CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

CITY OF ST. MARYS, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

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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 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, 2009, 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, 2009, 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 30, 2009, 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 and the Schedule of Funding Progress on page 47 are not a required part of the basic financial statements, but are 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 schedule of expenditures of special purpose local option sales tax is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 and is not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedules, and schedule of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
December 30, 2009

CITY OF ST. MARYS, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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, 2009. 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, 2009 by $57.5 million (*net assets*). Of this amount, $12.6 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 $7.6 million.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending net assets of $19.4 million a decrease of $.8 million in comparison with the prior year. Approximately 26% of this total amount, $5 million is *available for spending* at the City's discretion (*unreserved fund balance*).

- As of the close of the current fiscal year, the City's business-type funds reported combined ending net assets of $38.1 million, an increase of $8.4 in comparison with the prior year. Approximately 20% of this total amount, $7.6 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 $4.5 million or a positive 44.1% of total general fund expenditures.

During the current fiscal year, the City's total debt increased by $128,000. This increase consisted of new debt for Governmental activities for the purchase of new equipment. The Business-type activities had no debt increase in 2009. The total reduction in debt service was $3,213,442.

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 a component unit of the City.

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

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

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 48 - 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 $57.5 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, 2009

	Governmental Activities		Business-type Activities	
	2008	2009	2008	2009
Current and other assets	$ 6,156,219	$ 6,098,827	$ 37,173,589	$ 24,686,825
Capital assets	16,598,303	15,457,100	49,558,850	69,059,110
Total assets	22,754,522	21,555,927	86,732,439	93,745,935
Other liabilities	1,452,869	1,547,537	3,787,374	4,212,117
Long-term liabilities outstanding	1,121,215	629,197	53,226,978	51,442,264
Total liabilities	2,574,084	2,176,734	57,014,352	55,654,381
Net assets:				
Invested in capital assets, net of related debt	14,851,172	14,360,678	21,406,616	26,744,210
Restricted for debt service			3,306,943	3,325,062
Restricted for renewal and extension			410,581	416,205
Unrestricted	5,329,266	5,018,515	4,593,947	7,606,077
Total net assets	$ 20,180,438	$ 19,379,193	$ 29,718,087	$ 38,091,554

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 $57.5 million for the year ending June 30, 2009. Of this amount, $38.1 million came from business-type activities and $19.4 million came from governmental activities. This was an increase over 2008 for $7.6 million. The Industrial Development Authority (Component Unit) total net assets for 2009 are $419,572, which is not included in the above totals. This was a decrease over 2008 of $34,355.

The unrestricted net assets ($12.6 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 except in the Splost Fund and Convention & Visitors Bureau. The negative fund balance in Splost is due to prior year accounting fees. The negative fund balance in Convention & Visitors Bureau is due to a sluggish economy.

Governmental activities. Governmental activities during the fiscal year ending June 30, 2009 decreased the City of St. Marys net assets by $801,245. Business-type activities during the same period increased net assets by $8.4 million for a total increase in net assets of $7.6. The Industrial Development Authority showed a decrease of $34,355 in the 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 2009

	Governmental Activities		Business-type Activities	
	2008	2009	2008	2009
Revenues				
Program Revenues				
Charges for services	$ 2,002,667	$ 2,016,689	$ 5,418,877	$ 5,709,292
Operating grants and contributions	537,196	73,105		
Capital grants and contribution	0	0	1,573,959	4,808,077
General Revenues:				
Property taxes	3,558,092	3,899,788		
Franchise taxes	768,041	814,810		
Sales taxes	4,101,868	6,012,916		
Hotel/motel Taxes	126,521	110,980		
Other taxes	977,604	1,014,643		
Unrestricted investment earnings	147,341	68,953	682,374	286,457
Gain on Sale of capital assets	99,000	8,719	0	0
Miscellaneous	92,500	0	40,742	13,881
Total revenues	12,410,830	14,020,603	7,715,952	10,817,707
Expenses				
Governmental activities				
General government	1,356,206	1,652,603		
Public safety	4,628,281	4,468,636		
Public works	4,162,567	2,466,841		
Health and welfare	89,928	134,682		
Judicial	250,126	191,884		
Culture and recreation	987,974	595,489		
Housing and development	791,216	592,903		
Interest on long-term debt	115,022	58,557		
Business-type activities				
Water and Sewer			5,609,650	5,419,176
Sanitation			1,083,663	1,202,957
Aquatic Center				482,360
	12,381,320	10,161,595	6,693,313	7,104,493
Increase in net assets before transfers	29,510	3,859,008	1,022,639	3,713,214
Transfers	0	-4,660,253	0	4,660,253
Increase in net assets	29,510	-801,245	1,022,639	8,373,467
Net assets, beginning of year	20,150,928	20,180,438	28,695,448	29,718,087
Net assets, end of year	$ 20,180,438	$ 19,379,193	$ 29,718,087	$ 38,091,554

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 FY2009, the General Fund had a fund balance of $4,483,795. This is a decrease of $511,166 from the beginning fund balance. The General Fund's budget FY2009-10 was decreased to keep from depleting fund balance to support expenses due to the sluggish economy.

The fund balances for the SPLOST fund increased by $2,760. The fund balance at the end of FY2009 was a negative $16,498.

The fund balances for the other governmental funds decreased by $155,579. The total fund balances for these funds was a positive $531,183 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 $21,783,134 at the end of fiscal year ending June 30, 2009. Of this amount, $16,540,583 is restricted assets.

The Water and Sewer Fund had an ending net asset balance of $35,491,729 for FY2009. This was an increase of $6,654,544 from the previous year. Of this balance, $28,476,541 is restricted assets.

