CITY OF FOLKSTON, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

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

City of Folkston, Georgia
Financial Statements
For the Fiscal Year Ended December 31, 2013

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INTRODUCTORY SECTION

CITY OFFICIALS

MAYOR
Lee Gowen

MAYOR PROTEM
Marion G. Davis, Jr.

COUNCIL
Johnny Milton, District 1A
Ruby Baker, District 1B
R. Greg Johnson, Jr., District 2A
Marion G. Davis, Jr., District 2B
Stanley Golaszewski, District At Large

CITY MANAGER
Leonard H. Lloyd

CITY CLERK
Darlene Williamson

CITY JUDGE
John B. Adams

POLICE CHIEF
Wesley Green

CITY ATTORNEY
J. Kelly Brooks

PUBLIC WORKS SUPERVISOR
Steven Lloyd

WATER/WASTEWATER 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 Mayor and Council of
The City of Folkston
Folkston, Georgia

Report on the Financial Statements
I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Folkston (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Folkston, Georgia, as of December 31, 2013, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of January 1, 2013. My opinion is not modified with respect to this matter. As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34 as Assets and Liabilities*, as of January 1, 2013. My opinion is not modified with respect to this matter.

Report on Required Supplemental Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. Since this information is presented to supplement the basic financial statements and is not required to be a part of them, the City has chosen not to present the information.

Report on Supplemental Information
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The budgetary comparison is presented for purposes of additional analysis, and is not a required part of the financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is also 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. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 11, 2014, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Donald G. Crews, CPA

Donald G. Crews, CPA, PC
Folkston, GA
June 11, 2014

CITY OF FOLKSTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash & cash equivalents	$1,489,365	$ 694,825	$2,184,190
Receivables	50	125,018	125,068
Inventories	0	37,046	37,046
Internal balances	106,930	(106,930)	0
Restricted assets	0	332,373	332,373
Capital Assets (Note 5)			
Land and improvements	52,976	100,000	152,976
Other capital assets, net of depreciation	1,196,367	7,816,146	9,012,513
Total capital assets	1,249,343	7,916,146	9,165,489
Total assets	$2,845,688	$8,998,478	$11,844,166
LIABILITIES			
Accounts payable and accrued expenses	$ 518	$ 0	$ 518
Deposits	0	105,553	105,553
Notes Payable	0	0	0
Long-term liabilities (Note 7)			
Due within one year	0	95,745	95,745
Due in more than one year	0	3,052,275	3,052,275
Total liabilities	518	3,253,573	3,254,091
NET POSITION			
Net investment in capital assets	1,249,343	4,768,126	6,017,469
Restricted for:			
Debt service	0	332,373	332,373
SPLOST	0	0	0
Unrestricted (deficit)	1,595,827	644,406	2,240,233
Total net position	2,845,170	5,744,905	8,590,075
Total liabilities and net position	$2,845,688	$8,998,478	$11,844,166

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

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

CITY OF FOLKSTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
		PROGRAM REVENUES		
Primary Government:				
Government activities				
General government	$ 376,100	$109,435	$ 0	$ 0
Public safety	560,596	178,408	0	0
Public works	781,390	134,738	43,175	0
Culture & recreation	21,389	0	0	0
Community development	0	0	0	0
Total	1,739,475	422,581	43,175	0
Business-type activities				
Water & sewer	1,356,547	1,356,934	0	0
Total	1,356,547	1,356,934	0	0
Total primary government	$3,096,022	$1,779,515	$ 43,175	$ 0

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

CITY OF FOLKSTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Net (Expense) Revenue and Changes in Net Position Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary Government:			
Government activities			
General government	$ (266,665)	$ 0	$ (266,665)
Public safety	(382,188)	0	(382,188)
Public works	(603,477)	0	(603,477)
Culture & recreation	(21,389)	0	(21,389)
Community development	0	0	0
Total	(1,273,719)	0	(1,273,719)
Business-type activities			
Water & sewer	0	387	387
Total	0	387	387
Total primary government	$(1,273,719)	$ 387	$(1,273,332)
General revenues:			
Property taxes	602,223		602,223
Sales taxes	316,204		316,204
Insurance premium tax	213,970		213,970
Franchise taxes	186,156		186,156
Alcohol tax	59,017		59,017
Grants and contributions not restricted	0		0
Unrestricted investment earnings	1,663	4,721	6,384
Miscellaneous	0	0	0
Total General Revenue	1,379,233	4,721	1,383,954
Transfers	14,877	(14,877)	0
Total General Revenue and Transfers	1,394,110	(10,156)	1,383,954
Change in net position	120,391	(9,769)	110,622
Net position - beginning	2,724,779	5,754,674	8,479,453
Net position - ending	$2,845,170	$5,744,905	$8,590,075

