CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011
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## CITY OF ST. MARYS, GEORGIA
### FINANCIAL REPORT
#### FOR THE FISCAL YEAR ENDED
##### JUNE 30, 2011

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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 aggregate discretely presented component units, 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, 2011, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Marys, Georgia as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows 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.

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of July 1, 2010.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2011, 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.
Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 3 through 10 and the Schedule of Funding Progress on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 expenditures of special purpose local option sales tax are presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macon, Georgia
December 16, 2011
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, 2011. 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, 2011 by $62.9 million (net assets). Of this amount, $8 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 $388,252.

- As of the close of the current fiscal year, the City's governmental activities reported ending net assets of $22.9 million, an increase of $356,225 in comparison with the prior year. Approximately 15% of this total amount, $3.5 million, is available for spending at the City's discretion (unrestricted net assets).

- As of the close of the current fiscal year, the City's business-type activities reported ending net assets of $40 million, an increase of $32,027 in comparison with the prior year. Approximately 11% of this total amount, $4.5 million, is available for spending at the City's discretion (unrestricted net assets).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was a positive $3.2 million, or a positive 32% of total General Fund expenditures.

During the current fiscal year the City refunded its 2007 Bond ($41.1 million) and reissued a 2010 bond ($41.5 million) in the Water & Sewer Fund. The total combined increase in debt was $39.8 million and reduction in debt service was $43.9 million. The City did not issue new debt for Governmental activities.

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
3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City 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 fund’s current financial resources (short-term) with capital assets and long-term liabilities. This statement presents information on two component units 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 include water and sewer, sanitation and aquatic center.

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 major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 - 18 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *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, Solid Waste Fund, and Aquatic Center 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 are considered major funds of the City, and the Aquatic Center Fund, which is considered a non-major fund 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 - 46 of this report.

**Other information.** The schedule of funding progress and the combining statements referred to earlier in connection with non-major governmental funds and enterprise funds are presented immediately following the notes to the financial statements. The schedule of funding progress and combining and individual fund statements and schedules can be found on pages 47 - 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 $62.9 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.
### Net Assets

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<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$7,492,415</td>
<td>$4,407,677</td>
</tr>
<tr>
<td>Capital assets</td>
<td>18,009,751</td>
<td>19,123,767</td>
</tr>
<tr>
<td>Total assets</td>
<td>25,502,166</td>
<td>23,531,444</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,840,294</td>
<td>651,024</td>
</tr>
<tr>
<td>Long-term liabilities outstanding</td>
<td>149,384</td>
<td>11,707</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,989,678</td>
<td>662,731</td>
</tr>
</tbody>
</table>

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 $62.9 million for the year ending June 30, 2011. Of this amount, $40 million came from business-type activities and $22.9 million came from governmental activities. This was an increase of $388,252 for the year. The Industrial Development Authority’s (Component Unit) total net assets for 2011 decreased $37,399 to $344,912. The Downtown Development Authority’s (Component Unit) total net assets for 2011 increased $5,692 to $667,275.

The unrestricted net assets ($8 million) 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 ending June 30, 2011 increased the City of St. Marys' net assets by $356,225. Business-type activities during the same period increased net assets by $32,027 for a total increase in net assets of $388,252. The Industrial Development Authority showed a decrease of $37,399 in net assets and the Downtown Development Authority showed an increase of $5,692 in net assets. The following chart shows the revenue and expenses by activity for the total primary government.
# City of St. Marys
## Changes in Net Assets
### June 30, 2011

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Charges for services</td>
<td>$1,819,528</td>
<td>$1,733,742</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>453,182</td>
<td>224,705</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>611</td>
<td>940,701</td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
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<tr>
<td>Property taxes</td>
<td>3,704,579</td>
<td>3,394,403</td>
</tr>
<tr>
<td>Franchise taxes</td>
<td>820,730</td>
<td>874,322</td>
</tr>
<tr>
<td>Sales taxes</td>
<td>7,030,312</td>
<td>3,711,861</td>
</tr>
<tr>
<td>Hotel/Motel taxes</td>
<td>98,461</td>
<td>107,006</td>
</tr>
<tr>
<td>Other taxes</td>
<td>993,926</td>
<td>965,861</td>
</tr>
<tr>
<td>Unrestricted investment earnings</td>
<td>54,404</td>
<td>14,345</td>
</tr>
<tr>
<td>Gain on sale of capital assets</td>
<td>-</td>
<td>14,602</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues</td>
<td>14,975,733</td>
<td>11,981,548</td>
</tr>
</tbody>
</table>

<table>
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<th>Expenses</th>
<th>Governmental activities</th>
<th>Business-type activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>General government</td>
<td>465,645</td>
<td>2,030,282</td>
</tr>
<tr>
<td>Public safety</td>
<td>4,467,093</td>
<td>4,351,355</td>
</tr>
<tr>
<td>Public works</td>
<td>3,442,972</td>
<td>2,863,325</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>137,745</td>
<td>98,558</td>
</tr>
<tr>
<td>Judicial</td>
<td>172,019</td>
<td>227,996</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>1,002,250</td>
<td>549,875</td>
</tr>
<tr>
<td>Housing and development</td>
<td>531,059</td>
<td>484,338</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>33,064</td>
<td>16,492</td>
</tr>
<tr>
<td>Water and sewer</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Solid waste</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aquatic center</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>10,251,847</td>
<td>10,622,221</td>
</tr>
</tbody>
</table>

Increase (decrease) in net assets before transfers

<table>
<thead>
<tr>
<th>Transfers</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,590,591)</td>
<td>(1,003,102)</td>
<td>1,590,591</td>
<td>1,003,102</td>
<td></td>
</tr>
</tbody>
</table>

Increase in net assets

<table>
<thead>
<tr>
<th>Net assets, beginning of year</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>19,379,193</td>
<td>22,512,488</td>
<td>38,091,554</td>
<td>40,006,590</td>
<td></td>
</tr>
</tbody>
</table>

Net assets, end of year

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>$22,512,488</td>
<td>$22,868,713</td>
<td>$40,006,590</td>
<td>$40,038,617</td>
</tr>
</tbody>
</table>
Management's Discussion and Analysis
June 30, 2011

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 FY2011, the General Fund had a fund balance of $3,359,726. This is a decrease of $1,094,433 from the beginning fund balance. The General Fund budget FY2011-2012 was decreased to keep from depleting fund balance to support expenses due to the sluggish economy.

The fund balance for the SPLOST Fund decreased by $80,332. This was due to the completion of SPLOST V projects.

The fund balances for the other governmental funds increased by $12,815. The total combined fund balances for these funds was a positive $415,369 at the end of the year.

Business-Type Activities Funds:

The enterprise funds, which include the City’s Water & Sewer Fund, Solid Waste Fund and Aquatic Center Fund, showed a combined cash and cash equivalents balance of $5,165,246 at the end of fiscal year ending June 30, 2011. Of this amount, $1,888,660 is restricted assets.

The Water and Sewer Fund had an ending net asset balance of $37,935,270 for FY2011. This was an increase of $268,929 from the previous year. Of this amount, $32,101,254 is invested in capital assets, net of related debt.

The Solid Waste Fund had an ending net asset balance of $423,554 for FY2011. This was a decrease of $123,011 from the previous year. Of this amount, $10,661 is invested in capital assets, net of related debt.

The Aquatic Center Fund had an ending net asset balance of $1,679,793 for FY2011. This was a decrease of $113,891 from the previous year. Of this amount, $1,807,758 is invested in capital assets, net of related debt with an unrestricted deficit of ($127,965).

General Fund Budget Highlights

The budget was prepared according to Georgia Law.

The 2011 original revenue budget was $9,076,400. It was amended to $8,867,366 due to a decrease in tax revenues. In total, the City realized 100% of the projected FY2011 revenues.
General Fund Budget Highlights (continued)

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

- $250,000 decrease in taxes – to account for a decrease in real property taxes and LOST revenue
- $35,840 increase in fines and forfeitures – increase fine income
- $5,126 increase in miscellaneous revenue – increase miscellaneous income
- $1,182,336 increased in general government expenditures – $1.3 million land purchase, decrease in budget cuts due to decrease in revenue
- $67,517 increase in public safety expenditures – increase in personnel services to account for grant
- $57,583 decrease in public works expenditures – due to decrease in personnel expenses
- $35,840 increase in municipal court expenditures – account for additional pass-through expenditures due to increase in revenue collections
- $5,486 decrease in culture and recreation expenditures – decrease in expenditures due to decrease in revenue collections
- $22,490 increase in housing and development expenditures – airport appraisals, decrease in expenditures due to decrease in revenue collections
- $205,353 increase other financing sources (uses) – increase transfers in for grant revenue received

Comparison of Final Budget and Actual Expenditures:

Revenues - Deficiencies in taxes, licenses and permits and interest income is due to economic conditions.

