CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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.

Mauldin & Jenkins, LLC

Macon, Georgia
December 16, 2011

CITY OF ST. MARYS, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 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.

City of St. Marys
Net Assets
June 30, 2011

	Governmental Activities		Business-type Activities	
	2010	2011	2010	2011
Current and other assets	$ 7,492,415	$ 4,407,677	$ 10,647,432	$ 7,152,142
Capital assets	18,009,751	19,123,767	81,316,745	80,269,278
Total assets	25,502,166	23,531,444	91,964,177	87,421,420
Other liabilities	2,840,294	651,024	2,387,225	1,625,987
Long-term liabilities outstanding	149,384	11,707	49,570,362	45,756,816
Total liabilities	2,989,678	662,731	51,957,587	47,382,803
Net assets:				
Invested in capital assets, net of related debt	17,380,554	18,974,383	26,683,866	33,919,673
Restricted for housing and development	-	25,000	-	-
Restricted for capital projects	-	332,559	-	-
Restricted for economic development	-	8,626	-	-
Restricted for debt service	-	-	3,323,608	1,242,692
Restricted for renewal and extension	-	-	417,329	418,079
Unrestricted	5,131,934	3,528,145	9,581,787	4,456,173
Total net assets	$ 22,512,488	$ 22,868,713	$ 40,006,590	$ 40,038,617

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

	Governmental Activities		Business-type Activities	
	2010	2011	2010	2011
Revenues				
Program Revenues				
Charges for services	$ 1,819,528	$ 1,733,742	$ 6,250,435	$ 7,428,338
Operating grants and contributions	453,182	224,705		-
Capital grants and contributions	611	940,701	1,031,895	403,316
General Revenues:				
Property taxes	3,704,579	3,394,403	-	-
Franchise taxes	820,730	874,322	-	-
Sales taxes	7,030,312	3,711,861	-	-
Hotel/Motel taxes	98,461	107,006	-	-
Other taxes	993,926	965,861	-	-
Unrestricted investment earnings	54,404	14,345	103,757	30,055
Gain on sale of capital assets	-	14,602	6,695	-
Miscellaneous	-	-	10,228	19,353
Total revenues	14,975,733	11,981,548	7,403,010	7,881,062
Expenses				
Governmental activities				
General government	465,645	2,030,282	-	-
Public safety	4,467,093	4,351,355	-	-
Public works	3,442,972	2,863,325	-	-
Health and welfare	137,745	98,558	-	-
Judicial	172,019	227,996	-	-
Culture and recreation	1,002,250	549,875	-	-
Housing and development	531,059	484,338	-	-
Interest on long-term debt	33,064	16,492	-	-
Business-type activities				
Water and sewer	-	-	5,353,476	7,179,197
Solid waste	-	-	1,247,448	1,212,245
Aquatic center	-	-	477,641	460,695
	10,251,847	10,622,221	7,078,565	8,852,137
Increase (decrease) in net assets before transfers	4,723,886	1,359,327	324,445	(971,075)
Transfers	(1,590,591)	(1,003,102)	1,590,591	1,003,102
Increase in net assets	3,133,295	356,225	1,915,036	32,027
Net assets, beginning of year	19,379,193	22,512,488	38,091,554	40,006,590
Net assets, end of year	$ 22,512,488	$ 22,868,713	$ 40,006,590	$ 40,038,617

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

	Governmental Activities	Business-type Activities	Total
Land	$ 1,798,738	$ 846,727	$ 2,645,465
Building and Improvements	4,405,622	4,688,396	9,094,018
Improvements other than buildings	2,150,370	-	2,150,370
Machinery and Equipment	924,300	421,510	1,345,810
Infrastructure	9,844,737	73,356,968	83,201,705
Construction in progress	-	955,677	955,677
Total	$ 19,123,767	$ 80,269,278	$ 99,393,045

