CITY OF PORTERDALE, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2010

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 aggregate remaining fund information of the City of Porterdale, Georgia as of and for the year ended December 31, 2010, 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 aggregate remaining fund information of the City of Porterdale, Georgia as of December 31, 2010, 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 15, 2011 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 projects constructed 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 projects constructed 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 15, 2011

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, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the City of Porterdale exceeded its liabilities as of December 31, 2010, by $3,213,323.
- The government's total net assets increased by $41,191 for the year ended December 31, 2010.
- As of December 31, 2010, total net assets consisted of $3,159,148 invested in capital assets, net of related debt, $0 restricted, and a balance of $54,175 unrestricted.
- As of the close of the current year, the City's governmental funds reported ending fund balance of $105,722 a decrease of $17,226 in comparison with the prior year.
- For the year ended December 31, 2010, unreserved fund balance for the General Fund decreased from $122,948 to $97,808.

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 four individual governmental funds, the General Fund, two SPLOST Funds, and the Drug Seizure Fund.

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

Proprietary Funds

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Porterdale, assets exceeded liabilities by $3,213,323 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, 2010, the investment consists of $7,107,240 in assets, with accumulated depreciation of $1,576,749 and outstanding debt of $2,371,343.

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, 2010, current liabilities increased by $142,149 and net assets increased by $41,191 compared to December 31, 2009.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	$ 970,433	$ 894,494	$ 90,206	$ 97,134	$1,060,639	$ 991,628
Capital assets	798,845	792,079	4,731,646	4,831,866	5,530,491	5,623,945
Total Assets	1,769,278	1,686,573	4,821,852	4,929,000	6,591,130	6,615,573
Liabilities						
Current and other liabilities	860,888	766,283	344,284	296,740	1,205,172	1,063,023
Long-term liabilities	29,277	44,885	2,143,358	2,335,533	2,172,635	2,380,418
Total Liabilities	890,165	811,168	2,487,642	2,632,273	3,377,807	3,443,441
Net Assets						
Invested in capital assets, net of related debt	762,095	739,529	2,397,053	2,312,362	3,159,148	3,051,891
Unrestricted	117,018	135,876	(62,843)	(15,635)	54,175	120,241
Total Net Assets	$ 879,113	$ 875,405	$2,334,210	$2,296,727	$3,213,323	$ 3,172,132

Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
Revenues:	2010	2009	2010	2009	2010	2009
Program Revenues						
Charges for services	$ 259,867	$ 173,269	$ 688,888	$ 696,791	$ 948,755	$ 870,060
Operating grants and contributions	19,732	13,073	-	-	19,732	13,073
Capital grants and contributions	62,488	16,998	-	400,000	62,488	416,998
General revenues						
Taxes	679,827	629,303	-	-	679,827	629,303
Interest revenue	-	-	3	94	3	94
Other	42,137	18,389	2,466	-	44,603	18,389
Total Revenues	1,064,051	851,032	691,357	1,096,885	1,755,408	1,947,917
Expenses:						
General government	325,190	355,483	-	-	325,190	355,483
Public safety	537,487	464,604	-	-	537,487	464,604
Public works	159,661	138,249	-	-	159,661	138,249
Culture and recreation	38,616	49,941	-	-	38,616	49,941
Water & Sewer	-	-	503,821	514,887	503,821	514,887
Sanitation	-	-	147,588	125,448	147,588	125,448
Interest on long-term debt	1,854	2,496	-	-	1,854	2,496
Total Expenses	1,062,808	1,010,773	651,409	640,335	1,714,217	1,651,108
Increase (decrease) in net assets before transfers	1,243	(159,741)	39,948	456,550	41,191	296,809
Transfers	2,465	231,529	(2,465)	(231,529)	-	-
Increase (decrease) in net assets	3,708	71,788	37,483	225,021	41,191	296,809
Net assets, beginning of year	875,405	803,617	2,296,727	2,071,706	3,172,132	2,875,323
Net assets, end of year	$ 879,113	$ 875,405	$ 2,334,210	$ 2,296,727	$ 3,213,323	$ 3,172,132

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, 2010, the City's governmental funds reported ending fund balance of $105,722. Of this balance, $84,661 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 eight percent of total general fund expenditures.

The SPLOST funds account for the activity of the 1995 and 2005 Special Local Option Sales Taxes. The Drug Seizure Fund accounts for the activity associated with drug seizures.

The fund balance of the City's governmental funds decreased by $17,226 during the current year, compared to an increase of $77,829 in 2009.

