

CITY OF TYBEE ISLAND, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2006**

CITY OF TYBEE ISLAND, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 30, 2006

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**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, 2006, 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, 2006, 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 May 15, 2007, 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.

The Management's Discussion and Analysis on pages 3 through 12 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 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 schedules of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
May 15, 2007



**THE CITY OF TYBEE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

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, 2006. We encourage readers to consider the information presented here in conjunction with the referenced financial statements and footnotes accompanying the financial statements.

Financial Highlights

- The City's assets exceeded its liabilities by \$18,189,396 (net assets) for the fiscal year reported, an increase of \$3,394,036 or 22.9%.
- Total net assets are comprised of the following:
 - Capital assets of \$10,249,994 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - Net assets of \$2,433,367 restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws and regulation.
 - Unrestricted net assets of \$5,506,035.
- Total unrestricted net assets increased from \$4,969,956 to \$5,506,035 or 10.8%.
- In fiscal year 2006, General Fund unreserved and undesignated fund balance increased 18.7% from \$2,991,759 to \$3,553,104.
- The City's governmental funds reported total combined fund balances of \$5,871,395.
- The Chatham County Recreation Authority issued bonds totaling \$7,130,000 in July 2006 to facilitate the purchase of the River's End RV Park and Campground. A lease agreement was signed by the City, and a new proprietary fund was established to report this business-type activity.
- The City of Tybee Island's total long-term debt increased by \$8,788,787 to \$13,276,959 or 195% due to the issuance of the bonds for the River's End RV Park and Campground and additional debt incurred during the completion of the Butler Avenue Water Line Project.
- Total revenues for the City increased \$2,177,792 or 20.6% in 2006 from \$10,535,719 to \$12,713,511.
- Total costs for City Programs increased \$1,074,287 or 13% in 2006 from \$8,245,188 to \$9,319,475.

The above financial highlights are presented 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. This report also contains other supplementary information and schedules in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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 funds are collected or disbursed. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

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

Governmental activities – Most of the City's basic services are reported here, including the police, fire, community development, 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 13 and 14 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

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

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

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

The basic governmental fund financial statements are presented on pages 15 to 20 of this report.

- *Proprietary funds* – The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds are identical to the business-type activities that are reported in the 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 three enterprise funds: Water and Sewer, Solid Waste Collection, and the River's End RV Park and Campground Fund.

The proprietary fund financial statements are presented on pages 21 to 24 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 25 of this report.

Notes to the Basic Financial Statements

The financial statements include notes that explain some of the information in the financial statements and provide information that is more detailed. The notes are essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report.

Supplementary Financial Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules. Combining and individual statements and schedules for non-major funds presented as supplementary financial information of this report begin on page 47.

Compliance Section

The independent auditor's report on internal control over financial reporting begins on page 49.

Independent Accountant's Report on Local Assistance Grants

The State of Georgia Grant Certification Forms are included on pages 57 to 60.

Financial Analysis of the City as a Whole

Net assets serve over time as a useful indicator of a government's financial position. The City's net assets reflects its investment in capital assets. Capital assets are used to provide services. The City's net assets at December 31, 2006 are \$18,189,396. Our analysis below focuses on the net assets as compared to the prior year.

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 6,860,609	\$ 5,338,386	\$ 2,272,967	\$ 1,147,678	\$ 9,133,576	\$ 6,486,064
Capital Assets	5,104,197	4,610,354	18,422,756	9,082,469	23,526,953	13,692,823
Total assets	<u>11,964,806</u>	<u>9,948,740</u>	<u>20,695,723</u>	<u>10,230,147</u>	<u>32,660,529</u>	<u>20,178,887</u>
Liabilities						
Current liabilities	908,788	613,841	285,386	511,929	1,194,174	1,125,770
Long-term liabilities	-	-	13,276,959	4,257,757	13,276,959	4,257,757
Total liabilities	<u>908,788</u>	<u>613,841</u>	<u>13,562,345</u>	<u>4,769,686</u>	<u>14,471,133</u>	<u>5,383,527</u>
Net assets						
Invested in capital assets	5,104,197	4,610,354	5,145,797	4,594,297	10,249,994	9,204,651
Restricted	2,286,982	-	146,385	620,753	2,433,367	620,753
Unrestricted	3,664,839	4,724,545	1,841,196	245,411	5,506,035	4,969,956
Total net assets	<u>\$ 11,056,018</u>	<u>\$ 9,334,899</u>	<u>\$ 7,133,378</u>	<u>\$ 5,460,461</u>	<u>\$ 18,189,396</u>	<u>\$ 14,795,360</u>

Reviewing the net assets and net expenses of governmental and business-type activities separately, the governmental activities net assets were \$11,056,018 of which 46% or \$5,104,197 are invested in capital assets. These include property, buildings, parks, vehicles and equipment required by general government, public safety, public works, culture, recreation (other than River's End RV Park) and community development.

The business-type activities net assets were \$7,133,378 of which 72% or \$5,145,797 are invested in capital assets which include: property, infrastructure, plant in service, equipment and vehicles to provide services and generate revenue for these funds. Additional information regarding this year's activity in capital assets may be found in Note 6 on page 37.

The restricted net assets in the governmental activities, \$2,286,982 represent SPLOST funds that must be used only for capital outlays. The restricted net assets in the business-type activities, \$146,385, represents resources in the water sewer fund that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$5,506,035 may be used to meet the government's ongoing obligation to citizens and creditors.

The total unrestricted funds balance include \$1,050,000 designated for beach improvements.

The total unrestricted funds balance is equal to seven months of the average maintenance and operation costs of the City. This exceeds the goal of six months the City Council determined to be a minimum requirement for the City to recover from a major weather event or adverse economic climate.

The following table provides a summary of the City's activities for the year ended December 31, 2006 compared with the year ended December 31, 2005:

Summary of Changes in Net Assets

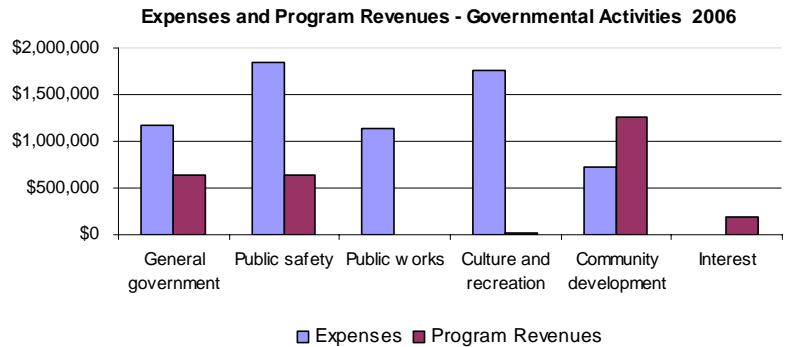
	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 2,527,285	\$ 2,072,068	\$ 2,439,927	\$ 2,005,824	\$ 4,967,212	\$ 4,077,892
Operating grants and contributions	33,190	23,571	-	-	33,190	23,571
Capital grants and contributions	-	-	389,040	183,281	389,040	183,281
General revenues:						
Property taxes	2,019,736	1,641,814	-	-	2,019,736	1,641,814
Other taxes	5,069,502	4,473,490	-	-	5,069,502	4,473,490
Investment earnings	189,047	113,994	45,784	21,677	234,831	135,671
Other	-	-	-	-	-	-
Total revenues	9,838,760	8,324,937	2,874,751	2,210,782	12,713,511	10,535,719
Expenses						
Governmental activities:						
General government	1,163,356	1,240,254	-	-	1,163,356	1,240,254
Judicial	6,737	6,276	-	-	6,737	6,276
Public safety and courts	1,838,110	1,713,017	-	-	1,838,110	1,713,017
Public works	1,144,201	1,023,693	-	-	1,144,201	1,023,693
Culture and recreation	1,765,295	1,423,661	-	-	1,765,295	1,423,661
Community development	727,262	640,272	-	-	727,262	640,272
Interest on long-term debt	-	-	-	-	-	-
Business-type activities:						
Water and sewer service	-	-	1,604,093	1,537,462	1,604,093	1,537,462
Solid waste collection	-	-	700,515	660,553	700,515	660,553
Campground	-	-	369,906	-	369,906	-
Total expenses	6,644,961	6,047,173	2,674,514	2,198,015	9,319,475	8,245,188
Transfers	(1,472,680)	(1,557,060)	1,472,680	1,557,060	-	-
Change in net assets	1,721,119	720,704	1,672,917	1,569,827	3,394,036	2,290,531
Beginning net assets	9,334,899	8,614,195	5,460,461	3,890,634	14,795,360	12,504,829
Ending net assets	\$ 11,056,018	\$ 9,334,899	\$ 7,133,378	\$ 5,460,461	\$ 18,189,396	\$ 14,795,360

Significant changes in revenues for 2006 include a 23% increase in property tax revenues from \$1,641,814 to \$2,019,736. The increase was a result of a 36% increase in the value of the tax digest (a compilation of the fair market value of property in the City of Tybee Island). This, coupled with a 7% decrease in the millage rate, provided \$377,922 additional revenues to the city in 2006.

