630</u>	<u>1,540,064</u>	<u>2,161,965</u>	<u>34,414</u>	<u>1,123,460</u>	<u>13,794,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>454,851</u>	<u>1,540,064</u>	<u>(182,953)</u>	<u>5,762</u>	<u>(273,445)</u>	<u>1,544,279</u>
Other financing sources (uses):						
Transfers in	1,581,794	-	224,683	-	387,333	2,193,810
Transfers out	(822,992)	(1,540,064)	(41,730)	-	-	(2,404,786)
Total other financing sources (uses)	<u>758,802</u>	<u>(1,540,064)</u>	<u>182,953</u>	<u>-</u>	<u>387,333</u>	<u>(210,976)</u>
Net change in fund balances	1,213,653	-	-	5,762	113,888	1,333,303
Fund balances, beginning of year	<u>8,107,278</u>	<u>-</u>	<u>-</u>	<u>(173,581)</u>	<u>1,010,936</u>	<u>8,944,633</u>
Fund balances, end of year	<u>\$ 9,320,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (167,819)</u>	<u>\$ 1,124,824</u>	<u>\$ 10,277,936</u>

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

CITY OF TYBEE ISLAND, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total governmental funds.	\$ 1,333,303
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	792,491
Total depreciation	(845,001)
The net effect of the sale of capital assets is to decrease net position.	(1,881)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	262,670
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	115,169
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	22,192
Compensated absences	(67,104)
	<u>1,611,839</u>
	<u>\$ 1,611,839</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 1,834,250	\$ 1,835,550	\$ 1,934,666	\$ 99,116
Local option sales tax	1,050,000	1,080,147	1,197,236	117,089
Franchise taxes	433,000	435,900	465,555	29,655
Insurance premium tax	165,000	186,000	186,618	618
Alcoholic beverage excise tax	310,000	310,000	346,580	36,580
Real estate transfer tax	8,500	8,500	15,742	7,242
Occupational taxes	57,000	57,000	62,922	5,922
Energy excise tax	12,000	14,700	25,356	10,656
Total taxes	<u>3,869,750</u>	<u>3,927,797</u>	<u>4,234,675</u>	<u>306,878</u>
Licenses and permits:				
Regulatory fees	95,000	100,000	102,555	2,555
Building permits	75,000	78,000	97,235	19,235
Building inspections	20,000	23,000	27,437	4,437
Zoning variance requests fees	1,000	1,000	1,000	-
Recording fees	2,000	2,000	1,625	(375)
Other	11,900	28,700	36,362	7,662
Total licenses and permits	<u>204,900</u>	<u>232,700</u>	<u>266,214</u>	<u>33,514</u>
Intergovernmental	<u>283,400</u>	<u>288,208</u>	<u>40,059</u>	<u>(248,149)</u>
Charges for services:				
Parking fees	2,985,250	2,985,250	3,315,748	330,498
Other charges for services	452,800	163,873	186,210	22,337
Total charges for services	<u>3,438,050</u>	<u>3,149,123</u>	<u>3,501,958</u>	<u>352,835</u>
Fines and forfeitures:				
Municipal fines	543,000	549,000	783,735	234,735
Parking fines	325,000	325,000	328,527	3,527
Total fines and forfeitures	<u>868,000</u>	<u>874,000</u>	<u>1,112,262</u>	<u>238,262</u>
Interest income	<u>9,000</u>	<u>15,000</u>	<u>19,397</u>	<u>4,397</u>
Miscellaneous:				
Contributions	3,100	3,000	200	(2,800)
Rents and royalties	14,401	17,401	33,063	15,662
Other	6,300	58,900	181,653	122,753
Total miscellaneous	<u>23,801</u>	<u>79,301</u>	<u>214,916</u>	<u>135,615</u>
Total revenues	<u>8,696,901</u>	<u>8,566,129</u>	<u>9,389,481</u>	<u>823,352</u>
Expenditures:				
Current:				
General government				
Governing body	208,630	218,930	185,985	32,945
Clerk of council	105,330	104,939	97,401	7,538
City manager	256,921	294,271	288,735	5,536
Financial administration	497,555	458,555	309,599	148,956
Legal	229,000	284,100	282,095	2,005
Information technology	557,156	573,156	565,001	8,155
Human resources	110,675	110,766	108,619	2,147
Building and plant maintenance	289,740	383,890	381,259	2,631
Total general government	<u>2,255,007</u>	<u>2,428,607</u>	<u>2,218,694</u>	<u>209,913</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current:				
Judicial				
Municipal Court	\$ 155,969	\$ 155,969	\$ 126,223	\$ 29,746
Total judicial	<u>155,969</u>	<u>155,969</u>	<u>126,223</u>	<u>29,746</u>
Public safety				
Police administration	2,226,029	2,231,529	2,221,205	10,324
Beach patrol	338,367	298,624	213,881	84,743
Fire administration	487,616	494,966	424,509	70,457
Emergency management	66,987	70,637	68,132	2,505
Total public safety	<u>3,118,999</u>	<u>3,095,756</u>	<u>2,927,727</u>	<u>168,029</u>
Public works				
General operations	1,782,877	1,804,647	1,337,881	466,766
Solid waste collection	92,000	162,000	112,909	49,091
Total public works	<u>1,874,877</u>	<u>1,966,647</u>	<u>1,450,790</u>	<u>515,857</u>
Culture and recreation				
General operations	171,515	162,814	139,581	23,233
Recreation centers	168,950	166,850	166,783	67
Beach, lifeguards, dunes	531,122	529,223	499,756	29,467
Museums	41,337	61,337	61,337	-
Parks administration	1,152,890	595,235	373,718	221,517
Total culture and recreation	<u>2,065,814</u>	<u>1,515,459</u>	<u>1,241,175</u>	<u>274,284</u>
Housing and development				
Zoning and inspection	374,449	322,149	255,233	66,916
Urban redevelopment	126,247	132,747	121,904	10,843
Parking	639,084	609,084	522,355	86,729
Total housing and development	<u>1,139,780</u>	<u>1,063,980</u>	<u>899,492</u>	<u>164,488</u>
Total current expenditures	<u>10,610,446</u>	<u>10,226,418</u>	<u>8,864,101</u>	<u>1,362,317</u>
