

CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2007

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CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

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CITY OF ST. MARYS, GEORGIA

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of St. Marys, Georgia (the "City")** as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Marys, Georgia as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007, on our consideration of the City of St. Marys, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of St. Marys, Georgia. The combining nonmajor fund financial statements and schedules, schedules of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
December 31, 2007

CITY OF ST. MARYS, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of St. Marys, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of St. Marys, Georgia for the fiscal year ended June 30, 2007. 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, 2007 by \$48.8 million (*net assets*). Of this amount, \$12.4 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 \$3.7 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7.3 million an increase of \$0.5 million in comparison with the prior year. Approximately 99% of this total amount, \$7.28 million is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was a positive \$6.4 million or a positive 55% of total general fund expenditures.
- The City's total debt increased by \$1,285,759 during the current fiscal year. This increase consisted of new debt of \$2,678,993 and scheduled payments of \$1,393,234.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of St. Marys basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements 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 also presents information on the City's component unit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and sanitation.

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

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and SPLOST fund, because they are considered 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 11 - 22 of this report.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 46 of this report.

Other information. 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. Combining and individual fund statements and schedules can be found on pages 47 - 53 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 \$48.8 million at the close of the most recent fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ST. MARYS NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Current and other assets	\$ 7,897,698	\$ 7,472,443	\$ 7,893,701.00	\$ 8,255,176.00	\$ 15,791,399	\$ 15,727,619
Capital assets	15,373,601	14,358,680	34,360,255	30,797,460	49,733,856	45,156,140
Total assets	\$ 23,271,299	\$ 21,831,123	42,253,956	39,052,636	65,525,255	60,883,759
Long-term liabilities outstanding	\$ 2,354,485	\$ 1,444,389	\$ 11,797,732	\$ 11,422,069	\$ 14,152,217	\$ 12,866,458
Other liabilities	765,886	790,985	1,760,776	2,062,679	2,526,662	2,853,664
Total liabilities	\$ 3,120,371	\$ 2,235,374	\$ 13,558,508	\$ 13,484,748	\$ 16,678,879	\$ 15,720,122
Net assets:						
Invested in capital assets, net of related debt	\$ 13,019,116	\$ 12,914,291	\$ 22,562,523	\$ 19,375,391	\$ 35,581,639	\$ 32,289,682
Restricted	-	-	834,901	829,214	834,901	829,214
Unrestricted	7,131,812	6,681,458	5,298,024	5,363,283	12,429,836	12,044,741
Total net assets	\$ 20,150,928	\$ 19,595,749	\$ 28,695,448	\$ 25,567,888	\$ 48,846,376	\$ 45,163,637

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 \$48.8 million for the year ending June 30, 2007. Of this amount, \$28.7 million came from business-type activities and \$20.1 million came from governmental activities. This was an increase over 2006 of \$3.7 million.

The unrestricted net assets (\$12,429,836) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities during the fiscal year ended June 30, 2007 increased the City of St. Marys' net assets by \$555,179. Business-type activities during the same period increased net assets by \$3,127,560 for a total increase in net assets of \$3,682,739. The following chart shows the revenue and expenses by activity for the total primary government.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ST. MARYS CHANGES IN NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities			
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Revenues:						
Program revenues						
Charges for services	\$ 2,976,366	\$ 1,949,198	\$ 4,976,525	\$ 4,516,453	\$ 7,952,891	\$ 6,465,651
Operating grants and contributions	29,718	285,899	-	-	29,718	285,899
Capital grants and contributions	91,567	363,599	3,151,297	5,855,695	3,242,864	6,219,294
General revenues:						
Property taxes	3,223,663	2,863,547	-	-	3,223,663	2,863,547
Franchise taxes	724,213	669,800	-	-	724,213	669,800
Sales taxes	2,860,254	2,693,974	-	-	2,860,254	2,693,974
Hotel/motel taxes	131,118	133,199	-	-	131,118	133,199
Other taxes	948,736	771,618	-	-	948,736	771,618
Unrestricted investment earnings	198,602	135,488	227,310	162,544	425,912	298,032
Gain on sale of capital assets	9,492	-	13,877	-	23,369	-
Miscellaneous	-	30	17,222	87	17,222	117
Total revenues	11,193,729	9,866,352	8,386,231	10,534,779	19,579,960	20,401,131
Expenses:						
General government	2,041,996	1,376,561	-	-	2,041,996	1,376,561
Judicial	253,957	221,341	-	-	253,957	221,341
Public safety	3,969,907	3,283,264	-	-	3,969,907	3,283,264
Public works	2,438,935	2,067,212	-	-	2,438,935	2,067,212
Health and welfare	58,226	64,876	-	-	58,226	64,876
Culture and recreation	1,006,264	968,271	-	-	1,006,264	968,271
Housing and development	788,967	814,738	-	-	788,967	814,738
Interest on long-term debt	80,298	66,975	-	-	80,298	66,975
Water and sewer	-	-	4,342,075	3,979,052	4,342,075	3,979,052
Solid waste	-	-	916,596	806,276	916,596	806,276
Total expenses	10,638,550	8,863,238	5,258,671	4,785,328	15,897,221	13,648,566
Increase in net assets	555,179	1,003,114	3,127,560	5,749,451	3,682,739	6,752,565
Net assets, beginning of year	19,595,749	18,592,635	25,567,888	19,818,437	45,163,637	38,411,072
Net assets, end of year	\$ 20,150,928	\$ 19,595,749	\$28,695,448	\$25,567,888	\$ 48,846,376	\$ 45,163,637

