CITY OF FOLKSTON, GEORGIA

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2025

CITY OF FOLKSTON
ANNUAL FINANCIAL REPORT
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CITY OF FOLKSTON
CITY OFFICIALS
For the year ended December 31, 2025

MAYOR
Lee Gowen

MAYOR PROTEM
Marion G. Davis, Jr.

COUNCIL
Bruce Young, District 1A
Ruby Baker, District 1B
Rob Roberson, District 2A
Marion G. Davis, Jr., District 2B
Jim Gowan, District At Large

CITY MANAGER
Leonard H. Lloyd

CITY CLERK
Darlene Williamson

CITY JUDGE
John B. Adams

POLICE CHIEF
Wesley Green

CITY ATTORNEY
Patrick Brooks

PUBLIC WORKS SUPERVISOR
Steven Lloyd

WATER/WASTEWATER SUPERVISOR
Kenneth Spurlock

Kendall L. Davis, P.C.
CERTIFIED PUBLIC ACCOUNTANT
*34 S Williams St * Hazlehurst, Georgia 31539 * (912)375-6077 *email: kendall_davis_pc@yahoo.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the
City Council
City of FOLKSTON
FOLKSTON, Georgia

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, a the aggregate remaining fund information of the CITY OF FOLKSTON (CITY) as of and for the year ended December 31, 2025, and the related notes to financial statements, which collectively comprise the CITY OF FOLKSTON's basic financi statements as listed in the table of contents.

In my opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fun information of the CITY OF FOLKSTON as of December 31, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the CITY and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

The CITY OF FOLKSTON's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CITY's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that ar audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, an design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CITY's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control –related matters that I identified during the audit.

Required Supplementary Information

A budgetary comparison was presented. Such information is the responsibility of management and, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information Omitted

The City of FOLKSTON has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the

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. My opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 combining fund financial statement, and schedule of special purpose local sales tax proceeds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

My audit was conducted for the purpose of forming opinions on the basic financial statements of the City of FOLKSTON taken as a whole. The individual nonmajor fund financial statements and schedules accompanying the financial information listed in the Table of Contents as Supplementary Information are presented for purposes of additional analysis and are not a required part of the financial statements. Also, the accompanying Schedule of Expenditures of Special Purpose Local Option Sales Tax proceeds as required by the Official Code of Georgia 48-8-121 is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 27, 2026 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the CITY's internal control over financial reporting or on compliance. That 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.

Kendall L. Davis, P.C.
Certified Public Accountant

Hazlehurst, Georgia
June 27, 2026

CITY OF FOLKSTON

Basic Financial Statements

The basic financial statements include the government-wide Statement of Net Position and government-wide Statement of Activities, which include all the primary government's governmental activities, business-type activities and component units. In addition, the basic financial statements include the fund financial statements and the notes to the financial statements.

CITY OF FOLKSTON, GEORGIA

Statement of Net Position

As of December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 3,570,242	$ 1,504,087	$ 5,074,329
Investments	-	-	-
Receivables, net	731,387	144,855	876,242
Inventories	-	69,129	69,129
Internal balances	41,245	(41,245)	-
Total current assets	4,342,874	1,676,826	6,019,700
Noncurrent Assets:			
Capital assets:			
Nondepreciable	52,976	100,000	152,976
Depreciable, net	3,555,807	11,475,982	15,031,789
Total noncurrent assets	3,608,783	11,575,982	15,184,765
Total assets	7,951,657	13,252,808	21,204,465
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	$ 7,951,657	$ 13,252,808	$ 21,204,465
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	$ 549	$ -	$ 549
Customer deposits	-	155,831	155,831
Internal balances	-	-	-
Short-term debt	-	145,000	145,000
Total current liabilities	549	300,831	301,380
Noncurrent Liabilities:			
Bond issuance costs	-	(81,638)	(81,638)
Long-term debt	-	1,477,000	1,477,000
Total liabilities	549	1,696,193	1,696,742
Deferred inflows of resources	-	-	-
NET POSITION			
Net investment in capital assets	3,608,783	9,953,982	13,562,765
Restricted - Capital projects	301,780	-	301,780
Unrestricted	4,040,545	1,602,633	5,643,178
Total net position	7,951,108	11,556,615	19,507,723
Total liabilities, deferred inflows of resources, and net position	$ 7,951,657	$ 13,252,808	$ 21,204,465

See auditor's report.