Debt service:				
Principal	69,681	69,681	69,681	-
Interest	868	868	848	20
Total debt service	<u>70,549</u>	<u>70,549</u>	<u>70,529</u>	<u>20</u>
Total expenditures	<u>10,680,995</u>	<u>10,296,967</u>	<u>8,934,630</u>	<u>1,362,337</u>
Excess (deficiency) of revenues over expenditures	<u>(1,984,094)</u>	<u>(1,730,838)</u>	<u>454,851</u>	<u>2,185,689</u>
Other financing sources (uses):				
Contingency	(140,000)	(48,737)	-	48,737
Transfers in	1,385,000	1,542,000	1,581,794	39,794
Transfers out	(619,016)	(1,267,971)	(822,992)	444,979
Total other financing sources (uses)	<u>625,984</u>	<u>225,292</u>	<u>758,802</u>	<u>533,510</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Net change in fund balance	\$ (1,358,110)	\$ (1,505,546)	\$ 1,213,653	\$ 2,719,199
Fund balances, beginning of year	<u>8,107,278</u>	<u>8,107,278</u>	<u>8,107,278</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,749,168</u>	<u>\$ 6,601,732</u>	<u>\$ 9,320,931</u>	<u>\$ 2,719,199</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 2,720,000	\$ 2,720,000	\$ 3,066,765	\$ 346,765
Other revenues	50,000	50,000	13,363	(36,637)
Total revenues	<u>2,770,000</u>	<u>2,770,000</u>	<u>3,080,128</u>	<u>310,128</u>
Expenditures:				
Current:				
Culture and recreation	1,385,000	1,385,000	1,540,064	(155,064)
Total expenditures	<u>1,385,000</u>	<u>1,385,000</u>	<u>1,540,064</u>	<u>(155,064)</u>
Excess of revenues over expenditures	<u>1,385,000</u>	<u>1,385,000</u>	<u>1,540,064</u>	<u>155,064</u>
Other financing uses:				
Transfers out	(1,385,000)	(1,385,000)	(1,540,064)	(155,064)
Total other financing uses	<u>(1,385,000)</u>	<u>(1,385,000)</u>	<u>(1,540,064)</u>	<u>(155,064)</u>
Net change in fund balance	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF TYBEE ISLAND, GEORGIA
FEMA/GEMA GRANT FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Grants	\$ 752,500	\$ 1,991,386	\$ 1,979,012	\$ (12,374)
Total revenues	<u>752,500</u>	<u>1,991,386</u>	<u>1,979,012</u>	<u>(12,374)</u>
Expenditures:				
Current:				
Culture and recreation	860,000	79,736	79,656	80
Public safety	-	20,630	20,626	4
Public works	-	2,052,108	2,052,105	3
General government	-	9,583	9,578	5
Total expenditures	<u>860,000</u>	<u>2,162,057</u>	<u>2,161,965</u>	<u>92</u>
Deficiency of revenues over expenditures	<u>(107,500)</u>	<u>(170,671)</u>	<u>(182,953)</u>	<u>(12,282)</u>
Other financing sources (uses):				
Transfers out	-	(73,832)	(41,730)	32,102
Transfers in	107,500	244,503	224,683	(19,820)
Total other financing sources (uses)	<u>107,500</u>	<u>170,671</u>	<u>182,953</u>	<u>12,282</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<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, 2017**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water and Sewer Fund	River's End RV Park Fund	Solid Waste Collection Fund	Totals
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,066,035	\$ 6,172	\$ 18,302	\$ 1,090,509
Accounts receivable, net of allowances	255,472	-	71,279	326,751
Inventory	40,018	25,266	-	65,284
Prepaid expenses	109,737	91,911	-	201,648
Total current assets	<u>1,471,262</u>	<u>123,349</u>	<u>89,581</u>	<u>1,684,192</u>
Noncurrent assets				
Capital assets:				
Nondepreciable	996,835	6,870,000	-	7,866,835
Depreciable, net of accumulated depreciation	13,876,822	572,608	-	14,449,430
Total noncurrent assets	<u>14,873,657</u>	<u>7,442,608</u>	<u>-</u>	<u>22,316,265</u>
Total assets	<u>16,344,919</u>	<u>7,565,957</u>	<u>89,581</u>	<u>24,000,457</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	35,187	15,229	-	50,416
Pension experience differences	420	1,217	436	2,073
Pension assumption changes	-	-	3	3
Pension investment return	1,710	1,733	-	3,443
Total deferred outflows of resources	<u>37,317</u>	<u>18,179</u>	<u>439</u>	<u>55,935</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
LIABILITIES				
Current liabilities:				
Accounts payable	193,310	27,348	87,812	308,470
Accrued liabilities	7,784	7,399	-	15,183
Advance from other funds	-	391,899	-	391,899
Compensated absences, current	17,067	17,723	-	34,790
Notes payable, current	71,344	-	-	71,344
Bonds payable, current	336,252	411,982	-	748,234
Unearned revenue	-	179,076	-	179,076
Total current liabilities	<u>625,757</u>	<u>1,035,427</u>	<u>87,812</u>	<u>1,748,996</u>
Noncurrent liabilities:				
Customer deposits	245,850	-	-	245,850
Notes payable, net of current portion	1,491,913	-	-	1,491,913
Bonds payable, net of current portion	3,034,003	3,717,382	-	6,751,385
Net pension liability	169,734	76,055	1,348	247,137
Total noncurrent liabilities	<u>4,941,500</u>	<u>3,793,437</u>	<u>1,348</u>	<u>8,736,285</u>
Total liabilities	<u>5,567,257</u>	<u>4,828,864</u>	<u>89,160</u>	<u>10,485,281</u>
DEFERRED INFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	-	-	70	70
Pension assumption changes	103	34	-	137
Pension investment return	-	-	1,555	1,555
Total deferred inflows of resources	<u>103</u>	<u>34</u>	<u>1,625</u>	<u>1,762</u>
NET POSITION				
Net investment in capital assets	9,940,145	3,313,244	-	13,253,389
Unrestricted (deficit)	874,731	(558,006)	(765)	315,960
Total net position	<u>\$ 10,814,876</u>	<u>\$ 2,755,238</u>	<u>\$ (765)</u>	<u>\$ 13,569,349</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, 2017**

