

CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006

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CITY OF ST. MARYS, GEORGIA

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and City Council
City of St. Marys, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of St. Marys, Georgia (the "City")** as of and for the year ended June 30, 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'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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Marys, Georgia as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General 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 November 3, 2006, on our consideration of the City of St. Marys, 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 10 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's basic financial statements. The combining nonmajor fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia Annotated and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of St. Marys, Georgia. The combining nonmajor fund financial statements and schedules, schedules of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards 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.

Macon, Georgia
November 3, 2006

CITY OF ST. MARYS, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of St. Marys, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of St. Marys, Georgia for the fiscal year ended June 30, 2006. The information presented here should be used in conjunction with the additional information provided in this Annual financial report, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at June 30, 2006 by \$45.2 million (*net assets*). Of this amount, \$12.0 million (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net assets increased by \$6.8 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6.8 million an increase of \$652,364 in comparison with the prior year. Approximately \$6 million of this total amount or 87.5% is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was a positive \$5,937,904 or 69% of total general fund expenditures.
- The City's total debt decreased by \$1,094,335 during the current fiscal year. This decrease consisted of new debt of \$93,805 and scheduled debt service payments and reductions in compensated absences of \$1,188,141.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. This statement is a tool to measure the City's financial health or financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It is important to note that this statement consolidates the governmental

MANAGEMENT'S DISCUSSION AND ANALYSIS

fund's current financial resources (short-term) with capital assets and long-term liabilities. Note for the first time, this statement presents information on a component unit of the City.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and welfare, judicial, housing and development culture and recreation, and interest on long-term debt. The business-type Activities of the City includes water and sewer and sanitation.

The government-wide financial statements can be found on pages 11 - 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and SPLOST fund, because they are considered to be a major funds. Data from the

MANAGEMENT'S DISCUSSION AND ANALYSIS

other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and SPLOST Fund. A budgetary comparison statement has been provided for the general fund.

The basic governmental fund financial statements can be found on pages 14 and 15 of this report.

Proprietary funds. The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund and Solid Waste Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Solid Waste Fund, which both are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 19 - 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 47 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and enterprise funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 48 - 51 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$45 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of St. Marys Net Assets June 30, 2006

	Governmental Activities		Business-type Activities	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Current and other assets	\$ 6,790,639	\$ 7,472,443	\$ 6,366,450	\$ 8,255,176
Capital assets	<u>14,491,417</u>	<u>14,358,680</u>	<u>26,721,298</u>	<u>30,797,460</u>
Total assets	<u>21,282,056</u>	<u>21,831,123</u>	<u>33,087,748</u>	<u>39,052,636</u>
Other liabilities	1,068,193	1,115,801	1,647,157	2,490,361
Long-term liabilities outstanding	<u>1,621,228</u>	<u>1,119,573</u>	<u>11,622,154</u>	<u>10,994,387</u>
Total liabilities	<u>2,689,421</u>	<u>2,235,374</u>	<u>13,269,311</u>	<u>13,484,748</u>
Net assets:				
Invested in capital assets, net of related debt	12,623,149	12,914,291	14,679,793	19,375,391
Restricted	-	-	-	829,214
Unrestricted	<u>5,969,486</u>	<u>6,681,458</u>	<u>5,138,644</u>	<u>5,363,283</u>
Total net assets	<u>\$ 18,592,635</u>	<u>\$ 19,595,749</u>	<u>\$ 19,818,437</u>	<u>\$ 25,567,888</u>

Net assets may serve over time as a useful indicator of a government's financial position. The City of St. Marys combined net assets are \$45.2 million for the year ending June 30, 2006. Of this amount, \$25.6 million came from business-type activities and \$19.6 million came from governmental activities. This was an increase over 2005 in the amount of \$6.8 million.

The unrestricted net assets (\$12,044,741) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets.

Governmental activities. Governmental activities during the fiscal year ended June 30, 2006 increased the City of St. Marys net assets by \$1,003,114. Business-type activities during the same period increased net assets by \$5,749,451 for a total increase in net assets of \$6,752,565. The following chart shows the revenue and expenses by activity for the total primary government.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of St. Marys Changes in Net Assets June 30 2006

	Governmental Activities		Business-type Activities	
	2005	2006	2005	2006
Revenues				
Program Revenues				
Charges for services	\$ 1,885,116	\$ 1,949,198	\$ 4,123,426	\$ 4,516,453
Operating grants and contributions	441,947	285,899	-	-
Capital grants and contribution	574,157	363,599	1,019,889	5,855,695
General Revenues:				
Property taxes	2,061,298	2,863,547	-	-
Franchise taxes	600,371	669,800	-	-
Sales taxes	3,359,125	2,693,974	-	-
Other taxes	845,076	904,817	-	-
Unrestricted investment earnings	80,643	135,488	108,018	162,544
Gain on sales of capital assets	-	-	-	-
Miscellaneous		30	2,732	87
Total revenues	<u>9,847,733</u>	<u>9,866,352</u>	<u>5,254,065</u>	<u>10,534,779</u>
Expenses				
Governmental activities				
General government	953,661	1,376,561	-	-
Public safety	2,899,146	3,283,264	-	-
Public works	2,964,937	2,067,212	-	-
Health and welfare	53,508	64,876	-	-
Judicial	189,092	221,341	-	-
Culture and recreation	876,149	968,271	-	-
Housing and development	603,022	814,738	-	-
Interest on long-term debt	89,035	66,975	-	-
Business-type activities				
Water and Sewer	-	-	3,477,370	3,979,052
Sanitation	-	-	772,589	806,276
Total expenses	<u>8,628,550</u>	<u>8,863,238</u>	<u>4,249,959</u>	<u>4,785,328</u>
Increase in net assets before transfers	1,219,183	1,003,114	1,004,106	5,749,451
Transfers	(27,000)	-	27,000	-
Increase in net assets	1,192,183	1,003,114	1,031,106	5,749,451
Net assets, beginning of year	17,400,452	18,592,635	18,787,331	19,818,437
Net assets, end of year	<u>\$ 18,592,635</u>	<u>\$ 19,595,749</u>	<u>\$ 19,818,437</u>	<u>\$ 25,567,888</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Balances:

Governmental Funds:

The City of St. Marys has two major governmental funds, which are the General Fund and the SPLOST Fund.

At the end of FY 2006 the General Fund had a fund balance of \$6,272,167. This is an increase of \$644,913 from the beginning fund balance. Fund Balance was budgeted in the General Fund's FY 2006-07 budget instead of increasing revenues for the General Fund through taxes.

The fund balance for the SPLOST fund decreased by \$300,258 due to the completion of SPLOST projects. The fund balance at the end of FY2006 was a deficit of \$17,426.

The fund balances for the other governmental funds increased by \$307,709. The final fund balance for these funds were \$582,370 at the end of the year.

Business-Type Activities Funds:

The enterprise funds, which include the City's Water & Sewer Fund and Solid Waste Funds showed a combined cash and cash equivalents balance of \$7,522,949 at the end of the year ending June 30, 2006. Of this amount \$1,888,311 are restricted assets.

