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CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

CITY OF ST. MARYS, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION
- Table of Contents ..... i and ii

FINANCIAL SECTION
- Independent Auditor's Report ..... 1 and 2
- Management's Discussion and Analysis ..... 3 – 10
- Basic Financial Statements:
  - Government-wide Financial Statements:
    - Statement of Net Assets 11
    - Statement of Activities ..... 12 and 13
  - Fund Financial Statements:
    - Balance Sheet – Governmental Funds 14
    - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 15
    - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 16
    - General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual ..... 17 and 18
    - Statement of Net Assets – Proprietary Funds 19
    - Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds 20
    - Statement of Cash Flows – Proprietary Funds ..... 21 and 22
  - Notes to Financial Statements ..... 23 – 45
- Required Supplementary Information:
  - Schedule of Funding Progress 46
- Combining and Individual Fund Statements and Schedules:
  - Combining Balance Sheet – Nonmajor Governmental Funds ..... 47 and 48
  - Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds ..... 49 and 50
  - Schedule of Expenditures of Special Purpose Local Option Sales Tax – 2002 Issue 51
  - Schedule of Expenditures of Special Purpose Local Option Sales Tax – 2009 Issue 52
  - Balance Sheet – Component Units 53
  - Statement of Revenues, Expenditures and Changes in Fund Balances – Component Units 54

CITY OF ST. MARYS, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

TABLE OF CONTENTS

Page

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* ..... 55 and 56

Schedule of Findings and Responses 57

FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of St. Marys, Georgia (the "City")** as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Marys, Georgia as of June 30, 2010, 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 9, 2010, 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 46 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 9, 2010

CITY OF ST. MARYS, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

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, 2010. 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, 2010 by $62.5 million (*net assets*). Of this amount, $14.7 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 $5 million.

- As of the close of the current fiscal year, the City's governmental activities reported combined ending net assets of $22.5 million an increase of $3.1 million in comparison with the prior year. Approximately 22% of this total amount, $5.1 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 activities reported combined ending net assets of $40 million, an increase of $1.9 in comparison with the prior year. Approximately 24% of this total amount, $9.6 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 $4.45 million or a positive 48% of total general fund expenditures.

During the current fiscal year the City did not issue any new debt for governmental activities or business-type activities. The total combined reduction in debt service was $2,291,004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of St. Marys basic financial statements. The City's basic financial statements are comprised of three components:

1) Government-wide financial statements
2) Fund financial statements
3) Notes to the financial statements

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

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

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

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

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

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

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and SPLOST Fund, because they are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 14 – 18 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Solid Waste Fund, 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 – 45 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and enterprise funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 47 – 52 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $62.5 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, 2010

	Governmental Activities		Business-type Activities	
	2009	2010	2009	2010
Current and other assets	$ 6,098,827	$ 7,492,415	$ 24,686,825	$ 10,647,432
Capital assets	15,457,100	18,009,751	69,059,110	81,316,745
Total assets	21,555,927	25,502,166	93,745,935	91,964,177
Other liabilities	1,547,537	2,840,294	4,212,117	2,387,225
Long-term liabilities outstanding	629,197	149,384	51,442,264	49,570,362
Total liabilities	2,176,734	2,989,678	55,654,381	51,957,587
Net assets:				
Invested in capital assets, net of related debt	14,360,678	17,380,554	26,744,210	26,683,866
Restricted for debt service			3,325,062	3,323,608
Restricted for renewal and extension			416,205	417,329
Unrestricted	5,018,515	5,131,934	7,606,077	9,581,787
Total net assets	$ 19,379,193	$ 22,512,488	$ 38,091,554	$ 40,006,590

Net assets may serve over time as a useful indicator of a government's financial position. The City of St. Marys combined net assets are $62.5 million for the year ending June 30, 2010. Of this amount, $40 million came from business-type activities and $22.5 million came from governmental activities. This was an increase of $5 million for the year. The Industrial Development Authority's (Component Unit) total net assets for 2010 decreased $37,261 to $382,311. The Downtown Development Authority's (Component Unit) total net assets for 2010 increased $6,951 to $661,583. This is the first year the Downtown Development Authority has been discretely presented in the City's financial statements.

The unrestricted net assets ($14.7 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 Convention & Visitors Bureau. The negative fund balance in Convention & Visitors Bureau is due to the sluggish economy.

Governmental activities. Governmental activities during the fiscal year ending June 30, 2010 increased the City of St. Marys net assets by $3.1 million. Business-type activities during the same period increased net assets by $1.9 million for a total increase in net assets of $5 million. The Industrial Development Authority showed a decrease of $37,261 in net assets and the Downtown Development Authority showed an increase of $6,951 in net assets. The following chart shows the revenue and expenses by activity for the total primary government.