Proprietary Funds

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

The Sanitation fund accounts for the operation of the City's Sanitation Program. The Water and Sewerage Fund accounts for the activities of the Water and Sewerage operations. The net assets for the proprietary funds increased by $37,483 in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- General government budgeted expenditures decreased due to a spending freeze that was put into place during the year.
- Police department budgeted expenditures increased by $109,546 due to the hiring of a police chief and other personnel changes.

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, 2010, amounts to $5,530,491, 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, 2010:

Governmental Activities	Governmental Activities	Business-type Activities	Total
Assets:			
Land	$ 284,641	$ 26,968	$ 311,609
Construction in Progress	67,160	-	67,160
Buildings and improvements	433,069	-	433,069
Equipment	100,261	69,196	169,457
Vehicles	120,230	-	120,230
Distribution System	-	6,005,715	6,005,715
Capital assets, before accumulated depreciation	1,005,361	6,101,879	7,107,240
Accumulated Depreciation:			
Buildings and improvements	36,996	-	36,996
Equipment	82,761	31,611	114,372
Vehicles	86,759	-	86,759
Distribution System	-	1,338,622	1,338,622
Total accumulated depreciation	206,516	1,370,233	1,576,749
Total capital assets, net of accumulated depreciation	$ 798,845	$ 4,731,646	$ 5,530,491

Long-Term Debt

As of December 31, 2010, the City of Porterdale reported the following long-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 45,971	$ -	$ (3,248)	$ 42,723	$ 36,315
Capital lease	52,550	-	(15,800)	36,750	13,881
Total governmental activities	$ 98,521	$ -	$ (19,048)	$ 79,473	$ 50,196
Business-type activities:					
Compensated absences	$ 6,265	$ 7,722	$ -	$ 13,987	$ 11,889
Capital Lease	18,433	-	(8,629)	9,804	9,032
GEFA Loan #93-011-WJ	959,172	-	(113,423)	845,749	118,966
GEFA Loan #2004-L02WQ	1,541,899	-	(62,859)	1,479,040	65,335
Total business-type activities	$2,525,769	$ 7,722	$(184,911)	$2,348,580	$205,222

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 2010

The City of Porterdale had several unexpected changes during 2010. A new City Manager, City Clerk and Police Chief were hired in 2010, with unanticipated severance packages for the outgoing employees. The City also entered into a personnel contract with the Public Works Director which increased overall expenses.

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 anchor businesses in downtown have closed and properties including commercial are still undergoing foreclosures. Furthermore, the 2010 tax digest decreased by 37% in value from the previous year with no new building permits being issued for new construction.

These financial challenges left the city with no choice but to reduce staffing by one full-time position in the Police Department and dissolve the Zoning/Building Department until building picks back up. The City also placed a spending freeze on non-essential items and is aggressively pursuing collections.

The City is actively reviewing additional revenue sources. Within the last nine months, the City has revived the Downtown Development Authority ("DDA") and completed the comprehensive planning process which now allows the City to pursue grants. For example, the City of Porterdale has been approved for a T.E. grant in the amount of $250,000 for 2011. A proposal for a local farmers' market came before the City of Porterdale in the fall of 2010 and through the DDA, the business came to fruition in the spring of 2011. Furthermore, the City continues to sponsor three special events a year to promote the downtown area and support the remaining businesses.

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. Bob Thomson, City Manager, P.O. Box 667, Porterdale, Georgia 30070.

BASIC FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 136,443	$ 37,861	$ 174,304
Receivables, net of allowance			
Taxes	62,761	-	62,761
Accounts	56	44,999	45,055
Due from other governments	778,519	-	778,519
Internal balances	(7,346)	7,346	-
Nondepreciable assets	351,801	26,968	378,769
Depreciable assets, net	447,044	4,704,678	5,151,722
Total Assets	1,769,278	4,821,852	6,591,130
LIABILITIES			
Accounts payable	94,086	55,086	149,172
Accrued salaries and benefits	8,031	-	8,031
Accrued interest	-	8,153	8,153
Customer deposits	-	75,823	75,823
Unearned revenues	708,575	-	708,575
Noncurrent liabilities			
Due within one year	50,196	205,222	255,418
Due in more than one year	29,277	2,143,358	2,172,635
Total Liabilities	890,165	2,487,642	3,377,807
NET ASSETS			
Invested in capital assets, net of related debt	762,095	2,397,053	3,159,148
Unrestricted	117,018	(62,843)	54,175
Total Net Assets	$ 879,113	$ 2,334,210	$ 3,213,323

