CITY OF PORTERDALE, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2009

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, each major fund, and the remaining fund information of the City of Porterdale, Georgia as of and for the year ended December 31, 2009, 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, each major fund, and the remaining fund information of the City of Porterdale, Georgia as of December 31, 2009, 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.

The City has elected not to present the Management's Discussion and Analysis, which under accounting principles generally accepted in the United States is a necessary, though not required, supplement to the financial statements.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2010 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.

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 schedule of project expenditures with special sales tax proceeds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of project expenditures with special sales tax proceeds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Macon, Georgia
April 29, 2010

BASIC FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 152,560	$ 53,120	$ 205,680
Receivables, net of allowance			
Taxes	81,139	-	81,139
Accounts	50	43,914	43,964
Due from other governments	660,845	-	660,845
Internal balances	(100)	100	-
Nondepreciable assets	310,409	26,968	337,377
Depreciable assets, net	481,670	4,804,898	5,286,568
Total Assets	1,686,573	4,929,000	6,615,573
LIABILITIES			
Accounts payable	67,023	35,037	102,060
Accrued salaries and benefits	833	-	833
Accrued interest	-	8,809	8,809
Customer deposits	-	62,658	62,658
Unearned revenues	644,791	-	644,791
Noncurrent liabilities			
Due within one year	53,636	190,236	243,872
Due in more than one year	44,885	2,335,533	2,380,418
Total Liabilities	811,168	2,632,273	3,443,441
NET ASSETS			
Invested in capital assets, net of related debt	739,529	2,312,362	3,051,891
Unrestricted	135,876	(15,635)	120,241
Total Net Assets	$ 875,405	$ 2,296,727	$ 3,172,132

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

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	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business - Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government:							
Governmental Activities							
General government	$ 355,483	$ 5,176	$ -	$ -	$ (350,307)	$ -	$ (350,307)
Public safety	464,604	168,093	13,073	-	(283,438)	-	(283,438)
Public works	138,249	-	-	-	(138,249)	-	(138,249)
Culture and recreation	49,941	-	-	16,998	(32,943)	-	(32,943)
Interest on long-term debt	2,496	-	-	-	(2,496)	-	(2,496)
Total governmental activities	1,010,773	173,269	13,073	16,998	(807,433)	-	(807,433)
Business - Type Activities							
Water & Sewer	514,887	555,511	-	400,000	-	440,624	440,624
Sanitation	125,448	141,280	-	-	-	15,832	15,832
Total Business - Type Activities	640,335	696,791	-	400,000	-	456,456	456,456
Total Primary Government	$ 1,651,108	$ 870,060	$ 13,073	$ 416,998	(807,433)	456,456	(350,977)
		General Revenues					
		Property tax			205,077	-	205,077
		Sales tax			203,965	-	203,965
		Other taxes			149,238	-	149,238
		Insurance premium tax			71,023	-	71,023
		Interest revenue			-	94	94
		Miscellaneous			18,389	-	18,389
		Total General Revenues			647,692	94	647,786
		Transfers			231,529	(231,529)	-
		Total General Revenues and Transfers			879,221	(231,435)	647,786
		Change in Net Assets			71,788	225,021	296,809
		Net Assets - Beginning of year restated			803,617	2,071,706	2,875,323
		Net Assets - End of year			$ 875,405	$ 2,296,727	$ 3,172,132

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	2005 SPLOST Fund	Nonmajor 1995 SPLOST Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 152,560	$ -	$ -	$ 152,560
Receivables, net of allowance				
Taxes	81,139	-	-	81,139
Other	50	-	-	50
Due from other governments	16,054	643,771	1,020	660,845
Total Assets	$ 249,803	$ 643,771	$ 1,020	$ 894,594
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 67,023	$ -	$ -	$ 67,023
Accrued payroll deductions	833	-	-	833
Due to other funds	100	-	-	100
Deferred revenues				
Taxes	58,899	-	-	58,899
Other	-	643,771	1,020	644,791
Total Liabilities	126,855	643,771	1,020	771,646
Fund Balances:				
Unreserved, reported in				
General Fund				
Designated for capital improvement	21,200	-	-	21,200
Undesignated	101,748	-	-	101,748
Total Fund Balances	122,948	-	-	122,948
Total Liabilities and Fund Balances	$ 249,803	$ 643,771	$ 1,020	$ 894,594