City of St. Marys
Changes in Net Assets
June 30, 2010

	Governmental Activities		Business-type Activities	
	2009	2010	2009	2010
Revenues				
Program Revenues				
Charges for services	$ 2,016,689	$ 1,819,528	$ 5,709,292	$ 6,250,435
Operating grants and contributions	73,105	453,182		
Capital grants and contributions	-	611	4,808,077	1,031,895
General Revenues:				
Property taxes	3,899,788	3,704,579	-	-
Franchise taxes	814,810	820,730	-	-
Sales taxes	6,012,916	7,030,312	-	-
Hotel/Motel taxes	110,980	98,461	-	-
Other taxes	1,014,643	993,926	-	-
Unrestricted investment earnings	68,953	54,404	286,457	103,757
Gain on Sale of capital assets	8,719	-	-	6,695
Miscellaneous	-	-	13,881	10,228
Total revenues	14,020,603	14,975,733	10,817,707	7,403,010
Expenses				
Governmental activities				
General government	1,652,603	465,645	-	-
Public safety	4,468,636	4,467,093	-	-
Public works	2,466,841	3,442,972	-	-
Health and welfare	134,682	137,745	-	-
Judicial	191,884	172,019	-	-
Culture and recreation	595,489	1,002,250	-	-
Housing and development	592,903	531,059	-	-
Interest on long-term debt	58,557	33,064	-	-
Business-type activities				
Water and Sewer	-	-	5,419,176	5,353,476
Sanitation	-	-	1,202,957	1,247,448
Aquatic Center	-	-	482,360	477,641
	10,161,595	10,251,847	7,104,493	7,078,565
Increase in net assets before transfers	3,859,008	4,723,886	3,713,214	324,445
Transfers	(4,660,253)	(1,590,591)	4,660,253	1,590,591
Increase (decrease) in net assets	(801,245)	3,133,295	8,373,467	1,915,036
Net assets, beginning of year	20,180,438	19,379,193	29,718,087	38,091,554
Net assets, end of year	$ 19,379,193	$ 22,512,488	$ 38,091,554	$ 40,006,590

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 FY2010, the General Fund had a fund balance of $4,454,159. This is a decrease of $29,636 from the beginning fund balance. The General Fund budget for FY2010-2011 was decreased to keep from depleting fund balance to support expenses due to the sluggish economy.

The fund balance for the SPLOST fund increased by $96,830. The fund balance at the end of FY2010 was a positive balance of $80,332.

The fund balances for the other governmental funds decreased by $128,629. The total combined fund balances for these funds was a positive $402,554 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 $7,660,057 at the end of fiscal year ending June 30, 2010. Of this amount, $4,055,173 is restricted assets.

The Water and Sewer Fund had an ending net asset balance of $37,666,341 for FY2010. This was an increase of $2,174,612 from the previous year. Of this amount, $24,774,273 is invested in capital assets, net of related debt.

The Solid Waste Fund had an ending net asset balance of $546,565 for FY2010. This was a decrease of $127,512 from the previous year. Of this amount, $18,080 is invested in capital assets, net of related debt.

The Aquatic Center Fund had an ending net asset balance of $1,793,684 for FY2010. This was a decrease of $132,064 from the previous year. Of this amount, $1,891,513 is invested in capital assets, net of related debt with an unrestricted deficit of ($97,829).

General Fund Budget Highlights

The budget was prepared according to Georgia Law.

The 2010 original revenue budget was $9,500,984. It was amended to $9,594,091 to account for additional miscellaneous revenues. In total, the City realized 95% of the projected FY2010 revenues.

General Fund Budget Highlights (continued)

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

- $6,000 increase in charges for services – to account for additional revenues for services performed
- $87,107 increase in miscellaneous revenues – increase in rental and other income
- $58,780 increased in general government expenditures – election and legal fees
- $154,053 increase in public safety expenditures – increase in personnel services, building and equipment repairs and equipment
- $7,428 increase in court and senior service expenditures – increase in personnel services
- $44,452 increase in housing and development expenditures – airport appraisals and miscellaneous

Comparison of General Fund Final Budget and Actual Expenditures:

Revenues - Deficiencies in taxes, fines and forfeitures and interest is due to economic conditions.

Expenditures - Actual total expenditures ($9,201,530) came in less than the budget expenditures ($10,426,789). The actual expenditures do not include the other financing sources (uses).

The City's actual expenditures exceeded revenues by $29,636 including the other financing sources (uses).

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year ending June 30, 2010, governmental activities and business-type activities had capital assets of $99,326,496 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment and recreation and park facilities. The increase in assets for governmental activities was due to donated assets, improvements to the waterfront park and improvements to facilities. The business-type activities major increase was due to the construction of the point peter waste water treatment plant.

City of St. Marys Capital Assets
(Net of Depreciation)
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Land	$ 481,333	$ 846,727	$ 1,328,060
Building and Improvements	3,558,608	4,871,577	8,430,185
Improvements other than buildings	6,582,060	0	6,582,060
Machinery and Equipment	1,473,911	674,575	2,148,486
Infrastructure	4,488,547	28,979,995	33,468,542
Construction in progress	1,425,292	45,943,871	47,369,163
Total	$ 18,009,751	$ 81,316,745	$ 99,326,496

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

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

At the end of June 30, 2010, the City had $629,197 of outstanding debt and $382,869 in compensated absences related to governmental activities and $50,442,264 of outstanding debt related to business-type activities for a total of $51,454,330, compared to the previous year's total of $53,770,275. This is a decrease of $2,315,945.

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

Factors affecting the FY 2010 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 continue the hiring freeze, merit increase freeze, decreases in supplies, etc. An increase in business type rates was implemented to cover 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, 2010