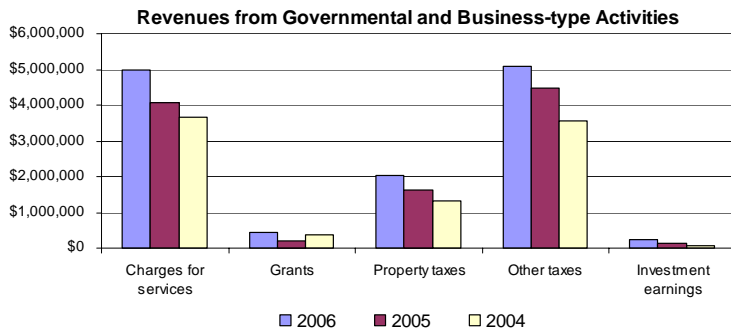
Also noteworthy is the 22% increase in charges for services in 2006 from 2005. An increase in building permits drove a 33% increase in the licenses and permits. Parking revenues increased 23% or \$231,546.

Charges for services in the business-type activities increased \$434,103 or 22%, including an additional \$101,421 for tap and stub fees collected by the water sewer fund for building permits, and an additional \$205,759 in capital cost recovery and aid to construction charges.

Revenues for year ending December 31, 2006 also include the first funds received for the operations of the River's End RV Park and Campground beginning on July 11, 2006 in the amount of \$278,742. This amount is reflected in the Charges for services under business-type activities.



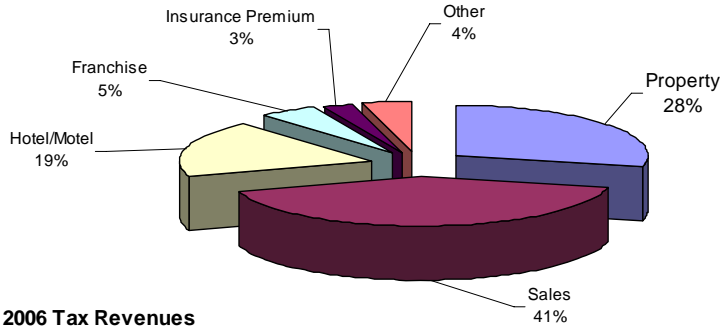
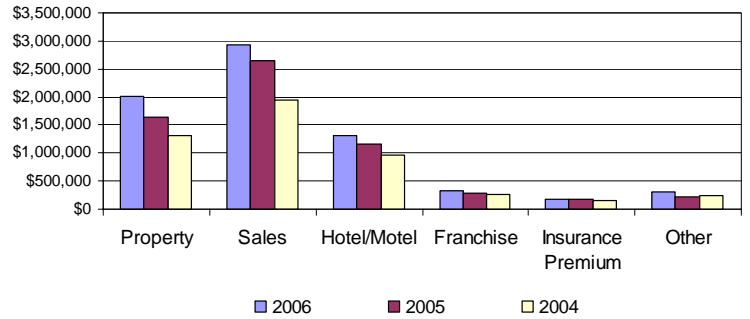
A considerable increase in expenditures for community development in 2006 of \$443,149 or 69% include capital outlays of \$327,565 for the first phase of solar powered parking meters in the three main parking lots. Also included in this increase are the cost of additional code enforcement personnel and the initial engineering costs for the South Beach Revitalization Plan for the Strand.



In this illustration, Sales taxes include Local Option (LOST) of \$1,130,165, as well as Special Local Option Sales Taxes (SPLOST) of \$1,803,100.

Tax revenues have continued to increase as the property valuation and building has contributed to a strong property tax digest increase of 36% in 2006. The number and price of short term rentals paying hotel/motel tax has steadily increased as well. Sales tax receipts are based on collections in Chatham County which had a strong 2006.

City of Tybee Island Three Year Tax Revenue Comparison

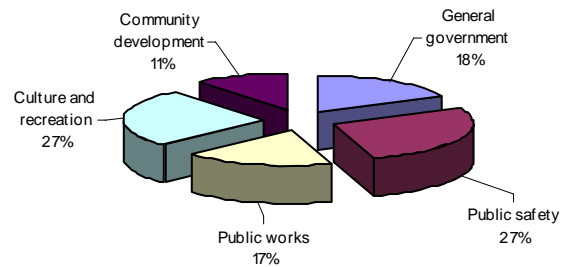


2006 Tax Revenues

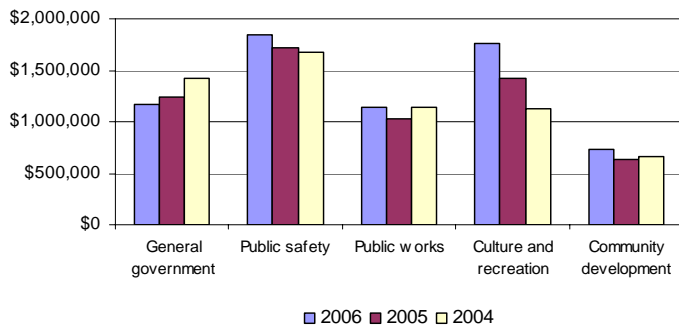
The Other category includes Alcoholic Beverage Excise Tax of \$163,528, a Local 3% mixed drink tax of \$ 68,267 and a Business-Occupation Tax of \$43,289.

Increases in expenses paralleled growth in the demand for services, with the most notable, recreation in large part due to the hotel motel tax payments to the Savannah Area Chamber and Commerce and International Trade Center and operation of the Youmans Solomon Complex.

Governmental Activities Expenditures 2006



City of Tybee Island Three Year Expense Category Comparison

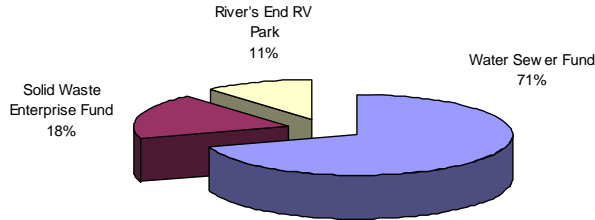


The three year study of major expense category demonstrates the focus on maintaining services to the citizens and reducing administrative costs where possible.

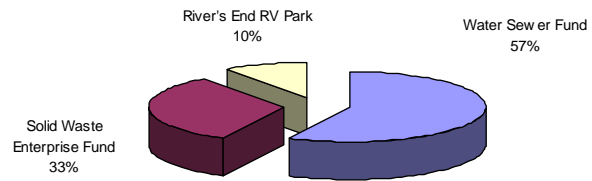
Enterprise Funds

The financial summary of the City's business-type activities for fiscal year 2006 are depicted below. The Water Sewer Fund operated at a profit, while the Solid Waste Collection Enterprise Fund again required subsidization. The River's End RV Park Enterprise Fund began operations July 11, 2006. The Water Sewer Fund maintained profitability while the losses realized in the Solid Waste fund ran over the programmed loss in 2006 due to rate increases and higher fuel surcharges, landfill fees, and increase usage at the Public Works yard due to the dry trash initiative. Below is the year to year comparison of the City's enterprise funds.