The Solid Waste Fund had an ending net asset balance of $674,077 for FY2009. This was a decrease of $206,825 from the previous year. Of this balance, $33,667 is restricted assets.

The Aquatic Center Fund, which was established in FY2009, had an ending net asset balance of $1,925,748. Of this balance, $1,975,269 is restricted assets with an unrestricted deficit of ($49,521).

General Fund Budget Highlights

The budget was prepared according to Georgia Law.

The 2009 original revenue budget was $10,484,085. It was amended to $10,748,086 to account for additional tax revenues. In total, the City realized 88% of the projected FY2009 revenues.

General Fund Budget Highlights continued

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

$309,397 increase in tax revenue – to account for an increase in real property growth
$45,396 decrease in miscellaneous revenues – decrease in rental income

A decrease was realized in all (total) expenditure categories – budget cuts due to economic conditions

Comparison of Final Budget and Actual expenditures:

Revenues – All categories were deficient, excluding miscellaneous.
The deficiencies are due to economic conditions.

Expenditures deficiencies:
Debt Service – City made 13 loan payments in FY2009

Actual expenditures ($10,171,482) came in less than the budget expenditures ($11,406,289). The actual expenditures do not include the other financing sources (uses).

The City's actual expenditures exceeded revenues the by $511,166, including the other financing sources (uses).

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year ending June 30, 2009, governmental activities and business-type activities had capital assets of $84,516,210 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment and recreation and park facilities. The decrease in assets for governmental activities was due to the transfer of assets to the Aquatic Center Fund. Business-type activities major increase was due to new construction of the waste water treatment plant, the transfer of assets to the Aquatic Center Fund from governmental activities and various infrastructure improvements.

City of St. Marys Capital Assets
(Net of Depreciation)
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Land	$ 481,333	$ 846,727	$ 1,328,060
Building and Improvements	3,100,997	5,065,483	8,166,480
Improvements other than buildings	5,959,209	0	5,959,209
Machinery and Equipment	1,999,245	831,505	2,830,750
Infrastructure	3,324,293	29,545,264	32,869,557
Construction in progress	592,023	32,770,131	33,362,154
Total	$ 15,457,100	$ 69,059,110	$ 84,516,210

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 June 30, 2009, the City had $1,504,232 of outstanding debt related to governmental activities and $52,266,043 of outstanding debt related to business-type activities for a total of $53,770,275 compared to the previous year's total of $56,893,790. This is a decrease of $3,123,515.

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

Factors affecting the FY 2009 Budget:

The Mayor and Council of the City of St. Marys considered many factors when approving the City's FY2010 budget and were very aware of the present economic conditions and the effect on its citizens. The Mayor and Council chose to decrease the current year's budget compared to prior years. Budget cuts consisted of removing unfilled position, hiring freeze, merit increase freeze, full-time positions cut to part-time, removed purchase of new equipment, decrease in supplies, etc. An increase in business type rates was implemented to cover new construction and debt service. 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, 2009

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
Cash and cash equivalents	$ 4,602,781	$ 5,242,551	$ 9,845,332	$ 9,012
Investments	345,896	721,350	1,067,246	77,841
Taxes receivable	395,537	-	395,537	-
Accounts receivable, net of allowances	21,022	523,362	544,384	-
Accrued interest receivable	-	8,617	8,617	485
Prepaid expenses	91,203	82,761	173,964	-
Due from other governments	531,506	-	531,506	-
Internal balances	110,882	(110,882)	-	-
Restricted assets, cash and investments	-	17,286,018	17,286,018	-
Deferred charges, unamortized balance	-	933,048	933,048	-
Capital assets:				
Non-depreciable	1,073,356	33,616,858	34,690,214	332,234
Depreciable, net of accumulated depreciation	14,383,744	35,442,252	49,825,996	-
Total assets	21,555,927	93,745,935	115,301,862	419,572
LIABILITIES				
Accounts payable	482,198	407,455	889,653	-
Contracts payable	-	1,056,524	1,056,524	-
Retainage payable	-	1,182,264	1,182,264	-
Accrued liabilities	190,304	231,860	422,164	-
Customer deposits	-	510,235	510,235	-
Compensated absences due within one year	407,810	-	407,810	-
Capital leases due within one year	44,595	-	44,595	-
Capital leases due in more than one year	52,962	-	52,962	-
Notes payable due within one year	422,630	583,779	1,006,409	-
Notes payable due in more than one year	576,235	6,657,264	7,233,499	-
Bonds payable due within one year	-	240,000	240,000	-
Bonds payable due in more than one year	-	44,785,000	44,785,000	-
Total liabilities	2,176,734	55,654,381	57,831,115	-
NET ASSETS				
Investment in capital assets, net of related debt	14,360,678	26,744,210	41,104,888	332,234
Restricted for debt service	-	3,325,062	3,325,062	-
Restricted for renewal and extension	-	416,205	416,205	-
Unrestricted	5,018,515	7,606,077	12,624,592	87,338
Total net assets	$ 19,379,193	$ 38,091,554	$ 57,470,747	$ 419,572