The Water and Sewer Fund had an ending net asset balance of \$24,850,038 for FY 2006. This was an increase of \$5,622,950 from the previous year. Of the balance, \$829,214 is restricted net assets and the unrestricted net assets amounted to \$4,851,438.

The Solid Waste Fund had an increase for the year of \$126,501 in the net assets for FY2006. Its cash balance increased from \$363,911 at the beginning of the year to \$469,883 at the end of the year. There are no restricted assets in the Solid Waste Fund.

General Fund Budget Highlights

The budget was prepared according to Georgia Law.

The 2006 revenue budget for the General Fund was \$7,476,700. It was amended to \$7,513,678 to account for additional miscellaneous revenues. In total, the City realized 115% of the projected 2006 revenues.

Differences between the original budget and the final amended budget were as follows:

\$36,978 increase in miscellaneous revenues – to account for the match portion of a grant
\$204,100 decrease in general government – property/liability insurance transferred to appropriate department

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budget Highlights continued

\$540,205 increase in public safety – to account for property/liability insurance and capital expenditures from a grant received by the City

\$2,500 increase in judicial – to account for additional miscellaneous expenditures

\$3,135 increase in health and welfare – to account for property/liability insurance

\$39,578 increase in culture and recreation – to account for repairs to capital assets

\$75,803 increase in housing and development – to account for an increase in professional services

\$536,745 increase in other financing sources (uses) – to account for an increase for grant transfers and increase in capital leases

Comparison of Final Budget and Actual expenditures:

Miscellaneous Revenues – all budgeted revenues were not collected

Municipal Court – fees paid to other agents were more than originally budgeted, the fees were collected to cover the expenses

Culture and recreation administration – increase in merchandise for resale – revenues collected to off set expenditures

Debt Service – additional equipment purchased during year

Transfers in – budgeted grants revenues were not received

Actual expenditures (\$8,576,649) came in less than the budget expenditures (\$10,373,563). The actual expenditures do not include the other financing sources (uses).

The City's actual revenues exceeded the expenditures by \$36,108.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year ending June 30, 2006, governmental activities and business-type activities had capital assets of \$45,156,140 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment and recreation and park facilities. The decrease in assets for governmental activities was due to depreciation. Business-type activities major increase was due to new construction.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of St. Marys Capital Assets
(Net of depreciation)
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Land	\$ 481,333	\$ 840,672	\$ 1,322,005
Building and Improvements	5,446,714	3,395,034	8,841,748
Improvement other than buildings	5,951,807	0	5,951,807
Machinery and equipment	704,683	1,049,486	1,754,169
Infrastructure	1,576,679	19,240,022	20,816,701
Construction in progress	197,464	6,272,246	6,469,710
Total	\$ 14,358,680	\$ 30,797,460	\$45,156,140

Additional information on the City's capital assets can be found in Note 6 on pages 35 and 36 of this report.

Debt Administration. The City's total long-term debt consists of revenue bonds, long-term notes, capital leases and compensated absences.

At the end of June 30, 2006, the City had \$1,715,361 of outstanding long-term debt related to governmental activities and \$11,422,069 of long-term debt related to business-type activities for a total of \$13,137,430 compared to the previous year's total of \$14,231,765. This is a decrease of \$1,094,335.

Additional information on the City's debt can be found in Note 7 on pages 37 - 40 of this report.

Factors Affecting the FY 2007 Budget:

The Mayor and Council of the City of St. Marys considered many factors when approving the City's FY 2007 budget and are very aware of present economic conditions and their effect on its citizens. The Mayor and Council chose to continue to use reserves and reductions in fund balances to fund operations and capital expenses in 2007. The City is experiencing growth and with growth there are growing pains. There was a small increase in the tax rate (.2 mills) to pay for governmental services. The City increased business type rates to cover ongoing capital improvements for sewer plant expansion.

Requests for Information

This financial report is designed to provide a general overview the City of St. Marys finances for citizens, taxpayers, customers, investors and creditors and all others with an interest in the City. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Finance Department at the City of St. Marys, 418 Osborne Street, St. Marys, Georgia, 31558.

CITY OF ST. MARYS, GEORGIA

STATEMENT OF NET ASSETS JUNE 30, 2006

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
	\$	\$	\$	\$
Cash and cash equivalents	5,376,836	5,075,215	10,452,051	43,537
Investments	840,346	559,423	1,399,769	84,000
Taxes receivable	149,545	-	149,545	-
Accounts receivable, net of allowances	-	492,079	492,079	-
Accrued interest receivable	228	-	228	1,630
Other receivables	35,308	-	35,308	-
Due from other governments	865,553	-	865,553	-
Internal balances	(27,519)	27,519	-	-
Prepaid expenses	232,146	106,035	338,181	-
Other current assets	-	3,700	3,700	-
Restricted assets	-	1,888,311	1,888,311	-
Deferred charges, unamortized balance	-	102,894	102,894	-
Capital assets:			-	
Non-depreciable	678,797	7,112,918	7,791,715	159,000
Depreciable, net of accumulated depreciation	13,679,883	23,684,542	37,364,425	-
Total assets	21,831,123	39,052,636	60,883,759	288,167
LIABILITIES				
Accounts payable	276,339	676,061	952,400	-
Contracts payable	-	714,957	714,957	-
Retainages payable	-	101,550	101,550	-
Accrued liabilities	112,761	93,881	206,642	-
Customer deposits	-	476,230	476,230	-
Unearned revenue	130,913	-	130,913	-
Compensated absences due within one year	76,953	-	76,953	-
Compensated absences due in more than one year	194,019	-	194,019	-
Capital leases due within one year	45,868	-	45,868	-
Capital leases due in more than one year	193,360	-	193,360	-
Notes payable due within one year	472,967	427,682	900,649	-
Notes payable due in more than one year	732,194	7,374,387	8,106,581	-
Bonds payable due in more than one year	-	3,620,000	3,620,000	-
Total liabilities	2,235,374	13,484,748	15,720,122	-
NET ASSETS				
Investment in capital assets, net of related debt	12,914,291	19,375,391	32,289,682	159,000
Restricted for debt service	-	454,556	454,556	-
Restricted for renewal and extension	-	374,658	374,658	-
Unrestricted	6,681,458	5,363,283	12,044,741	129,167
Total net assets	\$ 19,595,749	\$ 25,567,888	\$ 45,163,637	\$ 288,167