Expenditures - Actual total expenditures ($10,307,482) came in less than the budget expenditures ($10,792,755). The actual expenditures do not include the other financing sources (uses).

The City’s actual expenditures exceeded revenues by $1,094,433 including the other financing sources (uses). This is due to an investment in real property purchased at 100 Ready Street, St. Marys, Georgia.

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year ending June 30, 2011, governmental activities and business-type activities had capital assets of $99,393,045 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment and recreation and park facilities. The increase in assets for governmental activities was due to real property (land) purchase, expansion of the library and equipment. The business-type activities major increase was due to the receipt of donated assets.
City of St. Marys Capital Assets  
(Net of Depreciation)  
June 30, 2011

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land</strong></td>
<td>$1,798,738</td>
<td>$846,727</td>
</tr>
<tr>
<td><strong>Building and Improvements</strong></td>
<td>4,405,622</td>
<td>4,688,396</td>
</tr>
<tr>
<td><strong>Improvements other than buildings</strong></td>
<td>2,150,370</td>
<td>-</td>
</tr>
<tr>
<td><strong>Machinery and Equipment</strong></td>
<td>924,300</td>
<td>421,510</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>9,844,737</td>
<td>73,356,968</td>
</tr>
<tr>
<td><strong>Construction in progress</strong></td>
<td>-</td>
<td>955,677</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,123,767</strong></td>
<td><strong>$80,269,278</strong></td>
</tr>
</tbody>
</table>

Additional information on the City’s capital assets can be found in Note 6 on pages 36 and 37 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, 2011, the City had $149,384 of outstanding debt and $297,442 in compensated absences related to governmental activities and $46,349,605 of outstanding debt related to business-type activities for a total of $46,796,431 compared to the previous year’s total of $51,454,330. This is a decrease of $4,657,899.

Additional information on the City's debt can be found in Note 7 on pages 38 - 41 of this report.

**Factors affecting the FY 2012 Budget:**
The Mayor and Council of the City of St. Marys considered many factors when approving the City’s FY2012 budget and were very aware of the present economic conditions and the effect on its citizens. The City experienced a decrease in the tax digest. The Mayor and Council chose to maintain last year’s millage rate at 5.351. Therefore, the total real property tax revenue decreased. They also chose to continue the hiring freeze, merit increase freeze, decreases in supplies, etc. The City continually strives to provide the very best service for its citizens.

**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, 2011**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental Activities</td>
<td>Business-type Activities</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,356,129</td>
<td>$3,276,586</td>
</tr>
<tr>
<td>Investments</td>
<td>47,079</td>
<td>724,554</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>436,411</td>
<td>436,411</td>
</tr>
<tr>
<td>Accounts receivable, net of allowances</td>
<td>24,044</td>
<td>702,810</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>-</td>
<td>677</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>116,469</td>
<td>73,507</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>403,420</td>
<td>-</td>
</tr>
<tr>
<td>Internal balances</td>
<td>24,125</td>
<td>(24,125)</td>
</tr>
<tr>
<td>Restricted assets, cash and investments</td>
<td>-</td>
<td>2,079,597</td>
</tr>
<tr>
<td>Deferred charges, unamortized balance</td>
<td>-</td>
<td>318,536</td>
</tr>
<tr>
<td>Capital assets:</td>
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<td></td>
</tr>
<tr>
<td>Non-depreciable</td>
<td>1,798,738</td>
<td>1,802,404</td>
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<tr>
<td>Depreciable, net of accumulated depreciation</td>
<td>17,325,029</td>
<td>78,466,874</td>
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<tr>
<td>Total assets</td>
<td>23,531,444</td>
<td>87,421,420</td>
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<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>102,474</td>
<td>198,323</td>
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<tr>
<td>Accrued liabilities</td>
<td>113,431</td>
<td>342,395</td>
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<tr>
<td>Customer deposits</td>
<td>-</td>
<td>492,480</td>
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<tr>
<td>Compensated absences due within one year</td>
<td>297,442</td>
<td>-</td>
</tr>
<tr>
<td>Capital leases due within one year</td>
<td>9,104</td>
<td>-</td>
</tr>
<tr>
<td>Notes payable due within one year</td>
<td>128,573</td>
<td>322,789</td>
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<tr>
<td>Notes payable due in more than one year</td>
<td>11,707</td>
<td>3,455,218</td>
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<tr>
<td>Bonds payable due within one year</td>
<td>-</td>
<td>270,000</td>
</tr>
<tr>
<td>Bonds payable due in more than one year</td>
<td>-</td>
<td>42,301,598</td>
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<tr>
<td>Total liabilities</td>
<td>662,731</td>
<td>47,382,803</td>
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<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in capital assets, net of related debt</td>
<td>18,974,383</td>
<td>33,919,673</td>
</tr>
<tr>
<td>Restricted for housing and development</td>
<td>25,000</td>
<td>-</td>
</tr>
<tr>
<td>Restricted for capital projects</td>
<td>332,559</td>
<td>-</td>
</tr>
<tr>
<td>Restricted for economic development</td>
<td>8,626</td>
<td>-</td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>-</td>
<td>1,242,692</td>
</tr>
<tr>
<td>Restricted for renewal and extension</td>
<td>-</td>
<td>418,079</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>3,528,145</td>
<td>4,458,173</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$22,868,713</td>
<td>$40,038,617</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$2,030,282</td>
<td>$1,182,164</td>
<td>$224,705</td>
<td>$939,953</td>
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<tr>
<td>Public safety</td>
<td>4,351,355</td>
<td>449,060</td>
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<td>-</td>
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<tr>
<td>Public works</td>
<td>2,863,325</td>
<td>40,940</td>
<td>-</td>
<td>748</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>98,558</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Judicial</td>
<td>227,996</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Culture and recreation</td>
<td>549,875</td>
<td>61,578</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Housing and development</td>
<td>484,338</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>16,492</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total governmental activities</strong></td>
<td>10,622,221</td>
<td>1,733,742</td>
<td>224,705</td>
<td>940,701</td>
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<td><strong>Business-type activities:</strong></td>
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<td>Water &amp; sewer</td>
<td>7,179,197</td>
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<td>403,316</td>
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<td>Solid waste</td>
<td>1,212,245</td>
<td>1,089,234</td>
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<td>Aquatic center</td>
<td>460,695</td>
<td>338,636</td>
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<td><strong>Total business-type activities</strong></td>
<td>8,852,137</td>
<td>7,428,338</td>
<td>-</td>
<td>403,316</td>
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<td><strong>Total primary government</strong></td>
<td>$19,474,358</td>
<td>$9,162,080</td>
<td>$224,705</td>
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<td><strong>Component Units:</strong></td>
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<tr>
<td>Industrial Development Authority</td>
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<tr>
<td>Downtown Development Authority</td>
<td>730</td>
<td>3,600</td>
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<td><strong>Total component units</strong></td>
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<td>3,600</td>
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</table>

General revenues:
- Property taxes
- Franchise taxes
- Sales taxes
- Hotel/motel taxes
- Other taxes
- Unrestricted investment earnings
- Gain on sale of capital assets
- Miscellaneous
- Transfers
  - Total general revenues and transfers
  - 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