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Balances:

Governmental Funds:

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

At the end of FY 2007, the General Fund had a fund balance of \$6,466,912. This is an increase of \$194,745 from the beginning fund balance. Fund Balance was budgeted to be used in the General Fund for FY 2007-08 instead of increasing revenues for the General Fund through taxes.

The fund balances for the SPLOST fund increased by \$2,166. The fund balance at the end of FY2007 was a deficit \$15,260.

The fund balances for the other governmental funds increased by \$298,312. The final fund balances for these funds were \$880,682 at the end of the year.

Business-Type Activities Funds:

The enterprise funds, which include the City's Water & Sewer Fund and Solid Waste Fund showed a combined cash and cash equivalents balance of \$6,102,499 at the end of the year ending June 30, 2007. Of this amount \$1,433,762 are restricted assets.

The Water and Sewer Fund had an ending net asset balance of \$27,846,096 for FY 2007. This was an increase of \$2,996,058 from the previous year. Of the balance, \$834,901 is restricted net assets.

The Solid Waste Fund had an increase for the year of \$131,502 in the net assets for FY2007. Its net assets increased to \$849,352 at the end of the year. There are no restricted net assets in the Solid Waste Fund.

General Fund Budget Highlights

The budget was prepared according to Georgia Law.

The 2007 original revenue budget was \$8,666,365. It was amended to \$8,707,863 to account for additional miscellaneous revenues. In total, the City realized 119% of the projected 2007 revenues.

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

\$23,950 increase in fines and forfeitures – to account for an increase in fines collected
\$17,548 increase in miscellaneous revenues – insurance proceeds
\$40,416 decrease in general government – contingency transferred to various departments

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budget Highlights (continued)

\$944,693 increase in public safety – account for the purchase of a fire truck provided by Cumberland Harbour and capital expenditures from a grant received by the City.

\$34,608 increase in public works – capital expenditure

\$23,950 increase in judicial – for additional fees collected as pass through

\$4,000 increase in health and welfare – salaries increase

\$7,650 increase in culture and recreation – capital assets

\$63,000 increase in housing and development – engineering services

\$18,000 increase in debt service – to cover principal and interest payments

\$1,010,788 increase in other financing sources (uses) – increase for grant transfers and increase in capital leases

Comparison of Final Budget and Actual revenues and expenditures

Revenues – All categories exceeded budgeted collections

Expenditure deficiencies:

General government – Building and plant increase in property/liability insurance

Public works – due to increase in insurance

Judicial – increase in fees due to additional collections

Culture and recreation – increase in supplies

Transfers out – advanced grant revenue returned due to savings on expenditures

Actual expenditures (\$11,657,708) came in less than the budgeted expenditures (\$12,698,855). The actual expenditures do not include the other financing sources (uses).

The City's actual revenues exceeded the expenditures by \$194,745 including the other financing sources (uses).

