CITY OF PORTERDALE
GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

CITY OF PORTERDALE, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

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, 2011, 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, 2011, 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 14, 2012 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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Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 14, 2012

BASIC FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 177,387	$ 66,920	$ 244,307
Receivables, net of allowance			
Taxes	82,523	-	82,523
Accounts	856	48,894	49,750
Due from other governments	845,188	-	845,188
Internal balances	3,215	(3,215)	-
Nondepreciable assets	351,801	26,968	378,769
Depreciable assets, net	416,463	4,605,117	5,021,580
Total Assets	1,877,433	4,744,684	6,622,117
LIABILITIES			
Accounts payable	41,136	42,890	84,026
Accrued salaries and benefits	11,250	-	11,250
Accrued interest	-	7,466	7,466
Customer deposits	-	95,178	95,178
Unearned revenues	796,160	-	796,160
Noncurrent liabilities			
Due within one year	48,195	206,653	254,848
Due in more than one year	11,654	1,950,127	1,961,781
Total Liabilities	908,395	2,302,314	3,210,709
NET ASSETS			
Invested in capital assets, net of related debt	746,681	2,490,825	3,237,506
Restricted	77,501	-	77,501
Unrestricted	144,856	(48,455)	96,401
Total Net Assets	$ 969,038	$ 2,442,370	$ 3,411,408

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

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	$ 249,085	$ 21,868	$ -	$ -	$ (227,217)	$ -	$ (227,217)
Public safety	437,527	107,451	17,720	-	(312,356)	-	(312,356)
Public works	124,833	-	-	4,748	(120,085)	-	(120,085)
Culture and recreation	25,943	-	-	77,501	51,558	-	51,558
Interest on long-term debt	1,128	-	-	-	(1,128)	-	(1,128)
Total governmental activities	838,516	129,319	17,720	82,249	(609,228)	-	(609,228)
Business - Type Activities							
Water & Sewer	539,822	588,426	-	-	-	48,604	48,604
Sanitation	122,416	137,564	-	-	-	15,148	15,148
Total Business - Type Activities	662,238	725,990	-	-	-	63,752	63,752
Total Primary Government	$ 1,500,754	$ 855,309	$ 17,720	$ 82,249	(609,228)	63,752	(545,476)
General Revenues							
Property tax					267,163	-	267,163
Sales tax					212,445	-	212,445
Other taxes					175,589	-	175,589
Insurance premium tax					67,026	-	67,026
Interest revenue					-	6	6
Miscellaneous					21,332	-	21,332
Total General Revenues					743,555	6	743,561
Transfers					(44,402)	44,402	-
Total General Revenues and Transfers					699,153	44,408	743,561
Change in Net Assets					89,925	108,160	198,085
Net Assets - Beginning of year					879,113	2,334,210	3,213,323
Net Assets - End of year					$ 969,038	$ 2,442,370	$ 3,411,408

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	2005 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 125,716	$ -	$ 51,671	$ 177,387
Receivables, net of allowance				
Taxes	82,523	-	-	82,523
Other	856	-	-	856
Due from other governments	20,736	798,106	26,346	845,188
Due from other funds	8,617	-	-	8,617
Total Assets	238,448	798,106	78,017	1,114,571
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	41,136	-	-	41,136
Accrued payroll deductions	11,250	-	-	11,250
Due to other funds	3,456	1,946	-	5,402
Deferred revenues				
Taxes	66,660	-	-	66,660
Other	-	796,160	-	796,160
Total Liabilities	122,502	798,106	-	920,608
Fund Balances:				
Restricted	-	-	78,017	78,017
Assigned	21,200	-	-	21,200
Unassigned	94,746	-	-	94,746
Total Fund Balances	115,946	-	78,017	193,963
Total Liabilities and Fund Balances	$ 238,448	$ 798,106	$ 78,017	$ 1,114,571

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, 2011

Total Fund Equity per Balance Sheet of Governmental Funds	$	193,963
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		(237,097)
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		(38,266)
Capital leases		(21,583)
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.		66,660
Total Net Assets of Governmental Activities	$	969,038

