CITY OF FOLKSTON, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

DONALD G. CREWS, CPA, PC
3924 MAIN STREET
FOLKSTON, GEORGIA 31537

City of Folkston, Georgia
Financial Statements
For the Fiscal Year Ended December 31, 2011

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INTRODUCTORY SECTION

CITY OFFICIALS

MAYOR
Dr. Melad Smith, Jr.

MAYOR PROTEM
Marion G. Davis, Jr.

COUNCIL
Ruby Baker
Stanley Golaszewski
R. Greg Johnson, Jr.
Johnny Milton

CITY MANAGER
Leonard H. Lloyd

CITY CLERK
Darlene Williamson

CITY JUDGE
John B. Adams

POLICE CHIEF
Wesley Green

CITY ATTORNEY
Kelly Brooks

PUBLIC WORKS SUPERVISOR
Steven Lloyd

WATER AND SEWER SUPERVISOR
Theron Aldridge

FINANCIAL SECTION

DONALD G. CREWS, CPA, PC
3924 MAIN STREET
FOLKSTON, GEORGIA 31537
TELEPHONE (912) 496-2587

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Folkston, Georgia

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the City of Folkston, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the remaining fund information for the City of Folkston, Georgia, as of December 31, 2011, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Budgetary Comparison Schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The City has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Member
American Institute of Certified Public Accountants
Georgia Society of Certified Public Accountants

This information is the responsibility of the City's management. I have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the Budgetary Comparison Schedules. However, I did not audit the information and accordingly, express no opinion on it. The City management chose not to include a Management's Discussion and Analysis for the current year. Management's Discussion and Analysis is required supplementary information that introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information.

My audit was conducted for the purpose of forming opinions on the respective financial statements that collectively comprise the City's basic financial statements. The supplementary information of SPLOST, CDBG, and Hotel/Motel Tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated June 20, 2012, on my consideration of the City's internal control over financial reporting and my 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 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 my audit.

Donald G. Crews, CPA

Donald G. Crews, CPA
Folkston, Georgia
June 20, 2012

CITY OF FOLKSTON, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS	
Cash & cash equivalents	
Receivables	
Inventories	
Capital Assets (Note 5)	
Land and improvements	
Other capital assets, net of depreciation	
Total capital assets	
Total assets	
LIABILITIES	
Accounts payable and accrued expenses	
Deposits	
Notes Payable	
Long-term liabilities (Note 2)	
Due within one year	
Due in more than one year	
Total liabilities	
NET ASSETS	
Invested in capital assets, net of related debt	
Restricted for:	
Debt service	
Unrestricted (deficit)	
Total net assets	
Total liabilities and net assets	

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

	PRIMARY GOVERNMENT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
$1,381,644	$ 624,521	$2,006,165
9,637	96,155	105,792
0	56,665	56,665
52,976	100,000	152,976
1,294,751	8,359,333	9,654,084
1,347,727	8,459,333	9,807,060
$2,739,008	$9,236,674	$11,975,682
$ 0	$ 0	$ 0
0	95,051	95,051
0	0	0
0	95,700	95,700
0	3,270,632	3,270,632
0	3,461,383	3,461,383
1,347,727	5,093,001	6,440,728
0	325,311	325,311
1,391,281	356,979	1,748,260
2,739,008	5,775,291	8,514,299
$2,739,008	$9,236,674	$11,975,682

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

CITY OF FOLKSTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expense	PROGRAM REVENUES: Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Government activities				
General government	$ 299,657	$ 93,489	$ 0	$ 70,286
Public safety	494,093	116,093	0	0
Public works	739,157	139,588	0	0
Culture & recreation	24,545	0	0	0
Community development	0	0	0	0
Total	1,557,452	349,170	0	70,286
Business-type activities				
Water & sewer	1,406,300	1,255,753	0	242,558
Total	1,406,300	1,255,753	0	242,558
Total primary government	$2,963,752	$1,604,923	$ 0	$ 312,844
General revenues:				
Property taxes				
Sales taxes				
Insurance premium tax				
Franchise taxes				
Alcohol tax				
Grants and contributions not restricted				
Unrestricted investment earnings				
Miscellaneous				
Total General Revenue				
Transfers				
Total General Revenue and Transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

CITY OF FOLKSTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Net (Expense) Revenue and Changes in Net Assets Primary Government		
	Governmental Activities	Business-type Activities	Total
	$ (135,882)	$ 0	$ (135,882)
	(378,000)		(378,000)
	(599,569)		(599,569)
	(24,545)		(24,545)
	0	0	0
	(1,137,996	0	(1,137,996)
	0	92,011	92,011
	0	92,011	92,011
	$(1,137,996)	$ 92,011	$(1,045,985)
	565,004		565,004
	328,844		328,844
	130,211		130,211
	181,207		181,207
	62,296		62,296
	0		0
	1,539	5,722	7,261
	0	0	0
	1,269,101	5,722	1,274,823
	(95,260)	95,260	0
	1,173,841	100,982	1,274,823
	35,845	192,993	228,838
	2,703,163	5,582,298	8,285,461
	$2,739,008	$5,775,291	$8,514,299
	==========	=========	==========