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, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,652,603	$ 1,585,497	$ 73,105	$ -
Public safety	4,468,636	326,744	-	-
Public works	2,466,841	40,754	-	-
Health and welfare	134,682	-	-	-
Judicial	191,884	-	-	-
Culture and recreation	595,489	63,694	-	-
Housing and development	592,903	-	-	-
Interest on long-term debt	58,557	-	-	-
Total governmental activities	10,161,595	2,016,689	73,105	-
Business-type activities:				
Water & sewer	5,419,176	4,325,530	-	4,808,077
Solid waste	1,202,957	1,059,553	-	-
Aquatic center	482,360	324,209	-	-
Total business-type activities	7,104,493	5,709,292	-	4,808,077
Total primary government	$ 17,266,088	$ 7,725,981	$ 73,105	$ 4,808,077
Component Unit: Industrial Development Authority	$ 37,500	$ -	$ -	$ -
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			
Governmental Activities	Business-type Activities	Total	Component Unit Industrial Development Authority
$ 5,999	$ -	$ 5,999	$ -
(4,141,892)	-	(4,141,892)	-
(2,426,087)	-	(2,426,087)	-
(134,682)	-	(134,682)	-
(191,884)	-	(191,884)	-
(531,795)	-	(531,795)	-
(592,903)	-	(592,903)	-
(58,557)	-	(58,557)	-
(8,071,801)	-	(8,071,801)	-
-	3,714,431	3,714,431	-
-	(143,404)	(143,404)	-
	(158,151)	(158,151)	-
-	3,412,876	3,412,876	-
(8,071,801)	3,412,876	(4,658,925)	-
-	-	-	(37,500)
3,899,788	-	3,899,788	-
814,810	-	814,810	-
6,012,916	-	6,012,916	-
110,980	-	110,980	-
1,014,643	-	1,014,643	-
68,953	286,457	355,410	3,145
8,719	-	8,719	-
-	13,881	13,881	-
(4,660,253)	4,660,253	-	-
7,270,556	4,960,591	12,231,147	3,145
(801,245)	8,373,467	7,572,222	(34,355)
20,180,438	29,718,087	49,898,525	453,927
$ 19,379,193	$ 38,091,554	$ 57,470,747	$ 419,572

CITY OF ST. MARYS, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 4,085,577	$ 44,483	$ 472,721	$ 4,602,781
Investments	345,896	-	-	345,896
Taxes receivable	395,537	-	-	395,537
Accounts receivable	6,137	-	14,885	21,022
Prepaid items	63,679	-	27,524	91,203
Due from other governments	254,569	276,937	-	531,506
Due from other funds	261,496	-	23,540	285,036
Total assets	$ 5,412,891	$ 321,420	$ 538,670	$ 6,272,981
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	$ 277,270	$ 198,897	$ 6,031	$ 482,198
Accrued liabilities	188,427	-	1,456	189,883
Deferred revenues	428,266	-	-	428,266
Due to other funds	35,133	139,021	-	174,154
Total liabilities	929,096	337,918	7,487	1,274,501
FUND BALANCES (DEFICIT)				
Fund balances:				
Unreserved, reported in:				
General fund	4,483,795	-	-	4,483,795
Special revenue funds	-	-	419,264	419,264
Capital projects funds	-	(16,498)	111,919	95,421
Total fund balances (deficit)	4,483,795	(16,498)	531,183	4,998,480
Total liabilities and fund balances (deficit)	$ 5,412,891	$ 321,420	$ 538,670	
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.				15,457,100
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				428,266
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(1,504,653)
Net assets of governmental activities				$ 19,379,193

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, 2009

	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Revenues				
Taxes	$ 7,354,768	$ 4,071,293	$ 110,980	$ 11,537,041
Licenses and permits	463,372	-	-	463,372
Intergovernmental	-	-	73,105	73,105
Fines and forfeitures	326,744	-	-	326,744
Charges for services	96,982	-	-	96,982
Interest income	62,009	960	5,984	68,953
Other revenues	1,107,515	-	22,076	1,129,591
Total revenues	9,411,390	4,072,253	212,145	13,695,788
Expenditures				
Current:				
General government	2,014,749	-	-	2,014,749
Public safety	3,909,354	-	86,810	3,996,164
Public works	2,124,581	-	-	2,124,581
Health and welfare	100,270	-	-	100,270
Judicial	191,884	-	-	191,884
Culture and recreation	419,541	-	212,555	632,096
Housing and development	569,252	-	-	569,252
Capital outlay	-	4,075,013	-	4,075,013
Debt service:				
Principal	778,708	-	-	778,708
Interest and fiscal charges	63,143	-	-	63,143
Total expenditures	10,171,482	4,075,013	299,365	14,545,860
Excess (deficiency) of revenues over (under) expenditures	(760,092)	(2,760)	(87,220)	(850,072)
Other financing sources (uses):				
Proceeds from sale of capital assets	74,969	-	-	74,969
Issuance of notes payable	128,000	-	-	128,000
Transfers in	98,359	-	159,605	257,964
Transfers out	(52,402)	-	(227,964)	(280,366)
Total other financing sources (uses)	248,926	-	(68,359)	180,567
Net change in fund balances	(511,166)	(2,760)	(155,579)	(669,505)
Fund balances (deficit), beginning of year	4,994,961	(13,738)	686,762	5,667,985
Fund balances (deficit), end of year	$ 4,483,795	$ (16,498)	$ 531,183	$ 4,998,480

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, 2009

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(669,505)
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.		917,805
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations to other funds) is to decrease net assets.		(2,059,008)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		316,096
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.		650,708
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.		42,659
	$	(801,245)