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

	Primary Government			Component Units	
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**	**Industrial Development Authority**	**Downtown Development Authority**
Cash and cash equivalents	$ 3,356,129	$ 3,276,586	$ 6,632,715	$ 12,678	$ 22,405
Investments	47,079	724,554	771,633	-	28,661
Taxes receivable	436,411	-	436,411	-	-
Accounts receivable, net of allowances	24,044	702,810	726,854	-	-
Accrued interest receivable	-	677	677	-	-
Prepaid expenses	116,469	73,507	189,976	-	-
Due from other governments	403,420	-	403,420	-	-
Internal balances	24,125	(24,125)	-	-	-
Restricted assets, cash and investments	-	2,079,597	2,079,597	-	-
Deferred charges, unamortized balance	-	318,536	318,536	-	-
Capital assets:					
Non-depreciable	1,798,738	1,802,404	3,601,142	332,234	620,000
Depreciable, net of accumulated depreciation	17,325,029	78,466,874	95,791,903	-	-
Total assets	23,531,444	87,421,420	110,952,864	344,912	671,066
LIABILITIES					
Accounts payable	102,474	198,323	300,797	-	3,791
Accrued liabilities	113,431	342,395	455,826	-	-
Customer deposits	-	492,480	492,480	-	-
Compensated absences due within one year	297,442	-	297,442	-	-
Capital leases due within one year	9,104	-	9,104	-	-
Notes payable due within one year	128,573	322,789	451,362	-	-
Notes payable due in more than one year	11,707	3,455,218	3,466,925	-	-
Bonds payable due within one year	-	270,000	270,000	-	-
Bonds payable due in more than one year	-	42,301,598	42,301,598	-	-
Total liabilities	662,731	47,382,803	48,045,534	-	3,791
NET ASSETS					
Investment in capital assets, net of related debt	18,974,383	33,919,673	52,894,056	332,234	620,000
Restricted for housing and development	25,000	-	25,000	-	-
Restricted for capital projects	332,559	-	332,559	-	-
Restricted for economic development	8,626	-	8,626	-	-
Restricted for debt service	-	1,242,692	1,242,692	-	-
Restricted for renewal and extension	-	418,079	418,079	-	-
Unrestricted	3,528,145	4,458,173	7,986,318	12,678	47,275
Total net assets	$ 22,868,713	$ 40,038,617	$ 62,907,330	$ 344,912	$ 667,275

The accompanying notes are an integral part of these financial statements

CITY OF ST. MARYS, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 2,030,282	$ 1,182,164	$ 224,705	$ 939,953
Public safety	4,351,355	449,060	-	-
Public works	2,863,325	40,940	-	748
Health and welfare	98,558	-	-	-
Judicial	227,996	-	-	-
Culture and recreation	549,875	61,578	-	-
Housing and development	484,338	-	-	-
Interest on long-term debt	16,492	-	-	-
Total governmental activities	10,622,221	1,733,742	224,705	940,701
Business-type activities:				
Water & sewer	7,179,197	6,000,468	-	403,316
Solid waste	1,212,245	1,089,234	-	-
Aquatic center	460,695	338,636	-	-
Total business-type activities	8,852,137	7,428,338	-	403,316
Total primary government	$ 19,474,358	$ 9,162,080	$ 224,705	$ 1,344,017
Component Units:				
Industrial Development Authority	$ 37,500	$ -	$ -	$ -
Downtown Development Authority	730	3,600	-	-
Total component units	$ 38,230	$ 3,600	$ -	$ -

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				
			Component Units	
Governmental Activities	Business-type Activities	Total	Industrial Development Authority	Downtown Development Authority
$ 316,540	$ -	$ 316,540	$ -	$ -
(3,902,295)	-	(3,902,295)	-	-
(2,821,637)	-	(2,821,637)	-	-
(98,558)	-	(98,558)	-	-
(227,996)	-	(227,996)	-	-
(488,297)	-	(488,297)	-	-
(484,338)	-	(484,338)	-	-
(16,492)	-	(16,492)	-	-
(7,723,073)	-	(7,723,073)	-	-
-	(775,413)	(775,413)	-	-
-	(123,011)	(123,011)	-	-
-	(122,059)	(122,059)	-	-
-	(1,020,483)	(1,020,483)	-	-
(7,723,073)	(1,020,483)	(8,743,556)	-	-
-	-	-	(37,500)	-
-	-	-	-	2,870
-	-	-	(37,500)	2,870
3,394,403	-	3,394,403	-	-
874,322	-	874,322	-	-
3,711,861	-	3,711,861	-	-
107,006	-	107,006	-	-
965,861	-	965,861	-	-
14,345	30,055	44,400	101	325
14,602	-	14,602	-	-
-	19,353	19,353	-	2,497
(1,003,102)	1,003,102	-	-	-
8,079,298	1,052,510	9,131,808	101	2,822
356,225	32,027	388,252	(37,399)	5,692
22,512,488	40,006,590	62,519,078	382,311	661,583
$ 22,868,713	$ 40,038,617	$ 62,907,330	$ 344,912	$ 667,275