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

City of Folkston, Georgia
Balance Sheet
Governmental Funds
December 31, 2011

ASSETS	General	Special Revenue (Nonmajor)	Total Governmental Funds
Cash and cash equivalents	$1,381,644	$ 0	$ 1,381,644
Receivables, net	9,637	0	9,637
Total Assets	$1,391,281	$ 0	$ 1,391,281
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 0	$ 0	$ 0
Notes payable	0	0	0
Total liabilities	0	0	$ 0
Fund Balances:			
Unreserved	1,391,281	0	1,391,281
Total fund balances	1,391,281	0	1,391,281
Total Liabilities and Fund Balances	$1,391,281	$ 0	

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. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Page 28)	1,347,727
Net assets of governmental activities (Page 9)	$2,739,008

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

CITY OF FOLKSTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Special Revenue (Nonmajor)	Total Governmental Funds
REVENUES			
Taxes	$1,253,238	$14,325	$ 1,267,563
Fines and forfeitures	116,093	0	116,093
Licenses, permits & fees	42,888	0	42,888
Intergovernmental	70,286	0	70,286
Charges for services	141,698	0	141,698
Investment earnings	1,539	0	1,539
Miscellaneous	48,490	0	48,490
Total Revenues	1,674,232	14,325	1,688,557
EXPENDITURES			
Current:			
General government	418,108	0	418,108
Public safety	471,700	0	471,700
Public works	687,421	0	687,421
Culture & recreation	24,545	0	24,545
Community development	0	0	0
Capital outlay	0	0	0
Total Expenditures	1,601,774	0	1,601,774
Excess (deficiency) of revenues over expenditures	72,458	14,325	86,783
OTHER FINANCIAL SOURCES (USES)			
Transfers in	14,325	0	14,325
Transfers out	(95,260)	(14,325)	(109,585)
Total Other Financial Sources (Uses)	(80,935)	(14,325)	(95,260)
Net change in fund balances	(8,477)	0	(8,477)
Fund balances – beginning	1,399,758	0	1,399,758
Fund balances – ending	$1,391,281	$ 0	$1,391,281

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

CITY OF FOLKSTON, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances – total governmental funds (Page 13)	$(8,477)
Amounts reported for governmental activities in the statement of activities are different because:	
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 of capital assets recorded in the current period. (Page 28)	153,785
Depreciation recorded in the current period (Page 28)	(109,463)
Change in net assets of governmental activities (Page 11)	$ 35,845

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

CITY OF FOLKSTON, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Enterprise Funds Water and Sewer
ASSETS	
Current assets	
Cash & cash equivalents	$ 624,521
Receivables, net	96,155
Inventories	56,665
Total current assets	777,341
Capital assets	
Land and improvements	100,000
Distribution and collection systems	12,555,195
Buildings and equipment	695,993
Less accumulated depreciation	(4,891,855)
Total capital assets	8,459,333
Total Assets	$ 9,236,674
LIABILITIES	
Current liabilities	
Accounts payable	$ 0
Customer deposits	95,051
Loans payable	0
Bonds & notes payable - current	95,700
Total current liabilities	190,751
Noncurrent liabilities	
Bonds, notes and loans payable	3,270,632
Total noncurrent liabilities	3,270,632
Total Liabilities	3,461,383
NET ASSETS	
Invested in capital assets, net of related debt	5,093,001
Restricted for debt services	325,311
Unrestricted	356,979
Total net assets	5,775,291
Total Liabilities and Net Assets	$ 9,236,674

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

CITY OF FOLKSTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Enterprise Funds Water and Sewer
OPERATING REVENUES	
Charges for services	$ 1,255,753
Miscellaneous	0
Total operating revenues	1,255,753
OPERATING EXPENSES	
Personnel services	281,081
Purchased services	188,931
Other supplies and expenses	396,528
Depreciation	373,072
Total operating expenses	1,239,612
Operating income (loss)	16,141
NONOPERATING REVENUES (EXPENSES)	
Interest	5,722
Interest expense	(166,688)
Total Nonoperating revenues (expenses)	(160,966)
Income (loss) before contributions and transfers	(144,825)
CONTRIBUTIONS AND TRANSFERS	
Capital contributions	242,558
Transfers in	95,260
Transfers out	(0)
Net contributions and transfers	337,818
Change in net assets	192,993
Total net assets - beginning	5,582,298
Total net assets - ending	$ 5,775,291