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, 2011

	General Fund	2005 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes				
Property tax	$ 254,522	$ -	$ -	$ 254,522
Sales tax	212,445	-	-	212,445
Insurance premium	67,026	-	-	67,026
Other taxes	175,589	-	-	175,589
License and permits	21,868	-	-	21,868
Fines	105,992	-	1,459	107,451
Intergovernmental	-	4,748	77,438	82,186
Interest earnings	-	-	63	63
Contributions and donations	17,720	-	-	17,720
Other revenues	20,216	-	1,116	21,332
Total Revenues	875,378	4,748	80,076	960,202
Expenditures:				
Current				
General government	249,772	-	-	249,772
Public safety	409,049	-	9,973	419,022
Public works	120,085	4,748	-	124,833
Culture and recreation	17,637	-	-	17,637
Debt service				
Principal	15,167	-	-	15,167
Interest	1,128	-	-	1,128
Capital Outlay	-	-	-	-
Total Expenditures	812,838	4,748	9,973	827,559
Excess (Deficiency) of Revenues Over (Under) Expenditures	62,540	-	70,103	132,643
Other Financing Sources (Uses):				
Transfers to other funds	(44,402)	-	-	(44,402)
Total Other Financing Sources (Uses)	(44,402)	-	-	(44,402)
Net change in fund balances	18,138	-	70,103	88,241
Fund Balance, beginning of year	97,808	-	7,914	105,722
Fund Balance, end of year	$ 115,946	$ -	$ 78,017	$ 193,963

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, 2011

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	$	88,241
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.		12,641
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		4,457
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 depreciation		(30,581)
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		15,167
Change in Net Assets of Governmental Activities	$	89,925

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

CITY OF PORTERDALE, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		2011	Variance with Final Budget Positive
Revenues:	Original	Final	Actual	(Negative)
Taxes				
Property tax	$ 306,000	$ 306,000	$ 254,522	$ (51,478)
Motor vehicle tax	13,000	13,000	26,799	13,799
Intangible tax	3,500	3,500	4,407	907
Real estate transfer tax	1,500	1,500	958	(542)
Franchise tax	103,500	103,500	120,006	16,506
Alcoholic beverage excise tax	21,300	21,300	16,617	(4,683)
Local option sales tax	202,500	202,500	212,445	9,945
Business and occupation tax	9,000	9,000	6,802	(2,198)
Insurance premium tax	68,000	68,000	67,026	(974)
Licenses and Permits	20,600	20,600	21,868	1,268
Fines and forfeitures	220,500	221,330	105,992	(115,338)
Contributions and donations	-	-	17,720	17,720
Rent	6,168	6,168	6,263	95
Miscellaneous revenues	9,165	9,165	13,953	4,788
Total Revenues	984,733	985,563	875,378	(110,185)
Expenditures:				
Current:				
General government				
Administration	234,846	234,846	221,074	13,772
Judicial	40,726	40,726	28,248	12,478
Planning & zoning	6,000	6,000	450	5,550
Public safety				
Police	523,187	523,187	397,008	126,179
Fire	12,658	12,658	12,041	617
Public works	133,509	133,509	120,085	13,424
Culture and recreation	16,807	17,637	17,637	-
Debt service				
Principal	17,000	15,872	15,167	705
Interest	-	1,128	1,128	-
Total Expenditures	984,733	985,563	812,838	172,725
Excess of Revenue Over (Under) Expenditures	-	-	62,540	62,540
Other Financing Sources (Uses):				
Transfer to other funds	-	-	(44,402)	(44,402)
Total Other Financing Sources/(Uses)	-	-	(44,402)	(44,402)
Net change in fund balance	$ -	$ -	18,138	$ 18,138
Fund balance, beginning of year			97,808	
Fund balance, end of year			$ 115,946	

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

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CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 66,920	$ 66,920
Accounts receivable net of allowance	7,215	41,679	48,894
Due from other funds	3,456	-	3,456
Total current assets	10,671	108,599	119,270
Property, Plant & Equipment			
Nondepreciable assets	-	26,968	26,968
Depreciable assets, net	2,999	4,602,118	4,605,117
Total property, plant & equipment	2,999	4,629,086	4,632,085
Total assets	13,670	4,737,685	4,751,355
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities			
Accounts payable	5,717	37,173	42,890
Accrued interest	-	7,466	7,466
Due to other funds	-	6,671	6,671
Customer utility deposits	-	95,178	95,178
Compensated absences	6,760	6,432	13,192
Current maturities of long-term debt	-	193,461	193,461
Total Current Liabilities	12,477	346,381	358,858
Long-Term Liabilities			
Compensated absences	1,193	1,135	2,328
Long-term debt, less current portion	-	1,947,799	1,947,799
Total Long-Term Liabilities	1,193	1,948,934	1,950,127
Total Liabilities	13,670	2,295,315	2,308,985
Net Assets:			
Invested in capital assets, net of related debt	2,999	2,487,826	2,490,825
Unrestricted	(2,999)	(45,456)	(48,455)
Total Net Assets	$ -	$ 2,442,370	$ 2,442,370

