CITY OF PORTERDALE, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2007

CITY OF PORTERDALE, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

Mayor and Council
City of Porterdale, Georgia
Porterdale, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Porterdale, Georgia as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Porterdale, Georgia as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2008 on our consideration of the City of Porterdale, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Porterdale, Georgia's basic financial statements. The supplemental schedule and the schedule of project expenditures with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The supplemental schedule, the schedule of project expenditures with special sales tax proceeds, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Macon, Georgia
October 22, 2008

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Porterdale, Georgia, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2007.

FINANCIAL HIGHLIGHTS

- The assets of the City of Porterdale exceeded its liabilities as of December 31, 2007, by $3,017,005.
- The government's total net assets increased by $602,225 for the year ended December 31, 2007.
- As of December 31, 2007, total net assets consisted of $2,634,774 invested in capital equipment, $0 restricted, and $382,231 unrestricted.
- As of the close of the current year, the City's governmental funds reported ending fund balance of $286,223 a decrease of $14,496 in comparison with the prior year.
- For the year ended December 31, 2007, unreserved fund balance for the General Fund decreased from $300,719 to $286,223.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Porterdale's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Porterdale's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City currently has two business-type activities.

Fund Financial Statements

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

Governmental Funds

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

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

The City of Porterdale maintains five individual governmental funds, the General Fund, two SPLOST Funds, the 2004 CDBG Fund, and the TE Grant Fund.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Proprietary Funds

The City of Porterdale maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the activities of the Water & Sewer Fund and the Sanitation Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Porterdale, assets exceeded liabilities by $3,017,005 at the close of the most recent year.

A portion of the City's net assets reflects its investment in capital assets, less any related debt outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. As of December 31, 2007, the investment consists of $6,688,165 in assets, with accumulated depreciation of $1,187,871 and outstanding debt of $2,865,520.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations.

As of December 31, 2007, current liabilities increased by $32,523 and net assets increased by $602,225 compared to December 31, 2006.

Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
Assets	2007	2006	2007	2006	2007	2006
Current and other assets	$ 903,574	$ 785,082	$ 121,232	$ 194,181	$ 1,024,806	$ 979,263
Capital assets	509,276	315,262	4,991,018	2,828,851	5,500,294	3,144,113
Total assets	1,412,850	1,100,344	5,112,250	3,023,032	6,525,100	4,123,376
Liabilities						
Current and other liabilities	546,025	378,837	67,716	202,381	613,741	581,218
Long-term liabilities	22,456	-	2,871,898	1,170,410	2,894,354	1,170,410
Total liabilities	568,481	378,837	2,939,614	1,372,791	3,508,095	1,751,628
Net assets						
Invested in capital assets, net of related debt	509,276	315,262	2,125,498	1,560,146	2,634,774	1,875,408
Unrestricted	335,093	406,245	47,138	90,095	382,231	496,340
Total net assets	$ 844,369	$ 721,507	$ 2,172,636	$ 1,650,241	$ 3,017,005	$ 2,371,748

	Governmental Activities		Business-Type Activities		Total	
Revenues:	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for services	$ 143,855	$ 165,630	$ 806,925	$ 828,342	$ 950,780	$ 993,972
Operating grants and contributions	-	89,350	-	-	-	89,350
Capital grants and contributions	586,802	-	645,404	-	1,232,206	-
General revenues						
Taxes	692,334	824,453	-	-	692,334	824,453
Interest revenue	191	209	118	-	309	209
Insurance proceeds	5,996	-	-	-	5,996	-
Other	23,032	10,573	-	-	23,032	10,573
Total Revenues	1,452,210	1,090,215	1,452,447	828,342	2,904,657	1,918,557
Expenses:						
General government	342,473	545,524	-	-	342,473	545,524
Public safety	371,645	318,351	-	-	371,645	318,351
Public works	618,714	191,151	-	-	618,714	191,151
Culture and recreation	155,689	43,176	-	-	155,689	43,176
Water & Sewer	-	-	708,295	645,754	708,295	645,754
Sanitation	-	-	105,616	176,019	105,616	176,019
Total Expenses	1,488,521	1,098,202	813,911	821,773	2,302,432	1,919,975
Increase (decrease) in net assets before transfers	(36,311)	(7,987)	638,536	6,569	602,225	(1,418)
Transfers	116,141	24,288	(116,141)	(24,288)	-	-
Increase (decrease) in net assets	79,830	16,301	522,395	(17,719)	602,225	(1,418)
Net assets, beginning of year	721,507	705,206	1,650,241	1,667,960	2,371,748	2,373,166
Prior Period Adjustment	43,032	-	-	-	43,032	-
Net assets, beginning of year restated	764,539	705,206	1,650,241	1,667,960	2,414,780	2,373,166
Net assets, end of year	$ 844,369	$ 721,507	$ 2,172,636	$ 1,650,241	$ 3,017,005	$ 2,371,748

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City of Porterdale uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Porterdale's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2007, the City's governmental funds reported ending fund balance of $286,223. Of this balance, $136,325 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for restricted purposes.

The general fund is the operating fund of the City. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 28.5 percent of total general fund expenditures.

The SPLOST funds account for the activity of the 1995 and 2005 Special Local Option Sales Taxes. The CDBG 2004 fund account for the activity of the CDBG 2004 grant.

The fund balance of the City's governmental funds decreased by $14,496 during the current year, compared to a decrease of $36,916 in 2006.

Proprietary Funds

The activities of the City that render services to the general public on a user charge basis are accounted for in the proprietary funds. The Proprietary Fund statements provide the same type of information found in the government-wide statements, but in more detail.

The Sanitation fund accounts for the operation of the City's Sanitation Program. The Water and Sewerage Fund accounts for the activities of the Water and Sewerage operations. The net assets for the proprietary funds increased by $522,395 in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City made some budget amendments that resulted in an increase in both budgeted revenue and budgeted appropriations. The following are the main components of the amendments:

- General government budgeted expenditures decreased by $116,568 due to the allocation of payroll taxes, group insurance, and workers compensation.
- Police department and public works budgeted expenditures increased by $51,000 and $54,518 respectively due to the allocation of payroll taxes, group insurance, and workers compensation from the General Fund.

The City of Porterdale is ever cognizant of the necessity of being good stewards of public funds while at the same time having the responsibility of accumulation sufficient funds to effectively promote growth and development of the economy through purchase of land, providing infrastructure, etc. to entice prospective industry into the city.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Porterdale's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to $5,500,294, net of accumulated depreciation. The investment in capital assets consists primarily of the Water and Sanitation system owned by the City. Additional information on the City's capital assets can be found in Note 8 of the notes to the financial statements of this report.