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, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 8,114,685	$ 8,424,082	$ 7,354,768	$ (1,069,314)
Licenses and permits	683,700	683,700	463,372	(220,328)
Fines and forfeitures	537,000	537,000	326,744	(210,256)
Interest	90,000	90,000	62,009	(27,991)
Charges for services	103,000	103,000	96,982	(6,018)
Miscellaneous	955,700	910,304	1,107,515	197,211
Total revenues	10,484,085	10,748,086	9,411,390	(1,336,696)
Expenditures				
Current:				
General government:				
Legislative	330,164	216,573	199,717	16,856
Executive	380,190	298,436	271,140	27,296
Legal	168,700	145,960	123,823	22,137
Finance	1,436,167	1,304,222	925,941	378,281
Building and plant	372,190	311,118	206,990	104,128
Human resources	147,529	126,048	123,951	2,097
Information technology	218,722	163,204	163,187	17
Total general government	3,053,662	2,565,561	2,014,749	550,812
Public safety:				
Fire	1,809,081	1,549,238	1,410,780	138,458
Police	3,386,691	2,692,078	2,498,574	193,504
Total public safety	5,195,772	4,241,316	3,909,354	331,962
Public works:				
Public works administration	2,340,875	1,926,791	1,854,053	72,738
Highways and streets administration	340,000	275,000	267,731	7,269
Cemetery	15,300	15,300	2,797	12,503
Total public works	2,696,175	2,217,091	2,124,581	92,510
Judicial:				
Municipal court	305,993	290,026	191,884	98,142
Total judicial	305,993	290,026	191,884	98,142
Health and welfare:				
Senior citizens center	124,900	112,429	100,270	12,159
Total health and welfare	124,900	112,429	100,270	12,159
Culture and recreation:				
Parks administration	99,100	122,320	99,416	22,904
Library administration	360,822	324,827	320,125	4,702
Total culture and recreation	459,922	447,147	419,541	27,606
Housing and development:				
Protective inspection administration	324,650	255,423	233,649	21,774
Planning and zoning	210,478	198,248	143,989	54,259
Airport	12,000	51,875	32,929	18,946
Special facilities	58,416	58,406	34,001	24,405
Economic development	136,875	146,629	124,684	21,945
Total housing and development	742,419	710,581	569,252	141,329

(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, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (continued):				
Debt service:				
Principal	$ 811,869	$ 759,342	$ 778,708	$ (19,366)
Interest	69,701	62,796	63,143	(347)
Total debt service	881,570	822,138	841,851	(19,713)
Total expenditures	13,460,413	11,406,289	10,171,482	1,234,807
Deficiency of revenues under expenditures	(2,976,328)	(658,203)	(760,092)	(101,889)
Other financing sources (uses)				
Proceeds from sale of capital assets	112,000	182,000	74,969	(107,031)
Issuance of notes payable	687,000	430,000	128,000	(302,000)
Transfers in	-	68,875	98,359	29,484
Transfers out	(22,672)	(22,672)	(52,402)	(29,730)
Total other financing sources (uses)	776,328	658,203	248,926	(409,277)
Net change in fund balances	(2,200,000)	-	(511,166)	(511,166)
Fund balances, beginning of year	4,994,961	4,994,961	4,994,961	-
Fund balances, end of year	$ 2,794,961	$ 4,994,961	$ 4,483,795	$ (511,166)

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

CITY OF ST. MARYS, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

ASSETS	Major Enterprise Funds: Water & Sewer Fund	Major Enterprise Funds: Solid Waste Fund	Nonmajor Enterprise Fund: Aquatic Center Fund	Totals
CURRENT ASSETS				
Cash and cash equivalents	$ 4,687,221	$ 436,715	$ 118,615	$ 5,242,551
Investments	721,350	-	-	721,350
Restricted cash and cash equivalents	703,798	-	-	703,798
Restricted investments	334,329	-	-	334,329
Accounts receivable, ne	421,774	101,588	-	523,362
Accrued interest receivable	8,617	-	-	8,617
Prepaid expenses	77,894	3,617	1,250	82,761
Due from other funds	2,797	191,328	8,796	202,921
Total current assets	6,957,780	733,248	128,661	7,819,689
NONCURRENT ASSETS				
Restricted cash and cash equivalents	15,836,785	-	-	15,836,785
Restricted investments	411,106	-	-	411,106
Deferred charges, unamortized bond issuance cost	933,048	-	-	933,048
Capital assets				
Non-depreciable	33,616,858	-	-	33,616,858
Depreciable, net of accumulated depreciatio	33,433,316	33,667	1,975,269	35,442,252
Total noncurrent assets	84,231,113	33,667	1,975,269	86,240,049
Total assets	91,188,893	766,915	2,103,930	94,059,738
LIABILITIES				
CURRENT LIABILITIES, PAYABLE FROM CURRENT ASSETS				
Accounts payable	288,710	92,838	25,907	407,455
Contracts payable	1,056,524	-	-	1,056,524
Retainage payable	1,182,264	-	-	1,182,264
Accrued interest payable	117,852	-	-	117,852
Other accrued liabilities	84,208	-	29,800	114,008
Due to other funds	191,328	-	122,475	313,803
Current portion of notes payable	583,779	-	-	583,779
Current portion of bonds payable	240,000	-	-	240,000
Total current liabilities, payable from current asset	3,744,665	92,838	178,182	4,015,685
CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS				
Customer deposits	510,235	-	-	510,235
Total current liabilities, payable from restricted asset	510,235	-	-	510,235
LONG-TERM LIABILITIES				
Revenue bonds payable, ne	44,785,000	-	-	44,785,000
Notes payable	6,657,264	-	-	6,657,264
Total liabilities	55,697,164	92,838	178,182	55,968,184
NET ASSETS				
Invested in capital assets, net of related debt	24,735,274	33,667	1,975,269	26,744,210
Restricted for debt service	3,325,062	-	-	3,325,062
Restricted for renewal and extensio	416,205	-	-	416,205
Unrestricted	7,015,188	640,410	(49,521)	7,606,077
Total net assets	$ 35,491,729	$ 674,077	$ 1,925,748	$ 38,091,554