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

CITY OF FOLKSTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Enterprise Funds Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,291,382
Payments to suppliers	(585,459)
Payments to employees	(281,081)
Other receipts (payments)	0
Net cash provided by operating activities	424,842
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out)	95,260
Due to other funds	(0)
Net cash (used) by noncapital financing activities	95,260
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	242,558
Purchases of capital assets	(355,271)
Principal paid on capital debt	(87,579)
Proceeds from issuance of capital debt	0
Interest paid on capital debt	(166,688)
Net cash (used) by capital and related financing activities	(366,980)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	5,722
Net cash provided by investing activities	5,722
Net (decrease) in cash and equivalents	158,844
Balances – beginning of the year	465,677
Balances – end of the year	$ 624,521
Reconciliation of total cash & cash equivalents	
Current assets – cash & cash equivalents	299,210
Restricted assets – cash & cash equivalents	325,311
Cash & cash equivalents	$ 624,521

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

CITY OF FOLKSTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Enterprise Funds Water and Sewer
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 16,141
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	373,072
Change in assets and liabilities:	
Receivables, net	27,135
Inventories	0
Accounts and other payables	0
Customer deposits	8,494
Net cash provided by operating activities	$ 424,842

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Folkston, Georgia was incorporated under the laws of the State of Georgia and operates under a mayor-council form of government. The Mayor and a five member council govern the City and are elected for four year terms. The Mayor and the Council all serve on a part-time basis. The Mayor and Council appoint a City Manager who is responsible for the daily operations of the City.

The accounting and reporting policies of the City Folkston, Georgia conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units", and by the Financial Accounting Standards Board (when applicable), FASB Statements and Interpretations.

A. Financial Reporting Entity

In conformity with generally accepted accounting principles, as set forth in GASB Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the City of Folkston. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

a. The organization is legally separate (can sue or be sued in its own name)
b. The City holds the corporate powers of the organization
c. The City appoints a voting majority of the organization's board
d. The City is able to impose its will on the organization
e. The organization has the potential to impose a financial benefit/burden on the City
f. There is fiscal dependency by the organization on the City

Discretely Presented Component Units – Based on the GASB criteria, the City has no entities that qualify as discretely presented component units.

Blended Component Units – Based on the GASB criteria, the City has no entities that qualify as blended component units.

Joint Ventures and Related Organizations. The City is required by State law to be a member of the regional development center (SGRC). The City pays its prorata share of operating costs and would be liable for a prorata share of any unpaid liabilities if the SGRC were to go out of existence. However, the City has no material equity interest in the SGRC and it is not included in these financial statements. Neither is the Folkston Housing Authority, whose members are appointed by the Mayor, because the City has no financial interest or financial control over the Authority. Financial statements are available at both organizations' offices. At year-end there were no receivables or payables between the City and these two organizations.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund –

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net assets, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presently the following major proprietary fund:

Water and Sewer Fund –

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

C. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

Government-wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions are transactions in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange. Nonexchange transactions include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, insurance premium tax, franchise tax, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Control

The City Charter established the fiscal year as the twelve-month period beginning January 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk subsequently submits a budget of estimated expenditures and revenues to the City Council by August 1.

The City follows these procedures in establishing budgetary data reflected in the financial statements:

1. Prior to October 1, the City Clerk and City Manager prepare a proposed budget for the fiscal year commencing January 1.

2. The City Manager submits the proposed budget to the Mayor and Council.

3. Public hearings are held to obtain taxpayers' comments.

4. The budget is legally enacted through the passage of a resolution.

5. All revisions to the budget must be submitted to the City Council for approval.

6. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General Fund and Proprietary Fund.

A project length budget is adopted for all Capital Projects Funds. An operating budget is prepared for the Enterprise Fund for planning, control, cost allocation, and evaluation purposes. Budgetary amounts are not formally integrated into the Enterprise Fund general ledgers.

7. Budgetary appropriations lapse at the end of the fiscal year.

E. Encumbrances

The City does not use encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion on the applicable appropriation.

F. Deposits and Investments

Cash consists of demand and interest-bearing deposits held in banks. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. In lieu of a surety bond, a depository of public funds may pledge as collateral any one or more of the following securities as enumerated in OCGA 50-17-59:

a. Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the United States or of the State of Georgia;
b. Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the counties or municipalities of the State of Georgia;
c. Bonds of any public authority created by Georgia law, if the statue authorizes such use of the bonds and they have been duly validated and there has been no default in the payment of either principal or interest;
d. Industrial revenue bonds or bonds of development authorities, created by Georgia law that have been duly validated and for which there has been no default in the payment of either principal or interest; or
e. Bonds, bills, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the U.S. government that are fully guaranteed by the U.S. government both as to principal and interest; and debt obligations issued by the Federal Land Bank, The Federal Home Loan Bank, The Federal Intermediate Credit Bank, the Central Bank for Cooperative, the Farm Credit Banks, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association.

Investments consist of certificates of deposit and are recorded at cost, which approximates market value.

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments which original maturities of three months or less.

G. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Inventories

Inventories consist of supplies and are recorded at the lower of weighted average cost or market.

I. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles, when material.