	Business-Type Activities							
	Water Sewer Fund		Solid Waste Fund		River's End RV Park		Totals	
	2006	2005	2006	2005	2006	2005	2006	2004
Operating revenues	\$ 1,714,999	\$ 1,633,340	\$ 446,186	\$ 372,484	\$ 278,742	\$ -	\$ 2,439,927	\$ 2,005,824
Operating expenses	1,239,895	1,380,281	700,515	660,553	213,765	-	2,154,175	2,040,834
Operating income (loss)	475,104	253,059	(254,329)	(288,069)	64,977	-	285,752	(35,010)
Nonoperating income (expenses)	(318,414)	(135,504)	-	-	(156,141)	-	(474,555)	(135,504)
Transfers in	-	-	622,779	221,000	-	-	622,779	221,000
Capital contributions	1,238,941	1,519,341	-	-	-	-	1,238,941	1,519,341
Change in net assets	1,395,631	1,636,896	368,450	(67,069)	(91,164)	-	1,672,917	1,569,827
Beginning net assets	5,811,724	4,174,828	(351,263)	(284,194)	-	-	5,460,461	3,890,634
Ending net assets	<u>\$ 7,207,355</u>	<u>\$ 5,811,724</u>	<u>\$ 17,187</u>	<u>\$ (351,263)</u>	<u>\$ (91,164)</u>	<u>\$ -</u>	<u>\$ 7,133,378</u>	<u>\$ 5,460,461</u>



Business Type Fund Operating revenues 2006



Business-Type Fund Operating expenses 2006

Capital Assets and Debt Administration

Capital assets increased substantially, as follows:

- o the completion of the multi-year sewer slip-lining project, \$654,654.
- o the Butler Avenue Water Line project, \$3,678,669.
- o the sewer extension along Hwy 80 to remove properties in the C-2 business district from septic tanks, \$218,091.
- o the purchase of River's End RV Park and Campground, \$7,010,000.
- o the planning for the South Beach Revitalization project, \$33,706.
- o installation of the new playground in Memorial Park, \$178,031.
- o the Guard House project to rejuvenate the community center, \$71,065.
- o the changing over to the pay and display meters in the three main parking lots, \$327,565.

Additional debt was incurred by the City, as follows:

- o GEFA loan of \$2,188,652 for the Butler Avenue Water Line project.
- o Capital lease payments of \$7,130,000 over 20 years for the purchase of the River's End RV Park.

Note 7 on page 38 has additional information and detail explaining the City's long term debt commitments.

Economic Outlook

The U.S. Bureau of Labor Statistics reports the annual unemployment rate for the Savannah area was 3.9% for 2006 declining to 3.2% in March of 2007. Residential units increased by 96 or 10% in 2006. The collections from Hotel Motel Tax by the City of Tybee Island increased by 14% in 2006 and is 18% higher through April of 2007. The mild winter and early spring have been a positive development for Tybee as 27% of the residential properties are rental properties. The management of the City of Tybee Island has budgeted a contingency of \$279,311 to provide for economic downturns or adverse weather conditions.

Comprehensive Plan

The city has budgeted for and is currently working on a new comprehensive plan, also known as the Master Plan, which will have a large part in driving the capital improvement budgets for coming years.

Future Budget Highlights

The 2007 Operating Budget and Capital Improvement Budget were passed on December 14, 2006 and amended on February 22, 2007. Highlights for 2007 include:

- o Automated Meter Reading (AMR) to automate the water meter readings, provide real time information, customer service and leak detection, \$450,000.
- o Tanker apparatus for the fire department, \$136,000.
- o Pay and display meters for Butler Avenue and the Lighthouse parking area, \$370,000.
- o Tybrisa and parking lot streetscape and traffic flow improvements \$450,000.
- o Completion of Guard House project, \$200,000.
- o Fort Screven Water Line project \$1,000,667 from SPLOST, the balance to be funded through a GEFA loan.
- o Resident manager accommodations at the Campground, \$90,000.
- o Beach Improvements, \$150,000.
- o Road Improvements \$140,000.

For more information, the 2007 Operating and Capital Budgets are available on the City's website on the Finance page under General Administration.

Requests for Information

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

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

—————
www.cityoftybee.org
—————

Diane D. Schleicher, City Manager
Jan Fox, CFO
May 15, 2007

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 5,643,263	\$ 486,409	\$ 6,129,672
Investments	1,116,442	362,093	1,478,535
Taxes receivable	347,445	-	347,445
Accounts receivable, net of allowances	40,835	266,349	307,184
Due from other governments	420,631	-	420,631
Internal balances	(746,033)	746,033	-
Prepaid expenses	38,026	20,492	58,518
Restricted assets, cash	-	146,385	146,385
Other assets	-	245,206	245,206
Capital assets:			
Nondepreciable	869,134	7,243,149	8,112,283
Depreciable, net of accumulated depreciation	4,235,063	11,179,607	15,414,670
Total assets	<u>11,964,806</u>	<u>20,695,723</u>	<u>32,660,529</u>
LIABILITIES			
Accounts payable	689,339	100,805	790,144
Accrued liabilities	97,080	184,581	281,661
Unearned revenues	100	-	100
Note payable due within one year	-	208,821	208,821
Note payable due in more than one year	-	4,593,138	4,593,138
Compensated absences due within one year	122,269	-	122,269
Bonds payable due within one year	-	320,000	320,000
Bonds payable due in more than one year	-	8,155,000	8,155,000
Total liabilities	<u>908,788</u>	<u>13,562,345</u>	<u>14,471,133</u>
NET ASSETS			
Investment in capital assets, net of related debt	5,104,197	5,145,797	10,249,994
Restricted:			
Capital outlay	2,286,982	-	2,286,982
Debt service	-	146,385	146,385
Unrestricted	3,664,839	1,841,196	5,506,035
Total net assets	<u>\$ 11,056,018</u>	<u>\$ 7,133,378</u>	<u>\$ 18,189,396</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, 2006**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,163,356	\$ 645,914	\$ -	\$ -	\$ (517,442)	\$ -	\$ (517,442)
Judicial	6,737	-	-	-	(6,737)	-	(6,737)
Public safety	1,838,110	613,315	29,000	-	(1,195,795)	-	(1,195,795)
Public works	1,144,201	-	-	-	(1,144,201)	-	(1,144,201)
Culture and recreation	1,765,295	12,638	4,190	-	(1,748,467)	-	(1,748,467)
Housing and community development	727,262	1,255,418	-	-	528,156	-	528,156
Total governmental activities	6,644,961	2,527,285	33,190	-	(4,084,486)	-	(4,084,486)
Business-type activities:							
Water and sewer	1,604,093	1,714,999	-	389,040	-	499,946	499,946
Sanitation collection	700,515	446,186	-	-	-	(254,329)	(254,329)
Campground	369,906	278,742	-	-	-	(91,164)	(91,164)
Total business-type activities	2,674,514	2,439,927	-	389,040	-	154,453	154,453
Total primary government	\$ 9,319,475	\$ 4,967,212	\$ 33,190	\$ 389,040	(4,084,486)	154,453	(3,930,033)
General revenues:							
Property taxes					2,019,736	-	2,019,736
Sales taxes					2,933,265	-	2,933,265
Hotel / motel taxes					1,316,648	-	1,316,648
Franchise taxes					337,309	-	337,309
Insurance premium taxes					177,740	-	177,740
Other taxes					304,540	-	304,540
Unrestricted investment earnings					189,047	45,784	234,831
Transfers					(1,472,680)	1,472,680	-
Total general revenues and transfers					5,805,605	1,518,464	7,324,069
Change in net assets					1,721,119	1,672,917	3,394,036
Net assets, beginning of year					9,334,899	5,460,461	14,795,360
Net assets, end of year					<u>\$ 11,056,018</u>	<u>\$ 7,133,378</u>	<u>\$ 18,189,396</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

