CITY OF PORTERDALE, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

CITY OF PORTERDALE, GEORGIA

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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, 2008, 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, 2008, 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 June 5, 2009 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.

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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 combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements and the schedule of project expenditures with special sales tax proceeds 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
June 5, 2009

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, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the City of Porterdale exceeded its liabilities as of December 31, 2008, by $2,927,073.
- The government's total net assets decreased by $89,932 for the year ended December 31, 2008.
- As of December 31, 2008, total net assets consisted of $3,036,028 invested in capital equipment, $0 restricted, and a deficit of $108,955 unrestricted.
- As of the close of the current year, the City's governmental funds reported ending fund balance of $45,119 a decrease of $241,104 in comparison with the prior year.
- For the year ended December 31, 2008, unreserved fund balance for the General Fund decreased from $286,223 to $45,119.

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 $2,927,073 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, 2008, the investment consists of $7,130,165 in assets, with accumulated depreciation of $1,329,764 and outstanding debt of $2,764,373.

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, 2008, current liabilities increased by $479,368 and net assets decreased by $ 89,932 compared to December 31, 2007.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	$ 732,420	$ 903,574	$ 60,085	$ 121,232	$ 792,505	$ 1,024,806
Capital assets	799,259	509,276	5,001,142	4,991,018	5,800,401	
Total Assets	1,531,679	1,412,850	5,061,227	5,112,250	6,592,906	1,024,806
Liabilities						
Current and other liabilities	675,512	546,025	417,597	67,716	1,093,109	613,741
Long-term liabilities	52,550	22,456	2,520,174	2,871,898	2,572,724	2,894,354
Total Liabilities	728,062	568,481	2,937,771	2,939,614	3,665,833	3,508,095
Net Assets						
Invested in capital assets, net of related debt	731,918	509,276	2,304,110	2,125,498	3,036,028	2,634,774
Unrestricted	71,699	335,093	(180,654)	47,138	(108,955)	382,231
Total Net Assets	$ 803,617	$ 844,369	$2,123,456	$2,172,636	$2,927,073	$ 3,017,005

Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
Revenues:	2008	2007	2008	2007	2008	2007
Program Revenues						
Charges for services	$ 212,153	$ 143,855	$ 573,815	$ 806,925	$ 785,968	$ 950,780
Capital grants and contributions	153,961	586,802	-	645,404	153,961	1,232,206
General revenues						
Taxes	703,099	692,334	-	-	703,099	692,334
Interest revenue	15	191	30	118	45	309
Insurance proceeds	2,475	5,996	-	-	2,475	5,996
Other	44,615	23,032	-	-	44,615	23,032
Total Revenues	1,116,318	1,452,210	573,845	1,452,447	1,690,163	2,904,657
Expenses:						
General government	536,151	342,473	-	-	536,151	342,473
Public safety	447,368	371,645	-	-	447,368	371,645
Public works	133,304	618,714	-	-	133,304	618,714
Culture and recreation	23,780	155,689	-	-	23,780	155,689
Water & Sewer	-	-	508,965	708,295	508,965	708,295
Sanitation	-	-	129,152	105,616	129,152	105,616
Interest on long-term debt	1,375	-	-	-	1,375	-
Total Expenses	1,141,978	1,488,521	638,117	813,911	1,780,095	2,302,432
Increase (decrease) in net assets before transfers	(25,660)	(36,311)	(64,272)	638,536	(89,932)	602,225
Transfers	(15,092)	116,141	15,092	(116,141)	-	-
Increase (decrease) in net assets	(40,752)	79,830	(49,180)	522,395	(89,932)	602,225
Net assets, beginning of year	844,369	721,507	2,172,636	1,650,241	3,017,005	2,371,748
Prior Period Adjustment	-	43,032	-	-	-	43,032
Net assets, beginning of year restated	844,369	764,539	2,172,636	1,650,241	3,017,005	2,414,780
Net assets, end of year	$ 803,617	$ 844,369	$ 2,123,456	$ 2,172,636	$ 2,927,073	$ 3,017,005

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, 2008, the City's governmental funds reported ending fund balance of $45,119. Of this balance, $23,919 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 two 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 $241,104 during the current year, compared to a decrease of $14,496 in 2007.

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 decreased by $49,180 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 increased by $107,906 due to personnel changes and additional administrative work at city hall.
- Police department budgeted expenditures increased by $92,303 due to the hiring of a police chief, personnel changes, and vehicle/equipment purchases.

