

**CITY OF TYBEE ISLAND, GEORGIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2005**

**CITY OF TYBEE ISLAND, GEORGIA**  
**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED DECEMBER 30, 2005**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

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 December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tybee Island, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Hotel/Motel Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2006, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedules of expenditures of special purpose local option sales tax proceeds as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
March 31, 2006



**THE CITY OF TYBEE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005**

The management of the City of Tybee Island, Georgia offers the readers of the City's Annual Audited Financial Statements this narrative overview and analysis of the financial activities of the City of Tybee Island for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the referenced financial statements and footnotes accompanying the financial statements.

**Financial Highlights**

- The City's assets exceeded its liabilities by \$14,795,360 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
  - Capital assets, net of related debt, of \$9,204,651 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - Net assets of \$620,753 restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws and regulation.
  - Unrestricted net assets of \$4,969,956.
- Total unrestricted net assets increased from \$4,201,258 to \$4,969,956 or 18%.
- Investment in capital assets, net of related debt increased by \$1,295,460 or 16% as capital projects were completed.
- In fiscal year 2005, General Fund unreserved and undesignated fund balance increased from \$2,539,835 to \$2,991,759 or \$451,924.
- During the fiscal year ended December 31, 2005 the General Fund Balance increased \$443,667 to \$3,043,223.
- The City's governmental funds reported total combined fund balances total \$4,750,609.
- The City of Tybee Island's total long term debt decreased by \$96,914 due to scheduled debt service payments and a re-funding of the 1994 water sewer revenue bonds.

The above financial highlights are explained in more detail in the financial analysis section of this document.

**Overview of the Financial Statements**

This Management Discussion and Analysis document is intended to serve as an introduction to the City of Tybee Island's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

### **Government-wide Financial Statements**

The City's basic financial statements include two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

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

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

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

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, community development, transportation, information services, environmental and general administration. Property taxes, sales taxes and franchise fees finance the majority of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water system, environmental waste systems and participant recreation activities are reported here.

The government-wide financial statements are presented on pages 12 and 13 of this report.

### **Fund Financial Statements**

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

The City has three kinds of funds:

- *Governmental funds* – The majority of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial



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resources that can be spent in the near future to finance the City's programs. By comparing information presented

for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

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

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

The City of Tybee Island adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general and the hotel motel tax funds to demonstrate compliance with this budget.

The basic governmental fund financial statements are presented on pages 14 to 19 of this report.

- *Proprietary funds* – The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information such as cash flows. These are reported in the fund financial statements and generally report services for which the City charges customers a fee.

The City maintains two enterprise funds: Water and Sewer and Solid Waste Collection.

The proprietary fund financial statements are presented on pages 20 to 23 of this report.

- *Fiduciary funds* – The City has one fiduciary fund. These types of funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within other governments. When these assets are held under the terms of a formal trust agreement, a private purpose trust fund is used. The basic fiduciary fund financial statement is presented on page 24 of this report.

**Notes to the Basic Financial Statements**

The financial statement includes notes that explain some of the information in the financial statements and provides information that is more detailed. The notes are essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

**Other Information**

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds presented as supplementary financial information of this report begin on page 46.

**Compliance Section**

The independent auditor's report on internal control over financial reporting begins on page 50. The city still has one finding to overcome in segregation of duties. The addition of one another staff member in the finance department will be required to properly segregate duties.

Independent Accountant's Report on Local Assistance Grants

The State of Georgia Grant Certification Forms are included on pages 54 to 57.

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

The City implemented the new financial reporting model used in this report beginning with the fiscal year ended December 31, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets reflects its investment in capital assets (62%). Capital assets are used to provide services. The City's net assets at December 31, 2005 are \$14,795,360. The following table provides a summary of the City's net assets:

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current and other assets	\$ 5,338,386	\$ 4,558,816	\$ 1,147,678	\$ 689,722	\$ 6,486,064	\$ 5,248,538
Capital Assets	<u>4,610,354</u>	<u>4,549,943</u>	<u>9,082,469</u>	<u>7,944,334</u>	<u>13,692,823</u>	<u>12,494,277</u>
Total assets	<u>9,948,740</u>	<u>9,108,759</u>	<u>10,230,147</u>	<u>8,634,056</u>	<u>20,178,887</u>	<u>17,742,815</u>
<b>Liabilities</b>						
Current liabilities	613,841	494,564	511,929	158,336	1,125,770	652,900
Long-term liabilities	-	-	4,257,757	4,585,086	4,257,757	4,585,086
Total liabilities	<u>613,841</u>	<u>494,564</u>	<u>4,769,686</u>	<u>4,743,422</u>	<u>5,383,527</u>	<u>5,237,986</u>
<b>Net assets</b>						
Invested in capital assets	4,610,354	4,549,943	4,594,297	3,359,248	9,204,651	7,909,191
Restricted	-	-	620,753	394,380	620,753	394,380
Unrestricted	<u>4,724,545</u>	<u>4,064,252</u>	<u>245,411</u>	<u>137,006</u>	<u>4,969,956</u>	<u>4,201,258</u>
Total net assets	<u>\$ 9,334,899</u>	<u>\$ 8,614,195</u>	<u>\$ 5,460,461</u>	<u>\$ 3,890,634</u>	<u>\$ 14,795,360</u>	<u>\$ 12,504,829</u>

At the end of the fiscal year, the City of Tybee Island reports positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Further analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets were \$ 5,460,461 of which 84% or \$ 4,594,297 are invested in capital assets which include: property, infrastructure, plant in service, equipment and vehicles to provide utility service and generate revenue for this fund.

A portion of the net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,969,956) may be used to meet the government's ongoing obligation to citizens and creditors.

The general fund, as part of the governmental activities, maintains an unreserved, undesignated fund balance of 50% or six (6) months of operating costs. This meets the goal the City Council determined to be a minimum requirement for the City to recover from a major weather related event or adverse economic climate.

The following table provides a summary of the City's changes in net assets:

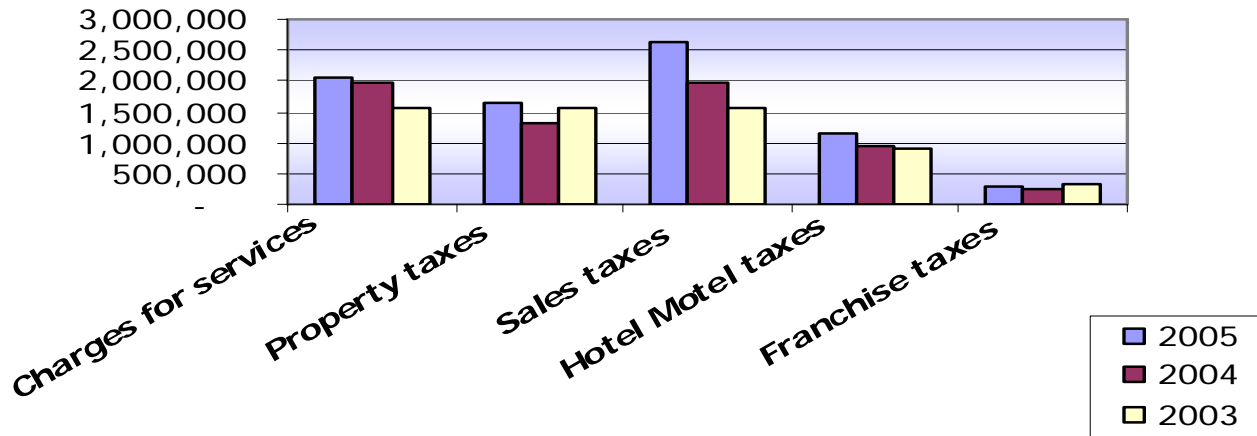
**Summary of Changes in Net Assets (Table 2)**