ASSETS	General Fund	Hotel/ Motel Tax Fund	SPLOST Fund	Nonmajor Emergency 911 Fund	Totals Governmental Funds
Cash and cash equivalents	\$ 2,833,573	\$ 67,837	\$ 2,741,853	\$ -	\$ 5,643,263
Investments	1,116,442	-	-	-	1,116,442
Taxes receivable	319,083	28,362	-	-	347,445
Accounts receivable	39,845	-	-	990	40,835
Due from other governments	182,309	-	238,322	-	420,631
Due from other funds	225,173	-	-	-	225,173
Prepaid expenditures	37,341	-	-	685	38,026
Total assets	<u>\$ 4,753,766</u>	<u>\$ 96,199</u>	<u>\$ 2,980,175</u>	<u>\$ 1,675</u>	<u>\$ 7,831,815</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 446,263	\$ 37,418	\$ 205,658	\$ -	\$ 689,339
Accrued liabilities	95,637	-	-	1,443	97,080
Deferred revenues	202,795	-	-	-	202,795
Due to other funds	418,626	58,781	487,535	6,264	971,206
Total liabilities	<u>1,163,321</u>	<u>96,199</u>	<u>693,193</u>	<u>7,707</u>	<u>1,960,420</u>
FUND BALANCES					
Fund balances:					
Reserved for:					
Prepaid assets	37,341	-	-	-	37,341
Unreserved:					
Designated, reported in:					
Capital project funds	-	-	2,286,982	-	2,286,982
Undesignated	3,553,104	-	-	(6,032)	3,547,072
Total fund balances	<u>3,590,445</u>	<u>-</u>	<u>2,286,982</u>	<u>(6,032)</u>	<u>5,871,395</u>
Total liabilities and fund balances	<u>\$ 4,753,766</u>	<u>\$ 96,199</u>	<u>\$ 2,980,175</u>	<u>\$ 1,675</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.					5,104,197
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					202,695
Net pension obligation that is not a financial liability in governmental fund activities and therefore not reported in governmental funds.					-
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.					(122,269)
Net assets of governmental activities					<u>\$ 11,056,018</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, 2006**

	<u>General Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>SPLOST Fund</u>	<u>Nonmajor Emergency 911 Fund</u>	<u>Totals Governmental Funds</u>
Revenues					
Taxes	\$ 3,855,095	\$ 1,316,648	\$ 1,803,100	\$ -	\$ 6,974,843
Licenses and permits	383,215	-	-	-	383,215
Intergovernmental	29,000	-	-	-	29,000
Charges for services	1,465,510	-	-	73,400	1,538,910
Fines and forfeitures	478,380	-	-	-	478,380
Interest	145,953	-	43,094	-	189,047
Contributions	14,275	-	-	-	14,275
Other revenues	112,505	4,190	-	-	116,695
Total revenues	<u>6,483,933</u>	<u>1,320,838</u>	<u>1,846,194</u>	<u>73,400</u>	<u>9,724,365</u>
Expenditures					
Current:					
General government	1,077,829	-	-	-	1,077,829
Judicial	6,737	-	-	-	6,737
Public safety	1,847,461	-	-	78,459	1,925,920
Public works	1,125,955	-	-	-	1,125,955
Culture and recreation	866,991	658,324	-	-	1,525,315
Housing and community development	1,059,392	-	-	-	1,059,392
Capital outlay	-	-	1,267,571	-	1,267,571
Total expenditures	<u>5,984,365</u>	<u>658,324</u>	<u>1,267,571</u>	<u>78,459</u>	<u>7,988,719</u>
Excess (deficiency) of revenues over (under) expenditures	<u>499,568</u>	<u>662,514</u>	<u>578,623</u>	<u>(5,059)</u>	<u>1,735,646</u>
Other financing sources (uses):					
Transfers in	662,514	-	-	-	662,514
Transfers out	(622,779)	(662,514)	-	-	(1,285,293)
Sale of capital assets	7,919	-	-	-	7,919
Total other financing sources (uses)	<u>47,654</u>	<u>(662,514)</u>	<u>-</u>	<u>-</u>	<u>(614,860)</u>
Net change in fund balances	547,222	-	578,623	(5,059)	1,120,786
Fund balances (deficit), beginning of year	<u>3,043,223</u>	<u>-</u>	<u>1,708,359</u>	<u>(973)</u>	<u>4,750,609</u>
Fund balances (deficit), end of year	<u>\$ 3,590,445</u>	<u>\$ -</u>	<u>\$ 2,286,982</u>	<u>\$ (6,032)</u>	<u>\$ 5,871,395</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, 2006**

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

Net change in fund balances - total governmental funds.	\$ 1,120,786
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. This is the amount by which capital outlays exceeded depreciation in the current period.	539,523
The net effect of the sale of fixed assets is to decrease net assets.	(45,680)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	114,395
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>(7,905)</u>
	<u>\$ 1,721,119</u>