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, 2011

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer Fund	Total
Operating revenues			
Charges and fees	$ 128,420	$ 555,260	$ 683,680
Penalties	9,144	9,144	18,288
Other fees	-	24,022	24,022
Total Operating Revenues	137,564	588,426	725,990
Operating expenses			
Personnel services and employee benefits	75,061	71,620	146,681
Purchased and contracted services	4,455	233,995	238,450
Landfill fees	29,755	-	29,755
Materials and supplies	12,545	30,141	42,686
Depreciation	600	98,961	99,561
Total Operating Expenses	122,416	445,684	568,100
Operating Income	15,148	142,742	157,890
Nonoperating revenues (expenses)			
Investment income	-	6	6
Interest expense	-	(94,138)	(94,138)
Total nonoperating revenues (expenses)	-	(94,132)	(94,132)
Net income before transfers	15,148	48,610	63,758
Transfers in	7,937	59,550	67,487
Transfers out	(23,085)	-	(23,085)
Net transfers	(15,148)	59,550	44,402
Changes in net assets	-	108,160	108,160
Net assets - beginning of year	-	2,334,210	2,334,210
Net assets - end of year	$ -	$ 2,442,370	$ 2,442,370

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, 2011

	Business Activities - Enterprise Funds		
	Sanitation Fund	Water and Sewer	Total
Cash flows from operating activities			
Cash received from customers	$ 142,405	$ 609,606	$ 752,011
Cash payments to employees for services	(75,061)	(71,620)	(146,681)
Cash payments to other suppliers of goods or services	(52,196)	(280,325)	(332,521)
Net cash provided by (used for) operating activities	15,148	257,661	272,809
Cash flows from investing activities			
Interest received	-	6	6
Net cash provided by (used for) investing activities	-	6	6
Cash flows from noncapital financing activities			
Transfer from other funds	7,937	59,550	67,487
Transfer to other funds	(23,085)	-	(23,085)
Net cash provided by (used for) Noncapital financing activities	(15,148)	59,550	44,402
Cash flows from capital and related financing activities			
Interest paid on long-term debt	-	(94,825)	(94,825)
Principal paid on long-term debt	-	(193,333)	(193,333)
Net cash provided by (used for) capital and related financing activities	-	(288,158)	(288,158)
Net increase (decrease) in cash and cash equivalents	-	29,059	29,059
Cash and cash equivalents, beginning of year	-	37,861	37,861
Cash and cash equivalents, end of year	$ -	$ 66,920	$ 66,920

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, 2011
(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)	$ 15,148	$ 142,742	$ 157,890
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	600	98,961	99,561
Changes in operating assets and liabilities:			
Accounts receivable	1,250	(5,145)	(3,895)
Due from other funds	3,591	299	3,890
Accounts payable	(5,811)	(6,385)	(12,196)
Due to other funds	-	6,671	6,671
Compensated absences	370	1,163	1,533
Customer deposits	-	19,355	19,355
Net cash provided (used) by operating activities	$ 15,148	$ 257,661	$ 272,809

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, 2011.

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, 2011, 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, 2011, the City's total contribution was $30,405 for the Workers Compensation Fund.

N. Fund Balance

In the financial statements, governmental funds report the following classifications of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council approves committed resources through a motion and vote during the voting session of City Council meetings.

- Assigned – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City has authorized the City Council to assign fund balances.
- Unassigned – amounts that have not been assigned to other funds, and that are not restricted, committed, or assigned to specific purposes within the General Fund.

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

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of December 31, 2011:

	General Fund	Nonmajor Governmental	Total
Fund Balances			
Restricted:			
Capital outlay	$ -	$ 77,501	$ 77,501
Public safety	-	516	516
Assigned for:			
Capital outlay	21,200	-	21,200
Unassigned	94,746	-	94,746
Total fund balances	$ 115,946	$ 78,017	$ 193,963

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, 2011 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	July 28	January 1
Due Date and Collection Date	December 20	Staggered
Tax Execution Date/Lien Date	December 20	N/A

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

The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available as net current assets. In the accompanying financial statements, the property tax levy for the tax year 2011 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, 2011 consist of the following:

	General Fund	Sanitation Fund	Water Sewer Fund	Total
Taxes	$ 144,099	$ -	$ -	$ 144,099
Accounts	856	29,289	129,975	160,120
Allowance	(61,576)	(22,074)	(88,296)	(171,946)
Net receivables	$ 83,379	$ 7,215	$ 41,679	$ 132,273

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2011 are as follows:

Fund	State	County	Total
General	$ 20,736	$ -	$ 20,736
2005 SPLOST	-	798,106	798,106
Nonmajor governmental funds	-	26,346	26,346
Total	$ 20,736	$ 824,452	$ 845,188

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, 2011 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer	$ 6,671
General Fund	2005 SPLOST	1,946
Sanitation Fund	General Fund	3,456
Total		$ 12,073

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:	Water & Sewer	Sanitation Fund	Total
General Fund	$ 36,465	$ 7,937	$ 44,402
Sanitation Fund	23,085	-	23,085
Total	$ 59,550	$ 7,937	$ 67,487

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, 2011 was as follows:

Land	$ 284,641	$ -	$ -	$ 284,641
Construction in progress	67,160	-	-	67,160
Total capital assets, not being depreciated	351,801	-	-	351,801
Capital assets, being depreciated				
Buildings and improvements	433,069	-	-	433,069
Equipment	100,261	-	-	100,261
Vehicles	120,230	-	-	120,230
Total capital assets, being depreciated	653,560	-	-	653,560
Less accumulated depreciation for:				
Buildings and improvements	(36,996)	(9,065)	-	(46,061)
Equipment	(82,761)	(6,275)	-	(89,036)
Vehicles	(86,759)	(15,241)	-	(102,000)
Total accumulated depreciation	(206,516)	(30,581)	-	(237,097)
Total capital assets, being depreciated, net	447,044	(30,581)	-	416,463
Governmental activities capital assets, net	$ 798,845	$ (30,581)	$ -	$ 768,264

	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	(31,611)	(813)	-	(32,424)
Water and sewer system	(1,046,416)	(98,148)	-	(1,144,564)
Sanitation equipment	(292,206)	(600)	-	(292,806)
Total accumulated depreciation	(1,370,233)	(99,561)	-	(1,469,794)
Total capital assets, being depreciated, net	4,704,678	(99,561)	-	4,605,117
Business-type activities capital assets, net	$ 4,731,646	$ (99,561)	$ -	$ 4,632,085

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

Governmental activities:	
General government	$ 3,770
Public safety	18,505
Culture and recreation	8,306
Total depreciation expense-governmental activities	$ 30,581
Business-type activities:	
Water and sewer	$ 98,961
Sanitation	600
Total depreciation expenses-business-type activities	$ 99,561

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%. Interest on the note totaled $38,476 for 2011.

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%. Interest on the note totaled $56,088 for 2011.

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, 2011 was as follows:

	Balance January 1, 2011	Additions	Deductions	Balance December 31, 2011	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 42,723	$ 25,949	$ (30,406)	$ 38,266	$ 32,526
Capital leases	36,750	-	(15,167)	21,583	15,669
Total governmental activities	$ 79,473	$ 25,949	$ (45,573)	$ 59,849	$ 48,195
Business-type activities:					
Capital lease	$ 9,804	$ -	$ (9,032)	$ 772	$ 772
Compensated absences	13,987	8,649	(7,116)	15,520	13,192
Notes payable					
GEFA loan # 93-011-WJ	845,749	-	(118,966)	726,783	124,780
GEFA loan # 2004-L02WQ	1,479,040	-	(65,335)	1,413,705	67,909
Total business-type activity Long-term liabilities	$ 2,348,580	$ 8,649	$ (200,449)	$ 2,156,780	$ 206,653

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
2012	$ 15,669	$ 596	$ 772	$ 3
2013	5,914	81	-	-
Total	$ 21,583	$ 677	$ 772	$ 3

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
2012	$ 124,780	$ 32,662
2013	130,878	23,564
2014	137,274	20,168
2015	143,983	13,459
2016	151,019	6,422
2016-2017	38,849	466
Total	$ 726,783	$96,741

GEFA Loan # 2004-L02WQ:

Year Ending December 31	Business-type Activities Principal	Interest
2012	$ 67,909	$ 53,514
2013	70,584	50,839
2014	73,365	48,058
2015	76,255	45,168
2016	79,259	42,164
2017-2021	445,664	161,453
2022-2026	540,641	66,476
2027	60,028	679
Total	$1,413,705	$468,351

NOTE 10 – SHORT-TERM DEBT

During 2011, the City obtained a tax anticipation note of $150,000 to finance the general obligations of the City. The note bore interest at 2.45% and was due on December 31, 2011. The note was paid in December 2011 from General Fund revenues. Interest on the note totaled $1,674 for 2011.