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, 2009

Total Fund Equity per Balance Sheet of Governmental Funds	$	122,948
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		998,304
Accumulated depreciation		(206,225)
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		(45,971)
Capital leases		(52,550)
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.		58,899
Total Net Assets of Governmental Activities	$	875,405

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, 2009

	General Fund	2005 SPLOST Fund	Nonmajor 1995 SPLOST Fund	Total Governmental Funds
Revenues:				
Taxes				
Property tax	$ 208,165	$ -	$ -	$ 208,165
Sales tax	179,007	-	-	179,007
Insurance premium	71,023	-	-	71,023
Other taxes	149,238	-	-	149,238
License and permits	5,176	-	-	5,176
Fines	168,093	-	-	168,093
Intergovernmental	16,998	-	24,958	41,956
Contributions and donations	13,073	-	-	13,073
Other revenues	18,389	-	-	18,389
Total Revenues	829,162	-	24,958	854,120
Expenditures:				
Current				
General government	351,487	-	-	351,487
Public safety	433,168	-	-	433,168
Public works	122,569	-	-	122,569
Culture and recreation	67,629	-	-	67,629
Debt service				
Principal	14,791	-	-	14,791
Interest	2,496	-	-	2,496
Capital Outlay	-	-	15,680	15,680
Total Expenditures	992,140	-	15,680	1,007,820
Excess (Deficiency) of Revenues Over (Under) Expenditures	(162,978)	-	9,278	(153,700)
Other Financing Sources (Uses):				
Transfers from other funds	240,807	-	-	240,807
Transfers to other funds	-	-	(9,278)	(9,278)
Total Other Financing Sources (Uses)	240,807	-	(9,278)	231,529
Net change in fund balances	77,829	-	-	77,829
Fund Balance, beginning of year	45,119	-	-	45,119
Fund Balance, end of year	$ 122,948	$ -	$ -	$ 122,948

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, 2009

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	$ 77,829
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 increased by this amount during the fiscal year.	(3,088)
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	(10,563)
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	25,768
Total depreciation	(32,949)
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:	
Principal payments on capital leases	14,791
Change in Net Assets of Governmental Activities	$ 71,788

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, 2009

	Budgeted Amounts		2009	Variance with Final Budget Positive
Revenues:	Original	Final	Actual	(Negative)
Taxes				
Property tax	$ 231,000	$ 231,000	$ 208,165	$ (22,835)
Motor vehicle tax	13,000	13,000	12,744	(256)
Intangible tax	4,000	4,000	770	(3,230)
Real estate transfer tax	1,500	1,500	196	(1,304)
Franchise tax	87,000	87,000	105,806	18,806
Alcoholic beverage excise tax	20,000	20,000	19,919	(81)
Local option sales tax	220,000	220,000	179,007	(40,993)
Business and occupation tax	11,000	11,000	9,803	(1,197)
Insurance premium tax	72,000	72,000	71,023	(977)
Licenses and Permits	9,000	9,000	5,176	(3,824)
Intergovernmental	-	-	16,998	16,998
Fines and forfeitures	224,000	224,000	168,093	(55,907)
Interest income	15	15	-	(15)
Contributions and donations	-	-	13,073	13,073
Rent	6,000	6,000	5,656	(344)
Miscellaneous revenues	2,090	2,090	12,733	10,643
Total Revenues	900,605	900,605	829,162	(71,443)
Expenditures:				
Current:				
General government				
Administration	322,124	322,124	285,029	37,095
Judicial	36,700	37,893	37,893	-
Planning & zoning	36,730	36,730	28,565	8,165
Public safety				
Police	479,535	479,535	424,692	54,843
Fire	5,600	8,476	8,476	-
Public works	155,544	155,544	122,569	32,975
Culture and recreation	55,848	67,629	67,629	-
Debt service				
Principal	17,000	14,791	14,791	-
Interest	-	2,496	2,496	-
Total Expenditures	1,109,081	1,125,218	992,140	133,078
Excess of Revenue Over (Under) Expenditures	(208,476)	(224,613)	(162,978)	61,635
Other Financing Sources (Uses):				
Transfer from other funds	208,476	208,476	240,807	32,331
Total Other Financing Sources/(Uses)	208,476	208,476	240,807	32,331
Net change in fund balance	$ -	$ (16,137)	77,829	$ 93,966
Fund balance, beginning of year			45,119	
Fund balance, end of year			$ 122,948	