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, 2008, amounts to $5,800,401, 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, 2008:

Governmental Activities	Governmental Activities	Business-type Activities	Total
Assets:			
Land	$ 284,641	$ 26,968	$ 311,609
Buildings and improvements	433,069	-	433,069
Equipment	94,801	69,196	163,997
Vehicles	160,025	-	160,025
Distribution System	-	6,061,465	6,061,465
Capital assets, before accumulated depreciation	972,536	6,157,629	7,130,165
Accumulated Depreciation:			
Buildings and improvements	18,866	-	18,866
Equipment	71,303	29,985	101,288
Vehicles	83,108	-	83,108
Distibution System	-	1,126,502	1,126,502
Total accumulated depreciation	173,277	1,156,487	1,329,764
Total capital assets, net of accumulated depreciation	$ 799,259	$ 5,001,142	$ 5,800,401

Long-Term Debt

As of December 31, 2008, the City of Porterdale reported the following long-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 22,456	$ 40,087	$ (27,136)	$ 35,407	$ 35,407
Capital lease	-	74,108	(6,767)	67,341	14,791
Total governmental activities	$ 22,456	$ 114,195	$ (33,903)	$ 102,748	$ 50,198
Business-type activities:					
Compensated absences	$ 6,378	$ 6,116	$ (7,092)	$ 5,402	$ 5,402
Capital Lease	34,550	-	(7,204)	27,346	8,243
GEFA Loan #93-011-WJ	1,170,410	-	(103,100)	1,067,310	108,138
GEFA Loan #2004-L02WQ	1,660,560	-	(58,184)	1,602,376	60,477
Total business-type activities	$2,871,898	$ 6,116	$(168,488)	$2,702,434	$182,260

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.

CHANGES FOR 2008

The City of Porterdale sales tax revenues continue to decrease. The city saw a $17,955 decrease in local option sales tax from 2007. However, overall, general revenues increased by $106,636 from the prior year.

The city faced a tough financial year as the housing market took a sharp decline. The city did not issue any building permits for new construction in 2008. The city had conservatively budgeted for twenty-five new single family homes which would have given the city approximately $158,000 in revenue from the sale of water and sewer taps. This budget short fall left the city with no choice but to layoff several employees and use prior year funds for operating expenses.

The city had several personnel changes at city hall which added to the expense of the administration department's budget. A police chief was hired in 2008 and three new police vehicles were purchased.

Financial stability for the City of Porterdale continues to be a challenge due to the overall economic recession. As a result of the recession, several businesses in the downtown have closed. However, the city continues to sponsor three special events a year to promote the downtown area and support the remaining businesses.

The City faces many challenges such as decreased local option sales tax and increased operational costs. The possible loss of the Governor's Homeowners Tax Credit and for the first time, the Covington/Newton County 911 Center proposed "user fee" for dispatch services. This loss of revenue and new fee will have a significant negative impact on the city's budget. The city will need to cut spending and look for additional revenue sources to maintain financial stability.

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, P.O. Box 667, Porterdale, Georgia 30070.

BASIC FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Historic Preservation Commission
ASSETS				
Cash and cash equivalents	$ 80,583	$ 30,717	$ 111,300	$ -
Receivables, net of allowance				
Taxes	53,590	-	53,590	-
Accounts	1,063	29,268	30,331	-
Due from other governments	597,284	-	597,284	-
Internal balances	(100)	100	-	-
Nondepreciable assets	284,641	26,968	311,609	-
Depreciable assets, net	514,618	4,974,174	5,488,792	-
Total Assets	1,531,679	5,061,227	6,592,906	-
LIABILITIES				
Accounts payable	45,300	167,439	212,739	-
Accrued salaries and benefits	3,612	-	3,612	-
Customer deposits	-	67,898	67,898	-
Unearned revenues	576,402	-	576,402	-
Noncurrent liabilities				
Due within one year	50,198	182,260	232,458	-
Due in more than one year	52,550	2,520,174	2,572,724	-
Total Liabilities	728,062	2,937,771	3,665,833	-
NET ASSETS				
Invested in capital assets, net of related debt	731,918	2,304,110	3,036,028	-
Unrestricted	71,699	(180,654)	(108,955)	-
Total Net Assets	$ 803,617	$ 2,123,456	$ 2,927,073	$ -

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

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	$ 540,232	$ 29,418	$ -	$ 153,961	$ (356,853)	$ -	$ (356,853)	
Public safety	447,368	182,735	-	-	(264,633)	-	(264,633)	
Public works	129,223	-	-	-	(129,223)	-	(129,223)	
Culture and recreation	23,780	-	-	-	(23,780)	-	(23,780)	
Interest on long-term debt	1,375	-	-	-	(1,375)	-	(1,375)	
Total governmental activities	1,141,978	212,153	-	153,961	(775,864)	-	(775,864)	
Business - Type Activities								
Water & Sewer	508,965	433,137	-	-	-	(75,828)	(75,828)	
Sanitation	129,152	140,678	-	-	-	11,526	11,526	
Total Business - Type Activities	638,117	573,815	-	-	-	(64,302)	(64,302)	
Total Primary Government	$ 1,780,095	$ 785,968	$ -	$ 153,961	(775,864)	(64,302)	(840,166)	
Component Unit:								
Historic Preservation Commission	$ 113	$ -	$ -	$ -				$ (113)
Total Component Units	$ 113	$ -	$ -	$ -				(113)
General Revenues								
Property tax					249,988	-	249,988	-
Sales tax					245,604	-	245,604	-
Other taxes					135,812	-	135,812	-
Insurance premium tax					71,695	-	71,695	-
Interest revenue					15	30	45	-
Insurance proceeds					2,475	-	2,475	-
Miscellaneous					44,615	-	44,615	-
Total General Revenues					750,204	30	750,234	-
Transfers					(15,092)	15,092	-	-
Total General Revenues and Transfers					735,112	15,122	750,234	-
Change in Net Assets					(40,752)	(49,180)	(89,932)	(113)
Net Assets - Beginning of year					844,369	2,172,636	3,017,005	113
Net Assets - End of year					$ 803,617	$ 2,123,456	$ 2,927,073	$ -