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

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

**FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 1,813,600	\$ 2,265,815	\$ 1,905,341	\$ (360,474)
Local option sales tax	955,000	955,000	1,130,165	175,165
Franchise taxes	288,000	323,000	337,309	14,309
Insurance premium tax	180,000	180,000	177,740	(2,260)
Alcoholic beverage excise tax	450,000	240,000	231,795	(8,205)
Real estate transfer tax	42,000	42,000	29,456	(12,544)
Occupational taxes	40,000	45,000	43,289	(1,711)
Total taxes	<u>3,768,600</u>	<u>4,050,815</u>	<u>3,855,095</u>	<u>(195,720)</u>
Licenses and permits:				
Regulatory fees	85,000	85,000	81,399	(3,601)
Building permits	150,000	150,000	162,259	12,259
Building inspections	55,000	75,400	82,335	6,935
Zoning variance requests fees	10,000	10,000	3,250	(6,750)
Other	24,000	53,900	53,972	72
Total licenses and permits	<u>324,000</u>	<u>374,300</u>	<u>383,215</u>	<u>8,915</u>
Intergovernmental				
	-	29,000	29,000	-
Charges for services:				
Parking fees	1,185,000	1,300,000	1,255,418	(44,582)
Other charges for services	234,000	238,500	210,092	(28,408)
Total charges for services	<u>1,419,000</u>	<u>1,538,500</u>	<u>1,465,510</u>	<u>(72,990)</u>
Fines and forfeitures:				
Municipal fines	461,000	496,000	478,380	(17,620)
Total fines and forfeitures	<u>461,000</u>	<u>496,000</u>	<u>478,380</u>	<u>(17,620)</u>
Interest income				
	113,000	123,000	145,953	22,953
Contributions				
	-	13,200	14,275	1,075
Miscellaneous:				
Rents and royalties	16,400	16,400	107,205	90,805
Other	12,100	12,100	5,300	(6,800)
Total miscellaneous	<u>28,500</u>	<u>28,500</u>	<u>112,505</u>	<u>84,005</u>
Total revenues	<u>6,114,100</u>	<u>6,653,315</u>	<u>6,483,933</u>	<u>(169,382)</u>
Expenditures:				
Current:				
General government				
Governing body	90,450	92,450	101,990	(9,540)
Clerk of Council	80,263	122,763	80,708	42,055
Chief executive	202,116	191,316	167,087	24,229
Financial administration	410,886	443,604	348,692	94,912
Legal	61,200	82,000	79,971	2,029
Information technology	232,391	215,479	206,290	9,189
Human resources	39,050	45,500	44,529	971
Building and plant maintenance	194,700	65,100	48,562	16,538
Total general government	<u>1,311,056</u>	<u>1,258,212</u>	<u>1,077,829</u>	<u>180,383</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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current:				
Judicial				
Municipal Court	\$ 7,000	\$ 7,000	\$ 6,737	\$ 263
Total judicial	<u>7,000</u>	<u>7,000</u>	<u>6,737</u>	<u>263</u>
Public safety				
Police administration	1,454,050	1,528,600	1,505,264	23,336
Beach patrol	88,230	91,005	90,032	973
Fire administration	192,218	193,718	191,339	2,379
Emergency management	33,797	64,944	60,826	4,118
Total public safety	<u>1,768,295</u>	<u>1,878,267</u>	<u>1,847,461</u>	<u>30,806</u>
Public works				
General operations	1,110,738	1,294,041	1,125,955	168,086
Solid waste collection	75,000	-	-	-
Total public works	<u>1,185,738</u>	<u>1,294,041</u>	<u>1,125,955</u>	<u>168,086</u>
Culture and recreation				
General operations	269,605	296,559	310,632	(14,073)
Recreation centers	150,668	152,668	151,714	954
Beach, lifeguards, dunes	548,992	709,867	246,613	463,254
Museums	77,500	77,500	75,181	2,319
Parks administration	105,243	83,877	82,851	1,026
Total culture and recreation	<u>1,152,008</u>	<u>1,320,471</u>	<u>866,991</u>	<u>453,480</u>
Housing and development				
Zoning and inspection	497,776	401,776	358,753	43,023
Parking	630,672	705,672	700,639	5,033
Total housing and development	<u>1,128,448</u>	<u>1,107,448</u>	<u>1,059,392</u>	<u>48,056</u>
Total expenditures	<u>6,552,545</u>	<u>6,865,439</u>	<u>5,984,365</u>	<u>881,074</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(438,445)</u>	<u>(212,124)</u>	<u>499,568</u>	<u>711,692</u>
Other financing sources (uses):				
Sale of capital assets	-	8,000	7,919	(81)
Transfers in	580,000	661,000	662,514	1,514
Transfers out	(141,555)	(456,876)	(622,779)	(165,903)
Total other financing sources (uses)	<u>438,445</u>	<u>212,124</u>	<u>47,654</u>	<u>(164,470)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>547,222</u>	<u>547,222</u>
Fund balances, beginning of year	<u>3,043,223</u>	<u>3,043,223</u>	<u>3,043,223</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,043,223</u>	<u>\$ 3,043,223</u>	<u>\$ 3,590,445</u>	<u>\$ 547,222</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, 2006**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,312,000	\$ 1,316,648	\$ 4,648
Other revenues	5,000	4,190	(810)
Total revenues	<u>1,317,000</u>	<u>1,320,838</u>	<u>3,838</u>
Expenditures:			
Current:			
Culture and recreation	656,000	658,324	(2,324)
Total expenditures	<u>656,000</u>	<u>658,324</u>	<u>(2,324)</u>
Excess of revenues over expenditures	<u>661,000</u>	<u>662,514</u>	<u>1,514</u>
Other financing (uses):			
Transfers out	(661,000)	(662,514)	(1,514)
Total other financing (uses)	<u>(661,000)</u>	<u>(662,514)</u>	<u>(1,514)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 418,213	\$ 2,292	\$ 65,904	\$ 486,409
Investments	362,093	-	-	362,093
Restricted cash and cash equivalents	146,385	-	-	146,385
Accounts receivable, net of allowances	200,347	66,002	-	266,349
Due from other funds	746,033	-	-	746,033
Prepaid expenses	20,492	-	-	20,492
Total current assets	<u>1,893,563</u>	<u>68,294</u>	<u>65,904</u>	<u>2,027,761</u>
Noncurrent assets				
Other assets	118,456	-	126,750	245,206
Capital assets:				
Nondepreciable	373,149	-	6,870,000	7,243,149
Depreciable, net of accumulated depreciation	11,043,913	-	135,694	11,179,607
Total noncurrent assets	<u>11,535,518</u>	<u>-</u>	<u>7,132,444</u>	<u>18,667,962</u>
Total assets	<u>13,429,081</u>	<u>68,294</u>	<u>7,198,348</u>	<u>20,695,723</u>
LIABILITIES				
Current liabilities				
Accounts payable	44,059	51,107	5,639	100,805
Accrued liabilities	30,708	-	153,873	184,581
Notes payable, current	208,821	-	-	208,821
Bonds payable, current	110,000	-	210,000	320,000
Total current liabilities	<u>393,588</u>	<u>51,107</u>	<u>369,512</u>	<u>814,207</u>
Noncurrent liabilities				
Notes payable, net of current portion	4,593,138	-	-	4,593,138
Bonds payable, net of current portion	1,235,000	-	6,920,000	8,155,000
Total noncurrent liabilities	<u>5,828,138</u>	<u>-</u>	<u>6,920,000</u>	<u>12,748,138</u>
Total liabilities	<u>6,221,726</u>	<u>51,107</u>	<u>7,289,512</u>	<u>13,562,345</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,270,103	-	(124,306)	5,145,797
Restricted for debt service	146,385	-	-	146,385
Unrestricted	1,790,867	17,187	33,142	1,841,196
Total net assets	<u>\$ 7,207,355</u>	<u>\$ 17,187</u>	<u>\$ (91,164)</u>	<u>\$ 7,133,378</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, 2006**

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
OPERATING REVENUES				
Charges for services:				
Water charges	\$ 713,070	\$ -	\$ -	\$ 713,070
Sewer charges	708,741	-	-	708,741
Stubbing fees	91,850	-	-	91,850
Tapping fees	95,418	-	-	95,418
Other	105,920	-	-	105,920
Sanitation collection revenue	-	446,186	-	446,186
Camping rental fees	-	-	278,742	278,742
Total operating revenues	<u>1,714,999</u>	<u>446,186</u>	<u>278,742</u>	<u>2,439,927</u>
OPERATING EXPENSES				
Personnel services	329,537	-	75,588	405,125
Administrative	173,753	-	8,500	182,253
Utilities	126,363	-	28,057	154,420
Supplies	71,334	-	21,072	92,406
Repairs and maintenance	147,830	-	35,926	183,756
Sanitation services	-	700,515	-	700,515
Miscellaneous	50,859	-	40,316	91,175
Depreciation	340,219	-	4,306	344,525
Total operating expenses	<u>1,239,895</u>	<u>700,515</u>	<u>213,765</u>	<u>2,154,175</u>
Operating income (loss)	<u>475,104</u>	<u>(254,329)</u>	<u>64,977</u>	<u>285,752</u>
NONOPERATING INCOME (EXPENSES)				
Interest expense	(196,173)	-	(156,141)	(352,314)
Interest income	45,784	-	-	45,784
Loss on sale of capital assets	(168,025)	-	-	(168,025)
Total nonoperating income (expenses)	<u>(318,414)</u>	<u>-</u>	<u>(156,141)</u>	<u>(474,555)</u>
Income (loss) before contributions and transfers	156,690	(254,329)	(91,164)	(188,803)
TRANSFERS				
Transfers in	-	622,779	-	622,779
Total transfers	<u>-</u>	<u>622,779</u>	<u>-</u>	<u>622,779</u>
CAPITAL CONTRIBUTIONS	<u>1,238,941</u>	<u>-</u>	<u>-</u>	<u>1,238,941</u>
Change in net assets	1,395,631	368,450	(91,164)	1,672,917
NET ASSETS, beginning of year	<u>5,811,724</u>	<u>(351,263)</u>	<u>-</u>	<u>5,460,461</u>
NET ASSETS, end of year	<u>\$ 7,207,355</u>	<u>\$ 17,187</u>	<u>\$ (91,164)</u>	<u>\$ 7,133,378</u>

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

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006**

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,712,889	\$ 501,682	\$ 278,742	\$ 2,493,313
Payments to suppliers	(1,393,656)	(703,543)	(128,232)	(2,225,431)
Payments to employees	(338,656)	-	(74,606)	(413,262)
Net cash provided by (used in) operating activities	(19,423)	(201,861)	75,904	(145,380)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	204,153	-	204,153
Net cash provided by noncapital financing activities	-	204,153	-	204,153
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,992,936)	-	(7,010,000)	(9,002,936)
Capital contributions	389,040	-	-	389,040
Principal paid on bonds	(105,000)	-	-	(105,000)
Principal paid on notes payable	(125,416)	-	-	(125,416)
Proceeds from notes payable	1,889,203	-	-	1,889,203
Proceeds from bonds payable	-	-	7,130,000	7,130,000
Bond issuance costs	-	-	(130,000)	(130,000)
Interest paid	(178,549)	-	-	(178,549)
Net cash used in capital and related financing activities	(123,658)	-	(10,000)	(133,658)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	29,080	-	-	29,080
Interest earned on operating cash	45,784	-	-	45,784
Net cash provided by investing activities	74,864	-	-	74,864
Net increase (decrease) in cash and cash equivalents	(68,217)	2,292	65,904	(21)
Cash and cash equivalents, beginning of year	632,815	-	-	632,815
Cash and cash equivalents, end of year	<u>\$ 564,598</u>	<u>\$ 2,292</u>	<u>\$ 65,904</u>	<u>\$ 632,794</u>
Classified as:				
Cash and cash equivalents	\$ 418,213	\$ 2,292	\$ 65,904	\$ 486,409
Restricted assets: cash	146,385	-	-	146,385
	<u>\$ 564,598</u>	<u>\$ 2,292</u>	<u>\$ 65,904</u>	<u>\$ 632,794</u>