The City shows the following activity in capital assets on December 31, 2007:

Governmental Activities	Governmental Activities	Business-Type Activities	Total
Assets:			
Land	$ 284,641	$ 26,968	$ 311,609
Construction in Progress	138,214	-	138,214
Buildings and improvements	81,422	-	81,422
Equipment	68,888	69,196	138,084
Vehicles	85,021	-	85,021
Distribution System	-	5,933,815	5,933,815
Capital assets, before accumulated depreciation	658,186	6,029,979	6,688,165
Accumulated Depreciation:			
Buildings and improvements	9,801	-	9,801
Equipment	68,888	29,171	98,059
Vehicles	70,221	-	70,221
Distibution System	-	1,009,790	1,009,790
Total accumulated depreciation	148,910	1,038,961	1,187,871
Total capital assets, net of accumulated depreciation	$ 509,276	$ 4,991,018	$ 5,500,294

Long-Term Debt

As of December 31, 2007, the City of Porterdale reported the following long-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ -	$ 34,211	$ (11,755)	$ 22,456	$ -
Total governmental activities	$ -	$ 34,211	$ (11,755)	$ 22,456	$ -
Business-type activities:					
Compensated absences	$ -	$ 13,974	$ (7,596)	$ 6,378	$ -
Capital Lease	-	40,663	6,113	34,550	7,875
GEFA Loan #93-011-WJ	1,268,705	-	98,295	1,170,410	103,099
GEFA Loan #2004-L02WQ	-	1,684,000	23,440	1,660,560	58,185
Total business-type activities	$1,268,705	$1,738,637	$ 120,252	$2,871,898	$169,159

Additional information on the City's long-term debt can be found in Note 9 of the notes to the financial statements of this report.

ACCOMPLISHMENTS/GROWTH FOR 2007

The City of Porterdale property tax and sales tax revenues continue to decrease. The city saw a $27,539 decrease of property tax collection and a $120,729 decrease in local option sales tax from 2006. Overall, general revenues decreased by $113,564 from the prior year.

The city hired a full-time code enforcement officer and a part-time downtown manager to address run down housing and promote economic development in the downtown area. The city entered into a lease with Lassiter Properties, Inc. for downtown property to construct a gravel parking lot to provide accessible parking for visitors.

The Historic Porterdale Gymnasium still needs to be renovated. The city continues to look at funding options to restore this important land mark in the downtown area.

The economic outlook for the City of Porterdale continues to be positive despite a slowdown in the housing market. The Porterdale Mill Lofts a mixed-use project in the downtown area was completed in September 2006 and has been a success with all the units being leased to date. Mayor Hamby was featured on a GMA video showcasing the Porterdale Mill Lofts that was shown at the GMA annual convention in Savannah. The city's downtown area continues to develop and another historic building was purchased by a developer and will be converted to mixed-use. The city's Historic Train Depot was renovated through a TE grant and adds to the appeal of the historic village. Also, a multi-use walking trail was completed near the Yellow River to promote recreation among the community.

The city sponsored three special events to promote and market the downtown area. One event, the Christmas tree lighting along with Santa and live reindeer brought one of the largest crowds in recent memory to the town. Promoted as "Georgia's Historic Mill Village" the city seems to be coming back to life after many years of decline.

The city improved and added crosswalks to the downtown area to improve safety and promote a pedestrian friendly downtown. Also, the city annexed approximately 143 acres in 2007 representing future mixed use, commercial and recreational projects.

The City faces many challenges such as decreased local option sales, decreased property tax collection and increased operational costs. The city will need to closely monitor its spending and look for additional revenue sources such as impact, street light, and storm water utility fees.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Porterdale's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Tom Fox, City Manager, and P.O. BOX 667, PORTERDALE, GEORGIA 30070.

BASIC FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Historic Preservation Commission
ASSETS				
Cash and cash equivalents	$ 274,051	$ 51,546	$ 325,597	$ 113
Receivables, net of allowance				
Taxes	65,803	-	65,803	-
Accounts	765	69,586	70,351	-
Due from other governments	563,055	-	563,055	-
Internal balances	(100)	100	-	-
Capital assets, not being depreciated				
Land	284,641	26,968	311,609	-
Construction in progress	138,214	-	138,214	-
Capital assets net of accumulated depreciation:				
Buildings and improvements	71,621	-	71,621	-
Distribution system	-	4,964,050	4,964,050	-
Vehicles	14,800	-	14,800	-
Total Assets	1,412,850	5,112,250	6,525,100	113
LIABILITIES				
Accounts payable	111,336	11,231	122,567	-
Customer deposits	-	56,485	56,485	-
Unearned revenues	434,689	-	434,689	-
Noncurrent liabilities				
Due within one year	-	169,159	169,159	
Due in more than one year	22,456	2,702,739	2,725,195	-
Total Liabilities	568,481	2,939,614	3,508,095	-
NET ASSETS				
Invested in capital assets, net of related debt	509,276	2,125,498	2,634,774	-
Unrestricted	335,093	47,138	382,231	113
Total Net Assets	$ 844,369	$ 2,172,636	$ 3,017,005	$ 113

The accompanying notes are an integral part of this financial statement.

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

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 Assets: Primary Government: Governmental Activities	Primary Government: Business - Type Activities	Primary Government: Total	Component Unit: Historic Preservation Commission
Primary Government:								
Governmental Activities								
General government	$ 342,473	$ 27,374	$ -	$ 586,802	$ 271,703	$ -	$ 271,703	
Public safety	371,645	116,481	-	-	(255,164)	-	(255,164)	
Public works	618,714	-	-	-	(618,714)	-	(618,714)	
Culture and recreation	155,689	-	-	-	(155,689)	-	(155,689)	
Total governmental activities	1,488,521	143,855	-	586,802	(757,864)	-	(757,864)	
Business - Type Activities								
Water & Sewer	708,295	690,652	-	645,404	-	627,761	627,761	
Sanitation	105,616	116,273	-	-	-	10,657	10,657	
Total Business - Type Activities	813,911	806,925	-	645,404	-	638,418	638,418	
Total Primary Government	$ 2,302,432	$ 950,780	$ -	$ 1,232,206	(757,864)	638,418	(119,446)	
Component Unit:								
Historic Preservation Commission	$ 25	$ -	$ -	$ -				$ (25)
Total Component Units	$ 25	$ -	$ -	$ -				(25)
General Revenues								
Property tax					208,210	-	208,210	-
Sales tax					277,831	-	277,831	-
Other taxes					136,275	-	136,275	-
Insurance premium tax					70,018	-	70,018	-
Interest revenue					191	118	309	-
Insurance proceeds					5,996	-	5,996	
Miscellaneous					23,032	-	23,032	-
Total General Revenues					721,553	118	721,671	-
Transfers					116,141	(116,141)	-	-
Total General Revenues and Transfers					837,694	(116,023)	721,671	-
Change in Net Assets					79,830	522,395	602,225	(25)
Net Assets - Beginning of year					721,507	1,650,241	2,371,748	138
Prior Period Adjustment					43,032	-	43,032	-
Net Assets - Beginning of year restated					764,539	1,650,241	2,414,780	138
Net Assets - End of year					$ 844,369	$ 2,172,636	$ 3,017,005	$ 113

The accompanying notes are an integral part of this financial statement.