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

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	$ 325,190	$ 19,166	$ -	$ -	$ (306,024)	$ -	$ (306,024)
Public safety	537,487	240,701	19,732	-	(277,054)	-	(277,054)
Public works	159,661	-	-	9,352	(150,309)	-	(150,309)
Culture and recreation	38,616	-	-	53,136	14,520	-	14,520
Interest on long-term debt	1,854	-	-	-	(1,854)	-	(1,854)
Total governmental activities	1,062,808	259,867	19,732	62,488	(720,721)	-	(720,721)
Business - Type Activities							
Water & Sewer	503,821	556,825	-	-	-	53,004	53,004
Sanitation	147,588	132,063	-	-	-	(15,525)	(15,525)
Total Business - Type Activities	651,409	688,888	-	-	-	37,479	37,479
Total Primary Government	$ 1,714,217	$ 948,755	$ 19,732	$ 62,488	(720,721)	37,479	(683,242)
		General Revenues					
		Property tax			257,423	-	257,423
		Sales tax			206,412	-	206,412
		Other taxes			147,033	-	147,033
		Insurance premium tax			68,959	-	68,959
		Interest revenue			-	3	3
		Miscellaneous			42,137	2,466	44,603
		Total General Revenues			721,964	2,469	724,433
		Transfers			2,465	(2,465)	-
		Total General Revenues and Transfers			724,429	4	724,433
		Change in Net Assets			3,708	37,483	41,191
		Net Assets - Beginning of year			875,405	2,296,727	3,172,132
		Net Assets - End of year			$ 879,113	$ 2,334,210	$ 3,213,323

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	2005 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 127,369	$ -	$ 9,074	$ 136,443
Receivables, net of allowance				
Taxes	62,761	-	-	62,761
Other	56	-	-	56
Due from other governments	19,200	758,299	1,020	778,519
Due from other funds	50,744	-	-	50,744
Total Assets	$ 260,130	$ 758,299	$ 10,094	$ 1,028,523
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 92,926	$ -	$ 1,160	$ 94,086
Accrued payroll deductions	8,031	-	-	8,031
Due to other funds	7,346	49,724	1,020	58,090
Deferred revenues				
Taxes	54,019	-	-	54,019
Other	-	708,575	-	708,575
Total Liabilities	162,322	758,299	2,180	922,801
Fund Balances:				
Reserved for:				
Program purposes	-	-	7,914	7,914
Unreserved, reported in				
General Fund				
Designated for capital improvement	13,147	-	-	13,147
Undesignated	84,661	-	-	84,661
Total Fund Balances	97,808	-	7,914	105,722
Total Liabilities and Fund Balances	$ 260,130	$ 758,299	$ 10,094	$ 1,028,523

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, 2010

Total Fund Equity per Balance Sheet of Governmental Funds	$	105,722
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		1,005,361
Accumulated depreciation		(206,516)
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		(42,723)
Capital leases		(36,750)
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.		54,019
Total Net Assets of Governmental Activities	$	879,113

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, 2010

	General Fund	2005 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes				
Property tax	$ 262,303	$ -	$ -	$ 262,303
Sales tax	206,412	-	-	206,412
Insurance premium	68,959	-	-	68,959
Other taxes	147,033	-	-	147,033
License and permits	19,166	-	-	19,166
Fines	181,654	-	59,047	240,701
Intergovernmental	11,744	49,724	1,020	62,488
Contributions and donations	19,732	-	-	19,732
Other revenues	42,137	-	-	42,137
Total Revenues	959,140	49,724	60,067	1,068,931
Expenditures:				
Current				
General government	321,194	-	-	321,194
Public safety	467,052	-	43,633	510,685
Public works	150,309	-	-	150,309
Culture and recreation	30,536	-	-	30,536
Debt service				
Principal	15,800	-	-	15,800
Interest	1,854	-	-	1,854
Capital Outlay	-	49,724	8,520	58,244
Total Expenditures	986,745	49,724	52,153	1,088,622
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,605)	-	7,914	(19,691)
Other Financing Sources (Uses):				
Transfers from other funds	9,512	-	-	9,512
Transfers to other funds	(7,047)	-	-	(7,047)
Total Other Financing Sources (Uses)	2,465	-	-	2,465
Net change in fund balances	(25,140)	-	7,914	(17,226)
Fund Balance, beginning of year	122,948	-	-	122,948
Fund Balance, end of year	$ 97,808	$ -	$ 7,914	$ 105,722