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

CITY OF ST. MARYS, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 1,376,561	\$ 469,357	\$ -	\$ -
Public safety	3,283,264	380,004	31,727	25,394
Public works	2,067,212	46,082	-	338,205
Health and welfare	64,876	-	-	-
Judicial	221,341	-	-	-
Culture and recreation	968,271	343,154	-	-
Housing and development	814,738	710,601	254,172	-
Interest on long-term debt	66,975	-	-	-
Total governmental activities	<u>8,863,238</u>	<u>1,949,198</u>	<u>285,899</u>	<u>363,599</u>
Business-type activities:				
Water & sewer	3,979,052	3,589,180	-	5,855,695
Solid waste	806,276	927,273	-	-
Total business-type activities	<u>4,785,328</u>	<u>4,516,453</u>	<u>-</u>	<u>5,855,695</u>
Total primary government	<u>\$ 13,648,566</u>	<u>\$ 6,465,651</u>	<u>\$ 285,899</u>	<u>\$ 6,219,294</u>
Component Unit: Industrial Development Authority	<u>\$ 4,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Franchise taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Unit Industrial Development Authority
\$ (907,204)	\$ -	\$ (907,204)	\$ -
(2,846,139)	-	(2,846,139)	-
(1,682,925)	-	(1,682,925)	-
(64,876)	-	(64,876)	-
(221,341)	-	(221,341)	-
(625,117)	-	(625,117)	-
150,035	-	150,035	-
(66,975)	-	(66,975)	-
<u>(6,264,542)</u>	<u>-</u>	<u>(6,264,542)</u>	<u>-</u>
-	5,465,823	5,465,823	-
-	120,997	120,997	-
-	5,586,820	5,586,820	-
<u>(6,264,542)</u>	<u>5,586,820</u>	<u>(677,722)</u>	<u>-</u>
-	-	-	(4,265)
2,863,547	-	2,863,547	-
669,800	-	669,800	-
2,693,974	-	2,693,974	-
904,817	-	904,817	-
135,488	162,544	298,032	4,669
30	87	117	-
<u>7,267,656</u>	<u>162,631</u>	<u>7,430,287</u>	<u>4,669</u>
1,003,114	5,749,451	6,752,565	404
<u>18,592,635</u>	<u>19,818,437</u>	<u>38,411,072</u>	<u>287,763</u>
<u>\$ 19,595,749</u>	<u>\$ 25,567,888</u>	<u>\$ 45,163,637</u>	<u>\$ 288,167</u>

CITY OF ST. MARYS, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 5,003,633	\$ 31,230	\$ 341,973	\$ 5,376,836
Investments	763,388	8,632	68,326	840,346
Taxes receivable	141,926	-	7,619	149,545
Accounts receivable	12,907	-	22,401	35,308
Accrued interest receivable	-	-	228	228
Due from other governments	405,667	180,321	279,565	865,553
Due from other funds	138,213	42,425	38,284	218,922
Prepaid expenditures	232,096	-	50	232,146
Advances to other funds	102,167	-	-	102,167
	<u>\$ 6,799,997</u>	<u>\$ 262,608</u>	<u>\$ 758,446</u>	<u>\$ 7,821,051</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ 191,718	\$ 83,501	\$ 1,120	\$ 276,339
Accrued liabilities	103,900	-	536	104,436
Deferred revenues	123,644	-	130,913	254,557
Due to other funds	108,568	196,533	43,507	348,608
Total liabilities	<u>527,830</u>	<u>280,034</u>	<u>176,076</u>	<u>983,940</u>
FUND BALANCES				
Fund balances:				
Reserved for:				
Special projects	-	-	543,907	543,907
Prepays	232,096	-	50	232,146
Advances	102,167	-	-	102,167
Unreserved (deficit), reported in:				
General fund	5,937,904	-	-	5,937,904
Special revenue funds	-	-	38,413	38,413
Capital projects fund	-	(17,426)	-	(17,426)
Total fund balances (deficits)	<u>6,272,167</u>	<u>(17,426)</u>	<u>582,370</u>	<u>6,837,111</u>
Total liabilities and fund balances (deficits)	<u>\$ 6,799,997</u>	<u>\$ 262,608</u>	<u>\$ 758,446</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.	14,358,680
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	123,644
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	<u>(1,723,686)</u>
Net assets of governmental activities	<u>\$ 19,595,749</u>

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

CITY OF ST. MARYS, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Revenues				
Taxes	\$ 6,552,448	\$ 278,130	\$ 295,299	\$ 7,125,877
Licenses and permits	710,601	-	-	710,601
Intergovernmental	-	-	649,498	649,498
Fines and forfeitures	380,004	-	-	380,004
Charges for services	384,441	-	-	384,441
Interest income	127,405	2,039	6,044	135,488
Contributions	-	-	30	30
Other revenues	457,858	-	16,294	474,152
Total revenues	<u>8,612,757</u>	<u>280,169</u>	<u>967,165</u>	<u>9,860,091</u>
Expenditures				
Current:				
General government	1,512,974	-	-	1,512,974
Public safety	3,200,460	-	-	3,200,460
Public works	1,554,588	-	-	1,554,588
Health and welfare	64,876	-	-	64,876
Judicial	221,341	-	-	221,341
Culture and recreation	654,912	-	118,522	773,434
Housing and development	806,447	-	-	806,447
Capital outlay	-	580,427	-	580,427
Debt service:				
Principal	491,750	-	-	491,750
Interest and fiscal charges	69,301	-	-	69,301
Total expenditures	<u>8,576,649</u>	<u>580,427</u>	<u>118,522</u>	<u>9,275,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,108</u>	<u>(300,258)</u>	<u>848,643</u>	<u>584,493</u>
Other financing sources (uses):				
Capital leases	67,871	-	-	67,871
Transfers in	550,934	-	138,450	689,384
Transfers out	(10,000)	-	(679,384)	(689,384)
Total other financing sources (uses)	<u>608,805</u>	<u>-</u>	<u>(540,934)</u>	<u>67,871</u>
Net change in fund balances	644,913	(300,258)	307,709	652,364
Fund balances, beginning of year	<u>5,627,254</u>	<u>282,832</u>	<u>274,661</u>	<u>6,184,747</u>
Fund balances, end of year	<u>\$ 6,272,167</u>	<u>\$ (17,426)</u>	<u>\$ 582,370</u>	<u>\$ 6,837,111</u>

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

CITY OF ST. MARYS, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Net change in fund balances - total governmental funds	\$ 652,364
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 depreciation exceeded capital outlay in the current period.	(132,737)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,263
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	423,879
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>53,345</u>
	<u>\$ 1,003,114</u>

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

CITY OF ST. MARYS, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,670,000	\$ 5,670,000	\$ 6,552,448	\$ 882,448
Licenses and permits	574,300	574,300	710,601	136,301
Fines and forfeitures	358,525	358,525	380,004	21,479
Interest	40,000	40,000	127,405	87,405
Charges for services	340,900	340,900	384,441	43,541
Miscellaneous	492,975	529,953	457,858	(72,095)
Total revenues	7,476,700	7,513,678	8,612,757	1,099,079
Expenditures				
Current:				
General government:				
Legislative	102,507	102,507	93,904	8,603
Executive	380,733	380,733	379,598	1,135
Finance	1,184,182	854,369	677,849	176,520
Building and plant	346,500	472,213	310,667	161,546
Human resources	58,400	58,400	50,956	7,444
Total general government	2,072,322	1,868,222	1,512,974	355,248
Public safety:				
Fire	1,008,676	1,522,721	1,058,311	464,410
Police	2,258,652	2,284,812	2,142,149	142,663
Total public safety	3,267,328	3,807,533	3,200,460	607,073
Public works:				
Public works administration	1,524,779	1,546,779	1,273,571	273,208
Highways and streets administration	415,000	434,852	268,127	166,725
Cemetery	58,150	58,150	12,890	45,260
Total public works	1,997,929	2,039,781	1,554,588	485,193
Judicial:				
Municipal court	180,916	183,416	221,341	(37,925)
Total judicial	180,916	183,416	221,341	(37,925)
Health and welfare:				
Senior citizens center	64,037	67,172	64,876	2,296
Total health and welfare	64,037	67,172	64,876	2,296
Culture and recreation:				
Culture and recreation administration	319,838	325,438	335,211	(9,773)
Parks administration	320,600	357,578	49,448	308,130
Library administration	291,205	291,205	270,216	20,989
Tourism	-	-	37	(37)
Total culture and recreation	931,643	974,221	654,912	319,309
Housing and development:				
Protective inspection administration	205,567	212,273	194,698	17,575
Planning and zoning	191,054	248,328	248,118	210
Airport	360,000	360,000	252,117	107,883
Special facilities	48,414	52,075	40,616	11,459
Economic development	62,936	71,098	70,898	200
Total housing and development	867,971	943,774	806,447	137,327

