CITY OF ST. MARYS, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

CITY OF ST. MARYS, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of St. Marys, Georgia (the "City")** as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2012, on our consideration of the City of St. Marys, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and the Schedule of Funding Progress on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Mauldin & Jenkins, LLC

Macon, Georgia
November 4, 2012

CITY OF ST. MARYS, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Within this section of the City of St. Marys, Georgia (the City) annual financial statements, management is pleased to offer readers this narrative overview and analysis of the financial activities of the City of St. Marys, Georgia for the fiscal year ended June 30, 2012. 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, 2012 by $61.1 million (*net assets*). Of this amount, $9.6 million (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net assets decreased by $1.75 million.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of $4.9 million, an increase of $1.01 million in comparison with the prior year. Approximately 86% of this total amount, $4.2 million, is *available for spending* at the City's discretion (*unassigned fund balance*).

- As of the close of the current fiscal year, the City's business-type funds reported combined ending net assets of $38 million, a decrease of $1.85 million in comparison with the prior year. Approximately 14% of this total amount, $5 million, is *available for spending* at the City's discretion (*unrestricted net assets*).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was a positive $4.2 million, or a positive 52% of total General Fund expenditures.

During the current fiscal year the City issued new debt for the Governmental funds in the amount of $119,700. For Business-type funds the City opened a construction line of credit for the upgrade of lift station 13, of which $759,003 had been drawn down as of June 30, 2012. The total combined increase in debt was $878,703. The Governmental funds had a reduction in debt service of $166,731 (does not include compensated absences). The Business-type funds had a reduction in debt service of $475,477. The total reduction in debt service was $642,208.

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 13 - 15 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 16 and 17 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 21 - 24 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 25 - 47 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and enterprise funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 48 - 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 $61.1 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, 2012

	Governmental Activities		Business-type Activities	
	2011	2012	2011	2012
Current and other assets	$ 4,407,677	$ 5,534,475	$ 7,152,142	$ 7,509,165
Capital assets	19,123,767	18,037,732	80,269,278	78,424,652
Total assets	23,531,444	23,572,207	87,421,420	85,933,817
Other liabilities	651,024	555,942	1,625,987	1,631,641
Long-term liabilities outstanding	11,707	50,981	45,756,816	46,113,425
Total liabilities	662,731	606,923	47,382,803	47,745,066
Net assets:				
Invested in capital assets, net of related debt	18,974,383	17,935,379	33,919,673	31,791,521
Restricted for housing and development	25,000	25,000	-	-
Restricted for capital projects	332,559	406,443	-	-
Restricted for economic development	8,626	236	-	-
Restricted for debt service	-	-	1,242,692	976,826
Restricted for renewal and extension	-	-	418,079	418,586
Unrestricted	3,528,145	4,598,226	4,456,173	5,001,818
Total net assets	$ 22,868,713	$ 22,868,713	$ 40,038,617	$ 38,188,751

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 $61.1 million for the year ending June 30, 2012. Of this amount, $38.2 million came from business-type activities and $22.9 million came from governmental activities. This was a decrease of $1.75 million for the year. The Industrial Development Authority's (Component Unit) total net assets for 2012 decreased $1,305 to $343,607. The Downtown Development Authority's (Component Unit) total net assets for 2012 increased $310 to $667,585. The total assets for the Cemetery Authority (component Unit), which is new for 2012, is $1,909.

The unrestricted net assets ($9.7 million) may be used to meet the City's ongoing obligations to citizens and creditors.

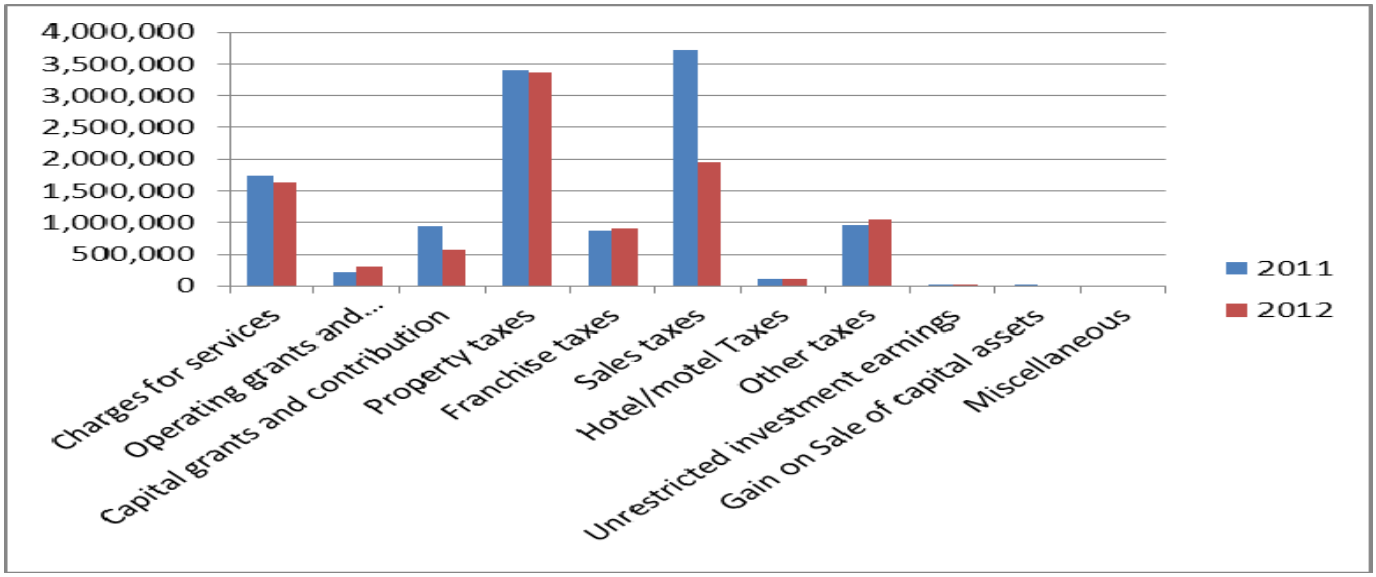
At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets.

Governmental activities. Governmental activities during the fiscal year ending June 30, 2012 increased the City of St. Marys' net assets by $96,571. Business-type activities during the same period decreased net assets by $1.85 million for a total decrease in net assets of $1.75 million. The Industrial Development Authority showed a decrease of $1,305 in net assets and the Downtown Development Authority showed an increase of $310 in net assets. The Cemetery Authority, which is new in 2012, showed net assets of $1,909. The following chart shows the revenue and expenses by activity for the total primary government.