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, 2010

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	$ (17,226)
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.	(4,880)
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	3,248
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	54,352
Total depreciation	(31,898)
Loss on disposal of asset	(15,688)
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	15,800
Change in Net Assets of Governmental Activities	$ 3,708

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, 2010

	Budgeted Amounts		2010	Variance with Final Budget Positive
Revenues:	Original	Final	Actual	(Negative)
Taxes				
Property tax	$ 350,000	$ 302,134	$ 262,303	$ (39,831)
Motor vehicle tax	12,860	12,860	13,219	359
Intangible tax	830	1,200	2,725	1,525
Real estate transfer tax	200	500	1,305	805
Franchise tax	98,500	91,382	103,149	11,767
Alcoholic beverage excise tax	16,300	26,050	17,498	(8,552)
Local option sales tax	195,000	205,000	206,412	1,412
Business and occupation tax	10,500	9,000	9,137	137
Insurance premium tax	71,000	71,000	68,959	(2,041)
Licenses and Permits	6,800	7,080	19,166	12,086
Intergovernmental	-	-	11,744	11,744
Fines and forfeitures	168,500	220,250	181,654	(38,596)
Contributions and donations	-	-	19,732	19,732
Rent	6,000	6,200	6,170	(30)
Miscellaneous revenues	9,100	38,156	35,967	(2,189)
Total Revenues	945,590	990,812	959,140	(31,672)
Expenditures:				
Current:				
General government				
Administration	282,508	258,785	258,785	-
Judicial	37,227	40,961	40,961	-
Planning & zoning	25,357	26,071	21,448	4,623
Public safety				
Police	434,764	544,310	455,752	88,558
Fire	10,358	11,557	11,300	257
Public works	104,975	150,309	150,309	-
Culture and recreation	30,601	30,536	30,536	-
Debt service				
Principal	17,000	17,200	15,800	1,400
Interest	-	1,854	1,854	-
Total Expenditures	942,790	1,081,583	986,745	94,838
Excess of Revenue Over (Under) Expenditures	2,800	(90,771)	(27,605)	63,166
Other Financing Sources (Uses):				
Transfer from other funds	-	-	9,512	9,512
Transfer to other funds	-	(7,047)	(7,047)	-
Total Other Financing Sources/(Uses)	-	(7,047)	2,465	9,512
Net change in fund balance	$ 2,800	$ (97,818)	(25,140)	$ 72,678
Fund balance, beginning of year			122,948	
Fund balance, end of year			$ 97,808	

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 37,861	$ 37,861
Accounts receivable net of allowance	8,465	36,534	44,999
Due from other funds	7,047	299	7,346
Total current assets	15,512	74,694	90,206
Property, Plant & Equipment			
Nondepreciable assets	-	26,968	26,968
Depreciable assets, net	3,599	4,701,079	4,704,678
Total property, plant & equipment	3,599	4,728,047	4,731,646
Total assets	19,111	4,802,741	4,821,852
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities			
Accounts payable	11,528	43,558	55,086
Accrued interest	-	8,153	8,153
Customer utility deposits	-	75,823	75,823
Compensated absences	6,446	5,443	11,889
Current maturities of long-term debt	-	193,333	193,333
Total Current Liabilities	17,974	326,310	344,284
Long-Term Liabilities			
Compensated absences	1,137	961	2,098
Long-term debt, less current portion	-	2,141,260	2,141,260
Total Long-Term Liabilities	1,137	2,142,221	2,143,358
Total Liabilities	19,111	2,468,531	2,487,642
Net Assets:			
Invested in capital assets, net of related debt	3,599	2,393,454	2,397,053
Unrestricted	(3,599)	(59,244)	(62,843)
Total Net Assets	$ -	$ 2,334,210	$ 2,334,210