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year ending June 30, 2007, governmental activities and business-type activities had total capital assets of \$49,733,856 (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 purchase of new equipment. Business-type activities major increase was due to new construction.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ST. MARYS CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities	Business-type Activities	Total
	2007	2007	
Land	\$ 481,333	\$ 846,727	\$ 1,328,060
Construction in progress	20,644	3,245,219	3,265,863
Buildings	5,381,350	3,287,659	8,669,009
Improvements	5,663,084	-	5,663,084
Machinery & equipment	2,305,871	1,416,438	3,722,309
Infrastructure	1,521,319	25,564,212	27,085,531
Total	\$ 15,373,601	\$ 34,360,255	\$ 49,733,856

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

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

At the end of June 30, 2007, the City had \$2,354,485 of outstanding debt related to governmental activities and \$11,797,732 of outstanding debt related to business-type activities for a total of \$13,658,775 compared to the previous year's total of \$12,920,458. This is an increase of \$738,317.

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

Factors affecting the FY 2007 Budget:

The Mayor and Council of the City of St. Marys considered many factors when approving the City's FY 2008 budget and are very aware of present economic conditions and their effect on its citizens. The Mayor and Council chose to continue to use reserves and reductions in fund balances to fund operations and capital expenses in 2008. The City is experiencing growth and with growth, there are growing pains. The millage stayed the same and the City is using loans to help purchase needed equipment to ensure the citizens receive the best service. The City increased business type rates to cover new construction and debt service.

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, 2007**

ASSETS	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Industrial Development Authority
Cash and cash equivalents	\$ 6,369,270	\$ 4,668,737	\$ 11,038,007	\$ 9,306
Investments	876,784	589,797	1,466,581	343,308
Taxes receivable	141,282	-	141,282	-
Accounts receivable, net of allowances	-	452,323	452,323	-
Accrued interest receivable	240	-	240	7,217
Other receivables	40,681	-	40,681	-
Due from other governments	422,381	-	422,381	-
Internal balances	47,060	(47,060)	-	-
Other current assets	-	6,064	6,064	-
Restricted assets, cash and investments	-	2,129,610	2,129,610	-
Deferred charges, unamortized balance	-	94,230	94,230	-
Capital assets:				
Non-depreciable	501,978	4,091,946	4,593,924	79,500
Depreciable, net of accumulated depreciation	14,871,623	30,268,309	45,139,932	-
Total assets	23,271,299	42,253,956	65,525,255	439,331
LIABILITIES				
Accounts payable	161,271	114,828	276,099	-
Intergovernmental payable	198,617	-	198,617	-
Contracts payable	-	916,373	916,373	-
Retainages payable	-	124,651	124,651	-
Accrued liabilities	90,432	97,959	188,391	-
Customer deposits	-	506,965	506,965	-
Compensated absences due within one year	78,891	-	78,891	-
Compensated absences due in more than one year	236,675	-	236,675	-
Capital leases due within one year	675,037	-	675,037	-
Capital leases due in more than one year	145,808	-	145,808	-
Notes payable due within one year	662,819	566,948	1,229,767	-
Notes payable due in more than one year	870,821	7,825,784	8,696,605	-
Bonds payable due in more than one year	-	3,405,000	3,405,000	-
Total liabilities	3,120,371	13,558,508	16,678,879	-
NET ASSETS				
Investment in capital assets, net of related debt	13,019,116	22,562,523	35,581,639	79,500
Restricted for debt service	-	440,093	440,093	-
Restricted for renewal and extension	-	394,808	394,808	-
Unrestricted	7,131,812	5,298,024	12,429,836	359,831
Total net assets	\$ 20,150,928	\$ 28,695,448	\$ 48,846,376	\$ 439,331

