CITY OF PORTERDALE
GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF PORTERDALE, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF PORTERDALE, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

Mayor and Council
City of Porterdale, Georgia
Porterdale, Georgia

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison information for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that 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.

Other 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, budgetary comparison schedules, and 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, budgetary comparison schedules, and schedule of projects constructed with special sales tax proceeds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, and schedule of projects constructed with special sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2013 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* in considering the City of Porterdale, Georgia's internal control over financial reporting and compliance.

Macon, Georgia
June 11, 2013

FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 177,703	$ 93,613	$ 271,316
Receivables, net of allowance			
Taxes	61,519	-	61,519
Accounts	500	34,718	35,218
Due from other governments	781,242	-	781,242
Internal balances	51,308	(51,308)	-
Nondepreciable assets	771,511	26,968	798,479
Depreciable assets, net	398,701	4,538,925	4,937,626
Total Assets	2,242,484	4,642,916	6,885,400
LIABILITIES			
Accounts payable	179,965	68,552	248,517
Accrued salaries and benefits	14,081	-	14,081
Accrued interest	-	6,748	6,748
Customer deposits	-	67,657	67,657
Unearned revenues	637,742	-	637,742
Noncurrent liabilities			
Due within one year	19,069	210,436	229,505
Due in more than one year	2,336	1,773,311	1,775,647
Total Liabilities	853,193	2,126,704	2,979,897
NET POSITION			
Net investment in capital assets	1,164,378	2,585,889	3,750,267
Restricted	878	-	878
Unrestricted	224,035	(69,677)	154,358
Total Net Position	$ 1,389,291	$ 2,516,212	$ 3,905,503

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

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 Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business - Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government:							
Governmental Activities							
General government	$ 292,269	$ 24,290	$ -	$ 330,669	$ 62,690	$ -	$ 62,690
Public safety	480,577	188,494	13,921	-	(278,162)	-	(278,162)
Public works	115,523	-	-	63	(115,460)	-	(115,460)
Culture and recreation	18,775	-	-	-	(18,775)	-	(18,775)
Interest on long-term debt	547	-	-	-	(547)	-	(547)
Total governmental activities	907,691	212,784	13,921	330,732	(350,254)	-	(350,254)
Business - Type Activities							
Water & Sewer	553,237	626,292	-	-	-	73,055	73,055
Sanitation	123,767	124,550	-	-	-	783	783
Total Business - Type Activities	677,004	750,842	-	-	-	73,838	73,838
Total Primary Government	$ 1,584,695	$ 963,626	$ 13,921	$ 330,732	(350,254)	73,838	(276,416)
General Revenues							
Property tax					258,485	-	258,485
Sales tax					227,588	-	227,588
Other taxes					187,016	-	187,016
Insurance premium tax					71,193	-	71,193
Interest revenue					-	4	4
Miscellaneous					26,225	-	26,225
Total General Revenues					770,507	4	770,511
Change in Net Position					420,253	73,842	494,095
Net Position - Beginning of year					969,038	2,442,370	3,411,408
Net Position - End of year					$ 1,389,291	$ 2,516,212	$ 3,905,503

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	2005 SPLOST Fund	2011 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 149,397	$ -	$ 26,525	$ 1,781	$ 177,703
Receivables, net of allowance					
Taxes	61,519	-	-	-	61,519
Other	500	-	-	-	500
Due from other governments	24,222	729,096	27,924	-	781,242
Due from other funds	92,868	-	-	-	92,868
Total Assets	$ 328,506	$ 729,096	$ 54,449	$ 1,781	$ 1,113,832
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 69,271	$ 78,797	$ 31,897	$ -	$ 179,965
Accrued expenses	14,081	-	-	-	14,081
Due to other funds	548	12,557	27,552	903	41,560
Deferred revenues					
Taxes	56,968	-		-	56,968
Other	-	637,742	-	-	637,742
Total Liabilities	140,868	729,096	59,449	903	930,316
Fund Balances:					
Restricted	-	-	-	878	878
Unassigned	187,638	-	(5,000)	-	182,638
Total Fund Balances/(Deficit)	187,638	-	(5,000)	878	183,516
Total Liabilities and Fund Balances	$ 328,506	$ 729,096	$ 54,449	$ 1,781	$ 1,113,832

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 POSITION
DECEMBER 31, 2012

Total Fund Equity per Balance Sheet of Governmental Funds	$	183,516
Amounts reported for governmental activities in the Statement of Net Position 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		1,435,923
Accumulated depreciation		(265,711)
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 Position. Long-term liabilities at year-end consist of the following:		
Compensated absences		(15,571)
Capital leases		(5,834)
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.		56,968
Total Net Position of Governmental Activities	$	1,389,291