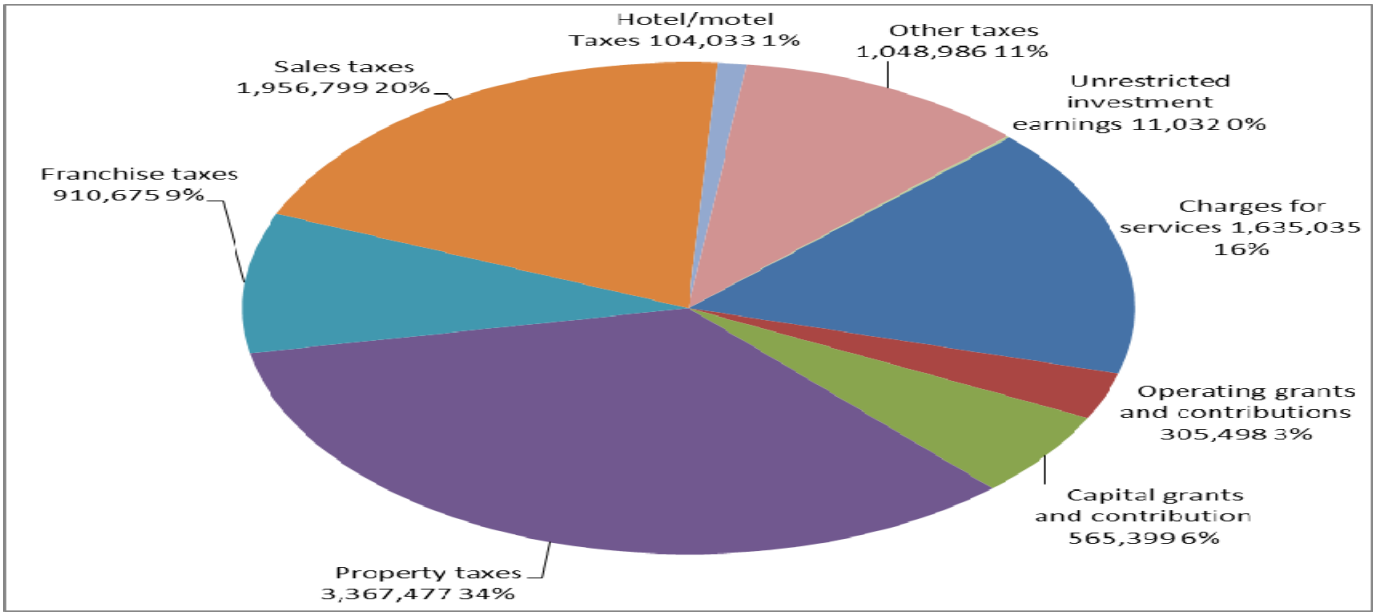
City of St. Marys
Changes in Net Assets
June 30, 2012

	Governmental Activities		Business-type Activities	
	2011	2012	2011	2012
Revenues				
Program Revenues				
Charges for services	$ 1,733,742	$ 1,635,035	$ 7,428,338	$ 7,652,233
Operating grants and contributions	224,705	305,498		-
Capital grants and contributions	940,701	565,399	403,316	-
General Revenues:				
Property taxes	3,394,403	3,367,477	-	-
Franchise taxes	874,322	910,675	-	-
Sales taxes	3,711,861	1,956,799	-	-
Hotel/Motel taxes	107,006	104,033	-	-
Other taxes	965,861	1,048,986	-	-
Unrestricted investment earnings	14,345	11,032	30,055	12,271
Gain on sale of capital assets	14,602	-	-	-
Miscellaneous	-	-	19,353	15,132
Total revenues	11,981,548	9,904,934	7,881,062	7,679,636
Expenses				
Governmental activities				
General government	2,030,282	2,091,188	-	-
Public safety	4,351,355	4,116,046	-	-
Public works	2,863,325	2,227,367	-	-
Health and welfare	98,558	116,492	-	-
Judicial	227,996	201,782	-	-
Culture and recreation	549,875	521,389	-	-
Housing and development	484,338	438,725	-	-
Interest on long-term debt	16,492	3,821	-	-
Business-type activities				
Water and sewer	-	-	7,179,197	8,068,328
Solid waste	-	-	1,212,245	1,143,276
Aquatic center	-	-	460,695	409,451
	10,622,221	9,716,810	8,852,137	9,621,055
Increase (decrease) in net assets before transfers	1,359,327	188,124	(971,075)	(1,941,419)
Transfers	(1,003,102)	(91,553)	1,003,102	91,553
Increase (decrease) in net assets	356,225	96,571	32,027	(1,849,866)
Net assets, beginning of year	22,512,488	22,868,713	40,006,590	40,038,617
Net assets, end of year	$ 22,868,713	$ 22,965,284	$ 40,038,617	$ 38,188,751

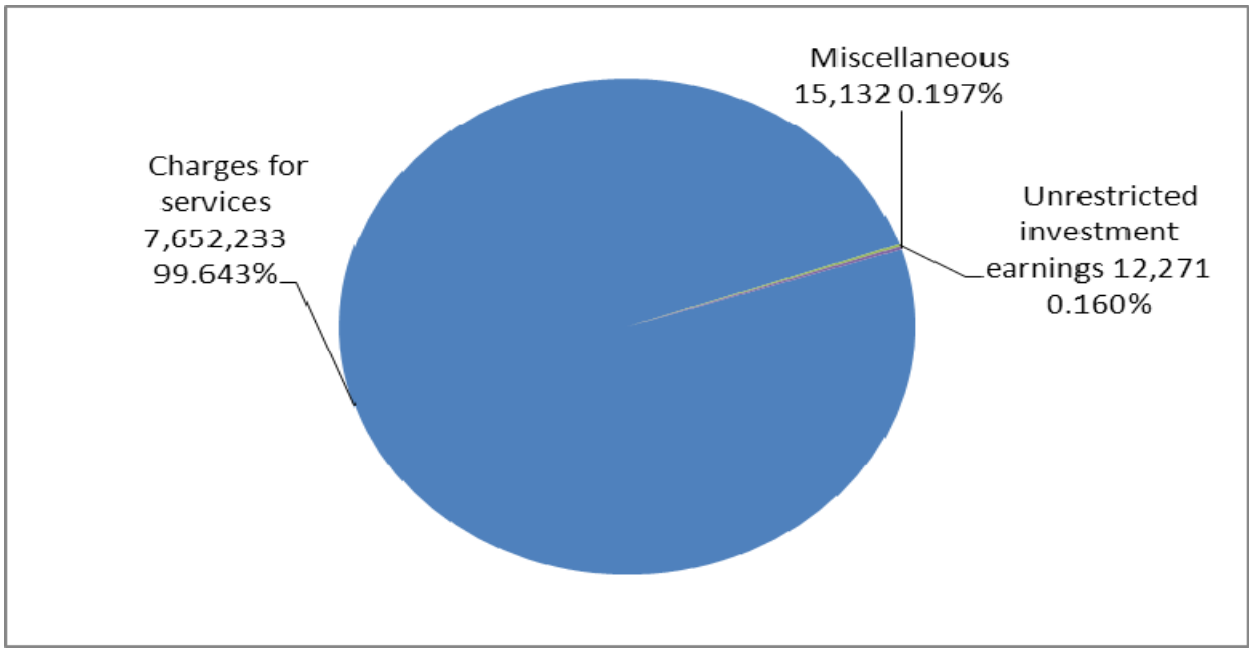
City of St. Marys
Changes in Net Assets
June 30, 2012