<table>
<thead>
<tr>
<th>Governmental Governmental</th>
<th>Business-type Business-type</th>
<th>Total</th>
<th>Total</th>
<th>Component Units Component Units</th>
<th>Industrial Industrial</th>
<th>Downtown Downtown</th>
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<tr>
<td>Activities</td>
<td>Activities</td>
<td></td>
<td></td>
<td></td>
<td>Development Development</td>
<td>Authority</td>
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<tr>
<td>$ 316,540</td>
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<td>$ 316,540</td>
<td>$ -</td>
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<tr>
<td>(98,558)</td>
<td>(98,558)</td>
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<td>(227,996)</td>
<td>(227,996)</td>
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<tr>
<td>(484,338)</td>
<td>(484,338)</td>
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<tr>
<td>(16,492)</td>
<td>(16,492)</td>
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<tr>
<td>(7,723,073)</td>
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<td>(7,723,073)</td>
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<td>(8,743,556)</td>
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<td>(37,500)</td>
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<td>(37,500)</td>
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<td>3,394,403</td>
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<td>-</td>
<td>874,322</td>
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<td>107,006</td>
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<td>-</td>
<td>965,861</td>
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<td>14,345</td>
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<td>44,400</td>
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<td>-</td>
<td>14,602</td>
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<td>14,602</td>
</tr>
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<td>-</td>
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<td>19,353</td>
<td></td>
<td>19,353</td>
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<td></td>
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<td>-</td>
<td>(1,003,102)</td>
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<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>(1,003,102)</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
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<td>-</td>
<td>8,079,298</td>
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<td>9,131,808</td>
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<tr>
<td></td>
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<td>-</td>
<td>-</td>
<td>356,225</td>
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<td>388,252</td>
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<td></td>
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<td>-</td>
<td>-</td>
<td>22,512,488</td>
<td></td>
<td>62,519,078</td>
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<tr>
<td></td>
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<td>-</td>
<td>-</td>
<td>$ 22,868,713</td>
<td>$ 40,038,617</td>
<td>$ 62,907,330</td>
</tr>
</tbody>
</table>

13
CITY OF ST. MARYS, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General Fund</th>
<th>SPLOST Fund</th>
<th>Other Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 2,931,456</td>
<td>$ 12,104</td>
<td>$ 412,569</td>
<td>$ 3,356,129</td>
</tr>
<tr>
<td>Investments</td>
<td>47,079</td>
<td>-</td>
<td>-</td>
<td>47,079</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>436,411</td>
<td>-</td>
<td>-</td>
<td>436,411</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>5,968</td>
<td>-</td>
<td>18,076</td>
<td>24,044</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>42,285</td>
<td>-</td>
<td>74,184</td>
<td>116,469</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>170,860</td>
<td>232,560</td>
<td>-</td>
<td>403,420</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>253,047</td>
<td>-</td>
<td>18,076</td>
<td>271,123</td>
</tr>
<tr>
<td>Advances to other funds</td>
<td>92,998</td>
<td>-</td>
<td>-</td>
<td>92,998</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 3,980,104</td>
<td>$ 244,664</td>
<td>$ 522,905</td>
<td>$ 4,747,673</td>
</tr>
</tbody>
</table>

LIABILITIES AND FUND BALANCES

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>General Fund</th>
<th>SPLOST Fund</th>
<th>Other Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 90,686</td>
<td>$ 8,245</td>
<td>$ 3,543</td>
<td>$ 102,474</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>112,750</td>
<td>-</td>
<td>416</td>
<td>113,166</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>416,942</td>
<td>-</td>
<td>-</td>
<td>416,942</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>-</td>
<td>236,419</td>
<td>103,577</td>
<td>339,996</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>620,378</td>
<td>244,664</td>
<td>107,536</td>
<td>972,578</td>
</tr>
</tbody>
</table>

FUND BALANCES

Nonspendable:
- Prepaid items: 42,285
- Advances to other funds: 92,998

Restricted for:
- Housing and development: 25,000
- Capital projects: -
- Economic development: -
- Unassigned: 3,199,443

Total fund balances: 3,359,726

Total liabilities and fund balances: $ 3,980,104

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. 19,123,767
- Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 416,942
- Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (447,091)

Net assets of governmental activities: $ 22,868,713

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, 2011

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>SPLOST Fund</th>
<th>Other Governmental Funds</th>
<th>Totals Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
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<td>$ 107,006</td>
<td>$ 7,321,744</td>
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<tr>
<td>Licenses and permits</td>
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<td>-</td>
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<tr>
<td>Intergovernmental</td>
<td>-</td>
<td>1,893,995</td>
<td>224,705</td>
<td>2,118,700</td>
</tr>
<tr>
<td>Fines and forfeitures</td>
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<td>-</td>
<td>-</td>
<td>449,060</td>
</tr>
<tr>
<td>Charges for services</td>
<td>123,375</td>
<td>-</td>
<td>-</td>
<td>123,375</td>
</tr>
<tr>
<td>Interest income</td>
<td>12,961</td>
<td>748</td>
<td>1,384</td>
<td>15,093</td>
</tr>
<tr>
<td>Other revenues</td>
<td>831,419</td>
<td>-</td>
<td>17,225</td>
<td>848,644</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>8,944,216</td>
<td>1,894,743</td>
<td>350,320</td>
<td>11,189,279</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>SPLOST Fund</th>
<th>Other Governmental Funds</th>
<th>Totals Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>2,998,504</td>
<td>-</td>
<td>15,000</td>
<td>3,013,504</td>
</tr>
<tr>
<td>Public safety</td>
<td>3,861,606</td>
<td>-</td>
<td>-</td>
<td>3,861,606</td>
</tr>
<tr>
<td>Public works</td>
<td>1,819,373</td>
<td>-</td>
<td>-</td>
<td>1,819,373</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>98,558</td>
<td>-</td>
<td>-</td>
<td>98,558</td>
</tr>
<tr>
<td>Judicial</td>
<td>227,996</td>
<td>-</td>
<td>-</td>
<td>227,996</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>359,875</td>
<td>-</td>
<td>128,446</td>
<td>488,321</td>
</tr>
<tr>
<td>Housing and development</td>
<td>444,060</td>
<td>-</td>
<td>-</td>
<td>444,060</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>-</td>
<td>1,907,993</td>
<td>-</td>
<td>1,907,993</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>479,813</td>
<td>-</td>
<td>-</td>
<td>479,813</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>17,697</td>
<td>-</td>
<td>-</td>
<td>17,697</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>10,307,482</td>
<td>1,907,993</td>
<td>143,446</td>
<td>12,358,921</td>
</tr>
</tbody>
</table>

| Excess (deficiency) of revenues over (under) expenditures | (1,363,266) | (13,250) | 206,874 | (1,169,642) |

| Other financing sources (uses): |              |             |                          |                            |
| Proceeds from sale of capital assets | 14,602       | -           | -                        | 14,602                     |
| Transfers in                  | 278,141      | -           | 132,560                  | 410,701                    |
| Transfers out                 | (23,910)     | (67,082)    | (326,619)                | (417,611)                  |
| **Total other financing sources (uses)** | 268,833      | (67,082)    | (194,059)                | 7,692                      |

| Net change in fund balances  | (1,094,433)  | (80,332)    | 12,815                   | (1,161,950)                |

| Fund balances, beginning of year | 4,454,159   | 80,332      | 402,554                  | 4,937,045                  |

| Fund balances, end of year     | $ 3,359,726  | $ -         | $ 415,369                | $ 3,775,095                |

The accompanying notes are an integral part of these financial statements.
Amounts reported for governmental activities in the statement of activities are different because:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net change in fund balances - total governmental funds</td>
<td>(1,161,950)</td>
</tr>
<tr>
<td>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</td>
<td>174,063</td>
</tr>
<tr>
<td>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations to other funds) is to increase net assets.</td>
<td>939,953</td>
</tr>
<tr>
<td>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</td>
<td>(162,286)</td>
</tr>
<tr>
<td>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.</td>
<td>479,813</td>
</tr>
<tr>
<td>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.</td>
<td>86,632</td>
</tr>
</tbody>
</table>