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General Fund	CDBG Fund	2005 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 271,130	$ 2,921	$ -	$ -	$ 274,051
Receivables, net of allowance					
Taxes	65,803	-	-	-	65,803
Other	765	-	-	-	765
Due from other governments	36,536	-	386,861	139,658	563,055
Due from other funds	91,830	-	-	-	91,830
Total Assets	$ 466,064	$ 2,921	$386,861	$ 139,658	$ 995,504
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 108,515	$ 2,821	$ -	$ -	$ 111,336
Due to other funds	-	100	-	91,830	91,930
Deferred revenues					
Taxes	71,326	-	-	-	71,326
Other	-	-	386,861	47,828	434,689
Total Liabilities	179,841	2,921	386,861	139,658	709,281
Fund Balances:					
Unreserved, reported in					
General Fund					
Designated for capital improvement	149,898	-	-	-	149,898
Undesignated	136,325	-	-	-	136,325
Total Fund Balances	286,223	-	-	-	286,223
Total Liabilities and Fund Balances	$ 466,064	$ 2,921	$386,861	$ 139,658	$ 995,504

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

CITY OF PORTERDALE, GEORGIA

RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

Total Fund Equity per Balance Sheet of Governmental Funds	$	286,223
Amounts reported for governmental activities in the Statement of Net Assets differ from amounts reported in the Balance Sheet of Governmental Funds due to the following:		
Capital Assets		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of the assets		658,186
Accumulated depreciation		(148,910)
Long-term Liabilities		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Assets. Long-term liabilities at year-end consist of the following:		
Compensated absences		(22,456)
Revenues		
Some of the government's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the governmental funds.		71,326
Total Adjustments		558,146
Total Net Assets of Governmental Activities	$	844,369

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	CDBG Fund	2005 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes					
Property tax	$ 242,410	$ -	$ -	$ -	$ 242,410
Sales tax	233,761	-	9,322	34,748	277,831
Insurance premium	70,018	-	-	-	70,018
Other taxes	136,275	-	-	-	136,275
License and permits	27,374	-	-	-	27,374
Fines	116,481	-	-	-	116,481
Grant revenues	-	448,588	-	138,214	586,802
Interest earnings	191	-	-	-	191
Contributions and donations	5,996	-	-	-	5,996
Other revenues	17,756	5,276	-	-	23,032
Total Revenues	850,262	453,864	9,322	172,962	1,486,410
Expenditures:					
Current:					
General government	465,042	8,000	-	-	473,042
Public safety	378,852	-	-	-	378,852
Public works	148,209	-	-	-	148,209
Culture and recreation	13,809	-	-	-	13,809
Capital Outlay	-	417,028	9,322	176,785	603,135
Total Expenditures	1,005,912	425,028	9,322	176,785	1,617,047
Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,650)	28,836	-	(3,823)	(130,637)
Other Financing Sources (Uses):					
Transfers from other funds	153,445	-	-	3,823	157,268
Transfers to other funds	(12,291)	(28,836)	-	-	(41,127)
Total Other Financing Sources (Uses)	141,154	(28,836)	-	3,823	116,141
Net change in fund balances	(14,496)	-	-	-	(14,496)
Fund Balance, beginning of year	300,719	-	-	-	300,719
Fund Balance, end of year	$ 286,223	$ -	$ -	$ -	$ 286,223

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

CITY OF PORTERDALE, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses Per Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances	$ (14,496)
Amounts reported for governmental activities in the Statement of Activities differ from amounts reported in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances due to the following:	
Revenues	
Because some revenues will not be collected for several months after the government's fiscal year end, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount during the fiscal year.	(34,200)
Compensated Absences	
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	(22,456)
Capital Assets	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Total capital outlays	156,714
Total depreciation	(5,732)
Total Adjustments	94,326
Change in Net Assets of Governmental Activities	$ 79,830

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

CITY OF PORTERDALE, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		2007	Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes				
Property tax	$ 297,656	$ 242,410	$ 242,410	$ -
Motor vehicle tax	10,812	13,000	12,982	(18)
Intangible tax	7,251	6,000	6,081	81
Real estate transfer tax	4,748	2,000	2,195	195
Franchise tax	70,102	85,000	80,515	(4,485)
Alcoholic beverage excise tax	16,000	19,000	19,000	-
Local option sales tax	218,447	233,000	233,761	761
Business and occupation tax	9,000	10,000	10,397	397
Insurance premium tax	67,124	70,000	70,018	18
Penalties and interest	-	5,000	5,105	105
Total Taxes	701,140	685,410	682,464	(2,946)
Licenses and Permits				
Permits	26,000	26,000	27,374	1,374
Total Licenses and Permits	26,000	26,000	27,374	1,374
Fines and forfeitures	131,000	131,000	116,481	(14,519)
Total Fines and Forfeitures	131,000	131,000	116,481	(14,519)
Interest income	168	168	191	23
Contributions and donations	-	5,730	5,996	266
Rent	4,944	4,944	5,820	876
Miscellaneous revenues	1,968	11,968	11,936	(32)
Total Other Revenues	7,080	22,810	23,943	1,133
Total Revenues	$ 865,220	$ 865,220	$ 850,262	$ (14,958)

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

CITY OF PORTERDALE, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

	Budgeted Amounts		2007	Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Expenditures:				
General Government				
General Administration				
Personnel services and employee benefits				
Salaries	$ 106,822	$ 95,000	$ 93,833	$ 1,167
Payroll tax	27,150	5,000	4,988	12
Group insurance	81,000	10,000	10,587	(587)
Workers compensation	11,000	5,000	5,680	(680)
Purchased and contracted services				
Payroll fees	3,090	3,090	3,287	(197)
Audit fees	14,424	14,424	15,540	(1,116)
Engineering fees	15,000	15,000	15,435	(435)
Attorney fees	47,242	47,242	34,502	12,740
Repair and maintenance	10,000	10,000	20,022	(10,022)
Insurance	26,500	30,000	30,547	(547)
Telephone	11,200	11,200	13,456	(2,256)
Postage	1,607	1,607	1,791	(184)
Advertising	3,500	3,500	4,284	(784)
Printing	2,250	2,250	2,571	(321)
Dues	3,008	3,008	4,775	(1,767)
Education and training	20,092	20,092	18,537	1,555
Other services	91,401	91,401	91,166	235
Capital outlay	35,000	2,000	2,235	(235)
Supplies				
Supplies and other	4,700	4,700	9,717	(5,017)
Seasonal decorations	5,004	5,004	11,010	(6,006)
Total General Administration	519,990	379,518	393,963	(14,445)
Judicial				
Personnel services and employee benefits				
Salaries	20,096	35,000	34,159	841
Payroll tax	-	3,000	2,689	311
Workers compensation	-	1,500	1,490	10
Other	-	1,000	1,133	(133)
Total Judicial	$ 20,096	$ 40,500	$ 39,471	$ 1,029