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General Fund	2005 SPLOST Fund	TE Grant	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 80,583	$ -	$ -	$ -	$ 80,583
Receivables, net of allowance					
Taxes	53,590	-	-	-	53,590
Other	1,063	-	-	-	1,063
Due from other governments	32,880	538,426	-	25,978	597,284
Total Assets	$ 168,116	$ 538,426	$ -	$ 25,978	$ 732,520
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 45,300	$ -	$ -	$ -	$ 45,300
Accrued payroll deductions	3,612	-	-	-	3,612
Due to other funds	100	-	-	-	100
Deferred revenues					
Taxes	61,987	-	-	-	61,987
Other	11,998	538,426	-	25,978	576,402
Total Liabilities	122,997	538,426	-	25,978	687,401
Fund Balances:					
Unreserved, reported in					
General Fund					
Designated for capital improvement	21,200	-	-	-	21,200
Undesignated	23,919	-	-	-	23,919
Total Fund Balances	45,119	-	-	-	45,119
Total Liabilities and Fund Balances	$ 168,116	$ 538,426	$ -	$ 25,978	$ 732,520

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, 2008

Total Fund Equity per Balance Sheet of Governmental Funds	$	45,119
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		972,536
Accumulated depreciation		(173,277)
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		(35,407)
Capital leases		(67,341)
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.		61,987
Total Adjustments		758,498
Total Net Assets of Governmental Activities	$	803,617

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, 2008

	General Fund	2005 SPLOST Fund	TE Grant	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes					
Property tax	$ 259,327	$ -	$ -	$ -	$ 259,327
Sales tax	215,806	7,948	-	21,850	245,604
Insurance premium	71,695	-	-	-	71,695
Other taxes	135,812	-	-	-	135,812
License and permits	29,418	-	-	-	29,418
Fines	182,735	-	-	-	182,735
Intergovernmental	3,002	-	142,759	8,200	153,961
Interest earnings	15	-	-	-	15
Contributions and donations	2,475	-	-	-	2,475
Other revenues	44,615	-	-	-	44,615
Total Revenues	944,900	7,948	142,759	30,050	1,125,657
Expenditures:					
Current:					
General government	553,342	-	-	4,081	557,423
Public safety	494,232	-	-	-	494,232
Public works	151,383	-	-	-	151,383
Culture and recreation	24,698	-	-	-	24,698
Debt service					
Principal	6,767	-	-	-	6,767
Interest	1,375	-	-	-	1,375
Capital Outlay	-	7,948	146,704	35,247	189,899
Total Expenditures	1,231,797	7,948	146,704	39,328	1,425,777
Excess (Deficiency) of Revenues Over (Under) Expenditures	(286,897)	-	(3,945)	(9,278)	(300,120)
Other Financing Sources (Uses):					
Proceeds from capital lease	74,108	-	-	-	74,108
Transfers from other funds	-	-	3,945	9,278	13,223
Transfers to other funds	(28,315)	-	-	-	(28,315)
Total Other Financing Sources (Uses)	45,793	-	3,945	9,278	59,016
Net change in fund balances	(241,104)	-	-	-	(241,104)
Fund Balance, beginning of year	286,223	-	-	-	286,223
Fund Balance, end of year	$ 45,119	$ -	$ -	$ -	$ 45,119

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, 2008

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	$ (241,104)
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.	(9,339)
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	(12,951)
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	314,350
Total depreciation	(24,367)
Long-term Debt	
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustments for these items are as follows:	
Proceeds from capital leases	(74,108)
Principal payments on capital leases	6,767
Total Adjustments	200,352
Change in Net Assets of Governmental Activities	$ (40,752)