$ 356,225

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, 2011**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Budget</th>
<th>Variance With Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td>Taxes</td>
<td>$7,640,350</td>
<td>$7,390,350</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>456,500</td>
<td>456,500</td>
</tr>
<tr>
<td>Fines and forfeitures</td>
<td>355,800</td>
<td>391,640</td>
</tr>
<tr>
<td>Interest</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Charges for services</td>
<td>80,670</td>
<td>80,670</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>493,080</td>
<td>498,206</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>9,076,400</td>
<td>8,867,366</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Budget</th>
<th>Variance With Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legislative</td>
<td>215,573</td>
<td>183,706</td>
</tr>
<tr>
<td>Executive</td>
<td>254,820</td>
<td>1,669,779</td>
</tr>
<tr>
<td>Finance</td>
<td>934,755</td>
<td>766,255</td>
</tr>
<tr>
<td>Building and plant</td>
<td>205,930</td>
<td>196,834</td>
</tr>
<tr>
<td>Human resources</td>
<td>112,255</td>
<td>94,255</td>
</tr>
<tr>
<td>Information technology</td>
<td>171,016</td>
<td>165,856</td>
</tr>
<tr>
<td><strong>Total general government</strong></td>
<td>1,894,349</td>
<td>3,076,685</td>
</tr>
<tr>
<td>Public safety:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire</td>
<td>1,425,498</td>
<td>1,579,569</td>
</tr>
<tr>
<td>Police</td>
<td>2,536,817</td>
<td>2,450,263</td>
</tr>
<tr>
<td><strong>Total public safety</strong></td>
<td>3,962,315</td>
<td>4,029,832</td>
</tr>
<tr>
<td>Public works:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public works administration</td>
<td>1,721,907</td>
<td>1,661,024</td>
</tr>
<tr>
<td>Highways and streets administration</td>
<td>294,000</td>
<td>299,000</td>
</tr>
<tr>
<td>Cemetery</td>
<td>10,875</td>
<td>9,175</td>
</tr>
<tr>
<td><strong>Total public works</strong></td>
<td>2,026,782</td>
<td>1,969,199</td>
</tr>
<tr>
<td>Judicial:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal court</td>
<td>198,890</td>
<td>234,730</td>
</tr>
<tr>
<td><strong>Total judicial</strong></td>
<td>198,890</td>
<td>234,730</td>
</tr>
<tr>
<td>Health and welfare:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior citizens center</td>
<td>113,998</td>
<td>113,498</td>
</tr>
<tr>
<td><strong>Total health and welfare</strong></td>
<td>113,998</td>
<td>113,498</td>
</tr>
<tr>
<td>Culture and recreation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parks administration</td>
<td>67,420</td>
<td>64,084</td>
</tr>
<tr>
<td>Library administration</td>
<td>316,370</td>
<td>314,220</td>
</tr>
<tr>
<td><strong>Total culture and recreation</strong></td>
<td>383,790</td>
<td>378,304</td>
</tr>
<tr>
<td>Housing and development:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protective inspection administration</td>
<td>134,566</td>
<td>129,566</td>
</tr>
<tr>
<td>Planning and zoning</td>
<td>160,929</td>
<td>148,929</td>
</tr>
<tr>
<td>Airport</td>
<td>15,500</td>
<td>57,990</td>
</tr>
<tr>
<td>Special facilities</td>
<td>47,205</td>
<td>47,205</td>
</tr>
<tr>
<td>Economic development</td>
<td>124,088</td>
<td>121,088</td>
</tr>
<tr>
<td><strong>Total housing and development</strong></td>
<td>482,288</td>
<td>504,778</td>
</tr>
</tbody>
</table>

(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, 2011

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Variance With</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Actual</td>
<td>Final Budget</td>
</tr>
<tr>
<td>Expenditures (continued):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>$ 465,109</td>
<td>$ 469,505</td>
<td>$ 479,813</td>
<td>$ (10,308)</td>
</tr>
<tr>
<td>Interest</td>
<td>20,619</td>
<td>16,224</td>
<td>17,697</td>
<td>(1,473)</td>
</tr>
<tr>
<td>Total debt service</td>
<td>485,728</td>
<td>485,729</td>
<td>497,510</td>
<td>(11,781)</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>9,548,140</td>
<td>10,792,755</td>
<td>10,307,482</td>
<td>485,273</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>(471,740)</td>
<td>(1,925,389)</td>
<td>(1,363,266)</td>
<td>562,123</td>
</tr>
<tr>
<td>Other financing sources (uses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>10,000</td>
<td>10,000</td>
<td>14,602</td>
<td>4,602</td>
</tr>
<tr>
<td>Transfers in</td>
<td>22,500</td>
<td>210,353</td>
<td>278,141</td>
<td>67,788</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(518,910)</td>
<td>(523,910)</td>
<td>(23,910)</td>
<td>500,000</td>
</tr>
<tr>
<td>Total other financing sources (uses)</td>
<td>(486,410)</td>
<td>(303,557)</td>
<td>268,833</td>
<td>572,390</td>
</tr>
<tr>
<td>Net change in fund balances</td>
<td>(958,150)</td>
<td>(2,228,946)</td>
<td>(1,094,433)</td>
<td>1,134,513</td>
</tr>
<tr>
<td>Fund balances, beginning of year</td>
<td>4,454,159</td>
<td>4,454,159</td>
<td>4,454,159</td>
<td>-</td>
</tr>
<tr>
<td>Fund balances, end of year</td>
<td>$ 3,496,009</td>
<td>$ 2,225,213</td>
<td>$ 3,359,726</td>
<td>$ 1,134,513</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
CITY OF ST. MARYS, GEORGIA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Major Enterprise Funds</th>
<th>Nonmajor Enterprise Fund</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Water &amp; Sewer Fund</td>
<td>Solid Waste Fund</td>
<td>Aquatic Center Fund</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,862,923</td>
<td>$410,553</td>
<td>$3,110</td>
</tr>
<tr>
<td>Investments</td>
<td>724,554</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>1,026,128</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>190,937</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>606,584</td>
<td>95,602</td>
<td>624</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>677</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>70,146</td>
<td>3,361</td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>68,873</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total current assets</td>
<td>5,550,822</td>
<td>509,516</td>
<td>3,734</td>
</tr>
<tr>
<td>NONCURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>862,532</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred charges, unamortized bond issuance costs</td>
<td>318,536</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-depreciable</td>
<td>1,802,404</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciable, net of accumulated depreciation</td>
<td>76,648,455</td>
<td>10,661</td>
<td>1,807,758</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>76,631,927</td>
<td>10,661</td>
<td>1,807,758</td>
</tr>
<tr>
<td>Total assets</td>
<td>85,182,749</td>
<td>520,177</td>
<td>1,811,492</td>
</tr>
</tbody>
</table>

LIABILITIES

CURRENT LIABILITIES, PAYABLE FROM CURRENT ASSETS

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>90,438</td>
<td>95,266</td>
<td>12,619</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>251,221</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>63,735</td>
<td>1,357</td>
<td>26,082</td>
</tr>
<tr>
<td>Current portion of notes payable</td>
<td>322,789</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current portion of bonds payable</td>
<td>270,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total current liabilities, payable from current assets</td>
<td>998,183</td>
<td>96,623</td>
<td>38,701</td>
</tr>
</tbody>
</table>

CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer deposits</td>
<td>492,480</td>
<td>-</td>
</tr>
<tr>
<td>Total current liabilities, payable from restricted assets</td>
<td>492,480</td>
<td>-</td>
</tr>
</tbody>
</table>

LONG-TERM LIABILITIES

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue bonds payable, net</td>
<td>42,301,598</td>
<td>-</td>
</tr>
<tr>
<td>Notes payable</td>
<td>3,455,218</td>
<td>-</td>
</tr>
<tr>
<td>Advances from other funds</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>47,247,479</td>
<td>96,623</td>
</tr>
</tbody>
</table>

NET ASSETS (DEFICIT)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>32,101,254</td>
<td>10,661</td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>1,242,692</td>
<td>-</td>
</tr>
<tr>
<td>Restricted for renewal and extension</td>
<td>418,079</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>4,173,245</td>
<td>412,893</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$37,935,270</td>
<td>$423,554</td>
</tr>
</tbody>
</table>

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, 2011**

<table>
<thead>
<tr>
<th>Major Enterprise Funds</th>
<th>Nonmajor Enterprise Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water &amp; Sewer Fund</strong></td>
<td><strong>Solid Waste Fund</strong></td>
</tr>
<tr>
<td>Sanitation fees</td>
<td>1,006,162</td>
</tr>
<tr>
<td>Admission fees</td>
<td>190,367</td>
</tr>
<tr>
<td>Concessions</td>
<td>71,483</td>
</tr>
<tr>
<td>Water sales</td>
<td>2,871,975</td>
</tr>
<tr>
<td>Sewer sales</td>
<td>2,642,358</td>
</tr>
<tr>
<td>Tap and capacity recovery fees</td>
<td>153,154</td>
</tr>
<tr>
<td>Reconnection fees</td>
<td>47,703</td>
</tr>
<tr>
<td>Construction fees</td>
<td>119,201</td>
</tr>
<tr>
<td>Penalties</td>
<td>137,111</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>28,966</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,000,468</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total operating revenues</strong></th>
<th>1,089,234</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td>1,089,234</td>
</tr>
<tr>
<td>Personal services</td>
<td>2,026,741</td>
</tr>
<tr>
<td>Purchased and contracted services</td>
<td>1,728,539</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,081,572</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,123,957</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>16,092</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>6,976,901</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Operating income (loss)</strong></th>
<th>451,437</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>NONOPERATING REVENUES (EXPENSES)</strong></th>
<th>437,391</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>30,055</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,875,236)</td>
</tr>
<tr>
<td>Other nonoperating income</td>
<td>19,353</td>
</tr>
<tr>
<td><strong>Total nonoperating revenues (expenses)</strong></td>
<td>(1,825,828)</td>
</tr>
<tr>
<td>Loss before transfers and contributions</td>
<td>(1,374,391)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>CAPITAL CONTRIBUTIONS</strong></th>
<th>1,399,508</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>TRANSFERS</strong></th>
<th>6,910</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>6,910</td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td>6,910</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>32,027</td>
</tr>
<tr>
<td><strong>Total net assets, beginning of year</strong></td>
<td>40,006,590</td>
</tr>
<tr>
<td><strong>Total net assets, end of year</strong></td>
<td>40,038,617</td>
</tr>
</tbody>
</table>