Primary Government	Primary Government			Component Units	
ASSETS	Governmental Activities	Business-type Activities	Total	Industrial Development Authority	Downtown Development Authority
Cash and cash equivalents	$ 4,242,229	$ 3,604,884	$ 7,847,113	$ 50,077	$ 17,936
Investments	346,814	723,263	1,070,077	-	28,388
Taxes receivable	569,890	-	569,890	-	-
Accounts receivable, net of allowances	14,996	649,722	664,718	-	-
Accrued interest receivable	-	5,525	5,525	-	-
Prepaid expenses	270,056	69,670	339,726	-	-
Due from other governments	1,943,321	-	1,943,321	-	-
Internal balances	105,109	(105,109)	-	-	-
Restricted assets, cash and investments	-	4,811,524	4,811,524	-	-
Deferred charges, unamortized balance	-	887,952	887,952	-	-
Capital assets:					
Non-depreciable	1,906,625	46,790,598	48,697,223	332,234	620,000
Depreciable, net of accumulated depreciation	16,103,126	34,526,147	50,629,273	-	-
Total assets	25,502,166	91,964,176	117,466,342	382,311	666,324
LIABILITIES					
Accounts payable	1,807,454	198,352	2,005,806	-	4,741
Retainage payable	-	592,822	592,822	-	-
Accrued liabilities	149,308	207,658	356,966	-	-
Customer deposits	-	516,490	516,490	-	-
Due to other governments	20,850	-	20,850	-	-
Compensated absences due within one year	382,869	-	382,869	-	-
Capital leases due within one year	43,858	-	43,858	-	-
Capital leases due in more than one year	9,104	-	9,104	-	-
Notes payable due within one year	435,955	616,902	1,052,857	-	-
Notes payable due in more than one year	140,280	6,040,362	6,180,642	-	-
Bonds payable due within one year	-	255,000	255,000	-	-
Bonds payable due in more than one year	-	43,530,000	43,530,000	-	-
Total liabilities	2,989,678	51,957,586	54,947,264	-	4,741
NET ASSETS					
Investment in capital assets, net of related debt	17,380,554	26,683,866	44,064,420	332,234	620,000
Restricted for debt service	-	3,323,608	3,323,608	-	-
Restricted for renewal and extension	-	417,329	417,329	-	-
Unrestricted	5,131,934	9,581,787	14,713,721	50,077	41,583
Total net assets	$ 22,512,488	$ 40,006,590	$ 62,519,078	$ 382,311	$ 661,583

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, 2010

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	$ 465,645	$ 1,378,231	$ 453,182	$ -
Public safety	4,467,093	314,328	-	-
Public works	3,442,972	52,928	-	611
Health and welfare	137,745	-	-	-
Judicial	172,019	-	-	-
Culture and recreation	1,002,250	74,041	-	-
Housing and development	531,059	-	-	-
Interest on long-term debt	33,064	-	-	-
Total governmental activities	10,251,847	1,819,528	453,182	611
Business-type activities:				
Water & sewer	5,353,476	4,803,343	-	1,031,895
Solid waste	1,247,448	1,113,236	-	-
Aquatic center	477,641	333,856	-	-
Total business-type activities	7,078,565	6,250,435	-	1,031,895
Total primary government	$ 17,330,412	$ 8,069,963	$ 453,182	$ 1,032,506
Component Units:				
Industrial Development Authority	$ 38,000	$ -	$ -	$ -
Downtown Development Authority	8,641	5,277	-	-
Total component units	$ 46,641	$ 5,277	$ -	$ -
General revenues:				
Property taxes				
Franchise taxes				
Sales taxes				
Hotel/motel taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

Net (Expenses) Revenues and Changes in Net Assets					
				Component Units	
Governmental Activities	Business-type Activities	Total		Industrial Development Authority	Downtown Development Authority
$ 1,365,768	$ -	$ 1,365,768		$ -	$ -
(4,152,765)	-	(4,152,765)		-	-
(3,389,433)	-	(3,389,433)		-	-
(137,745)	-	(137,745)		-	-
(172,019)	-	(172,019)		-	-
(928,209)	-	(928,209)		-	-
(531,059)	-	(531,059)		-	-
(33,064)	-	(33,064)		-	-
(7,978,526)	-	(7,978,526)		-	-
-	481,762	481,762		-	-
-	(134,212)	(134,212)		-	-
-	(143,785)	(143,785)		-	-
-	203,765	203,765		-	-
(7,978,526)	203,765	(7,774,761)		-	-
-	-	-		(38,000)	-
-	-	-		-	(3,364)
-	-	-		(38,000)	(3,364)
3,704,579	-	3,704,579		-	-
820,730	-	820,730		-	-
7,030,312	-	7,030,312		-	-
98,461	-	98,461		-	-
993,926	-	993,926		-	-
54,404	103,757	158,161		739	1,728
-	6,695	6,695		-	-
-	10,228	10,228		-	8,587
(1,590,591)	1,590,591	-		-	-
11,111,821	1,711,271	12,823,092		739	10,315
3,133,295	1,915,036	5,048,331		(37,261)	6,951
19,379,193	38,091,554	57,470,747		419,572	654,632
$ 22,512,488	$ 40,006,590	$ 62,519,078		$ 382,311	$ 661,583

CITY OF ST. MARYS, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 3,726,228	$ 58,856	$ 457,145	$ 4,242,229
Investments	346,814	-	-	346,814
Taxes receivable	569,890	-	-	569,890
Accounts receivable	6,442	-	8,554	14,996
Prepaid items	163,800	-	106,256	270,056
Due from other governments	228,678	1,714,643	-	1,943,321
Due from other funds	247,488	12,111	-	259,599
Total assets	$ 5,289,340	$ 1,785,610	$ 571,955	$ 7,646,905
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 110,061	$ 1,593,533	$ 103,860	$ 1,807,454
Accrued liabilities	145,892	-	1,946	147,838
Deferred revenues	579,228	-	-	579,228
Due to other governments	-	20,850	-	20,850
Due to other funds	-	90,895	63,595	154,490
Total liabilities	835,181	1,705,278	169,401	2,709,860
FUND BALANCES				
Fund balances:				
Unreserved, reported in:				
General fund	4,454,159	-	-	4,454,159
Special revenue funds	-	-	402,554	402,554
Capital projects funds	-	80,332	-	80,332
Total fund balances	4,454,159	80,332	402,554	4,937,045
Total liabilities and fund balances	$ 5,289,340	$ 1,785,610	$ 571,955	

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.	18,009,751
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	579,228
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,013,536)
Net assets of governmental activities	$ 22,512,488