J. Property Tax Calendar

Property taxes attach as an enforceable lien on property as of January 1. City property tax revenues are recognized when levied to the extent that they result in current receivable.

Property taxes were levied on January 1 values. The assessed values are an approximation of market value as determined by the Charlton County Tax Assessor. Tax bills are mailed at least 60 days prior to the due date of December 20, 2011. For the fiscal year ended December 31, 2011, the collection period was October 27, 2011, to December 20, 2011.

A local option sales tax is in force. Proceeds for this tax are remitted to the City monthly and are utilized to give property tax owners tax relief.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant and equipment, except for infrastructure, with individual costs that equal or exceed $5,000 are recorded as capital assets. Infrastructure with an individual cost that is equal to or exceeds $5,000 is recorded as a capital asset. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, net of related interest earned, is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	20-50
Building and improvements	20-50
Water and sewer distribution system	20-50
Vehicles	4
Furniture and fixtures	10
Equipment	7
Computer equipment	7
Heavy machinery	7

Pursuant to GASB Statement No. 34, Phase 3 governments are not required to report major general infrastructure assets retroactively. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before July 1, 2003. However, they do reflect those assets that were either completed during the fiscal year or considered construction in progress at year end.

L. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Governmental activities compensated absences balances are liquidated through the General Fund. It is the City's policy to pay all annual vacation prior to year end so no compensated absences are recorded.

M. Restricted Net Assets

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for the repayment of the current portion of certain long-term obligations, are classified as restricted net assets. At December 31, 2011, restricted net assets consisted of $325,311 in the bond sinking funds and amounts for the payment of customer deposits.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balances:

The City had no deficit fund balances at December 31, 2011.

B. Excess of expenditures over appropriations in individual departments:

The City had no departments with excess expenditures.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits and Investments

Statutes impose various restrictions on deposits and investments. These restrictions are summarized below.

Deposits: All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. A trust department must hold the collateral. During the year, the value of the collateralized property was 110% or more of uninsured deposits.

Investments: The City is authorized to make direct investments in U.S. government, federal agency, and instrumentality obligations. In addition, the City may invest in investment-grade bonds, commercial paper rated A-1 by Standard & Poor, or P-1 by Moody's Commercial Paper Record, repurchase agreements, and the state treasurer's investment pool. When repurchase agreements are executed, the fair value of the securities must equal or exceed the cost of the repurchase agreement.

The bank balances of the City's deposits with financial institutions were $2,006,165. The bank balances are categorized as follows:

Deposits: The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized, including those collateralized with securities held by the pledging financial institution, not in the City's name.

Deposits, categorized by level of risk are:

	Bank Balance	Category 1	2	3
Governmental Activities	$1,381,644	$1,381,644	$0	$0
Business-Type Activities	624,521	624,521	0	0
Total	$2,006,165	$2,006,165	$0	$0

Restricted cash in the Enterprise Fund totaled $325,311 for Debt Service.

NOTE 4: RECEIVABLES AND PAYABLES

Receivables

Receivables at December 31, 2011 were as follows:

	Accounts	Taxes	Total
Governmental activities:			
General - net	$ 9,637	$ 0	$ 9,637
Total governmental activities	$ 9,637	$ 0	$ 9,637
Business-type activities:			
Water and Sewer - net	$ 96,155		$ 96,155
Total business-type activities	$ 96,155		$ 96,155

Payables at December 31, 2011 were as follows:

Vendors Total	
Governmental activities:	
General	$ 0
Total governmental activities	$ 0
Business-type activities:	
Water and Sewer	$ 0
Total business-type activities	$ 0

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

Primary Government

Government activities – Net Assets Invested in Capital Assets Net of Related Debts:

	Beginning Balance	Increase	Decrease	Ending Balance
Not Being Depreciated:				
Land	$ 52,976	$ 0	$ 0	$ 52,976
Being Depreciated:				
Infrastructure	911,508	7,350	0	918,858
Buildings	275,000	128,540	0	403,540
Equipment	671,239	0	0	671,239
Vehicles	631,030	17,895	0	648,925
Totals	2,488,777	153,785	0	2,642,562
Less Accumulated Depreciation for:				
Infrastructure	189,967	22,971	(4)	212,934
Buildings	73,132	10,089	0	83,221
Equipment	539,522	32,300	(14,530)	557,292
Vehicles	435,727	44,103	14,534	494,364
Totals	1,238,348	109,463	0	1,347,811
Depreciable – Net	1,250,429	44,322	0	1,294,751
Capital Assets – Net	1,303,405	44,322	0	1,347,727
Notes Payable	0	0	0	0
Capital Assets Net of Related Debt	$1,303,405	$ 44,322	$ 0	$1,347,727

Current year increases in the accumulated depreciation of the capital assets were allocated to the governmental functional activities as follows:

General government	$ 15,204
Police	24,269
Public works	69,990
Total	$109,463

Business-type activities – Net Assets Invested in Capital Assets Net of Related Debts:

	Beginning Balance	Increase	Decrease	Ending Balance
Not Being Depreciated:				
Land	$ 100,000	$ 0	$ 0	$ 100,000
Being Depreciated:				
Buildings	200,000	0	0	200,000
System Improvements	12,217,819	337,376	0	12,555,195
Equipment	478,098	17,895	0	495,993
Totals	12,895,917	355,271	0	13,251,188
Less Accumulated Depreciation for:				
Buildings	121,646	5,000	0	126,646
System Improvements	4,040,909	337,990	6	4,378,905
Equipment	356,228	30,082	(6)	386,304
Totals	4,518,783	373,072	0	4,891,855
Depreciable – Net	8,377,134	(17,801)	0	8,359,333
Capital Assets – Net	8,477,134	(17,801)	0	8,459,333
Notes Payable	343,191	0	22,640	320,551
Revenue Bonds	3,110,720	0	64,939	3,045,781
Totals	3,453,911	0	87,579	3,366,332
Capital Assets Net of Related Debt	$5,023,223	$(17,801)	$ 87,579	$5,093,001

Construction commitments

As of December 31, 2011, the City had no commitments with respect to unfinished capital projects.

NOTE 6: INTERFUND BALANCES AND ACTIVITY

Interfund balances

There were no Interfund balances at December 31, 2011.

Transfers between funds during the year

Transfer from General Fund	$(95,260)
Transfer to Proprietary Fund	95,260
	$ 0

The interfund transfer was to purchase additional water and sewer assets without using financing.

Transfer to General Fund	$ 14,325
Transfer from Special Revenue Fund	(14,325)
	$ 0

The interfund transfer was to place Hotel/Motel Tax collected into the General Fund to pay tourism expenses.

NOTE 7: LONG-TERM OBLIGATIONS

Long-term debt of the proprietary fund outstanding at December 31, 2011, consisted of a 1982 Issue with a balance of $198,500, a 1995 Issue with a balance of $1,199,140, a 1998 Issue with a balance of $1,296,504, a 2000 Issue with a balance of $351,637, and a 2009 Note of $320,551. The annual requirements to amortize all debt outstanding as December 31, 2011, including interest, are as follows:

1982-A Bonds and 1982-B Bonds

	Principal	Interest	Total
2012	20,000	13,000	33,000
2013	20,000	12,000	32,000
2014	20,000	11,000	31,000
2015	20,000	10,000	30,000
2016	20,000	9,000	29,000
2017	25,000	8,000	33,000
2018	25,000	6,750	31,750
2019	25,000	5,500	30,500
2020	23,500	4,250	27,750
Total	$198,500	$ 79,500	$278,000

Original Bond Amount	$ 510,000
Interest Rate	5%
Date of Bond	12/08/1982
Purpose of Bond	Water & Sewer Upgrades

1995-A Bonds and 1995-B Bonds

	Principal	Interest	Total
2012	25,555	65,393	90,948
2013	26,998	63,950	90,948
2014	28,523	62,425	90,948
2015	30,133	60,815	90,948
2016	31,835	59,113	90,948
2017	33,633	57,315	90,948
2018	35,533	55,415	90,948
2019	37,540	53,408	90,948
2020	39,661	51,287	90,948
2021	41,902	49,046	90,948
2022	44,269	46,679	90,948
2023	46,771	44,177	90,948
2024	49,414	41,534	90,948
2025	52,207	38,741	90,948
2026	55,157	35,791	90,948
2027	58,275	32,673	90,948
2028	61,569	29,379	90,948
2029	65,050	25,898	90,948
2030	68,728	22,220	90,948
2031	72,614	18,334	90,948
2032	76,721	14,227	90,948
2033	81,059	9,889	90,948
2034	85,644	5,304	90,948
2035	50,349	872	51,221
Total	$1,199,140	$ 943,885	$2,143,025

	-A-	-B-
Original Bond Amount	$1,125,500	$340,000
Interest Rate	5.625%	5.125%
Date of Bond	3/15/1995	3/15/1995
Purpose of Bonds	Water Upgrades	

1998-A Bonds and 1998-B Bonds

	Principal	Interest	Total
2012	24,591	63,249	87,840
2013	25,817	62,023	87,840
2014	27,104	60,736	87,840
2015	28,456	59,384	87,840
2016	29,874	57,966	87,840
2017	31,364	56,476	87,840
2018	32,927	54,913	87,840
2019	34,569	53,271	87,840
2020	36,292	51,548	87,840
2021	38,102	49,738	87,840
2022	40,001	47,839	87,840
2023	41,995	45,845	87,840
2024	44,089	43,751	87,840
2025	46,287	41,553	87,840
2026	48,594	39,246	87,840
2027	51,017	36,823	87,840
2028	53,561	34,279	87,840
2029	56,231	31,609	87,840
2030	59,034	28,806	87,840
2031	61,977	25,863	87,840
2032	65,067	22,773	87,840
2033	68,311	19,529	87,840
2034	71,716	16,124	87,840
2035	75,292	12,548	87,840
2036	79,045	8,795	87,840
2037	82,986	4,854	87,840
2038	42,205	4,698	46,903
Total	$1,296,504	$1,034,239	$2,330,743