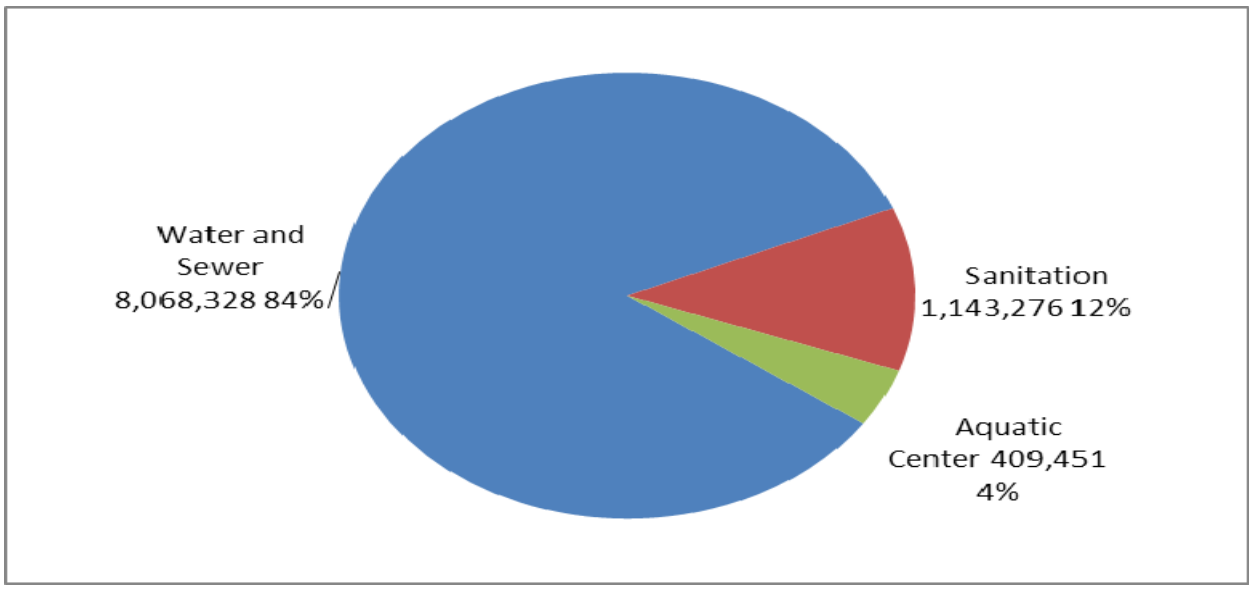
Expenses and Program Revenues- Governmental Activities
City of St. Marys
Changes in Net Assets
June 30, 2012
Revenues by Source - Governmental Activities



City of St. Marys
Changes in Net Assets
June 30, 2012
Revenues by Source – Business-type Activities



City of St. Marys
Changes in Net Assets
June 30, 2012
Expenses- Business-type Activities



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 FY2012, the General Fund had a fund balance of $4,461,331. This is an increase of $1,101,605 from the beginning fund balance. The General Fund budget FY2012-2013 was decreased to keep from depleting fund balance to support expenses due to the sluggish economy.

The fund balances for the other governmental funds decreased by $8,613. The total combined fund balances for the other governmental funds was a positive $406,756 at the end of the year.

Business-Type Activities Funds:

The enterprise funds, which include the City's Water & Sewer Fund, Solid Waste Fund, and Aquatic Center Fund, showed a combined cash and cash equivalents balance of $5,693,390 at the end of fiscal year ending June 30, 2012. Of this amount, $1,623,719 is restricted assets.

The Water and Sewer Fund had an ending net asset balance of $36,153,928 for FY2012. This was a decrease of $1,781,342 from the previous year. Of the balance, $31,384,150 is restricted assets.

The Solid Waste Fund had an ending net asset balance of $349,798 for FY2012. This was a decrease of $73,756 from the previous year. Of the balance, $5,811 is restricted assets.

The Aquatic Center Fund had an ending net asset balance of $1,685,025 for FY2012. This was an increase of $5,232 from the previous year. Of this amount, $1,796,972 is invested in capital assets, net of related debt with an unrestricted deficit of ($111,947).

General Fund Budget Highlights

The budget was prepared according to Georgia Law.

The 2012 original revenue budget was $8,265,460. The original budget was amended to $8,274,135 due to an increase in charges for services and miscellaneous income. In total, the City realized 108% of the projected FY2012 revenues.

General Fund Budget Highlights (continued)

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

- $22,000 decrease in taxes – to account for a decrease in alcohol tax
- $13,597 increase in charges for service – increase shared services with the Hospital Authority
- $17,078 increase in miscellaneous revenue – increase miscellaneous income for insurance reimbursements
- $55,751 increase in general government expenditures – increase for retirement match, transferred funds for part-time administrative assistant
- $28,187 increase in public safety expenditures – increase in retirement match and building repairs
- $46,848 increase in public works expenditures – increase in electricity
- $12,658 increase in health and welfare expenditures – upgrades to facility
- $3,906 decrease in housing and development expenditures – transfer of funds to cover administrative assistant
- $100,000 increase other financing sources (uses) – increase transfers in for grant revenue received

Comparison of Final Budget and Actual Expenditures:

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

Expenditures - Actual total expenditures ($8,203,125) came in less than the budget expenditures ($8,810,243). The actual expenditures do not include the other financing sources (uses).

The City's actual expenditures exceeded revenues by $1,101,605 including the other financing sources (uses). This is due to increase in tax collections and a decrease in spending.

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year ending June 30, 2012, governmental activities and business-type activities had capital assets of $96,462,384 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment and recreation and park facilities. The decrease in assets for governmental activities and business-type activities was due to current year depreciation exceeding current year additions.

City of St. Marys Capital Assets
(Net of Depreciation)
June 30, 2012

	Governmental Activities	Business-type Activities	Total
Land	$ 1,798,738	$ 846,727	$ 2,645,465
Building and Improvements	4,181,854	4,493,840	8,675,694
Improvements other than buildings	3,243,275	-	3,243,275
Machinery and Equipment	536,391	265,422	801,813
Infrastructure	8,277,474	71,581,464	79,858,938
Construction in progress	-	1,237,199	1,237,199
Total	$ 18,037,732	$ 78,424,652	$ 96,462,384

Additional information on the City's capital assets can be found in Note 6 on pages 38 and 39 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, 2012, the City had $102,353 of outstanding debt and $274,373 in compensated absences related to governmental activities and $46,633,131 of outstanding debt related to business-type activities for a total of $47,009,857 compared to the previous year's total of $46,796,431. This is an increase of $213,426.

Additional information on the City's debt can be found in Note 7 on pages 40 - 42 of this report.

Factors affecting the FY 2013 Budget:

The Mayor and Council of the City of St. Marys considered many factors when approving the City's FY2013 budget and were very aware of the present economic conditions and the effect on its citizens. The City experienced a decrease in the tax digest. The Mayor and Council chose to maintain last year's millage rate at 5.351. Therefore, the total real property tax revenue decreased. City Council also chose to continue the hiring freeze, merit increase freeze, decreases in supplies, etc. The City continually strives to provide the very best service for its citizens.

Requests for Information

This financial report is designed to provide a general overview the City of St. Marys' finances for citizens, taxpayers, customers, investors and creditors and all others with an interest in the City. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Finance Department at the City of St. Marys, 418 Osborne Street, St. Marys, Georgia 31558.