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

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CITY OF PORTERDALE, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		2008	Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes				
Property tax	$ 231,000	$ 231,000	$ 259,327	$ 28,327
Motor vehicle tax	13,000	13,000	13,958	958
Intangible tax	7,000	7,000	3,258	(3,742)
Real estate transfer tax	3,000	3,000	1,569	(1,431)
Franchise tax	83,000	83,000	88,475	5,475
Alcoholic beverage excise tax	20,000	20,000	16,855	(3,145)
Local option sales tax	263,000	263,000	215,806	(47,194)
Business and occupation tax	10,000	10,000	11,697	1,697
Insurance premium tax	73,000	73,000	71,695	(1,305)
Licenses and Permits	24,000	24,000	29,418	5,418
Intergovernmental	-	-	3,002	3,002
Fines and forfeitures	130,000	130,000	182,735	52,735
Interest income	200	200	15	(185)
Contributions and donations	-	-	2,475	2,475
Rent	5,820	5,820	6,422	602
Miscellaneous revenues	2,105	2,105	38,193	36,088
Total Revenues	865,125	865,125	944,900	79,775
Expenditures:				
Current:				
General government				
Administration	357,809	465,759	465,715	44
Judicial	43,202	49,052	49,027	25
Planning & zoning	51,054	38,604	38,600	4
Public safety				
Police	392,882	485,207	485,185	22
Fire	3,000	9,050	9,047	3
Public works	156,335	151,385	151,383	2
Culture and recreation	25,432	24,707	24,698	9
Debt service				
Principal	-	6,775	6,767	8
Interest	-	1,375	1,375	-
Total Expenditures	1,029,714	1,231,914	1,231,797	117
Excess of Revenue Over (Under) Expenditures	(164,589)	(366,789)	(286,897)	79,892
Other Financing Sources (Uses):				
Proceeds from capital lease	-	-	74,108	74,108
Transfer from other funds	65,185	65,185	-	(65,185)
Transfer to other funds	-	-	(28,315)	(28,315)
Total Other Financing Sources/(Uses)	65,185	65,185	45,793	(19,392)
Net change in fund balance	$ (99,404)	$ (301,604)	(241,104)	$ 60,500
Fund balance, beginning of year			286,223	
Fund balance, end of year			$ 45,119	

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 30,717	$ 30,717
Accounts receivable net of allowance	10,118	19,150	29,268
Due from other funds	-	100	100
Total current assets	10,118	49,967	60,085
Property, Plant & Equipment			
Nondepreciable assets	-	26,968	26,968
Depreciable assets, net	19,528	4,954,646	4,974,174
Total property, plant & equipment	19,528	4,981,614	5,001,142
Total assets	29,646	5,031,581	5,061,227
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities			
Accounts payable	2,675	164,764	167,439
Customer utility deposits	-	67,898	67,898
Compensated absences	4,699	703	5,402
Current maturities of long-term debt	-	176,858	176,858
Total Current Liabilities	7,374	410,223	417,597
Long-Term Liabilities			
Long-term debt, less current portion	-	2,520,174	2,520,174
Total Long-Term Liabilities	-	2,520,174	2,520,174
Total Liabilities	7,374	2,930,397	2,937,771
Net Assets:			
Invested in capital assets, net of related debt	19,528	2,284,582	2,304,110
Unrestricted	2,744	(183,398)	(180,654)
Total Net Assets	$ 22,272	$ 2,101,184	$ 2,123,456

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, 2008

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
Operating revenues			
Charges and fees	$ 135,660	$ 358,596	$ 494,256
Penalties	5,018	14,150	19,168
Other fees	-	60,391	60,391
Total Operating Revenues	140,678	433,137	573,815
Operating expenses			
Personnel services and employee benefits			
Salaries	62,673	27,548	90,221
Payroll tax	4,708	2,565	7,273
Group insurance	3,598	2,048	5,646
Purchased and contracted services			
Landfill fees	31,190	-	31,190
Professional fees	-	4,880	4,880
Contract fees	-	4,484	4,484
Repairs and maintenance	1,829	11,600	13,429
Postage	-	2,458	2,458
Dues	-	8,356	8,356
Water and sewer expense	-	202,083	202,083
Operating supplies	6,969	19,648	26,617
Depreciation	14,670	102,855	117,525
Total Operating Expenses	129,152	390,070	519,222
Operating Income (Loss)	11,526	43,067	54,593
Nonoperating revenues (expenses)			
Investment income	-	30	30
Interest expense	-	(118,895)	(118,895)
Total nonoperating revenues (expenses)	-	(118,865)	(118,865)
Net income (loss) before transfers	11,526	(75,798)	(64,272)
Transfers in	12,097	37,608	49,705
Transfers out	(34,613)	-	(34,613)
Net transfers	(22,516)	37,608	15,092
Changes in net assets	(10,990)	(38,190)	(49,180)
Net assets - beginning of year	33,262	2,139,374	2,172,636
Net assets - end of year	$ 22,272	$ 2,101,184	$ 2,123,456