See accompanying notes to financial statements.

CITY OF FOLKSTON, GEORGIA

Statement of Activities

For the year ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 486,028	$ 40,530	$ -	$ -	$ (445,498)	$ -	$ (445,498)
Public safety	1,088,261	94,932	-	-	(993,329)	-	(993,329)
Public works	1,332,392	290,614	-	216,405	(825,373)	-	(825,373)
Culture and recreation	99,466	-	-	-	(99,466)	-	(99,466)
Community development	-	-	-		-	-	-
Interest	-	-	-	-	-	-	-
Total governmental activities	3,006,147	426,076	-	216,405	(2,363,666)	-	(2,363,666)
Business-type activities -							
Water and sewer	1,912,795	1,660,013	22,940	5,406,271	-	5,176,429	5,176,429
Total business-type activities	1,912,795	1,660,013	22,940	5,406,271	-	5,176,429	5,176,429
Total primary government	4,918,942	2,086,089	22,940	5,622,676	(2,363,666)	5,176,429	2,812,763
General revenues:							
Property taxes					941,975	-	941,975
Sales taxes					501,404	-	501,404
Insurance premium taxes					489,749	-	489,749
Franchise taxes					213,774	-	213,774
Alcohol taxes					73,680	-	73,680
Hotel/Motel taxes					22,932	-	22,932
Unrestricted investment earnings					9,318	-	9,318
Miscellaneous					-	-	-
Total general revenues					2,252,832	-	2,252,832
Transfers					-	-	-
Change in net position					(110,834)	5,176,429	5,065,595
Net position - beginning					8,061,942	6,380,186	14,442,128
Net position - ending					$ 7,951,108	$ 11,556,615	$ 19,507,723

See auditor's report.

See accompanying notes to financial statements.

CITY OF FOLKSTON, GEORGIA

Balance Sheet - Governmental Funds

As of December 31, 2025

	Major Fund General Fund	Nonmajor Fund Other Govt. Funds	Capital Projects SPLOST Fund	Capital Projects TSPLOST Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,267,912	$ 550	$ 301,780	$ -	$ 3,570,242
Receivables, net	731,387	-	-	-	731,387
Due from other funds	41,245	-	-	-	41,245
Total assets	$ 4,040,544	$ 550	$ 301,780	$ -	$ 4,342,874
LIABILITIES					
Current liabilities:					
Accounts payable/accrued expenses	$ 546	$ -	$ -	$ -	$ 546
Total liabilities	546	-	-	-	546
FUND BALANCES					
Nonspendable	-	-	-	-	-
Committed	403,761	-	-	-	403,761
Restricted	42,829	550	301,780	-	345,159
Unassigned (deficit)	3,593,408	-	-	-	3,593,408
Total fund balances	4,039,998	550	301,780	-	4,342,328
Total liabilities and fund balances	$ 4,040,544	$ 550	$ 301,780	$ -	

Amounts reported for governmental activities in the statement of net position 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 23)	3,608,783
Rounding	(3)
Net position of governmental activities (page 5)	$ 7,951,108

See auditor's report.

See accompanying notes to financial statements.

CITY OF FOLKSTON, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the year ended December 31, 2025

	General Fund	Other Gov. Funds (Nonmajor)	Capital Projects SPLOST	Capital Projects TSPLOST	Total Governmental Funds - 2022
REVENUES					
Taxes	$ 2,104,604	$ -	$ -	$ -	$ 2,104,604
Fines and forfeitures	94,932	-	-	-	94,932
Licenses and permits	40,530	-	-	-	40,530
Intergovernmental	212,311	-	127,240	89,165	428,716
Charges for services	290,614	-	-	-	290,614
Interest income	9,317	-	-	-	9,317
Miscellaneous	8,367	-	-	-	8,367
Total revenues	2,760,675	-	127,240	89,165	2,977,080
EXPENDITURES					
Current:					
General government	478,236	-	-	-	478,236
Public safety	953,161	-	-	-	953,161
Public works	1,215,560	-	-	-	1,215,560
Culture and recreation	99,466	-	-	-	99,466
Community development	-	-	-	-	-
Capital outlay	4,508	-	130,543	89,165	224,216
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Total expenditures	2,750,931	-	130,543	89,165	2,970,639
Excess(deficiency) of revenues over expenditures	9,744	-	(3,303)	-	6,441
OTHER FINANCING SOURCES					
Transfers in/(out)	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Change in fund balance	9,744	-	(3,303)	-	6,441
Fund balances at beginning of year	4,030,803	-	305,083	-	4,335,886
Fund balances at end of year	$ 4,040,547	$ -	$ 301,780	$ -	$ 4,342,327

See auditor's report.