	<u>Water and Sewer Fund</u>	<u>River's End RV Park Fund</u>	<u>Solid Waste Collection Fund</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services:				
Water charges	\$ 1,154,502	\$ -	\$ -	\$ 1,154,502
Sewer charges	1,551,005	-	-	1,551,005
Camping fees	-	1,654,298	-	1,654,298
Stubbing fees	5,500	-	-	5,500
Tapping fees	7,774	-	-	7,774
Rental fees	197,402	-	-	197,402
Sanitation collection fees	-	-	852,395	852,395
Grant revenue	32,709	31,779	-	64,488
Other	155,772	11,302	-	167,074
Total operating revenues	<u>3,104,664</u>	<u>1,697,379</u>	<u>852,395</u>	<u>5,654,438</u>
OPERATING EXPENSES				
Personnel services	658,581	455,723	-	1,114,304
Administrative	111,751	433,451	-	545,202
Utilities	233,856	130,483	-	364,339
Supplies	95,907	104,182	-	200,089
Repairs and maintenance	322,119	68,465	-	390,584
Sanitation services	-	-	1,065,115	1,065,115
Miscellaneous	256,246	-	-	256,246
Depreciation	573,100	47,751	-	620,851
Total operating expenses	<u>2,251,560</u>	<u>1,240,055</u>	<u>1,065,115</u>	<u>4,556,730</u>
Operating income (loss)	<u>853,104</u>	<u>457,324</u>	<u>(212,720)</u>	<u>1,097,708</u>
NONOPERATING INCOME (EXPENSES)				
Interest expense	(146,537)	(104,367)	-	(250,904)
Interest income	190	-	-	190
Total nonoperating expenses	<u>(146,347)</u>	<u>(104,367)</u>	<u>-</u>	<u>(250,714)</u>
Income (loss) before contributions	706,757	352,957	(212,720)	846,994
CAPITAL CONTRIBUTIONS	41,402	-	-	41,402
OTHER FINANCING SOURCES				
Transfers in	-	27,946	183,030	210,976
Total other financing sources	<u>-</u>	<u>27,946</u>	<u>183,030</u>	<u>210,976</u>
Change in net position	748,159	380,903	(29,690)	1,099,372
NET POSITION, beginning of year	<u>10,066,717</u>	<u>2,374,335</u>	<u>28,925</u>	<u>12,469,977</u>
NET POSITION, end of year	<u>\$ 10,814,876</u>	<u>\$ 2,755,238</u>	<u>\$ (765)</u>	<u>\$ 13,569,349</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, 2017**

	<u>Water and Sewer Fund</u>	<u>River's End RV Park Fund</u>	<u>Solid Waste Collection Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,142,244	\$ 2,084,516	\$ 848,755	\$ 6,075,515
Payments to suppliers	(1,256,210)	(812,788)	(1,050,010)	(3,119,008)
Payments to employees	(657,619)	(455,543)	2,534	(1,110,628)
Net cash provided by (used in) operating activities	<u>1,228,415</u>	<u>816,185</u>	<u>(198,721)</u>	<u>1,845,879</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	27,946	183,030	210,976
Net cash provided by noncapital financing activities	<u>-</u>	<u>27,946</u>	<u>183,030</u>	<u>210,976</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(895,758)	(46,369)	-	(942,127)
Proceeds from bonds payable	3,645,000	4,466,000	-	8,111,000
Proceeds from notes payable	67,330	-	-	67,330
Principal paid on bonds	(274,745)	(5,071,636)	-	(5,346,381)
Principal paid on notes payable	(3,687,126)	-	-	(3,687,126)
Interest paid	(150,299)	(192,126)	-	(342,425)
Net cash used in capital and related financing activities	<u>(1,295,598)</u>	<u>(844,131)</u>	<u>-</u>	<u>(2,139,729)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on operating cash	190	-	-	190
Net cash provided by investing activities	<u>190</u>	<u>-</u>	<u>-</u>	<u>190</u>
Net change in cash and cash equivalents	(66,993)	-	(15,691)	(82,684)
Cash and cash equivalents, beginning of year	1,133,028	6,172	33,993	1,173,193
Cash and cash equivalents, end of year	<u>\$ 1,066,035</u>	<u>\$ 6,172</u>	<u>\$ 18,302</u>	<u>\$ 1,090,509</u>
Classified as:				
Cash and cash equivalents	\$ 1,066,035	\$ 6,172	\$ 18,302	\$ 1,090,509
	<u>\$ 1,066,035</u>	<u>\$ 6,172</u>	<u>\$ 18,302</u>	<u>\$ 1,090,509</u>