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, 2008

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer	Total
Cash flows from operating activities			
Cash received from customers	$ 133,676	$ 491,870	$ 625,546
Cash payments to employees for services	(74,494)	(33,706)	(108,200)
Cash payments to other suppliers of goods or services	(36,666)	(101,599)	(138,265)
Net cash provided by (used for) operating activities	22,516	356,565	379,081
Cash flows from investing activities			
Interest received	-	30	30
Net cash provided by (used for) investing activities	-	30	30
Cash flows from Noncapital Financing Activities			
Transfer from other funds	12,097	37,608	49,705
Transfer to other funds	(34,613)	-	(34,613)
Net cash provided by (used for) Noncapital financing activities	(22,516)	37,608	15,092
Cash flows from capital and related financing activities			
Interest paid on long-term debt	-	(118,895)	(118,895)
Principal paid on long-term debt	-	(168,487)	(168,487)
Purchases of property, plant and equipment	-	(127,650)	(127,650)
Net cash provided by (used for) capital and related financing activities	-	(415,032)	(415,032)
Net increase (decrease) in cash and cash equivalents	-	(20,829)	(20,829)
Cash and cash equivalents, beginning of year	-	51,546	51,546
Cash and cash equivalents, end of year	$ -	$ 30,717	$ 30,717

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, 2008
(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)	$ 11,526	$ 43,067	$ 54,593
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,670	102,855	117,525
Changes in operating assets and liabilities:			
Accounts receivable	(7,002)	47,320	40,318
Accounts payable	107	156,101	156,208
Compensated absences	3,215	(4,191)	(976)
Customer deposits	-	11,413	11,413
Net cash provided (used) by operating activities	$ 22,516	$ 356,565	$ 379,081

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, 2008, the City paid $1,516 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.

TE Grant Fund – The TE Grant Fund accounts for the revenues and expenses associated with the improvements as part of the train depot renovation 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 capital 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

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

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, 2008, the City's total contribution was $37,614 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:

Transfer to Other Fund	$ 28,315

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. The City's bank balances of deposits as of December 31, 2008 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

During the year ended December 31, 2008, the bank account of the Historic Preservation Commission, a discretely presented component unit, was closed.

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 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 2008 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, 2008 consist of the following:

	General Fund	Sanitation Fund	Water Sewer Fund	Total
Taxes	$ 72,032	$ -	$ -	$ 72,032
Accounts	1,063	27,106	132,233	160,402
Allowance	(18,442)	(16,988)	(113,083)	(148,513)
Net receivables	$ 54,653	$ 10,118	$ 19,150	$ 83,921

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2008 are as follows:

Fund	State	County	Total
General	$ 32,880	$ -	$ 32,880
2005 SPLOST	-	538,426	538,426
Nonmajor governmental funds	-	25,978	25,978
Total	$ 32,880	$ 564,404	$ 597,284

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, 2008 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Water and Sewer	General fund	$ 100
Total		$ 100

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:	TE Grant	Sanitation Fund	Nonmajor Governmental Fund	Water and Sewer Fund	Total
General Fund	$ 3,945	$ 12,097	$ 9,278	$ 2,995	$ 28,315
Sanitation Fund	-	-	-	34,613	34,613
Total	$ 3,945	$ 12,097	$ 9,278	$ 37,608	$ 62,928

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, 2008 was as follows:

Governmental activities:	Beginning	Transfers	Increases	Decreases	Ending
Capital assets, not being depreciated					
Land	$ 284,641	$ -	$ -	$ -	$ 284,641
Construction in progress	138,214	(340,326)	202,112	-	-
Total capital assets, not being depreciated	422,855	(340,326)	202,112	-	284,641
Capital assets, being depreciated					
Buildings and improvements	81,422	340,326	11,321	-	433,069
Equipment	68,888	-	25,913	-	94,801
Vehicles	85,021	-	75,004	-	160,025
Total capital assets, being depreciated	235,331	340,326	112,238	-	687,895
Less accumulated depreciation for:					
Buildings and improvements	(9,801)	-	(9,065)	-	(18,866)
Equipment	(68,888)	-	(2,415)	-	(71,303)
Vehicles	(70,221)	-	(12,887)	-	(83,108)
Total accumulated depreciation	(148,910)	-	(24,367)	-	(173,277)
Total capital assets, being depreciated, net	86,421	340,326	87,871	-	514,618
Governmental activities capital assets, net	$ 509,276	$ -	$ 289,983	$ -	$ 799,259

Business-type activities:	Beginning	Transfers	Increases	Decreases	Ending
Capital assets, not being depreciated					
Land	$ 26,968	$ -	$ -	$ -	$ 26,968
Total capital assets, not being depreciated	26,968	-	-	-	26,968
Capital assets, being depreciated					
Equipment	69,196	-	-	-	69,196
Water and sewer system	5,638,010	-	127,650	-	5,765,660
Sanitation equipment	295,805	-	-	-	295,805
Total capital assets, being depreciated	6,003,011	-	127,650	-	6,130,661
Less accumulated depreciation for:					
Equipment	(29,172)	-	(813)	-	(29,985)
Water and sewer system	(748,183)	-	(102,042)	-	(850,225)
Sanitation equipment	(261,607)	-	(14,670)	-	(276,277)
Total accumulated depreciation	(1,038,962)	-	(117,525)	-	(1,156,487)
Total capital assets, being depreciated, net	4,964,049	-	10,125	-	4,974,174
Business-type activities capital assets, net	$ 4,991,017	$ -	$ 10,125	$ -	$ 5,001,142