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

City of Folkston, Georgia
Balance Sheet
Governmental Funds
December 31, 2013

ASSETS	General	Other Governmental Funds (Nonmajor)	Total Governmental Funds
Cash and cash equivalents	$1,489,365	$ 0	$ 1,489,365
Receivables, net	50	0	50
Due from Water & Sewer	106,930	0	106,930
Total Assets	$1,596,345	$ 0	$ 1,596,345
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 518	$ 0	$ 518
Notes payable	0	0	0
Total liabilities	518	0	$ 518
Fund Balances:			
Nonspendable	0	0	0
Committed	880,766	0	880,766
Restricted	12,612	0	12,612
Unassigned	702,449	0	702,449
Total fund balances	1,595,827	0	1,595,827
Total Liabilities and Fund Balances	$1,596,345	$ 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 30)	1,249,343
Net position of governmental activities (Page 10)	$2,845,170

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, 2013

	General	Other Governmental Funds (Nonmajor)	Total Governmental Funds
REVENUES			
Taxes	$1,377,570	$14,535	$ 1,392,105
Fines and forfeitures	175,388	0	175,388
Licenses, permits & fees	39,095	0	39,095
Intergovernmental	43,175	0	43,175
Charges for services	193,563	0	193,563
Investment earnings	1,663	0	1,663
Miscellaneous	0	0	0
Total Revenues	1,830,454	14,535	1,844,989
EXPENDITURES			
Current:			
General government	358,986	0	358,986
Public safety	564,650	0	564,650
Public works	665,076	0	665,076
Culture & recreation	21,389	0	21,389
Community development	0	0	0
Capital outlay	0	57,256	57,256
Total Expenditures	1,610,101	57,256	1,667,357
Excess (deficiency) of revenues over expenditures	220,353	(42,721)	177,632
OTHER FINANCIAL SOURCES (USES)			
Transfers in	29,412	0	29,412
Transfers out	(0)	(14,535)	(14,535)
Total Other Financial Sources (Uses)	29,412	(14,535)	14,877
Net change in fund balances	249,765	(57,256)	192,509
Fund balances - beginning	1,346,062	57,256	1,403,318
Fund balances - ending	$1,595,827	$ 0	$1,595,827

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, 2013

Net change in fund balances - total governmental funds (Page 14)	$ 192,509
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 30)	52,441
Depreciation recorded in the current period (Page 30)	(124,559)
Change in fund balances of governmental activities (Page 12)	$ 120,391

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

CITY OF FOLKSTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Enterprise Funds Water and Sewer
ASSETS	
Current assets	
Cash & cash equivalents	$ 694,825
Receivables, net	125,018
Inventories	37,046
Total current assets	856,889
Noncurrent assets	
Cash & cash equivalents - restricted	332,373
Capital assets	
Land and improvements	100,000
Distribution and collection systems	12,754,131
Buildings and equipment	695,993
Less accumulated depreciation	(5,633,978)
Total capital assets	7,916,146
Total noncurrent assets	8,248,519
Total Assets	$ 9,105,408
LIABILITIES	
Current liabilities	
Accounts payable	$ 0
Customer deposits	105,553
Due to General Fund	106,930
Bonds & notes payable - current	95,745
Total current liabilities	308,228
Noncurrent liabilities	
Bonds, notes and loans payable	3,052,275
Total noncurrent liabilities	3,052,275
Total Liabilities	3,360,503
NET POSITION	
Net investment in capital assets	4,768,126
Restricted for debt services	332,373
Unrestricted	644,406
Total net position	5,744,905
Total Liabilities and Net Position	$ 9,105,408

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

CITY OF FOLKSTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Enterprise Funds Water and Sewer
OPERATING REVENUES	
Charges for services	$ 1,356,934
Miscellaneous	0
Total operating revenues	1,356,934
OPERATING EXPENSES	
Personnel services	343,593
Purchased services	177,042
Other supplies and expenses	304,963
Depreciation	369,323
Total operating expenses	1,194,921
Operating income (loss)	162,013
NONOPERATING REVENUES (EXPENSES)	
Interest	4,721
Interest expense	(161,626)
Total Nonoperating revenues (expenses)	(156,905)
Income (loss) before contributions and transfers	5,108
CONTRIBUTIONS AND TRANSFERS	
Capital contributions	0
Transfers in	0
Transfers out	(14,877)
Net contributions and transfers	(14,877)
Change in net position	(9,769)
Total net position - beginning	5,754,674
Total net position - ending	$ 5,744,905