(Continued)

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Water and Sewer Fund</u>	<u>River's End RV Park Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Collection Fund</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 853,104	\$ 457,324	\$ (212,720)	\$ 1,097,708
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating				
Depreciation	573,100	47,751	-	620,851
Change in assets and liabilities:				
(Increase) decrease:				
Accounts receivable	11,180	-	(3,640)	7,540
Inventory	(9,035)	5,448	-	(3,587)
Prepaid expenses	(93,693)	(69,945)	-	(163,638)
Increase (decrease):				
Accounts payable	(133,603)	(11,710)	15,105	(130,208)
Accrued expenses	3,566	1,662	-	5,228
Customer deposits	26,400	53,160	-	79,560
Net pension liability	(2,604)	(1,482)	2,534	(1,552)
Due to other funds	-	333,977	-	333,977
Net cash provided by (used in) operating activities	<u>\$ 1,228,415</u>	<u>\$ 816,185</u>	<u>\$ (198,721)</u>	<u>\$ 1,845,879</u>
Noncash capital and related financing activities:				
Contributions from developers	\$ 41,402	\$ -	\$ -	\$ 41,402
	<u>\$ 41,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,402</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, 2017

	<u>Agency Fund Municipal Court</u>
ASSETS	
Cash	\$ 95,893
Total assets	<u>\$ 95,893</u>
 LIABILITIES	
Due to others	\$ 95,893
Total liabilities	<u>\$ 95,893</u>

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

CITY OF TYBEE ISLAND, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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 Accounting 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, 2017, 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, 2017.

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 **FEMA/GEMA Grant Fund** accounts for grants used to recover and repair damages caused by Hurricane Matthew.

The **Chatham County SPLOST Fund** accounts for funds received from Chatham County from their latest SPLOST, which are used for capital improvements made by the City.

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

The **Solid Waste 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.

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 by 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.

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, the Confiscated Assets Fund, and the FEMA/GEMA Grant 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, 2017, 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 and intergovernmental revenues not received within 60 days after year end. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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 payments 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.

O. Tax Abatement Agreements

During the year ended June 30, 2017, the City implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires the City to disclose information for any tax abatement agreements either entered into by the City, or agreements entered into by other governments that reduce the City's tax revenues. As of June 30, 2017, the City did not have any such agreements, either entered into by the City or by other governments that exceeded the quantitative threshold for disclosure.

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 2. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

For the fiscal year ended June 30, 2017, expenditures exceeded the final amended budget in the Hotel/Motel Tax Fund by \$155,064.

At June 30, 2017, the Chatham County SPLOST Fund had a deficit fund balance of (\$167,819). This deficit fund balance will be reduced through future County revenues and transfers from the General Fund.

NOTE 3. CASH AND INVESTMENTS

Total cash and investments as of June 30, 2017, are summarized as follows:

Amounts as presented on the government-wide statement of net position:

Cash and cash equivalents	\$ 7,809,236
Investments	1,288,197

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

Cash	95,893
Total	<u>\$ 9,193,326</u>

Cash deposited with financial institutions	\$ 7,905,129
Cash deposited with Georgia Fund 1	1,288,197
Total	<u>\$ 9,193,326</u>

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, 2017, the City had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Georgia Fund 1	26 days weighted average	<u>\$ 1,288,197</u>

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, 2017, 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, 2017, the City was not exposed to custodial credit risk for its investments.

NOTE 4. RECEIVABLES

Property taxes were levied on September 1, 2016 with a due date of November 15, 2016, and again on April 1, 2017 with a due date of June 1, 2017. 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, 2017, and expected to be collected by August 31, 2017, are recognized as revenues in the year ended June 30, 2017. Net receivables estimated to be collectible subsequent to August 31, 2017, are recorded as revenue when received. Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Hotel/Motel Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Solid Waste Collection Fund
Receivables:					
Taxes	\$ 436,111	\$ 506,719	\$ -	\$ -	\$ -
Accounts	127,699	-	8,747	287,119	78,435
Gross receivables	563,810	506,719	8,747	287,119	78,435
Less: allowance for uncollectibles	(80,207)	-	-	(31,647)	(7,156)
Net total receivables	<u>\$ 483,603</u>	<u>\$ 506,719</u>	<u>\$ 8,747</u>	<u>\$ 255,472</u>	<u>\$ 71,279</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,102,857	\$ -	\$ -	\$ -	\$ 1,102,857
Construction in progress	1,142,540	376,765	-	(1,204,798)	314,507
Total capital assets, not being depreciated	<u>2,245,397</u>	<u>376,765</u>	<u>-</u>	<u>(1,204,798)</u>	<u>1,417,364</u>
Capital assets, being depreciated:					
Buildings and improvements	7,113,042	-	-	1,008,133	8,121,175
Machinery and equipment	5,111,461	398,945	(23,000)	196,665	5,684,071
Infrastructure	3,160,068	16,781	(18,314)	-	3,158,535
Total capital assets, being depreciated	<u>15,384,571</u>	<u>415,726</u>	<u>(41,314)</u>	<u>1,204,798</u>	<u>16,963,781</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,606,802)	(195,828)	-	-	(1,802,630)
Machinery and equipment	(2,446,014)	(462,275)	21,119	-	(2,887,170)
Infrastructure	(1,719,562)	(186,898)	18,314	-	(1,888,146)
Total accumulated depreciation	<u>(5,772,378)</u>	<u>(845,001)</u>	<u>39,433</u>	<u>-</u>	<u>(6,577,946)</u>
Total capital assets, being depreciated, net	<u>9,612,193</u>	<u>(429,275)</u>	<u>(1,881)</u>	<u>1,204,798</u>	<u>10,385,835</u>
Governmental activities capital assets, net	<u>\$ 11,857,590</u>	<u>\$ (52,510)</u>	<u>\$ (1,881)</u>	<u>\$ -</u>	<u>\$ 11,803,199</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	\$ 411,027	\$ 907,321	\$ -	\$ (425,145)	\$ 893,203
Land	6,973,632	-	-	-	6,973,632
Total capital assets, not being depreciated	<u>7,384,659</u>	<u>907,321</u>	<u>-</u>	<u>(425,145)</u>	<u>7,866,835</u>
Capital assets, being depreciated:					
Land improvements	267,387	33,427	-	-	300,814
Buildings	447,418	12,940	-	-	460,358
Utility systems and improvements	17,973,489	-	-	425,145	18,398,634
Machinery and equipment	1,428,258	29,841	-	-	1,458,099
Total capital assets, being depreciated	<u>20,116,552</u>	<u>76,208</u>	<u>-</u>	<u>425,145</u>	<u>20,617,905</u>
Less accumulated depreciation for:					
Land improvements	(65,575)	(24,104)	-	-	(89,679)
Buildings	(109,216)	(17,395)	-	-	(126,611)
Utility systems and improvements	(4,776,756)	(442,282)	-	-	(5,219,038)
Machinery and equipment	(596,077)	(137,070)	-	-	(733,147)
Total accumulated depreciation	<u>(5,547,624)</u>	<u>(620,851)</u>	<u>-</u>	<u>-</u>	<u>(6,168,475)</u>
Total capital assets, being depreciated, net	<u>14,568,928</u>	<u>(544,643)</u>	<u>-</u>	<u>425,145</u>	<u>14,449,430</u>
Business-type activities capital assets, net	<u>\$ 21,953,587</u>	<u>\$ 362,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,316,265</u>