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, 2010

	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Revenues				
Taxes	$ 7,271,679	$ -	$ 98,461	$ 7,370,140
Licenses and permits	502,189	-	-	502,189
Intergovernmental	-	5,126,906	453,182	5,580,088
Fines and forfeitures	314,328	-	-	314,328
Charges for services	179,547	-	-	179,547
Interest income	51,074	611	3,330	55,015
Other revenues	799,177	8,500	15,787	823,464
Total revenues	9,117,994	5,136,017	570,760	14,824,771
Expenditures				
Current:				
General government	1,724,546	-	376,404	2,100,950
Public safety	3,894,317	-	-	3,894,317
Public works	1,950,345	-	-	1,950,345
Health and welfare	101,735	-	-	101,735
Judicial	172,019	-	-	172,019
Culture and recreation	370,637	-	147,166	517,803
Housing and development	488,691	-	-	488,691
Capital outlay	-	5,151,474	-	5,151,474
Debt service:				
Principal	467,225	-	-	467,225
Interest and fiscal charges	32,015	-	-	32,015
Total expenditures	9,201,530	5,151,474	523,570	14,876,574
Excess (deficiency) of revenues over (under) expenditures	(83,536)	(15,457)	47,190	(51,803)
Other financing sources (uses):				
Transfers in	75,532	112,287	120,238	308,057
Transfers out	(21,632)	-	(296,057)	(317,689)
Total other financing sources (uses)	53,900	112,287	(175,819)	(9,632)
Net change in fund balances	(29,636)	96,830	(128,629)	(61,435)
Fund balances (deficit), beginning of year	4,483,795	(16,498)	531,183	4,998,480
Fund balances, end of year	$ 4,454,159	$ 80,332	$ 402,554	$ 4,937,045

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, 2010

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(61,435)
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.		2,552,651
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		150,962
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.		467,225
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.		23,892
	$	3,133,295

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 7,999,550	$ 7,999,550	$ 7,271,679	$ (727,871)
Licenses and permits	436,000	436,000	502,189	66,189
Fines and forfeitures	398,500	398,500	314,328	(84,172)
Interest	75,000	75,000	51,074	(23,926)
Charges for services	75,434	81,434	179,547	98,113
Miscellaneous	516,500	603,607	799,177	195,570
Total revenues	9,500,984	9,594,091	9,117,994	(476,097)
Expenditures				
Current:				
General government:				
Legislative	216,720	221,170	203,463	17,707
Executive	199,760	247,186	220,627	26,559
Legal	134,719	27,298	23,033	4,265
Finance	1,125,229	1,121,909	841,846	280,063
Building and plant	244,575	244,575	177,918	66,657
Human resources	113,806	113,891	107,883	6,008
Information technology	164,699	164,699	149,776	14,923
Total general government	2,199,508	2,140,728	1,724,546	416,182
Public safety:				
Fire	1,457,442	1,483,310	1,367,295	116,015
Police	2,654,289	2,782,474	2,527,022	255,452
Total public safety	4,111,731	4,265,784	3,894,317	371,467
Public works:				
Public works administration	1,772,343	1,798,768	1,675,101	123,667
Highways and streets administration	285,000	285,000	271,104	13,896
Cemetery	14,875	14,875	4,140	10,735
Total public works	2,072,218	2,098,643	1,950,345	148,298
Judicial:				
Municipal court	210,525	210,715	172,019	38,696
Total judicial	210,525	210,715	172,019	38,696
Health and welfare:				
Senior citizens center	112,722	119,960	101,735	18,225
Total health and welfare	112,722	119,960	101,735	18,225
Culture and recreation:				
Parks administration	89,420	89,420	55,741	33,679
Library administration	327,316	327,331	314,896	12,435
Total culture and recreation	416,736	416,751	370,637	46,114
Housing and development:				
Protective inspection administration	146,323	147,343	125,351	21,992
Planning and zoning	175,106	175,281	150,249	25,032
Airport	7,000	50,897	50,873	24
Special facilities	53,746	52,996	35,016	17,980
Economic development	131,193	131,303	127,202	4,101
Total housing and development	513,368	557,820	488,691	69,129

(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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (continued):				
Debt service:				
Principal	$ 569,274	$ 568,914	$ 467,225	$ 101,689
Interest	47,114	47,474	32,015	15,459
Total debt service	616,388	616,388	499,240	117,148
Total expenditures	10,253,196	10,426,789	9,201,530	1,225,259
Excess (deficiency) of revenues over (under) expenditures	(752,212)	(832,698)	(83,536)	749,162
Other financing sources (uses)				
Proceeds from sale of capital assets	20,000	20,000	-	(20,000)
Issuance of notes payable	130,000	130,000	-	(130,000)
Transfers in	-	80,486	75,532	(4,954)
Transfers out	(21,632)	(21,632)	(21,632)	-
Total other financing sources (uses)	128,368	208,854	53,900	(154,954)
Net change in fund balances	(623,844)	(623,844)	(29,636)	594,208
Fund balances, beginning of year	4,483,795	4,483,795	4,483,795	-
Fund balances, end of year	$ 3,859,951	$ 3,859,951	$ 4,454,159	$ 594,208