CITY OF ST. MARYS, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 2,931,456	$ 12,104	$ 412,569	$ 3,356,129
Investments	47,079	-	-	47,079
Taxes receivable	436,411	-	-	436,411
Accounts receivable	5,968	-	18,076	24,044
Prepaid items	42,285	-	74,184	116,469
Due from other governments	170,860	232,560	-	403,420
Due from other funds	253,047	-	18,076	271,123
Advances to other funds	92,998	-	-	92,998
Total assets	$ 3,980,104	$ 244,664	$ 522,905	$ 4,747,673
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 90,686	$ 8,245	$ 3,543	$ 102,474
Accrued liabilities	112,750	-	416	113,166
Deferred revenues	416,942	-	-	416,942
Due to other funds	-	236,419	103,577	339,996
Total liabilities	620,378	244,664	107,536	972,578
FUND BALANCES				
Nonspendable:				
Prepaid items	42,285	-	74,184	116,469
Advances to other funds	92,998	-	-	92,998
Restricted for:				
Housing and development	25,000	-	-	25,000
Capital projects	-	-	332,559	332,559
Economic development	-	-	8,626	8,626
Unassigned	3,199,443	-	-	3,199,443
Total fund balances	3,359,726	-	415,369	3,775,095
Total liabilities and fund balances	$ 3,980,104	$ 244,664	$ 522,905	

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

	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Revenues				
Taxes	$ 7,214,738	$ -	$ 107,006	$ 7,321,744
Licenses and permits	312,663	-	-	312,663
Intergovernmental	-	1,893,995	224,705	2,118,700
Fines and forfeitures	449,060	-	-	449,060
Charges for services	123,375	-	-	123,375
Interest income	12,961	748	1,384	15,093
Other revenues	831,419	-	17,225	848,644
Total revenues	8,944,216	1,894,743	350,320	11,189,279
Expenditures				
Current:				
General government	2,998,504	-	15,000	3,013,504
Public safety	3,861,606	-	-	3,861,606
Public works	1,819,373	-	-	1,819,373
Health and welfare	98,558	-	-	98,558
Judicial	227,996	-	-	227,996
Culture and recreation	359,875	-	128,446	488,321
Housing and development	444,060	-	-	444,060
Capital outlay	-	1,907,993	-	1,907,993
Debt service:				
Principal	479,813	-	-	479,813
Interest and fiscal charges	17,697	-	-	17,697
Total expenditures	10,307,482	1,907,993	143,446	12,358,921
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.

CITY OF ST. MARYS, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Net change in fund balances - total governmental funds	$	(1,161,950)
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.		174,063
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations to other funds) is to increase net assets.		939,953
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(162,286)
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.		479,813
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.		86,632
	$	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

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 7,640,350	$ 7,390,350	$ 7,214,738	$ (175,612)
Licenses and permits	456,500	456,500	312,663	(143,837)
Fines and forfeitures	355,800	391,640	449,060	57,420
Interest	50,000	50,000	12,961	(37,039)
Charges for services	80,670	80,670	123,375	42,705
Miscellaneous	493,080	498,206	831,419	333,213
Total revenues	9,076,400	8,867,366	8,944,216	76,850
Expenditures				
Current:				
General government:				
Legislative	215,573	183,706	168,854	14,852
Executive	254,820	1,669,779	1,657,620	12,159
Finance	934,755	766,255	728,845	37,410
Building and plant	205,930	196,834	192,933	3,901
Human resources	112,255	94,255	86,800	7,455
Information technology	171,016	165,856	163,452	2,404
Total general government	1,894,349	3,076,685	2,998,504	78,181
Public safety:				
Fire	1,425,498	1,579,569	1,517,132	62,437
Police	2,536,817	2,450,263	2,344,474	105,789
Total public safety	3,962,315	4,029,832	3,861,606	168,226
Public works:				
Public works administration	1,721,907	1,661,024	1,521,286	139,738
Highways and streets administration	294,000	299,000	294,550	4,450
Cemetery	10,875	9,175	3,537	5,638
Total public works	2,026,782	1,969,199	1,819,373	149,826
Judicial:				
Municipal court	198,890	234,730	227,996	6,734
Total judicial	198,890	234,730	227,996	6,734
Health and welfare:				
Senior citizens center	113,998	113,498	98,558	14,940
Total health and welfare	113,998	113,498	98,558	14,940
Culture and recreation:				
Parks administration	67,420	64,084	54,078	10,006
Library administration	316,370	314,220	305,797	8,423
Total culture and recreation	383,790	378,304	359,875	18,429
Housing and development:				
Protective inspection administration	134,566	129,566	122,711	6,855
Planning and zoning	160,929	148,929	144,451	4,478
Airport	15,500	57,990	54,175	3,815
Special facilities	47,205	47,205	27,932	19,273
Economic development	124,088	121,088	94,791	26,297
Total housing and development	482,288	504,778	444,060	60,718