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

Governmental activities:

General government	\$ 91,471
Public safety	282,697
Public works	182,889
Culture and recreation	217,578
Housing and community development	70,366
Total depreciation expense - governmental activities	<u>\$ 845,001</u>

Business-type activities:

Water and sewer	\$ 573,100
River's End RV park	47,751
Total depreciation expense - business-type activities	<u>\$ 620,851</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, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease payable	\$ 124,797	\$ -	\$ (115,169)	\$ 9,628	\$ 9,628
Compensated absences	221,678	454,013	(386,909)	288,782	224,066
Net pension liability	1,418,743	801,329	(966,438)	1,253,634	-
Governmental activity long-term liabilities	\$ 1,765,218	\$ 1,255,342	\$ (1,468,516)	\$ 1,552,044	\$ 233,694
Business-type activities:					
Notes payable	\$ 5,183,053	\$ 67,330	\$ (3,687,126)	\$ 1,563,257	\$ 71,344
Revenue bonds payable	4,735,000	8,111,000	(5,346,381)	7,499,619	748,234
Compensated absences	26,601	85,882	(77,693)	34,790	34,790
Net pension liability	279,828	178,862	(211,553)	247,137	-
Business-type activity long-term liabilities	\$ 10,224,482	\$ 8,443,074	\$ (9,322,753)	\$ 9,344,803	\$ 854,368

For the governmental activities, compensated absences and the net pension liability are generally liquidated by the General Fund. For the business-type activities, compensated absences and the net pension liability are liquidated by the Water and Sewer Fund and the River's End RV Park Fund.

Capital Leases

The City has entered into a lease agreement as lessee to finance the acquisition of 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. At June 30, 2017, the outstanding balance due on the lease was \$9,628. The entire balance is due in fiscal year 2018.

	<u>Governmental Activities</u>
Machinery and equipment	\$ 405,286
Less: Accumulated depreciation	(116,850)
	\$ 288,436

Current year depreciation for the leased equipment is \$36,043.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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, 2017, are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
Chatham County Recreation Authority Refunding Revenue Bond, Series 2016	\$ 4,466,000	2.15%	2026	\$ 4,129,364
Water and Sewer Refunding Revenue Bonds, Series 2016	3,750,000	2.15%	2026	3,370,255
				7,499,619
		Less current portion		(748,234)
				<u>\$ 6,751,385</u>

Chatham County Recreation Authority Refunding Revenue Bonds (City of Tybee Island – Campground Project), Series 2016

The City of Tybee Island entered into an intergovernmental agreement with the Chatham County Recreation Authority to issue the Chatham County Recreation Authority Refunding Revenue Bonds (City of Tybee Island – Campground Project), Series 2016. The Series 2016 bonds were issued on August 1, 2016 to: 1) refund and redeem all of the outstanding Series 2006 Bonds 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.

City of Tybee Island Water and Sewer Refunding Revenue Bond, Series 2016

The City of Tybee Island Water and Sewer Refunding Revenue Bond, Series 2016 was issued in August 1, 2016. The Series 2016 bond was used to 1) fully pay off three loans with Georgia Environmental Facilities Authority and 2) pay the necessary costs of issuing the bonds. These bonds are secured by and payable from net revenues of the City's water and sewer system.

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>
2018	\$ 902,131	\$ 748,234	\$ 153,897
2019	902,139	764,488	137,651
2020	902,139	781,088	121,051
2021	902,139	798,047	104,092
2022	902,138	815,375	86,763
2023 - 2027	3,758,912	3,592,387	166,525
	<u>\$ 8,269,598</u>	<u>\$ 7,499,619</u>	<u>\$ 769,979</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

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, 2017.