Short-term debt activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Issued	Retired	Ending Balance
Governmental activities:				
Tax Anticipation Loan	$ -	$ 150,000	$ 150,000	$ -
Governmental activities Short-term debt	$ -	$ 150,000	$ 150,000	$ -

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, 2011, 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, 2011, were $736 by the employees and $13,000 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, 2011 are as follows:

Investments in capital assets, net of related debt:	Governmental Activities	Business-type Activities	Total
Cost of capital assets	$ 1,005,361	$ 6,101,879	$ 7,107,240
Less accumulated depreciation	(237,097)	(1,469,794)	(1,706,891)
Book value	768,264	4,632,085	5,400,349
Less capital related debt	(21,583)	(2,141,260)	(2,162,843)
Investments in capital assets, net of related debt	$ 746,681	$ 2,490,825	$ 3,237,506

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

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

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

SPLOST 2011 - 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, 2011

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	2011 SPLOST	
ASSETS			
Cash and cash equivalents	$ 516	$ 51,155	$ 51,671
Due from other governments	-	26,346	26,346
Total Assets	$ 516	$ 77,501	$ 78,017
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Due to other funds	-	-	-
Total Liabilities	-	-	-
FUND BALANCES			
Restricted:			
Public Safety	516	-	516
Capital Outlay	-	77,501	77,501
Total Fund Balances	516	77,501	78,017
Total Liabilities and Fund Balances	$ 516	$ 77,501	$ 78,017

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	2011 SPLOST	
REVENUES			
Intergovernmental revenues	$ -	$ 77,438	$ 77,438
Fines and forfeitures	1,459	-	1,459
Interest income	-	63	63
Miscellaneous	1,116	-	1,116
Total Revenues	2,575	77,501	80,076
EXPENDITURES			
Current			
Public safety	9,973	-	9,973
Capital outlay	-	-	-
Total Expenditures	9,973	-	9,973
Net change in fund balance	(7,398)	77,501	70,103
Fund Balances - Beginning of year	7,914	-	7,914
Fund Balance - End of Year	$ 516	$ 77,501	$ 78,017

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, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and forfeitures	$ 9,973	$ 1,459	$ (8,514)
Miscellaneous	-	1,116	1,116
Total Revenues	9,973	2,575	(7,398)
EXPENDITURES			
Current			
Public safety	9,973	9,973	-
Total Expenditures	9,973	9,973	-
Net change in fund balance	-	(7,398)	(7,398)
Fund Balances - Beginning of year	-	7,914	7,914
Fund Balance - End of Year	$ -	$ 516	$ 516

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF PROJECTS
SPECIAL PURPOSE LOCAL OPTION SALES TAX
DECEMBER 31, 2011

	Original Estimated Cost	Amended Budget	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Special Local Option Sales Tax July 1, 2005						
Train Station	$ 55,680	$ 55,680	$ 55,680	$ -	$ 55,680	100.00%
Roads	409,736	409,736	8,332	4,748	13,080	3.19%
Gym	444,320	444,320	44,759	-	44,759	10.07%
Total 2005 SPLOST	$ 909,736	$ 909,736	$ 108,771	$ 4,748	$ 113,519	12.48%
Special Local Option Sales Tax July 1, 2011						
Historic Preservation, Design & Renovation of Gym	$ 450,000	$ 450,000	$ -	$ -	$ -	0.00%
Transportation Projects	240,000	240,000	-	-	-	0.00%
Recreation	140,000	140,000	-	-	-	0.00%
Total 2011 SPLOST	$ 830,000	$ 830,000	$ -	$ -	$ -	0.00%

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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, 2011, which collectively comprise the City of Porterdale, Georgia's basic financial statements and have issued our report thereon dated June 14, 2012. 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

Management of the City of Porterdale, Georgia is responsible for establishing and maintaining effective 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 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, 2011-01, 2011-02 and 2011-03.

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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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-04 and 2011-05.

We noted certain matters that we reported to management of the City in a separate letter dated June 14, 2012.

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 14, 2012

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 $24,849 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
Management agrees with the finding. The City has engaged Capable Financial Solutions, Inc., a public accounting firm, to perform monthly compiled financial statements and Capable will be working with City staff to establish utility billing reconciliation procedures related to customer deposits.