(Continued)

CITY OF ST. MARYS, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAI
FOR THE YEAR ENDED JUNE 30, 2011

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

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

	Major Enterprise Funds		Nonmajor Enterprise Fund	
ASSETS	Water & Sewer Fund	Solid Waste Fund	Aquatic Center Fund	Totals
CURRENT ASSETS				
Cash and cash equivalents	$ 2,862,923	$ 410,553	$ 3,110	$ 3,276,586
Investments	724,554	-	-	724,554
Restricted cash and cash equivalents	1,026,128	-	-	1,026,128
Restricted investments	190,937	-	-	190,937
Accounts receivable, net	606,584	95,602	624	702,810
Accrued interest receivable	677	-	-	677
Prepaid expenses	70,146	3,361	-	73,507
Due from other funds	68,873	-	-	68,873
Total current assets	5,550,822	509,516	3,734	6,064,072
NONCURRENT ASSETS				
Restricted cash and cash equivalents	862,532	-	-	862,532
Deferred charges, unamortized bond issuance costs	318,536	-	-	318,536
Capital assets				
Non-depreciable	1,802,404	-	-	1,802,404
Depreciable, net of accumulated depreciation	76,648,455	10,661	1,807,758	78,466,874
Total noncurrent assets	79,631,927	10,661	1,807,758	81,450,346
Total assets	85,182,749	520,177	1,811,492	87,514,418
LIABILITIES				
CURRENT LIABILITIES, PAYABLE FROM CURRENT ASSETS				
Accounts payable	90,438	95,266	12,619	198,323
Accrued interest payable	251,221	-	-	251,221
Other accrued liabilities	63,735	1,357	26,082	91,174
Current portion of notes payable	322,789	-	-	322,789
Current portion of bonds payable	270,000	-	-	270,000
Total current liabilities, payable from current assets	998,183	96,623	38,701	1,133,507
CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS				
Customer deposits	492,480	-	-	492,480
Total current liabilities, payable from restricted assets	492,480	-	-	492,480
LONG-TERM LIABILITIES				
Revenue bonds payable, net	42,301,598	-	-	42,301,598
Notes payable	3,455,218	-	-	3,455,218
Advances from other funds	-	-	92,998	92,998
Total liabilities	47,247,479	96,623	131,699	47,475,801
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	32,101,254	10,661	1,807,758	33,919,673
Restricted for debt service	1,242,692	-	-	1,242,692
Restricted for renewal and extension	418,079	-	-	418,079
Unrestricted	4,173,245	412,893	(127,965)	4,458,173
Total net assets	$ 37,935,270	$ 423,554	$ 1,679,793	$ 40,038,617