(Continued)

CITY OF ST. MARYS, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures (continued):				
Debt service:				
Principal	424,931	424,931	491,750	(66,819)
Interest	64,513	64,513	69,301	(4,788)
Total debt service	<u>489,444</u>	<u>489,444</u>	<u>561,051</u>	<u>(71,607)</u>
Total expenditures	<u>9,871,590</u>	<u>10,373,563</u>	<u>8,576,649</u>	<u>1,796,914</u>
Excess (deficiency) of revenues over expenditures	<u>(2,394,890)</u>	<u>(2,859,885)</u>	<u>36,108</u>	<u>2,895,993</u>
Other financing sources (uses)				
Capital leases	165,000	242,363	67,871	(174,492)
Transfers in	501,500	970,882	550,934	(419,948)
Transfers out	-	(10,000)	(10,000)	-
Total other financing sources (uses)	<u>666,500</u>	<u>1,203,245</u>	<u>608,805</u>	<u>(594,440)</u>
Net change in fund balances	<u>(1,728,390)</u>	<u>(1,656,640)</u>	<u>644,913</u>	<u>2,301,553</u>
Fund balances, beginning of year	<u>5,627,254</u>	<u>5,627,254</u>	<u>5,627,254</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,898,864</u>	<u>\$ 3,970,614</u>	<u>\$ 6,272,167</u>	<u>\$ 2,301,553</u>

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

CITY OF ST. MARYS, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

ASSETS	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,605,332	\$ 469,883	\$ 5,075,215
Investments	559,423	-	559,423
Restricted cash and cash equivalents	748,752	-	748,752
Accounts receivable, net	404,304	87,775	492,079
Accrued interest receivable	3,700	-	3,700
Prepaid expenses	73,339	32,696	106,035
Due from other funds	136,684	45,311	181,995
Total current assets	<u>6,531,534</u>	<u>635,665</u>	<u>7,167,199</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	769,841	-	769,841
Restricted investments	369,718	-	369,718
Deferred charges, unamortized bond issuance costs	102,894	-	102,894
Capital assets			
Non-depreciable	7,112,918	-	7,112,918
Depreciable, net of accumulated depreciation	23,450,820	233,722	23,684,542
Total noncurrent assets	<u>31,806,191</u>	<u>233,722</u>	<u>32,039,913</u>
Total assets	<u>38,337,725</u>	<u>869,387</u>	<u>39,207,112</u>
LIABILITIES			
CURRENT LIABILITIES, PAYABLE FROM CURRENT ASSETS			
Accounts payable	646,241	29,820	676,061
Contracts payable	714,957	-	714,957
Retainages payable	101,550	-	101,550
Accrued interest payable	22,577	-	22,577
Other accrued liabilities	50,514	20,790	71,304
Due to other funds	45,311	6,998	52,309
Current portion of notes payable	409,374	18,308	427,682
Total current liabilities, payable from current assets	<u>1,990,524</u>	<u>75,916</u>	<u>2,066,440</u>
CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS			
Customer deposits	476,230	-	476,230
Total current liabilities, payable from restricted assets	<u>476,230</u>	<u>-</u>	<u>476,230</u>
LONG-TERM LIABILITIES			
Revenue bonds payable, net	3,620,000	-	3,620,000
Notes payable	7,364,978	9,409	7,374,387
Advances from other funds	35,955	66,212	102,167
Total liabilities	<u>13,487,687</u>	<u>151,537</u>	<u>13,639,224</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,169,386	206,005	19,375,391
Restricted for debt service	454,556	-	454,556
Restricted for renewal and extension	374,658	-	374,658
Unrestricted	4,851,438	511,845	5,363,283
Total net assets	<u>\$ 24,850,038</u>	<u>\$ 717,850</u>	<u>\$ 25,567,888</u>

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

CITY OF ST. MARYS, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
OPERATING REVENUE			
Sanitation fees	\$ -	\$ 904,696	\$ 904,696
Water sales	1,717,225	-	1,717,225
Sewer sales	1,715,387	-	1,715,387
Reconnection fees	56,899	-	56,899
Penalties	80,309	-	80,309
Miscellaneous	19,360	22,577	41,937
Total operating revenues	<u>3,589,180</u>	<u>927,273</u>	<u>4,516,453</u>
OPERATING EXPENSES			
Personal services	1,076,532	367,539	1,444,071
Purchased and contracted services	404,219	241,924	646,143
Supplies	857,500	117,078	974,578
Other operating expenses	132,258	-	132,258
Depreciation	977,739	76,344	1,054,083
Total operating expenses	<u>3,448,248</u>	<u>802,885</u>	<u>4,251,133</u>
Operating income	<u>140,932</u>	<u>124,388</u>	<u>265,320</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	157,040	5,504	162,544
Interest expense	(530,804)	(3,391)	(534,195)
Other nonoperating income	87	-	87
Total nonoperating revenues (expenses)	<u>(373,677)</u>	<u>2,113</u>	<u>(371,564)</u>
Income (loss) before contributions	<u>(232,745)</u>	<u>126,501</u>	<u>(106,244)</u>
Capital contributions	<u>5,855,695</u>	<u>-</u>	<u>5,855,695</u>
	<u>5,855,695</u>	<u>-</u>	<u>5,855,695</u>
Change in net assets	5,622,950	126,501	5,749,451
Total net assets, beginning of year	<u>19,227,088</u>	<u>591,349</u>	<u>19,818,437</u>
Total net assets, end of year	<u>\$ 24,850,038</u>	<u>\$ 717,850</u>	<u>\$ 25,567,888</u>