See accompanying notes to financial statements.

CITY OF FOLKSTON, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the year ended December 31, 2025

Net change in fund balances - total governmental funds	$	6,441
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded in the current period.		142,451
Depreciation expense on capital assets is reported in the government-wide statement of activities and change in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.		(259,724)
Change in net position of governmental activities	$	(110,832)

See auditor's report.

See accompanying notes to financial statements.

CITY OF FOLKSTON, GEORGIA

Statement of Net Position
Proprietary Fund

As of December 31, 2025

	Business-Type Activity - Enterprise Funds Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,504,087
Receivables, net	144,855
Inventories	69,129
Total current assets	1,718,071
Capital assets:	
Nondepreciable - land	100,000
Distribution and collection systems	20,833,748
Buildings	208,102
Equipment	1,391,398
Less: accumulated depreciation	(10,957,266)
Capital assets, net	11,575,982
Total assets	13,294,053
Deferred outflows of resources	-
Total assets and deferred outflows of resources	$ 13,294,053
LIABILITIES	
Current liabilities:	
Customer deposits	$ 155,831
Due to general fund	41,245
Bonds payable - current	145,000
Total current liabilities	342,076
Noncurrent liabilities:	
Bond issuance costs	(81,638)
Bonds payable	1,477,000
Total noncurrent liabilities	1,395,362
Total liabilities	1,737,438
Deferred inflows of resources	-
NET POSITION	
Net investment in capital assets	9,953,982
Unrestricted net position	1,602,633
Total net position	11,556,615
Total liabilities, deferred inflows of resources, and net position	$ 13,294,053

See auditor's report.

See accompanying notes to financial statements.

CITY OF FOLKSTON, GEORGIA

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

For the year ended December 31, 2025

	Business-Type Activity - Enterprise Funds Water and Sewer
OPERATING REVENUES	
Charges for services	$ 1,660,013
Intergovernmental	22,940
Total operating revenues	1,682,953
OPERATING EXPENSES	
Personnel services	508,926
Purchased services	304,576
Other supplies and expenses	429,639
Depreciation	623,217
Total operating expenses	1,866,358
Income (loss) from operations	(183,405)
NON-OPERATING REVENUES (EXPENSES)	
Interest expense	(46,437)
Total non-operating revenues (expenses)	(46,437)
Income (loss) before contributions and transfers	(229,842)
CONTRIBUTIONS AND TRANSFERS	
Transfers in	5,406,271
Transfers out	-
Net contributions and transfers	5,406,271
Change in net position	5,176,429
Net position - beginning	6,380,186
Net position - ending	$ 11,556,615

See auditor's report.

See accompanying notes to financial statements.

CITY OF FOLKSTON, GEORGIA

Statement of Cash Flows
Proprietary Fund

For the year ended December 31, 2025

	Enterprise Funds Water and Sewer
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	
Receipts from customers/others	$ 1,658,951
Payments to suppliers	(723,359)
Operating transfer from General Fund	5,406,271
Payments to employees	(508,926)
Net cash provided from operating activities	5,832,937
CASH FLOWS PROVIDED FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in and other income	-
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Amortization of bond issuance costs	9,071
Acquisition of capital assets	(5,667,528)
Principal paid on capital debt	(146,000)
Interest paid on capital debt	(46,438)
Net cash used by capital and related financing activities	(5,850,895)
CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES	-
NET INCREASE IN CASH	(17,958)
CASH, beginning of year	1,522,045
CASH, end of year	$ 1,504,087
Reconciliation of total cash and cash equivalents	
Current assets - cash and cash equivalents	$ 1,504,087
Cash and cash equivalents	$ 1,504,087
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED FROM OPERATING ACTIVITIES	
Operating income (loss)	$ (183,405)
Adjustments to reconcile operating income (loss) to net cash provided from operating activities:	
Operating transfer from General Fund	5,406,271
Depreciation	623,217
Change in assets and liabilities:	
Receivables, net	(24,002)
Inventories	(15,467)
Accounts and other payables	32,855
Customer deposits	(6,532)
Net cash provided from operating activiities	$ 5,832,937

See auditor's report.