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

CITY OF PORTERDALE, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

	Budgeted Amounts		2007	Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Expenditures (continued):				
Planning & Zoning				
Salaries	$ 24,996	$ 28,496	$ 31,608	$ (3,112)
Other	3,500	3,500	-	3,500
Total Planning & Zoning	28,496	31,996	31,608	388
Total General Government	568,582	452,014	465,042	(13,028)
Public Safety				
Police Department				
Personnel services and employee benefits				
Salaries	217,030	217,030	251,698	(34,668)
Payroll tax	-	20,000	18,292	1,708
Group insurance	-	20,000	22,761	(2,761)
Workers compensation	-	11,000	11,046	(46)
Purchased and contracted services				
Repairs and maintenance	11,008	11,008	17,154	(6,146)
Education and training	800	800	292	508
Other services	4,308	4,308	5,626	(1,318)
Prisoner board and medical	16,992	16,992	17,110	(118)
Supplies				
Supplies	5,000	5,000	4,233	767
Fuel	30,000	30,000	29,853	147
Total Police Department	285,138	336,138	378,065	(41,927)
Fire Department				
Personnel services and employee benefits				
Salaries	4,000	750	720	30
Supplies	500	100	67	33
Total Fire Department	4,500	850	787	63
Total Public Safety	$ 289,638	$ 336,988	$ 378,852	$ (41,864)

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

CITY OF PORTERDALE, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

	Budgeted Amounts		2007	Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Expenditures (continued):				
Public Works				
Highways and Streets				
Personnel services and employee benefits				
Salaries	$ -	$ 50,000	$ 115,545	$ (65,545)
Payroll tax	-	1,518	11,165	(9,647)
Group insurance	-	3,000	11,116	(8,116)
Workers compensation	-	-	5,046	(5,046)
Purchased and contracted services				
Other services	7,000	7,000	12,305	(5,305)
Total Public Works	7,000	61,518	148,209	(86,691)
Culture and Recreation				
Personnel services and employee benefits				
Salaries	-	9,000	9,028	(28)
Payroll tax	-	700	700	-
Purchased and contracted services	-	5,000	4,081	919
Total Culture and Recreation	-	14,700	13,809	891
Total Expenditures	865,220	865,220	1,005,912	(140,692)
Excess of Revenues Over (Under) Expenditures	-	-	(155,650)	(155,650)
Other Financing Sources (Uses):				
Transfers from other funds	-	-	153,445	153,445
Transfers to other funds	-	-	(12,291)	(12,291)
Total Other Financing Sources (Uses)	-	-	141,154	141,154
Net Change in Fund Balance	$ -	$ -	(14,496)	$ (14,496)
Fund Balance - Beginning of year			300,719	
Fund Balance - End of year			$ 286,223	

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 51,546	$ 51,546
Accounts receivable net of allowance	3,116	66,470	69,586
Due from other funds	-	100	100
Total current assets	3,116	118,116	121,232
Property, Plant & Equipment			
Land	-	26,968	26,968
Property, plant & equipment	295,805	5,707,206	6,003,011
Total property, plant & equipment	295,805	5,734,174	6,029,979
Less: accumulated depreciation	(261,607)	(777,354)	(1,038,961)
Net property, plant and equipment	34,198	4,956,820	4,991,018
Total assets	37,314	5,074,936	5,112,250
LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	2,568	8,663	11,231
Customer utility deposits	-	56,485	56,485
Current maturities of long-term debt	-	169,159	169,159
Total Current Liabilities	2,568	234,307	236,875
Long-Term Liabilities			
Compensated absences	1,484	4,894	6,378
Long-term debt, less current portion	-	2,696,361	2,696,361
Total Long-Term Liabilities	1,484	2,701,255	2,702,739
Total Liabilities	4,052	2,935,562	2,939,614
NET ASSETS			
Invested in capital assets, net of related debt	34,198	2,091,300	2,125,498
Unrestricted	(936)	48,074	47,138
Total Net Assets	$ 33,262	$ 2,139,374	$ 2,172,636

The accompanying notes are an integral part of the statements.

CITY OF PORTERDALE, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
Operating revenues			
Charges and fees	$ 113,351	$ 675,878	$ 789,229
Penalties	2,922	14,774	17,696
Total Operating Revenues	116,273	690,652	806,925
Operating expenses			
Personnel services and employee benefits			
Salaries	49,358	73,120	122,478
Payroll tax	3,867	4,523	8,390
Group insurance	6,377	4,530	10,907
Workers compensation	2,091	2,978	5,069
Purchased and contracted services			
Landfill fees	26,967	-	26,967
Contract fees	-	83,849	83,849
Repairs and maintenance	-	51,172	51,172
Postage	-	2,610	2,610
Dues	-	225	225
Supplies			
Operating supplies	-	11,385	11,385
Water and sewer expense	-	190,829	190,829
Depreciation	16,748	99,667	116,415
Other costs	208	90,141	90,349
Total Operating Expenses	105,616	615,029	720,645
Operating Income (Loss)	10,657	75,623	86,280
Nonoperating revenues (expenses)			
Investment income	-	118	118
Interest expense	-	(93,266)	(93,266)
Total nonoperating revenues (expenses)	-	(93,148)	(93,148)
Net income (loss) before transfers	10,657	(17,525)	(6,868)
Capital contributions	-	645,404	645,404
Transfers in	8,468	67,401	75,869
Transfers out	(38,565)	(153,445)	(192,010)
Net transfers	(30,097)	559,360	529,263
Changes in net assets	(19,440)	541,835	522,395
Net assets - beginning of year	52,702	1,597,539	1,650,241
Net assets - end of year	$ 33,262	$ 2,139,374	$ 2,172,636

The accompanying notes are an integral part of the statements.

CITY OF PORTERDALE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer	Total
Cash flows from operating activities			
Cash received from customers	$ 122,992	$ 644,112	$ 767,104
Cash payments to employees for services	(61,693)	(85,151)	(146,844)
Cash payments to other suppliers of goods or services	(23,123)	(442,329)	(465,452)
Net cash provided by (used for) operating activities	38,176	116,632	154,808
Cash flows from investing activities			
Interest received	-	118	118
Net cash provided by (used for) investing activities	-	118	118
Cash flows from Noncapital Financing Activities			
Transfer from other funds	8,468	67,401	75,869
Transfer to other funds	(38,565)	(153,445)	(192,010)
Net cash provided by (used for) Noncapital financing activities	(30,097)	(86,044)	(116,141)
Cash flows from capital and related financing activities			
Capital contributions	-	645,404	645,404
Interest paid on long-term debt	-	(93,266)	(93,266)
Principal paid on long-term debt	-	(87,185)	(87,185)
Proceeds from long-term debt	-	1,684,000	1,684,000
Purchases of property, plant and equipment	(8,079)	(2,270,503)	(2,278,582)
Net cash provided by (used for) capital and related financing activities	(8,079)	(121,550)	(129,629)
Net increase (decrease) in cash and cash equivalents	-	(90,844)	(90,844)
Cash and cash equivalents, beginning of year	-	142,390	142,390
Cash and cash equivalents, end of year	$ -	$ 51,546	$ 51,546

The accompanying notes are an integral part of the statements.