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 53,120	$ 53,120
Accounts receivable net of allowance	9,446	34,468	43,914
Due from other funds	-	100	100
Total current assets	9,446	87,688	97,134
Property, Plant & Equipment			
Nondepreciable assets	-	26,968	26,968
Depreciable assets, net	4,858	4,800,040	4,804,898
Total property, plant & equipment	4,858	4,827,008	4,831,866
Total assets	14,304	4,914,696	4,929,000
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities			
Accounts payable	5,625	29,412	35,037
Accrued interest	-	8,809	8,809
Customer utility deposits	-	62,658	62,658
Compensated absences	4,543	782	5,325
Current maturities of long-term debt	-	184,911	184,911
Total Current Liabilities	10,168	286,572	296,740
Long-Term Liabilities			
Compensated absences	802	138	940
Long-term debt, less current portion	-	2,334,593	2,334,593
Total Long-Term Liabilities	802	2,334,731	2,335,533
Total Liabilities	10,970	2,621,303	2,632,273
Net Assets:			
Invested in capital assets, net of related debt	4,858	2,307,504	2,312,362
Unrestricted	(1,524)	(14,111)	(15,635)
Total Net Assets	$ 3,334	$ 2,293,393	$ 2,296,727

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, 2009

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
Operating revenues			
Charges and fees	$ 133,355	$ 491,889	$ 625,244
Penalties	7,925	11,051	18,976
Other fees	-	52,571	52,571
Total Operating Revenues	141,280	555,511	696,791
Operating expenses			
Personnel services and employee benefits			
Salaries	57,371	42,322	99,693
Payroll tax	5,231	3,175	8,406
Workers compensation	6,649	2,600	9,249
Purchased and contracted services			
Landfill fees	26,882	-	26,882
Professional fees	-	953	953
Repairs and maintenance	4,531	31,348	35,879
Postage	-	2,000	2,000
Water and sewer expense	-	194,992	194,992
Operating supplies	10,114	13,606	23,720
Depreciation	14,670	98,856	113,526
Total Operating Expenses	125,448	389,852	515,300
Operating Income	15,832	165,659	181,491
Nonoperating revenues (expenses)			
Investment income	-	94	94
Interest expense	-	(125,035)	(125,035)
Intergovernmental revenue	-	400,000	400,000
Total nonoperating revenues (expenses)	-	275,059	275,059
Net income before transfers	15,832	440,718	456,550
Transfers in	-	34,770	34,770
Transfers out	(34,770)	(231,529)	(266,299)
Net transfers	(34,770)	(196,759)	(231,529)
Changes in net assets	(18,938)	243,959	225,021
Net assets - beginning of year restated	22,272	2,049,434	2,071,706
Net assets - end of year	$ 3,334	$ 2,293,393	$ 2,296,727

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, 2009

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer	Total
Cash flows from operating activities			
Cash received from customers	$ 141,952	$ 534,953	$ 676,905
Cash payments to employees for services	(69,251)	(48,097)	(117,348)
Cash payments to other suppliers of goods or services	(37,931)	(127,574)	(165,505)
Net cash provided by (used for) operating activities	34,770	359,282	394,052
Cash flows from investing activities			
Interest received	-	94	94
Net cash provided by (used for) investing activities	-	94	94
Cash flows from Noncapital Financing Activities			
Transfer from other funds	-	34,770	34,770
Transfer to other funds	(34,770)	(231,529)	(266,299)
Cash from other governments	-	149,540	149,540
Net cash provided by (used for) Noncapital financing activities	(34,770)	(47,219)	(81,989)
Cash flows from capital and related financing activities			
Interest paid on long-term debt	-	(116,226)	(116,226)
Principal paid on long-term debt	-	(177,528)	(177,528)
Disposal of property, plant and equipment	-	4,000	4,000
Net cash provided by (used for) capital and related financing activities	-	(289,754)	(289,754)
Net increase (decrease) in cash and cash equivalents	-	22,403	22,403
Cash and cash equivalents, beginning of year	-	30,717	30,717
Cash and cash equivalents, end of year	$ -	$ 53,120	$ 53,120

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, 2009
(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)	$ 15,832	$ 165,659	$ 181,491
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,670	98,856	113,526
Changes in operating assets and liabilities:			
Accounts receivable	672	(15,318)	(14,646)
Accounts payable	2,950	115,108	118,058
Compensated absences	646	217	863
Customer deposits	-	(5,240)	(5,240)
Net cash provided (used) by operating activities	$ 34,770	$ 359,282	$ 394,052

Noncash Noncapital Financing Activities

Accounts payable and expenses were offset by $250,460 of credit received from Newton County Water & Sewer Authority as part of the sell of sewer capacity to the Authority.