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

CITY OF ST. MARYS, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,492,243	\$ 928,962	\$ 4,421,205
Payments to suppliers	(716,017)	(402,315)	(1,118,332)
Payments to employees	(1,070,716)	(370,943)	(1,441,659)
Net cash provided by operating activities	<u>1,705,510</u>	<u>155,704</u>	<u>1,861,214</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	(22,892)	(34,196)	(57,088)
Other nonoperating income	87	-	87
Net cash (used in) noncapital financing activities	<u>(22,805)</u>	<u>(34,196)</u>	<u>(57,001)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on revenue bonds payable	(200,000)	-	(200,000)
Principal payments on notes payable	(401,787)	(17,649)	(419,436)
Interest paid	(524,125)	(3,391)	(527,516)
Capital contributions	3,619,181	-	3,619,181
Purchase of capital assets	(2,893,731)	-	(2,893,731)
Net cash (used in) capital and related financing activities	<u>(400,462)</u>	<u>(21,040)</u>	<u>(421,502)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>155,737</u>	<u>5,504</u>	<u>161,241</u>
Net cash provided by investing activities	<u>155,737</u>	<u>5,504</u>	<u>161,241</u>
Net increase in cash	1,437,980	105,972	1,543,952
Cash and cash equivalents, beginning of year	<u>5,615,086</u>	<u>363,911</u>	<u>5,978,997</u>
Cash and cash equivalents, end of year	<u>\$ 7,053,066</u>	<u>\$ 469,883</u>	<u>\$ 7,522,949</u>
Classified as:			
Cash and cash equivalents	\$ 4,605,332	\$ 469,883	\$ 5,075,215
Investments	559,423	-	559,423
Restricted assets:			
Cash and cash equivalents	1,518,593	-	1,518,593
Investments	369,718	-	369,718
	<u>\$ 7,053,066</u>	<u>\$ 469,883</u>	<u>\$ 7,522,949</u>

NONCASH CAPITAL FINANCING ACTIVITIES

Capital assets of \$2,236,514 in the Water & Sewer Fund were acquired through contributions from developers.

(Continued)

CITY OF ST. MARYS, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water & Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 140,932	\$ 124,388	\$ 265,320
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	977,739	76,344	1,054,083
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(96,937)	1,689	(95,248)
(Increase) in prepaid expenses	(21,000)	(13,398)	(34,398)
(Increase) decrease in due from other funds	(135,168)	2,785	(132,383)
Increase in accounts payable	496,585	1,884	498,469
Decrease in contracts payable	419,866	-	419,866
Decrease in retainages payable	(107,953)	-	(107,953)
Increase (decrease) in accrued liabilities	5,816	(3,404)	2,412
Increase in customer deposits	24,064	-	24,064
Increase (decrease) in due to other funds	1,566	(34,584)	(33,018)
Net cash provided by operating activities	<u>\$ 1,705,510</u>	<u>\$ 155,704</u>	<u>\$ 1,861,214</u>

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

**CITY OF ST. MARYS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City was incorporated August 15, 1910, under the provisions of the laws of the State of Georgia. A new City charter was adopted February 8, 1981. The City operates under a Council/City Manager form of government and provides the following services to its citizens: public safety, public works, recreation, public improvements, and general and administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of St. Marys, Georgia (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit. The St. Marys Convention & Visitors Bureau (the "Bureau") is reported as a blended component unit in the City's financial statements because the City maintains financial accountability over the Bureau and the Bureau almost exclusively benefits the City. The St. Marys Convention & Visitors Bureau is reported as a special revenue fund. Separate financial statements are not prepared for the Bureau.

Discretely Presented Component Unit. The Industrial Development Authority of St. Marys (the "Authority") is governed by a seven member board, the majority of which are appointed by St. Mary's city council. The City is able to significantly influence the programs, projects and activities of the Authority. The Authority is presented as a governmental fund-type component unit. Separate financial statements are not prepared for the Authority.

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 non-fiduciary activities of the primary government and its component units.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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 services. The statement of net assets includes non-current assets which were previously reported in the General Fixed Assets Account Group and non-current 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.

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 and proprietary funds. 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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

The City reports the following major governmental funds:

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

The **SPLOST Fund** accounts for the proceeds and expenditures of a one percent Special Purpose Local Option Sales Tax.

The City reports the following major proprietary funds:

The **Water & Sewer Fund** accounts for the activities necessary to provide water and sewer services to the City's residents.

The **Solid Waste Fund** accounts for the fees and expenses associated with garbage collection and disposal services provided to the City's residents.

Additionally, the City reports the following fund type:

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

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 *non-operating* 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 non-operating 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

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets of governmental funds are adopted on a modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America for governmental funds. All appropriations lapse at fiscal year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition. Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, investments with an original maturity of three months or less from the date of acquisition and investments in the local government investment pool are considered to be cash equivalents. Investments are reported at fair value as determined by quoted market prices.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is 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."

G. Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on both the government-wide and fund financial statements because their use is limited by applicable bond covenants.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006 are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 one year. 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 accordance with GASB 34, the City has elected not to include infrastructure acquired prior to July 1, 2003.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Infrastructure	30
Improvements	5-50
Machinery & Equipment	3-10

J. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused personal leave. All personal leave 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)

K. 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 effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

L. Fund Equity

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

M. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses 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 fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$1,723,686 difference are as follows:

Accrued interest payable	\$	8,325
Capital leases payable		239,228
Notes payable		1,205,161
Compensated absences		270,972
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	1,723,686

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$132,737 difference are as follows:

Capital outlay	\$	783,750
Depreciation expense		(916,487)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	(132,737)

NOTES TO FINANCIAL STATEMENTS

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

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$423,879 difference are as follows:

Capital leases	\$ (67,871)
Principal retirement of long-term debt	491,750
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>423,879</u>

Another element of that reconciliation explains that “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.” The details of this \$53,345 difference are as follows:

Compensated absences	\$ 51,021
Accrued interest	2,324
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>53,345</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City of St. Marys, Georgia employs the following procedures in establishing its annual budget:

1. Prior to June 1, the Budget Committee/City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means for financing them.
2. Prior to any action by the Council, the Council holds a public hearing on the budget, giving notice in the official newspaper of the City at least 10 days prior to such hearing.
3. The budget is then revised and adopted or amended by the Council at a regular meeting in June.
4. This budget may be revised during the year only by formal action of the Council in a regular or special called meeting. No increase to the budget may be made without a provision for financing such an increase.
5. Budgetary control is exercised at the department, function or activity, and major object of expenditures group for capital and grant projects within each fund. The legal level of budgetary control is the department level. Budgets for the City may be increased or decreased as the City Council deems appropriate. Budgets are adopted for all governmental and proprietary fund types. The supplementary budgetary appropriations made during the year were not material.

For the year ended June 30, 2006, the following general fund departments had excesses of actual expenditures over appropriations:

<u>Department</u>	<u>Excess</u>
Municipal court	\$ 37,925
Culture and recreation administration	9,773
Tourism	37
Debt service	71,607

The excesses of expenditures over appropriations were funded by greater than anticipated revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Credit Risk. As of June 30, 2006, the City's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

As of June 30, 2006, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	28 day weighted average	<u>\$ 1,701,161</u>

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. However, Georgia Fund 1 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 (\$1.00 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 a \$1.00 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.

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits all operating investments to instruments that mature within one year. Asset investment funds shall be diversified to eliminate risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer or a specific class of maturities.

Custodial credit risk – deposits. Custodial 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 and 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 June 30, 2006, the City's bank balance of \$12,677,906 was fully collateralized in compliance with the state requirements. The investments of the City were invested in state government instruments and certificates of deposit.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Property taxes are levied by the City based on the assessed value of property as of January 1. Property taxes attach as an enforceable lien on property as of February 7, 2006. Taxes were levied on December 5, 2005 and payable on or before February 6, 2006. Property taxes not collected by February 6th are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2006, are recorded as receivables, net of estimated uncollectibles.

In the governmental funds, the net receivables collected during the year ended June 30, 2006, and expected to be collected by August 31, 2006, are recognized as revenues for the year ended June 30, 2006, whereas, net receivables estimated to be collectible subsequent to August 31, 2006, are recorded as revenue when received.