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, 2010

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
Operating revenues			
Charges and fees	$ 128,357	$ 517,981	$ 646,338
Penalties	3,706	14,822	18,528
Other fees	-	24,022	24,022
Total Operating Revenues	132,063	556,825	688,888
Operating expenses			
Personnel services and employee benefits			
Salaries	67,946	57,301	125,247
Payroll tax	5,777	3,580	9,357
Workers compensation	14,655	2,155	16,810
Purchased and contracted services			
Landfill fees	30,462	-	30,462
Professional fees	-	4,460	4,460
Repairs and maintenance	11,583	13,230	24,813
Postage	-	2,832	2,832
Water and sewer expense	-	199,627	199,627
Operating supplies	14,679	15,642	30,321
Depreciation	1,259	98,961	100,220
Total Operating Expenses	147,588	401,230	548,818
Operating Income	(15,525)	155,595	140,070
Nonoperating revenues (expenses)			
Investment income	-	3	3
Interest expense	-	(102,591)	(102,591)
Other revenue	2,466	-	2,466
Total nonoperating revenues (expenses)	2,466	(102,588)	(100,122)
Net income before transfers	(13,059)	53,007	39,948
Transfers in	9,725	-	9,725
Transfers out	-	(12,190)	(12,190)
Net transfers	9,725	(12,190)	(2,465)
Changes in net assets	(3,334)	40,817	37,483
Net assets - beginning of year	3,334	2,293,393	2,296,727
Net assets - end of year	$ -	$ 2,334,210	$ 2,334,210

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, 2010

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer	Total
Cash flows from operating activities			
Cash received from customers	$ 125,997	$ 567,725	$ 693,722
Cash payments to employees for services	(89,605)	(66,478)	(156,083)
Cash payments to other suppliers of goods or services	(48,583)	(216,161)	(264,744)
Net cash provided by (used for) operating activities	(12,191)	285,086	272,895
Cash flows from investing activities			
Interest received	-	3	3
Net cash provided by (used for) investing activities	-	3	3
Cash flows from Noncapital Financing Activities			
Transfer from other funds	9,725	-	9,725
Transfer to other funds	-	(12,190)	(12,190)
Net cash provided by (used for) Noncapital financing activities	9,725	(12,190)	(2,465)
Cash flows from capital and related financing activities			
Interest paid on long-term debt	-	(103,247)	(103,247)
Principal paid on long-term debt	-	(184,911)	(184,911)
Damage reimbursement	2,466	-	2,466
Net cash provided by (used for) capital and related financing activities	2,466	(288,158)	(285,692)
Net increase (decrease) in cash and cash equivalents	-	(15,259)	(15,259)
Cash and cash equivalents, beginning of year	-	53,120	53,120
Cash and cash equivalents, end of year	$ -	$ 37,861	$ 37,861

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, 2010
(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)	$ (15,525)	$ 155,595	$ 140,070
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,259	98,961	100,220
Changes in operating assets and liabilities:			
Accounts receivable	981	(2,066)	(1,085)
Due from other funds	(7,047)	(199)	(7,246)
Accounts payable	5,903	14,146	20,049
Compensated absences	2,238	5,484	7,722
Customer deposits	-	13,165	13,165
Net cash provided (used) by operating activities	$ (12,191)	$ 285,086	$ 272,895

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, 2010.

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 Commission (the "RC") and is required to pay annual dues thereto. During the year ended December 31, 2010, the City paid $1,516 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Council 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 RC. Separate financial statements may be obtained from:

Northeast Georgia Regional Commission
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, 2010, the City's total contribution was $49,777 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, 2010 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 2010 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, 2010 consist of the following:

	General Fund	Sanitation Fund	Water Sewer Fund	Total
Taxes	$ 114,436	$ -	$ -	$ 114,436
Accounts	56	27,910	114,316	142,282
Allowance	(51,675)	(19,445)	(77,782)	(148,902)
Net receivables	$ 62,817	$ 8,465	$ 36,534	$ 107,816

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2010 are as follows:

Fund	State	County	Total
General	$ 19,200	$ -	$ 19,200
2005 SPLOST	-	758,299	758,299
Nonmajor governmental funds	-	1,020	1,020
Total	$ 19,200	$ 759,319	$ 778,519

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, 2010 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Water and Sewer	General fund	$ 299
Sanitation Fund	General fund	7,047
General Fund	2005 SPLOST	49,724
General Fund	Nonmajor Governmental Fund	1,020
Total		$ 58,090

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

Interfund transfers:

	Transfer In:		
Transfer Out:	General Fund	Sanitation Fund	Total
Water and Sewer Fund	$ 9,512	$ 2,678	$ 12,190
General Fund	-	7,047	7,047
Total	$ 9,512	$ 9,725	$ 19,237

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, 2010 was as follows:

	Beginning	Increases	Decreases	Ending
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 284,641	$ -	$ -	$ 284,641
Construction in progress	25,768	41,392	-	67,160
Total capital assets, not being depreciated	310,409	41,392	-	351,801
Capital assets, being depreciated				
Buildings and improvements	433,069	-	-	433,069
Equipment	94,801	5,460	-	100,261
Vehicles	160,025	7,500	(47,295)	120,230
Total capital assets, being depreciated	687,895	12,960	(47,295)	653,560
Less accumulated depreciation for:				
Buildings and improvements	(27,931)	(9,065)	-	(36,996)
Equipment	(76,486)	(6,275)	-	(82,761)
Vehicles	(101,808)	(16,558)	31,607	(86,759)
Total accumulated depreciation	(206,225)	(31,898)	31,607	(206,516)
Total capital assets, being depreciated, net	481,670	(18,938)	(15,688)	447,044
Governmental activities capital assets, net	$ 792,079	$ 22,454	$ (15,688)	$ 798,845

	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	(30,798)	(813)	-	(31,611)
Water and sewer system	(948,268)	(98,148)	-	(1,046,416)
Sanitation equipment	(290,947)	(1,259)	-	(292,206)
Total accumulated depreciation	(1,270,013)	(100,220)	-	(1,370,233)
Total capital assets, being depreciated, net	4,804,898	(100,220)	-	4,704,678
Business-type activities capital assets, net	$ 4,831,866	$ (100,220)	$ -	$ 4,731,646

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

Governmental activities:	
General government	$ 3,996
Public safety	19,822
Culture and recreation	8,080
Total depreciation expense-governmental activities	$ 31,898
Business-type activities:	
Water and sewer	$ 98,961
Sanitation	1,259
Total depreciation expenses-business-type activities	$ 100,220

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, 2010 was as follows:

	Balance January 1, 2010	Additions	Deductions	Balance December 31, 2010	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 45,971	$ -	$ (3,248)	$ 42,723	$ 36,315
Capital leases	52,550	-	(15,800)	36,750	13,881
Total governmental activities	$ 98,521	$ -	$ (19,048)	$ 79,473	$ 50,196
Business-type activities:					
Capital lease	$ 18,433	$ -	$ (8,629)	$ 9,804	$ 9,032
Compensated absences	6,265	7,722	-	13,987	11,889
Subtotal	24,698	7,722	(8,629)	23,791	20,921
Notes payable					
GEFA loan # 93-011-WJ	959,172	-	(113,423)	845,749	118,966
GEFA loan # 2004-L02WQ	1,541,899	-	(62,859)	1,479,040	65,335
Total notes payable	2,501,071	-	(176,282)	2,324,789	184,301
Total business-type activity Long-term liabilities	$ 2,525,769	$ 7,722	$ (184,911)	$ 2,348,580	$ 205,222

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

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

Year Ending December 31	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2011	$ 13,881	$ 1,056	$ 9,032	$ 261
2012	15,669	596	772	3
2013	7,170	81	-	-
Total	$ 36,750	$ 1,733	$ 9,804	$ 264

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

GEFA Loan # 93-011-WJ:

Year Ending December 31	Business-type Activities Principal	Business-type Activities Interest
2011	$ 118,966	$ 38,476
2012	124,780	32,662
2013	130,878	23,564
2014	137,274	20,168
2015	143,983	13,459
2016-2017	189,868	23,339
Total	$ 845,749	$151,668

GEFA Loan # 2004-L02WQ:

Year Ending December 31	Business-type Activities Principal	Interest
2011	$ 65,335	$ 56,088
2012	67,909	53,514
2013	70,584	50,839
2014	73,365	48,058
2015	76,255	45,168
2016-2020	428,773	178,344
2021-2025	520,150	86,967
2026-2027	176,669	5,462
Total	$1,479,040	$524,440

NOTE 10 – SHORT-TERM DEBT

During 2010, the City obtained a tax anticipation note of $100,000 to finance the general obligations of the City. The note bore interest at 3.09% and was due on December 31, 2010. The note was paid in December 2010 from General Fund revenues. The total payment of principal and interest was $101,288.

Short-term debt activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Issued	Retired	Ending Balance
Governmental activities:				
Tax Anticipation Loan	$ -	$ 100,000	$ 100,000	$ -
Governmental activities Short-term debt	$ -	$ 100,000	$ 100,000	$ -

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS

The City does not provide post-employment benefits.

NOTE 12 – 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, 2010, 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, 2010, were $1,040 by the employees and $ 0 by the government.