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

Governmental activities:	
General government	$ 1,885
Public safety	14,175
Public works	7,033
Culture and recreation	1,274
Total depreciation expense-governmental activities	$ 24,367
Business-type activities:	
Water and sewer	$ 102,855
Sanitation	14,670
Total depreciation expenses-business-type activities	$ 117,525

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%.

During 2008, the City entered into two capital leases with the Georgia Municipal Association in the amount of $49,408 and $24,700 for the purchase of police vehicles. The loan payments are made monthly in the amount of $903 and $455, respectively, including interest at 3.68% and 3.95%.

Changes in long-term liabilities

Long-term debt activity for the year ended December 31, 2008 was as follows:

	Balance January 1, 2008	Additions	Deductions	Balance December 31, 2008	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 22,456	$ 12,951	$ -	$ 35,407	$ 35,407
Capital leases	-	74,108	(6,767)	67,341	14,791
Total governmental activities	$ 22,456	$ 87,059	$ (6,767)	$ 102,748	$ 50,198
Business-type activities:					
Capital lease	$ 34,550	$ -	$ (7,204)	$ 27,346	$ 8,243
Compensated absences	6,378	-	(976)	5,402	5,402
Notes payable					
GEFA loan # 93-011-WJ	1,170,410	-	(103,100)	1,067,310	108,138
GEFA loan # 2004-L02WQ	1,660,560	-	(58,184)	1,602,376	60,477
Total notes payable	2,830,970	-	(161,284)	2,669,686	168,615
Business-type activity Long-term liabilities	$ 2,871,898	$ -	$ (168,488)	$ 2,702,434	$ 182,260

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	Business-type Activities Interest	Governmental Activities Principal	Governmental Activities Interest
2009	$ 8,243	$ 1,050	$ 14,791	$ 2,272
2010	8,629	665	14,561	1,734
2011	9,032	261	15,120	1,176
2012	1,442	3	15,699	596
2013	-	-	7,169	81
Total	$ 27,346	$ 1,979	$ 67,341	$ 5,859

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

Year Ending December 31	Business-type Activities Principal	Business-type Activities Interest
2009	$ 108,138	$ 49,304
2010	113,423	44,019
2011	118,966	38,476
2012	124,780	32,662
2013-2017	602,003	67,071
Total	$1,067,310	$231,532

Year Ending December 31	Business-type Activities Principal	Interest
2009	$ 60,477	$ 60,947
2010	62,859	58,564
2011	65,335	56,088
2012	67,909	53,514
2013	70,584	50,839
2014-2018	396,888	210,230
2019-2023	481,469	125,648
2024-2027	396,855	88,839
Total	$1,602,376	$704,669

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, 2008, 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, 2008, 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, 2008 are as follows:

Investments in capital assets, net of related debt:	Governmental Activities	Business-type Activities	Total
Cost of capital assets	$ 972,536	$ 6,157,629	$ 7,130,165
Less accumulated depreciation	(173,277)	(1,156,487)	(1,329,764)
Book value	799,259	5,001,142	5,800,401
Less capital related debt	(67,341)	(2,697,032)	(2,764,373)
Investments in capital assets, net of related debt	$ 731,918	$ 2,304,110	$ 3,036,028

SUPPLEMENTARY INFORMATION

CITY OF PORTERDALE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	Capital Project Funds		Total Nonmajor Governmental Funds
	1995 SPLOST	CDBG Fund	
ASSETS			
Due from other governments	$ 25,978	$ -	$ 25,978
Total Assets	$ 25,978	$ -	$ 25,978
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenues	$ 25,978	$ -	$ 25,978
Total Liabilities	25,978	-	25,978
Fund Balances:			
Reserved for program purposes			
Capital Projects Funds			
Designated	-	-	-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	$ 25,978	$ -	$ 25,978

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Capital Project Funds		Total Nonmajor Governmental Funds
	1995 SPLOST	CDBG Fund	
Revenues:			
Taxes			
Sales tax	$ 21,850	$ -	$ 21,850
Intergovernmental	-	8,200	8,200
Total Revenues	21,850	8,200	30,050
Expenditures:			
Current:			
General government	-	4,081	4,081
Capital Outlay	31,128	4,119	35,247
Total Expenditures	31,128	8,200	39,328
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,278)	-	(9,278)
Other Financing Sources (Uses):			
Transfer from other funds	9,278	-	9,278
Total other financing sources (uses)	9,278	-	9,278
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, 2008