Description	Original Amount	Interest Rate	Due Date	Amount
Water line extensions and lift stations	\$ 1,601,090	1.40%	2035	\$ 1,495,927
Water and sewer improvements	1,361,000	0.89%	2038	67,330
				1,563,257
		Less current portion		(71,344)
				\$ 1,491,913

The note payable for water and sewer improvements is still in the drawdown phase, therefore a maturity schedule is not presented. Repayment will be determined when construction is complete and all drawdowns have been made. Total notes payable service requirements to maturity are as follows:

Fiscal Year Payable	Total	Principal	Interest
2018	\$ 93,063	\$ 71,344	\$ 21,719
2019	91,831	72,350	19,481
2020	91,831	73,369	18,462
2021	91,831	74,403	17,428
2022	91,831	75,451	16,380
2023 - 2027	459,154	393,506	65,648
2028 - 2032	459,155	422,022	37,133
2033 - 2036	321,407	313,482	7,925
	\$ 1,700,103	\$ 1,495,927	\$ 204,176

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of June 30, 2017, are as follows:

	Due From				Total
	Hotel/Motel Tax Fund	FEMA/GEMA Fund	Chatham Co SPLOST Fund	Nonmajor Governmental Funds	
Due To					
General Fund	\$ 93,863	\$ 1,256,346	\$ 409,651	\$ 7,088	\$ 1,766,948
Nonmajor governmental funds	-	-	70,278	-	70,278
Total	\$ 93,863	\$ 1,256,346	\$ 479,929	\$ 7,088	\$ 1,837,226

In addition to the interfund receivables and payables listed above, the General Fund has advanced \$391,899 to the River's End RV Park Fund.

Interfund transfers for the fiscal year ended June 30, 2017, consisted of the following:

	Transfer From			Total
	General Fund	Hotel/Motel Tax Fund	FEMA/GEMA Fund	
Transfer To				
General Fund	\$ -	\$ 1,540,064	\$ 41,730	\$ 1,581,794
FEMA/GEMA Fund	224,683	-	-	224,683
River's End RV Park	27,946	-	-	27,946
Solid Waste Fund	183,030	-	-	183,030
Nonmajor governmental funds	387,333	-	-	387,333
Total	\$ 822,992	\$ 1,540,064	\$ 41,730	\$ 2,404,786

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, 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, 2017, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	42
Terminated employees entitled to benefits but not yet receiving them	45
Active plan members	<u>104</u>
Total membership in the plan	<u><u>191</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, 2017, the City's contribution rate was 10.78% of annual payroll. City contributions to the Plan were \$420,017 for the year ended June 30, 2017.

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, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016.

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 gender-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, 2016, are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.75%
International equity	20%	7.45%
Domestic fixed income	20%	1.75%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
	100%	

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

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, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning balances	\$ 8,330,329	\$ 6,631,758	\$ 1,698,571
<i>Changes for the year:</i>			
Service cost	243,211	-	243,211
Interest	632,774	-	632,774
Differences between expected and actual experience	55,701	-	55,701
Contributions—employer	-	430,220	(430,220)
Net investment income	-	745,075	(745,075)
Benefit payments, including refunds of employee contributions	(331,010)	(331,010)	-
Administrative expense	-	(17,953)	17,953
Other	27,856	-	27,856
<i>Net changes</i>	628,532	826,332	(197,800)
Ending balances	\$ 8,958,861	\$ 7,458,090	\$ 1,500,771

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

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	\$ 2,720,143	\$ 1,500,771	\$ 493,226

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, 2016, and the current sharing pattern of costs between employer and employee.

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

For the year ended June 30, 2017, the City recognized pension expense of \$396,273. At June 30, 2017, 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	\$ 44,560	\$ (40,031)
Changes in assumptions	-	(928)
Net difference between projected and actual earnings on pension plan investments	-	(3,348)
City contributions subsequent to the measurement date	315,013	-
Total	\$ 359,573	\$ (44,307)

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 (Continued)

City contributions subsequent to the measurement date of \$315,013 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, 2018. 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:	
2018	\$ 8,412
2019	8,412
2020	(51,530)
2021	34,453
Total	<u>\$ (253)</u>

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 years have not exceeded insurance coverage.

NOTES TO FINANCIAL STATEMENTS

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, 2017, the City paid \$3,887 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.

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, 2017, \$3,066,765 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$1,026,606 to the Savannah Chamber of Commerce and \$513,458 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>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 243,211	\$ 271,181	\$ 254,414
Interest on total pension liability	632,774	591,196	559,195
Differences between expected and actual experience	55,701	(6,456)	(90,395)
Changes of assumptions	-	-	(2,320)
Benefit payments, including refunds of employee contributions	(331,010)	(307,853)	(308,101)
Other	27,856	-	-
Net change in total pension liability	628,532	548,068	412,793
Total pension liability - beginning	8,330,329	7,782,261	7,369,468
Total pension liability - ending (a)	\$ 8,958,861	\$ 8,330,329	\$ 7,782,261
Plan fiduciary net position			
Contributions - employer	\$ 430,220	\$ 450,057	\$ 428,260
Net investment income	745,075	67,622	651,704
Benefit payments, including refunds of employee contributions	(331,010)	(307,853)	(308,101)
Administrative expenses	(17,953)	(20,168)	(15,776)
Net change in plan fiduciary net position	826,332	189,658	756,087
Plan fiduciary net position - beginning	6,631,758	6,442,100	5,686,013
Plan fiduciary net position - ending (b)	\$ 7,458,090	\$ 6,631,758	\$ 6,442,100
City's net pension liability - ending (a) - (b)	\$ 1,500,771	\$ 1,698,571	\$ 1,340,161
Plan fiduciary net position as a percentage of the total pension liability	83.25%	79.61%	82.78%
Covered employee payroll	\$ 4,327,782	\$ 3,832,932	\$ 3,837,698
City's net pension liability as a percentage of covered employee payroll	34.68%	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

	2017	2016	2015
Actuarially determined contribution	\$ 420,017	\$ 433,621	\$ 455,536
Contributions in relation to the actuarially determined contribution	420,017	433,621	455,536
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 4,327,782	\$ 3,832,932	\$ 3,837,698
Contributions as a percentage of covered employee payroll	9.71%	11.30%	11.87%

Notes to the Schedule

Valuation Date	January 1, 2017
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.