CITY OF ST. MARYS, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority	Downtown Development Authority	Cemetery Authority
Cash and cash equivalents	$ 4,302,405	$ 4,069,671	$ 8,372,076	$ 11,373	$ 21,222	$ 1,909
Investments	47,136	725,428	772,564	-	29,116	-
Taxes receivable	462,853	-	462,853	-	-	-
Accounts receivable, net of allowances	18,828	731,345	750,173	-	-	-
Accrued interest receivable	-	336	336	-	-	-
Prepaid expenses	145,125	69,753	214,878	-	-	-
Due from other governments	483,100	-	483,100	-	-	-
Internal balances	75,028	(75,028)	-	-	-	-
Restricted assets, cash and investments	-	1,689,427	1,689,427	-	-	-
Deferred charges, unamortized balance	-	298,233	298,233	-	-	-
Capital assets:						
Non-depreciable	1,798,738	2,083,926	3,882,664	332,234	620,000	-
Depreciable, net of accumulated depreciation	16,238,994	76,340,726	92,579,720	-	-	-
Total assets	23,572,207	85,933,817	109,506,024	343,607	670,338	1,909
LIABILITIES						
Accounts payable	133,477	244,466	377,943	-	2,753	-
Retainage payable	-	71,673	71,673	-	-	-
Accrued liabilities	96,720	319,876	416,596	-	-	-
Customer deposits	-	475,920	475,920	-	-	-
Compensated absences due within one year	274,373	-	274,373	-	-	-
Notes payable due within one year	51,372	234,706	286,078	-	-	-
Notes payable due in more than one year	50,981	3,979,515	4,030,496	-	-	-
Bonds payable due within one year	-	285,000	285,000	-	-	-
Bonds payable due in more than one year	-	42,133,910	42,133,910	-	-	-
Total liabilities	606,923	47,745,066	48,351,989	-	2,753	-
NET ASSETS						
Investment in capital assets, net of related debt	17,935,379	31,791,521	49,726,900	332,234	620,000	-
Restricted for housing and development	25,000	-	25,000	-	-	-
Restricted for capital projects	406,443	-	406,443	-	-	-
Restricted for economic development	236	-	236	-	-	-
Restricted for debt service	-	976,826	976,826	-	-	-
Restricted for renewal and extension	-	418,586	418,586	-	-	-
Unrestricted	4,598,226	5,001,818	9,600,044	11,373	47,585	1,909
Total net assets	$ 22,965,284	$ 38,188,751	$ 61,154,035	$ 343,607	$ 667,585	$ 1,909

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, 2012

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	$ 2,091,188	$ 1,101,935	$ 305,498	$ 406,730
Public safety	4,116,046	431,856	-	-
Public works	2,227,367	45,154	-	158,669
Health and welfare	116,492	-	-	-
Judicial	201,782	-	-	-
Culture and recreation	521,389	56,090	-	-
Housing and development	438,725	-	-	-
Interest on long-term debt	3,821	-	-	-
Total governmental activities	9,716,810	1,635,035	305,498	565,399
Business-type activities:				
Water & sewer	8,068,328	6,250,565	-	-
Solid waste	1,143,276	1,069,520	-	-
Aquatic center	409,451	332,148	-	-
Total business-type activities	9,621,055	7,652,233	-	-
Total primary government	$ 19,337,865	$ 9,287,268	$ 305,498	$ 565,399
Component Units:				
Industrial Development Authority	$ 1,363	$ -	$ -	$ -
Downtown Development Authority	9,924	3,600	-	-
Cemetery Authority	-	-	-	-
Total component units	$ 11,287	$ 3,600	$ -	$ -
General revenues:				
Property taxes				
Franchise taxes				
Sales taxes				
Hotel/motel taxes				
Other taxes				
Unrestricted investment earnings				
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	Cemetery Authority
$ (277,025)	$ -	$ (277,025)	$ -	$ -	$ -
(3,684,190)	-	(3,684,190)	-	-	-
(2,023,544)	-	(2,023,544)	-	-	-
(116,492)	-	(116,492)	-	-	-
(201,782)	-	(201,782)	-	-	-
(465,299)	-	(465,299)	-	-	-
(438,725)	-	(438,725)	-	-	-
(3,821)	-	(3,821)	-	-	-
(7,210,878)	-	(7,210,878)	-	-	-
-	(1,817,763)	(1,817,763)	-	-	-
-	(73,756)	(73,756)	-	-	-
-	(77,303)	(77,303)	-	-	-
-	(1,968,822)	(1,968,822)	-	-	-
(7,210,878)	(1,968,822)	(9,179,700)	-	-	-
-	-	-	(1,363)	-	-
-	-	-	-	(6,324)	-
-	-	-	-	-	-
-	-	-	(1,363)	(6,324)	-
3,367,477	-	3,367,477	-	-	-
910,675	-	910,675	-	-	-
1,956,799	-	1,956,799	-	-	-
104,033	-	104,033	-	-	-
1,048,986	-	1,048,986	-	-	-
11,032	12,271	23,303	58	508	-
-	15,132	15,132	-	6,126	1,909
(91,553)	91,553	-	-	-	-
7,307,449	118,956	7,426,405	58	6,634	1,909
96,571	(1,849,866)	(1,753,295)	(1,305)	310	1,909
22,868,713	40,038,617	62,907,330	344,912	667,275	-
$ 22,965,284	$ 38,188,751	$ 61,154,035	$ 343,607	$ 667,585	$ 1,909

CITY OF ST. MARYS, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 3,882,870	$ 2,168	$ 417,367	$ 4,302,405
Investments	47,136	-	-	47,136
Taxes receivable	462,853	-	-	462,853
Accounts receivable	6,097	-	12,731	18,828
Prepaid items	145,048	-	77	145,125
Due from other governments	167,179	166,360	149,561	483,100
Due from other funds	313,418	-	12,731	326,149
Advances to other funds	86,088	-	-	86,088
Total assets	$ 5,110,689	$ 168,528	$ 592,467	$ 5,871,684
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 117,067	$ 15,971	$ 439	$ 133,477
Accrued liabilities	95,898	-	620	96,518
Deferred revenues	436,393	-	-	436,393
Due to other funds	-	152,557	184,652	337,209
Total liabilities	649,358	168,528	185,711	1,003,597
FUND BALANCES				
Nonspendable:				
Prepaid items	145,048	-	77	145,125
Advances to other funds	86,088	-	-	86,088
Restricted for:				
Housing and development	25,000	-	-	25,000
Capital projects	-	-	406,443	406,443
Economic development	-	-	236	236
Unassigned	4,205,195	-	-	4,205,195
Total fund balances	4,461,331	-	406,756	4,868,087
Total liabilities and fund balances	$ 5,110,689	$ 168,528	$ 592,467	

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.	18,037,732
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	436,393
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(376,928)
Net assets of governmental activities	$ 22,965,284