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, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,041,996	\$ 1,942,812	\$ -	\$ -
Public safety	3,969,907	490,937	8,149	4,840
Public works	2,438,935	84,344	-	86,727
Health and welfare	58,226	-	-	-
Judicial	253,957	-	-	-
Culture and recreation	1,006,264	458,273	-	-
Housing and development	788,967	-	21,569	-
Interest on long-term debt	80,298	-	-	-
Total governmental activities	<u>10,638,550</u>	<u>2,976,366</u>	<u>29,718</u>	<u>91,567</u>
Business-type activities:				
Water & sewer	4,342,075	3,945,534	-	3,151,297
Solid waste	916,596	1,030,991	-	-
Total business-type activities	<u>5,258,671</u>	<u>4,976,525</u>	<u>-</u>	<u>3,151,297</u>
Total primary government	<u>\$ 15,897,221</u>	<u>\$ 7,952,891</u>	<u>\$ 29,718</u>	<u>\$ 3,242,864</u>
Component Unit: Industrial Development Authority	<u>\$ 40,090</u>	<u>\$ 4,961</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Franchise taxes				
Sales taxes				
Hotel/motel taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Unit Industrial Development Authority
\$ (99,184)	\$ -	\$ (99,184)	\$ -
(3,465,981)	-	(3,465,981)	-
(2,267,864)	-	(2,267,864)	-
(58,226)	-	(58,226)	-
(253,957)	-	(253,957)	-
(547,991)	-	(547,991)	-
(767,398)	-	(767,398)	-
(80,298)	-	(80,298)	-
<u>(7,540,899)</u>	<u>-</u>	<u>(7,540,899)</u>	<u>-</u>
-	2,754,756	2,754,756	-
-	114,395	114,395	-
-	2,869,151	2,869,151	-
<u>(7,540,899)</u>	<u>2,869,151</u>	<u>(4,671,748)</u>	<u>-</u>
-	-	-	(35,129)
3,223,663	-	3,223,663	-
724,213	-	724,213	-
2,860,254	-	2,860,254	-
131,118	-	131,118	-
948,736	-	948,736	-
198,602	227,310	425,912	10,559
9,492	13,877	23,369	175,734
-	17,222	17,222	-
<u>8,096,078</u>	<u>258,409</u>	<u>8,354,487</u>	<u>186,293</u>
555,179	3,127,560	3,682,739	151,164
19,595,749	25,567,888	45,163,637	288,167
<u>\$ 20,150,928</u>	<u>\$ 28,695,448</u>	<u>\$ 48,846,376</u>	<u>\$ 439,331</u>

CITY OF ST. MARYS, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 5,366,992	\$ 220,291	\$ 781,987	\$ 6,369,270
Investments	804,837	-	71,947	876,784
Taxes receivable	138,038	-	3,244	141,282
Accounts receivable	12,093	-	28,588	40,681
Accrued interest receivable	-	-	240	240
Due from other governments	407,721	-	14,660	422,381
Due from other funds	64,239	-	6,767	71,006
Advances to other funds	47,624	-	-	47,624
Total assets	\$ 6,841,544	\$ 220,291	\$ 907,433	\$ 7,969,268
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ 127,134	\$ 33,278	\$ 860	\$ 161,272
Intergovernmental payable	-	198,617	-	198,617
Accrued liabilities	82,790	-	891	83,681
Deferred revenues	121,794	-	-	121,794
Due to other funds	42,914	3,656	25,000	71,570
Total liabilities	374,632	235,551	26,751	636,934
FUND BALANCES (DEFICIT)				
Fund balances:				
Reserved for:				
Advances	47,624	-	-	47,624
Unreserved (deficit), reported in:				
General fund	6,419,288	-	-	6,419,288
Special revenue funds	-	-	772,682	772,682
Capital projects fund	-	(15,260)	108,000	92,740
Total fund balances (deficits)	6,466,912	(15,260)	880,682	7,332,334
Total liabilities and fund balances (deficits)	\$ 6,841,544	\$ 220,291	\$ 907,433	

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.	15,373,601
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	121,794
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(2,676,801)
Net assets of governmental activities	\$ 20,150,928