Receivables at June 30, 2006, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>SPLOST</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Funds</u>
Receivables:					
Taxes	\$ 170,645	\$ -	\$ -	\$ -	\$ 7,619
Accounts	12,907	-	658,317	92,395	22,401
Accrued interest	-	-	-	-	228
Due from other governments	405,667	180,321	-	-	279,565
Less allowance for uncollectibles	(28,719)	-	(254,013)	(4,620)	-
Net total receivable	<u>\$ 560,500</u>	<u>\$ 180,321</u>	<u>\$ 404,304</u>	<u>\$ 87,775</u>	<u>\$ 309,813</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 481,333	\$ -	\$ -	\$ -	\$ 481,333
Construction in progress	240,859	380,251	-	(423,646)	197,464
Total	<u>722,192</u>	<u>380,251</u>	<u>-</u>	<u>(423,646)</u>	<u>678,797</u>
Capital assets, being depreciated:					
Infrastructure	1,237,184	-	-	423,646	1,660,830
Buildings	7,164,125	12,361	-	-	7,176,486
Improvements	8,685,632	-	-	-	8,685,632
Machinery and equipment	5,983,027	391,138	-	-	6,374,165
Total	<u>23,069,968</u>	<u>403,499</u>	<u>-</u>	<u>423,646</u>	<u>23,897,113</u>
Less accumulated depreciation for:					
Infrastructure	(35,850)	(48,301)	-	-	(84,151)
Buildings	(1,490,740)	(239,032)	-	-	(1,729,772)
Improvements	(2,445,101)	(288,724)	-	-	(2,733,825)
Machinery and equipment	(5,329,052)	(340,430)	-	-	(5,669,482)
Total	<u>(9,300,743)</u>	<u>(916,487)</u>	<u>-</u>	<u>-</u>	<u>(10,217,230)</u>
Total capital assets, being depreciated, net	<u>13,769,225</u>	<u>(512,988)</u>	<u>-</u>	<u>-</u>	<u>13,679,883</u>
Governmental activities capital assets, net	<u>\$ 14,491,417</u>	<u>\$ (132,737)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,358,680</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 290,672	\$ 550,000	\$ -	\$ -	\$ 840,672
Construction in progress	6,677,120	2,023,391	-	(2,428,265)	6,272,246
Total	<u>6,967,792</u>	<u>2,573,391</u>	<u>-</u>	<u>(2,428,265)</u>	<u>7,112,918</u>
Capital assets, being depreciated:					
Buildings	5,560,943	-	-	-	5,560,943
Infrastructure	24,221,531	2,446,725	-	1,943,058	28,611,314
Machinery and equipment	3,245,727	110,129	-	485,207	3,841,063
Total	<u>33,028,201</u>	<u>2,556,854</u>	<u>-</u>	<u>2,428,265</u>	<u>38,013,320</u>
Less accumulated depreciation for:					
Buildings	(2,057,661)	(108,248)	-	-	(2,165,909)
Infrastructure	(8,709,540)	(661,752)	-	-	(9,371,292)
Machinery and equipment	(2,507,494)	(284,083)	-	-	(2,791,577)
Total	<u>(13,274,695)</u>	<u>(1,054,083)</u>	<u>-</u>	<u>-</u>	<u>(14,328,778)</u>
Total capital assets, being depreciated, net	<u>19,753,506</u>	<u>1,502,771</u>	<u>-</u>	<u>2,428,265</u>	<u>23,684,542</u>
Business-type activities capital assets, net	<u>\$ 26,721,298</u>	<u>\$ 4,076,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,797,460</u>

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

Governmental activities:	
General government	\$ 309,895
Public safety	357,209
Public works	91,202
Culture and recreation	115,714
Housing and development	42,467
Total depreciation expense - governmental activities	<u>\$ 916,487</u>
Business-type activities:	
Water and sewer	\$ 977,739
Sanitation	76,344
Total depreciation expense - business-type activities	<u>\$ 1,054,083</u>

Component Unit: The Industrial Development Authority maintains a parcel of land with a value of \$159,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

Revenue Bonds:

On December 29, 1992, the City issued Water and Sewer Refunding Revenue Bonds, Series 1992 with an average interest rate of 5.3865% to advance refund \$4,045,000 of outstanding Series 1988 Water and Sewer Capital Improvement and Refunding Revenue Bonds with an average interest rate of 7.6117%. This refunding represented a partial refunding, leaving \$825,000 in principal outstanding for the Series 1988 bonds. All net revenues of the system and impact fees are pledged to secure the Series 1992 bonds.

The net proceeds were used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded portion of the Series 1988 bonds. As a result, the partially refunded Series 1988 bonds are considered to be defeased and the liability for those bonds has been removed from the City's financial statements.

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2007	\$ -	\$ 110,700	\$ 110,700
2008	215,000	214,950	429,950
2009	225,000	201,638	426,638
2010	240,000	187,425	427,425
2011	255,000	172,266	427,266
2012-2016	1,525,000	600,403	2,125,403
2017-2019	1,160,000	109,331	1,269,331
Total	<u>\$ 3,620,000</u>	<u>\$ 1,596,713</u>	<u>\$ 5,216,713</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Notes Payable:

The City has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects and various improvements to the water and sewer system. Included with these notes is a construction line of credit agreement for \$4,750,000, of which \$4,246,234 had been drawn as of June 30, 2006. Additionally, the City has incurred debt to a local financial institution for the purchase of trucks. These notes are as follows at June 30, 2006:

<u>Interest Rate</u>	<u>Term</u>	<u>Fiscal Year Due Date</u>		
2.00%	10 years	2012	\$	324,134
2.00%	10 years	2007		6,627
5.60%	15 years	2013		97,002
4.76%	20 years	2020		380,976
4.55%	20 years	2021		2,704,174
3.00%	20 years	2025		4,246,234
3.69%	5 years	2008		15,204
3.69%	5 years	2008		27,718
			<u>\$</u>	<u>7,802,069</u>

The City has also entered into other notes payable in the total original amount of \$2,510,006 with interest rates ranging from 3.69% to 4.41% for the financing of certain equipment and the renovation and improvement of the City's facilities. The principal of these loans is to be repaid in monthly and quarterly payments with maturities ranging from October 2007 to October 2010.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

The City's notes payable debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 472,967	\$ 42,849	\$ 427,682	\$ 274,203
2008	438,471	22,717	421,050	259,400
2009	198,503	7,128	422,034	243,645
2010	62,819	2,997	436,970	228,708
2011	32,401	507	452,901	212,777
2012-2016	-	-	2,150,787	674,476
2017-2021	-	-	2,467,006	387,104
2022-2025	-	-	1,023,639	53,867
Total	<u>\$ 1,205,161</u>	<u>\$ 76,198</u>	<u>\$ 7,802,069</u>	<u>\$ 2,334,180</u>

Capital Leases:

The City has entered into lease agreements as lessee for financing the acquisition of machinery and equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inception. The following is an analysis of leased assets under capital leases as of June 30, 2006:

	Governmental Activities
Machinery and equipment	<u>\$ 388,465</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