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, 2012

	General Fund	SPLOST Fund	Other Governmental Funds	Totals Governmental Funds
Revenues				
Taxes	$ 7,264,486	$ -	$ 104,033	$ 7,368,519
Licenses and permits	416,059	-	-	416,059
Intergovernmental	-	565,399	305,498	870,897
Fines and forfeitures	431,856	-	-	431,856
Charges for services	127,975	-	-	127,975
Interest income	10,219	-	813	11,032
Other revenues	642,052	-	17,093	659,145
Total revenues	8,892,647	565,399	427,437	9,885,483
Expenditures				
Current:				
General government	1,672,844	-	-	1,672,844
Public safety	3,825,585	-	-	3,825,585
Public works	1,476,893	-	-	1,476,893
Health and welfare	116,492	-	-	116,492
Judicial	201,782	-	-	201,782
Culture and recreation	340,810	-	136,759	477,569
Housing and development	398,102	-	-	398,102
Capital outlay	-	565,399	-	565,399
Debt service:				
Principal	166,731	-	-	166,731
Interest and fiscal charges	3,884	-	-	3,884
Total expenditures	8,203,123	565,399	136,759	8,905,281
Excess of revenues over expenditures	689,524	-	290,678	980,202
Other financing sources (uses):				
Issuance of notes payable	119,700	-	-	119,700
Transfers in	306,291	-	111,033	417,324
Transfers out	(13,910)	-	(410,324)	(424,234)
Total other financing sources (uses)	412,081	-	(299,291)	112,790
Net change in fund balances	1,101,605	-	(8,613)	1,092,992
Fund balances, beginning of year	3,359,726	-	415,369	3,775,095
Fund balances, end of year	$ 4,461,331	$ -	$ 406,756	$ 4,868,087

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, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	1,092,992
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(1,086,035)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		19,451
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.		47,031
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.		23,132
	$	96,571

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 6,866,250	$ 6,844,250	$ 7,264,486	$ 420,236
Licenses and permits	311,500	311,500	416,059	104,559
Fines and forfeitures	498,250	498,250	431,856	(66,394)
Interest	13,500	13,500	10,219	(3,281)
Charges for services	104,820	118,417	127,975	9,558
Miscellaneous	471,140	488,218	642,052	153,834
Total revenues	8,265,460	8,274,135	8,892,647	618,512
Expenditures				
Current:				
General government:				
Legislative	184,734	188,221	184,400	3,821
Executive	284,183	297,330	284,695	12,635
Finance	887,751	814,540	729,431	85,109
Building and plant	168,930	278,930	245,542	33,388
Human resources	92,207	92,207	82,221	9,986
Information technology	153,585	154,003	146,555	7,448
Total general government	1,771,390	1,825,231	1,672,844	152,387
Public safety:				
Fire	1,586,322	1,598,454	1,574,435	24,019
Police	2,362,299	2,378,354	2,251,150	127,204
Total public safety	3,948,621	3,976,808	3,825,585	151,223
Public works:				
Public works administration	1,352,652	1,350,590	1,156,368	194,222
Highways and streets administration	270,000	317,000	315,254	1,746
Cemetery	4,625	6,535	5,271	1,264
Total public works	1,627,277	1,674,125	1,476,893	197,232
Judicial:				
Municipal court	226,492	226,492	201,782	24,710
Total judicial	226,492	226,492	201,782	24,710
Health and welfare:				
Senior citizens center	116,145	128,803	116,492	12,311
Total health and welfare	116,145	128,803	116,492	12,311
Culture and recreation:				
Parks administration	61,020	61,520	43,197	18,323
Library administration	298,773	300,438	297,613	2,825
Total culture and recreation	359,793	361,958	340,810	21,148
Housing and development:				
Protective inspection administration	135,888	123,419	101,766	21,653
Planning and zoning	153,156	161,314	149,228	12,086
Airport	8,000	8,000	4,185	3,815
Special facilities	37,655	37,655	26,866	10,789
Economic development	118,005	118,410	116,057	2,353
Total housing and development	452,704	448,798	398,102	50,696

(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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures (continued):				
Debt service:				
Principal	$ 151,585	$ 161,811	$ 166,731	$ (4,920)
Interest	7,207	6,217	3,884	2,333
Total debt service	158,792	168,028	170,615	(2,587)
Total expenditures	8,661,214	8,810,243	8,203,123	607,120
Excess (deficiency) of revenues over (under) expenditures	(395,754)	(536,108)	689,524	1,225,632
Other financing sources (uses)				
Proceeds from sale of capital assets	5,000	5,000	-	(5,000)
Issuance of notes payable	120,000	120,000	119,700	(300)
Transfers in	223,000	333,000	306,291	(26,709)
Transfers out	(13,910)	(13,910)	(13,910)	-
Total other financing sources (uses)	334,090	444,090	412,081	(32,009)
Net change in fund balances	(61,664)	(92,018)	1,101,605	1,193,623
Fund balances, beginning of year	3,359,726	3,359,726	3,359,726	-
Fund balances, end of year	$ 3,298,062	$ 3,267,708	$ 4,461,331	$ 1,193,623

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

CITY OF ST. MARYS, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

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	$ 3,749,826	$ 316,610	$ 3,235	$ 4,069,671
Investments	725,428	-	-	725,428
Restricted cash and cash equivalents	764,134	-	-	764,134
Restricted investments	65,708	-	-	65,708
Accounts receivable, net	633,744	97,601	-	731,345
Accrued interest receivable	336	-	-	336
Prepaid expenses	62,569	7,184	-	69,753
Due from other funds	11,060	-	-	11,060
Total current assets	6,012,805	421,395	3,235	6,437,435
NONCURRENT ASSETS				
Restricted cash and cash equivalents	859,585	-	-	859,585
Deferred charges, unamortized bond issuance costs	298,233	-	-	298,233
Capital assets				
Non-depreciable	2,083,926	-	-	2,083,926
Depreciable, net of accumulated depreciation	74,537,943	5,811	1,796,972	76,340,726
Total noncurrent assets	77,779,687	5,811	1,796,972	79,582,470
Total assets	83,792,492	427,206	1,800,207	86,019,905
LIABILITIES				
CURRENT LIABILITIES, PAYABLE FROM CURRENT ASSETS				
Accounts payable	155,044	76,026	13,396	244,466
Retainage payable	71,673	-	-	71,673
Accrued interest payable	242,076	-	-	242,076
Other accrued liabilities	60,720	1,382	15,698	77,800
Current portion of notes payable	234,706	-	-	234,706
Current portion of bonds payable	285,000	-	-	285,000
Total current liabilities, payable from current assets	1,049,219	77,408	29,094	1,155,721
CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS				
Customer deposits	475,920	-	-	475,920
Total current liabilities, payable from restricted assets	475,920	-	-	475,920
LONG-TERM LIABILITIES				
Revenue bonds payable, net	42,133,910	-	-	42,133,910
Notes payable	3,979,515	-	-	3,979,515
Advances from other funds	-	-	86,088	86,088
Total liabilities	47,638,564	77,408	115,182	47,831,154
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	29,988,738	5,811	1,796,972	31,791,521
Restricted for debt service	976,826	-	-	976,826
Restricted for renewal and extension	418,586	-	-	418,586
Unrestricted	4,769,778	343,987	(111,947)	5,001,818
Total net assets	$ 36,153,928	$ 349,798	$ 1,685,025	$ 38,188,751