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, 2013

	Enterprise Funds Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,323,985
Payments to suppliers	(474,318)
Payments to employees	(343,593)
Other receipts (payments)	0
Net cash provided by operating activities	506,074
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due to other funds	76,170
Net cash provided by noncapital financing activities	76,170
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	0
Purchases of capital assets	(113,192)
Principal paid on capital debt	(103,677)
Transfers in (out)	(14,877)
Interest paid on capital debt	(161,626)
Net cash (used) by capital and related financing activities	(393,372)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	4,721
Net cash provided by investing activities	4,721
Net (decrease) in cash and equivalents	193,593
Balances - beginning of the year	833,605
Balances - end of the year	$ 1,027,198
Reconciliation of total cash & cash equivalents	
Current assets - cash & cash equivalents	694,825
Restricted assets - cash & cash equivalents	332,373
Cash & cash equivalents	$ 1,027,198

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, 2013

	Enterprise Funds Water and Sewer
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 162,013
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	369,323
Change in assets and liabilities:	
Receivables, net	(32,949)
Inventories	1,890
Accounts and other payables	0
Customer deposits	5,797
Net cash provided by operating activities	$ 506,074

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

NOTES TO FINANCIAL STATEMENTS

FOLKSTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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. 61, 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, 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 position 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 position 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.

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 August 5, 2013. 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, 2013. For the fiscal year ended December 31, 2013, the collection period was October 20, 2013, to December 20, 2013.

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 $2,000 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. 61, 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 Position

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, 2012, restricted net assets consisted of $332,373 in the bond sinking funds and amounts for the payment of customer deposits.

N. Fund Balance Presentation

Fund balances of the Governmental Funds are classified as follows:

Nonspendable. This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted. This classification includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed. This classification includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the City. Such formal action may be in the form of an ordinance or

resolution and may only be modified or rescinded by a subsequent formal action.

Assigned. This classification includes amounts that are intended by the City to be used for specific purposes, but are neither restricted nor committed. Assignments may be made only by the governing body or official.

Unassigned. This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

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.

O. Deferred Outflows/Inflows of Resources

During the year ended December 31, 2013, the City implemented GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB 65, Items Previously Reported as Assets and Liabilities. No items were required to be considered Deferred Outflows or Deferred Inflows using this criteria.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balances:

The City had no deficit fund balances at December 31, 2013.

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 $2,184,190. 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	$1,489,365	$1,489,365	$0	$0
Business-Type Activities	694,825	694,825	0	0
Total	$2,184,190	$2,184,190	$0	$0

Restricted cash in the Enterprise Fund totaled $332,373 for Debt Service.

NOTE 4: RECEIVABLES AND PAYABLES

Receivables

Receivables at December 31, 2013 were as follows:

	Accounts	Taxes	Total
Governmental activities:			
General - net	$ 50	$ 0	$ 50
Total governmental activities	$ 50	$ 0	$ 50
Business-type activities:			
Water and Sewer - net	$125,018		$ 125,018
Total business-type activities	$125,018		$ 125,018

Payables at December 31, 2013 were as follows:

Vendors	Total
Governmental activities:	
General	$ 518
Total governmental activities	$ 518

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, 2013 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	940,152	0	0	940,152
Buildings	427,003	0	0	427,003
Equipment	682,564	13,610	0	696,174
Vehicles	683,646	38,831	0	722,477
Totals	2,733,365	52,441	0	2,785,806
Less Accumulated Depreciation for:				
Infrastructure	236,438	23,503	0	259,941
Buildings	93,896	10,675	0	104,571
Equipment	591,118	35,770	0	626,888
Vehicles	543,428	54,611	0	598,039
Totals	1,464,880	124,559	0	1,589,439
Depreciable - Net	1,268,485	(72,118)	0	1,196,367
Capital Assets - Net	1,321,461	(72,118)	0	1,249,343
Notes Payable	0	0	0	0
Capital Assets Net of Related Debt	$1,321,461	$ (72,118)	$ 0	$1,249,343

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

General government	$ 17,116
Police	34,776
Public works	72,667
Total	$124,559

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	12,640,939	113,191	0	12,754,130
Equipment	495,993	0	0	495,993
Totals	13,336,932	113,191	0	13,450,123
Less Accumulated Depreciation for:				
Buildings	131,646	5,000	0	136,646
System Improvements	4,719,040	342,964	0	5,062,004
Equipment	413,969	21,359	0	435,328
Totals	5,264,655	369,323	0	5,633,978
Depreciable - Net	8,072,277	(256,132)	0	7,816,145
Capital Assets - Net	8,172,277	(256,132)	0	7,916,145
Notes Payable	307,757	0	13,328	294,429
Revenue Bonds	2,943,940	0	90,350	2,853,590
Totals	3,251,697	0	103,678	3,148,019
Capital Assets Net of Related Debt	$4,920,580	$(256,132)	$ 103,678	$4,768,126

Construction commitments

As of December 31, 2013, the City had no commitments with respect to unfinished capital projects.