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, 2009

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water & Sewer Fund	Solid Waste Fund	Aquatic Center Fund	Totals
OPERATING REVENUE				
Sanitation fees	$ -	$ 965,288	$ -	$ 965,288
Admission fees	-	-	184,659	184,659
Concessions	-	-	70,586	70,586
Water sales	2,022,200	-	-	2,022,200
Sewer sales	1,880,602	-	-	1,880,602
Reconnection fees	74,752	-	-	74,752
Construction fees	227,741	-	-	227,741
Penalties	93,869	-	-	93,869
Miscellaneous	26,366	94,265	68,964	189,595
Total operating revenues	4,325,530	1,059,553	324,209	5,709,292
OPERATING EXPENSES				
Personal services	1,566,788	60,483	241,777	1,869,048
Purchased and contracted services	661,946	1,118,384	44,607	1,824,937
Supplies	1,048,918	446	112,237	1,161,601
Depreciation	1,378,925	23,644	83,739	1,486,308
Bad debt expense	35,088	-	-	35,088
Total operating expenses	4,691,665	1,202,957	482,360	6,376,982
Operating loss	(366,135)	(143,404)	(158,151)	(667,690)
NONOPERATING REVENUES (EXPENSES				
Interest income	283,495	2,829	133	286,457
Interest expense	(727,511)	-	-	(727,511)
Other nonoperating income	11,525	-	2,356	13,881
Total nonoperating revenues (expenses	(432,491)	2,829	2,489	(427,173)
Loss before transfers and contributions	(798,626)	(140,575)	(155,662)	(1,094,863)
CAPITAL CONTRIBUTIONS	7,453,170	-	2,059,008	9,512,178
TRANSFERS				
Transfers out	-	(66,250)	-	(66,250)
Transfers in	-	-	22,402	22,402
Total transfers	-	(66,250)	22,402	(43,848)
Change in net assets	6,654,544	(206,825)	1,925,748	8,373,467
Total net assets, beginning of year	28,837,185	880,902	-	29,718,087
Total net assets, end of year	$ 35,491,729	$ 674,077	$ 1,925,748	$ 38,091,554

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, 2009

	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	$ 4,299,734	$ 1,042,299	$ 324,209	$ 5,666,242
Payments to suppliers	(634,242)	(1,236,875)	(18,508)	(1,889,625)
Payments to employees	(1,550,457)	(60,483)	(211,977)	(1,822,917)
Net cash provided by (used in) operating activities	2,115,035	(255,059)	93,724	1,953,700
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	22,402	22,402
Other nonoperating income	11,525	-	2,489	14,014
Net cash provided by noncapital financing activities	11,525	-	24,891	36,416
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on revenue bonds payable	(1,850,000)	-	-	(1,850,000)
Principal payments on notes payable	(584,734)	-	-	(584,734)
Interest paid	(587,781)	-	-	(587,781)
Capital contributions	484,025	-	-	484,025
Purchase of capital assets	(12,024,665)	-	-	(12,024,665)
Net cash used in capital and related financing activities	(14,563,155)	-	-	(14,563,155)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(23,307)	-	-	(23,307)
Interest received	329,895	2,829	-	332,724
Net cash provided by investing activities	306,588	2,829	-	309,417
Net increase (decrease) in cash	(12,130,007)	(252,230)	118,615	(12,263,622)
Cash and cash equivalents, beginning of year	33,357,811	688,945	-	34,046,756
Cash and cash equivalents, end of year	$ 21,227,804	$ 436,715	$ 118,615	$ 21,783,134
Classified as:				
Cash and cash equivalents	$ 4,687,221	$ 436,715	$ 118,615	$ 5,242,551
Restricted assets:				
Cash and cash equivalents	16,540,583	-	-	16,540,583
	$ 21,227,804	$ 436,715	$ 118,615	$ 21,783,134
Noncash investing, capital, and financing activities:				
Transfer of capital assets to other funds	$ -	$ (66,250)	$ -	$ (66,250)
Transfer of capital assets from other funds	2,645,093	-	2,059,008	4,704,101
Total noncash investing, capital and financing activities	$ 2,645,093	$ (66,250)	$ 2,059,008	$ 4,637,851

(Continued)

CITY OF ST. MARYS, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water & Sewer Fund	Solid Waste Fund	Aquatic Center Fund	Totals
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	$ (366,135)	$ (143,404)	(158,151)	$ (667,690)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	1,378,925	23,644	83,739	1,486,308
Change in assets and liabilities:				
Increase in accounts receivable	(19,665)	(17,254)	-	(36,919)
(Increase) decrease in prepaid expenses	69,935	8,874	(1,250)	77,559
(Increase) decrease in due from other funds	9,018	(123,661)	(8,796)	(123,439)
Increase in accounts payable	216,306	6,476	25,907	248,689
Decrease in contracts payable	(386,824)	-	-	(386,824)
Increase in retainages payable	1,078,264	-	-	1,078,264
Increase in accrued liabilities	16,331	-	29,800	46,131
Decrease in customer deposits	(6,131)	-	-	(6,131)
Increase (decrease) in due to other funds	125,011	(9,734)	122,475	237,752
Net cash provided by (used in) operating activities	$ 2,115,035	$ (255,059)	$ 93,724	$ 1,953,700

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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities.

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The statement of net assets includes non-current assets which were previously reported in the General Fixed Assets Account Group and non-current liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic 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, 2009 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 $2,256,516. Of this amount, $1,465,862 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

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

M. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $1,504,653 difference are as follows:

Accrued interest payable	$	(421)
Capital leases payable		(97,557)
Notes payable		(998,865)
Compensated absences		(407,810)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(1,504,653)

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 $917,805 difference are as follows:

Capital outlay	$	2,256,231
Depreciation expense		(1,338,426)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	917,805

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 the reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets." The details of this $2,059,008 difference are as follows:

Transfers of capital assets to other funds decrease net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	$	(2,059,008)
Transfers of capital assets from other funds increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		66,250
In the statement of activities, only the *gain* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.		(66,250)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	(2,059,008)

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 $650,708 difference are as follows:

Issuance of notes payable	$	(128,000)
Principal retirement of long-term debt		778,708
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	650,708

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 $42,659 difference are as follows:

Compensated absences	$	38,073
Accrued interest		4,586
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	42,659

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

1. Prior to June 1, the Budget Committee/City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means for financing them.