See accompanying notes to financial statements.

CITY OF FOLKSTON

Notes to Basic Financial Statements

Notes 1 through 14

Note 1: Summary of Significant Account Policies

The City of Folkston, Georgia (the City), was incorporated under the laws of the State of Georgia and operates under the leadership of the Mayor and City Council consisting of five members, elected for four-year terms. The Mayor and Council all serve on a part-time basis and appoint a City Manager who is responsible for the daily operations of the City.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position, Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department; and therefore are clearly identifiable to the particular function. Program revenues include charges paid by the recipient of the foods and services offered by the program, grants and contributions that are restricted to meeting the operation or capital requirement of the particular program, and the interest earned on the that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City with certain limited exceptions. The comparison of direct expenses with the program revenues identifies the extent to which each governmental program or business activity is self-financing or drams from the general revenues of the city.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and propriety fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those presenting balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities that 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.

Note 1: Summary of Significant Account Policies (continued)

B. Reporting Entity

Standards published by the Government Accounting Standards Board (GASB) define the financial reporting entity as (a) the primary government; (b) organizations for which the primary government is financially responsible; and (c) other organizations for which the primary government is not accountable but for which the nature and the significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no organizations identified as component units if the City, as defined by GASB Statement No. 14, 39, 61, 80, 90, and 97, *The Financial Reporting Entity.*

Related Organizations

The City is required by State law to be a member of the Regional Commission. The City pays its prorate 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 Regional Commission and it is not included in these financial statements. Financial statements are available at the organization's office. At year-end there were no receivables or payables between the City and this organization.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self- balancing set of accounts. The two categories of funds are governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

- **General Fund:** The General is used to account for all revenues and expenditures applicable to the general operations of City government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the general fund.
- **SPLOST Fund:** The fund accounts for financial sources and uses for the Special Purpose Local Option Sales Taxes.
- **T-SPLOST:** The fund accounts for financing capital projects for streets. The improvements are financed through federal and state grants.

The other governmental funds of the City account for other resources whose use is restricted for particular purpose; the accumulation of resources for and the payment of debt; and the acquisition or construction of major capital projects.

Note 1: Summary of Significant Account Policies (continued)

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, net position and cash flows. The City's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

- **Water and Sewer System Fund:** This fund accounts for financing and costs of providing water and sewer services to residents of the City.

Propriety funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with propriety fund principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sale and service. Operating expenses for enterprise funds and internal service 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.

D. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus in these financial statements. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statements of Net Position. The Statements of Revenues, Expenditures, and Changes in Fund Balances present increases (i.e., revenues), and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds use the accrual basis of accrual. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Note 1: Summary of Significant Account Policies (continued)

F. Revenues - Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days after year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from sales taxes are recognized in the period in which the sales are made. Revenues from grants, entitlements, and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of the when the use is permitted; matching requirements in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end. sales taxes, charges for services, fines and forfeitures, state levied locally shared taxes, grants, interest and rent.

G. Deferred Outflows/Inflows of Resources

The City has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position.* This standard modified terminology and presentation of certain accounts.

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has unavailable revenue, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category on the governmental funds balance sheet.

H. Expenses and Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

I. FASB Statements and Interpretations

For proprietary activities, all Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, have been applied except for those that conflict with or contradict GASB pronouncements.

Note 1: Summary of Significant Account Policies (continued)

J. Budgets and Budgetary Accounting

An annual operating budget is adopted by the City for the general and enterprise funds. A project budget is adopted for each capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund.

The governmental funds budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP), except that outstanding encumbrances at year-end are reported as budgetary expenditures. Enterprise fund budgets are adopted on a basis consistent with GAAP, except that outstanding encumbrances at year-end are adopted as budgetary expenses.

All unexpended, unencumbered annual appropriations lapse at year-end. Encumbered appropriations are carried forward to the subsequent year automatically (i.e., no action is required by the City Council).

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level with the following provisions:

1. The City Council may transfer funds from one object or purpose to another within the same department.
2. The City Council may amend the budget by motion during the fiscal year.
3. The proposed budget for the subsequent year is submitted to the City Council by October 1st.
4. Public hearings are held.
5. The budget is legally enacted by Council resolution before January 1st.

Formal budgetary integration is employed as a management control device during the year for all budgeted funds.