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Intergovernmental - Community Development Block Grant	$ 493,064	$ 6,936	$ 500,000	$ 500,000
Other revenue	5,276	1,264	6,540	-
Total Revenues	498,340	8,200	506,540	500,000
Expenditures:				
P-03J-01 Water System Improvements	444,004	4,119	448,123	470,419
A-21A-00 Administration	25,500	4,081	29,581	29,581
Total Expenditures	469,504	8,200	477,704	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, 2008

	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	$ 188,031	31,128	$ 219,159	96.02%

	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	$ 47,732	7,948	$ 55,680	100.00%
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	$ 51,099	$ 7,948	$ 59,047	6.49%

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GOVERNMENTAL REPORTS

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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, 2008, which collectively comprise the City of Porterdale, Georgia's basic financial statements and have issued our report thereon dated June 5, 2009. 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, 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, and 2008-06 to be significant deficiencies in internal control over financial reporting.

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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, 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, and 2008-06 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2008-07.

City of Porterdale, Georgia's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

Macon, Georgia
June 5, 2009

FINANCIAL STATEMENT FINDINGS

Findings noted on the 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:

2007-1 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.

STATUS

Unresolved. See current year finding 2008-07.

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

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.

UPDATE

Unresolved. See current year findings 2008-01, 2008-02 and 2008-03.

2008-01 Maintenance of Net Asset and Accounts Payable Accounts

CRITERIA

Generally Accepted Accounting Principles (GAAP) requires that only the closing out of revenues and expenses and any prior period adjustments be recorded within fund balance accounts. GAAP also requires reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

CONDITION

The City did not properly post all prior year adjusting journal entries and incorrectly posted some current year activity through its net asset accounts, thereby creating a difference of $18,973 in the beginning net assets as compared to the prior year in the Water & Sewer Fund. The City did not reverse out the prior year payables of $91,955 in the General Fund and incorrectly posted prior year transactions of $38,900 to the accounts payable account in the Water and Sewer Fund.

EFFECT

Material audit adjustments were needed to fairly report financial information for the year ended December 31, 2008. In addition, interim financial reports, which are used by management for fiscal-related decisions, could have been relied upon in error.

CAUSE

City employees are not familiar with Generally Accepted Accounting Principles and applications, thereto.

RECOMMENDATION

We recommend that the City review all fund balance account activity, reconcile the fund balance accounts to the prior year financial statements, and make adjustments to fund balance accounts only for appropriate transactions.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City agrees with the auditor's findings and will review all fund balance account activity, reconcile the fund balance accounts to the prior year financial statements, and make adjustments to fund balance accounts only for appropriate transactions.

2008-02 Governmental Fund Debt and Capital Lease Proceeds

CRITERIA

Generally Accepted Accounting Principles (GAAP) requires that capital lease proceeds be recorded as revenue and the corresponding asset purchase be recorded as capital outlay in governmental funds. GAAP also requires that the lease proceeds be recorded as a liability with the corresponding capital asset purchase recorded as a capital asset on the government-wide level.

CONDITION

In the current year, capital lease proceeds in the amount of $74,108 were recorded incorrectly by the City. The capital lease proceeds were recorded as a liability in the General Fund.

EFFECT

Material audit adjustments were needed to fairly report financial information for the year ended December 31, 2008. In addition, interim financial reports, which are used by management for fiscal-related decisions, could have been relied upon in error.

CAUSE

City employees are not familiar with Generally Accepted Accounting Principles and applications, thereto.

RECOMMENDATION

We recommend that the City record lease/purchase activity at the time the lease purchase agreement is entered into according to GAAP.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City agrees with the auditor's findings and will record lease/purchase activity at the time the lease/purchase agreement is entered into according to GAAP.

2008-03 Water and Sewer Capital Assets

CRITERIA
Internal controls should be designed to reconcile account activity with the subsidiary ledgers.

CONDITION
The City has not established adequate internal control policies and procedures in regards to reconciling account activity with the subsidiary ledgers. The City did not adjust the accumulated depreciation and depreciation expense of $102,855 for the Water and Sewer Fund during the year ended December 31, 2008. The City did not maintain the capital asset schedule during the year and update that schedule for any current year purchases or asset deletions.

EFFECT
Material adjusting entries were needed to correct the account balances for these accounts as of December 31, 2008. Subsidiary records were not maintained and reconciled to the general ledgers. In addition, interim financial reports, which are used by management for fiscal-related decisions, could have been relied upon in error.

CAUSE
It appears these conditions are the result of a breakdown in internal controls regarding account reconciliations. The breakdown can be attributed primarily to turnover in the City personnel. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
The City should update the capital asset schedule throughout the year as needed for assets purchased or sold during the year. The City should also record the necessary depreciation expense based on the capital asset schedule.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the auditor's findings. The City will update the capital asset schedule throughout the year as needed for assets purchased or sold during the year. The City will also record the necessary depreciation expense based on the capital asset schedule.