CITY OF PORTERDALE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer	Total
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (loss)	$ 10,657	$ 75,623	$ 86,280
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	16,748	99,667	116,415
Changes in operating assets and liabilities:			
Accounts receivable	6,719	(24,614)	(17,895)
Accounts payable	2,568	(17,012)	(14,444)
Compensated absences	1,484	4,894	6,378
Customer deposits	-	(21,926)	(21,926)
Net cash provided (used) by operating activities	$ 38,176	$ 116,632	$ 154,808

The accompanying notes are an integral part of the statements.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

City of Porterdale, Georgia, was established under the provisions of an act of the General Assembly of Georgia. The City operates as a municipality and provides the following services as authorized by state law: public safety, highway and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of City of Porterdale, Georgia, conform to generally accepted accounting principles as applicable to governments. The following is a summary of the City's more significant policies applied in the preparation of the accompanying financial statements.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of City of Porterdale, Georgia, (the primary government) and its component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The component unit discussed below is included in the City's reporting entity because of the significance of the operational and financial relationships with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards No. 14, *The Financial Reporting Entity*, which was adopted by the City as of October 1, 1993, the financial statements of the component units have been included as discretely presented component units. The component unit column in the combined financial statements includes the financial data for the City's component unit. This is reported in a column separate from the City's financial information to emphasize that it is legally separate from the City.

Porterdale Historic Preservation Commission

The Porterdale Historic Preservation Commission was established by the City of Porterdale. The City, by virtue of its appointments, controls a majority of the governing body positions. The Commission is required to provide the city with a proposed operating budget each year. Its stated purpose is to protect and enhance local historical and aesthetic attractions to tourists thereby promoting and stimulating business and to establish a uniform procedure for use in providing for the protection, enhancement, perpetuation, and use of places, districts, sites, buildings, structures, objects, landscape features and works of art having a special historical, cultural, or aesthetic interest of value.

Separate financial statements are not prepared by the Commission.

A joint venture has the following characteristics:

1. It is a legal entity that results from a contractual arrangement.
2. It is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control.
3. Participants retain an ongoing financial interest or an ongoing financial responsibility.

Under Georgia Law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Northeast Georgia Regional Development Center (the "RDC") and is required to pay annual dues thereto. During the year ended December 31, 2007, the City paid $1,301 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Northeast Georgia Regional Development Center
305 Research Drive
Athens, GA 30605

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the nonfiduciary activity of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

Government-Wide Financial Statements

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government wide statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as compensated absences and claims and judgments, are recorded only when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, license and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the

current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the government.

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's enterprise funds are charges to customers for sales and services. 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.

The fund financial statements provide more detailed information about the government's most significant funds, not the government as a whole. The activities of the government are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government reports the following major governmental funds:

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

2004 CDBG Fund – The CDBG Fund accounts for the revenues and expenses associated with the improvements as part of the water system project.

2005 SPLOST Fund – The 2005 SPLOST Fund accounts for the revenues and expenses associated with the special local option sales tax collected by the County to be used for road construction projects, train station renovation and gym renovation.

The government reports the following major proprietary funds:

The Water & Sewer Fund is used to account for the providing of water and sewer services to the citizens of the City.

The Sanitation Fund is used to account for the providing of sanitation services to the citizens of the City.

D. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

E. Interfund receivables and payables

The City, during the course of normal operations, has numerous transactions between funds including expenditures and transfers of resources to provide services, service debt and construct assets. Interfund transfers are recorded as other financing sources and uses, unless the intent of the transfer is to advance operating funds on a short-term basis. These interfund receivables are recorded in due to/due from accounts, and no interest is charged. All short-term interfund receivables are considered available spendable resources.

Noncurrent portions of long-term interfund receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

F. Other receivables

All utility fees, trade, and property tax receivables, have been reduced to their estimated net realizable value, and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based upon historical experience rates.

G. Inventories

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

H. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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 in proprietary funds as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and Improvements	15 – 50 years
Equipment	5 - 10 years
Water and Sewer System	40 years

General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements.

J. Deferred revenue

City of Porterdale, Georgia, reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by City of Porterdale, Georgia, before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when City of Porterdale, Georgia, has a legal claim to the resources, the liability for the deferred revenue is removed from the combined balance sheet and revenue is recognized.

K. Accumulated annual and sick leave costs

Accumulated unpaid sick leave costs are not vested and are not accrued in any fund, but are recognized as expenditures or expenses, when paid. Accumulated unpaid vacation costs are accrued when incurred in the proprietary funds. Accumulated unpaid vacation cannot be carried forward after December 31 of each year, except for police department employees who are allowed to carry forward accrued unpaid vacation. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-term obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The City purchases commercial insurance for most types of risk. For these risks, no settlements exceeded insurance coverage. The City had no significant reduction in insurance coverage from coverage in the prior year.

The City has joined together with other municipalities in the state as part of the Georgia Municipal Association Workers' Compensation Self Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments. As part of the risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds.

The Fund is to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

For the year ending December 31, 2007, the City's total contribution was $22,831 for the Workers Compensation Fund.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budget process

The annual budget document is the financial plan for the operation of City of Porterdale, Georgia. The budget process exists for the purpose of providing a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the City.

An annual operating budget is prepared for the General Fund. Budgets are prepared for Capital Projects Funds on a project-length basis, which usually covers two or more fiscal years. Proprietary Fund budgets are prepared and utilized as a management tool to assess the operations of the Water and Sewer Fund. The City Manager formulates and remits the budget to the Council. After review by the Council and a public hearing, a final budget is approved and the budget resolution adopted.

The City Manager is delegated the authority, to transfer sums from one budget category to another within the same department. No increase in the overall budget for the City may be made without the approval of the Council and amendment to the budget. No supplemental appropriations were approved by City Council during the current year.

The General Fund is subject to budgetary control at the department level. Unencumbered appropriations in the annual operating budget lapse at year-end.

B. Budget to GAAP reconciliation

All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). No adjustments were necessary to present actual data on the budgetary basis.

C. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City. Budget to Generally Accepted Accounting Principal Basis reconciliations are not required.