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,072,068	\$ 1,991,283	\$ 2,005,824	\$ 1,666,820	\$ 4,077,892	\$ 3,658,103
Operating grants and contributions	23,571	125,011	-	-	23,571	125,011
Capital grants and contributions	-	25,000	183,281	215,018	183,281	240,018
General revenues:						
Property taxes	1,641,814	1,321,559	-	-	1,641,814	1,321,559
Other taxes	4,473,490	3,571,164	-	-	4,473,490	3,571,164
Investment earnings	113,994	60,871	21,677	20,279	135,671	81,150
Other	-	84,440	-	-	-	84,440
<b>Total revenues</b>	<b>8,324,937</b>	<b>7,179,328</b>	<b>2,210,782</b>	<b>1,902,117</b>	<b>10,535,719</b>	<b>9,081,445</b>
<b>Expenses</b>						
Governmental activities:						
General government	1,240,254	1,429,358	-	-	1,240,254	1,429,358
Judicial	6,276	-	-	-	6,276	-
Public safety and courts	1,713,017	1,676,048	-	-	1,713,017	1,676,048
Public works	1,023,693	1,140,392	-	-	1,023,693	1,140,392
Culture and recreation	1,423,661	1,124,882	-	-	1,423,661	1,124,882
Community development	640,272	658,994	-	-	640,272	658,994
Interest on long-term debt	-	412	-	-	-	412
Business-type activities:						
Water and sewer service	-	-	1,537,462	1,407,048	1,537,462	1,407,048
Solid waste collection	-	-	660,553	564,958	660,553	564,958
<b>Total expenses</b>	<b>6,047,173</b>	<b>6,030,086</b>	<b>2,198,015</b>	<b>1,972,006</b>	<b>8,245,188</b>	<b>8,002,092</b>
Transfers	(1,557,060)	-	1,557,060	-	-	-
Change in net assets	720,704	1,149,242	1,569,827	(69,889)	2,290,531	1,079,353
Beginning net assets	8,614,195	7,464,953	3,890,634	3,960,523	12,504,829	11,425,476
Ending net assets	<b>\$ 9,334,899</b>	<b>\$ 8,614,195</b>	<b>\$ 5,460,461</b>	<b>\$ 3,890,634</b>	<b>\$ 14,795,360</b>	<b>\$ 12,504,829</b>

A discussion of significant changes in 2005 revenues would include property tax collections which increased by \$320,255 or 24% due to higher property value assessments that substantially increased the tax base. The millage rate of 4.117 remained constant. Charges for services increased \$419,789 in 2005, an 11% increase. This is due to increased water rates and parking revenue. Water and sewer rates were increased 3% in 2005, and new customers came on line. During 2005 the hourly rate of many of the parking meters increased from \$0.50 to \$1.00 per hour. The revenue from parking violations increased as well.

Major changes in the 2005 expenditure categories include general government expenditures that decreased by \$189,104 in 2005, a 13% decrease due to a reduction in consulting and personnel expenses. Culture and recreation expenses increased \$298,779 in 2005, a 27% increase mainly due to the cost of operating the Youmans-Solomon Complex that opened in March of 2005.

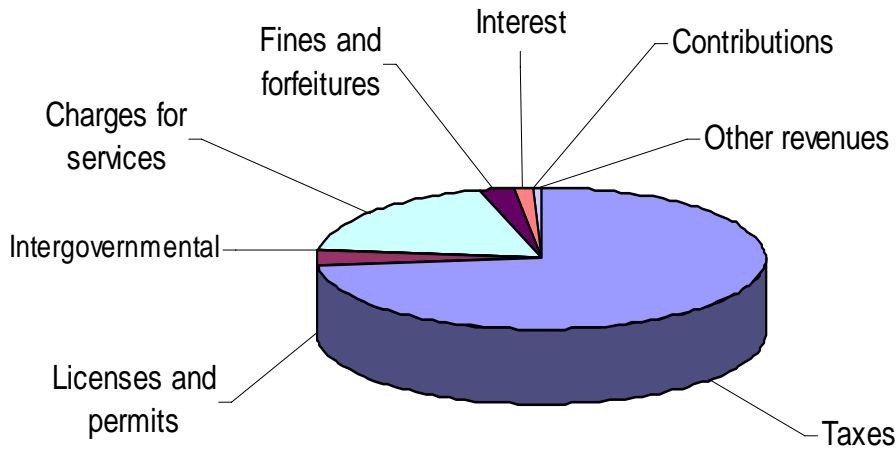
### Revenue by Source - Governmental Activities



(Table 3)

The chart (Table 3) above describes the three year comparison of tax revenues collected by the City and compared to the charges for services. Tourism is Tybee Island's main industry and this is consistent with the outstanding year enjoyed by the tourism industry.

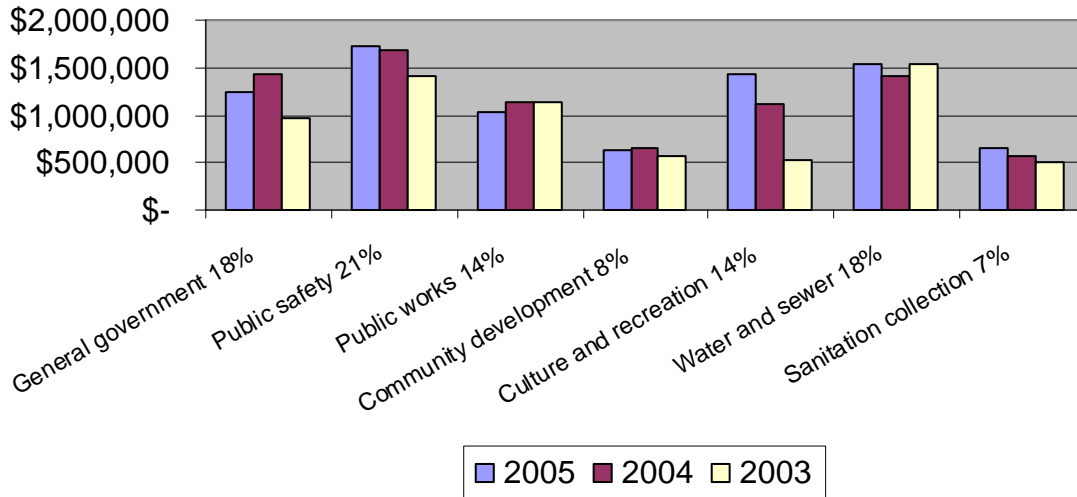
### TOTAL GOVERNMENTAL REVENUE



(Table 4)

The three year study of major expense category demonstrates the focus on the maintaining services to the citizens and reducing administrative costs where possible.

**Expenditure by Function - All Operational Units**



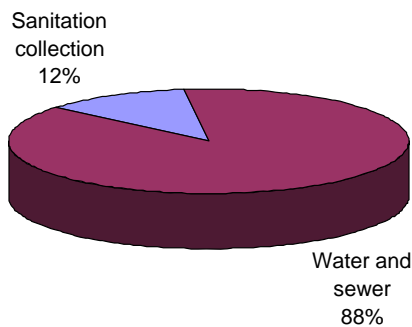
(Table 5)

As discussed earlier, the amounts saved in general government are easily recognizable in Table 5.

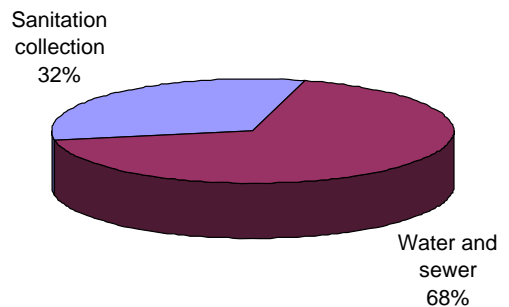
**Enterprise Funds**

The financial summary of the City's business-type activities for fiscal year 2005 are depicted below in Tables 6 through 8. The Water Sewer Fund operated at a profit, while the Solid Waste Collection Enterprise Fund again required subsidization.

Revenue by Source - Business-type Activities (Table 6)



Expenditures by Function - Business-type Activities (Table 7)



The Water Sewer Fund maintained profitability while the losses realized in the Solid Waste fund ran over the programmed loss in 2005 due to the higher fuel surcharges, landfill fees and increased usage at the Public Works yard due to the dry trash initiative. Below is the year over year comparison on the City's enterprise funds.

**Business-Type Activities (Table 8)**

	Water Sewer Fund		Solid Waste Enterprise Fund		Totals	
	2005	2004	2005	2004	2005	2004
Operating revenues	\$ 1,633,340	\$ 1,386,056	\$ 372,484	\$ 280,764	\$ 2,005,824	\$ 1,666,820
Operating expenses	1,380,281	1,193,562	660,553	564,958	2,040,834	1,758,520
Operating income (loss)	253,059	192,494	(288,069)	(284,194)	(35,010)	(91,700)
Nonoperating income (expenses)	(135,504)	(193,207)	-	-	(135,504)	(193,207)
Transfers in	-	-	221,000	-	221,000	-
Capital contributions	1,519,341	215,018	-	-	1,519,341	215,018
Change in net assets	1,636,896	214,305	(67,069)	(284,194)	1,569,827	(69,889)
Beginning net assets	4,174,828	4,357,752	(284,194)	-	3,890,634	4,357,752
Prior period adjustment	-	(397,229)	-	-	-	(397,229)
Ending net assets	\$ 5,811,724	\$ 4,174,828	\$ (351,263)	\$ (284,194)	\$ 5,460,461	\$ 3,890,634

**Capital Assets**

Significant activity in the capital assets of the city include the occupancy of the Youmans-Solomon Complex by the recreation department upon its completion. The total cost of this facility was \$1,683,581 and it was completed in February and dedicated in June of 2005.