2. Prior to any action by the Council, the Council holds a public hearing on the budget, giving notice in the official newspaper of the City, at least 10 days prior to such hearing.

3. The budget is then revised and adopted or amended by the Council at a regular meeting in June.

4. This budget may be revised during the year only by formal action of the Council in a regular or special called meeting. No increase to the budget may be made without a provision for financing such an increase.

5. Budgetary control is exercised at the department, function or activity, and major object of expenditures group for capital and grant projects within each fund. The legal level of budgetary control is the department level. Budgets for the City may be increased or decreased as the City Council deems appropriate. Budgets are adopted for all governmental and proprietary fund types. The supplementary budgetary appropriations made during the year were not material.

Deficit Fund Equity. The SPLOST Fund had a deficit fund balance of $16,498 at June 30, 2009. Additionally, the Convention & Visitors Bureau Fund had a deficit fund balance of $1,510.

Excess Expenditures over Appropriations. For the year ended June 30, 2009, expenditures exceeded budget in the General Fund, as follows:

Department	Excess
Debt service	$ 19,713

These overexpenditures were funded by available fund balance.

NOTE 4. DEPOSITS AND INVESTMENTS

Credit Risk. State statutes authorize the City to invest in the following (1) obligations of Georgia or any other state; (2) obligations of the United States; 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) obligations of any other political subdivision of the State of Georgia local government investment pool; (7) repurchase agreements; and (8) the State of Georgia local government investment pool.

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard & Poor's criteria for AAAm rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on a $1.00 per share. The fair value of the City's position in the pool is the same as the value of pool shares ($1 per share value). The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia. As of June 30, 2009, the City's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

As of June 30, 2009, the City had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	41 day weighted average	$ 1,478,352
Certificates of deposit	6 months - 18 months	334,329
		$ 1,812,681

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.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2009, 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 31, 2009. Taxes were levied on October 24, 2008 and payable on or before December 30, 2008. Property taxes not collected by December 30th are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2009, are recorded as receivables, net of estimated uncollectibles.

In the governmental funds, the net receivables collected during the year ended June 30, 2009, and expected to be collected by August 31, 2009, are recognized as revenues for the year ended June 30, 2009, whereas, net receivables estimated to be collectible subsequent to August 31, 2009, are recorded as revenue when received.

Receivables at June 30, 2009, 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 Funds
Receivables:					
Taxes	$ 451,579	$ -	$ -	$ -	$ -
Accounts	6,137	-	702,989	106,935	14,885
Accrued interest	-	-	8,617	-	-
Due from other governments	254,569	276,937	-	-	-
Less allowance for uncollectibles	(56,042)	-	(281,215)	(5,347)	-
Net total receivable	$ 656,243	$ 276,937	$ 430,391	$ 101,588	$ 14,885

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 481,333	$ -	$ -	$ -	$ 481,333
Construction in progress	1,061,359	356,241	-	(825,577)	592,023
Total	1,542,692	356,241	-	(825,577)	1,073,356
Capital assets, being depreciated:					
Infrastructure	2,076,791	1,250,740	-	286,302	3,613,833
Buildings	7,451,302	81,422	-	(2,500,172)	5,032,552
Improvements	8,685,632	373,723	-	526,775	9,586,130
Machinery and equipment	9,096,431	194,105	(268,720)	132,500	9,154,316
Total	27,310,156	1,899,990	(268,720)	(1,554,595)	27,386,831
Less accumulated depreciation for:					
Infrastructure	(201,806)	(89,192)	-	1,458	(289,540)
Buildings	(2,218,723)	(165,038)	-	452,206	(1,931,555)
Improvements	(3,311,271)	(315,650)	-	-	(3,626,921)
Machinery and equipment	(6,522,745)	(768,546)	202,470	(66,250)	(7,155,071)
Total	(12,254,545)	(1,338,426)	202,470	387,414	(13,003,087)
Total capital assets, being depreciated, net	15,055,611	561,564	(66,250)	(1,992,758)	14,383,744
Governmental activities capital assets, net	$ 16,598,303	$ 917,805	$ (66,250)	$ (1,992,758)	$ 15,457,100

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	18,165,383	14,604,748	-	-	32,770,131
Total	19,012,110	14,604,748	-	-	33,616,858
Capital assets, being depreciated:					
Buildings	5,592,863	-	-	2,500,172	8,093,035
Infrastructure	37,245,142	4,333,151	-	12,500	41,590,793
Machinery and equipment	4,305,449	55,911	(37,240)	(132,500)	4,191,620
Total	47,143,454	4,389,062	(37,240)	2,380,172	53,875,448
Less accumulated depreciation for:					
Buildings	(2,381,457)	(193,889)	-	(452,206)	(3,027,552)
Infrastructure	(11,082,056)	(962,015)	-	(1,458)	(12,045,529)
Machinery and equipment	(3,133,201)	(330,404)	37,240	66,250	(3,360,115)
Total	(16,596,714)	(1,486,308)	37,240	(387,414)	(18,433,196)
Total capital assets, being depreciated, net	30,546,740	2,902,754	-	1,992,758	35,442,252
Business-type activities capital assets, net	$ 49,558,850	$ 17,507,502	$ -	$ 1,992,758	$ 69,059,110

During the year ended June, 30, 2009, assets with a net book value of $66,250 were transferred from Business-type activities to Governmental activities. Additionally, assets with a net book value of $2,059,008 were transferred from Governmental activities to Business-type activities.