The City's total capital lease debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>
2007	\$ 56,991
2008	56,100
2009	54,121
2010	48,184
2011	45,349
2012	<u>9,192</u>
Total minimum lease payments	269,937
Less amount representing interest	<u>30,709</u>
Present value of future minimum lease payments	<u><u>\$ 239,228</u></u>

Long-term liability activity for the year ended June 30, 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:					
Capital leases	\$ 209,452	\$ 67,871	\$ (38,095)	\$ 239,228	\$ 45,868
Notes payable	1,658,816	-	(453,655)	1,205,161	472,967
Compensated absences	321,992	25,934	(76,955)	270,972	76,953
Governmental activity Long-term liabilities	<u>\$ 2,190,260</u>	<u>\$ 93,805</u>	<u>\$ (568,705)</u>	<u>\$ 1,715,361</u>	<u>\$ 595,788</u>
Business-type activities:					
Revenue bonds	\$ 3,820,000	-	\$ (200,000)	\$ 3,620,000	-
Notes payable	8,221,505	-	(419,436)	7,802,069	427,682
Business-type activity Long-term liabilities	<u>\$ 12,041,505</u>	<u>\$ -</u>	<u>\$ (619,436)</u>	<u>\$ 11,422,069</u>	<u>\$ 427,682</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 6,598
General Fund	SPLOST Fund	115,533
General Fund	Nonmajor governmental funds	16,082
Solid Waste Fund	Water & Sewer Fund	45,311
Water & Sewer Fund	General Fund	55,284
Water & Sewer Fund	Solid Waste Fund	400
Water & Sewer Fund	SPLOST Fund	81,000
Nonmajor governmental funds	General Fund	38,284
SPLOST Fund	General Fund	15,000
SPLOST Fund	Nonmajor governmental funds	27,425
		<u>\$ 400,917</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 66,212
General Fund	Water & Sewer Fund	35,955
		<u>\$ 102,167</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 550,934
Nonmajor governmental funds	General Fund	10,000
Nonmajor governmental funds	Nonmajor governmental funds	128,450
		<u>\$ 689,384</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounts for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS

Plan Description

The City terminated its non-contributory pension plan through the Georgia Municipal Employees Benefit System (GMEBS) in 1996 and established a defined contribution plan. Prior to termination, the City had adopted an agent multiple-employer non-contributory defined benefit pension plan, the City of St. Marys Retirement Plan (the "Plan") through GMEBS covering all employees with a service period of one year or more. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries and is administered by the Georgia Municipal Association. The City has authorized the GMEBS board to establish and amend all plan provisions. Employees were eligible for participation after one year of continuous service and become vested after 10 years of service. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City of St. Marys Retirement Plan. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy

The funding policy for the City of St. Marys Retirement Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the City of St. Marys Retirement Plan. The City is required to contribute at an actuarially determined rate; the current rate is 14.68% of annual covered payroll.

Annual Pension Cost

For the year ended June 30, 2006, the City's annual pension cost was \$15,787 for the City of St. Marys Retirement Plan. Recommended contributions of \$15,787 were determined as part of the March 1, 2006, actuarial valuation, 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 .5% per year, and (c) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982, and current changes in the unfunded actuarial accrued 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 this plan year. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets.

The 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

Annual Pension Cost (Continued)

Trend Information

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

Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
6/30/2004	14,627	100%	\$ -
6/30/2005	10,864	100%	-
6/30/2006	15,787	100%	-

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	(Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
3/1/04	1,254,314	1,068,016	(186,298)	117.4%	201,156	-92.6%
3/1/05	1,250,866	1,124,005	(126,861)	111.3%	103,480	-122.6%
3/1/06	1,235,311	1,133,925	(101,386)	108.9%	107,577	-94.2%

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED CONTRIBUTION PENSION PLAN

The City of St. Marys has established a defined contribution pension plan (the Plan) that is administered by the Variable Annuity Life Insurance Company for all of its full-time employees. The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the City Council. At June 30, 2006, there were 92 plan members.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to a maximum of \$14,000 for the year ended June 30, 2006. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. The City contributes an amount equal to 4% of each participant's compensation. Total employer contributions for the year ended June 30, 2006, were \$162,534.

NOTE 11. CHANGES IN RESERVATIONS

Following are the increases (decreases) in reserved fund balances for the year ended June 30, 2006:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Reserved for:		
Advances	\$ (57,088)	\$ -
Special projects	-	270,893
Prepays	133,936	(24)

NOTES TO FINANCIAL STATEMENTS

NOTE 12. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended June 30, 2006, the City paid \$12,385 in such dues. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions 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 a regional development commission. Separate financial statements may be obtained from the Coastal Georgia Regional Development Center, P.O. Box 1917, Brunswick, Georgia 31521.

NOTE 13. RELATED ORGANIZATIONS

The City's council is responsible for the appointment of a board member to the Southeast Georgia Consolidated Housing Authority. However, the City has no further accountability for this organization. During the year ended June 30, 2006, the City did not provide any contributions to the Southeast Georgia Consolidated Housing Authority.

NOTE 14. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (CONTINUED)

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

Settled claims in the past three years have not exceeded the coverages.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. 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.

Construction Commitments

In addition to the liabilities enumerated in the balance sheet at June 30, 2006, the City has contractual commitments on uncompleted contracts of approximately \$271,803.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 6%. Expenditures of the tax were used to promote tourism as required by O.C.G.A. 48-13-50. The City spent 100% of the amount collected for the promotion of tourism. A summary of hotel/motel tax transactions for the fiscal year ended June 30, 2006, is as follows:

Balance, July 1, 2005	\$ 17,652
Fiscal year 2006 collections	133,199
Fiscal year 2006 disbursements	<u>(128,450)</u>
Balance, June 30, 2006	<u>\$ 22,401</u>

NOTE 17. SUBSEQUENT EVENT

Subsequent to year-end, the City entered into lease agreements totaling approximately \$1,600,000 for the acquisition of various vehicles and equipment.

CITY OF ST. MARYS, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Hotel/Motel Tax Fund – To account for excise taxes on lodgings and accommodations.

Convention & Visitors Bureau – To account for monies received to operate tourism in the City.

Multiple Grants Fund – To account for small grants received from various agencies.

Fire Tax District Fund – To account for proceeds of a special fire district tax levy and expenditures of these proceeds.

Capital Projects Fund

Capital Projects Fund – To account for the construction of sidewalks and paving of streets in the City.