The E911 Fund was created this year. During the spring of 2005 the City opened the Sgt. Charlie Lanier 911 Center and began the important task of fielding 911 calls locally. The equipment was installed, tested and certified and has cellular and land line capabilities.

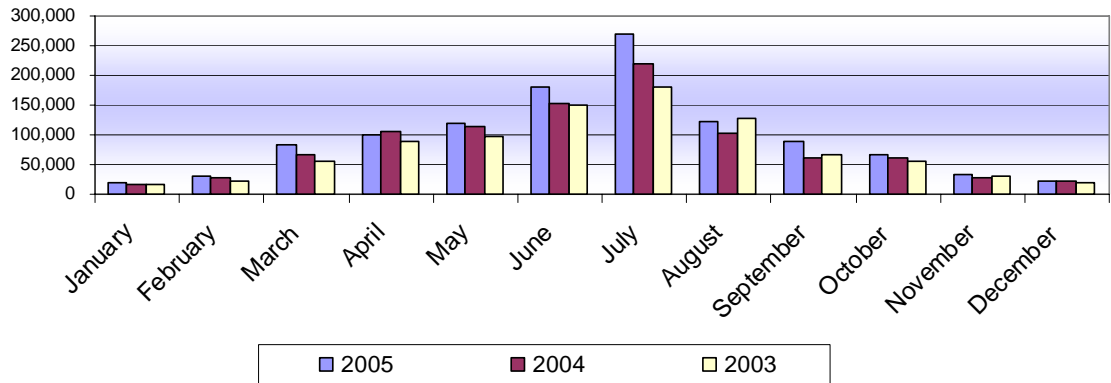
The water sewer projects in progress at year end include the sewer rehabilitation or slip-lining project and the installation of dual eight inch water mains in the parallel parking lanes on Butler Avenue. Upcoming water and sewer projects include the Fort Screven Water Line, Phases I and II and the implementation of sewer service to areas currently on septic.

**Economy**

In the Coastal Empire, the annualized quarterly growth rate topped 4.5% during the last two quarters of the year. Overall the economy grew by 2.8% during 2005. In the Savannah metropolitan area total jobs increased 2.7% in 2005, compared to 1.5% for Georgia and 1.2% nationally. There were 446 building permits reported for Chatham County in 2005, 20.8% lower than in 2004. On Tybee the number of building permits issued decreased by 60% to 86 units.

As discussed earlier, the tourism industry had an excellent 2005 as illustrated in Table 9. The growth in activities, available accommodations and active enforcement have contributed to a 16% increase in 2005. The season is expanding with more tourists visiting the island in the spring and fall.

**Hotel Motel Tax Collections**



**(Table 9)**

**Future Budget Highlights**

The 2006 Operating Budget and Capital Improvement Budget were passed on December 8, 2005. Highlights for the coming year include:

- oCompletion of the Butler Avenue Water Line
- oAutomated Meter Reading Equipment for the Water Sewer Department,
- oCommunity Center Remodel
- oCity Hall Remodel and Generator
- oSouth Beach Business District Improvements
- oPay and Display Parking Meters

Also, at year end the City has committed funds to the Butler Avenue Water Line Project and has secured a construction loan for \$1.8 million. This project will be completed in Spring of 2006.

**Requests for Information**

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

The City of Tybee Island  
Attn: Jan Fox, CFO  
PO Box 2749  
Tybee Island, GA 31328

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash and cash equivalents	\$ 3,754,410	\$ 12,062	\$ 3,766,472
Investments	637,639	391,173	1,028,812
Taxes receivable	193,286	-	193,286
Accounts receivable, net of allowances	47,540	207,024	254,564
Due from other governments	411,452	-	411,452
Internal balances	242,595	(242,595)	-
Prepaid expenses	51,464	28,336	79,800
Restricted assets, cash	-	620,753	620,753
Other assets	-	130,925	130,925
Capital assets:			
Nondepreciable	798,069	1,917,535	2,715,604
Depreciable, net of accumulated depreciation	3,812,285	7,164,934	10,977,219
Total assets	<u>9,948,740</u>	<u>10,230,147</u>	<u>20,178,887</u>
 <b>LIABILITIES</b>			
Accounts payable	445,615	246,842	692,457
Accrued liabilities	53,862	34,672	88,534
Note payable due within one year	-	125,415	125,415
Note payable due in more than one year	-	2,912,757	2,912,757
Compensated absences due within one year	114,364	-	114,364
Bonds payable due within one year	-	105,000	105,000
Bonds payable due in more than one year	-	1,345,000	1,345,000
Total liabilities	<u>613,841</u>	<u>4,769,686</u>	<u>5,383,527</u>
 <b>NET ASSETS</b>			
Investment in capital assets, net of related debt	4,610,354	4,594,297	9,204,651
Restricted for debt service	-	620,753	620,753
Unrestricted	4,724,545	245,411	4,969,956
Total net assets	<u>\$ 9,334,899</u>	<u>\$ 5,460,461</u>	<u>\$ 14,795,360</u>

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



**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Governmental activities:							
General government	\$ 1,240,254	\$ 450,545	\$ -	\$ -	\$ (789,709)	\$ -	\$ (789,709)
Judicial	6,276	-	-	-	(6,276)	-	(6,276)
Public safety	1,713,017	319,452	20,000	-	(1,373,565)	-	(1,373,565)
Public works	1,023,693	-	-	-	(1,023,693)	-	(1,023,693)
Culture and recreation	1,423,661	1,302,071	3,571	-	(118,019)	-	(118,019)
Housing and community development	640,272	-	-	-	(640,272)	-	(640,272)
Total governmental activities	<u>6,047,173</u>	<u>2,072,068</u>	<u>23,571</u>	<u>-</u>	<u>(3,951,534)</u>	<u>-</u>	<u>(3,951,534)</u>
Business-type activities:							
Water and sewer	1,537,462	1,633,340	-	183,281	-	279,159	279,159
Sanitation collection	660,553	372,484	-	-	-	(288,069)	(288,069)
Total business-type activities	<u>2,198,015</u>	<u>2,005,824</u>	<u>-</u>	<u>183,281</u>	<u>-</u>	<u>(8,910)</u>	<u>(8,910)</u>
Total primary government	<u>\$ 8,245,188</u>	<u>\$ 4,077,892</u>	<u>\$ 23,571</u>	<u>\$ 183,281</u>	<u>(3,951,534)</u>	<u>(8,910)</u>	<u>(3,960,444)</u>
General revenues:							
Property taxes					1,641,814	-	1,641,814
Sales taxes					2,638,089	-	2,638,089
Hotel / motel taxes					1,153,431	-	1,153,431
Franchise taxes					286,715	-	286,715
Insurance premium taxes					169,883	-	169,883
Other taxes					225,372	-	225,372
Unrestricted investment earnings					113,994	21,677	135,671
Transfers					(1,557,060)	1,557,060	-
Total general revenues and transfers					<u>4,672,238</u>	<u>1,578,737</u>	<u>6,250,975</u>
Change in net assets					720,704	1,569,827	2,290,531
Net assets, beginning of year					8,614,195	3,890,634	12,504,829
Net assets, end of year					<u>\$ 9,334,899</u>	<u>\$ 5,460,461</u>	<u>\$ 14,795,360</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