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

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water & Sewer Fund	Solid Waste Fund	Aquatic Center Fund	Totals
OPERATING REVENUE				
Sanitation fees	$ -	$ 1,006,162	$ -	$ 1,006,162
Admission fees	-	-	190,367	190,367
Concessions	-	-	71,483	71,483
Water sales	2,871,975	-	-	2,871,975
Sewer sales	2,642,358	-	-	2,642,358
Tap and capacity recovery fees	153,154	-	-	153,154
Reconnection fees	47,703	-	-	47,703
Construction fees	119,201	-	-	119,201
Penalties	137,111	23,601	-	160,712
Miscellaneous	28,966	59,471	76,786	165,223
Total operating revenues	6,000,468	1,089,234	338,636	7,428,338
OPERATING EXPENSES				
Personal services	1,696,524	99,576	230,641	2,026,741
Purchased and contracted services	604,241	1,105,250	19,048	1,728,539
Supplies	954,321	-	127,251	1,081,572
Depreciation	2,032,783	7,419	83,755	2,123,957
Bad debt expense	16,092	-	-	16,092
Total operating expenses	5,303,961	1,212,245	460,695	6,976,901
Operating income (loss)	696,507	(123,011)	(122,059)	451,437
NONOPERATING REVENUES (EXPENSES)				
Interest income	30,055	-	-	30,055
Interest expense	(1,875,236)	-	-	(1,875,236)
Other nonoperating income	18,095	-	1,258	19,353
Total nonoperating revenues (expenses)	(1,827,086)	-	1,258	(1,825,828)
Loss before transfers and contributions	(1,130,579)	(123,011)	(120,801)	(1,374,391)
CAPITAL CONTRIBUTIONS	1,399,508	-	-	1,399,508
TRANSFERS				
Transfers in	-	-	6,910	6,910
Total transfers	-	-	6,910	6,910
Change in net assets	268,929	(123,011)	(113,891)	32,027
Total net assets, beginning of year	37,666,341	546,565	1,793,684	40,006,590
Total net assets, end of year	$ 37,935,270	$ 423,554	$ 1,679,793	$ 40,038,617

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

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water & Sewer Fund	Solid Waste Fund	Aquatic Center Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 5,918,571	$ 1,094,657	$ 338,012	$ 7,351,240
Payments to suppliers	(2,257,505)	(1,103,043)	(143,327)	(3,503,875)
Payments to employees	(1,698,406)	(99,282)	(235,749)	(2,033,437)
Net cash provided by (used in) operating activities	1,962,660	(107,668)	(41,064)	1,813,928
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	6,910	6,910
Other nonoperating income	18,095	-	1,258	19,353
Net cash provided by noncapital financing activities	18,095	-	8,168	26,263
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on revenue bonds payable	(41,100,000)	-	-	(41,100,000)
Principal payments on notes payable	(2,879,257)	-	-	(2,879,257)
Bond issuance cost	(267,691)	-	-	(267,691)
Proceeds from issuance of revenue bonds payable	41,455,000	-	-	41,455,000
Interest paid	(1,637,876)	-	-	(1,637,876)
Purchase of capital assets	(504,204)	-	-	(504,204)
Net cash used in capital and related financing activities	(4,934,028)	-	-	(4,934,028)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	151,927	-	-	151,927
Interest received	34,903	-	-	34,903
Net cash provided by investing activities	186,830	-	-	186,830
Net decrease in cash	(2,766,443)	(107,668)	(32,896)	(2,907,007)
Cash and cash equivalents, beginning of year	7,518,026	518,221	36,006	8,072,253
Cash and cash equivalents, end of year	$ 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	-	-	1,026,128
Noncurrent cash and cash equivalents	862,532	-	-	862,532
	$ 4,751,583	$ 410,553	$ 3,110	$ 5,165,246
Noncash investing, capital, and financing activities:				
Capital contributions received	$ 403,316	$ -	$ -	$ 403,316
Transfer of capital assets from other funds	996,192	-	-	996,192
Total noncash investing, capital and financing activities	$ 1,399,508	$ -	$ -	$ 1,399,508

(Continued)

CITY OF ST. MARYS, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water & Sewer Fund	Solid Waste Fund	Aquatic Center Fund	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 696,507	$ (123,011)	(122,059)	$ 451,437
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 assets and liabilities:				
(Increase) decrease 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.