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

CITY OF ST. MARYS, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

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	$ 3,050,657	$ 518,221	$ 36,006	$ 3,604,884
Investments	723,263	-	-	723,263
Restricted cash and cash equivalents	726,432	-	-	726,432
Restricted investments	344,155	-	-	344,155
Accounts receivable, ne	548,697	101,025	-	649,722
Accrued interest receivable	5,525	-	-	5,525
Prepaid expenses	66,674	2,996	-	69,670
Total current assets	5,465,403	622,242	36,006	6,123,651
NONCURRENT ASSETS				
Restricted cash and cash equivalents	3,740,937	-	-	3,740,937
Deferred charges, unamortized bond issuance cost	887,952	-	-	887,952
Capital assets				
Non-depreciable	46,790,598	-	-	46,790,598
Depreciable, net of accumulated depreciatio	32,616,554	18,080	1,891,513	34,526,147
Total noncurrent assets	84,036,041	18,080	1,891,513	85,945,634
Total assets	89,501,444	640,322	1,927,519	92,069,285
LIABILITIES				
CURRENT LIABILITIES, PAYABLE FROM CURRENT ASSETS				
Accounts payable	96,011	92,694	9,647	198,352
Retainage payable	592,822	-	-	592,822
Accrued interest payable	109,788	-	-	109,788
Other accrued liabilities	65,617	1,063	31,190	97,870
Due to other funds	12,111	-	92,998	105,109
Current portion of notes payable	616,902	-	-	616,902
Current portion of bonds payable	255,000	-	-	255,000
Total current liabilities, payable from current asset	1,748,251	93,757	133,835	1,975,843
CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS				
Customer deposits	516,490	-	-	516,490
Total current liabilities, payable from restricted asset	516,490	-	-	516,490
LONG-TERM LIABILITIES				
Revenue bonds payable, ne	43,530,000	-	-	43,530,000
Notes payable	6,040,362	-	-	6,040,362
Total liabilities	51,835,103	93,757	133,835	52,062,695
NET ASSETS				
Invested in capital assets, net of related debt	24,774,273	18,080	1,891,513	26,683,866
Restricted for debt service	3,323,608	-	-	3,323,608
Restricted for renewal and extensio	417,329	-	-	417,329
Unrestricted	9,151,131	528,485	(97,829)	9,581,787
Total net assets	$ 37,666,341	$ 546,565	$ 1,793,684	$ 40,006,590

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, 2010

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water & Sewer Fund	Solid Waste Fund	Aquatic Center Fund	Totals
OPERATING REVENUE				
Sanitation fees	$ -	$ 1,032,458	$ -	$ 1,032,458
Admission fees	-	-	188,980	188,980
Concessions	-	-	67,353	67,353
Water sales	2,217,652	-	-	2,217,652
Sewer sales	2,075,528	-	-	2,075,528
Reconnection fees	61,393	-	-	61,393
Construction fees	312,923	-	-	312,923
Penalties	115,746	18,154	-	133,900
Miscellaneous	20,101	62,624	77,523	160,248
Total operating revenues	4,803,343	1,113,236	333,856	6,250,435
OPERATING EXPENSES				
Personal services	1,707,462	121,983	234,924	2,064,369
Purchased and contracted services	602,805	1,107,788	29,202	1,739,795
Supplies	988,852	2,090	129,759	1,120,701
Depreciation	1,472,118	15,587	83,756	1,571,461
Bad debt expense	51,175	-	-	51,175
Total operating expenses	4,822,412	1,247,448	477,641	6,547,501
Operating loss	(19,069)	(134,212)	(143,785)	(297,066)
NONOPERATING REVENUES (EXPENSES				
Interest income	103,530	5	222	103,757
Interest expense	(531,064)	-	-	(531,064)
Other nonoperating income	8,361	-	1,867	10,228
Gain on disposal of capital assets	-	6,695	-	6,695
Total nonoperating revenues (expenses	(419,173)	6,700	2,089	(410,384)
Loss before transfers and contributions	(438,242)	(127,512)	(141,696)	(707,450)
CAPITAL CONTRIBUTIONS	2,612,854	-	-	2,612,854
TRANSFERS				
Transfers in	-	-	9,632	9,632
Total transfers	-	-	9,632	9,632
Change in net assets	2,174,612	(127,512)	(132,064)	1,915,036
Total net assets, beginning of year	35,491,729	674,077	1,925,748	38,091,554
Total net assets, end of year	$ 37,666,341	$ 546,565	$ 1,793,684	$ 40,006,590

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, 2010

	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	$ 4,682,675	$ 1,113,799	$ 333,856	$ 6,130,330
Payments to suppliers	(3,646,697)	(918,073)	(194,652)	(4,759,422)
Payments to employees	(1,726,053)	(120,920)	(233,534)	(2,080,507)
Net cash provided by (used in) operating activities	(690,075)	74,806	(94,330)	(709,599)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	9,632	9,632
Other nonoperating income	8,361	-	1,867	10,228
Net cash provided by noncapital financing activities	8,361	-	11,499	19,860
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on revenue bonds payable	(1,240,000)	-	-	(1,240,000)
Principal payments on notes payable	(583,779)	-	-	(583,779)
Interest paid	(494,032)	-	-	(494,032)
Capital contributions	531,083	-	-	531,083
Purchase of capital assets	(11,747,325)	-	-	(11,747,325)
Proceeds from sale of capital assets	-	6,695	-	6,695
Net cash provided by (used in) capital and related financing activities	(13,534,053)	6,695	-	(13,527,358)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	399,367	-	-	399,367
Interest received	106,622	5	222	106,849
Net cash provided by investing activities	505,989	5	222	506,216
Net increase (decrease) in cash	(13,709,778)	81,506	(82,609)	(13,710,881)
Cash and cash equivalents, beginning of year	21,227,804	436,715	118,615	21,783,134
Cash and cash equivalents, end of year	$ 7,518,026	$ 518,221	$ 36,006	$ 8,072,253
Classified as:				
Cash and cash equivalents	$ 3,050,657	$ 518,221	$ 36,006	$ 3,604,884
Restricted assets:				
Current cash and cash equivalents	726,432	-	-	726,432
Noncurrent cash and cash equivalents	3,740,937	-	-	3,740,937
	$ 7,518,026	$ 518,221	$ 36,006	$ 8,072,253
Noncash investing, capital, and financing activities:				
Capital contributions received	$ 500,812	$ -	$ -	$ 500,812
Transfer of capital assets from other funds	1,580,959	-	-	1,580,959
Total noncash investing, capital and financing activities	$ 2,081,771	$ -	$ -	$ 2,081,771