Original Bond Amount	$1,544,000
Interest Rate	4.875%
Date of Bond	2/27/1998
Purpose of Bond	Sewer Upgrades

2000 Bonds

	Principal	Interest	Total
2012	5,624	16,768	22,392
2013	5,944	16,448	22,392
2014	6,233	16,159	22,392
2015	6,537	15,855	22,392
2016	6,812	15,580	22,392
2017	7,186	15,206	22,392
2018	7,535	14,857	22,392
2019	7,902	14,490	22,392
2020	8,247	14,145	22,392
2021	8,688	13,704	22,392
2022	9,110	13,282	22,392
2023	9,553	12,839	22,392
2024	9,984	12,408	22,392
2025	10,504	11,888	22,392
2026	11,015	11,377	22,392
2027	11,550	10,842	22,392
2028	12,084	10,308	22,392
2029	12,700	9,692	22,392
2030	13,318	9,074	22,392
2031	13,966	8,426	22,392
2032	14,624	7,768	22,392
2033	15,356	7,036	22,392
2034	16,103	6,289	22,392
2035	16,887	5,505	22,392
2036	17,695	4,697	22,392
2037	18,569	3,823	22,392
2038	19,472	2,920	22,392
2039	20,419	1,973	22,392
2040	21,410	982	22,392
2041	6,611	98	6,709
Total	$351,637	$304,439	$656,076

Original Bond Amount	$ 400,300
Interest Rate	4,75%
Date of Bond	10/10/2000
Purpose of Bond	Sewer Upgrades

2009 Note

	Principal	Interest	Total
2012	12,790	12,908	25,698
2013	13,331	12,367	25,698
2014	13,885	11,813	25,698
2015	14,465	11,233	25,698
2016	15,066	10,632	25,698
2017	15,701	9,997	25,698
2018	16,355	9,343	25,698
2019	17,038	8,660	25,698
2020	17,747	7,951	25,698
2021	18,493	7,205	25,698
2022	19,264	6,434	25,698
2023	20,069	5,629	25,698
2024	20,905	4,793	25,698
2025	21,781	3,917	25,698
2026	22,691	3,007	25,698
2027	23,638	2,060	25,698
2028	24,625	1,073	25,698
2029	12,707	154	12,861
Total	$320,551	$129,176	$449,727

Original Loan Amount	$ 350,335
Interest Rate	4.1 %
Date of Bond	6/01/2009
Purpose of Bond	Sewer Upgrades

Changes in Long Term Liabilities:

	Beginning	Additions	Reductions	Ending	Due Within One Year
Business Type Activities:					
Bonds Payable					
Revenue Bonds	$ 3,110,720	$ 0	$ 64,939	$ 3,045,781	$ 70,365
Notes Payable	343,191	0	22,640	320,551	25,335
Net Changes	$ 3,453,911	$ 0	$ 87,579	$ 3,366,332	$ 95,700

NOTE 8: RETIREMENT BENEFITS

City of Folkston 401(a) Plan (The Plan)

Plan description and funding requirements. The Plan is a defined contribution pension plan established by AXA Equitable and administered by AXA Advisors to provide retirement benefits for all full-time City employees. Plan members are allowed to make voluntary contributions to the Plan. The Plan allows, but does not require, the City to contribute 4 percent of the annual covered payroll of plan participates. Plan provisions and contribution requirements are established by the Master Plan of the Equitable Life Assurance Society of the United States and may be amended by the Equitable Life Assurance Society of the United States. All amendments must meet the acceptability of the Internal Revenue Code. Total contributions for the year ended December 31, 2011, were $31,044 by the City. Employees chose not to make any contributions during the year.

NOTE 9: RISK MANAGEMENT

The City maintains third party coverage for claims arising from property and casualty claims, general liability claims, and medical claims.

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 disaster. The City has joined the Georgia Interlocal Risk Management Agency (GIRMA). This membership allows the City to share liability, crime, motor vehicle, and property damage risks.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. GIRMA is a city interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities - GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses

occurring in the operation of municipal government. GIRMA is to defend and protect, in accordance with the member government contract and related coverage descriptions, any member of GIRMA against liability or loss.

The City must participate at all times in at least one fund, which is established by GIRMA. Other responsibilities of the City are as follows:

To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.

To select a person to serve as a Member representative.

To allow GIRMA and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.

To allow attorneys appointed by GIRMA 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 Fund or Funds established by GIRMA.

To assist and cooperate in the defense and settlement of claims against the City.

To furnish full cooperation to GIRMA's attorneys, claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purposes of GIRMA.