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:

Assets	Years
Buildings	20-50
Infrastructure	30
Improvements	5-50
Machinery and equipment	3-10

J. Compensated Absences

It is the City’s policy to permit employees to accumulate a limited amount of earned but unused personal leave. All personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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:		
Cash and cash equivalents	$	7,430,953
Investments		771,633
Restricted cash and cash investments		1,281,359
Component Unit - cash and cash equivalents		35,083
Component Unit - investments		28,661
Total	$	9,547,689

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:

Investment	Maturities		Fair Value
Georgia Fund 1	59 day weighted average	$	1,184,566
Certificates of deposit	December 28, 2011		65,058
Certificates of deposit	March 4, 2012		125,879
		$	1,375,503

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

Investment	Maturity		Fair Value
Certificates of deposit	October 20, 2011	$	28,661

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:

	General	SPLOST	Water and Sewer	Solid Waste	Nonmajor Governmental Funds	Nonmajor Enterprise Fund
Receivables:						
Taxes	$ 512,573	$ -	$ -	$ -	$ -	$ -
Accounts	5,968	-	955,056	111,380	18,076	624
Accrued interest	-	-	677	-	-	-
Due from other governments	170,860	232,560	-	-	-	-
Less allowance for uncollectibles	(76,162)	-	(348,472)	(15,778)	-	-
Net total receivable	$ 613,239	$ 232,560	$ 607,261	$ 95,602	$ 18,076	$ 624

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 481,333	$ 1,317,405	$ -	$ -	$ 1,798,738
Construction in progress	1,425,292	124,236	-	(1,549,528)	-
Total	1,906,625	1,441,641	-	(1,549,528)	1,798,738
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

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 846,727	$ -	$ -	$ -	$ 846,727
Construction in progress	45,943,871	524,423	-	(45,512,617)	955,677
Total	46,790,598	524,423	-	(45,512,617)	1,802,404
Capital assets, being depreciated:					
Buildings	8,093,035	-	-	13,000	8,106,035
Infrastructure	42,091,605	534,667	(4,206)	45,499,617	88,121,683
Machinery and equipment	3,903,111	17,400	(6,668)	-	3,913,843
Total	54,087,751	552,067	(10,874)	45,512,617	100,141,561
Less accumulated depreciation for:					
Buildings	(3,221,458)	(194,556)	-	(1,625)	(3,417,639)
Infrastructure	(13,111,610)	(1,658,936)	4,206	1,625	(14,764,715)
Machinery and equipment	(3,228,536)	(270,465)	6,668	-	(3,492,333)
Total	(19,561,604)	(2,123,957)	10,874	-	(21,674,687)
Total capital assets, being depreciated, net	34,526,147	(1,571,890)	-	45,512,617	78,466,874
Business-type activities capital assets, net	$ 81,316,745	$ (1,047,467)	$ -	$ -	$ 80,269,278

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:

		Principal		Interest		Total
Fiscal year ending June 30,						
2012	$	270,000	$	2,071,588	$	2,341,588
2013		285,000		2,054,591		2,339,591
2014		300,000		2,036,675		2,336,675
2015		1,965,000		1,992,934		3,957,934
2016		2,075,000		1,904,566		3,979,566
2017-2021		10,855,000		7,920,156		18,775,156
2022-2026		10,340,000		5,430,500		15,770,500
2027-2031		12,450,000		2,652,275		15,102,275
2032-2033		5,600,000		254,250		5,854,250
Total	$	44,140,000	$	26,317,535	$	70,457,535

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:

Interest Rate	Term	Fiscal Year Due Date		Amount
2.00%	10 years	2012	$	30,943
5.60%	15 years	2013		19,766
3.00%	20 years	2025		3,679,598
4.05%	5 years	2012		47,700
			$	3,778,007

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:

	Governmental Activities		Business-type Activities	
Fiscal year ending June 30,	Principal	Interest	Principal	Interest
2012	$ 128,573	$ 1,741	$ 322,789	$ 108,706
2013	11,707	88	234,706	100,272
2014	-	-	240,073	93,340
2015	-	-	247,375	86,038
2016	-	-	254,774	78,639
2017-2021	-	-	1,395,719	271,347
2022-2025	-	-	1,082,571	57,885
Total	$ 140,280	$ 1,829	$ 3,778,007	$ 796,227

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:

	Governmental Activities
Machinery and equipment	$ 296,455

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

	Governmental Activities
Fiscal Year Ending June 30,	
2012	$ 9,191
Total minimum lease payments	9,191
Less amount representing interest	87
Present value of future minimum lease payments	$ 9,104

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

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

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

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:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	$ 85,501
General Fund	SPLOST Fund	167,546
Water & Sewer Fund	SPLOST Fund	68,873
Nonmajor governmental funds	Nonmajor governmental funds	18,076
		$ 339,996

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:

Transfers In	Transfers Out	Amount
General Fund	SPLOST Fund	$ 67,082
General Fund	Nonmajor governmental funds	211,059
Nonmajor enterprise fund	General Fund	6,910
Nonmajor governmental funds	General Fund	17,000
Nonmajor governmental funds	Nonmajor governmental funds	115,560
		$ 417,611

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.