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, 2012

	General Fund	2005 SPLOST Fund	2011 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes					
Property tax	$ 268,177	$ -	$ -	$ -	$ 268,177
Sales tax	227,588	-	-	-	227,588
Insurance premium	71,193	-	-	-	71,193
Other taxes	187,016	-	-	-	187,016
License and permits	24,290	-	-	-	24,290
Fines	188,112	-	-	382	188,494
Intergovernmental	13,716	157,100	159,853	-	330,669
Interest earnings	-	-	63	-	63
Contributions and donations	13,921	-	-	-	13,921
Rent	7,085	-	-	-	7,085
Other revenues	15,824	-	3,316	-	19,140
Total Revenues	1,016,922	157,100	163,232	382	1,337,636
Expenditures:					
Current					
General government	311,194	-	-	-	311,194
Public safety	474,872	-	-	20	474,892
Public works	115,523	-	-	-	115,523
Culture and recreation	10,468	-	-	-	10,468
Debt service					
Principal	15,749	-	-	-	15,749
Interest	547	-	-	-	547
Capital Outlay	-	157,100	262,610	-	419,710
Total Expenditures	928,353	157,100	262,610	20	1,348,083
Excess (Deficiency) of Revenues Over (Under) Expenditures	88,569	-	(99,378)	362	(10,447)
Other Financing Sources (Uses):					
Transfers from other funds	-	-	16,877	-	16,877
Transfers to other funds	(16,877)	-	-	-	(16,877)
Total Other Financing Sources (Uses)	(16,877)	-	16,877	-	-
Net change in fund balances	71,692	-	(82,501)	362	(10,447)
Fund Balance, beginning of year	115,946	-	77,501	516	193,963
Fund Balance/(Deficit), end of year	$ 187,638	$ -	$ (5,000)	$ 878	$ 183,516

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, 2012

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	$	(10,447)
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.		(9,692)
Compensated Absences		
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		22,695
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		430,562
Total depreciation		(28,614)
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		15,749
Change in Net Position of Governmental Activities	$	420,253

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, 2012

	Budgeted Amounts		2012	Variance with Final Budget Positive
Revenues:	Original	Final	Actual	(Negative)
Taxes				
Property tax	$ 215,500	$ 265,500	$ 268,177	$ 2,677
Motor vehicle tax	19,000	33,000	33,539	539
Intangible tax	4,500	4,500	2,349	(2,151)
Real estate transfer tax	500	500	460	(40)
Franchise tax	113,000	124,000	124,813	813
Alcoholic beverage excise tax	26,500	26,500	24,195	(2,305)
Local option sales tax	195,000	227,000	227,588	588
Business and occupation tax	6,000	6,000	1,660	(4,340)
Insurance premium tax	64,000	64,000	71,193	7,193
Licenses and Permits	15,675	15,675	24,290	8,615
Intergovernmental	-	-	13,716	13,716
Fines and forfeitures	150,000	186,000	188,112	2,112
Contributions and donations	-	-	13,921	13,921
Rent	6,540	6,540	7,085	545
Miscellaneous revenues	1,200	8,277	15,824	7,547
Total Revenues	817,415	967,492	1,016,922	49,430
Expenditures:				
Current:				
General government				
Administration	183,009	253,009	252,808	201
Judicial	39,342	54,342	54,144	198
Planning & zoning	3,600	4,300	4,242	58
Public safety				
Police	441,474	465,474	464,968	506
Fire	12,867	12,867	9,904	2,963
Public works	118,827	133,827	115,523	18,304
Culture and recreation	2,000	10,500	10,468	32
Debt service				
Principal	16,296	15,749	15,749	-
Interest	-	547	547	-
Total Expenditures	817,415	950,615	928,353	22,262
Excess of Revenue Over (Under) Expenditures	-	16,877	88,569	71,692
Other Financing Sources (Uses):				
Transfer to other funds	-	(16,877)	(16,877)	-
Total Other Financing Sources/(Uses)	-	(16,877)	(16,877)	-
Net change in fund balance	-	-	71,692	71,692
Fund balance, beginning of year	115,946	115,946	115,946	115,946
Fund balance, end of year	$ 115,946	$ 115,946	$ 187,638	$ 187,638