(Continued)

CITY OF ST. MARYS, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	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	$ (19,069)	$ (134,212)	(143,785)	$ (297,066)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	1,472,118	15,587	83,756	1,571,461
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(126,923)	563	-	(126,360)
Decrease in prepaid expenses	11,220	621	1,250	13,091
Decrease in due from other funds	2,797	191,328	8,796	202,921
Decrease in accounts payable	(192,699)	(144)	(16,260)	(209,103)
Decrease in contracts payable	(1,056,524)	-	-	(1,056,524)
Decrease in retainages payable	(589,442)	-	-	(589,442)
Increase (decrease) in accrued liabilities	(18,591)	1,063	1,390	(16,138)
Increase in customer deposits	6,255	-	-	6,255
Decrease in due to other funds	(179,217)	-	(29,477)	(208,694)
Net cash provided by (used in) operating activities	$ (690,075)	$ 74,806	$ (94,330)	$ (709,599)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Units

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

The Downtown Development Authority of St. Marys (the "DDA") is governed by a seven-member board, the majority of which are appointed by St. Marys' City Council. The City is able to significantly influence the programs, projects and activities of the DDA. The DDA is presented as a governmental fund-type component unit. Separate financial statements are not prepared for the DDA.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The **Special Purpose Local Option Sales Tax Fund (SPLOST)** is used to account for the revenues and expenditures relating to the 2009 1% Special Purpose Local Option Sales Tax and the 2002 1% Special Purpose Local Option Sales Tax.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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)

The ***capital projects fund*** accounts for the acquisition of capital assets and construction or improvement of major capital projects such as construction of new roads.

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, 2010 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 $2,148,762. Of this amount, $1,585,683 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 $1,013,536 difference are as follows:

Accrued interest payable	$	(1,470)
Capital leases payable		(52,962)
Notes payable		(576,235)
Compensated absences		(382,869)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(1,013,536)

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 $2,552,651 difference are as follows:

Capital outlay	$	3,963,364
Depreciation expense		(1,410,713)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	2,552,651

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 $467,225 difference are as follows:

Principal repayments:		
Note payable	$	422,630
Capital leases		44,595
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	467,225

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 $23,892 difference are as follows:

Compensated absences	$	24,941
Accrued interest		(1,049)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	23,892

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 Balance. The Convention & Visitors Bureau Fund had a deficit fund balance of $12,443 at June 30, 2010.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2010, are summarized as follows:

Amounts as presented on the entity wide statement of net assets:		
Cash and cash equivalents	$	7,847,113
Investments		1,070,077
Restricted cash and cash investments		4,811,525
Component Unit - cash and cash equivalents		68,013
Component Unit - investments		28,388
Total	$	13,825,116
Cash deposited with financial institutions	$	11,970,300
Cash deposited with Georgia Fund 1		1,482,273
Investments in certificates of deposit		372,543
	$	13,825,116

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. It is the City's policy to limit its investments to those allowed and authorized by State law. As of June 30, 2010, the City's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

As of June 30, 2010, the City had the following investments:

Investment	Maturities		Fair Value
Georgia Fund 1	46 day weighted average	$	1,482,273
Certificates of deposit	6 months - 18 months		344,155
		$	1,826,428

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Custodial credit risk – deposits. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2010, 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 February 25, 2010. Taxes were levied on November 18, 2009 and payable on or before January 25, 2010. Property taxes not collected by January 25th are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2010, are recorded as receivables, net of estimated uncollectibles.

In the governmental funds, the net receivables collected during the year ended June 30, 2010, and expected to be collected by August 31, 2010, are recognized as revenues for the year ended June 30, 2010, whereas, net receivables estimated to be collectible subsequent to August 31, 2010, are recorded as revenue when received.

Receivables at June 30, 2010, 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	$ 657,187	$ -	$ -	$ -	$ -
Accounts	6,442	-	881,088	106,196	8,554
Accrued interest	-	-	5,525	-	-
Due from other governments	228,678	1,714,643	-	-	-
Less allowance for uncollectibles	(87,297)	-	(332,391)	(5,171)	-
Net total receivable	$ 805,010	$ 1,714,643	$ 554,222	$ 101,025	$ 8,554

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, 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	592,023	2,225,480	-	(1,392,211)	1,425,292
Total	1,073,356	2,225,480	-	(1,392,211)	1,906,625
Capital assets, being depreciated:					
Infrastructure	3,613,833	1,292,068	-	-	4,905,901
Buildings	5,032,552	205,800	-	427,292	5,665,644
Improvements	9,586,130	223,856	-	731,505	10,541,491
Machinery and equipment	9,154,316	16,160	(26,225)	233,414	9,377,665
Total	27,386,831	1,737,884	(26,225)	1,392,211	30,490,701
Less accumulated depreciation for:					
Infrastructure	(289,540)	(127,814)	-	-	(417,354)
Buildings	(1,931,555)	(175,481)	-	-	(2,107,036)
Improvements	(3,626,921)	(332,510)	-	-	(3,959,431)
Machinery and equipment	(7,155,071)	(774,908)	26,225	-	(7,903,754)
Total	(13,003,087)	(1,410,713)	26,225	-	(14,387,575)
Total capital assets, being depreciated, net	14,383,744	327,171	-	-	16,103,126
Governmental activities capital assets, net	$ 15,457,100	$ 2,552,651	$ -	$ -	$ 18,009,751