<b>ASSETS</b>	<b>General Fund</b>	<b>Hotel / Motel Tax Fund</b>	<b>SPLOST Fund</b>	<b>Other Governmental Funds</b>	<b>Totals Governmental Funds</b>
Cash and cash equivalents	\$ 2,557,287	\$ 28,217	\$ 1,168,906	\$ -	\$ 3,754,410
Investments	351,426	-	286,213	-	637,639
Taxes receivable	169,686	23,600	-	-	193,286
Accounts receivable	47,540	-	-	-	47,540
Due from other governments	166,780	-	244,672	-	411,452
Due from other funds	24,009	-	319,009	-	343,018
Prepaid expenditures	51,464	-	-	-	51,464
Total assets	<u>\$ 3,368,192</u>	<u>\$ 51,817</u>	<u>\$ 2,018,800</u>	<u>\$ -</u>	<u>\$ 5,438,809</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 106,393	\$ 28,199	\$ 310,441	\$ 582	\$ 445,615
Accrued liabilities	53,862	-	-	-	53,862
Deferred revenues	88,300	-	-	-	88,300
Due to other funds	76,414	23,618	-	391	100,423
Total liabilities	<u>324,969</u>	<u>51,817</u>	<u>310,441</u>	<u>973</u>	<u>688,200</u>
<b>FUND BALANCES</b>					
Fund balances:					
Reserved for:					
Prepaid assets	51,464	-	-	-	51,464
Unreserved:					
Designated:					
Capital project funds	-	-	1,708,359	-	1,708,359
Undesignated	2,991,759	-	-	(973)	2,990,786
Total fund balances	<u>3,043,223</u>	<u>-</u>	<u>1,708,359</u>	<u>(973)</u>	<u>4,750,609</u>
Total liabilities and fund balances	<u>\$ 3,368,192</u>	<u>\$ 51,817</u>	<u>\$ 2,018,800</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					4,610,354
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					88,300
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.					<u>(114,364)</u>
Net assets of governmental activities					<u>\$ 9,334,899</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 YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Hotel / Motel Tax Fund</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 3,310,966	\$ 1,153,431	\$ 1,667,892	\$ -	\$ 6,132,289
Licenses and permits	270,651	-	-	-	270,651
Intergovernmental	20,000	-	-	-	20,000
Charges for services	1,500,138	-	-	33,201	1,533,339
Fines and forfeitures	220,399	-	-	-	220,399
Interest	74,566	-	39,428	-	113,994
Contributions	3,571	-	-	-	3,571
Other revenues	39,958	7,721	-	-	47,679
<b>Total revenues</b>	<u>5,440,249</u>	<u>1,161,152</u>	<u>1,707,320</u>	<u>33,201</u>	<u>8,341,922</u>
<b>Expenditures</b>					
Current:					
General government	1,221,026	-	-	-	1,221,026
Judicial	6,276	-	-	-	6,276
Public safety	1,617,922	-	-	180,607	1,798,529
Public works	943,830	-	-	40,146	983,976
Culture and recreation	813,681	576,716	-	-	1,390,397
Housing and community development	614,771	-	-	-	614,771
Capital outlay	-	-	1,417,485	-	1,417,485
<b>Total expenditures</b>	<u>5,217,506</u>	<u>576,716</u>	<u>1,417,485</u>	<u>220,753</u>	<u>7,432,460</u>
Excess (deficiency) of revenues over (under) expenditures	<u>222,743</u>	<u>584,436</u>	<u>289,835</u>	<u>(187,552)</u>	<u>909,462</u>
<b>Other financing sources (uses):</b>					
Transfers in	584,436	-	-	146,433	730,869
Transfers out	(367,433)	(584,436)	-	-	(951,869)
Sale of capital assets	3,921	-	-	-	3,921
<b>Total other financing sources (uses)</b>	<u>220,924</u>	<u>(584,436)</u>	<u>-</u>	<u>146,433</u>	<u>(217,079)</u>
Net change in fund balances	443,667	-	289,835	(41,119)	692,383
<b>Fund balances, beginning of year</b>	<u>2,599,556</u>	<u>-</u>	<u>1,418,524</u>	<u>40,146</u>	<u>4,058,226</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 3,043,223</u>	<u>\$ -</u>	<u>\$ 1,708,359</u>	<u>\$ (973)</u>	<u>\$ 4,750,609</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 YEAR ENDED DECEMBER 31, 2005**