NOTE 13 – 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 14 – 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, 2010 are as follows:

	Governmental Activities	Business-type Activities	Total
Investments in capital assets, net of related debt:			
Cost of capital assets	$ 1,005,361	$ 6,101,879	$ 7,107,240
Less accumulated depreciation	(206,516)	(1,370,233)	(1,576,749)
Book value	798,845	4,731,646	5,530,491
Less capital related debt	(36,750)	(2,334,593)	(2,371,343)
Investments in capital assets, net of related debt	$ 762,095	$ 2,397,053	$ 3,159,148

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Drug Seizure Fund - This fund is used to account for condemned funds received and disbursed for law enforcement expenditures

SPLOST 1995 - This fund is used to account for the collection of sales taxes and disbursement of funds for SPLOST approved projects.

CITY OF PORTERDALE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	1995 SPLOST	
ASSETS			
Cash and cash equivalents	$ 9,074	$ -	$ 9,074
Due from other governments	-	1,020	1,020
Total Assets	$ 9,074	$ 1,020	$ 10,094
LIABILITIES			
Accounts payable	$ 1,160	$ -	$ 1,160
Due to other funds	-	1,020	1,020
Total Liabilities	1,160	1,020	2,180
FUND BALANCES			
Reserved for program purposes	7,914	-	7,914
Total Fund Balances	7,914	-	7,914
Total Liabilities and Fund Balances	$ 9,074	$ 1,020	$ 10,094

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	1995 SPLOST	
REVENUES			
Intergovernmental revenues	$ -	$ 1,020	$ 1,020
Fines and forfeitures	59,047	-	59,047
Total Revenues	59,047	1,020	60,067
EXPENDITURES			
Current			
Public safety	43,633	-	43,633
Capital outlay	7,500	1,020	8,520
Total Expenditures	51,133	1,020	52,153
Net change in fund balance	7,914	-	7,914
Fund Balances - Beginning of year	-	-	-
Fund Balance - End of Year	$ 7,914	$ -	$ 7,914

CITY OF PORTERDALE, GEORGIA

DRUG SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and forfeitures	$ 51,133	$ 59,047	$ 7,914
Total Revenues	51,133	59,047	7,914
EXPENDITURES			
Current			
Public safety	43,633	43,633	-
Capital outlay	7,500	7,500	-
Total Expenditures	51,133	51,133	-
Net change in fund balance	$ -	7,914	$ 7,914
Fund Balances - Beginning of year		-	
Fund Balance - End of Year		$ 7,914	

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF PROJECTS
SPECIAL PURPOSE LOCAL OPTION SALES TAX
DECEMBER 31, 2010

	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	$ 234,839	$ 1,020	$ 235,859	103.33%

Note: This SPLOST project was closed out during 2010.

	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	-	8,332	8,332	2.03%
Gym	444,320	444,320	3,367	41,392	44,759	10.07%
Total 2005 SPLOST	$ 909,736	$ 909,736	$ 59,047	$ 49,724	$ 108,771	11.96%

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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, each major fund, and the aggregate remaining fund information of the City of Porterdale, Georgia as of and for the year ended December 31, 2010, which collectively comprise the City of Porterdale, Georgia's basic financial statements and have issued our report thereon dated June 15, 2011. 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 opinion 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 deficiencies, 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. 2009-02, 2010-01 and 2010-02.

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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 Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated June 15, 2011.

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 15, 2011

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010

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:

2009-02 Customer Deposits – Water and Sewerage Fund (Reiteration of Prior Year)

CRITERIA
Subsidiary records of customer deposits held by the City should be reconciled with the general ledger each month.

CONDITION
Customer deposit subsidiary records were not being reconciled with the general ledger control accounts.

EFFECT
The customer deposit report generated from the billing system had an unidentified variance of $12,115 when compared to the deposits as shown in the general ledger system.

CAUSE
Currently, the City does not have procedures in place which require the reconciliation of customer deposit subsidiary records to the general ledger each month. Additionally, the City billing system does not interface with the general ledger. This condition increases the likelihood that transactions processed through the billing system could be omitted from the general ledger.

RECOMMENDATION
Management should establish procedures to insure that subsidiary records are reconciled to their general ledger control accounts on a monthly basis.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The City concurs with the finding. The City hired a new City Manager in June of 2010 and a new City Clerk in March of 2010. The City began taking steps in 2010 to identify policies and procedures that need to be corrected. The City will continue in 2011 to resolve this matter.

2010-01 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 did not have an employee with adequate qualifications and training to prepare the year-end financial statements. During 2010, the following conditions were noted in the accounting records of the City:

- Certain revenue transactions were not properly recorded.
- Prior year audit adjustments were not properly recorded.
- Accounts payable, capital asset and payroll subsidiary ledgers were not reconciled to the general ledger.