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 846,727	$ -	$ -	$ 846,727
Construction in progress	32,770,131	13,173,740	-	45,943,871
Total	33,616,858	13,173,740	-	46,790,598
Capital assets, being depreciated:				
Buildings	8,093,035	-	-	8,093,035
Infrastructure	41,590,793	500,812	-	42,091,605
Machinery and equipment	4,191,620	154,544	(443,053)	3,903,111
Total	53,875,448	655,356	(443,053)	54,087,751
Less accumulated depreciation for:				
Buildings	(3,027,552)	(193,906)	-	(3,221,458)
Infrastructure	(12,045,529)	(1,066,081)	-	(13,111,610)
Machinery and equipment	(3,360,115)	(311,474)	443,053	(3,228,536)
Total	(18,433,196)	(1,571,461)	443,053	(19,561,604)
Total capital assets, being depreciated, net	35,442,252	(916,105)	-	34,526,147
Business-type activities capital assets, net	$ 69,059,110	$ 12,257,635	$ -	$ 81,316,745

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

Governmental activities:	
General government	$ 436,284
Public safety	601,730
Public works	294,383
Health and welfare	36,010
Housing and development	42,306
Total depreciation expense - governmental activities	$ 1,410,713
Business-type activities:	
Water and sewer	$ 1,472,118
Sanitation	15,587
Aquatic center	83,756
Total depreciation expense - business-type activities	$ 1,571,461

Component Units: The Industrial Development Authority and the Downtown Development Authority maintain parcels of land with historical costs of $332,234 and $620,000, respectively.

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

Revenue Bonds:

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City's Water and Sewer Fund's revenue bonds outstanding at June 30, 2010, are as follows:

Series 1992 $5,595,000 Water Revenue Bonds, due in annual installments of $80,000 to $410,000 through July 1, 2018, plus interest of 3.0% to 6.125%.	$ 2,940,000
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%.	40,845,000
	$ 43,785,000

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2011	$ 255,000	$ 1,710,080	$ 1,965,080
2012	1,455,000	1,671,695	3,126,695
2013	1,520,000	1,609,141	3,129,141
2014	1,585,000	1,543,786	3,128,786
2015	1,660,000	1,475,324	3,135,324
2016-2020	9,040,000	6,244,597	15,284,597
2021-2025	9,190,000	4,484,116	13,674,116
2026-2030	11,210,000	2,570,553	13,780,553
2031-2033	7,870,000	452,365	8,322,365
Total	$ 43,785,000	$ 21,761,657	$ 65,546,657

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, 2010:

Interest Rate	Term	Fiscal Year Due Date	Amount
2.00%	10 years	2012	$ 91,949
5.60%	15 years	2013	36,986
4.76%	20 years	2020	290,003
4.55%	20 years	2021	2,152,291
3.00%	20 years	2025	3,899,032
4.05%	5 years	2012	187,003
			$ 6,657,264

The City has also entered into other notes payable agreements 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
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	-	-	463,415	157,935
2016-2020	-	-	2,566,200	511,351
2021-2025	-	-	1,621,286	101,146
Total	$ 576,235	$ 16,715	$ 6,657,264	$ 1,574,569

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 6.9% to 7.4%. The following is an analysis of leased assets under capital leases as of June 30, 2010:

	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,	
2011	$ 45,349
2012	9,191
Total minimum lease payments	54,540
Less amount representing interest	1,578
Present value of future minimum lease payments	$ 52,962

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

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 97,557	$ -	$ (44,595)	$ 52,962	$ 43,858
Notes payable	998,865	-	(422,630)	576,235	435,955
Compensated absences	407,810	387,717	(412,658)	382,869	382,869
Governmental activity Long-term liabilities	$ 1,504,232	$ 387,717	$ (879,883)	$ 1,012,066	$ 862,682
Business-type activities:					
Revenue bonds	$ 45,025,000	$ -	$ (1,240,000)	$ 43,785,000	$ 255,000
Notes payable	7,241,043	-	(583,779)	6,657,264	616,902
Business-type activity Long-term liabilities	$ 52,266,043	$ -	$ (1,823,779)	$ 50,442,264	$ 871,902

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, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor enterprise fund	$ 92,998
General Fund	Nonmajor governmental funds	63,595
General Fund	SPLOST Fund	90,895
SPLOST Fund	Water & Sewer Fund	12,111
		$ 259,599

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	$ 75,532
SPLOST Fund	Nonmajor governmental funds	112,287
Nonmajor enterprise fund	General Fund	9,632
Nonmajor governmental funds	General Fund	12,000
Nonmajor governmental funds	Nonmajor governmental funds	108,238
		$ 317,689

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, 2010, the City transferred capital assets with a net book value of $1,580,959 from the SPLOST Fund to the Water and Sewer Fund. This transfer is reflected in the governmental activities column and the business-type activities column in the government-wide financial statements.

NOTE 9. PENSION PLANS

Plan Description

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

NOTE 9. PENSION PLANS (CONTINUED)

Funding Policy

The funding policy for the City of St. Marys Retirement Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the City of St. Marys Retirement Plan. The City is required to contribute at an actuarially determined rate; the current rate is 25.01% of annual covered payroll.

Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost was $19,289 for the City of St. Marys Retirement Plan. Recommended contributions of $19,289 were determined as part of the January 1, 2010, actuarial valuation, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.5% per year plus age and service based merit increases, and (c) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets.

The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 7.75%, which is the valuation's investment return assumption.

Trend Information

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

Fiscal Year Ending	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
6/30/2008	$ 7,887	100%	$ -
6/30/2009	38,861	100%	-
6/30/2010	19,289	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
01/01/10	$ 1,083,162	$ 1,139,453	$ 56,291	95.1%	$ 75,794	74.3%

NOTE 9. PENSION PLANS (CONTINUED)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2010.