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

Net change in fund balances - total governmental funds.	\$ 692,383
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. The amount by which capital outlays exceeded depreciation in the current period.	135,841
The net effect of the sale of fixed assets is to decrease net assets.	(75,430)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(16,985)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(15,105)</u>
	<u>\$ 720,704</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 YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 1,399,559	\$ 1,639,559	\$ 1,658,799	\$ 19,240
Local option sales tax	928,000	928,000	970,197	42,197
Franchise taxes	290,000	290,000	286,715	(3,285)
Insurance premium tax	169,000	169,000	169,883	883
Alcoholic beverage excise tax	168,000	168,000	160,398	(7,602)
Real estate transfer tax	25,000	25,000	35,304	10,304
Occupational taxes	40,000	40,000	29,670	(10,330)
Total taxes	<u>3,019,559</u>	<u>3,259,559</u>	<u>3,310,966</u>	<u>51,407</u>
<b>Licenses and permits:</b>				
Regulatory fees	75,000	75,000	67,558	(7,442)
Building permits	130,000	130,000	120,291	(9,709)
Building inspections	55,000	55,000	48,877	(6,123)
Zoning variance requests fees	7,000	7,000	11,027	4,027
Other	19,500	19,500	22,898	3,398
Total licenses and permits	<u>286,500</u>	<u>286,500</u>	<u>270,651</u>	<u>(15,849)</u>
<b>Intergovernmental</b>				
	-	-	20,000	20,000
<b>Charges for services:</b>				
Parking fees	1,236,000	1,354,320	1,288,145	(66,175)
Other charges for services	263,100	263,100	211,993	(51,107)
Total charges for services	<u>1,499,100</u>	<u>1,617,420</u>	<u>1,500,138</u>	<u>(117,282)</u>
<b>Fines and forfeitures:</b>				
Municipal fines	241,500	241,500	220,399	(21,101)
Total fines and forfeitures	<u>241,500</u>	<u>241,500</u>	<u>220,399</u>	<u>(21,101)</u>
<b>Interest income</b>				
	54,000	54,000	74,566	20,566
<b>Contributions</b>				
	-	500	3,571	3,071
<b>Miscellaneous:</b>				
Rents and royalties	16,400	16,400	13,926	(2,474)
Other	55,500	55,500	26,032	(29,468)
Total miscellaneous	<u>71,900</u>	<u>71,900</u>	<u>39,958</u>	<u>(31,942)</u>
Total revenues	<u>5,172,559</u>	<u>5,531,379</u>	<u>5,440,249</u>	<u>(91,130)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government				
Governing body	63,690	91,440	85,936	5,504
Clerk of Council	107,919	103,287	78,745	24,542
Chief executive	168,590	181,357	187,013	(5,656)
Financial administration	643,190	618,771	344,932	273,839
Legal	75,200	75,200	57,154	18,046
Information technology	118,159	117,045	127,706	(10,661)
Human resources	43,836	43,836	27,339	16,497
Building and plant maintenance	209,908	291,840	312,201	(20,361)
Total general government	<u>1,430,492</u>	<u>1,522,776</u>	<u>1,221,026</u>	<u>301,750</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 DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Current:</b>				
Judicial				
Municipal Court	\$ 145,000	\$ 18,500	\$ 6,276	\$ 12,224
Total judicial	<u>145,000</u>	<u>18,500</u>	<u>6,276</u>	<u>12,224</u>
Public safety				
Police administration	1,479,324	1,462,796	1,391,599	71,197
Beach patrol	51,702	51,702	58,275	(6,573)
Fire administration	231,288	186,941	161,411	25,530
Emergency management	4,800	4,800	6,637	(1,837)
Total public safety	<u>1,767,114</u>	<u>1,706,239</u>	<u>1,617,922</u>	<u>88,317</u>
Public works				
General operations	936,294	974,357	943,830	30,527
Total public works	<u>936,294</u>	<u>974,357</u>	<u>943,830</u>	<u>30,527</u>
Culture and recreation				
General operations	56,530	346,477	271,760	74,717
Recreation facilities	210,408	-	-	-
Recreation centers	106,694	89,194	84,060	5,134
Beach, lifeguards, dunes	326,246	398,741	338,105	60,636
Museums	85,000	85,000	85,731	(731)
Parks administration	7,604	37,844	25,640	12,204
Special projects	-	-	8,385	(8,385)
Total culture and recreation	<u>792,482</u>	<u>957,256</u>	<u>813,681</u>	<u>143,575</u>
Housing and development				
Zoning and inspection	227,051	248,761	246,595	2,166
Parking	366,626	374,990	368,176	6,814
Total housing and development	<u>593,677</u>	<u>623,751</u>	<u>614,771</u>	<u>8,980</u>
Total expenditures	<u>5,665,059</u>	<u>5,802,879</u>	<u>5,217,506</u>	<u>585,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(492,500)</u>	<u>(271,500)</u>	<u>222,743</u>	<u>494,243</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	3,921	3,921
Transfers in	492,500	492,500	584,436	91,936
Transfers out	-	(221,000)	(367,433)	(146,433)
Total other financing sources	<u>492,500</u>	<u>271,500</u>	<u>220,924</u>	<u>(50,576)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>443,667</u>	<u>443,667</u>
Fund balances, beginning of year	<u>2,599,556</u>	<u>2,599,556</u>	<u>2,599,556</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,599,556</u>	<u>\$ 2,599,556</u>	<u>\$ 3,043,223</u>	<u>\$ 443,667</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 YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Taxes	\$ 1,140,000	\$ 1,153,431	\$ 13,431
Other revenues	5,000	7,721	2,721
Total revenues	<u>1,145,000</u>	<u>1,161,152</u>	<u>16,152</u>
<b>Expenditures:</b>			
<b>    Current:</b>			
Culture and recreation	570,000	576,716	(6,716)
Total expenditures	<u>570,000</u>	<u>576,716</u>	<u>(6,716)</u>
Excess of revenues over expenditures	<u>575,000</u>	<u>584,436</u>	<u>9,436</u>
<b>Other financing sources (uses):</b>			
Transfers out	(575,000)	(584,436)	(9,436)
Total other financing sources (uses)	<u>(575,000)</u>	<u>(584,436)</u>	<u>(9,436)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**DECEMBER 31, 2005**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Collection Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 12,062	\$ -	\$ 12,062
Investments	391,173	-	391,173
Restricted cash and cash equivalents	620,753	-	620,753
Accounts receivable, net of allowances	198,237	8,787	207,024
Prepaid expenses	28,336	-	28,336
Total current assets	<u>1,250,561</u>	<u>8,787</u>	<u>1,259,348</u>
Noncurrent assets			
Other assets	130,925	-	130,925
Advance to other fund	305,915	-	305,915
Capital assets:			
Nondepreciable	1,917,535	-	1,917,535
Depreciable, net of accumulated depreciation	7,164,934	-	7,164,934
Total noncurrent assets	<u>9,519,309</u>	<u>-</u>	<u>9,519,309</u>
Total assets	<u>10,769,870</u>	<u>8,787</u>	<u>10,778,657</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	192,707	54,135	246,842
Accrued liabilities	34,672	-	34,672
Due to other funds	242,595	-	242,595
Notes payable, current	125,415	-	125,415
Bonds payable, current	105,000	-	105,000
Total current liabilities	<u>700,389</u>	<u>54,135</u>	<u>754,524</u>
Noncurrent liabilities			
Advance from other fund	-	305,915	305,915
Notes payable, net of current portion	2,912,757	-	2,912,757
Bonds payable, net of current portion	1,345,000	-	1,345,000
Total liabilities	<u>4,958,146</u>	<u>360,050</u>	<u>5,318,196</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,594,297	-	4,594,297
Restricted for debt service	620,753	-	620,753
Unrestricted	596,674	(351,263)	245,411
Total net assets	<u>\$ 5,811,724</u>	<u>\$ (351,263)</u>	<u>\$ 5,460,461</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 ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Collection Fund</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Charges for services:			
Water charges	\$ 622,917	\$ -	\$ 622,917
Sewer charges	693,826	-	693,826
Stubbing fees	41,310	-	41,310
Tapping fees	44,537	-	44,537
Other	230,750	-	230,750
Sanitation collection revenue	-	372,484	372,484
Total operating revenues	<u>1,633,340</u>	<u>372,484</u>	<u>2,005,824</u>
<b>OPERATING EXPENSES</b>			
Personnel services	352,113	-	352,113
Administrative	244,904	-	244,904
Utilities	133,571	-	133,571
Supplies	71,133	-	71,133
Repairs and maintenance	243,295	-	243,295
Sanitation services	-	660,553	660,553
Miscellaneous	51,217	-	51,217
Depreciation	284,048	-	284,048
Total operating expenses	<u>1,380,281</u>	<u>660,553</u>	<u>2,040,834</u>
Operating income (loss)	<u>253,059</u>	<u>(288,069)</u>	<u>(35,010)</u>
<b>NONOPERATING INCOME (EXPENSES)</b>			
Interest expense	(157,181)	-	(157,181)
Interest income	21,677	-	21,677
Total nonoperating income (expenses)	<u>(135,504)</u>	<u>-</u>	<u>(135,504)</u>
Loss before contributions and transfers	117,555	(288,069)	(170,514)
<b>TRANSFERS</b>			
Transfers in	-	221,000	221,000
	<u>-</u>	<u>221,000</u>	<u>221,000</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Change in net assets	1,519,341	-	1,519,341
	<u>1,519,341</u>	<u>-</u>	<u>1,519,341</u>
<b>NET ASSETS, beginning of year</b>	<u>4,174,828</u>	<u>(284,194)</u>	<u>3,890,634</u>
<b>NET ASSETS, end of year</b>	<u>\$ 5,811,724</u>	<u>\$ (351,263)</u>	<u>\$ 5,460,461</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 YEAR ENDED DECEMBER 31, 2005**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Collection Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,593,892	\$ 385,418	\$ 1,979,310
Payments to suppliers	(754,325)	(606,418)	(1,360,743)
Payments to employees	(340,844)	-	(340,844)
Net cash provided by (used in) operating activities	<u>498,723</u>	<u>(221,000)</u>	<u>277,723</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	-	221,000	221,000
Net cash provided by noncapital financing activities	<u>-</u>	<u>221,000</u>	<u>221,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(86,123)	-	(86,123)
Capital contributions	183,281	-	183,281
Principal paid on bonds	(1,565,000)	-	(1,565,000)
Principal paid on notes payable	(281,363)	-	(281,363)
Proceeds from notes payable	299,449	-	299,449
Proceeds from bonds payable	1,450,000	-	1,450,000
Bond issuance costs	(47,250)	-	(47,250)
Paid to escrow agent for refunded bonds	(46,292)	-	(46,292)
Interest paid	(152,730)	-	(152,730)
Net cash used in capital and related financing activities	<u>(246,028)</u>	<u>-</u>	<u>(246,028)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(60,319)	-	(60,319)
Interest earned on operating cash	21,677	-	21,677
Net cash used in investing activities	<u>(38,642)</u>	<u>-</u>	<u>(38,642)</u>
Net increase in cash and cash equivalents	214,053	-	214,053
Cash and cash equivalents, beginning of year	<u>418,762</u>	<u>-</u>	<u>418,762</u>
Cash and cash equivalents, end of year	<u>\$ 632,815</u>	<u>\$ -</u>	<u>\$ 632,815</u>
<b>Classified as:</b>			
Cash and cash equivalents	\$ 12,062	\$ -	\$ 12,062
Restricted assets: cash	620,753	-	620,753
	<u>\$ 632,815</u>	<u>\$ -</u>	<u>\$ 632,815</u>

(Continued)

**CITY OF TYBEE ISLAND, GEORGIA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Solid Waste Collection Fund</b>	<b>Totals</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 253,059	\$ (288,069)	\$ (35,010)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	284,048	-	284,048
Change in assets and liabilities:			
(Increase) decrease:			
Accounts receivable	(39,448)	(996)	(40,444)
Due from other funds	65,787	-	65,787
Prepaid expenses	(21,961)	-	(21,961)
Increase (decrease):			
Accounts payable	63,874	54,135	118,009
Accrued expenses	11,269	-	11,269
Due to other funds	(117,905)	13,930	(103,975)
Net cash provided by (used in) operating activities	<u>\$ 498,723</u>	<u>\$ (221,000)</u>	<u>\$ 277,723</u>
 <b>Noncash investing, capital, and financing activities:</b>			
Contributed assets from the SPLOST Fund	<u>\$ 1,336,060</u>	<u>\$ -</u>	<u>\$ 1,336,060</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  
DECEMBER 31, 2005**

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	<u>Agency Fund Municipal Court</u>
<b>ASSETS</b>	
Cash	\$ 20,354
Total assets	<u>\$ 20,354</u>
 <b>LIABILITIES</b>	
Due to others	\$ 20,354
Total liabilities	<u>\$ 20,354</u>

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

**CITY OF TYBEE ISLAND, GEORGIA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 "The Financial Reporting Entity", the City was determined to have no component units as of December 31, 2005.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally 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 net assets will include noncurrent assets which were previously reported in the General Fixed Assets Account Group and noncurrent liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

## NOTES TO FINANCIAL STATEMENTS

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

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

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 considered program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. 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 are generally 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.