To furnish to GIRMA such budget, operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA or any fund established by GIRMA being required to pay claim for loss or injuries to municipal property when such loss or injury is within the scope of the protection of a fund or funds in which the City participates.

The City retains the first $5,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $5,000 deductible.

Pursuant to the official Code of Georgia Annotated, the City of Folkston became a member of GIRMA Workers' Compensation Self-Insurance Fund (WCSIF). The liability of the fund to the employees of the City of Folkston is specifically limited to such obligations as are imposed by applicable state laws against the employer or workers' compensation and/or employer's liability.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs 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.

As a part of the WCSIF, the City is obligated to pay all contributions and assessments as prescribed by the risk pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in any investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of protection furnished by the fund.

Settled claims in the past three years have not exceeded the coverages.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

The City participates in a number of federal and state assisted grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. The amount, if any, of disallowed expenditures discovered in future audits is expected to be immaterial.

Litigation

Based on the advice of the City attorney, there were no material claims outstanding against the City at December 31, 2011.

NOTE 11: RECONCILIATION OF TOTAL EXPENDITURES TO TOTAL EXPENSES GOVERNMENTAL ACTIVITIES

"Total expenditures" for governmental funds $1,601,774 differs from "Total expenses" for activities $1,557,452 reported in the Statement of Activities. The differences primarily arise from the long-term economic focus of the Statement of Activities versus the current spending focus of the governmental funds and expenses in the Statement of Activities are revealed in the table below. Detailed explanations of certain net or combined adjustments are also provided below.

	Government Fund Expenditures	Capital Related Items	Statement of Activities Expenses
Current Operating:			
General government	$ 418,108	$ (118,451)	$ 299,657
Public safety	471,700	22,393	494,093
Public works	687,421	51,736	739,157
Culture and recreation	24,545	0	24,545
Community development	0	0	0
Capital Outlay	0	0	0
Totals	$1,601,774	$ (44,322)	$1,557,452
	(Page 13)	(Page 28)	(Page 10)

NOTE 12: JOINT VENTURES

Southern Georgia Regional Commission (SGRC)

The City of Folkston, Georgia, along with the cities and counties in the eight county Southeast Georgia area, is a member of the Southern Georgia Regional Commission (SGRC). Membership in a SGRC is automatic for each municipality and county in the state. The Official code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provided for the organizational structure of the SGRC. Each county and municipality in the state is required by law to pay minimum annual dues to the SGRC. The Board of the SGRC is comprised of not less than two or more than five representatives of each member county served by the SGRC. The manner of selecting such representatives from each member county is as follows:

a. The chief elected official or the chair of the board of commissioners of each county served by the SGRC shall be a member (or a designated government official).
b. One elected or appointed municipal government official from each city served by the SGRC. The mayors of the municipalities in such county shall select the municipal representative of that county.
c. Not less than ten or more than twenty public members.
d. A minority representation, the percentage of which is at least equal to the minority population of the geographical region served by the Board, as established by the latest United States Census.

The Georgia Planning Act of 1989 (OCGA 50-8-34) defines SGRC as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of a SGRC beyond its resources. (OCGA 50-8-39.1)

Complete financial statements of the Southern Georgia Regional Commission can be obtained directly from the SGRC's administrative office at 3395 Harris Road, Waycross, Georgia.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOLKSTON, GEORGIA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual (Budgetary	Variance with
	Original	Final	Basis)	Final
Revenues				
Taxes	$1,227,774	$1,227,774	$1,253,238	$ (25,464)
Fines and forfeitures	160,000	160,000	116,093	43,907
Licenses and permits	32,700	32,700	42,888	(10,188)
Intergovernmental	145,000	145,000	70,286	74,714
Charges for services	142,200	142,200	141,198	502
Investment earnings	8,900	8,900	1,539	7,361
Miscellaneous	121,800	121,800	48,990	73,310
Total Revenues	1,838,374	1,838,374	1,674,232	164,142
Expenditures				
Current:				
General government	562,308	540,083	418,108	121,975
Public safety	555,218	555,218	471,700	83,518
Public works	685,108	707,333	687,421	19,912
Culture & recreation	51,740	51,740	24,545	27,195
Community development	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	1,854,374	1,854,374	1,601,774	252,600
Excess of revenues over (under) expenditures	(16,000)	(16,000)	72,458	(88,458)
Other Financing Sources (Uses)				
Transfers in	16,000	16,000	14,325	(1,675)
Transfers (out)	0	0	(95,260)	(95,260)
Total Other Financing	16,000	16,000	(80,935)	(96,935)
Net Change in Fund Balance	0	0	(8,477)	$(8,477)
Fund Balance beginning	0	0	1,399,758	
Fund Balance ending	$ 0	$ 0	$1,391,281	

Note to RSI:
Budget is prepared using the accounting principles generally accepted in the United States of America.