K. Cash and Cash Equivalents

For the propriety fund types a statement of cash flows is presented, as is required by GASB Statement 9, instead of a statement of changes in financial position. For this statement, cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less when purchased, that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant rates of changes in value because of changes in interest rates.

L. Investments

The City is authorized to invest its funds in (1) obligations which constitute direct obligations of, or are unconditionally guaranteed by, the United States of America; (2) certificates of deposit issued by state and national banks within the state of Georgia when secured by acceptable collateral; (3) obligations of the Federal Land Bank, the Federal Home Loan Bank, Federal Intermediate Credit Bank and Federal Bank for Cooperatives; and (4) bonds or other obligations issued by any public housing agency or municipality which are served by a pledge of annual contributors under contract with the United States Government, or project notes secured by a payment agreement with the United States Government.

All investments are stated at market value.

Note 1: Summary of Significant Account Policies (continued)

Q. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital leases are recognized as a liability on the fund financial statements when due.

R. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

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

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

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

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

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

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

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

- Committed
- Assigned
- Unassigned

Note 1: Summary of Significant Account Policies (continued)

R. Fund Equity (continued)

Net Position: Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when as described in the fund balance section above. All other net position is reported as unrestricted.

S. Prepaid Expenditures

Payments made to various vendors for items or services for a future period are recorded as prepaid expenditures.

T. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: Expenditures in Excess of Appropriations

The City had no departments with excess expenditures and no deficit fund balances as of December 31, 2025.

Note 3: Cash Deposits and Investments

The City's deposits are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits over the federal depository insurance coverage are collateralized with securities held by the City's agent in the City's name. As of December 31, 2025, the carrying amounts of the City's bank deposits were $5,074,329 and the respective bank balances were $5,177,355. Of the total bank balances, $500,000 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining was collateralized with securities held in the City of Folkston's name.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The City has a policy to reduce its exposure to this risk by requiring deposits to be collateralized in accordance with State law. As of December 31, 2025, securities were held in the name of the financial institutions in the City's name by both institutions.

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.

All the City's deposits are classified as category 1 credit risk.

Note 4: Receivables and Payables

Receivables at December 31, 2025 were as follows:

	Accounts	Taxes	Total
Governmental activities:			
General, net	$ 16,807	$ 714,580	$ 731,387
Total governmental activities	$ 16,807	$ 714,580	$ 731,387
Business-type activities:			
Water and Sewer, net	$ 144,855	$ -	$ 144,855
Total business-type activities	$ 144,855	$ -	$ 144,855

Note 5: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2025, is as follows:

	Beginning	Additions	Deletions	Ending
Governmental Activities				
Nondepreciable capital assets:				
Land	$ 52,976	$ -	$ -	$ 52,976
Total nondepreciable capital assets	52,976	-	-	52,976
Depreciable capital assets:				
Infrastructure	3,727,032	78,936	-	3,805,968
Buildings	521,641	-	-	521,641
Equipment	797,865	8,731	-	806,596
Vehicles	1,822,099	54,784	-	1,876,883
Total capital assets	6,868,637	142,451	-	7,011,088
Less: accumulated depreciation for:				
Infrastructure	952,819	101,292	-	1,054,111
Buildings	238,209	15,540	-	253,749
Equipment	748,299	7,792	-	756,091
Vehicles	1,256,230	135,100	-	1,391,330
Total accumulated depreciation	3,195,557	259,724	-	3,455,281
Total depreciable, net	3,673,080	(117,273)	-	3,555,807
Notes payable	-	-	-	-
Governmental a capital assets, net of related debt	$ 3,726,056	$ (117,273)	$ -	$ 3,608,783
Business-Type Activities				
Nondepreciable capital assets:				
Land	$ 100,000	$ -	$ -	$ 100,000
Total nondepreciable capital assets	100,000	-	-	100,000
Depreciable capital assets:				
Buildings and improvements	208,102	-	-	208,102
Water and sewer system	15,226,605	5,607,143	-	20,833,748
Machinery and equipment	1,331,011	60,387	-	1,391,398
Total depreciable capital assets	16,765,718	5,667,530	-	22,433,248
Less: accumulated depreciation for:				
Buildings and improvements	193,197	12,464	-	205,661
Water and sewer system	9,237,463	517,271	-	9,754,734
Machinery and equipment	903,388	93,483	-	996,871
Total accumulated depreciation	10,334,048	623,218	-	10,957,266
Total depreciable, net	6,431,670	5,044,312	-	11,475,982
Business activities capital assets, net	$ 6,531,670	$ 5,044,312	$ -	$ 11,575,982

Note 5: Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	$ 7,792
Public Safety	135,100
Public Works	116,832
Total Depreciation Expense - Governmental Activities	$ 259,724

Construction commitments:

As of December 31, 2025, the City had no commitments with respect to uncompleted capital projects.