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

Governmental activities:	
General government	$ 385,072
Public safety	608,936
Public works	259,720
Culture and recreation	4,250
Health and welfare	34,412
Housing and development	46,036
Total depreciation expense - governmental activities	$ 1,338,426
Business-type activities:	
Water and sewer	$ 1,378,925
Sanitation	23,644
Aquatic center	83,739
Total depreciation expense - business-type activities	$ 1,486,308

Component Unit: The Industrial Development Authority maintains a parcel of land with a historical cost of $332,234.

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, 2009, 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%.	$ 3,180,000
Series 2007 $43,695,000 Water Revenue Bonds, due in annual installments of $900,000 to $2,730,000 through December 1, 2032, plus interest at 1.55% to 3.765%.	41,845,000
	$ 45,025,000

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2010	$ 240,000	$ 843,385	$ 1,083,385
2011	1,255,000	813,114	2,068,114
2012	1,455,000	780,102	2,235,102
2013	1,520,000	744,350	2,264,350
2014	1,585,000	706,904	2,291,904
2015-2019	9,070,000	2,899,794	11,969,794
2020-2024	8,835,000	1,985,745	10,820,745
2025-2029	10,770,000	1,228,608	11,998,608
2030-2033	10,295,000	327,012	10,622,012
Total	$ 45,025,000	$ 10,329,014	$ 55,354,014

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, 2009:

Interest Rate	Term	Fiscal Year Due Date	Amount
2.00%	10 years	2012	$ 151,747
5.60%	15 years	2013	53,270
4.76%	20 years	2020	314,392
4.55%	20 years	2021	2,299,801
3.00%	20 years	2025	4,111,990
4.05%	5 years	2012	309,843
			$ 7,241,043

The City has also entered into other notes payable agreements originally totaling $4,504,966 with interest rates ranging from 3.71% to 4.41% 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 or quarterly payments with maturities ranging from October 2010 to October 2012.

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

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	$ 422,630	$ 29,273	$ 583,779	$ 250,997
2011	435,955	14,886	616,902	229,900
2012	128,573	1,741	510,985	208,448
2013	11,707	88	432,017	190,898
2014	-	-	446,459	174,891
2015-2019	-	-	2,500,505	606,245
2020-2024	-	-	2,011,237	163,130
2025	-	-	139,159	1,056
Total	$ 998,865	$ 45,988	$ 7,241,043	$ 1,825,565

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. Interest rates range from 7.4% to 10.6%. The following is an analysis of leased assets under capital leases as of June 30, 2009:

	Governmental Activities
Machinery and equipment	$ 344,059

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

	Governmental Activities
Fiscal Year Ending June 30,	
2010	$ 48,184
2011	45,349
2012	9,191
Total minimum lease payments	102,724
Less amount representing interest	5,167
Present value of future minimum lease payments	$ 97,557

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

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 145,808	$ -	$ (48,251)	$ 97,557	$ 44,595
Notes payable	1,601,322	128,000	(730,457)	998,865	422,630
Compensated absences	445,883	411,630	(449,703)	407,810	407,810
Governmental activity Long-term liabilities	$ 2,193,013	$ 539,630	$ (1,228,411)	$ 1,504,232	$ 875,035
Business-type activities:					
Revenue bonds	$ 46,875,000	$ -	$ (1,850,000)	$ 45,025,000	$ 240,000
Notes payable	7,825,777	-	(584,734)	7,241,043	583,779
Business-type activity Long-term liabilities	$ 54,700,777	$ -	$ (2,434,734)	$ 52,266,043	$ 823,779

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, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor enterprise fund	$ 122,475
Solid Waste Fund	Water & Sewer Fund	191,328
Nonmajor governmental funds	General Fund	23,540
Water & Sewer Fund	General Fund	2,797
General Fund	SPLOST Fund	139,021
Nonmajor enterprise fund	General Fund	8,796
		$ 487,957

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.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	$ 98,359
Nonmajor enterprise fund	General Fund	22,402
Nonmajor governmental funds	General Fund	30,000
Nonmajor governmental funds	Nonmajor governmental funds	129,605
		$ 280,366

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, 2009, the City transferred capital assets with a net book value of $2,059,008 from the General Fund to the Aquatic Center Fund. This transfer is reflected in the governmental activities column and the business-type activities column in the government-wide financial statements. In addition, the City also transferred capital assets with a net book value of $66,250 from the Solid Waste Fund to the General Fund. This transfer is reflected in the Solid Waste Fund and in the governmental 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 51.27% of annual covered payroll.

Annual Pension Cost

For the year ended June 30, 2009, the City's annual pension cost was $38,861 for the City of St. Marys Retirement Plan. Recommended contributions of $38,861 were determined as part of the March 1, 2009, actuarial valuation, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases for inflation of 5.0% per year and for merit or seniority of .5% per year, and (c) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets.

The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 8%, which is the valuation's investment return assumption.

NOTE 9. PENSION PLANS (CONTINUED)

Trend Information

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

Fiscal Year Ending	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
6/30/2007	$ 7,947	100%	$ -
6/30/2008	7,887	100%	-
6/30/2009	38,861	100%	-

Actuarial Valuation Date	Actuarial Value of Assets	AAL Actuarial Accrued Liability	Underfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Underfunded AAL as a Percentage of Covered Payroll
3/1/09	$ 904,201	$ 1,102,410	$ 198,209	82.0%	$ 75,796	262%

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 March 1, 2009.