(Continued)

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006**

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 475,104	\$ (254,329)	\$ 64,977	\$ 285,752
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	340,219	-	4,306	344,525
Change in assets and liabilities:				
(Increase) decrease:				
Accounts receivable	(2,110)	(57,215)	-	(59,325)
Due from other funds	(440,118)	-	-	(440,118)
Prepaid expenses	7,844	-	-	7,844
Increase (decrease):				
Accounts payable	(148,648)	(3,028)	5,639	(146,037)
Accrued expenses	(9,119)	-	982	(8,137)
Due to other funds	(242,595)	112,711	-	(129,884)
Net cash provided by (used in) operating activities	<u>\$ (19,423)</u>	<u>\$ (201,861)</u>	<u>\$ 75,904</u>	<u>\$ (145,380)</u>
Noncash investing, capital, and financing activities:				
Contributed assets from the SPLOST Fund	<u>\$ 849,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 849,901</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, 2006**

	<u>Agency Fund Municipal Court</u>
ASSETS	
Cash	\$ 13,234
Total assets	<u>\$ 13,234</u>
 LIABILITIES	
Due to others	<u>\$ 13,234</u>
Total liabilities	<u>\$ 13,234</u>

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

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Tybee Island was incorporated October 15, 1887. The City operates under the Council – 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, 2006.

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

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

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.

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

Additionally, the City reports the following fund types:

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

The **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

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, and the Emergency 911 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

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 participants' shares sold and redeemed based on \$1 per share. The fair value of the City's position in the Pool is the same as the value of Pool shares (\$1 per share value). The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia.

Investments are reported at fair value. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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	5-20
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

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. 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.

L. 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

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

A. Explanation of certain differences between the governmental funds 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 \$539,523 difference are as follows:

Capital outlay	\$ 881,317
Depreciation expense	<u>(341,794)</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><u>\$ 539,523</u></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 1st.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

3. Prior to the beginning of the year, the budget is formally enacted through passage of a resolution by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds and the capital projects fund. 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, 2006.

Governing body	\$ 9,540
Culture and recreation general operations	14,073
Hotel/Motel Tax Fund - Culture and recreation	2,324

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2006, are summarized as follows:

As reported in the Statement of Net Assets:	
Primary government:	
Cash and cash equivalents	\$ 6,129,672
Investments	1,478,535
Restricted assets, cash	146,385
Agency Fund - Cash	13,234
	<u>\$ 7,767,826</u>
Cash deposited with financial institutions	\$ 6,651,384
Cash deposited with Georgia Fund 1	1,116,442
	<u>\$ 7,767,826</u>

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, 2006, the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At December 31, 2006, the City had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	16 day weighted average	\$ 1,116,442
Certificates of Deposit	6 year weighted average	362,093
		<u>\$ 1,478,535</u>

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

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, 2006, 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 13, 2006, against a taxable digest established as of January 1, 2006. Property taxes were due on November 15, 2006, and were considered delinquent the following day (November 16, 2006) – 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, 2006, and expected to be collected by February 28, 2007, are recognized as revenues in the year ended December 31, 2006. Net receivables estimated to be collectible subsequent to February 28, 2007, 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>Nonmajor Governmental</u>	<u>Total</u>
Receivables:							
Taxes	\$ 392,996	\$ 28,362	\$ -	\$ -	\$ -	\$ -	\$ 421,358
Accounts	42,739	-	-	219,343	74,354	990	337,426
Intergovernmental	182,309	-	238,322	-	-	-	420,631
Gross receivables	<u>618,044</u>	<u>28,362</u>	<u>238,322</u>	<u>219,343</u>	<u>74,354</u>	<u>990</u>	<u>1,179,415</u>
Less: allowance for uncollectibles	<u>(76,807)</u>	<u>-</u>	<u>-</u>	<u>(18,996)</u>	<u>(8,352)</u>	<u>-</u>	<u>(104,155)</u>
Net total receivables	<u>\$ 541,237</u>	<u>\$ 28,362</u>	<u>\$ 238,322</u>	<u>\$ 200,347</u>	<u>\$ 66,002</u>	<u>\$ 990</u>	<u>\$ 1,075,260</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 798,069	\$ -	\$ -	\$ -	\$ 798,069
Construction in progress	-	71,065	-	-	71,065
Total	<u>798,069</u>	<u>71,065</u>	<u>-</u>	<u>-</u>	<u>869,134</u>
Capital assets, being depreciated:					
Land improvements	187,124	-	-	-	187,124
Buildings	3,743,017	56,785	(65,800)	-	3,734,002
Machinery and equipment	2,273,420	753,467	(94,865)	-	2,932,022
Total	<u>6,203,561</u>	<u>810,252</u>	<u>(160,665)</u>	<u>-</u>	<u>6,853,148</u>
Less accumulated depreciation for:					
Land improvements	(174,731)	(2,826)	-	-	(177,557)
Buildings	(1,037,114)	(151,428)	36,190	-	(1,152,352)
Machinery and equipment	(1,179,431)	(187,540)	78,795	-	(1,288,176)
Total	<u>(2,391,276)</u>	<u>(341,794)</u>	<u>114,985</u>	<u>-</u>	<u>(2,618,085)</u>
Total capital assets, being depreciated, net	<u>3,812,285</u>	<u>468,458</u>	<u>(45,680)</u>	<u>-</u>	<u>4,235,063</u>
Governmental activities capital assets, net	<u>\$ 4,610,354</u>	<u>\$ 539,523</u>	<u>\$ (45,680)</u>	<u>\$ -</u>	<u>\$ 5,104,197</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 103,632	\$ 6,870,000	\$ -	\$ -	\$ 6,973,632
Construction in progress	1,813,903	246,729	-	(1,791,115)	269,517
Total	<u>1,917,535</u>	<u>7,116,729</u>	<u>-</u>	<u>(1,791,115)</u>	<u>7,243,149</u>
Capital assets, being depreciated:					
Machinery and equipment	423,672	93,900	(23,002)	-	494,570
Utility plant	8,579,266	2,542,208	(192,030)	1,791,115	12,720,559
Buildings	-	100,000	-	-	100,000
Total	<u>9,002,938</u>	<u>2,736,108</u>	<u>(215,032)</u>	<u>1,791,115</u>	<u>13,315,129</u>
Less accumulated depreciation for:					
Machinery and equipment	(281,417)	(39,772)	23,002	-	(298,187)
Utility plant	(1,556,587)	(303,364)	24,005	-	(1,835,946)
Buildings	-	(1,389)	-	-	(1,389)
Total	<u>(1,838,004)</u>	<u>(344,525)</u>	<u>47,007</u>	<u>-</u>	<u>(2,135,522)</u>
Total capital assets, being depreciated, net	<u>7,164,934</u>	<u>2,391,583</u>	<u>(168,025)</u>	<u>1,791,115</u>	<u>11,179,607</u>
Business-type activities capital assets, net	<u>\$ 9,082,469</u>	<u>\$ 9,508,312</u>	<u>\$ (168,025)</u>	<u>\$ -</u>	<u>\$ 18,422,756</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	\$ 62,888
Public safety	102,080
Public works	40,869
Culture and recreation	111,928
Housing and community development	24,029
Total depreciation expense - governmental activities	\$ 341,794
Business-type activities:	
Water and sewer	\$ 340,219
Rivers End RV Park	4,306
Total depreciation expense - business-type activities	\$ 344,525

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 and the Chatham County Recreation Authority revenue bonds outstanding at December 31, 2006 are as follows:

Description	Original Amount	Interest Rate	Due Date	Amount
Water and Sewer, Series 2005	\$ 1,450,000	3.72%	2016	\$ 1,345,000
Rivers End RV Park, Series 2006	7,130,000	4.85%	2026	7,130,000
				8,475,000
		Less current portion		(320,000)
				\$ 8,155,000

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)

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

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

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>
2007	\$ 726,405	\$ 320,000	\$ 406,405
2008	731,562	350,000	381,562
2009	725,943	360,000	365,943
2010	734,839	385,000	349,839
2011	727,636	395,000	332,636
2012 - 2016	3,645,105	2,265,000	1,380,105
2017 - 2021	2,827,308	1,940,000	887,308
2022 - 2026	2,829,328	2,460,000	369,328
	<u>\$ 12,948,126</u>	<u>\$ 8,475,000</u>	<u>\$ 4,473,126</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, 2006:

<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	\$ 2,613,308
GEFA Construction - Water line extensions	\$ 2,188,652	3.18%	2026	2,188,651
				4,801,959
		Less current portion		(208,821)
				<u>\$ 4,593,138</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>
2007	\$ 353,895	\$ 208,821	\$ 145,074
2008	353,895	215,296	138,599
2009	353,895	222,036	131,859
2010	353,895	228,931	124,964
2011	353,895	236,056	117,839
2012 - 2016	1,769,474	1,295,150	474,324
2017 - 2021	1,769,474	1,509,702	259,772
2022 - 2026	945,955	885,967	59,988
	<u>\$ 6,254,378</u>	<u>\$ 4,801,959</u>	<u>\$ 1,452,419</u>

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 114,364	\$ 143,847	\$ (135,942)	\$ 122,269	\$ 122,269
Governmental activity Long-term liabilities	<u>\$ 114,364</u>	<u>\$ 143,847</u>	<u>\$ (135,942)</u>	<u>\$ 122,269</u>	<u>\$ 122,269</u>
Business-type activities:					
Revenue bonds	\$ 1,450,000	\$ 7,130,000	\$ (105,000)	\$ 8,475,000	\$ 320,000
Notes payable	3,038,172	1,889,203	(125,416)	4,801,959	208,821
Business-type activity Long-term liabilities	<u>\$ 4,488,172</u>	<u>\$ 9,019,203</u>	<u>\$ (230,416)</u>	<u>\$ 13,276,959</u>	<u>\$ 528,821</u>

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

NOTES TO FINANCIAL STATEMENTS

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 13.0% 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, 2006, the City's annual pension cost was \$281,661 for the plan. Recommended contributions of \$274,184 and \$283,138 were determined as part of the May 1, 2006 and May 1, 2005 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
05/01/01	\$ 162,054	100 %	-
05/01/02	239,585	100	-
05/01/03	272,331	100	-
05/01/04	283,138	100	-
05/01/05	274,184	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
05/01/02	\$ 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
05/01/06	2,820,445	3,810,009	989,564	74.0	2,109,394	46.9

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

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, 2006, 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, 2006, 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, 2006, \$1,316,648 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$438,839 to the Savannah Chamber of Commerce and \$219,485 to the Georgia International Convention Center).

NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2006 are as follows:

<u>Due To</u>	Due From				<u>Total</u>
	General	Hotel/ Motel Tax	SPLOST	Nonmajor Governmental	
General Fund	\$ -	\$ 58,781	\$ 160,128	\$ 6,264	\$ 225,173
Water and Sewer	418,626	-	327,407	-	746,033
Total	\$ 418,626	\$ 58,781	\$ 487,535	\$ 6,264	\$ 971,206

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

Interfund transfers for the year ended December 31, 2006 consisted of the following:

<u>Transfer From</u>	Transfer To		
	General	Solid Waste	Total
General	\$ -	\$ 622,779	\$ 622,779
Hotel/Motel Tax	662,514	-	662,514
Total	\$ 662,514	\$ 622,779	\$ 1,285,293

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

NOTES TO FINANCIAL STATEMENTS

NOTE 14. DEFICIT FUND BALANCE

The following funds reported deficits in fund balances/net assets at December 31, 2006:

Rivers End RV Park Fund	\$	91,164
Emergency 911 Fund		6,032

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, 2006, the City had six participants and recognized expenditures of \$25,974.

FUND SCHEDULES

CITY OF TYBEE ISLAND, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2006

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage	\$ 3,616,428	\$ 1,250,000			
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	29,983	57,787
Other Drainage Projects					
Beach Renourishment	-	1,000,000	1,060,614	-	1,060,614
Debt service - beach renourishment			109,382	-	109,382
Water and Sewer	-	625,000			
Elevated Water Tank			76,431	-	76,431
Debt service - Elevated Water Tank			545,761	-	545,761
Public Safety					
Fire Engine	160,000	160,000	160,000	-	160,000
Fire Department Equipment	66,000	66,000	57,209	-	57,209
Miscellaneous Projects	80,000	425,000			
Paving Oceanview Court, Jones Street and Center Street			42,453	-	42,453
Paving Project PR8531-56			33,740	-	33,740
Paving Captains Row and Maintenance Yard			46,120	-	46,120
Dune Crossover Refurbishment			301,504	23,000	324,504
	<u>\$ 3,922,428</u>	<u>\$ 3,526,000</u>	<u>\$ 3,482,874</u>	<u>\$ 52,983</u>	<u>\$ 3,535,857</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, 2006

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage					
Drainage reconstruction/maintenance	\$ 200,000	\$ -	\$ -	\$ -	\$ -
Jones Avenue	350,000	-	-	-	-
North Beach Area	200,000	-	-	-	-
Water and Sewer					
Butler Avenue Water Line	817,000	1,616,040	1,313,273	817,000	2,130,273
Beach Side of Butler Water Line Imp.	575,000	-	-	-	-
Water Line Looping	224,040	-	15,460	-	15,460
Replacement of 6" AC Water Line, Jones Ave	168,960	-	-	-	-
Fort Screven Water Lines Replacement, Lift Station Upgrades, I&I Continuation	440,000	1,000,667	46,813	16,710	63,523
Roads					
Various Improvements	250,000	250,000	-	-	-
Other					
Bike Paths	100,000	-	3,200	-	3,200
Police Facility	500,000	50,000	14,200	-	14,200
Beach Renourishment	1,000,000	1,000,000	-	-	-
Old Fort Theater, Guardhouse	600,000	700,000	1,403	234,125	235,528
Playground Equipment	200,000	200,000	43,529	146,753	190,282
Marine Rescue Squadron Facility	100,000	75,000	71,165	-	71,165
Other Capital (CIP)	100,000	100,000	-	-	-
Fire Department Equipment	-	345,000	-	-	-
South Beach Business District	-	500,000	-	-	-
Marine Science Center	600,000	600,000	-	-	-
	<u>\$ 6,425,000</u>	<u>\$ 6,436,707</u>	<u>\$ 1,509,043</u>	<u>\$ 1,214,588</u>	<u>\$ 2,723,631</u>

COMPLIANCE SECTION

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

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

We have audited 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, 2006, which collectively comprise the City of Tybee Island, Georgia's basic financial statements and have issued our report thereon dated May 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2006-1 through 2006-5 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006 - 1 through 2006 - 3 to be material weaknesses.

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 May 15, 2007.

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

This report is intended solely for the information and use of 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
May 15, 2007

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

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

Federal Awards

There was not an audit of major federal award programs as of December 31, 2006 due to the total amount expended being less than \$500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2006 - 1. Taxes Receivable in the Hotel/Motel Tax Fund

Criteria: Generally accepted accounting principles require reporting of all revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: The City did not appropriately record the year end property taxes receivable and hotel motel taxes receivable in the General Fund and Hotel/Motel Tax Fund during the year ended December 31, 2006. Consequently, in relation to the hotel motel taxes, the City also did not appropriately record the associated payables due to outside parties and the General Fund.

Context: We addressed this matter with the City and they were able to determine the appropriate property taxes receivable and hotel motel tax accruals that should be recorded as of December 31, 2006.