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, 2011

<table>
<thead>
<tr>
<th>Major Enterprise Funds</th>
<th>Nonmajor Enterprise Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water &amp; Sewer Fund</td>
<td>Solid Waste Fund</td>
</tr>
<tr>
<td>Aquatic Center Fund</td>
<td>Totals</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM OPERATING ACTIVITIES

| | Receipts from customers and users | Payments to suppliers | Payments to employees | Net cash provided by (used in) operating activities |
| | $5,918,571 | $1,094,657 | $338,012 | $7,351,240 |
| | $2,257,505 | $1,103,043 | $143,327 | $3,503,875 |
| | $1,698,406 | $99,282 | $235,749 | $2,033,437 |

## CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | Transfers in | Other nonoperating income | Net cash provided by noncapital financing activities |
| | | | $18,095 | $6,910 |
| | | | | $19,353 |
| | | | | $26,263 |

## CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | Principal payments on revenue bonds payable | Principal payments on notes payable | Bond issuance cost | Proceeds from issuance of revenue bonds payable | Interest paid | Purchase of capital assets | Net cash used in capital and related financing activities |
| | (41,100,000) | (2,879,257) | (267,691) | 41,455,000 | (1,637,876) | (504,204) | (4,934,028) |
| | | | | | | | |

## CASH FLOWS FROM INVESTING ACTIVITIES

| | Proceeds from sale of investments | Interest received | Net decrease in cash | Cash and cash equivalents, beginning of year | Cash and cash equivalents, end of year |
| | 151,927 | 34,903 | 186,830 | 7,518,026 | 4,751,583 |
| | | | | | $410,553 |
| | | | | | $3,110 |
| | | | | | $5,165,246 |

## Classified as:

Cash and cash equivalents: $2,862,923 | $410,553 | $3,110 | $3,276,586

Restricted assets:

Current cash and cash equivalents: 1,026,128 |

Noncurrent cash and cash equivalents: 862,532 |

Total: $4,751,583 | $410,553 | $3,110 | $5,165,246

## Noncash investing, capital, and financing activities:

Capital contributions received: $403,316 |

Transfer of capital assets from other funds: 996,192 |

Total noncash investing, capital and financing activities: $1,399,508 |

(Continued)
## Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

<table>
<thead>
<tr>
<th></th>
<th>Major Enterprise Funds</th>
<th>Nonmajor Enterprise Fund</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Water &amp; Sewer Fund</td>
<td>Solid Waste Fund</td>
<td>Aquatic Center Fund</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>696,507</td>
<td>(123,011)</td>
<td>(122,059)</td>
</tr>
</tbody>
</table>

Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:

- **Depreciation**: 2,032,783, 7,419, 83,755, 2,123,957
- **Change in accounts receivable**: (57,887), 5,423, (624), (53,088)
- **Increase in prepaid expenses**: (3,472), (365), -, (3,837)
- **Increase in due from other funds**: (68,873), -, -, (68,873)
- **Increase (decrease) in accounts payable**: (5,573), 2,572, 2,972, (29)
- **Decrease in retainage payable**: (592,822), -, -, (592,822)
- **Increase (decrease) in accrued liabilities**: (1,882), 294, (5,108), (6,696)
- **Decrease in customer deposits**: (24,010), -, -, (24,010)
- **Decrease in due to other funds**: (12,111), -, -, (12,111)

Net cash provided by (used in) operating activities: $1,962,660, $ (107,668), $ (41,064), $ 1,813,928

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

The Industrial Development Authority of St. Marys (the “Authority”) is governed by a seven-member board, the majority of which are appointed by St. Marys’ 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.

The Downtown Development Authority of St. Marys (the “DDA”) is governed by a seven-member board, the majority of which are appointed by St. Marys’ City Council. The City is able to significantly influence the programs, projects and activities of the DDA. The DDA is presented as a governmental fund-type component unit. Separate financial statements are not prepared for the DDA.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 resources 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 Special Purpose Local Option Sales Tax Fund (SPLOST) is used to account for the revenues and expenditures relating to the 2009 1% Special Purpose Local Option Sales Tax and the 2002 1% 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.
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.
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. State 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. 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 are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds (i.e., the non-current portion of interfund loans). 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 proprietary 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, 2011 are recorded as prepaid items in both government-wide and fund 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.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was $2,424,597. Of this amount, $531,664 was included as part of the capital assets under construction in connection with the wastewater treatment plant construction project.

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

<table>
<thead>
<tr>
<th>Assets</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>20-50</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>30</td>
</tr>
<tr>
<td>Improvements</td>
<td>5-50</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>3-10</td>
</tr>
</tbody>
</table>

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.
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

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

*Fund Balance - (Continued)*

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

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

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

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

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

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

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.
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 $447,091 difference are as follows:

Accrued interest payable $ (265)
Capital leases payable (9,104)
Notes payable (140,280)
Compensated absences (297,442)

Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities $ (447,091)

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 $174,063 difference are as follows:

Capital outlay $ 1,618,443
Depreciation expense (1,444,380)

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities $ 174,063
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 $479,813 difference are as follows:

Principal repayments:
- Note payable $ 435,955
- Capital leases 43,858

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities $ 479,813

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 $86,632 difference are as follows:

- Compensated absences $ 85,427
- Accrued interest 1,205

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities $ 86,632
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 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.
NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2011, are summarized as follows:

Amounts as presented on the entity wide statement of net assets:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$7,430,953</td>
</tr>
<tr>
<td>Investments</td>
<td>771,633</td>
</tr>
<tr>
<td>Restricted cash and cash investments</td>
<td>1,281,359</td>
</tr>
<tr>
<td>Component Unit - cash and cash equivalents</td>
<td>35,083</td>
</tr>
<tr>
<td>Component Unit - investments</td>
<td>28,661</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,547,689</strong></td>
</tr>
</tbody>
</table>

Cash deposited with financial institutions               | $8,143,525   |
Cash deposited with Georgia Fund 1                        | 1,184,566    |
Investments in certificates of deposit                    | 219,598      |

**$9,547,689**

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers’ acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. It is the City’s policy to limit its investments to those allowed and authorized by State law. As of June 30, 2011, the City’s investment in Georgia Fund 1 was rated AAAm by Standard & Poor’s.

As of June 30, 2011, the City had the following investments:

<table>
<thead>
<tr>
<th>Investment</th>
<th>Maturities</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia Fund 1</td>
<td>59 day weighted average</td>
<td>$1,184,566</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>December 28, 2011</td>
<td>65,058</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>March 4, 2012</td>
<td>125,879</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>$1,375,503</strong></td>
</tr>
</tbody>
</table>

As of June 30, 2011, the Downtown Development Authority had the following investment:

<table>
<thead>
<tr>
<th>Investment</th>
<th>Maturity</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>October 20, 2011</td>
<td>$28,661</td>
</tr>
</tbody>
</table>
NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

**Interest rate risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy generally 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, 2011, the City’s deposits were fully collateralized in compliance with the state requirements.

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 January 22, 2011. Taxes were levied on October 20, 2010 and payable on or before December 22, 2010. Property taxes not collected by December 22th are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2011, are recorded as receivables, net of estimated uncollectibles.

In the governmental funds, the net receivables collected during the year ended June 30, 2011, and expected to be collected by August 31, 2011, are recognized as revenues for the year ended June 30, 2011, whereas, net receivables estimated to be collectible subsequent to August 31, 2011, are recorded as revenue when received.