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, 2012

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water & Sewer Fund	Solid Waste Fund	Aquatic Center Fund	Totals
OPERATING REVENUE				
Sanitation fees	$ -	$ 985,769	$ -	$ 985,769
Admission fees	-	-	181,692	181,692
Concessions	-	-	67,171	67,171
Water sales	2,879,275	-	-	2,879,275
Sewer sales	2,693,222	-	-	2,693,222
Tap and capacity recovery fees	287,843	-	-	287,843
Reconnection fees	79,236	-	-	79,236
Construction fees	132,222	-	-	132,222
Penalties	132,602	22,607	-	155,209
Miscellaneous	46,165	61,144	83,285	190,594
Total operating revenues	6,250,565	1,069,520	332,148	7,652,233
OPERATING EXPENSES				
Personal services	1,595,361	72,979	144,946	1,813,286
Purchased and contracted services	693,829	1,062,622	53,125	1,809,576
Supplies	865,556	2,825	127,011	995,392
Depreciation	2,540,157	4,850	84,369	2,629,376
Bad debt expense	54,151	-	-	54,151
Total operating expenses	5,749,054	1,143,276	409,451	7,301,781
Operating income (loss)	501,511	(73,756)	(77,303)	350,452
NONOPERATING REVENUES (EXPENSES)				
Interest income	12,271	-	-	12,271
Interest expense	(2,319,274)	-	-	(2,319,274)
Other nonoperating income	13,090	-	2,042	15,132
Total nonoperating revenues (expenses)	(2,293,913)	-	2,042	(2,291,871)
Loss before transfers and contributions	(1,792,402)	(73,756)	(75,261)	(1,941,419)
CAPITAL CONTRIBUTIONS	11,060	-	73,583	84,643
TRANSFERS				
Transfers in	-	-	6,910	6,910
Total transfers	-	-	6,910	6,910
Change in net assets	(1,781,342)	(73,756)	5,232	(1,849,866)
Total net assets, beginning of year	37,935,270	423,554	1,679,793	40,038,617
Total net assets, end of year	$ 36,153,928	$ 349,798	$ 1,685,025	$ 38,188,751

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, 2012

	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	$ 6,206,845	$ 1,067,521	$ 332,772	$ 7,607,138
Payments to suppliers	(1,411,867)	(1,088,510)	(186,269)	(2,686,646)
Payments to employees	(1,598,376)	(72,954)	(155,330)	(1,826,660)
Net cash provided by (used in) operating activities	3,196,602	(93,943)	(8,827)	3,093,832
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	6,910	6,910
Other nonoperating income	13,090	-	2,042	15,132
Net cash provided by noncapital financing activities	13,090	-	8,952	22,042
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on revenue bonds payable	(270,000)	-	-	(270,000)
Principal payments on notes payable	(322,789)	-	-	(322,789)
Proceeds from long-term borrowings	759,003	-	-	759,003
Interest paid	(2,190,804)	-	-	(2,190,804)
Purchase of capital assets	(700,107)	-	-	(700,107)
Net cash used in capital and related financing activities	(2,724,697)	-	-	(2,724,697)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	124,355	-	-	124,355
Interest received	12,612	-	-	12,612
Net cash provided by investing activities	136,967	-	-	136,967
Net increase (decrease) in cash	621,962	(93,943)	125	528,144
Cash and cash equivalents, beginning of year	4,751,583	410,553	3,110	5,165,246
Cash and cash equivalents, end of year	$ 5,373,545	$ 316,610	$ 3,235	$ 5,693,390
Classified as:				
Cash and cash equivalents	$ 3,749,826	$ 316,610	$ 3,235	$ 4,069,671
Restricted assets:				
Current cash and cash equivalents	764,134	-	-	764,134
Noncurrent cash and cash equivalents	859,585	-	-	859,585
	$ 5,373,545	$ 316,610	$ 3,235	$ 5,693,390
Noncash investing, capital, and financing activities:				
Transfer of capital assets from other funds	$ 11,060	$ -	$ 73,583	$ 84,643
Total noncash investing, capital and financing activities	$ 11,060	$ -	$ 73,583	$ 84,643

(Continued)

CITY OF ST. MARYS, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Major Enterprise Funds		Nonmajor Enterprise Fund	
	Water & Sewer Fund	Solid Waste Fund	Aquatic Center Fund	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 501,511	$ (73,756)	(77,303)	$ 350,452
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,540,157	4,850	84,369	2,629,376
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(27,160)	(1,999)	624	(28,535)
(Increase) decrease in prepaid expenses	7,577	(3,823)	-	3,754
Decrease in due from other funds	57,813	-	-	57,813
Increase (decrease) in accounts payable	64,606	(19,240)	777	46,143
Increase in retainage payable	71,673	-	-	71,673
Increase (decrease) in accrued liabilities	(3,015)	25	(10,384)	(13,374)
Decrease in customer deposits	(16,560)	-	-	(16,560)
Decrease in due to other funds	-	-	(6,910)	(6,910)
Net cash provided by (used in) operating activities	$ 3,196,602	$ (93,943)	$ (8,827)	$ 3,093,832

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 "IDA") 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 IDA. The IDA is presented as a governmental fund-type component unit. Separate financial statements are not prepared for the IDA.

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)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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

B. Government-wide and Fund Financial Statements

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the City reports the following fund type:

The ***special revenue funds*** account for revenue sources that are legally restricted to expenditure for specific purposes.

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, 2012 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.

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

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

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

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

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Fund Balance - (Continued)

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

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

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

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

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

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

M. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $376,928 difference are as follows:

Accrued interest payable	$	(202)
Notes payable		(102,353)
Compensated absences		(274,373)
Net adjustment to reduce fund balance - total governmental funds *to arrive at net assets - governmental activities*	$	(376,928)

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 $1,086,035 difference are as follows:

Capital outlay	$	216,704
Depreciation expense		(1,302,739)
Net adjustment to decrease net changes in fund balances - total *governmental funds to arrive at changes in net assets of governmental activities*	$	(1,086,035)

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 $47,031 difference are as follows:

Issuance of notes payable	$	(119,700)
Principal retirement of long-term debt		166,731
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	47,031

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 $23,132 difference are as follows:

Compensated absences	$	23,069
Accrued interest		63
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	23,132

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

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

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

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

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2012, are summarized as follows:

Amounts as presented on the entity wide statement of net assets:		
Cash and cash equivalents	$	8,372,076
Investments		772,564
Restricted cash and cash investments		1,689,427
Component Unit - cash and cash equivalents		34,504
Component Unit - investments		29,116
Total	$	10,897,687
Cash deposited with financial institutions	$	9,616,867
Cash deposited with Georgia Fund 1		1,185,995
Investments in certificates of deposit		94,825
	$	10,897,687

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, 2012, the City's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

As of June 30, 2012, the City had the following investments:

Investment	Maturities	Fair Value	
Georgia Fund 1	48 day weighted average	$	1,185,995
Certificates of deposit	December 28, 2012		65,708
		$	1,251,703

As of June 30, 2012, the Downtown Development Authority had the following investment:

Investment	Maturity	Fair Value	
Certificates of deposit	October 20, 2012	$	29,116

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, 2012, the City's deposits were fully collateralized in compliance with the state requirements.