Effect: An audit adjustment to increase accounts receivable in the amount of \$28,362, increase culture and recreation expenses in the amount of \$32,800, increase transfers out in the amount of \$2,381, increase tax revenue in the amount of \$4,762, and increase due to other funds in the amount of \$58,781 was required to be reported by the Hotel Motel Tax Fund as of December 31, 2006. A corresponding audit adjustment to increase the amount due from other funds in the amount of \$58,781, to reduce cash in the amount of \$56,400 and increase transfers in the amount of \$2,381 was required to be reported by the General Fund as of December 31, 2006.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006 - 1. Taxes Receivable in the Hotel/Motel Tax Fund (Continued)

In addition, an audit adjustment to increase property taxes receivable in the amount of \$61,030, increase deferred revenues in the amount of \$28,819, and increase property tax revenues in the amount of \$32,211 was required to be reported by the General Fund as of December 31, 2006.

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

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

2006 - 2. Management of Due To/From (Interfund) Accounts

Criteria: Generally accepted accounting principles require consideration of the collectibility of all receivables whether external or internal to the City. As part of that process, the City should review the amounts included in due to/from accounts (interfund receivables and payables) in each fund to determine if amounts should instead be treated as operating transfers in/out during any given fiscal year.

Condition: The City reported significant amounts in the due to/from accounts as of December 31, 2006. However, when reviewing the aging of such amounts along with the potential for payment to the receivable funds, it became apparent that the receivable amounts should be written off (as operating transfers) due to the inability of the payable fund to honor such obligations.

Context: See above condition.

Effect: An audit adjustment to increase transfers out in the amount of \$418,626 and to reduce due to other funds in the same amount was required to be reported by the General Fund as of December 31, 2006. A corresponding audit adjustment to increase transfers in the amount of \$418,626 and to reduce due from other funds in the same amount was required to be reported by the Solid Waste Fund as of December 31, 2006.

Recommendation: We recommend the City review all interfund receivables and payables on a quarterly basis and consider the need for settlement between funds at that time via transfers in/out by the respective funds.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. Regular reviews will be made to accurately report interfund balances.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006 - 3. Accrued Interest Payable on Outstanding Debt

Criteria: Generally accepted accounting principles require the full accrual of all assets and liabilities within enterprise funds. Included in this requirement is the need to accrue interest payable on all outstanding debt.

Condition: The City did not fully accrue the interest payable on its outstanding revenue bonds within the Rivers End RV Park Fund and the Water and Sewer Fund.

Context: See above condition.

Effect: An audit adjustment to increase the accrued interest liability in the amount of \$8,441 and to increase interest expense in the same amount was required to be reported by the Rivers End RV Park Fund as of December 31, 2006. An additional audit adjustment to increase the accrued interest liability in the amount of \$5,155 and to increase interest expense in the same amount was required to be reported by the Water and Sewer Fund as of December 31, 2006.

Recommendation: We recommend the City begin recognizing and recording all necessary accrual adjustments at the end of each financial reporting cycle for its Rivers End RV Park and Water and Sewer enterprise funds.

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

2006 - 4. Pooled Cash Reporting

Criteria: An underlying concept of using pooled cash reporting is that individual funds cannot spend funds that are not available or have not been allocated to it. Once cash has been exhausted within an individual fund's share of the pooled cash assets, a liability (due to other funds) should be credited rather than creating a negative cash position.

Condition: The City did not properly adjust its pooled cash balance within the Emergency 911 Fund for over expenditure.

Context: See above condition.

Effect: An audit adjustment to increase the cash balance in the amount of \$417 and to increase the amount due to other funds in the same amount was required to be reported by the Emergency 911 Fund as of December 31, 2006.

Recommendation: We recommend the City begin reviewing its pooled cash reconciliations more closely at year end for all funds and properly adjust negative cash positions through "due to other funds" liability accounts.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006 - 4. Pooled Cash Reporting (Continued)

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will begin reviewing our pooled cash reconciliations more closely to rectify any negative cash positions at period ends.

2006 - 5. Accounts Payable Liabilities

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The City did not appropriately address the above criteria as it relates to accounts payable items that existed as of December 31, 2006 within the Water and Sewer Fund.

Context: We addressed this matter with City officials and they were able to determine the amount of accounts payable that should be recorded as of December 31, 2006.

Effect: An audit adjustment to decrease the accounts payable liability in the amount of \$10,328 was required to be reported within the Water and Sewer Fund as of December 31, 2006.

Recommendation: We recommend the City begin recognizing and recording accounts payable as required, and record the necessary adjustments to reflect the accounts payable balances at the conclusion of each financial reporting cycle.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to improve our accounts payable reconciliation process in future years for year end and month end reporting purposes.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION IV
STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding 2005-1.

Lack of Segregation of Duties -

For the year ending December 31, 2005, 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 for the year ended December 31, 2006.

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

**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, 2006 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-806, #03-C-L-460, #LDF-06-R1-34, and #07-C-L-12. 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, 2006 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
May 15, 2007

State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)

LINE

A Local Government	City of Tybee Island, Georgia
B State Awarding Agency	Department of Community Affairs State of Georgia
C Grant Identification Number	01-C-L-806
D Grant Title	Snow Fence
E Grant Award Date	02/26/01
F Grant Amount	\$50,000.00

	COLUMN 1 Current Year Activity	COLUMN 2 Cumulative Grant Activity
G	For the Year Ended: December 31, 2006	Through the Year Ended: December 31, 2006
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	
I	Grant Receipts or Revenue Recognized	\$50,000.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES	\$11,832.00
K	Disbursements or Expenditures for Audit Fees	\$0.00
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K]	\$38,168.00

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 for which the grant was made.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____

**State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)**

LINE

- A Local Government
- B State Awarding Agency
- C Grant Identification Number
- D Grant Title
- E Grant Award Date
- F Grant Amount

City of Tybee Island, Georgia
Department of Community Affairs State of Georgia
03-C-L-460
Recreation Feasibility Study
07/01/02
\$25,000.00

	<u>COLUMN 1</u> Current Year Activity	<u>COLUMN 2</u> Cumulative Grant Activity
G	For the Year Ended: December 31, 2006	Through the Year Ended: December 31, 2006
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue) \$25,000.00	
I	Grant Receipts or Revenue Recognized \$0.00	\$25,000.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES \$25,000.00	\$25,000.00
K	Disbursements or Expenditures for Audit Fees \$0.00	\$0.00
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K] \$0.00	\$0.00

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 for which the grant was made.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____

State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)

LINE

A Local Government	City of Tybee Island, Georgia
B State Awarding Agency	Department of Community Affairs State of Georgia
C Grant Identification Number	LDF-06-R1-34
D Grant Title	Handicapped Accessible Recreational Mats
E Grant Award Date	12/06/05
F Grant Amount	\$18,000.00

	COLUMN 1 Current Year Activity	COLUMN 2 Cumulative Grant Activity
G	For the Year Ended: December 31, 2006	Through the Year Ended: December 31, 2006
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue) \$0.00	
I	Grant Receipts or Revenue Recognized \$9,000.00	\$9,000.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES \$9,000.00	\$9,000.00
K	Disbursements or Expenditures for Audit Fees \$0.00	\$0.00
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K] \$0.00	\$0.00

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 for which the grant was made.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____

**State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)**

LINE

- A Local Government
- B State Awarding Agency
- C Grant Identification Number
- D Grant Title
- E Grant Award Date
- F Grant Amount

City of Tybee Island, Georgia
Department of Community Affairs State of Georgia
07-C-L-12
Aesthetic Improvements on Main Street
10/26/06
\$40,000.00

	<u>COLUMN 1</u> Current Year Activity		<u>COLUMN 2</u> Cumulative Grant Activity
	For the Year Ended:		Through the Year Ended:
G	<u>December 31, 2006</u>		<u>December 31, 2006</u>
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	\$0.00	
I	Grant Receipts or Revenue Recognized	\$0.00	\$0.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES	\$0.00	\$0.00
K	Disbursements or Expenditures for Audit Fees	\$0.00	\$0.00
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K]	\$0.00	\$0.00

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 for which the grant was made.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____