Note 6: Interfund Receivable and Payable Balances

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent certain transactions between funds had not been paid or received as of December 31, 2025, balance of interfund accounts receivable or payable have been recorded.

Individual fund interfund receivable and payable balances at December 31, 2025, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 41,245	$ -
Water Sewer Fund		41,245
Total	$ 41,245	$ 41,245

The interfund balances were for water and sewer expenses for December 31, 2025 that were reimbursed in January, 2025.

During the course of normal operations, The City has numerous transactions between funds including expenditures and transfers of resources to provide services. Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and reported as other financial sources (uses) in the Governmental Funds and transfers section in the Proprietary Funds.

Transfers between funds during the year:	
Transfer from General Fund	$(5,406,271)
Transfer to Water/Sewer Fund	5,406,271

Note 7: Long-Term Obligations

Business-Type Activities

In April 2021, the City issued the Series 2021 Revenue Bonds. The Series 2021 Bonds were issued in the amount of $2,243,000 for the purpose of refunding the Series 2014 Revenue Bonds and paying the cost of issuance of the Series 2021 Revenue Bonds. Principal payments on the Series 2021 are due annually beginning October 1, 2021 and mature on October 1, 2035. Interest rate on the 2021 Bonds is 2.100% with interest due semi-annually on April 1 and October 1, beginning October 1, 2021.

Debt service requirements to maturity for the revenue bonds at December 31, 2025 are as follows:

Year Ending December 31	Principal Balance	Principal	Interest	Total
2026	1,622,000	145,000	34,062	179,062
2027	1,477,000	155,000	31,017	186,017
2028	1,322,000	154,000	27,762	181,762
2029	1,168,000	158,000	24,528	182,528
2030	1,010,000	162,000	21,210	183,210
2031	848,000	161,000	17,808	178,808
2032	687,000	169,000	14,427	183,427
2033	518,000	171,000	10,878	181,878
2034	347,000	173,000	7,287	180,287
2035	174,000	174,000	3,654	177,654
Total		$ 1,622,000	$ 192,633	$ 1,814,633

Original Bond Amount	$	2,243,000
Interest Rate		2.100%
Date of Bond		April 1, 2021
Purpose of Bond		Refunding Series 2014 Bonds Issued for Sewer Upgrades

Changes in Long-Term Liabilities:

Business Type Activities:	Beginning	Additions	Reductions	Ending	Due Within One Year
2021 Revenue Bonds	$ 1,768,000	$ -	$ 146,000	$1,622,000	$ 145,000
Net Changes	$ 1,768,000	$ -	$ 146,000	$1,622,000	$ 145,000

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 four (4) percent of the annual covered payroll of plan participants. 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, 2025 were $63,288 by the City. Employees chose not to make any contributions during the year. Covered payroll was $1,582,200.

Note 9: Fund Equity

The City records five categories of fund balance as defined in Note 1, Section S. 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	TSPLOST Fund	SPLOST Fund
Nonspendable			
The following fund balance is nonspendable for:	$ -	$ -	$ -
Committed			
The following fund balances are committed for:			
Committed for capital asset replacement	$ 379,534	$ -	$ -
Committed for railroad museum	13,294	-	-
Committed for drug investigations	10,933	-	-
	$ 403,761	$ -	$ -
Restricted			
The following fund balances are restricted for:			
Restricted for Police Department	$ 42,829	$ -	$ -
Restricted for SPLOST Expense	-	-	301,780
CDBG	-	-	550
	$ 42,829	$ -	$ 302,330

Note 10: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of 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. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal 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 of Folkston 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 or injuries to persons or 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 of Folkston 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 $5,000 deductible.

The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

Note 10: Risk Management (Continued)

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Folkston became a member if the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of an employees of any employer (City of Folkston) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

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

The 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 the basis of the employer's liability, including suits or other proceeding alleging such injuries and demanding or compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false and 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 judgement, all expenses incurred for investigation, negotiation, or defense.