NOTE 6: INTERFUND BALANCES AND ACTIVITY

Interfund balances at December 31, 2013	
Due to General Fund	$ 106,930
Due from Proprietary Fund	(106,930)
	$ 0

The Interfund Balances were for December 2013 water and sewer expenses reimbursed in January 2014.

Transfers between funds during the year	
Transfer to General Fund	$ 14,877
Transfer from Proprietary Fund	(14,877)
	$ 0

The interfund transfer was refund for fixed assets.

Transfer to General Fund	$ 14,535
Transfer from Special Revenue Fund	(14,535)
	$ 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, 2013, consisted of a 1982 Issue with a balance of $138,500, a 1995 Issue with a balance of $1,132,327, a 1998 Issue with a balance of $1,244,093, a 2000 Issue with a balance of $338,671, and a 2009 Note of $294,429. The annual requirements to amortize all debt outstanding as December 31, 2013, including interest, are as follows:

1982-A Bonds and 1982-B Bonds

	Principal	Interest	Total
	$	$	$
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	3,500	4,250	7,750
Total	$138,500	$ 54,500	$193,000

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
	$	$	$
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	36,089	872	36,961
Total	$1,132,327	$ 814,542	$1,946,869

	-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
	$	$	$
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	40,202	4,698	44,900
Total	$1,244,093	$ 908,967	$2,153,060

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
	$	$	$
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	5,213	98	5,311
Total	$338,671	$271,223	$609,894

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
	$	$	$
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	12,706	154	12,860
Total	$294,429	$103,901	$398,330

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	$ 2,943,939	$ 0	$ 90,348	$ 2,853,591	$ 81,860
Notes Payable	307,758	0	13,329	294,429	13,885
Net Changes	$ 3,251,697	$ 0	$103,677	$ 3,148,020	$ 95,745

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, 2013, were $30,940 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, 2013.

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

"Total expenditures" for governmental funds $1,667,357 differs from "Total expenses" for activities $1,739,475 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.

	Governmental Fund Expenditures	Capital Related Items	Statement of Activities Expenses
Current Operating:			
General government	$ 358,986	$ 17,114	$ 376,100
Public safety	564,650	(4,054)	560,596
Public works	665,076	116,314	781,390
Culture and recreation	21,389	0	21,389
Community development	0	0	0
Capital Outlay	57,256	(57,256)	0
Totals	$1,667,357	$ 72,118	$1,739,475
	(Page 14)	(Page 30)	(Page 11)

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.

NOTE 13: FUND BALANCE

The City records five categories of fund balance as defined in Note 1, Section N. The five types are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable Fund Balance is classified by amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

	General Fund
Committed. The following fund Balances are committed for:	
Committed for fixed asset replacement	$868,500
Committed for railroad museum	7,938
Committed for drug investigations	4,328
	$880,766
Restricted, The following fund Balances are restricted for:	
Restricted for Police Department	$ 12,512
Restricted for Grant Expense	100
	$ 12,612

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOLKSTON, GEORGIA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual (Budgetary	Variance with
	Original	Final	Basis)	Final
Revenues				
Taxes	$1,276,280	$1,276,280	$1,377,570	$ 101,290
Fines and forfeitures	130,000	130,000	175,388	45,388
Licenses and permits	32,600	32,600	39,095	6,495
Intergovernmental	200,000	240,575	43,175	(197,400)
Charges for services	160,850	160,850	193,563	32,713
Investment earnings	1,390	1,390	1,663	273
Miscellaneous	116,680	116,680	0	(116,680)
Total Revenues	1,917,800	1,958,375	1,830,454	(127,921)
Expenditures				
Current:				
General government	665,168	700,468	358,986	341,482
Public safety	561,713	567,688	564,650	3,038
Public works	707,381	706,681	665,076	41,605
Culture & recreation	53,538	53,538	21,389	32,149
Community development	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	1,987,800	2,028,375	1,610,101	418,274
Excess of revenues over (under) expenditures	(70,000)	(70,000)	220,353	290,353
Other Financing Sources (Uses)				
Transfers in	70,000	70,000	29,412	(40,588)
Transfers (out)	0	0	0	0
Total Other Financing	70,000	70,000	29,412	(40,588)
Net Change in Fund Balance	0	0	249,765	$ 249,765
Fund Balance beginning	0	0	1,346,062	
Fund Balance ending	$ 0	$ 0	$1,595,827	