NOTE 5. RECEIVABLES

Property taxes are levied by the City based on the assessed value of property as of January 1. Property taxes attach as an enforceable lien on property as of January 22, 2012. Taxes were levied on October 19, 2011 and payable on or before December 22, 2011. Property taxes not collected by December 22nd are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2012, are recorded as receivables, net of estimated uncollectibles.

In the governmental funds, the net receivables collected during the year ended June 30, 2012, and expected to be collected by August 31, 2012, are recognized as revenues for the year ended June 30, 2012, whereas, net receivables estimated to be collectible subsequent to August 31, 2012, are recorded as revenue when received.

Receivables at June 30, 2012, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	SPLOST	Water and Sewer	Solid Waste	Nonmajor Governmental Funds
Receivables:					
Taxes	$ 543,389	$ -	$ -	$ -	$ -
Accounts	6,097	-	983,412	124,470	12,731
Accrued interest	-	-	336	-	-
Due from other governments	167,179	166,360	-	-	149,561
Less allowance for uncollectibles	(80,536)	-	(349,668)	(26,869)	-
Net total receivable	$ 636,129	$ 166,360	$ 634,080	$ 97,601	$ 162,292

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,798,738	$ -	$ -	$ -	$ 1,798,738
Total	1,798,738	-	-	-	1,798,738
Capital assets, being depreciated:					
Infrastructure	10,580,800	-	-	-	10,580,800
Buildings	6,713,035	-	-	-	6,713,035
Improvements	6,318,777	89,163	-	-	6,407,940
Machinery and equipment	9,374,402	127,541	(599,467)	-	8,902,476
Total	32,987,014	216,704	(599,467)	-	32,604,251
Less accumulated depreciation for:					
Infrastructure	(1,949,959)	(353,367)	-	-	(2,303,326)
Buildings	(2,307,413)	(223,768)	-	-	(2,531,181)
Improvements	(2,954,511)	(210,154)	-	-	(3,164,665)
Machinery and equipment	(8,450,102)	(515,450)	599,467	-	(8,366,085)
Total	(15,661,985)	(1,302,739)	599,467	-	(16,365,257)
Total capital assets, being depreciated, net	17,325,029	(1,086,035)	-	-	16,238,994
Governmental activities capital assets, net	$ 19,123,767	$ (1,086,035)	$ -	$ -	$ 18,037,732

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 846,727	$ -	$ -	$ -	$ 846,727
Construction in progress	955,677	759,474	(67,020)	(410,932)	1,237,199
Total	1,802,404	759,474	(67,020)	(410,932)	2,083,926
Capital assets, being depreciated:					
Buildings	8,106,035	-	-	-	8,106,035
Infrastructure	88,121,683	73,582	-	410,932	88,606,197
Machinery and equipment	3,913,843	18,714	(29,770)	-	3,902,787
Total	100,141,561	92,296	(29,770)	410,932	100,615,019
Less accumulated depreciation for:					
Buildings	(3,417,639)	(194,556)	-	-	(3,612,195)
Infrastructure	(14,764,715)	(2,260,018)	-	-	(17,024,733)
Machinery and equipment	(3,492,333)	(174,802)	29,770	-	(3,637,365)
Total	(21,674,687)	(2,629,376)	29,770	-	(24,274,293)
Total capital assets, being depreciated, net	78,466,874	(2,537,080)	-	410,932	76,340,726
Business-type activities capital assets, net	$ 80,269,278	$ (1,777,606)	$ (67,020)	$ -	$ 78,424,652

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

Governmental activities:	
General government	$ 456,806
Public safety	430,070
Public works	323,986
Culture and recreation	53,097
Housing and development	38,780
Total depreciation expense - governmental activities	$ 1,302,739
Business-type activities:	
Water and sewer	$ 2,540,157
Solid waste	4,850
Aquatic center	84,369
Total depreciation expense - business-type activities	$ 2,629,376

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

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, 2012, 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%.	$ 2,415,000
Series 2010 $43,695,000 Water Revenue Bonds, due in annual installments of $- to $2,850,000 through December 1, 2032, plus interest of 3.0% to 5.0%.	41,455,000
	$ 43,870,000

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2013	$ 285,000	$ 2,054,591	$ 2,339,591
2014	300,000	2,036,675	2,336,675
2015	1,965,000	1,992,934	3,957,934
2016	2,075,000	1,904,566	3,979,566
2017	2,170,000	1,794,447	3,964,447
2018-2022	10,690,000	7,414,434	18,104,434
2023-2027	10,635,000	4,906,125	15,541,125
2028-2032	12,900,000	2,078,050	14,978,050
2033	2,850,000	64,125	2,914,125
Total	$ 43,870,000	$ 24,245,947	$ 68,115,947

NOTE 7. LONG-TERM DEBT (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. Included with these notes is a construction line of credit agreement for $1,215,000, of which $759,003 had been drawn down as of June 30, 2012. 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, 2012:

Interest Rate	Term	Fiscal Year Due Date	Amount
5.60%	15 years	2013	$ 1,558
3.00%	20 years	2025	3,453,660
3.81%	20 years	2032	759,003
			$ 4,214,221

The City has also entered into other notes payable agreements with interest rates ranging from 2.44% to 3.71% for financing certain equipment and the renovation and improvement of the City's facilities. The principal of these loans is to be repaid in monthly payments with maturities ranging from October 2012 to September 2014.

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

	Governmental Activities		Business-type Activities	
Fiscal year ending June 30,	Principal	Interest	Principal	Interest
2013	$ 51,372	$ 1,884	$ 234,706	$ 100,272
2014	40,658	803	240,073	93,340
2015	10,323	43	247,375	86,038
2016	-	-	254,774	78,639
2017	-	-	262,766	70,646
2018-2022	-	-	1,438,053	229,013
2023-2025	-	-	777,471	29,572
Total	$ 102,353	$ 2,730	$ 3,455,218	$ 687,520

The construction line of credit agreement for $1,215,000, of which $759,003 had been drawn down as of June 30, 2012, is not included in the above schedule. Repayment will be determined when construction is complete and all draws have been made.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 9,104	$ -	$ (9,104)	$ -	$ -
Notes payable	140,280	119,700	(157,627)	102,353	51,372
Compensated absences	297,442	368,417	(391,486)	274,373	274,373
Governmental activity Long-term liabilities	$ 446,826	$ 488,117	$ (558,217)	$ 376,726	$ 325,745
Business-type activities:					
Revenue bonds	$ 44,140,000	$ -	$ (270,000)	$ 43,870,000	$ 285,000
Deferred charges, net	(1,568,402)	-	117,312	(1,451,090)	-
Revenue bonds, net	42,571,598	-	(152,688)	42,418,910	285,000
Notes payable	3,778,007	759,003	(322,789)	4,214,221	234,706
Business-type activity Long-term liabilities	$ 46,349,605	$ 759,003	$ (475,477)	$ 46,633,131	$ 519,706

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, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	$ 171,921
General Fund	SPLOST Fund	141,497
Water & Sewer Fund	SPLOST Fund	11,060
Nonmajor governmental funds	Nonmajor governmental funds	12,731
		$ 337,209

These balances resulted from time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Additionally, at June 30, 2012, the City's General Fund has advanced the Aquatic Center Fund $86,088.