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, 2010, there were 164 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, 2010. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. The City contributes an amount equal to 7% of each participant's compensation. Total employer contributions for the year ended June 30, 2010, were $321,065. Total employee contributions for the year ended June 30, 2010 were $276,016.

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, 2010, the City paid $16,404 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, 2010, 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, 2010, $98,461 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, 2010, the City has contractual commitments on uncompleted contracts of approximately $1,697,922.

NOTE 16. SUBSEQUENT EVENT

In September 2010, the City entered into an intergovernmental contract with the Camden County Public Service Authority (the "Authority"). The Authority agreed to issue Series 2010 Refunding Revenue Bonds (the "Series 2010 Bonds") in the aggregate principal amount of $41,455,000 to refund and redeem the Series 2007 Variable Rate Demand Revenue Bonds (the "Series 2007 Bonds"), which were used to pay for the acquisition, construction, and equipping of extensions and improvements to the water and sewer system of the City. The City has agreed to pay the Authority amounts sufficient to pay the debt service on the Series 2010 Bonds.

The interest rate on the bonds range from 3.00% to 5.00% and final maturity is December 1, 2032. Debt service payments are scheduled semiannually at amounts that range from $324,554 to $3,596,200.

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
03/01/08	$ 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 %
01/01/10	1,083,162	1,139,453	56,291	95.1 %	75,794	74.3 %

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.

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, 2010

	Special Revenue		
ASSETS	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund
Cash and cash equivalents	$ -	$ 5,619	$ 451,526
Accounts receivable	8,554	-	-
Prepaid items	-	-	106,256
Total assets	$ 8,554	$ 5,619	$ 557,782
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ -	$ 694	$ 103,166
Accrued liabilities	-	1,946	-
Due to other funds	-	15,422	48,173
Total liabilities	-	18,062	151,339
FUND BALANCE (DEFICIT)			
Unreserved, undesignated	8,554	(12,443)	406,443
Total fund balances (deficit)	8,554	(12,443)	406,443
Total liabilities and fund balance (deficit)	$ 8,554	$ 5,619	$ 557,782

Capital Projects Fund	Nonmajor Governmental Funds
$ -	$ 457,145
-	8,554
-	106,256
$ -	$ 571,955
$ -	$ 103,860
-	1,946
-	63,595
-	169,401
-	402,554
-	402,554
$ -	$ 571,955

CITY OF ST. MARYS, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue		
	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund
REVENUES			
Taxes	$ 98,461	$ -	$ -
Intergovernmental	-	-	453,182
Interest	-	208	2,754
Miscellaneous	-	15,787	-
Total revenues	98,461	15,995	455,936
EXPENDITURES			
Current			
General government	-	-	376,404
Culture and recreation	-	147,166	-
Total expenditures	-	147,166	376,404
Excess (deficiency) of revenues over (under) expenditures	98,461	(131,171)	79,532
Other financing sources (uses)			
Transfers in	-	120,238	-
Transfers out	(104,238)	-	(79,532)
Total other financing sources (uses)	(104,238)	120,238	(79,532)
Net change in fund balances	(5,777)	(10,933)	-
FUND BALANCE (DEFICIT), beginning of year	14,331	(1,510)	406,443
FUND BALANCE (DEFICIT), end of year	$ 8,554	$ (12,443)	$ 406,443

Capital Projects Fund	Nonmajor Governmental Funds
$ -	$ 98,461
-	453,182
368	3,330
-	15,787
368	570,760
-	376,404
-	147,166
-	523,570
368	47,190
-	120,238
(112,287)	(296,057)
(112,287)	(175,819)
(111,919)	(128,629)
111,919	531,183
$ -	$ 402,554

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2002 ISSUE FOR THE YEAR ENDED JUNE 30, 2010

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
City Sidewalks/Streets	$ 3,930,000	$ 3,930,000	$ 3,021,045	$ 1,576,657	$ 4,597,702
Drainage	3,500,000	3,500,000	2,074,800	1,300,839	3,375,639
Downtown Multi-Media Center	300,000	300,000	85,896	334,892	420,788
City Library Expansion	588,000	588,000	339,316	145,580	484,896
Totals	$ 8,318,000	$ 8,318,000	$ 5,521,057	$ 3,357,968	$ 8,879,025

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2009 ISSUE FOR THE YEAR ENDED JUNE 30, 2010

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	1,585,070	4,230,767
City Buildings	3,500,000	3,500,000	29,623	208,436	238,059
Totals	$ 18,760,000	$ 18,760,000	$ 2,675,320	$ 1,793,506	$ 4,468,826

CITY OF ST. MARYS, GEORGIA

BALANCE SHEET
COMPONENT UNITS
JUNE 30, 2010

	Industrial Development Authority	Downtown Development Authority
ASSETS		
Cash and cash equivalents	$ 50,077	$ 17,936
Investments	-	28,388
Total assets	50,077	46,324
LIABILITIES		
Accounts payable	-	4,741
Total liabilities	-	4,741
FUND BALANCE		
Unreserved, undesignated	50,077	41,583
Total fund balance	$ 50,077	$ 41,583

CITY OF ST. MARYS, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2010

	Industrial Development Authority	Downtown Development Authority
REVENUES		
Rental income	$ -	$ 5,277
Donations	-	8,587
Interest revenue	739	1,728
Total revenues	739	15,592
EXPENDITURES		
Current		
Housing and development	38,000	8,641
Net change in fund balance	(37,261)	6,951
FUND BALANCE, beginning of year	87,338	34,632
FUND BALANCE, end of year	$ 50,077	$ 41,583

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Marys, Georgia (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City of St. Marys, Georgia's basic financial statements and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 9, 2010.

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 9, 2010

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010 due to the City not expending $500,000 or more of federal funds.

SECTION II
FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV
STATUS OF PRIOR YEAR FINDINGS

None reported.