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.

There were no assets, liabilities, or activities for the Commission for the year ended December 31, 2009.

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, 2009, 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.

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, 2009, the City's total contribution was $37,383 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.

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, 2009 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.

NOTE 4 – TAX REVENUE

Property tax

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 21	Staggered
Tax Execution Date/Lien Date	December 21	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 2009 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, 2009 consist of the following:

	General Fund	Sanitation Fund	Water Sewer Fund	Total
Taxes	$ 117,301	$ -	$ -	$ 117,301
Accounts	50	27,858	100,903	128,811
Allowance	(36,162)	(18,412)	(66,435)	(121,009)
Net receivables	$ 81,189	$ 9,446	$ 34,468	$ 125,103

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2009 are as follows:

Fund	State	County	Total
General	$ 16,054	$ -	$ 16,054
2005 SPLOST	-	643,771	643,771
Nonmajor governmental funds	-	1,020	1,020
Total	$ 16,054	$ 644,791	$ 660,845

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, 2009 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:	General Fund	Water and Sewer Fund	Total
Nonmajor Governmental	$ 9,278	$ -	$ 9,278
Water and Sewer Fund	231,529	-	231,529
Sanitation Fund	-	34,770	34,770
Total	$ 240,807	$ 34,770	$ 275,577

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, 2009 was as follows:

	Beginning	Increases	Decreases	Ending
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 284,641	$ -	$ -	$ 284,641
Construction in progress	-	25,768	-	25,768
Total capital assets, not being depreciated	284,641	25,768	-	310,409
Capital assets, being depreciated				
Buildings and improvements	433,069	-	-	433,069
Equipment	94,801	-	-	94,801
Vehicles	160,025	-	-	160,025
Total capital assets, being depreciated	687,895	-	-	687,895
Less accumulated depreciation for:				
Buildings and improvements	(18,866)	(9,065)	-	(27,931)
Equipment	(71,303)	(5,183)	-	(76,486)
Vehicles	(83,107)	(18,701)	-	(101,808)
Total accumulated depreciation	(173,276)	(32,949)	-	(206,225)
Total capital assets, being depreciated, net	514,619	(32,949)	-	481,670
Governmental activities capital assets, net	$ 799,260	$ (7,181)	$ -	$ 792,079

	Restated Beginning	Increases	Decreases	Ending
Business-type activities:				
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	5,709,910	-	-	5,709,910
Sanitation equipment	295,805	-	-	295,805
Total capital assets, being depreciated	6,074,911	-	-	6,074,911
Less accumulated depreciation for:				
Equipment	(29,985)	(813)	-	(30,798)
Water and sewer system	(850,225)	(98,043)	-	(948,268)
Sanitation equipment	(276,277)	(14,670)	-	(290,947)
Total accumulated depreciation	(1,156,487)	(113,526)	-	(1,270,013)
Total capital assets, being depreciated, net	4,918,424	(113,526)	-	4,804,898
Business-type activities capital assets, net	$ 4,945,392	$ (113,526)	$ -	$ 4,831,866

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

Governmental activities:	
General government	$ 3,996
Public safety	20,873
Culture and recreation	8,080
Total depreciation expense-governmental activities	$ 32,949
Business-type activities:	
Water and sewer	$ 98,856
Sanitation	14,670
Total depreciation expenses-business-type activities	$ 113,526

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, 2009 was as follows:

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 35,407	$ 10,564	$ -	$ 45,971	$ 39,075
Capital leases	67,341	-	(14,791)	52,550	14,561
Total governmental activities	$ 102,748	$ 10,564	$ (14,791)	$ 98,521	$ 53,636
Business-type activities:					
Capital lease	$ 27,346	$ -	$ (8,913)	$ 18,433	$ 8,629
Compensated absences	5,402	863	-	6,265	5,325
Notes payable					
GEFA loan # 93-011-WJ	1,067,310	-	(108,138)	959,172	113,423
GEFA loan # 2004-L02WQ	1,602,376	-	(60,477)	1,541,899	62,859
Total notes payable	2,669,686	-	(168,615)	2,501,071	176,282
Business-type activity Long-term liabilities	$ 2,702,434	$ 863	$ (177,528)	$ 2,525,769	$ 190,236