Receivables at June 30, 2011, for the City’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

<table>
<thead>
<tr>
<th>Receivables:</th>
<th>General</th>
<th>SPLOST</th>
<th>Water and Sewer</th>
<th>Solid Waste</th>
<th>Water and Waste</th>
<th>Solid Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$512,573</td>
<td>$</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Accounts</td>
<td>5,968</td>
<td>-</td>
<td>955,056</td>
<td>111,380</td>
<td>18,076</td>
<td>624</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>-</td>
<td>-</td>
<td>677</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>170,860</td>
<td>232,560</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less allowance for uncollectibles</td>
<td>(76,162)</td>
<td>-</td>
<td>(348,472)</td>
<td>(15,778)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net total receivable</td>
<td>$613,239</td>
<td>$232,560</td>
<td>$607,261</td>
<td>$95,602</td>
<td>$18,076</td>
<td>$624</td>
</tr>
</tbody>
</table>
NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, is as follows:

### Governmental activities:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Transfers</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land</strong></td>
<td>$481,333</td>
<td>$1,317,405</td>
<td>$-</td>
<td>$-</td>
<td>$1,798,738</td>
</tr>
<tr>
<td><strong>Construction in progress</strong></td>
<td>1,425,292</td>
<td>124,236</td>
<td>$-</td>
<td>(1,549,528)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,906,625</td>
<td>1,441,641</td>
<td>$-</td>
<td>(1,549,528)</td>
<td>1,798,738</td>
</tr>
</tbody>
</table>

| **Capital assets, being depreciated:** | | | | | |
| Infrastructure | 4,905,901 | 288,454 | $- | 5,386,445 | 10,580,800 |
| Buildings      | 5,665,644 | 661,594 | $- | 385,797  | 6,713,035  |
| Improvements   | 10,541,491| -       | $- | (4,222,714)| 6,318,777   |
| Machinery and equipment | 9,377,665 | 166,707 | (169,970)| - | 9,374,402 |
| **Total**      | 30,490,701  | 1,116,755| (169,970)| 1,549,528| 32,987,014 |

| **Less accumulated depreciation for:** | | | | | |
| Infrastructure | (417,354) | (318,709) | $- | (1,213,896)| (1,949,959) |
| Buildings      | (2,107,036)| (200,377) | $- | - | (2,307,413) |
| Improvements   | (3,959,431)| (208,976) | $- | 1,213,896| (2,954,511) |
| Machinery and equipment | (7,903,754)| (716,318) | 169,970| - | (8,450,102) |
| **Total**      | (14,387,575)| (1,444,380)| 169,970| - | (15,661,985) |

| **Total capital assets, being depreciated, net** | | | | | |
| 16,103,126 | (327,625) | $- | - | - | 17,325,029 |

| **Governmental activities capital assets, net** | | | | | |
| $18,009,751 | $1,114,016 | $- | $- | $- | $19,123,767 |
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

<table>
<thead>
<tr>
<th>Business-type activities:</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Transfers</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$846,727</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$846,727</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>45,943,871</td>
<td>524,423</td>
<td>-</td>
<td>(45,512,617)</td>
<td>955,677</td>
</tr>
<tr>
<td>Total</td>
<td>46,790,598</td>
<td>524,423</td>
<td>-</td>
<td>(45,512,617)</td>
<td>1,802,404</td>
</tr>
<tr>
<td>Capital assets, being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>8,093,035</td>
<td>-</td>
<td>-</td>
<td>13,000</td>
<td>8,106,035</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>42,091,605</td>
<td>534,667</td>
<td>(4,206)</td>
<td>45,499,617</td>
<td>88,121,683</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>3,903,111</td>
<td>17,400</td>
<td>(6,668)</td>
<td>-</td>
<td>3,913,843</td>
</tr>
<tr>
<td>Total</td>
<td>54,087,751</td>
<td>552,067</td>
<td>(10,874)</td>
<td>45,512,617</td>
<td>100,141,561</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>(3,221,458)</td>
<td>(194,556)</td>
<td>-</td>
<td>(1,625)</td>
<td>(3,417,639)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>(13,111,610)</td>
<td>(1,658,936)</td>
<td>4,206</td>
<td>1,625</td>
<td>(14,764,715)</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>(3,228,536)</td>
<td>17,400</td>
<td>(6,668)</td>
<td>-</td>
<td>(3,492,333)</td>
</tr>
<tr>
<td>Total</td>
<td>(19,561,604)</td>
<td>(2,123,957)</td>
<td>10,874</td>
<td>-</td>
<td>(21,674,687)</td>
</tr>
<tr>
<td>Total capital assets, being depreciated, net</td>
<td>34,526,147</td>
<td>(1,571,890)</td>
<td>-</td>
<td>45,512,617</td>
<td>78,466,874</td>
</tr>
<tr>
<td>Business-type activities</td>
<td>$81,316,745</td>
<td>(1,047,467)</td>
<td>-</td>
<td>-</td>
<td>$80,269,278</td>
</tr>
</tbody>
</table>

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

**Governmental activities:**

- General government | $448,891
- Public safety | 578,071
- Public works | 335,668
- Culture and recreation | 39,444
- Housing and development | 42,306
- **Total depreciation expense - governmental activities** | $1,444,380

**Business-type activities:**

- Water and sewer | $2,032,783
- Solid waste | 7,419
- Aquatic center | 83,755
- **Total depreciation expense - business-type activities** | $2,123,957

**Component Units:** The Industrial Development Authority and the Downtown Development Authority maintain parcels of land with historical costs of $332,234 and $620,000, respectively.
NOTE 7.  LONG-TERM DEBT AND CAPITAL LEASES

Revenue Bonds:

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City’s Water and Sewer Fund’s revenue bonds outstanding at June 30, 2011, are as follows:

Series 1992 $5,595,000 Water Revenue Bonds, due in annual installments of $80,000 to $410,000 through July 1, 2018, plus interest of 3.0% to 6.125%. $ 2,685,000

Series 2010 $43,695,000 Water Revenue Bonds, due in annual installments of $- to $2,850,000 through December 1, 2032, plus interest of 3.0% to 5.0%. 41,455,000

$ 44,140,000

Revenue bond debt service requirements to maturity are as follows:

<table>
<thead>
<tr>
<th>Fiscal year ending June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 270,000</td>
<td>$ 2,071,588</td>
<td>$ 2,341,588</td>
</tr>
<tr>
<td>2013</td>
<td>285,000</td>
<td>2,054,591</td>
<td>2,339,591</td>
</tr>
<tr>
<td>2014</td>
<td>300,000</td>
<td>2,036,675</td>
<td>2,336,675</td>
</tr>
<tr>
<td>2015</td>
<td>1,965,000</td>
<td>1,992,934</td>
<td>3,957,934</td>
</tr>
<tr>
<td>2016</td>
<td>2,075,000</td>
<td>1,904,566</td>
<td>3,979,566</td>
</tr>
<tr>
<td>2017-2021</td>
<td>10,855,000</td>
<td>7,920,156</td>
<td>18,775,156</td>
</tr>
<tr>
<td>2022-2026</td>
<td>10,340,000</td>
<td>5,430,500</td>
<td>15,770,500</td>
</tr>
<tr>
<td>2027-2031</td>
<td>12,450,000</td>
<td>2,652,275</td>
<td>15,102,275</td>
</tr>
<tr>
<td>2032-2033</td>
<td>5,600,000</td>
<td>254,250</td>
<td>5,854,250</td>
</tr>
<tr>
<td>Total</td>
<td>$ 44,140,000</td>
<td>$ 26,317,535</td>
<td>$ 70,457,535</td>
</tr>
</tbody>
</table>
NOTE 7.  LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Notes Payable:

The City has 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. Additionally, the City has incurred debt to a local financial institution for the purchase of vehicles and equipment used in the water and sewer and solid waste operations. These notes are as follows at June 30, 2011:

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Term</th>
<th>Fiscal Year Due Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.00%</td>
<td>10 years</td>
<td>2012</td>
<td>$ 30,943</td>
</tr>
<tr>
<td>5.60%</td>
<td>15 years</td>
<td>2013</td>
<td>$ 19,766</td>
</tr>
<tr>
<td>3.00%</td>
<td>20 years</td>
<td>2025</td>
<td>$ 3,679,598</td>
</tr>
<tr>
<td>4.05%</td>
<td>5 years</td>
<td>2012</td>
<td>$ 47,700</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$ 3,778,007</td>
</tr>
</tbody>
</table>

The City has also entered into other notes payable agreements with interest rates ranging from 3.71% to 4.18% for financing certain equipment and the renovation and improvement of the City’s facilities. The principal of these loans is to be repaid in monthly payments with maturities ranging from September 2011 to October 2012.