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 - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final
SPECIAL REVENUE - HOTEL-MOTEL TAX				
Revenues				
Taxes	$ 15,000	$ 15,000	$ 14,535	$ 465
Total Revenues	15,000	15,000	14,535	465
Expenditures				
Current:				
General government	0	0	0	0
Total Expenditures	0	0	0	0
Excess of revenues over (under) expenditures	15,000	15,000	14,535	465
Other Financing Sources (Uses)				
Transfers in	0	0	0	0
Transfers (out)	(15,000)	(15,000)	(14,535)	(465)
Total Other Financing	(15,000)	(15,000)	(14,535)	(465)
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.

CITY OF FOLKSTON, GEORGIA
BUDGETARY COMPARISON SCHEDULE - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final
CAPITAL PROJECTS - SPLOST				
Revenues				
Taxes	$ 0	$ 0	$ 0	$ 0
Total Revenues	0	0	0	0
Expenditures				
Current:				
Capital Outlay	57,256	57,256	57,256	0
Total Expenditures	57,256	57,256	57,256	0
Excess of revenues over (under) expenditures	(57,256)	(57,256)	(57,256)	0
Other Financing Sources (Uses)				
Transfers in	0	0	0	0
Transfers (out)	0	0	0	(0)
Total Other Financing	0	0	0	0
Net Change in Fund Balance	0	0	0	$ 0
Fund Balance beginning	57,256	57,286	57,256	
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, 2013

Total Funds Expended for Tourism	$ 24,547
Revenue from Hotel/Motel Tax	14,535
Expenditures as a Percentage of the Revenue	169%

During the year ended December 31, 2013, 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.

CITY OF FOLKSTON, GEORGIA
FOR THE YEAR ENDED DECEMBER 31, 2013

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	$ 142,744	$ 57,256	$ 200,000	100%

$200,000 was received from Charlton County in November 2008, for the entire amount of the SPLOST funds. The SPLOST proceeds are used completely for sewer system improvements in the Water and Sewer Enterprise Fund.

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

INDEPENDENT ACCOUNTANT'S REPORT

I have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about the City of Folkston's compliance during the fiscal year ended December 31, 2013, with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for the following grant award:

Grant Number		
13p-x-024-2-5587	CDBG Grant	$500,000

Management is responsible for the City of Folkston, Georgia's compliance with this requirement. My responsibility is to express an opinion on management's assertion about the City of Folkston's compliance based on my examination.

My examination was made in accordance with standards established by the American Institute of Certified Accountants and, accordingly, included examining, on a test basis, evidence about City of Folkston, Georgia's compliance with this requirement and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on City of Folkston, Georgia's compliance with the specified requirement.

In my opinion, management's assertion that City of Folkston, Georgia complied with the aforementioned requirement for the fiscal year ended December 31, 2008, is fairly stated, in all material respects.

Donald G. Crews, CPA

Donald G. Crews, CPA
Folkston, Georgia
June 11, 2014

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

STATE OF GEORGIA GRANT CERTIFICATION FORM

A.	Local Government:	City of Folkston	
B.	Information for Year Ended:	December 31, 2013	
C.	State Awarding Agency:	Dept. of Community Affairs	
D.	Grant Identification Number:	13p-x-024-2-5587	
E.	Grant Title:	CDBG Grant	
F.	Grant Award Date:	September 6, 2013	
G.	Grant Amount:	$500,000	
H.	Balance - Beginning:	$500,000	$000,000
I.	Grant Receipts:	$000,000	
J.	Grant Disbursements:		$000,000
K.	Balance - Current Year:	$500,000	$000,000

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made. I understand that failure to comply with the provisions of the law applicable to this grant award shall result in a forfeiture of such grant and the return to the state of any such grant funds received.

Signature of Chief ~~Elected~~ Official

Date 06/16/2014

Signature of Chief Financial Officer

Date 6-16-2014

DONALD G. CREWS, CPA, PC
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INDEPENDENT AUDITOR'S 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 Mayor and City Council
The City of Folkston
Folkston, Georgia

I have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Folkston (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Folkston's basic financial statements and have issued my report thereon dated June 11, 2014. My report includes a reference to the change in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; and Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34 as Assets and Liabilities*.

Internal Control Over Financial Reporting
In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald G. Crews, CPA

Donald G. Crews, CPA
Folkston, Georgia
June 11, 2014