CITY OF FOLKSTON, GEORGIA
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual (Budgetary	Variance with
	Original	Final	Basis)	Final
Revenues				
Taxes	$ 16,000	$ 16,000	$ 14,325	$ 1,675
Total Revenues	16,000	16,000	14,325	1,675
Expenditures				
Current:				
General government	0	0	0	0
Total Expenditures	0	0	0	0
Excess of revenues over (under) expenditures	16,000	16,000	14,325	1,675
Other Financing Sources (Uses)				
Transfers in	0	0	0	0
Transfers (out)	(16,000)	(16,000)	(14,325)	(1,675)
Total Other Financing	(16,000)	(16,000)	(14,325)	(1,675)
Net Change in Fund Balance	0	0	0	$ 0
Fund Balance beginning	0	0	0	
Fund Balance ending	$ 0	$ 0	$ 0	

Note to RSI:
Budget is prepared using the accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

STATE OF GEORGIA HOTEL/MOTEL TAX
FOR THE YEAR ENDED DECEMBER 31, 2011

Total Funds Expended for Tourism	$ 23,625
Revenue from Hotel/Motel Tax	14,325
Expenditures as a Percentage of the Revenue	164%

During the year ended December 31, 2011, the City of Folkston, Georgia, complied with OCGA 48-31-51 in regards to spending of the Hotel/Motel Tax as shown above. The expenditures were audited as part of the audit of the City of Folkston, Georgia with no errors found.

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Mayor and Council
City of Folkston
Folkston, Georgia

I have audited the accompanying Schedule of Special Purpose Local Option Sales Tax of the City of Folkston, Georgia, for the year ended December 31, 2011, and have issued my report thereon dated June 20, 2012. This schedule is the responsibility of the City of Folkston, Georgia's management. My responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on my audit.

My conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. I believe that my audit provides a reasonable basis for my opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note 1 and is not intended to be a complete presentation of City of Folkston, Georgia's revenues and expenditures.

In my opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for the project in City of Folkston, Georgia's resolution or ordinance calling for the tax for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Donald G. Crews, CPA

Donald G. Crews, CPA
June 20, 2012

CITY OF FOLKSTON, GEORGIA
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS

SPLOST 2007	Budget	Beginning	Additions	Ending	Percentage Complete
Renovations, Improvement, And Expansion Of the Sewer System	$ 200,000	$ 44,641	$ 96,919	$ 141,560	71%

$200,000 was received from Charlton County in November 2008, for the entire amount of the SPLOST funds. As of December 31, 2011, the remainder of the funds are being held in a separate account. The SPLOST proceeds are used completely for sewer system improvements in the Water and Sewer Enterprise Fund.

CITY OF FOLKSTON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS
GRANT 07P-X-024-2-3346
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011
Total Program Year Funds Allocated to Recipient	$334,499
Less: Total Program Year Funds Drawn Down by Recipient	239,866
Funds Available for Program Year	$ 94,633
Total Program Year Funds Available for Disposition	$ 0
Total Program Year Funds Drawn Down by Recipient	239,866
Total Program Year Funds Available	239,866
Less: Funds Applied to Program Year Cost	239,866
Total Program Funds Held by Recipient	$ 0
Total Program Year Funds Available for Disposition	$ 94,633

Final quarterly report was submitted on January 14, 2011.

City requested a de-obligation of the remainder of the funds on November 24, 2010.

CITY OF FOLKSTON, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS
GRANT 07P-X-024-2-3346
FOR THE YEAR ENDED DECEMBER 31, 2011

PROGRAM ACTIVITY	BUDGETED COSTS	PAID THIS YEAR	CUMULATIVE EXPENDED TO DATE	QUESTIONED COSTS
T-03K-00	$ 26,647	$ 0	$ 26,647	$ 0
P-03J-02	$ 51,300	$ 0	$ 18,977	$ 0
T-03J-02	$ 6,084	$ 0	$ 6,084	$ 0
P-03K-01	$ 61,323	$ 0	$ 7,346	$ 0
P-03K-02	$160,742	$ 0	$ 160,742	$ 0
C-022-00	$ 8,333	$ 0	$ 0	$ 0
A-21A-00	$ 20,070	$ 0	$ 20,070	$ 0
TOTAL	$334,499	$ 0	$ 239,866	$ 0

The total amount expended of $239,866 was audited in the prior year to close out the grant.

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

Independent Auditors' Report

City Council
City of Folkston
Folkston, Georgia

I have audited the governmental activities, the business-type activities, each major fund, and the remaining fund information of City of Folkston, Georgia as of and for the year ended December 31, 2011, which collectively comprise City of Folkston's basic financial statements and have issued my report thereon dated June 20, 2012. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit for the year ended December 31, 2011, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion 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, I 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 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the Mayor and Council, management and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specific parties.

Donald G. Crews, CPA

Donald G. Crews, CPA
Folkston, Georgia
June 20, 2012