D. Excess of expenditures over appropriations

General Fund expenditures exceeded appropriations in the following departments:

General Administration	$	14,445
Police Department		41,927
Public Works		86,691
Transfer to Other Fund		12,291

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

The custodial credit risk of deposits is the risk that in the event of the failure of a bank, the government will not be able to recover deposits. At December 31, 2007, the carrying amount of the City's deposits was $325,597, and the bank balance was $306,482. As of December 31, 2007, $78,162 of the City's bank balances of $306,482 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 78,162
Total	$ 78,162

At December 31, 2007, the carrying amount of deposits for Historic Preservation commission, a discretely presented component unit, was $113, and the bank balance was $138. All of the bank balance was covered by federal depository insurance or by collateral held.

NOTE 4 – TAX REVENUE

Property tax

State law requires that property taxes be based on assessed value, which is 40% of market value. All real and personal property (including motor vehicles) are valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by the Newton County Board of Tax Assessors.

The property tax calendar is as follows:

	Real/Personal Property (Excluding Vehicles)	Motor Vehicles
Assessment Date	January 1	January 1
Levy Date	August 16	January 1
Due Date and Collection Date	December 20	Staggered
Tax Execution Date/Lien Date	December 20	N/A

Upon completion of all assessments and tax returns, the information is turned over to the Newton County Tax Commissioner for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

The City distributes tax notices and collects tax payments. Motor vehicle taxes are due based upon the birthday of the owner. Property taxes are usually billed in August of each year. Real and personal property taxes are due by December 20. Tax executions are issued for delinquent taxes as of December 20.

The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available as net current assets. In the accompanying financial statements, the property tax levy for the tax year 2007 has been recognized as revenue, since payment of these taxes was due during the current fiscal year.

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2007 consist of the following:

	General Fund	Sanitation Fund	Water Sewer Fund	Total
Taxes	$ 127,890	$ -	$ -	$ 127,890
Accounts	765	44,199	268,044	313,008
Allowance	(62,087)	(41,083)	(201,574)	(304,744)
Net receivables	$ 66,568	$ 3,116	$ 66,470	$ 136,154

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2007 are as follows:

Fund	State	County	Total
General	$ 36,536	$ -	$ 36,536
2005 SPLOST	-	386,861	386,861
Nonmajor governmental funds	-	139,658	139,658
Total	$ 36,536	$ 526,519	$ 563,055

The amount due from the state government represents local option sales tax revenues. The amount due for the county represents special purpose local option sales tax proceeds held by Newton County.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2007 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Water and Sewer	CDBG fund	$ 100
General Fund	Nonmajor governmental fund	91,830
Total		$ 91,930

The outstanding balances between funds result mainly from the time lag between the dates that payments between funds are made.

Interfund transfers:

	Transfer In:			
Transfer Out:	General Fund	Sanitation Fund	Nonmajor Governmental Fund	Water and Sewer Fund	Total
General Fund	$ -	$ 8,468	$ 3,823	$ -	$ 12,291
2004 CDBG Fund	-	-	-	28,836	28,836
Sanitation Fund	-	-	-	38,565	38,565
Water and Sewer Fund	153,445	-	-	-	153,445
Total	$ 153,445	$ 8,468	$ 3,823	$ 67,401	$ 233,137

Transfers are used to record the allocation of expenses among the various funds, primarily salaries, payroll taxes, insurance, etc.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Restated Beginning	Transfers	Increases	Decreases	Ending
Governmental activities:					
Capital assets, not being depreciated					
Land	$ 291,609	$ (6,968)	$ -	$ -	$ 284,641
Construction in progress	-	-	138,214	-	138,214
Total capital assets, not being depreciated	291,609	(6,968)	138,214	-	422,855
Capital assets, being depreciated					
Buildings and improvements	81,422	-	-	-	81,422
Equipment	68,888	-	-	-	68,888
Vehicles	224,780	(158,259)	18,500	-	85,021
Total capital assets, being depreciated	375,090	(158,259)	18,500	-	235,331
Less accumulated depreciation for:					
Buildings and improvements	(7,769)	-	(2,032)	-	(9,801)
Equipment	(68,888)	-	-	-	(68,888)
Vehicles	(224,780)	158,259	(3,700)	-	(70,221)
Total accumulated depreciation	(301,437)	158,259	(5,732)	-	(148,910)
Total capital assets, being depreciated, net	73,653	-	12,768	-	86,421
Governmental activities capital assets, net	$ 365,262	$ (6,968)	$ 150,982	$ -	$ 509,276

	Beginning	Transfers	Increases	Decreases	Ending
Business-type activities:					
Capital assets, not being depreciated					
Land	$ 20,000	$ 6,968	$ -	$ -	$ 26,968
Total capital assets, not being depreciated	20,000	6,968	-	-	26,968
Capital assets, being depreciated					
Equipment	57,104	(10,391)	40,842	(18,359)	69,196
Water and sewer system	3,455,881	-	2,283,375	(101,246)	5,638,010
Sanitation equipment	140,695	149,110	6,000	-	295,805
Total capital assets, being depreciated	3,653,680	138,719	2,330,217	(119,605)	6,003,011
Less accumulated depreciation for:					
Equipment	(55,025)	8,312	(817)	18,359	(29,171)
Water and sewer system	(691,976)	-	(98,850)	42,643	(748,183)
Sanitation equipment	(97,828)	(147,031)	(16,748)	-	(261,607)
Total accumulated depreciation	(844,829)	(138,719)	(116,415)	61,002	(1,038,961)
Total capital assets, being depreciated, net	2,808,851	-	2,213,802	(58,603)	4,964,050
Business-type activities capital assets, net	$ 2,828,851	$ 6,968	$ 2,213,802	$ (58,603)	$ 4,991,018

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

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

Governmental activities:	
Culture and recreation	$ 1,273
Public safety	4,459
Total depreciation expense-governmental activities	$ 5,732
Business-type activities:	
Water and sewer	$ 99,667
Sanitation	16,748
Total depreciation expenses-business-type activities	$ 116,415

NOTE 9 – LONG-TERM DEBT

Notes payable

In October 1993, Newton County obtained approval of a $2,000,000 GEFA loan to upgrade the City's water and sewer system. Proceeds from GEFA loan #93-011-WJ were used to pay for construction and engineering costs of the project. The City assumed ownership of the system improvements and is responsible for repayment to Newton County. The loan closed in 1999 with a principal balance of $1,854,837. Porterdale is repaying Newton County in 80 quarterly installments of $39,360, including interest at 4.8%.

In 2004, the City obtained approval of a $2,000,000 GEFA loan to acquire the rights for an increase to the sewer capacity. Proceeds from GEFA loan #2004-L02WQ were used to pay for costs of the project. The loan closed in May 2007 with a principal balance of $1,684,000. The City is repaying GEFA in 240 monthly installments of $10,119, including interest at 3.87%.