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

<table>
<thead>
<tr>
<th>Fiscal year ending June 30</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2012</td>
<td>$ 128,573</td>
<td>$ 1,741</td>
</tr>
<tr>
<td>2013</td>
<td>11,707</td>
<td>88</td>
</tr>
<tr>
<td>2014</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2017-2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022-2025</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 140,280</td>
<td>$ 1,829</td>
</tr>
</tbody>
</table>
NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

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 inceptions. The interest rate is 7.4% as of June 30, 2011. The following is an analysis of leased assets under capital leases as of June 30, 2011:

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>$ 296,455</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year Ending June 30, 2012</td>
<td></td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>$ 9,191</td>
</tr>
<tr>
<td>Less amount representing interest</td>
<td>87</td>
</tr>
<tr>
<td>Present value of future minimum lease payments</td>
<td>$ 9,104</td>
</tr>
</tbody>
</table>
NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Long-term liability activity for the year ended June 30, 2011 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital leases</td>
<td>$52,962</td>
<td>-</td>
<td>(43,858)</td>
<td>$9,104</td>
<td>$9,104</td>
</tr>
<tr>
<td>Notes payable</td>
<td>576,235</td>
<td>-</td>
<td>(435,955)</td>
<td>140,280</td>
<td>128,573</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>382,869</td>
<td>393,212</td>
<td>(478,639)</td>
<td>297,442</td>
<td>297,442</td>
</tr>
<tr>
<td><strong>Governmental activity</strong></td>
<td>$1,012,066</td>
<td>$393,212</td>
<td>(958,452)</td>
<td>$446,826</td>
<td>$435,119</td>
</tr>
<tr>
<td><strong>Business-type activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue bonds</td>
<td>$43,785,000</td>
<td>$41,455,000</td>
<td>(41,100,000)</td>
<td>$44,140,000</td>
<td>$270,000</td>
</tr>
<tr>
<td>Deferred charges, net</td>
<td>-</td>
<td>(1,646,936)</td>
<td>78,534</td>
<td>(1,568,402)</td>
<td>-</td>
</tr>
<tr>
<td>Revenue bonds, net</td>
<td>43,785,000</td>
<td>39,808,064</td>
<td>(41,021,466)</td>
<td>42,571,598</td>
<td>270,000</td>
</tr>
<tr>
<td>Notes payable</td>
<td>6,657,264</td>
<td>-</td>
<td>(2,879,257)</td>
<td>3,778,007</td>
<td>322,789</td>
</tr>
<tr>
<td><strong>Business-type activity</strong></td>
<td>$50,442,264</td>
<td>$39,808,064</td>
<td>(43,900,723)</td>
<td>$46,349,605</td>
<td>$592,789</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

<table>
<thead>
<tr>
<th>Receivable Fund</th>
<th>Payable Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>Nonmajor governmental funds</td>
<td>$85,501</td>
</tr>
<tr>
<td>General Fund</td>
<td>SPLOST Fund</td>
<td>167,546</td>
</tr>
<tr>
<td>Water &amp; Sewer Fund</td>
<td>SPLOST Fund</td>
<td>68,873</td>
</tr>
<tr>
<td>Nonmajor governmental funds</td>
<td>Nonmajor governmental funds</td>
<td>18,076</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$339,996</td>
</tr>
</tbody>
</table>

These balances resulted from time lag between the dates the (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. Additionally at June 30, 2011, the City’s General Fund has advanced the Aquatic Center Fund $92,998.
NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

<table>
<thead>
<tr>
<th>Transfers In</th>
<th>Transfers Out</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>SPLOST Fund</td>
<td>$67,082</td>
</tr>
<tr>
<td>General Fund</td>
<td>Nonmajor governmental funds</td>
<td>211,059</td>
</tr>
<tr>
<td>Nonmajor enterprise fund</td>
<td>General Fund</td>
<td>6,910</td>
</tr>
<tr>
<td>Nonmajor governmental funds</td>
<td>General Fund</td>
<td>17,000</td>
</tr>
<tr>
<td>Nonmajor governmental funds</td>
<td>Nonmajor governmental funds</td>
<td>115,560</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$417,611</td>
</tr>
</tbody>
</table>

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.

During the year ended June 30, 2011, the City transferred capital assets with a net book value of $996,192 from the SPLOST Fund to the Water and Sewer Fund. This transfer is reflected in the governmental activities column and the business-type activities column in the government-wide 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.
NOTE 9.  PENSION PLANS (CONTINUED)

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 25.01% of annual covered payroll.

Annual Pension Cost

For the year ended June 30, 2011, the City’s annual pension cost was $19,285 for the City of St. Marys Retirement Plan. Recommended contributions of $19,285 were determined as part of the January 1, 2011, actuarial valuation, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.5% per year plus age and service based merit increases, 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 7.75%, which is the valuation’s investment return assumption.

Trend Information

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

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Annual Pension Cost</th>
<th>Percentage Contributed</th>
<th>Net Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2009</td>
<td>$38,861</td>
<td>100%</td>
<td>$</td>
</tr>
<tr>
<td>6/30/2010</td>
<td>19,289</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td>6/30/2011</td>
<td>19,285</td>
<td>100%</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Accrued Liability</th>
<th>(Overfunded) Actuarial Accrued Liability</th>
<th>Funded Ratio</th>
<th>Annual Covered Payroll</th>
<th>AAL as a Percentage of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/11</td>
<td>$1,080,532</td>
<td>$1,016,030</td>
<td>$(64,502)</td>
<td>106.3%</td>
<td>$75,796</td>
<td>-85.1%</td>
</tr>
</tbody>
</table>
NOTE 9. PENSION PLANS (CONTINUED)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2011.

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, 2011, there were 152 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 $16,500 for the year ended June 30, 2011. 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 7% of each participant’s compensation. Total employer contributions for the year ended June 30, 2011, were $209,840. Total employee contributions for the year ended June 30, 2011 were $262,284.

NOTE 11. 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 Regional Commission (CRC) and is required to pay annual dues thereto. During the year ended June 30, 2011, the City paid $16,404 in such dues. Membership in the CRC 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 CRC 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 Regional Commission, P.O. Box 1917, Brunswick, Georgia 31521.
NOTE 12.  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, 2011, the City did not provide any contributions to the Southeast Georgia Consolidated Housing Authority.

NOTE 13.  RISK MANAGEMENT

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

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member 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 14. 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. For the year ended June 30, 2011, $107,006 of hotel/motel tax was collected. Of the total collected, 100% was used for the promotion of tourism.

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 arising 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, 2011, the City has contractual commitments on uncompleted contracts of approximately $45,792.
### CITY OF ST. MARYS, GEORGIA

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets</th>
<th>(AAL) Actuarial Accrued Liability</th>
<th>(AAL) Actuarial Accrued Liability</th>
<th>Funded Ratio</th>
<th>Annual Covered Payroll</th>
<th>Underfund (Overfunded) AAL as a Percentage of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/01/09</td>
<td>$904,201</td>
<td>$1,102,410</td>
<td>$198,209</td>
<td>82.0 %</td>
<td>$75,796</td>
<td>261.5 %</td>
</tr>
<tr>
<td>01/01/10</td>
<td>1,083,162</td>
<td>1,139,453</td>
<td>56,291</td>
<td>95.1 %</td>
<td>75,794</td>
<td>74.3 %</td>
</tr>
<tr>
<td>01/01/11</td>
<td>1,080,532</td>
<td>1,016,030</td>
<td>(64,502)</td>
<td>106.3 %</td>
<td>75,796</td>
<td>-85.1 %</td>
</tr>
</tbody>
</table>

The assumptions used in the preparation of the above schedule are disclosed in Note 9 in the Notes to the Financial Statements.
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.
### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Hotel/Motel Tax Fund</th>
<th>Convention &amp; Visitors Bureau</th>
<th>Multiple Grants Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ -</td>
<td>$ 5,980</td>
<td>$ 406,589</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>18,076</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>-</td>
<td>300</td>
<td>73,884</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>18,076</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 18,076</td>
<td>$ 24,356</td>
<td>$ 480,473</td>
</tr>
</tbody>
</table>

### LIABILITIES AND FUND BALANCE

#### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Hotel/Motel Tax Fund</th>
<th>Convention &amp; Visitors Bureau</th>
<th>Multiple Grants Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ -</td>
<td>$ 3,543</td>
<td>$ -</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>-</td>
<td>416</td>
<td>-</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>18,076</td>
<td>11,471</td>
<td>74,030</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$ 18,076</td>
<td>$ 15,430</td>
<td>$ 74,030</td>
</tr>
</tbody>
</table>