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

Note 11: Commitments and Contingencies

A. Litigation

The City's management and attorney has advised that there are no pending litigation cases against the City as of December 31, 2025, that will materially affect the financial statements.

B. Contingent Liabilities

The City receives various grants and other funding from federal and state assisted grant programs. Some of these funds have spending restrictions and are subject to compliance audits. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. The City is not aware of contingent liabilities associated with these funds.

Note 12: Joint Venture

Under Georgia law, the City, in conjunction with other 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 Annotated (OCGA) Section 50-8-34 (Georgia Planning Act of 1989) which provides 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 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 city shall select the municipal representative of that city.

c. Not less than ten or more than twenty public members.

d. A minority representative, 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 Untied 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:

Southern Georgia Reginal Commission
1725 South Ga Parkway, W
Waycross, Georgia 31503

Note 13: Reconciliation of Total Expenditures to Total Expenses Governmental Activities

"Total expenditures" for governmental funds $2,888,874 differs from "Total expenses" for activities $3,006,147 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.

	Govermental Fund Expenditures	Capital Related Items	Statement of Activities Expenses
Current Operating:			
General government	$ 478,236	$ 7,792	$ 486,028
Public safety	953,161	135,100	1,088,261
Public works	1,215,560	116,832	1,332,392
Culture and recreation	99,466	-	99,466
			-
Capital Outlay	142,451	(142,451)	-
Totals	$ 2,888,874	$ 117,273	$ 3,006,147
	pg 7	pg 22	pg 5

Note 14: Subsequent Events

Subsequent events have been evaluated the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether change in the financial statements would be required.

CITY OF FOLKSTON

Required Supplemental Information

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered part of the basic financial statements. Such information includes:

Budgetary comparison – General Fund

CITY OF FOLKSTON, GEORGIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund - Budget to Actual

For the year ended December 31, 2025

	Budget		Actual	Variance with Final Budget - Over
	Original	Final	Amounts	(Under)
REVENUES				
Taxes	$ 2,399,272	$ 2,399,272	$ 2,104,604	$ (294,668)
Fines and forfeitures	170,000	170,000	94,932	(75,068)
Licenses and permits	38,500	38,500	40,530	2,030
Intergovernmental	-	-	212,311	212,311
Charges for services	217,500	217,500	290,614	73,114
Interest income	-	-	9,317	9,317
Other income	-	-	8,367	8,367
Total revenues	2,825,272	2,825,272	2,760,675	(64,597)
EXPENDITURES				
Current:				
General government	485,876	485,876	478,236	(7,640)
Public safety	1,050,593	1,050,593	953,161	(97,432)
Public works	1,225,717	1,225,717	1,215,560	(10,157)
Culture and recreation	58,086	58,086	99,466	41,380
Capital outlay	5,000	5,000	4,508	(492)
Total expenditures	2,825,272	2,825,272	2,750,931	(74,341)
Excess of revenues over (under) expenditures	-	-	9,744	9,744
OTHER FINANCING SOURCES				
Transfers in (out)	-	-	-	-
Total other financing sources	-	-	-	-
Change in fund balance	$ -	$ -	9,744	$ 9,744
Fund balances - beginning			4,030,803	
Fund balances - ending			$ 4,040,547	

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

CITY OF FOLKSTON

Special Reports Section

Kendall L. Davis, P.C.
CERTIFIED PUBLIC ACCOUNTANT
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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

Honorable Mayor and
Members of the City Council
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, 2025, and the related notes to the financial statements, which collectively comprise the CITY's basic financial statements, and have issued my report thereon dated June 27, 2026.

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) as a basis for designing audit procedures that are appropriate in the circumstances 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. 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 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 weakness 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 direct and material effect on the financial statements. However, providing an opinion on compliance with these 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.

Kendall L. Davis, P.C.
Certified Public Accountant

Hazlehurst, Georgia
June 27, 2026

Member:
Association of Certified
Fraud Examiners

Kendall L. Davis, P.C.