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, 2009, there were 132 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, 2009. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. The City contributes an amount equal to 4% of each participant's compensation. Total employer contributions for the year ended June 30, 2009, were $284,145. Total employee contributions for the year ended June 30, 2009 were $302,968.

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 Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended June 30, 2009, the City paid $14,764 in such dues. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional development commission. Separate financial statements may be obtained from the Coastal Georgia Regional Development Center, P.O. Box 1917, Brunswick, Georgia 31521.

NOTE 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, 2009, 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, 2009, $110,980 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, 2009, the City has contractual commitments on uncompleted contracts of approximately $13,994,393.

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
03/01/07	$ 1,226,697	$ 1,148,550	$ (78,147)	106.8 %	$ 113,631	-68.8 %
03/01/08	1,212,947	1,086,167	(126,780)	111.7 %	120,609	-105.1 %
03/01/09	904,201	1,102,410	198,209	82.0 %	75,796	261.5 %

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.

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

Capital Projects Fund

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

CITY OF ST. MARYS, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Revenue			
ASSETS	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund	Fire Tax District Fund
Cash and cash equivalents	$ -	$ 288	$ 360,514	$ -
Accounts receivable	14,331	554	-	-
Prepaid items	-	24	27,500	-
Due from other funds	-	5,111	18,429	-
Total assets	$ 14,331	$ 5,977	$ 406,443	$ -
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	$ -	$ 6,031	$ -	$ -
Accrued liabilities	-	1,456	-	-
Total liabilities	-	7,487	-	-
FUND BALANCE (DEFICIT)				
Unreserved, undesignated	14,331	(1,510)	406,443	-
Total fund balances (deficit)	14,331	(1,510)	406,443	-
Total liabilities and fund balance (deficit)	$ 14,331	$ 5,977	$ 406,443	$ -

Capital Projects Fund	Nonmajor Governmental Funds
$ 111,919	$ 472,721
-	14,885
-	27,524
-	23,540
$ 111,919	$ 538,670
$ -	$ 6,031
-	1,456
-	7,487
111,919	531,183
111,919	531,183
$ 111,919	$ 538,670

CITY OF ST. MARYS, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue			
	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund	Fire Tax District Fund
REVENUES				
Taxes	$ 110,980	$ -	$ -	$ -
Intergovernmental	-	-	73,105	-
Interest	-	188	3,330	1,493
Miscellaneous	-	22,076	-	-
Total revenues	110,980	22,264	76,435	1,493
EXPENDITURES				
Current				
Public safety	-	-	-	86,810
Culture and recreation	-	212,555	-	-
Total expenditures	-	212,555	-	86,810
Excess (deficiency) of revenues over (under) expenditures	110,980	(190,291)	76,435	(85,317)
Other financing sources (uses)				
Transfers in	-	159,605	-	-
Transfers out	(113,599)	-	(114,365)	-
Total other financing sources (uses)	(113,599)	159,605	(114,365)	-
Net change in fund balances	(2,619)	(30,686)	(37,930)	(85,317)
FUND BALANCE, beginning of year	16,950	29,176	444,373	85,317
FUND BALANCE (DEFICIT), end of year	$ 14,331	$ (1,510)	$ 406,443	$ -

Capital Projects Fund	Nonmajor Governmental Funds
$ -	$ 110,980
-	73,105
973	5,984
-	22,076
973	212,145
-	86,810
-	212,555
-	299,365
973	(87,220)
-	159,605
-	(227,964)
-	(68,359)
973	(155,579)
110,946	686,762
$ 111,919	$ 531,183

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2002 ISSUE
FOR THE YEAR ENDED JUNE 30, 2009

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
City Sidewalks/Streets	$ 3,930,000	$ 3,930,000	$ 2,164,363	$ 856,682	$ 3,021,045
Drainage	3,500,000	3,500,000	1,580,506	494,294	2,074,800
Downtown Multi-Media Center	300,000	300,000	85,896	-	85,896
City Library Expansion	588,000	588,000	290,599	48,717	339,316
Totals	$ 8,318,000	$ 8,318,000	$ 4,121,364	$ 1,399,693	$ 5,521,057

CITY OF ST. MARYS, GEORGIA

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

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
City Sidewalks/Streets	$ 4,730,000	$ 4,730,000	$ -	$ -	$ -
Drainage	5,530,000	5,530,000	-	-	-
Sewer	5,000,000	5,000,000	-	2,645,697	2,645,697
City Buildings	3,500,000	3,500,000	-	29,623	29,623
Totals	$ 18,760,000	$ 18,760,000	$ -	$ 2,675,320	$ 2,675,320

CITY OF ST. MARYS, GEORGIA

BALANCE SHEET
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
JUNE 30, 2009

ASSETS		
Cash and cash equivalents	$	9,012
Investments		77,841
Accrued interest receivable		485
Total assets	$	87,338
FUND BALANCE		
Unreserved, undesignated	$	87,338
Total fund balance	$	87,338

CITY OF ST. MARYS, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2009

REVENUES	
Interest revenue	$ 3,145
EXPENDITURES	
Current	
Housing and development	37,500
Net change in fund balance	(34,355)
FUND BALANCE, beginning of year	121,693
FUND BALANCE, end of year	$ 87,338

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 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, 2009, which collectively comprise the City of St. Marys, Georgia's basic financial statements and have issued our report thereon dated December 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of 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 30, 2009.

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 30, 2009

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009 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.

CITY OF ST. MARYS, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

2008-1. Capitalization of Interest Costs

For the year ending June 30, 2008, we noted that the City did not capitalize interest expense associated with the construction of the wastewater treatment facility.

Status: The above finding was corrected for the year ended June 30, 2009.