Grant Fund- To account for the receipt and disbursement of various grants received by the City.

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,460	\$ 930,190	\$ 931,650
Accounts receivable	8,747	-	8,747
Due from other governments	-	138,352	138,352
Due from other funds	-	70,278	70,278
Prepaid expenditures	537	-	537
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 10,744</u>	<u>\$ 1,138,820</u>	<u>\$ 1,149,564</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 1,077	\$ 10,479	\$ 11,556
Retainage payable	-	6,096	6,096
Due to other funds	7,088	-	7,088
Total liabilities	<hr/> 8,165	<hr/> 16,575	<hr/> 24,740
FUND BALANCE			
Nonspendable - prepaid items	537	-	537
Restricted for:			
Public safety vehicles and equipment	2,042	300,000	302,042
Capital projects	-	822,245	822,245
Total fund balance	<hr/> 2,579	<hr/> 1,122,245	<hr/> 1,124,824
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 10,744</u>	<u>\$ 1,138,820</u>	<u>\$ 1,149,564</u>

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental	\$ -	\$ 785,544	\$ 785,544
Charges for services	63,457	-	63,457
Interest income	1	1,013	1,014
Total revenues	63,458	786,557	850,015
Expenditures:			
Current:			
Public safety	328,436	-	328,436
Capital outlay	-	749,180	749,180
Debt service:			
Principal	45,488	-	45,488
Interest	356	-	356
Total expenditures	374,280	749,180	1,123,460
Excess (deficiency) of revenues over (under) expenditures	(310,822)	37,377	(273,445)
Other financing sources:			
Transfers in	286,933	100,400	387,333
Total other financing sources	286,933	100,400	387,333
Net change in fund balance	(23,889)	137,777	113,888
Fund balance, beginning of year	26,468	984,468	1,010,936
Fund balance, end of year	\$ 2,579	\$ 1,122,245	\$ 1,124,824

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	<u>E911 Fund</u>	<u>Confiscated Assets Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,460	\$ 1,460
Accounts receivable	8,747	-	8,747
Prepaid expenditures	537	-	537
	<u>9,284</u>	<u>1,460</u>	<u>10,744</u>
Total assets	<u>\$ 9,284</u>	<u>\$ 1,460</u>	<u>\$ 10,744</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,077	\$ -	\$ 1,077
Due to other funds	7,088	-	7,088
Total liabilities	<u>8,165</u>	<u>-</u>	<u>8,165</u>
FUND BALANCE			
Nonspendable - prepaid items	537	-	537
Restricted for:			
Public safety	582	1,460	2,042
Total fund balance	<u>1,119</u>	<u>1,460</u>	<u>2,579</u>
Total liabilities and fund balance	<u>\$ 9,284</u>	<u>\$ 1,460</u>	<u>\$ 10,744</u>

CITY OF TYBEE ISLAND, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	E911 Fund	Confiscated Assets Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Charges for services	\$ 63,457	\$ -	\$ 63,457
Interest income	-	1	1
Total revenues	63,457	1	63,458
Expenditures:			
Current:			
Public safety	328,436	-	328,436
Debt Service:			
Principal	45,488	-	45,488
Interest	356	-	356
Total expenditures	374,280	-	374,280
Excess (deficiency) of revenues over (under) expenditures	(310,823)	1	(310,822)
Other financing sources:			
Transfers in	286,933	-	286,933
Total other financing sources	286,933	-	286,933
Net change in fund balance	(23,890)	1	(23,889)
Fund balance, beginning of year	25,009	1,459	26,468
Fund balance, end of year	\$ 1,119	\$ 1,460	\$ 2,579

CITY OF TYBEE ISLAND, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2017**

	2003 SPLOST Fund	2008 SPLOST Fund	2014 SPLOST Fund	Grant Fund	Total Nonmajor Capital Project Funds
ASSETS					
Cash and cash equivalents	\$ 450,829	\$ 9,718	\$ 469,011	\$ 632	\$ 930,190
Due from other governments	-	-	138,352	-	138,352
Due from other funds	-	-	70,278	-	70,278
Total assets	\$ 450,829	\$ 9,718	\$ 677,641	\$ 632	\$ 1,138,820
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,047	\$ -	\$ 7,432	\$ -	\$ 10,479
Retainage payable	-	6,096	-	-	6,096
Total liabilities	3,047	6,096	7,432	-	16,575
FUND BALANCE					
Restricted for:					
Public safety vehicles and equipment	-	-	300,000	-	300,000
Capital projects	447,782	3,622	370,209	632	822,245
Total fund balance	447,782	3,622	670,209	632	1,122,245
Total liabilities and fund balance	\$ 450,829	\$ 9,718	\$ 677,641	\$ 632	\$ 1,138,820