Capital leases

During 2007, the City entered into a capital lease with the Georgia Municipal Association in the amount of $40,663 for the construction of a maintenance building for the Water and Sewer department's use. The loan payments are made monthly in the amount of $774, including interest at 4.58%.

Changes in long-term liabilities

Long-term debt activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ -	$ 34,211	$ (11,755)	$ 22,456	$ -
Total governmental activities	$ -	$ 34,211	$ (11,755)	$ 22,456	$ -
Business-type activities:					
Capital lease	$ -	$ 40,663	$ (6,113)	$ 34,550	$ 7,875
Compensated absences	-	13,974	(7,596)	6,378	-
Notes payable					
GEFA loan # 93-011-WJ	1,268,705	-	(98,295)	1,170,410	103,099
GEFA loan # 2004-L02WQ	-	1,684,000	(23,440)	1,660,560	58,185
Total notes payable	1,268,705	1,684,000	(121,735)	2,830,970	161,284
Business-type activity Long-term liabilities	$ 1,268,705	$1,738,637	$ (127,848)	$ 2,871,898	$ 169,159

For the governmental activities, compensated absences are generally liquidated by the general fund.

Annual debt service requirements to maturity for the above capital lease is as follows:

Year Ending December 31	Business-type Activities Principal	Interest
2008	$ 7,875	$ 1,418
2009	8,243	1,050
2010	8,629	665
2011	9,032	261
2012	771	3
Total	$ 34,550	$ 3,397

Annual debt service requirements to maturity for the above notes payable is as follows:

Year Ending December 31	Business-type Activities Principal	Interest
2008	$ 103,099	$ 54,334
2009	108,138	49,304
2010	113,423	44,019
2011	118,966	38,476
2012	124,780	32,662
2013-2017	602,004	67,071
Total	$1,170,410	$285,866

Year Ending	Business-type Activities	
December 31	Principal	Interest
2008	58,185	63,239
2009	60,477	60,947
2010	62,859	58,564
2011	65,335	56,088
2012	67,909	53,514
2013-2017	381,845	225,272
2018-2022	463,221	143,896
2023-2027	500,729	106,388
Total	$1,660,560	$767,908

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS

The City does not provide post-employment benefits.

NOTE 11 – EMPLOYEE RETIREMENT PLAN

The City is a participating member of the Georgia Municipal Association defined contribution retirement plan. The plan is administered by the Georgia Municipal Association. As of December 31, 2007, there were five participants from the government. Plan members are allowed to make voluntary contributions to the plan. The City does not make contributions to the plan. Plan provisions and contribution requirements are established by City resolution and may be amended by the City. Total contributions for the year ended December 31, 2007, were $1,040 by the employees and $ 0 by the government.

NOTE 12 – CONTINGENT LIABILITIES

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities of which he is aware that will impair the City's financial position as of the date of this audit report.

NOTE 13 – INVESTMENTS IN CAPITAL ASSETS, NET OF RELATED DEBT

Investments in capital assets, net of related debt on the Government-wide Statement of Net Assets as of December 31, 2007 are as follows:

Investments in capital assets, net of related debt:	Governmental Activities	Business-type Activities	Total
Cost of capital assets	$ 658,186	$ 6,029,979	$ 6,688,165
Less accumulated depreciation	(148,910)	(1,038,961)	(1,187,871)
Book value	509,276	4,991,018	5,500,294
Less capital related debt	-	(2,865,520)	(2,865,520)
Investments in capital assets, net of related debt	$ 509,276	$ 2,125,498	$ 2,634,774

NOTE 14 – RESTATEMENT OF NET ASSETS

During 2007, the City performed an inventory of its capital assets and identified some assets purchased in prior years that were not listed. The beginning balance for the governmental activities net assets was adjusted by $43,032 to reflect these additional assets.

Net assets – beginning of year	$	721,507
Prior year capital assets		43,032
Net assets – beginning of year restated	$	764,539

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SUPPLEMENTARY INFORMATION

CITY OF PORTERDALE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	Capital Project Funds		Total Nonmajor Governmental Funds
	1995 SPLOST	TE Grant	
ASSETS			
Due from other governments	$ 47,828	$ 91,830	$ 139,658
Total Assets	$ 47,828	$ 91,830	$ 139,658
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	$ -	$ 91,830	$ 91,830
Deferred revenues	47,828	-	47,828
Total Liabilities	47,828	91,830	139,658
Fund Balances:			
Reserved for program purposes			
Capital Projects Funds			
Designated	-	-	-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	$ 47,828	$ 91,830	$ 139,658

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Capital Project Funds		Total Nonmajor Governmental Funds
	1995 SPLOST	TE Grant	
Revenues:			
Taxes			
Sales tax	$ 34,748	$ -	$ 34,748
Intergovernmental	-	138,214	138,214
Total Revenues	34,748	138,214	172,962
Expenditures:			
Capital Outlay	38,571	138,214	176,785
Total Expenditures	38,571	138,214	176,785
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,823)	-	(3,823)
Other Financing Sources (Uses):			
Transfer from other funds	3,823	-	3,823
Total other financing sources (uses)	3,823	-	3,823
Net change in fund balances	-	-	-
Fund Balance, beginning of year	-	-	-
Fund Balance, end of year	$ -	$ -	$ -

CITY OF PORTERDALE, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND
No. 04p-x-107-2-2948
PROJECT LENGTH SCHEDULE
FOR THE PERIOD ENDED DECEMBER 31, 2007

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Intergovernmental - Community Development Block Grant	$ 44,476	$ 448,588	$ 493,064	$ 500,000
Other revenue	-	5,276	5,276	-
Total Revenues	44,476	453,864	498,340	500,000
Expenditures:				
P-03J-01 Water System Improvements	26,976	417,028	444,004	470,419
A-21A-00 Administration	17,500	8,000	25,500	29,581
Total Expenditures	44,476	425,028	469,504	500,000
Excess of Revenues Over Expenditures	-	28,836	28,836	-
Other Financing Sources (Uses):				
Transfer to other funds	-	(28,836)	(28,836)	-
Total Other Financing Sources (Uses)	-	(28,836)	(28,836)	-
Net change in fund balance	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	$ -	$ -	$ -	$ -

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF PROJECTS
SPECIAL PURPOSE LOCAL OPTION SALES TAX
DECEMBER 31, 2007

	Original Estimated Cost	Amended Budget	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Special Local Option Sales Tax April 1, 1995						
Road Construction/Sidewalks	$ 228,250	$ 228,250	$ 149,460	$ 38,571	$ 188,031	82.38%

	Original Estimated Cost	Amended Budget	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Special Local Option Sales Tax July 1, 2005						
Train Station	$ 55,680	$ 55,680	$ 38,410	$ 9,322	$ 47,732	85.73%
Roads	409,736	409,736	-	-	-	0.00%
Gym	444,320	444,320	3,367	-	3,367	0.76%
Total 2005 SPLOST	$ 909,736	$ 909,736	$ 41,777	$ 9,322	$ 51,099	5.62%

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GOVERNMENTAL REPORTS

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal/Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Program or Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grant	14.218	04-p-x-107-2-2948	500,000	$ 448,588
Total Direct Programs				448,588
Total U.S. Department of Housing and Urban Development				448,588
U.S. Department of Transportation				
Direct Programs:				
Transportation Enhancement	20.205	TEE-0006-00 (649)	278,400	138,214
Total Direct Programs				138,214
Total U.S. Department of Transportation				138,214
Total Expenditures of Federal Awards				$ 586,802

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurs.