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

The City reports the following major governmental funds:

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

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

The **SPLOST Fund** accounts for the proceeds of a one percent Special Purpose Local Option Sales Tax. Funds are used for: road improvements; public safety projects; recreation projects; water and sewer projects; and public building projects.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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 enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, the Emergency 911 Fund, and the Beach Renourishment Grant Fund. All appropriations lapse at the end of the December 31 fiscal year. Revenues and expenditures of the Capital Projects Fund are budgeted on a project length basis and are, therefore, excluded from presentation in the financial statements.

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



## NOTES TO FINANCIAL STATEMENTS

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

#### E. Deposits and Investments

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.

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund 1 was created under OCGA 36-83-8 and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1 per share. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value). The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia.

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

#### F. Receivables and Payables

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items in both the government-wide and fund financial statements.

#### 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.

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	10-40
Machinery & equipment	10-20
Utility plant	20-50

#### I. 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### J. Long-Term Obligations

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

Proprietary fund type loans payable are reported as liabilities at their outstanding value.

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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### K. Pensions

The provision for pension cost is recorded on an accrual basis, and the City's policy is to fund pension costs as they accrue.

#### L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### M. Management Estimates

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

#### A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$135,841 difference are as follows:

Capital outlay	\$ 460,581
Depreciation expense	<u>(324,740)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 135,841</u>

### NOTE 3. 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 January 1<sup>st</sup>.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. Prior to the beginning of the year, the budget is formally enacted through passage of a resolution by the City Council.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

4. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and the capital projects 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.

7. The following general fund departments and special revenue funds had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended December 31, 2005.

Chief executive	\$ 5,656
Information technology	10,661
Building and plant maintenance	20,361
Beach patrol	6,573
Emergency management	1,837
Museums	731
Special projects	8,385
Hotel Motel Tax Fund	6,716

These overexpenditures were funded by greater than anticipated transfers and by available fund balance.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2005, are summarized as follows:

As reported in the Statement of Net Assets:

Primary government:

Cash and cash equivalents	\$ 3,766,472
Investments	1,028,812
Restricted assets, cash	620,753
	\$ 5,416,037

Cash deposited with financial institutions	\$ 5,244,154
Cash deposited with Georgia Fund 1	171,883
	\$ 5,416,037

**Credit risk.** State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of December 31, 2005, the City's investments in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At December 31, 2005, the Government had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	23 day weighted average	\$ 171,883
Certificates of Deposit	3 year weighted average	856,929
		\$ 1,028,812

**Interest rate risk.** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

**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. As of December 31, 2005, the City did not have any balances exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

### NOTE 5. RECEIVABLES

Property taxes were levied on July 14, 2005, against a taxable digest established as of January 1, 2005. Property taxes were due on December 20, 2005, and were considered delinquent the following day (December 21, 2005) – which would also be the lien date. Receivables are recorded when taxes are levied and billed.

The net receivables collected during the year ended December 31, 2005, and expected to be collected by February 28, 2006, are recognized as revenues in the year ended December 31, 2005. Net receivables estimated to be collectible subsequent to February 28, 2006, are recorded as revenue when received.

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

	<u>General</u>	<u>Hotel/ Motel</u>	<u>SPLOST</u>	<u>Water and Sewer</u>	<u>Solid Waste Collection</u>	<u>Total</u>
Receivables:						
Taxes	\$ 204,261	\$ 23,600	\$ -	\$ -	\$ -	\$ 227,861
Accounts	47,540	-	-	219,545	14,847	281,932
Intergovernmental	166,780	-	244,672	-	-	411,452
Gross receivables	<u>418,581</u>	<u>23,600</u>	<u>244,672</u>	<u>219,545</u>	<u>14,847</u>	<u>921,245</u>
Less: allowance for uncollectibles	(34,575)	-	-	(21,308)	(6,060)	(61,943)
Net total receivables	<u>\$ 384,006</u>	<u>\$ 23,600</u>	<u>\$ 244,672</u>	<u>\$ 198,237</u>	<u>\$ 8,787</u>	<u>\$ 859,302</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2005, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 798,069	\$ -	\$ -	\$ -	\$ 798,069
Construction in progress	1,673,725	80,998	(71,142)	(1,683,581)	-
Total	<u>2,471,794</u>	<u>80,998</u>	<u>(71,142)</u>	<u>(1,683,581)</u>	<u>798,069</u>
Capital assets, being depreciated:					
Land improvements	187,124	-	-	-	187,124
Buildings	2,059,436	-	-	1,683,581	3,743,017
Machinery and equipment	1,934,185	379,583	(40,348)	-	2,273,420
Total	<u>4,180,745</u>	<u>379,583</u>	<u>(40,348)</u>	<u>1,683,581</u>	<u>6,203,561</u>
Less accumulated depreciation for:					
Land improvements	(168,530)	(6,201)	-	-	(174,731)
Buildings	(889,470)	(147,644)	-	-	(1,037,114)
Machinery and equipment	(1,044,596)	(170,895)	36,060	-	(1,179,431)
Total	<u>(2,102,596)</u>	<u>(324,740)</u>	<u>36,060</u>	<u>-</u>	<u>(2,391,276)</u>
Total capital assets, being depreciated, net	<u>2,078,149</u>	<u>54,843</u>	<u>(4,288)</u>	<u>1,683,581</u>	<u>3,812,285</u>
Governmental activities capital assets, net	<u>\$ 4,549,943</u>	<u>\$ 135,841</u>	<u>\$ (75,430)</u>	<u>\$ -</u>	<u>\$ 4,610,354</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 103,632	\$ -	\$ -	\$ -	\$ 103,632
Construction in progress	435,450	1,378,453	-	-	1,813,903
Total	<u>539,082</u>	<u>1,378,453</u>	<u>-</u>	<u>-</u>	<u>1,917,535</u>
Capital assets, being depreciated:					
Machinery and equipment	379,942	43,730	-	-	423,672
Utility plan	8,579,266	-	-	-	8,579,266
Total	<u>8,959,208</u>	<u>43,730</u>	<u>-</u>	<u>-</u>	<u>9,002,938</u>
Less accumulated depreciation for:					
Machinery and equipment	(245,089)	(36,328)	-	-	(281,417)
Utility plan	(1,308,867)	(247,720)	-	-	(1,556,587)
Total	<u>(1,553,956)</u>	<u>(284,048)</u>	<u>-</u>	<u>-</u>	<u>(1,838,004)</u>
Total capital assets, being depreciated, net	<u>7,405,252</u>	<u>(240,318)</u>	<u>-</u>	<u>-</u>	<u>7,164,934</u>
Business-type activities capital assets, net	<u>\$ 7,944,334</u>	<u>\$ 1,138,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,082,469</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:		
General government	\$	32,846
Public safety		96,661
Public works		39,212
Culture and recreation		130,520
Housing and community development		25,501
Total depreciation expense - governmental activities	\$	<u>324,740</u>
Business-type activities:		
Water and sewer	\$	284,048
Total depreciation expense - business-type activities	\$	<u>284,048</u>

### NOTE 7. LONG-TERM DEBT

#### Revenue Bonds:

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City's Water and Sewer Fund revenue bonds outstanding at December 31, 2005 are as follows:

Description	Original Amount	Interest Rate	Due Date	Amount
Water and Sewer, Series 2005	\$ 1,450,000	3.72%	2016	\$ 1,450,000
				1,450,000
		Less current portion		<u>(105,000)</u>
				<u>\$ 1,345,000</u>

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Revenue Bonds: (Continued)

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>
2006	\$ 160,888	\$ 105,000	\$ 55,888
2007	160,034	110,000	50,034
2008	165,942	120,000	45,942
2009	161,478	120,000	41,478
2010	167,014	130,000	37,014
2011 - 2015	820,112	710,000	110,112
2016	160,766	155,000	5,766
	<u>\$ 1,796,234</u>	<u>\$ 1,450,000</u>	<u>\$ 346,234</u>

#### Other Long-Term Debt:

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 December 31, 2005:

<u>Description/ Purpose</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
2000 SRF - Wastewater treatment plant upgrade	\$ 2,991,414	3.00%	2023	\$ <u>2,738,723</u>
				2,738,723
			Less current portion	(125,415)
				<u>\$ 2,613,308</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Other Long-Term Debt (Continued)

The Water and Sewer Fund's other long-term debt service requirements to maturity, including interest of are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 205,858	\$ 125,415	\$ 80,443
2007	205,858	129,230	76,628
2008	205,858	133,137	72,721
2009	205,858	137,226	68,632
2010	205,858	141,384	64,474
2011 - 2015	1,029,289	774,091	255,198
2016 - 2020	1,029,289	899,188	130,101
2021 - 2022	411,630	399,052	12,578
	<u>\$ 3,499,498</u>	<u>\$ 2,738,723</u>	<u>\$ 760,775</u>

The above debt service requirement to maturity table does not include provision for an additional construction note used for water and sewer line extensions, of which \$299,449 had been drawn as of December 31, 2005. This note is in the drawdown phase as of December 31, 2005, and repayment will be determined when all draws have been made.