EFFECT
Material audit adjustments were needed to fairly report financial information for the year ended December 31, 2010 as follows. In addition, interim financial reports, which are used by management for fiscal-related decisions, could have been relied upon in error.

Recording of Revenue Cycle Transactions – The City did not properly record all transactions for the revenue cycle. Material audit adjustments were necessary to correct revenues as follows:

- Audit adjustment of $19,200 was needed to correct the LOST receivable.
- Audit adjustments of $41,281 were needed to correct the deferred revenue and allowance accounts in the General Fund.
- Audit adjustments of $20,829 were needed to correct the property tax receivable, allowance and deferred revenue accounts in the General Fund.
- Audit adjustments of $55,516 were needed to correct the water and sewer revenue accounts.
- Audit adjustments of $26,819 were needed to correct the water and sewer accounts receivable and allowance accounts.
- Audit adjustment of $58,591 was needed to correct the deferred revenue account in the 2005 SPLOST Fund.

Recording of Expenditures and Accounts Payable Transactions – The City did not properly reverse prior year payable activity and record current year payable transactions. Material audit adjustments were necessary to correct expenditures and accounts payable as follows:

- Audit adjustment of $14,572 was needed to remove 2005 SPLOST expenditures from the General Fund.

- Audit adjustment of $98,961 was needed to record depreciation expense in the Water & Sewer Fund.
- Audit adjustment of $18,313 was needed to remove prior year accounts payable in the Water & Sewer Fund.
- Audit adjustment of $11,528 was needed to record current year accounts payable in the Sanitation Fund.

Other Posting Errors – Audit procedures identified other posting errors where material audit adjustments were necessary to correct as follows:

- In the General Fund, audit adjustments of $59,782 were needed to correct the fund balance account.
- In the General Fund, audit adjustments of $59,047 were needed to remove Drug Seizure Fund activity from the General Fund accounts.
- Audit adjustments of $19,379 were needed to reconcile the payroll activity in the General Fund.
- Audit adjustments of $905,162 were needed to eliminate the Payroll Fund within the General Fund.
- Audit adjustment of $17,956 was needed to correct transfers between the General Fund and the Water & Sewer Fund.
- Audit adjustments of $77,923 were needed to correct the payroll liability accounts in the General Fund.
- Audit adjustments of $154,525 were needed to remove the Sanitation Fund activity from the Water & Sewer Fund.
- In the Water & Sewer Fund, audit adjustments of $468,770 were needed to correct the fund balance account.
- In the Sanitation Fund, audit adjustments of $323,662 were needed to correct the fund balance account.
- Audit adjustments of $241,458 were needed to correct the Water & Sewer Fund capital asset accounts.

CAUSE

The material weakness is the result of the City not having employees with adequate training and expertise in generally accepted accounting principles and governmental accounting standards to prepare or adequately review and evaluate the financial statements which were prepared by the independent auditor.

RECOMMENDATION

The City should evaluate the cost/benefit implications of improving internal control with the preparation of year-end financial statements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City concurs with the finding. The City is also working with an outside firm to further identify and correct procedures leading to this finding.

2010-02 Payroll Bank Account

CRITERIA

An effective system of internal controls should insure that all payroll bank accounts are recorded on the City's general fund and transactions are properly classified by their functional purpose.

CONDITION

During 2010, a new bank account was established for payroll transactions. Audit procedures revealed that: (1) the bank account was not properly recorded in the general fund and (2) transactions related to payroll were not properly classified in the functional expenditures.

EFFECT

A new bank account to be used for payroll expenditures was not recorded in the general fund. Additionally, payroll expenditures were not properly classified within the general fund and water and sewer funds. Interim reports containing budget to actual comparisons would be materially misstated. Audit adjustments totaling $924,541 in the general fund and $4,282 in the water and sewer fund were required to properly classify expenditures.

CAUSE

Prior to 2010, the City used a third party service for payroll processing. The use of the payroll service was discontinued during 2010. The City lacked personnel with adequate technical training to incorporate the payroll processing into the existing financial reporting system.

RECOMMENDATION

Management should establish procedures to insure the following:

- All payroll bank accounts are recorded in the general fund.
- The bank accounts are reconciled to the general fund control account each month.
- A responsible official approves the monthly bank reconciliations.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City concurs with the finding. The City will work with an outside payroll firm to resolve the finding.