Program Type Determination

Type A programs are defined as Federal programs with Federal expenditures exceeding the larger of $300,000 or three percent of total Federal expenditures. The threshold of $300,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk-based approach was used in the selection of Federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the fiscal year ended December 31, 2007.

CITY OF PORTERDALE, GEORGIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL AWARD FINDINGS

Findings Noted on the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*:

NONE REPORTED

CLIFTON, LIPFORD, HARDISON & PARKER, LLC

J. Russell Lipford, Jr., C.P.A
Mark O. Hardison, C.P.A
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Member of
American Institute of
Certified Public Accountants
Truman W. Clifton (1902-1989)

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

City of Porterdale
Porterdale, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Porterdale, Georgia as of and for the year ended December 31, 2007, which collectively comprise the City of Porterdale, Georgia's basic financial statements and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Porterdale, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Porterdale, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Porterdale, Georgia's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-2 and 2007-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Porterdale, Georgia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1, 2007-2 and 2007-3 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the City of Porterdale, Georgia in a separate letter dated October 22, 2008.

City of Porterdale, Georgia's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 22, 2008
Macon, Georgia

Clyatt, Lott, Nix & Rice

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and Council
City of Porterdale, Georgia
Porterdale, Georgia

Compliance

We have audited the compliance of City of Porterdale, Georgia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. City of Porterdale, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Porterdale, Georgia's management. Our responsibility is to express an opinion on City of Porterdale, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about City of Porterdale, Georgia's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Porterdale, Georgia's compliance with those requirements.

In our opinion, City of Porterdale, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of City of Porterdale, Georgia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Porterdale, Georgia's internal control over compliance with requirements that could have a direct and material effect on a

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major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Porterdale, Georgia's internal control over compliance.

A control deficiency in City of Porterdale, Georgia's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Porterdale, Georgia's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Porterdale, Georgia's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Porterdale, Georgia's internal control.

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

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 22, 2008
Macon, Georgia

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance to major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
14.218	Community Development Block Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

Findings noted on the "*Report of Compliance and on Internal Control of Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards*":

2007-1 Uniform Chart of Accounts

CRITERIA

State Law (OCGA 36-81-3) requires that governments maintain their accounting records in compliance with the Uniform Chart of Accounts

CONDITION

The City was not in compliance with the Uniform Chart of Accounts for 2007. Separate accounting records were not maintained for the following two individual funds as of and for the year ended December 31, 2007:

1995 SPLOST Fund
2005 SPLOST Fund

In addition, the General Fund and Water and Sewer chart of accounts do not provide for the appropriate numbering structure as required by the Uniform Chart of Accounts. The City needs to realign a number of accounts that are not properly grouped in the appropriate assets, revenue, or expenditure section of the chart.

EFFECT

The City was not in compliance with the Uniform Chart of Accounts as of December 31, 2007. In addition, interim financial reports, which are used by management for fiscal-related decisions, could have been relied upon in error.

CAUSE

Management was not aware of the requirements.

RECOMMENDATION

We recommend that the City maintain a general ledger and record the activity for each of SPLOST funds. The City should also modify the accounting system to comply with the Uniform Chart of Accounts.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management agrees with the finding. The City will maintain a general ledger and record the activity for each of the SPLOST funds. The City will also modify the accounting system to comply with the Uniform Chart of Accounts.

2007-2 Control Environment of the Financial Operations of the Finance Office

CRITERIA

The control environment reflects the overall attitude, awareness, and actions of management, staff and others concerning the importance of internal control and its emphasis in the entity. A favorable internal control environment requires proper supervision by competent management.

CONDITION

The City did not have adequate qualified personnel to oversee the limited number of accounting personnel in the finance office. Governmental accounting and financial reporting has become increasingly complex over the last few years.

The audit procedures for 2007 identified a large number of material adjustments by the external auditor to correct accounting records and financial reports as follows:

- The City has not been posting prior year auditing adjusting entries to the accounting system. It appears this problem has occurred for a number of years. A large number of material adjustments were necessary to correct the General Fund and other funds of the City.
- The City is not adequately allocating out to the appropriate departments the salaries, payroll taxes, insurance and other benefits which resulted in a number of material adjusting entries to properly allocate out these expenses.
- The City is currently tracking and reconciling property taxes manually. The City should begin tracking and reconciling property taxes for each year electronically in order to better monitor property tax payments, receivables and delinquent taxes for each year.
- We noted while performing our audit procedures that no reconciliation is being performed on Water and Sewer customer deposits.
- The City has two accounts associated with the 1993 GEFA loan, one of which is not being used to record any activity but carries a balance in the account. Adjusting entries of $2,425,352 were necessary to properly report these balances as of December 31, 2007.

EFFECT

Material audit adjustments were needed to fairly state financial information for the year ended December 31, 2007. In addition, interim financial reports, which are used by management for fiscal-related decisions, could have been relied upon in error.

CAUSE

The material weakness is the result of the City not having a responsible official to supervise the limited number of accounting personnel. In addition, accounting personnel may have lacked adequate training to handle increasing complex requirements of governmental accounting.

RECOMMENDATION

The City should redesign the internal control system and provide adequate supervision of accounting personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City has hired an accountant to redesign the internal control system and provide adequate supervision for accounting personnel. In addition to addressing the findings of the FY2007 audit, the City will work to improve the accounting system through employee training and a new financial management control policy.

2007-3 Collateralization of deposits

CRITERIA
The Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) requires public funds to be fully collateralized or insured.

CONDITION
As of December 31, 2007, the City's deposits were under collateralized by $78,162.

EFFECT
The City is not in compliance with the Georgia statute and, in the event of bank failure, has exposed public funds to a custodial credit risk.

CAUSE
Management has not adequately monitored the level of collateralization provided by the banking institutions. The City did not designate the Recreation Fund bank account as a public fund account when the account was opened with the bank so the bank did not include this account in the collateral pool provided by the bank.

RECOMMENDATION
Management should regularly monitor collateral levels to insure compliance with state law and safeguard public funds.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City will regularly monitor collateral levels to insure compliance with state law and safeguard public funds.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs for the year ended December 31, 2007.