#### Changes in Long-Term Liabilities:

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 99,259	\$ 138,694	\$ (123,589)	\$ 114,364	\$ 114,364
Governmental activity					
Long-term liabilities	<u>\$ 99,259</u>	<u>\$ 138,694</u>	<u>\$ (123,589)</u>	<u>\$ 114,364</u>	<u>\$ 114,364</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 1,565,000	\$ 1,450,000	\$ (1,565,000)	\$ 1,450,000	\$ 105,000
Notes payable	3,020,086	299,449	(281,363)	3,038,172	125,415
Business-type activity					
Long-term liabilities	<u>\$ 4,585,086</u>	<u>\$ 1,749,449</u>	<u>\$ (1,846,363)</u>	<u>\$ 4,488,172</u>	<u>\$ 230,415</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 8. PENSION PLAN**

#### **Plan Description**

The City's defined benefit pension plan, City of Tybee Island Retirement Plan, provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The City of Tybee Island Retirement Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. GMEBS handles all administrative and investment functions related to the plan. All full-time City employees are eligible to participate in the plan. Benefits vest after five years of service. Members may retire upon reaching the age of 65, with five years of service. Early retirement is possible upon reaching the age of 55, with 10 years of service. Benefits are calculated at 1.25% to 2.00% of the average monthly earnings for the period of the five highest years prior to the retirement, payable monthly for life. Regulations of the State of Georgia assign the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities; for the City of Tybee Island Retirement Plan, the authority rests with the City Council of Tybee Island.

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

#### **Funding Policy**

The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The City makes all contributions to the City of Tybee Island Retirement Plan. The City is required to contribute at an actuarially determined rate; the current rate is 14.7% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the GMEBS Board of Trustees.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLAN (CONTINUED)

#### Annual Pension Cost

For the year ended December 31, 2005, the City's annual pension cost was \$271,825 for the plan. Recommended contributions of \$283,138 and \$272,331 were determined as part of the May 1, 2005 and May 1, 2004 actuarial valuations, respectively, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases for inflation of 5.0% per year and for merit or seniority of 0.5% per year, (c) 3% postretirement benefit increases, and (d) no cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1988 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions; and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for the plan year. The method for determining the actuarial value of assets is part of the GMEBS actuarial funding policy. This method produces an adjusted actuarial value of assets. A smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 8%, which is the valuation's investment return assumption.

#### Trend Information

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

Actuarial Valuation Date	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
05/01/00	\$ 139,026	100 %	-
05/01/01	162,054	100	-
05/01/02	239,585	100	-
05/01/03	272,331	100	-
05/01/04	283,138	100	-

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLAN (CONTINUED)

#### Trend Information (Continued)

##### REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability as a Percentage of Covered Payroll
05/01/01	\$ 1,387,378	\$ 1,958,732	\$ 571,354	70.8 %	\$ 1,514,810	37.7 %
05/01/02	1,613,078	2,492,213	879,135	64.7	1,769,544	49.7
05/01/03	1,890,246	2,852,885	962,639	66.3	1,807,477	53.3
05/01/04	2,118,882	2,700,665	581,783	78.5	1,830,243	31.8
05/01/05	2,451,611	3,686,830	1,235,219	66.5	1,924,698	64.2

### NOTE 9. RISK MANAGEMENT

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### 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 Development Commission (RDC) and is required to pay annual dues thereto. During its fiscal year ended December 31, 2005, the City paid \$3,053 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from the Coastal Georgia Regional Development Center, 127 "F" Street, Brunswick, Georgia 31520.

### NOTE 11. COMMITMENTS AND CONTINGENCIES

#### **Contractual Commitments:**

At December 31, 2005, the City had no material contractual commitments on uncompleted contracts.

#### **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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12. HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. For the fiscal year ended December 31, 2005, \$1,153,431 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$384,439 to the Savannah Chamber of Commerce and \$192,277 to the Georgia International Convention Center).

### NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2005 are as follows:

<u>Due To</u>	Due From				<u>Total</u>
	General	Hotel / Motel Tax	Nonmajor Governmental	Water and Sewer	
General Fund	\$ -	\$ 23,618	\$ 391	\$ -	\$ 24,009
SPLOST Fund	76,414	-	-	242,595	319,009
Total	\$ 76,414	\$ 23,618	\$ 391	\$ 242,595	\$ 343,018

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

Advances from / to other funds as of December 31, 2005 are as follows:

<u>Advance From</u>	<u>Advance To Solid Waste Collection</u>
Water and Sewer Fund	\$ 305,915

Interfund transfers for the year ended December 31, 2005 consisted of the following:

<u>Transfer From</u>	Transfer To			<u>Total</u>
	General	Solid Waste	E911	
General	\$ -	\$ 221,000	\$ 146,433	\$ 367,433
Hotel / Motel Tax	584,436	-	-	584,436
	\$ 584,436	\$ 221,000	\$ 146,433	\$ 951,869

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

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### NOTE 14. DEFICIT FUND BALANCE

The following fund reported deficits in fund balances/net assets at December 31, 2005:

Solid Waste Collection Fund	\$	351,263
Emergency 911 Fund		973

The fund deficits above will be reduced through increased user charges and General Fund appropriations.

### NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The City provides health insurance for retirees that participate in the voluntary early retirement program until age 65. Employees become eligible to participate in the voluntary early retirement program if they were fulltime employees whose combined age and years of total credited service equaled 75 as of August 1, 2004, as established by Section 2-4-51 of the City of Tybee Island Retirement Plan. The annual cost related to these participants is included in the negotiations with the City's health insurance provider. For the year ended December 31, 2005, the City had six participants and recognized expenditures of \$18,829.

## NONMAJOR GOVERNMENTAL FUNDS

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### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Emergency 911 Fund** accounts for activities related to enhanced “911” services. Financing is provided from program charges. Revenues are expended for capital assets and system operations.

The **Beach Renourishment Grant Fund** accounts for the receipt of grant funds awarded to the City for the City’s beach renourishment projects.

**CITY OF TYBEE ISLAND, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

<b>ASSETS</b>	<b>Emergency 911 Fund</b>	<b>Beach Renourishment Grant Fund</b>	<b>Total Nonmajor Governmental Funds</b>
Cash and cash equivalents	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 582	\$ -	\$ 582
Due to other funds	<u>391</u>	<u>-</u>	<u>391</u>
Total liabilities	<u>973</u>	<u>-</u>	<u>973</u>
<b>FUND BALANCE</b>			
Unreserved, designated	<u>(973)</u>	<u>-</u>	<u>(973)</u>
Total fund balance	<u>(973)</u>	<u>-</u>	<u>(973)</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF TYBEE ISLAND, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Emergency 911 Fund</b>	<b>Beach Renourishment Grant Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
Charges for services	\$ 33,201	\$ -	\$ 33,201
Total revenues	<u>33,201</u>	<u>-</u>	<u>33,201</u>
<b>Expenditures:</b>			
Public safety	180,607	-	180,607
Public works	-	40,146	40,146
Total expenditures	<u>180,607</u>	<u>40,146</u>	<u>220,753</u>
Deficiency of revenues over expenditures	<u>(147,406)</u>	<u>(40,146)</u>	<u>(187,552)</u>
<b>Other financing sources:</b>			
Transfers in	146,433	-	146,433
Total other financing sources	<u>146,433</u>	<u>-</u>	<u>146,433</u>
Net change in fund balance	(973)	(40,146)	(41,119)
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>40,146</u>	<u>40,146</u>
<b>Fund balance (deficit), end of year</b>	<u><u>\$ (973)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (973)</u></u>