#### FUND BALANCE

**Nonspendable:**
- Prepaid items: -
- 300: 73,884

**Restricted for:**
- Capital projects: -
- -: 332,559
- Economic development: -
- 8,626: -

**Total fund balances**: -
- 8,926: 406,443

**Total liabilities and fund balances**: $ 18,076
- $ 24,356: $ 480,473
<table>
<thead>
<tr>
<th>Nonmajor Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 412,569</td>
</tr>
<tr>
<td>18,076</td>
</tr>
<tr>
<td>74,184</td>
</tr>
<tr>
<td>18,076</td>
</tr>
<tr>
<td>$ 522,905</td>
</tr>
</tbody>
</table>

| $ 3,543                     |
| 416                         |
| 103,577                     |
| 107,536                     |

| 74,184                      |
| 332,559                     |
| 8,626                       |
| 415,369                     |
| $ 522,905                   |
### CITY OF ST. MARYS, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

<table>
<thead>
<tr>
<th>Special Revenue</th>
<th>Hotel/Motel Tax Fund</th>
<th>Convention &amp; Visitors Bureau</th>
<th>Multiple Grants Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ 107,006</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>-</td>
<td>-</td>
<td>224,705</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>30</td>
<td>1,354</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>17,225</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>107,006</td>
<td>17,255</td>
<td>226,059</td>
</tr>
</tbody>
</table>

| **EXPENDITURES** |                      |                               |                      |
| Current         |                      |                               |                      |
| General government | -                   | -                             | 15,000               |
| Culture and recreation | -        | 128,446                       | -                    |
| **Total expenditures** | -                  | 128,446                       | 15,000               |
| Excess (deficiency) of revenues over (under) expenditures | 107,006 | (111,191) | 211,059 |

| Other financing sources (uses) |                |                               |                      |
| Transfers in                   | -               | 132,560                       | -                    |
| Transfers out                  | (115,560)       | -                             | (211,059)            |
| **Total other financing sources (uses)** | (115,560) | 132,560 | (211,059) |
| Net change in fund balances    | (8,554)         | 21,369                        | -                    |

<p>| <strong>FUND BALANCE (DEFICIT), beginning of year</strong> | 8,554 | (12,443) | 406,443 |
| <strong>FUND BALANCE, end of year</strong> | $ - | $ 8,926 | $ 406,443 |</p>
<table>
<thead>
<tr>
<th>Nonmajor Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 107,006</td>
</tr>
<tr>
<td>224,705</td>
</tr>
<tr>
<td>1,384</td>
</tr>
<tr>
<td>17,225</td>
</tr>
<tr>
<td>350,320</td>
</tr>
<tr>
<td>15,000</td>
</tr>
<tr>
<td>128,446</td>
</tr>
<tr>
<td>143,446</td>
</tr>
<tr>
<td>206,874</td>
</tr>
<tr>
<td>132,560</td>
</tr>
<tr>
<td>(326,619)</td>
</tr>
<tr>
<td>(194,059)</td>
</tr>
<tr>
<td>12,815</td>
</tr>
<tr>
<td>402,554</td>
</tr>
<tr>
<td>$ 415,369</td>
</tr>
</tbody>
</table>
### CITY OF ST. MARYS, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2002 ISSUE FOR THE YEAR ENDED JUNE 30, 2011**

<table>
<thead>
<tr>
<th>Project</th>
<th>Original Estimated Cost</th>
<th>Current Estimated Cost</th>
<th>Prior Years</th>
<th>Current Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Sidewalks/Streets</td>
<td>$3,930,000</td>
<td>$4,630,000</td>
<td>$4,597,702</td>
<td>$229,672</td>
<td>$4,827,374</td>
</tr>
<tr>
<td>Drainage</td>
<td>3,500,000</td>
<td>4,287,817</td>
<td>3,375,639</td>
<td>99,404</td>
<td>3,475,043</td>
</tr>
<tr>
<td>Downtown Multi-Media Center</td>
<td>300,000</td>
<td>300,000</td>
<td>420,788</td>
<td>-</td>
<td>420,788</td>
</tr>
<tr>
<td>City Library Expansion</td>
<td>588,000</td>
<td>588,000</td>
<td>484,896</td>
<td>171,306</td>
<td>656,202</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$8,318,000</strong></td>
<td><strong>$9,805,817</strong></td>
<td><strong>$8,879,025</strong></td>
<td><strong>$500,382</strong></td>
<td><strong>$9,379,407</strong></td>
</tr>
<tr>
<td>Project</td>
<td>Original Estimated Cost</td>
<td>Current Estimated Cost</td>
<td>Prior Years</td>
<td>Current Year</td>
<td>Total</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------------------</td>
<td>------------------------</td>
<td>-------------</td>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>City Sidewalks/Streets</td>
<td>$4,730,000</td>
<td>$2,480,000</td>
<td>$</td>
<td>$148,046</td>
<td>$148,046</td>
</tr>
<tr>
<td>Drainage</td>
<td>5,530,000</td>
<td>3,000,000</td>
<td>-</td>
<td>210,878</td>
<td>210,878</td>
</tr>
<tr>
<td>Sewer</td>
<td>5,000,000</td>
<td>5,280,000</td>
<td>4,230,767</td>
<td>1,070,065</td>
<td>5,300,832</td>
</tr>
<tr>
<td>City Buildings</td>
<td>3,500,000</td>
<td>1,000,000</td>
<td>238,059</td>
<td>45,704</td>
<td>283,763</td>
</tr>
<tr>
<td>Totals</td>
<td>$18,760,000</td>
<td>$11,760,000</td>
<td>$4,468,826</td>
<td>$1,474,693</td>
<td>$5,943,519</td>
</tr>
</tbody>
</table>
### CITY OF ST. MARYS, GEORGIA

**BALANCE SHEET**  
**COMPONENT UNITS**  
**JUNE 30, 2011**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Industrial Development Authority</th>
<th>Downtown Development Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 12,678</td>
<td>$ 22,405</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>28,661</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 12,678</td>
<td>$ 51,066</td>
</tr>
</tbody>
</table>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

| | Industrial Development Authority | Downtown Development Authority |
| Accounts payable | $ - | $ 3,791 |
| Total liabilities | - | 3,791 |

**FUND BALANCE**

| | Industrial Development Authority | Downtown Development Authority |
| Unassigned | 12,678 | 47,275 |
| Total fund balances | 12,678 | 47,275 |
| Total liabilities and fund balances | $ 12,678 | $ 51,066 |
## CITY OF ST. MARYS, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - COMPONENT UNITS**

**FOR THE YEAR ENDED JUNE 30, 2011**

<table>
<thead>
<tr>
<th></th>
<th>Industrial Development Authority</th>
<th>Downtown Development Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental income</td>
<td>$ -</td>
<td>$ 3,600</td>
</tr>
<tr>
<td>Donations</td>
<td>-</td>
<td>2,497</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>101</td>
<td>325</td>
</tr>
<tr>
<td>Total revenues</td>
<td>101</td>
<td>6,422</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing and development</td>
<td>37,500</td>
<td>730</td>
</tr>
<tr>
<td>Net change in fund balance</td>
<td>(37,399)</td>
<td>5,692</td>
</tr>
<tr>
<td><strong>FUND BALANCE, beginning of year</strong></td>
<td>50,077</td>
<td>41,583</td>
</tr>
<tr>
<td><strong>FUND BALANCE, end of year</strong></td>
<td>$ 12,678</td>
<td>$ 47,275</td>
</tr>
</tbody>
</table>
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 units, 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, 2011, which collectively comprise the City of St. Marys, Georgia’s basic financial statements and have issued our report thereon dated December 16, 2011. As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of July 1, 2010. 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

Management of the City of St. Marys, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of St. Marys, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 December 16, 2011.

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

Macon, Georgia
December 16, 2011
SECTION I
SUMMARY OF AUDIT RESULTS

**Financial Statements**
Type of auditor’s report issued  Unqualified

Internal control over financial reporting:
Material weaknesses identified?  ___ yes  X  no

Significant deficiencies identified not considered
to be material weaknesses?  ___ yes  X  none reported

Noncompliance material to financial statements noted?  ___ yes  X  no

**Federal Awards**
Not applicable as a single audit was not performed for the year ended June 30, 2011 due to the City not expending $500,000 or more of federal funds.

SECTION II
FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV
STATUS OF PRIOR YEAR FINDINGS

None reported.