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, 2007**

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Revenues				
Taxes	\$ 7,283,980	\$ 474,463	\$ 131,391	\$ 7,889,834
Licenses and permits	1,057,400	-	-	1,057,400
Intergovernmental	-	-	121,285	121,285
Fines and forfeitures	490,937	-	-	490,937
Charges for services	427,928	-	-	427,928
Interest income	180,650	2,167	15,785	198,602
Other revenues	874,837	-	125,264	1,000,101
Total revenues	<u>10,315,732</u>	<u>476,630</u>	<u>393,725</u>	<u>11,186,087</u>
Expenditures				
Current:				
General government	1,748,274	-	3,990	1,752,264
Public safety	4,925,078	-	-	4,925,078
Public works	2,404,363	-	-	2,404,363
Health and welfare	95,256	-	-	95,256
Judicial	253,957	-	-	253,957
Culture and recreation	703,152	-	156,639	859,791
Housing and development	763,407	-	-	763,407
Capital outlay	-	474,464	-	474,464
Debt service:				
Principal	682,349	-	-	682,349
Interest and fiscal charges	81,872	-	-	81,872
Total expenditures	<u>11,657,708</u>	<u>474,464</u>	<u>160,629</u>	<u>12,292,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,341,976)</u>	<u>2,166</u>	<u>233,096</u>	<u>(1,106,714)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	9,492	-	-	9,492
Capital leases and notes payable	1,592,445	-	-	1,592,445
Transfers in	4,840	-	194,987	199,827
Transfers out	(70,056)	-	(129,771)	(199,827)
Total other financing sources (uses)	<u>1,536,721</u>	<u>-</u>	<u>65,216</u>	<u>1,601,937</u>
Net change in fund balances	194,745	2,166	298,312	495,223
Fund balances, beginning of year	<u>6,272,167</u>	<u>(17,426)</u>	<u>582,370</u>	<u>6,837,111</u>
Fund balances, end of year	<u>\$ 6,466,912</u>	<u>\$ (15,260)</u>	<u>\$ 880,682</u>	<u>\$ 7,332,334</u>

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

CITY OF ST. MARYS, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Net change in fund balances - total governmental funds	\$	495,223
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		1,014,921
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,850)
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.		(910,096)
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.		(43,019)
	<u>\$</u>	<u>555,179</u>

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

CITY OF ST. MARYS, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,682,500	\$ 6,682,500	\$ 7,283,980	\$ 601,480
Licenses and permits	675,750	675,750	1,057,400	381,650
Fines and forfeitures	354,450	378,400	490,937	112,537
Interest	90,000	90,000	180,650	90,650
Charges for services	395,690	395,690	427,928	32,238
Miscellaneous	467,975	485,523	874,837	389,314
Total revenues	8,666,365	8,707,863	10,315,732	1,607,869
Expenditures				
Current:				
General government:				
Legislative	227,920	230,120	191,381	38,739
Executive	217,791	278,366	270,816	7,550
Finance	1,136,425	1,033,234	829,511	203,723
Building and plant	302,427	302,427	344,900	(42,473)
Human resources	120,758	120,758	111,666	9,092
Total general government	2,005,321	1,964,905	1,748,274	216,631
Public safety:				
Fire	1,416,109	2,360,803	2,154,040	206,763
Police	2,943,656	2,943,655	2,771,038	172,617
Total public safety	4,359,765	5,304,458	4,925,078	379,380
Public works:				
Public works administration	2,322,858	2,357,466	2,071,405	286,061
Highways and streets administration	270,000	270,000	270,764	(764)
Cemetery	61,200	61,200	62,194	(994)
Total public works	2,654,058	2,688,666	2,404,363	284,303
Judicial:				
Municipal court	229,417	253,367	253,957	(590)
Total judicial	229,417	253,367	253,957	(590)
Health and welfare:				
Senior citizens center	105,795	109,795	95,256	14,539
Total health and welfare	105,795	109,795	95,256	14,539
Culture and recreation:				
Culture and recreation administration	346,719	354,369	356,203	(1,834)
Parks administration	-	-	63,386	(63,386)
Library administration	319,744	319,744	283,563	36,181
Total culture and recreation	666,463	674,113	703,152	(29,039)
Housing and development:				
Protective inspection administration	248,563	248,563	243,772	4,791
Planning and zoning	300,988	300,988	241,520	59,468
Airport	50,000	113,000	89,095	23,905
Special facilities	96,720	96,720	81,048	15,672
Economic development	115,423	115,423	107,972	7,451
Total housing and development	811,694	874,694	763,407	111,287

(Continued)