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	Business-type Activities		Governmental Activities	
December 31	Principal	Interest	Principal	Interest
2010	$ 8,629	$ 665	$ 14,561	$1,734
2011	9,032	261	15,120	1,176
2012	772	3	15,699	596
2013	-	-	7,170	81
Total	$ 18,433	$ 929	$ 52,550	$3,587

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

Year Ending	Business-type Activities	
December 31	Principal	Interest
2010	$ 113,423	$ 44,019
2011	118,966	38,476
2012	124,780	32,662
2013	130,878	23,564
2014	137,274	20,168
2015-2017	333,851	23,339
Total	$ 959,172	$182,228

Year Ending	Business-type Activities	
December 31	Principal	Interest
2010	$ 62,859	$ 58,564
2011	65,335	56,088
2012	67,909	53,514
2013	70,584	50,839
2014	73,365	48,058
2015-2019	405,722	201,395
2020-2024	500,436	106,682
2025-2027	295,689	68,582
Total	$1,541,899	$643,722

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, 2009, 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, 2009, 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, 2009 are as follows:

	Governmental Activities	Business-type Activities	Total
Investments in capital assets, net of related debt:			
Cost of capital assets	$ 998,304	$ 6,101,879	$ 7,100,183
Less accumulated depreciation	(206,225)	(1,270,013)	(1,476,238)
Book value	792,079	4,831,866	5,623,945
Less capital related debt	(52,550)	(2,519,504)	(2,572,054)
Investments in capital assets, net of related debt	$ 739,529	$ 2,312,362	$ 3,051,891

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The Water and Sewer Fund capital assets at December 31, 2008 were overstated by $51,750. As a result, a prior period adjustment was made as follows:

	Water & Sewer Fund	Government Wide
Net assets at December 31, 2008 as previously reported	$ 2,101,184	$ 2,123,456
Reduce capital assets	(51,750)	(51,750)
Net assets at December 31, 2008 as restated	$ 2,049,434	$ 2,071,706

SUPPLEMENTARY INFORMATION

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF PROJECTS
SPECIAL PURPOSE LOCAL OPTION SALES TAX
DECEMBER 31, 2009

	Original Estimated Cost	Amended Budget	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Estimated Percentage of Completion
Special Local Option Sales Tax April 1, 1995						
Road Construction/Sidewalks	$ 228,250	$ 228,250	$ 219,159	15,680	$ 234,839	102.89%

	Original Estimated Cost	Amended Budget	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Estimated Percentage of Completion
Special Local Option Sales Tax July 1, 2005						
Train Station	$ 55,680	$ 55,680	$ 55,680	-	$ 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	$ 59,047	$ -	$ 59,047	6.49%

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, each major fund, and the aggregate remaining fund information of the City of Porterdale, Georgia as of and for the year ended December 31, 2009, which collectively comprise the City of Porterdale, Georgia's basic financial statements and have issued our report thereon dated April 29, 2010. 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 of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2009-01, 2009-02, 2009-03, and 2009-04.

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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*.

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
April 29, 2010

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 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

STATUS
This matter was resolved during 2009.

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 2009-01.

2008-01 Maintenance of Net Asset and Accounts Payable Accounts

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 & Sewer Fund.

UPDATE
Unresolved. See current year finding 2009-01.

2008-02 Governmental Fund Debt and Capital Lease Proceeds

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.

UPDATE
This matter was resolved during 2009.

2008-03 Water and Sewer Capital Assets

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.

UPDATE
This matter was resolved during 2009.

2008-04 Customer Deposits – Water and Sewerage Fund

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.

UPDATE
Unresolved. See current year finding 2009-02.

2008-05 Property Taxes

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.

UPDATE
This matter was resolved during 2009.

2008-06 Record Retention – Water and Sewerage Billing Reports

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

UPDATE
Unresolved. See current year finding 2009-03.

2008-07 Control Environmental – Uniform Chart of Accounts

CONDITION
The City recorded 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

UPDATE
This matter was resolved during 2009.