2011-01 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 2011, 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, 2011 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 adjustments were needed to reverse out the prior year LOST receivable and to record the current year LOST receivable of $19,200 and $20,736, respectively.
- Audit adjustments of $28,464 were needed to correct the property tax receivable, allowance and deferred revenue accounts in the General Fund.
- Audit adjustments of $46,195 were needed to correct the water and sewer revenue accounts.
- Audit adjustments of $27,038 were needed to correct the water and sewer accounts receivable and allowance accounts.
- Audit adjustment of $136,527 was needed to record the activity in the 2005 SPLOST Fund.
- Audit adjustment of $51,155 to record the activity in the 2011 SPLOST Fund.
- Audit adjustment of $26,346 to record the 2011 SPLOST receivable.

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 $13,080 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.

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 $93,415 were needed to correct the fund balance account.
- In the General Fund, audit adjustments of $50,020 were needed to correct the recording of the TAN obtained by the City during 2011.
- Audit adjustments of $476,945 were needed to eliminate the Payroll Fund within the General Fund.
- Audit adjustments of $135,387 were needed to remove the Sanitation Fund activity from the Water & Sewer Fund.
- In the Water & Sewer Fund, audit adjustments of $430,876 were needed to correct the fund balance account.
- Audit adjustments of $132,683 were needed to eliminate the Payroll Fund within the Water & Sewer Fund.
- In the Sanitation Fund, audit adjustments of $225,198 were needed to correct the fund balance account.
- Audit adjustments of $66,194 were needed to eliminate the Payroll Fund within the Sanitation Fund.

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

Management agrees with the finding. The City has engaged Capable Financial Solutions, Inc., a public accounting firm, to perform monthly compiled financial statements and Capable will be preparing year-end financials for the 2012 audit.

2011-02 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
Audit procedures revealed that: (1) the bank account was not properly recorded in the funds and (2) transactions related to payroll were not properly classified in the functional expenditures.

EFFECT
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 $476,945 in the general fund, $132,683 in the water and sewer fund, and $66,194 in the sanitation 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
Management agrees with the finding. The City has engaged Capable Financial Solutions, Inc., a public accounting firm, to perform monthly compiled financial statements and Capable will be reconciling bank statements. The City has also outsourced payroll processing to Capable Financial Solutions, Inc.

2011-03 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 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 invoices, while typically are indicative of general disorganization, could be a flag of a much more serious 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
Management agrees with the finding. The City has developed a filing system of invoices by vendor that is being maintained by new personnel and stamping invoices paid with the check date and check number written on the face of the invoice.

COMPLIANCE FINDINGS

2011-04 Payroll Tax Reports

CRITERIA
An effective system of internal controls should insure that all the necessary payroll reports are prepared and filed with the appropriate authorities accurately and on a timely basis.

CONDITION
The City did not file the quarterly 941 payroll reports with the IRS for the 4th quarter of 2011. The City did not file other 941 reports in a timely manner resulting in interest and penalties being assess against the City by the IRS. The 2011 W-2s and W-3 reports were not properly filed with the Social Security Administration.

EFFECT
The City was delinquent in filing the necessary payroll reports with the appropriate authorities resulting in penalties and interest being assessed against the City.

CAUSE
The City lacked personnel with adequate technical training to prepare and file the necessary payroll reports.

RECOMMENDATION
Management should establish procedures to insure that all required payroll reports are prepared accurately and submitted to the appropriate authorities in a timely manner. We also recommend that the City look into obtaining the services of a payroll service to handle all payroll related duties for the City.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City has outsourced the payroll function to Capable Financial Solutions, Inc., a public accounting firm, which will include filing of payroll tax returns as part of that service.

2011-05 Payroll Tax Deposits

CRITERIA
An effective system of internal controls should insure that all the necessary payroll taxes are paid in a timely manner.

CONDITION
The City did not pay the payroll tax deposits in a timely manner during 2011.

EFFECT
The City was assessed penalties and interest on the payroll taxes of $1,242 for 2011.

CAUSE
The City lacked personnel with adequate technical training to properly pay all necessary payroll taxes.

RECOMMENDATION
Management should establish procedures to insure that all required payroll paid to the appropriate authorities in a timely manner. We also recommend that the City look into obtaining the services of a payroll service to handle all payroll related duties for the City.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City has outsourced the payroll function to Capable Financial Solutions, Inc., a public accounting firm, which will include electronic payment of payroll taxes as part of that service.

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