Georgia Society of CPA'S

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INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

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

I have audited the accompanying Schedule Purpose Local Option Sales Tax for the City of Folkston for the year ended December 31, 2025. This schedule is the responsibility of the City of Folkston's management. My responsibility is to express an opinion on the Schedule Purpose Local Option Sales Tax 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 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 the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis as described in Note 1 and is not intended to be a complete presentation of the City of Folkston'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 each project in the City of Folkston's resolution or ordinance calling for the tax for the year ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Kendall L. Davis, P.C.
Certified Public Accountant

Hazlehurst, Georgia
June 26, 2026

CITY OF FOLKSTON, GEORGIA

Schedule of Projects Constructed with Special Sales Tax Proceeds
2020 - SPLOST
For the Year Ended December 31, 2025

Project Description per SPLOST Referendum	Estimated Cost		Expenditures			
	Original	Current	Prior Years	Current Year	Total	
Water and Street Improvements	$ 1,200,000	$ 1,200,000	$ 638,902	$ 130,543	$ 769,445	64%
Total	$ 1,200,000	$ 1,200,000	$ 638,902	$ 130,543	$ 769,445	

$127,240 was received from Charlton County in 2025 for the 2020 SPLOST Funds. The SPLOST proceeds are to be used for renovation, improvement, expanson and purchase of presonal property relating to streets, sidewalks, water and wastewater system and other public facilities in the City of Folkston.

Note (1):
Estimated percentage of completion is based on expenditures by the City to date in relation to total estimated expenditures, which have been provided by City management.

The SPLOST schedule has been prepared on the modified accrual basis of accounting.

See auditor's report.

Member:
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INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF HOTEL/MOTEL TAX

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

I have audited the accompanying Schedule of Hotel/Motel Tax for the City of Folkston for the year ended December 31, 2025. This schedule is the responsibility of the City of Folkston's management. My responsibility is to express an opinion on the Schedule of Hotel/Motel Tax 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 Schedule of Hotel/Motel Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Hotel/Motel 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 Hotel/Motel Tax. I believe that my audit provides a reasonable basis for my opinion.

The accompanying Schedule of Hotel/Motel Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-31-51 on the modified accrual basis as described in Note 1 and is not intended to be a complete presentation of the City of Folkston's revenues and expenditures.

In my opinion, the Schedule of Hotel/Motel Tax referred to above presents fairly, in all material respects, the costs and revenues in the City of Folkston's resolution or ordinance calling for the tax for the year ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Kendall L. Davis, P.C.
Certified Public Accountant

Hazlehurst, Georgia
June 26, 2026

CITY OF FOLKSTON, GEORGIA

Schedule of Hotel/Motel Tax

For the year ended December 31, 2025

Total Funds Expended for Tourism	$	22,932
Revenue from Hotel/Motel Tax	$	22,932
Expenditures as a Percentage of the Revenue		100%

For the year ended December 31, 2025, 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.

CITY OF FOLKSTON, GEORGIA

Combining Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Fund

For the year ended December 31, 2025

	Enterprise Funds Water and Sewer		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services	$ 882,733	$ 777,280	$ 1,660,013
Intergovernmental	-	22,940	22,940
Total operating revenues	882,733	800,220	1,682,953
OPERATING EXPENDITURES			
Personnel services	348,061	160,865	508,926
Purchased services	150,379	154,197	304,576
Other supplies and expenses	193,048	236,591	429,639
Depreciation	355,234	267,983	623,217
Total operating expenditures	1,046,722	819,636	1,866,358
Excess(deficiency) of revenues over expenditures	(163,989)	(19,416)	(183,405)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(27,873)	(18,564)	(46,437)
Total Nonoperating revenues (expenses)	(27,873)	(18,564)	(46,437)
Income (loss) before contributions and transfers	(191,862)	(37,980)	(229,842)
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	-	-	-
Transfers in from General Fund	5,406,271	-	5,406,271
Transfers in/(out) Sewer	367,022	(367,022)	-
Total other financing sources	5,773,293	(367,022)	5,406,271
Change in net position	$ 5,581,431	$ (405,002)	5,176,429
Total fund balance - beginning			6,380,186
Total fund balance - ending			$ 11,556,615

See auditor's report.

See accompanying notes to financial statements.

CITY OF FOLKSTON, GEORGIA

December 31, 2025

SCHEDULE OF FINDINGS AND RESPONSES

Section I - Summary of Auditor's Results:

Financial Statements

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

Section II - Financial Statement Findings:

There were no audit findings disclosed for the period ended December 31, 2025.

CITY OF FOLKSTON, GEORGIA

December 31, 2025

SUMMARY OF PRIOR YEAR FINDINGS

The prior audit report for the year ended December 31, 2024 contained no audit findings.