2008-04 Customer Deposits – Water and Sewerage Fund

CRITERIA
Customer deposits held by the City should be reconciled with the general ledger each month.

CONDITION
The City was unable to provide detailed subsidiary records which agree to the general ledger for customer deposits in the Water and Sewer Fund as of December 31, 2008. The customer deposit report showed $55,804 of deposits on hand but the general ledger reported a total of $67,898 of customer deposits.

EFFECT
Subsidiary records were not reconciled with the general ledger control accounts. In addition, interim financial reports, which are used by management for fiscal-related decisions, could have been relied upon in error.

CAUSE
It appears these conditions are the result of a breakdown in internal controls regarding monitoring of Water and Sewer customer deposit procedures. The breakdown can be attributed to the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
The Administration should take a proactive role in monitoring the activity of the Water and Sewer Clerk, and evaluating personnel duties and responsibilities. The City should also consider providing additional training to current personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the auditor's findings. The City will evaluate the personnel duties to insure adequate supervision. The City will provide additional training opportunities for water and sewer personnel.

2008-05 Property Taxes

CRITERIA
Subsidiary records for property taxes should be maintained and reconciled with the general ledger on a monthly basis.

CONDITION
The City was unable to provide detailed listing of outstanding property taxes from the tax digest that agree with the general ledger as of December 31, 2008. The City did not reconcile the manual tax digest to the general ledger activity.

EFFECT
Material adjusting entries totaling $75,850 were needed to correct the account balances for these accounts as of December 31, 2008. Subsidiary records were not maintained and reconciled to the general ledgers. In addition, interim financial reports, which are used by management for fiscal-related decisions, could have been relied upon in error.

CAUSE
It appears these conditions are the result of a breakdown in internal controls regarding monitoring of property tax revenues. The breakdown can be attributed primarily to turnover in the City Clerk position and the inability to fill this position with qualified personnel. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
The Administration should take a proactive role in monitoring the activity of the City Clerk, and evaluating personnel duties and responsibilities. The City should also consider providing additional training to current personnel. The City should also consider purchasing property tax software to assist in the maintenance and reconciliation of the property tax accounts.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the auditor's findings. The administration will take a proactive role in monitoring the activity of the City Clerk, and evaluate personnel duties and responsibilities. The City will also provide opportunities for training. The City will consider the cost benefit of purchasing property tax software.

2008-06 Record Retention – Water and Sewer Billing Reports

CRITERIA
Internal controls should be designed to insure billing registers are being reconciled to the general ledger control account on a monthly basis to detect and correct billing errors in a timely manner within the normal course of performing day-to-day operations.

CONDITION
The City has not established adequate internal control policies and procedures in regards to operating a utility billing system. The City does not maintain the monthly billing and receivable reports to assist in the reconciliation process.

EFFECT
The lack of internal control policies over reconciling billing registers on a monthly basis has hindered the City personnel of identifying billing errors in a timely manner.

CAUSE
It appears these conditions are the result of a breakdown in internal controls regarding record retention. The breakdown can be attributed primarily to turnover in the City personnel. In addition, other factors include the need to enhance supervision of employees' performance, to provide employees with resources to improve their training and skills in the specific area of their responsibility.

RECOMMENDATION
The City should print and maintain the monthly billing and receivable reports during the year to assist in reconciling the reports to the ledger and to identify any billing errors that may occur.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City agrees with the auditor's findings. The City will print and maintain monthly billing and receivable reports during the fiscal year to assist in reconciling the reports to the ledger and to assist in identifying any billing errors.

COMPLIANCE FINDINGS

2008-07 Control Environment – Uniform Chart of Accounts

CRITERIA

Accounting and control procedures should be designed to insure that all revenues and expenditures are recorded in the City's accounting system and in the appropriate fund as specified in the Uniform Chart of Accounts.

CONDITION

The City recorded the TE Grant activity ($146,704 of revenue and expenditures for 2008) within the General Fund and not as a separate capital projects fund. The City did not record into its system any of the activity associated with the CDBG Grant Fund, which had a total of $8,200 of activity during the year ended December 31, 2008. The 1995 SPLOST and 2005 SPLOST Funds were recorded within the same fund. State law mandates that SPLOST funds not be comingled with any other funds. The City also recorded some Sanitation Fund and SPLOST fund activity within the General Fund.

EFFECT

The City was not in compliance with the Uniform Chart of Accounts as of December 31, 2008. 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 sufficiently aware of the requirements.

RECOMMENDATION

We recommend that the City record all activity into the appropriate fund type and separate out the funds as necessary and specified by the Uniform Chart of Accounts.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City agrees with the auditor's findings. The City will record activity in the appropriate fund type and separate out the funds as necessary as specified by the Uniform Chart of Accounts.