CITY OF ST. MARYS, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures (continued):				
Debt service:				
Principal	\$ 702,490	\$ 717,190	\$ 682,349	\$ 34,841
Interest	108,367	111,667	81,872	29,795
Total debt service	<u>810,857</u>	<u>828,857</u>	<u>764,221</u>	<u>64,636</u>
Total expenditures	<u>11,643,370</u>	<u>12,698,855</u>	<u>11,657,708</u>	<u>1,041,147</u>
Deficiency of revenues under expenditures	<u>(2,977,005)</u>	<u>(3,990,992)</u>	<u>(1,341,976)</u>	<u>2,649,016</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	9,492	9,492
Capital leases	1,081,010	1,743,103	1,592,445	(150,658)
Transfers in	50,000	398,695	4,840	(393,855)
Transfers out	-	-	(70,056)	(70,056)
Total other financing sources (uses)	<u>1,131,010</u>	<u>2,141,798</u>	<u>1,536,721</u>	<u>(605,077)</u>
Net change in fund balances	<u>(1,845,995)</u>	<u>(1,849,194)</u>	<u>194,745</u>	<u>2,043,939</u>
Fund balances, beginning of year	<u>6,272,167</u>	<u>6,272,167</u>	<u>6,272,167</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,426,172</u>	<u>\$ 4,422,973</u>	<u>\$ 6,466,912</u>	<u>\$ 2,043,939</u>

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

CITY OF ST. MARYS, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

ASSETS	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,018,574	\$ 650,163	\$ 4,668,737
Investments	589,797	-	589,797
Restricted cash and cash equivalents	988,653	-	988,653
Restricted investments	306,056	-	306,056
Accounts receivable, net	352,689	99,634	452,323
Accrued interest receivable	6,064	-	6,064
Due from other funds	24,035	36,244	60,279
Total current assets	<u>6,285,868</u>	<u>786,041</u>	<u>7,071,909</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	445,109	-	445,109
Restricted investments	389,792	-	389,792
Deferred charges, unamortized bond issuance costs	94,230	-	94,230
Capital assets			
Non-depreciable	4,091,946	-	4,091,946
Depreciable, net of accumulated depreciation	30,104,862	163,447	30,268,309
Total noncurrent assets	<u>35,125,939</u>	<u>163,447</u>	<u>35,289,386</u>
Total assets	<u>41,411,807</u>	<u>949,488</u>	<u>42,361,295</u>
LIABILITIES			
CURRENT LIABILITIES, PAYABLE FROM CURRENT ASSETS			
Accounts payable	78,848	35,980	114,828
Contracts payable	916,373	-	916,373
Retainage payable	124,651	-	124,651
Accrued interest payable	24,019	-	24,019
Other accrued liabilities	54,611	19,329	73,940
Due to other funds	59,715	-	59,715
Current portion of notes payable	557,539	9,409	566,948
Total current liabilities, payable from current assets	<u>1,815,756</u>	<u>64,718</u>	<u>1,880,474</u>
CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS			
Customer deposits	506,965	-	506,965
Total current liabilities, payable from restricted assets	<u>506,965</u>	<u>-</u>	<u>506,965</u>
LONG-TERM LIABILITIES			
Revenue bonds payable, net	3,405,000	-	3,405,000
Notes payable	7,825,784	-	7,825,784
Advances from other funds	12,206	35,418	47,624
Total liabilities	<u>13,565,711</u>	<u>100,136</u>	<u>13,665,847</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,408,485	154,038	22,562,523
Restricted for debt service	440,093	-	440,093
Restricted for renewal and extension	394,808	-	394,808
Unrestricted	4,602,710	695,314	5,298,024
Total net assets	<u>\$ 27,846,096</u>	<u>\$ 849,352</u>	<u>\$ 28,695,448</u>