CITY OF ST. MARYS, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

ASSETS	Special Revenue			
	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund	Fire Tax District Fund
Cash and cash equivalents	\$ -	\$ 54,518	\$ 139,370	\$ 148,085
Investments	-	-	-	68,326
Taxes receivable	-	-	-	7,619
Accounts receivable	22,401	-	-	-
Intergovernmental receivables	-	-	279,565	-
Accrued interest receivable	-	-	-	228
Prepaid expenditures	-	50	-	-
Due from other funds	-	1,633	-	9,226
Total assets	\$ 22,401	\$ 56,201	\$ 418,935	\$ 233,484
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ -	\$ 1,120	\$ -	\$ -
Accrued liabilities	-	536	-	-
Deferred revenue	-	-	130,913	-
Due to other funds	-	16,082	-	-
Total liabilities	-	17,738	130,913	-
FUND BALANCE				
Reserved for special projects	22,401	-	288,022	233,484
Reserved for prepaids	-	50	-	-
Unreserved	-	38,413	-	-
	22,401	38,463	288,022	233,484
Total liabilities and fund balance	\$ 22,401	\$ 56,201	\$ 418,935	\$ 233,484

Capital Projects Fund	Nonmajor Governmental Funds
\$ -	\$ 341,973
-	68,326
-	7,619
-	22,401
-	279,565
-	228
-	50
<u>27,425</u>	<u>38,284</u>
<u><u>\$ 27,425</u></u>	<u><u>\$ 758,446</u></u>

\$ -	\$ 1,120
-	536
-	130,913
<u>27,425</u>	<u>43,507</u>
<u>27,425</u>	<u>176,076</u>

-	543,907
-	50
<u>-</u>	<u>38,413</u>
<u>-</u>	<u>582,370</u>
<u><u>\$ 27,425</u></u>	<u><u>\$ 758,446</u></u>

CITY OF ST. MARYS, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Special Revenue			
	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund	Fire Tax District Fund
REVENUES				
Taxes	\$ 133,199	\$ -	\$ -	\$ 162,100
Intergovernmental	-	-	649,498	-
Interest	-	564	1,351	4,129
Contributions	-	30	-	-
Miscellaneous	-	16,294	-	-
Total revenues	133,199	16,888	650,849	166,229
EXPENDITURES				
Current				
Culture and recreation	-	118,522	-	-
Total expenditures	-	118,522	-	-
Excess (deficiency) of revenues over (under) expenditures	133,199	(101,634)	650,849	166,229
Other financing sources (uses)				
Transfers in	-	138,450	-	-
Transfers out	(128,450)	-	(550,934)	-
Total other financing sources (uses)	(128,450)	138,450	(550,934)	-
Net change in fund balances	4,749	36,816	99,915	166,229
FUND BALANCE, beginning of year	17,652	1,647	188,107	67,255
FUND BALANCE, end of year	\$ 22,401	\$ 38,463	\$ 288,022	\$ 233,484

<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ 295,299
-	649,498
-	6,044
-	30
-	16,294
-	<u>967,165</u>
-	118,522
-	<u>118,522</u>
-	<u>848,643</u>
-	138,450
-	<u>(679,384)</u>
-	<u>(540,934)</u>
-	<u>307,709</u>
-	<u>274,661</u>
<u>\$ -</u>	<u>\$ 582,370</u>

CITY OF ST. MARYS, GEORGIA

**SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 1994 ISSUE
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Roads, Streets, Bridges	\$ 1,650,000	\$ 1,650,000	\$ 2,985,052	\$ 302,298	\$ 3,287,350
Downtown/Waterfront Development	1,500,000	1,500,000	847,040	-	847,040
Recreational Facilities	1,550,000	1,550,000	1,946,858	-	1,946,858
Upgrade of Municipal Buildings	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,626,677</u>	<u>-</u>	<u>1,626,677</u>
Totals	<u>\$ 6,500,000</u>	<u>\$ 6,500,000</u>	<u>\$ 7,405,627</u>	<u>\$ 302,298</u>	<u>\$ 7,707,925</u>

CITY OF ST. MARYS, GEORGIA

**SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2002 ISSUE
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
City Sidewalks/Streets	\$ 3,930,000	\$ 3,930,000	\$ 843,135	\$ 1,119	\$ 844,254
Drainage	3,500,000	3,500,000	330,594	271,003	601,597
Downtown Multi-Media Center	300,000	300,000	29,036	4,057	33,093
City Library Expansion	<u>588,000</u>	<u>588,000</u>	<u>207,969</u>	<u>1,950</u>	<u>209,919</u>
Totals	<u>\$ 8,318,000</u>	<u>\$ 8,318,000</u>	<u>\$ 1,410,734</u>	<u>\$ 278,129</u>	<u>\$ 1,688,863</u>

CITY OF ST. MARYS, GEORGIA

**BALANCE SHEET
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
JUNE 30, 2006**

REVENUES, interest	\$	4,669
EXPENDITURES		
Current		
Housing and development		<u>4,265</u>
Net change in fund balance		404
FUND BALANCE, beginning of year		<u>128,763</u>
FUND BALANCE, end of year	\$	<u><u>129,167</u></u>

CITY OF ST. MARYS, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2006**

ASSETS	
Cash and cash equivalents	\$ 43,537
Investments	84,000
Accrued interest receivable	<u>1,630</u>
Total assets	<u>\$ 129,167</u>
FUND BALANCE	
Unreserved	<u>\$ 129,167</u>
Total fund balance	<u>\$ 129,167</u>

COMPLIANCE SECTION

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

**To the Honorable Mayor and City Council
City of St. Marys, Georgia**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Marys, Georgia as of and for the year ended June 30, 2006, which collectively comprise the City of St. Marys, Georgia's basic financial statements and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Marys, 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of St. Marys, Georgia in a separate letter dated November 3, 2006.

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

Macon, Georgia
November 3, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Honorable Mayor and City Council
City of St. Marys, Georgia**

Compliance

We have audited the compliance of the City of St. Marys, Georgia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of St. Marys, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of St. Marys, Georgia's management. Our responsibility is to express an opinion on the City of St. Marys, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Marys, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of St. Marys, Georgia's compliance with those requirements.

In our opinion, the City of St. Marys, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of St. Marys, Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Marys, Georgia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Macon, Georgia
November 3, 2006

CITY OF ST. MARYS, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D.	Total Expenditures
U. S. DEPARTMENT OF TRANSPORTATION:			
Direct Award			
FAA Airport Improvement Program	20.106	3-13-0103-002-2004	\$ 254,172
Total U. S. Department of Transportation			<u>254,172</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through Georgia Emergency Management Services:			
State Domestic Preparedness Equipment Support	97.004	2003-MU-T3-0010	546
State Domestic Preparedness Equipment Support	97.004	2004-FG-12753	198,953
State Domestic Preparedness Equipment Support	97.004	2005-GE-T5-0052	139,370
Total U.S. Department of Homeland Security			<u>338,869</u>
U.S. DEPARTMENT OF STATE			
Direct Award			
G-8 Expenditures	19.	00-92109-00	30,324
Total U. S. Department of State			<u>30,324</u>
U.S. DEPARTMENT OF JUSTICE:			
Direct Award			
Bulletproof Vest Partnership Grant	16.607	04J-04-0404-0001	858
Total U.S. Department of Justice			<u>858</u>
 Total Expenditures of Federal Awards			 <u>\$ 624,223</u>

CITY OF ST. MARYS, GEORGIA

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of St. Marys, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes no

Reportable conditions identified not considered
to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? yes no

Reportable conditions identified not considered
to be material weaknesses?

yes none reported

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

Unqualified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)?

yes no

Identification of major program:

CFDA Number
97.004

Name of Federal Program or Cluster
U.S. Department of Homeland Security;
Homeland Security Grant Programs

Dollar threshold used to distinguish between
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

CITY OF ST. MARYS, GEORGIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

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

None reported.

**SECTION IV
STATUS OF PRIOR YEAR FINDINGS**

None reported.