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

2009-01 General Ledger - Maintenance

CRITERIA
Timely and accurate financial reports are essential in order to perform analysis of the financial condition of the City, review data for accuracy and completeness, monitor compliance with budget appropriations, and to prepare annual financial statements.

CONDITION
The City produced financial reports, which contained material errors and were not reconciled to actual activity. The audit procedures for 2009 identified a number of material adjustments by the external auditor to correct accounting records and financial reports as follows:

- Material audit adjustments were necessary to correctly report property tax allowance and deferrals of $14,632.
- Material adjustments were necessary in the General Fund to correctly report Local Option Sales Taxes accounts receivable of $16,054.
- Material audit adjustments were needed to record additional accounts payable items found of $21,003 in the General Fund.
- Material audit adjustments were needed to correct the fund balance accounts of $19,422 in the General Fund and $39,710 in the Water & Sewer Fund.
- Material audit adjustment was necessary to correct deferred revenue of $16,998 in the General Fund to recognize grant revenue that had been deferred in the prior year.
- A prior period adjustment of $55,750 was needed in the Water & Sewer Fund to correct capital assets.
- Material audit adjustments were necessary to correctly report Water & Sewer accounts receivable and allowance of $27,882 and $18,412, respectively.
- Material audit adjustments were necessary to correctly report the sale of sewer capacity of $425,875.
- Material audit adjustments were necessary in the 2005 SPLOST Fund to correctly report due from other governments and deferred revenue of $59,104.
- The City has not been reviewing old outstanding checks on the bank reconciliations to determine the corrective action that may need to be taken to dispose of the reconciling items.
- The City has not properly maintained the appropriate level of accounting discipline in regards to timely review of general ledger accounts for completeness in posting and accuracy. Several reclassification and correcting entries were needed to properly report activity.
- The City was not properly billed for inmate housing, fuel usage or contributions to Keep Covington/Newton Beautiful resulting in a material audit adjustment of $17,445 to properly report accounts payable.

EFFECT
Material audit adjustments were needed to fairly report financial information for the year ended December 31, 2009. In addition, interim financial reports, which are used by management for fiscal-related decisions, could have been relied upon in error.

CAUSE
Accounting personnel may have lacked adequate training to handle increasing complex requirements of governmental accounting.

RECOMMENDATION
The City should redesign the internal control system to insure the proper reconciling procedures are being performed monthly and at year-end to balance and reconcile general ledger accounts.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City concurs with the finding. The City hired a new City Clerk in March 2010 and will hire a new City Manager in May 2010. These two people will work with an independent outside CPA firm to identify and correct policies and procedures that lead to this finding. This will be completed in 2010.

2009-02 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 is not performing monthly reconciliation procedures between the customer deposit subsidiary records and the general ledger. Also, refund checks due to customers are not being issued on a timely basis.

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 concurs with the finding. The City hired a new City Clerk in March 2010 and will hire a new City Manager in May 2010. These two people will work with an independent outside CPA firm to identify and correct policies and procedures that lead to this finding. The City's Mayor and Council will revise the Ordinance regarding Utility Billing and Deposits. This will be completed in 2010.

2009-03 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 concurs with the finding. The City hired a new City Clerk in March 2010 and will hire a new City Manager in May 2010. These two people will work with an independent outside CPA firm to identify and correct policies and procedures that lead to this finding. This will be completed in 2010.

2009-04 Control Environment – Record Retention and Filing System

CRITERIA
Accounting procedures and controls should be designed to insure that all records are properly maintained and filed to provide greater efficiencies and to aid the City in the oversight process.

CONDITION
During our testing, it was noted that the bank reconciliations were not properly filed and could not originally be located. We also noted during our testing that the filing of invoices was inadequate as some invoices could not be located, some were incorrectly filed and some invoices were not kept with the check copies.

EFFECT
Missing accounting records such as bank reconciliations and invoices, while typically are indicative of general disorganization, could be a flag of a much more severe issue such as potential fraud or other such abuse.

CAUSE
Management has not designed sufficient procedures to allow for the proper retention and filing of accounting records.

RECOMMENDATION
We recommend that the City review its controls and procedures to ensure that all of the proper records are maintained and that they are filed appropriately.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City concurs with the finding. The City hired a new City Clerk in March 2010 and will hire a new City Manager in May 2010. These two people will work to modify the City's filing and record retention system. This will be completed in 2010.