**CITY OF TYBEE ISLAND, GEORGIA**

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

**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Project</b>	<b>Estimated Cost</b>		<b>Expenditures</b>		<b>Cumulative Total</b>
	<b>Original</b>	<b>Current</b>	<b>Prior Years</b>	<b>Current Year</b>	
<b>Drainage</b>	\$ 3,616,428	\$ 3,000,000			
Beach Renourishment			\$ 1,060,614	\$ -	\$ 1,060,614
Debt service - beach renourishment			109,382	-	109,382
Inlet Avenue			174,537	-	174,537
Lullwater Court			11,747	-	11,747
1st Street			20,683	-	20,683
Storm Drainage Studies			120,721	-	120,721
6th St. 7th St. and Butler Ave.			466,738	-	466,738
Solomon Avenue and Van Horne St.			115,603	-	115,603
Beach Side Streets			13,122	-	13,122
14th & 15th St. Parking Lots			69,140	-	69,140
12th Avenue			29,565	-	29,565
2nd & 13th-14th Street			-	27,804	27,804
<b>Water and Sewer</b>					
Elevated Water Tank			76,431	-	76,431
Debt service - Elevated Water Tank			545,761	-	545,761
<b>Public Safety</b>					
Fire Engine	160,000	160,000	160,000	-	160,000
Fire Department Equipment	66,000	66,000	-	57,209	57,209
<b>Miscellaneous Projects</b>	80,000	250,000			
Paving Oceanview Court, Jones Street and Center Street			42,453	-	42,453
Paving Project PR8531-56			33,740	-	33,740
Paving Captains Row and Maintenance Yard			46,120	-	46,120
Dune Crossover Refurbishment			301,504	-	301,504
	<u>\$ 3,922,428</u>	<u>\$ 3,476,000</u>	<u>\$ 3,397,861</u>	<u>\$ 85,013</u>	<u>\$ 3,482,874</u>

**CITY OF TYBEE ISLAND, GEORGIA**

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

**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Project</b>	<b>Estimated Cost</b>		<b>Expenditures</b>		<b>Cumulative Total</b>
	<b>Original</b>	<b>Current</b>	<b>Prior Years</b>	<b>Current Year</b>	
<b>Drainage</b>					
Drainage reconstruction/maintenance	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -
Jones Avenue	350,000	350,000	-	-	-
North Beach Area	200,000	200,000	-	-	-
<b>Water and Sewer</b>					
Butler Avenue Water Line	817,000	1,392,000	48,354	1,264,919	1,313,273
Water Line Looping	224,040	224,040	15,460	-	15,460
Replacement of 6" AC Water Line, Jones Ave	168,960	168,960	-	-	-
Replace Fort Area Cast Iron Water Lines, Lift Station Upgrades, I&I Continuation	440,000	440,000	22,788	24,025	46,813
Beach Side of Butler Water Line Imp.	575,000	575,000	-	-	-
<b>Roads</b>					
20,000 Lineal Feet	250,000	250,000	-	-	-
<b>Other</b>					
Bike Paths	100,000	100,000	3,200	-	3,200
Police Facility	500,000	500,000	14,200	-	14,200
Beach Renourishment	1,000,000	1,000,000	-	-	-
Old Fort Theater, Guardhouse	600,000	600,000	1,403	-	1,403
Playground Equipment	200,000	200,000	-	43,529	43,529
Marine Rescue Squadron Facility	100,000	100,000	71,165	-	71,165
Other Capital (CIP)	100,000	100,000	-	-	-
Marine Science Center	600,000	600,000	-	-	-
	<u>\$ 6,425,000</u>	<u>\$ 7,000,000</u>	<u>\$ 176,570</u>	<u>\$ 1,332,473</u>	<u>\$ 1,509,043</u>

## **COMPLIANCE SECTION**

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

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

We have audited 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, as of and for the year ended December 31, 2005, which collectively comprise the City of Tybee Island, Georgia's basic financial statements and have issued our report thereon dated March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Tybee Island, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Tybee Island, Georgia's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.



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**Compliance and Other Matters**

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

We also noted certain matters that we reported to management of the City of Tybee Island, Georgia in a separate letter dated March 31, 2006.

This report is intended solely for the information and use of management, the City Council, others within the City, and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
March 31, 2006

**CITY OF TYBEE ISLAND, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**Financial Statements**

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

**Federal Awards**

There was not an audit of major federal award programs as of December 31, 2005 due to the total amount expended being less than \$500,000.

**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

2005 - 1. Segregation of Duties -

Condition: Appropriate segregation of duties does not exist between the billing and accounts receivable functions in the proprietary funds possessed by the City.

Criteria: Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Effect: Failure to properly segregate duties between the billing and accounts receivable functions can lead to misappropriation of funds that is not detected during the normal course of business.

Recommendation: The duties of billing and accounts receivable should be segregated between employees.

Response: We concur. We are in the process of reviewing our respective systems to evaluate and determine the most efficient and effective solution to properly segregate duties between billing and accounts receivable to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

**CITY OF TYBEE ISLAND, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Not Applicable

**SECTION IV**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS**

Finding 04-1.

Lack of Segregation of Duties -

For the year ending December 31, 2004, we noted the City of Tybee Island did not have appropriate segregation of duties between recording, distribution, and reconciliation of cash accounts and other operational functions.

Status: The above finding was corrected to segregate the duties between recording, distribution, and reconciliation of cash accounts, however, segregation of duties issues still exist for operational functions related to billing and accounts receivable for the year ended December 31, 2005, and is again included as finding B-1.

**INDEPENDENT ACCOUNTANT'S REPORT  
ON LOCAL ASSISTANCE GRANTS**

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

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about the City of Tybee Island, Georgia's compliance during the fiscal year ended December 31, 2005 with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for Local Assistance Grants #01-C-L-B51, #01-C-L-806, and #03-C-L-460. Management is responsible for the City of Tybee Island, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about the City of Tybee Island, Georgia's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the City of Tybee Island, Georgia's compliance with the above mentioned requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Tybee Island, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that the City of Tybee Island, Georgia complied with the aforementioned requirement for the fiscal year ended December 31, 2005 is fairly stated, in all material respects.

This report is intended solely for the information and use of the City of Tybee Island, Georgia City Council and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
March 31, 2006

## STATE OF GEORGIA GRANT CERTIFICATION FORM

A	Local Government	<b>City of Tybee Island, Georgia</b>
B	Information for Year Ended	<b>December 31, 2005</b>
C	State Awarding Agency	<b>Georgia Dept of Community Affairs</b>
D	Grant Identification Number	<b>01-C-L-B51</b>
E	Grant Title	<b>Beach Renourishment</b>
F	Grant Award Date	<b>February 26, 2001</b>
G	Grant Amount	<b>\$450,000</b>
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	<b>\$40,146</b>
I	Grant Receipts or Revenue Recognized	<b>\$0</b>
J	Grant Disbursements or Expenditures	<b>\$40,146</b>
K	Balance - Current Year (Cash or Accrued or Deferred Revenue) (Line H + Line I - Line J)	<b>\$0</b>

### Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief Elected Official \_\_\_\_\_ Date \_\_\_\_\_

Signature of Chief Financial Officer \_\_\_\_\_ Date \_\_\_\_\_

## STATE OF GEORGIA GRANT CERTIFICATION FORM

A	Local Government	<b>City of Tybee Island, Georgia</b>
B	Information for Year Ended	<b>December 31, 2005</b>
C	State Awarding Agency	<b>Georgia Dept of Community Affairs</b>
D	Grant Identification Number	<b>01-C-L-806</b>
E	Grant Title	<b>Snow Fence</b>
F	Grant Award Date	<b>February 26, 2001</b>
G	Grant Amount	<b>\$50,000</b>
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	<b>\$50,000</b>
I	Grant Receipts or Revenue Recognized	<b>\$0</b>
J	Grant Disbursements or Expenditures	<b>\$11,832</b>
K	Balance - Current Year (Cash or Accrued or Deferred Revenue) (Line H + Line I - Line J)	<b>\$38,168</b>

### Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief Elected Official \_\_\_\_\_ Date \_\_\_\_\_

Signature of Chief Financial Officer \_\_\_\_\_ Date \_\_\_\_\_

## STATE OF GEORGIA GRANT CERTIFICATION FORM

A	Local Government	<b>City of Tybee Island, Georgia</b>
B	Information for Year Ended	<b>December 31, 2005</b>
C	State Awarding Agency	<b>Georgia Dept of Community Affairs</b>
D	Grant Identification Number	<b>03-C-L-460</b>
E	Grant Title	<b>Recreation Feasibility Study</b>
F	Grant Award Date	<b>July 1, 2002</b>
G	Grant Amount	<b>\$25,000</b>
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	<b>\$25,000</b>
I	Grant Receipts or Revenue Recognized	<b>\$0</b>
J	Grant Disbursements or Expenditures	<b>\$0</b>
K	Balance - Current Year (Cash or Accrued or Deferred Revenue) (Line H + Line I - Line J)	<b>\$25,000</b>

### Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief Elected Official \_\_\_\_\_ Date \_\_\_\_\_

Signature of Chief Financial Officer \_\_\_\_\_ Date \_\_\_\_\_