Fiscal Year Ending	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
6/30/2009	$ 38,861	100%	$ -
6/30/2010	19,289	100%	-
6/30/2011	19,285	100%	-

Actuarial Valuation Date	Actuarial Value of Assets	AAL Actuarial Accrued Liability	(Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	(Overfunded) AAL as a Percentage of Covered Payroll
01/01/11	$ 1,080,532	$ 1,016,030	$ (64,502)	106.3%	$ 75,796	-85.1%

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.

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CITY OF ST. MARYS, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

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

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.

CITY OF ST. MARYS, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue		
ASSETS	**Hotel/Motel Tax Fund**	**Convention & Visitors Bureau**	**Multiple Grants Fund**
Cash and cash equivalents	$ -	$ 5,980	$ 406,589
Accounts receivable	18,076	-	-
Prepaid items	-	300	73,884
Due from other funds	-	18,076	-
Total assets	$ 18,076	$ 24,356	$ 480,473
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ -	$ 3,543	$ -
Accrued liabilities	-	416	-
Due to other funds	18,076	11,471	74,030
Total liabilities	18,076	15,430	74,030
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

Nonmajor Governmental Funds
$ 412,569
18,076
74,184
18,076
$ 522,905
$ 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

	Special Revenue		
	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund
REVENUES			
Taxes	$ 107,006	$ -	$ -
Intergovernmental	-	-	224,705
Interest	-	30	1,354
Miscellaneous	-	17,225	-
Total revenues	107,006	17,255	226,059
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	-
FUND BALANCE (DEFICIT), beginning of year	8,554	(12,443)	406,443
FUND BALANCE, end of year	$ -	$ 8,926	$ 406,443

Nonmajor Governmental Funds
$ 107,006
224,705
1,384
17,225
350,320
15,000
128,446
143,446
206,874
132,560
(326,619)
(194,059)
12,815
402,554
$ 415,369

CITY OF ST. MARYS, GEORGIA

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

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
City Sidewalks/Streets	$ 3,930,000	$ 4,630,000	$ 4,597,702	$ 229,672	$ 4,827,374
Drainage	3,500,000	4,287,817	3,375,639	99,404	3,475,043
Downtown Multi-Media Center	300,000	300,000	420,788	-	420,788
City Library Expansion	588,000	588,000	484,896	171,306	656,202
Totals	$ 8,318,000	$ 9,805,817	$ 8,879,025	$ 500,382	$ 9,379,407

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2009 ISSUE FOR THE YEAR ENDED JUNE 30, 2011

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
City Sidewalks/Streets	$ 4,730,000	$ 2,480,000	$ -	$ 148,046	$ 148,046
Drainage	5,530,000	3,000,000	-	210,878	210,878
Sewer	5,000,000	5,280,000	4,230,767	1,070,065	5,300,832
City Buildings	3,500,000	1,000,000	238,059	45,704	283,763
Totals	$ 18,760,000	$ 11,760,000	$ 4,468,826	$ 1,474,693	$ 5,943,519

CITY OF ST. MARYS, GEORGIA

BALANCE SHEET
COMPONENT UNITS
JUNE 30, 2011

ASSETS	Industrial Development Authority	Downtown Development Authority
Cash and cash equivalents	$ 12,678	$ 22,405
Investments	-	28,661
Total assets	$ 12,678	$ 51,066
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ -	$ 3,791
Total liabilities	-	3,791
FUND BALANCE		
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

	Industrial Development Authority	Downtown Development Authority
REVENUES		
Rental income	$ -	$ 3,600
Donations	-	2,497
Interest revenue	101	325
Total revenues	101	6,422
EXPENDITURES		
Current		
Housing and development	37,500	730
Net change in fund balance	(37,399)	5,692
FUND BALANCE, beginning of year	50,077	41,583
FUND BALANCE, end of year	$ 12,678	$ 47,275

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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.

Mauldin & Jenkins, LLC

Macon, Georgia
December 16, 2011

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 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.