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, 2017**

	2003 SPLOST Fund	2008 SPLOST Fund	2014 SPLOST Fund	Grant Fund	Total Nonmajor Capital Project Funds
Revenues:					
Intergovernmental	\$ -	\$ -	\$ 785,544	\$ -	\$ 785,544
Interest income	180	34	791	8	1,013
Total revenues	<u>180</u>	<u>34</u>	<u>786,335</u>	<u>8</u>	<u>786,557</u>
Expenditures:					
Capital outlay	3,047	142,073	503,660	100,400	749,180
Total expenditures	<u>3,047</u>	<u>142,073</u>	<u>503,660</u>	<u>100,400</u>	<u>749,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,867)</u>	<u>(142,039)</u>	<u>282,675</u>	<u>(100,392)</u>	<u>37,377</u>
Other financing sources:					
Transfers in	-	-	-	100,400	100,400
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,400</u>	<u>100,400</u>
Net change in fund balance	(2,867)	(142,039)	282,675	8	137,777
Fund balance, beginning of year	<u>450,649</u>	<u>145,661</u>	<u>387,534</u>	<u>624</u>	<u>984,468</u>
Fund balance, end of year	<u>\$ 447,782</u>	<u>\$ 3,622</u>	<u>\$ 670,209</u>	<u>\$ 632</u>	<u>\$ 1,122,245</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, 2017

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Public Safety					
Police department vehicles	\$ 120,000	\$ 228,434	\$ 113,954	\$ 114,483	\$ 228,437
Public safety software upgrade	165,000	196,665	29,849	166,816	196,665
Fire department truck	630,000	630,000	198,351	110,000	308,351
Fire department equipment	630,000	89,870	184,539	31,886	216,425
Water and Sewer					
Various projects	1,554,000	-	-	-	-
Street and Infrastructure					
Street paving and repair	550,000	80,164	18,164	-	18,164
Marsh Hen Trail/Highway 80 bike trail	47,000	47,000	11,491	1,786	13,277
Drainage project - Bay Street	-	10,156	-	10,156	10,156
Drainage project - various	-	179,135	-	-	-
Cultural and Recreation					
Memorial Park pavilion building	32,000	291,534	56,747	34,787	91,534
Playground equipment	120,000	195,390	196,057	-	196,057
Tybee Arts Association - audio/video	-	27,017	-	27,017	27,017
YMCA - batting cage	-	5,842	-	5,842	5,842
Friends/Post Tybee Theater audio video equipment	-	117,056	117,056	-	117,056
JayCee Park	-	887	-	887	887
Various projects	332,000	928	-	-	-
Beach Related					
Mobi-Mats	20,000	-	-	-	-
	<u>\$ 4,200,000</u>	<u>\$ 2,100,078</u>	<u>\$ 926,208</u>	<u>\$ 503,660</u>	<u>\$ 1,429,868</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, 2017**

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	\$ 938,510	\$ 27,516	\$ 966,026
Beach derelict structure removal project	-	185,416	185,416	-	185,416
North Beach concession stand equipment	-	15,800	7,969	6,898	14,867
Program management fees	-	1,906	106	-	106
Undesignated	-	796,984	-	-	-
	<u>\$ 850,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,132,001</u>	<u>\$ 34,414</u>	<u>\$ 1,166,415</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, 2017

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
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	41,373	41,373	-	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 Mats	40,000	39,980	39,980	-	39,980
8th Street dune	30,000	-	-	-	-
Culture and Recreation					
Memorial Park project	2,000	260,291	10,485	125,000	135,485
Memorial Park playground	-	17,073	-	17,073	17,073
Undesignated					
	5,535,503	3,663	-	-	-
	<u>\$ 8,000,000</u>	<u>\$ 6,100,916</u>	<u>\$ 5,830,374</u>	<u>\$ 142,073</u>	<u>\$ 5,972,447</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, 2017

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	21,717	-	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	151,079	3,047	154,126
South Beach Business District	-	764,381	764,381	-	764,381
Other					
Other capital equipment	190,354	374	-	-	-
	<u>\$ 6,515,354</u>	<u>\$ 7,354,160</u>	<u>\$ 6,903,331</u>	<u>\$ 3,047</u>	<u>\$ 6,906,378</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 the 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, 2017, 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 27, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

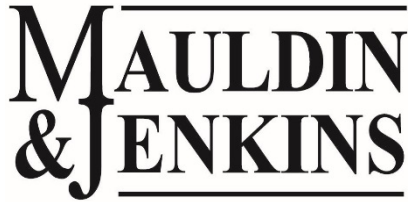
As part of obtaining reasonable assurance about whether the City of Tybee Island, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 27, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Tybee Island, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the City's major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Tybee Island, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
December 27, 2017

CITY OF TYBEE ISLAND, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/ Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Passed-Through to Subrecipients</u>
U.S. Department of Homeland Security				
Direct Awards				
Disaster Grants	97.036	N/A	\$ 1,810,636	\$ -
Total U.S. Department of Homeland Security			<u>1,810,636</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,810,636</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards.

CITY OF TYBEE ISLAND, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Tybee Island, Georgia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR part 200, OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. NON-CASH ASSISTANCE AND LOANS

There were no federal awards expended in the form of noncash assistance during the year. There were also no loans or loan guarantees outstanding at year end.

NOTE 3. DE MINIMIS INDIRECT COST RATE

The City did not use the ten percent de minimis indirect cost rate.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
 Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered
 to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered
 to be material weaknesses? ___ Yes X None Reported

Type of auditor's report issued on compliance for
 major programs Unmodified

Any audit findings disclosed that are required to
 be reported in accordance with 2 CFR part 200? ___ Yes X No

Identification of major programs:

CFDA Number
 97.036

Name of Federal Program or Cluster
 Disaster Grant (FEMA)

Dollar threshold used to distinguish between
 Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ___ Yes X No

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

CITY OF TYBEE ISLAND, GEORGIA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

Status: Resolved.