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

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	$ 306,291
Nonmajor enterprise fund	General Fund	6,910
Nonmajor governmental funds	General Fund	7,000
Nonmajor governmental funds	Nonmajor governmental funds	104,033
		$ 424,234

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, 2012, SPLOST funds totaling $73,583 were used for capital expenditures of the Aquatic Center Fund. In addition, SPLOST funds totaling $11,060 were used for capital expenditures for the Water and Sewer Fund. In the fund level financial statements, these amounts are shown as capital contributions in the Aquatic Center Fund and the Water and Sewer Fund and as capital outlay in the SPLOST Fund. At the government-wide level, these amounts are reflected as a transfer between governmental activities and business type activities.

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. Due to only one remaining active participant, the contribution has remained at the 2011 dollar amount and is no longer being shown as a percentage of payroll.

Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost was $19,285 for the City of St. Marys Retirement Plan. Recommended contributions of $19,285 were determined as part of the January 1, 2012, 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
6/30/2010	$ 19,289	100%	$ -
6/30/2011	19,289	100%	-
6/30/2012	19,285	100%	-

Actuarial Valuation Date	Actuarial Value of Assets	AAL Actuarial Accrued Liability	(Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	(Overfunded) AAL as a Percentage of Covered Payroll
01/01/12	$ 967,506	$ 993,822	$ 26,316	97.4%	$ 39,182	67.2%

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, 2012.

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, 2012, there were 144 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 $17,000 for the year ended June 30, 2012. 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, 2012 were $276,719. Total employee contributions for the year ended June 30, 2012 were $225,498.

NOTE 11. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Regional Commission (CRC) and is required to pay annual dues thereto. During the year ended June 30, 2012, the City paid $17,121 in such dues. Membership in the CRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions in Georgia. The CRC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional development commission. Separate financial statements may be obtained from the Coastal Regional Commission, P.O. Box 1917, Brunswick, Georgia 31521.

NOTE 12. RELATED ORGANIZATIONS

The City 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, 2012, 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 pools' 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, 2012, $104,033 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, 2012, the City has contractual commitments on uncompleted contracts of approximately $228,629.

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CITY OF ST. MARYS, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	(AAL) Actuarial Accrued Liability	Underfund (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Underfund (Overfunded) AAL as a Percentage of Covered Payroll
01/01/10	$ 1,083,162	$ 1,139,453	$ 56,291	95.1 %	$ 75,794	74.3 %
01/01/11	1,080,532	1,016,030	(64,502)	106.3 %	75,796	-85.1 %
01/01/12	967,506	993,822	26,316	97.4 %	39,182	67.2 %

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

CITY OF ST. MARYS, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Hotel/Motel Tax Fund – To account for excise taxes on lodgings and accommodations.

Convention & Visitors Bureau – To account for monies received to operate tourism in the City.

Multiple Grants Fund – To account for small grants received from various agencies.

CITY OF ST. MARYS, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue		
ASSETS	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund
Cash and cash equivalents	$ -	$ 9,984	$ 407,383
Accounts receivable	12,731	-	-
Prepaid items	-	77	-
Due from other governments	-	-	149,561
Due from other funds	-	12,731	-
Total assets	$ 12,731	$ 22,792	$ 556,944
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ -	$ 439	$ -
Accrued liabilities	-	620	-
Due to other funds	12,731	21,420	150,501
Total liabilities	12,731	22,479	150,501
FUND BALANCE			
Nonspendable:			
Prepaid items	-	77	-
Restricted for:			
Capital projects	-	-	406,443
Economic development	-	236	-
Total fund balances	-	313	406,443
Total liabilities and fund balances	$ 12,731	$ 22,792	$ 556,944

Nonmajor Governmental Funds
$ 417,367
12,731
77
149,561
12,731
$ 592,467
$ 439
620
184,652
185,711
77
406,443
236
406,756
$ 592,467

CITY OF ST. MARYS, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Hotel/Motel Tax Fund	Convention & Visitors Bureau	Multiple Grants Fund
REVENUES			
Taxes	$ 104,033	$ -	$ -
Intergovernmental	-	-	305,498
Interest	-	20	793
Miscellaneous	-	17,093	-
Total revenues	104,033	17,113	306,291
EXPENDITURES			
Current			
Culture and recreation	-	136,759	-
Total expenditures	-	136,759	-
Excess (deficiency) of revenues over (under) expenditures	104,033	(119,646)	306,291
Other financing sources (uses)			
Transfers in	-	111,033	-
Transfers out	(104,033)	-	(306,291)
Total other financing sources (uses)	(104,033)	111,033	(306,291)
Net change in fund balances	-	(8,613)	-
FUND BALANCE, beginning of year	-	8,926	406,443
FUND BALANCE, end of year	$ -	$ 313	$ 406,443

Nonmajor Governmental Funds
$ 104,033
305,498
813
17,093
427,437
136,759
136,759
290,678
111,033
(410,324)
(299,291)
(8,613)
415,369
$ 406,756

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2009 ISSUE FOR THE YEAR ENDED JUNE 30, 2012

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
City Sidewalks/Streets	$ 4,730,000	$ 2,450,000	$ 148,046	$ 270,990	$ 419,036
Drainage	5,530,000	3,000,000	210,878	158,669	369,547
Sewer	5,000,000	5,310,000	5,300,832	11,060	5,311,892
City Buildings	3,500,000	1,000,000	283,763	124,680	408,443
Totals	$ 18,760,000	$ 11,760,000	$ 5,943,519	$ 565,399	$ 6,508,918

CITY OF ST. MARYS, GEORGIA

BALANCE SHEET
COMPONENT UNITS
JUNE 30, 2012

ASSETS	Industrial Development Authority	Downtown Development Authority	Cemetery Authority
Cash and cash equivalents	$ 11,373	$ 21,222	$ 1,909
Investments	-	29,116	-
Total assets	$ 11,373	$ 50,338	$ 1,909
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ -	$ 2,753	$ -
Total liabilities	-	2,753	-
FUND BALANCE			
Unassigned	11,373	47,585	1,909
Total fund balances	11,373	47,585	1,909
Total liabilities and fund balances	$ 11,373	$ 50,338	$ 1,909

CITY OF ST. MARYS, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2012

	Industrial Development Authority	Downtown Development Authority	Cemetery Authority
REVENUES			
Intergovernmental revenue	$ -	$ -	$ 1,909
Rental income		3,600	-
Donations	-	6,126	-
Interest revenue	58	508	-
Total revenues	58	10,234	1,909
EXPENDITURES			
Current			
Housing and development	1,363	9,924	-
Net change in fund balance	(1,305)	310	1,909
FUND BALANCE, beginning of year	12,678	47,275	-
FUND BALANCE, end of year	$ 11,373	$ 47,585	$ 1,909

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 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, 2012, which collectively comprise the City of St. Marys, Georgia's basic financial statements and have issued our report thereon dated November 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of St. Marys, Georgia in a separate letter dated November 4, 2012.

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
November 4, 2012

CITY OF ST. MARYS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 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

Not applicable.

SECTION IV
STATUS OF PRIOR YEAR FINDINGS

None reported.