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

CITY OF ST. MARYS, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
OPERATING REVENUE			
Sanitation fees	\$ -	\$ 1,006,690	\$ 1,006,690
Water sales	1,892,840	-	1,892,840
Sewer sales	1,728,394	-	1,728,394
Reconnection fees	55,070	-	55,070
Construction fees	163,252	-	163,252
Penalties	85,941	-	85,941
Miscellaneous	20,037	24,301	44,338
Total operating revenues	<u>3,945,534</u>	<u>1,030,991</u>	<u>4,976,525</u>
OPERATING EXPENSES			
Personal services	1,200,458	390,610	1,591,068
Purchased and contracted services	530,378	316,753	847,131
Supplies	884,360	137,002	1,021,362
Depreciation	1,199,115	70,275	1,269,390
Total operating expenses	<u>3,814,311</u>	<u>914,640</u>	<u>4,728,951</u>
Operating income	<u>131,223</u>	<u>116,351</u>	<u>247,574</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	220,243	7,067	227,310
Interest expense	(527,764)	(1,956)	(529,720)
Other nonoperating income	12,211	5,011	17,222
Gain on disposal of capital assets	8,848	5,029	13,877
Total nonoperating revenues (expenses)	<u>(286,462)</u>	<u>15,151</u>	<u>(271,311)</u>
Income (loss) before contributions	<u>(155,239)</u>	<u>131,502</u>	<u>(23,737)</u>
Capital contributions	3,151,297	-	3,151,297
	<u>3,151,297</u>	<u>-</u>	<u>3,151,297</u>
Change in net assets	2,996,058	131,502	3,127,560
Total net assets, beginning of year	<u>24,850,038</u>	<u>717,850</u>	<u>25,567,888</u>
Total net assets, end of year	<u>\$ 27,846,096</u>	<u>\$ 849,352</u>	<u>\$ 28,695,448</u>

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

CITY OF ST. MARYS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,027,884	\$ 1,019,132	\$ 5,047,016
Payments to suppliers	(1,557,222)	(412,829)	(1,970,051)
Payments to employees	(1,196,361)	(392,071)	(1,588,432)
Net cash provided by operating activities	<u>1,274,301</u>	<u>214,232</u>	<u>1,488,533</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	(23,749)	(30,795)	(54,544)
Other nonoperating income	12,211	5,011	17,222
Net cash (used in) noncapital financing activities	<u>(11,538)</u>	<u>(25,784)</u>	<u>(37,322)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on revenue bonds payable	(215,000)	-	(215,000)
Principal payments on notes payable	(477,577)	(18,308)	(495,885)
Issuance of notes payable	1,086,548	-	1,086,548
Interest paid	(517,657)	(1,956)	(519,613)
Capital contributions	1,568,862	-	1,568,862
Purchase of capital assets	(3,249,751)	-	(3,249,751)
Proceeds from sale of capital assets	8,848	5,029	13,877
Net cash (used in) capital and related financing activities	<u>(1,795,727)</u>	<u>(15,235)</u>	<u>(1,810,962)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(356,504)	-	(356,504)
Interest received	217,879	7,067	224,946
Net cash provided by (used in) investing activities	<u>(138,625)</u>	<u>7,067</u>	<u>(131,558)</u>
Net increase (decrease) in cash	(671,589)	180,280	(491,309)
Cash and cash equivalents, beginning of year	6,123,925	469,883	6,593,808
Cash and cash equivalents, end of year	<u>\$ 5,452,336</u>	<u>\$ 650,163</u>	<u>\$ 6,102,499</u>
Classified as:			
Cash and cash equivalents	\$ 4,018,574	\$ 650,163	\$ 4,668,737
Restricted assets:			
Cash and cash equivalents	1,433,762	-	1,433,762
	<u>\$ 5,452,336</u>	<u>\$ 650,163</u>	<u>\$ 6,102,499</u>

NONCASH CAPITAL FINANCING ACTIVITIES
Capital assets of \$1,582,434 in the Water & Sewer Fund were acquired through contributions from developers.

(Continued)

CITY OF ST. MARYS, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 131,223	\$ 116,351	\$ 247,574
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,199,115	70,275	1,269,390
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	51,615	(11,859)	39,756
Decrease in prepaid expenses	73,339	32,698	106,037
Decrease in due from other funds	112,649	9,067	121,716
Increase (decrease) in accounts payable	(567,393)	6,160	(561,233)
Increase in contracts payable	201,416	-	201,416
Increase in retainages payable	23,101	-	23,101
Increase (decrease) in accrued liabilities	4,097	(1,461)	2,636
Increase in customer deposits	30,735	-	30,735
Increase (decrease) in due to other funds	14,404	(6,999)	7,405
Net cash provided by operating activities	<u>\$ 1,274,301</u>	<u>\$ 214,232</u>	<u>\$ 1,488,533</u>

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

CITY OF ST. MARYS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Discretely Presented Component Unit. The Industrial Development Authority of St. Marys (the "Authority") is governed by a seven member board, the majority of which are appointed by St. 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.

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.