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

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CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 93,613	$ -	$ 93,613
Accounts receivable net of allowance	31,099	3,619	34,718
Due from other funds	-	2,691	2,691
Total current assets	124,712	6,310	131,022
Property, Plant & Equipment			
Nondepreciable assets	26,968	-	26,968
Depreciable assets, net	4,536,525	2,400	4,538,925
Total property, plant & equipment	4,563,493	2,400	4,565,893
Total assets	4,688,205	8,710	4,696,915
LIABILITIES AND NET POSITION			
Liabilities:			
Current liabilities			
Accounts payable	61,085	7,467	68,552
Accrued interest	6,748	-	6,748
Due to other funds	53,999	-	53,999
Customer utility deposits	67,657	-	67,657
Compensated absences	2,125	1,057	3,182
Current maturities of long-term debt	207,254	-	207,254
Total Current Liabilities	398,868	8,524	407,392
Long-Term Liabilities			
Compensated absences	375	186	561
Long-term debt, less current portion	1,772,750	-	1,772,750
Total Long-Term Liabilities	1,773,125	186	1,773,311
Total Liabilities	2,171,993	8,710	2,180,703
Net Position:			
Net investment in capital assets	2,583,489	2,400	2,585,889
Unrestricted	(67,277)	(2,400)	(69,677)
Total Net Position	$ 2,516,212	$ -	$ 2,516,212

The accompanying notes are an integral part of the statements.

CITY OF PORTERDALE, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Operating revenues			
Charges and fees	$ 590,439	$ 120,136	$ 710,575
Penalties	13,242	4,414	17,656
Other fees	22,611	-	22,611
Total Operating Revenues	626,292	124,550	750,842
Operating expenses			
Personnel services and employee benefits	74,154	58,880	133,034
Purchased and contracted services	257,698	12,310	270,008
Landfill fees	-	26,496	26,496
Professional fees	14,937	-	14,937
Contract fees	1,376	-	1,376
Materials and supplies	16,133	25,482	41,615
Depreciation	102,472	599	103,071
Total Operating Expenses	466,770	123,767	590,537
Operating Income	159,522	783	160,305
Nonoperating revenues (expenses)			
Investment income	4	-	4
Interest expense	(86,467)	-	(86,467)
Total nonoperating revenues (expenses)	(86,463)	-	(86,463)
Net income before transfers	73,059	783	73,842
Transfers in	783	-	783
Transfers out	-	(783)	(783)
Net transfers	783	(783)	-
Changes in net position	73,842	-	73,842
Net position - beginning of year	2,442,370	-	2,442,370
Net position - end of year	$ 2,516,212	$ -	$ 2,516,212

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, 2012

	Business Activities - Enterprise Funds		
	Water and Sewer	Sanitation Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 656,679	$ 128,911	$ 785,590
Cash payments to employees for services	(74,154)	(58,880)	(133,034)
Cash payments to other suppliers of goods or services	(271,299)	(69,248)	(340,547)
Net cash provided by (used for) operating activities	311,226	783	312,009
Cash flows from investing activities			
Interest received	4	-	4
Net cash provided by (used for) investing activities	4	-	4
Cash flows from noncapital financing activities			
Transfer from other funds	783	-	783
Transfer to other funds	-	(783)	(783)
Net cash provided by (used for) Noncapital financing activities	783	(783)	-
Cash flows from capital and related financing activities			
Purchase of capital asset	(36,879)	-	(36,879)
Interest paid on long-term debt	(87,185)	-	(87,185)
Principal paid on long-term debt	(161,256)	-	(161,256)
Net cash provided by (used for) capital and related financing activities	(285,320)	-	(285,320)
Net increase (decrease) in cash and cash equivalents	26,693	-	26,693
Cash and cash equivalents, beginning of year	66,920	-	66,920
Cash and cash equivalents, end of year	$ 93,613	$ -	$ 93,613

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, 2012
(CONTINUED)

	Business Activities - Enterprise Funds		
	Water and Sewer	Sanitation Fund	Total
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (loss)	$ 159,522	$ 783	$ 160,305
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	102,472	599	103,071
Changes in operating assets and liabilities:			
Accounts receivable	10,580	3,596	14,176
Due from other funds	-	765	765
Accounts payable	23,912	1,750	25,662
Due to other funds	47,328	-	47,328
Compensated absences	(5,067)	(6,710)	(11,777)
Customer deposits	(27,521)	-	(27,521)
Net cash provided (used) by operating activities	$ 311,226	$ 783	$ 312,009

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, 2012.

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, 2012, 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 Position 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.

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, 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.

2011 SPLOST Fund – The 2011 SPLOST Fund accounts for the revenues and expenses associated with the special local option sales tax collected by the County to be used transportation projects, gym renovation and recreation projects.

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 position.

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, 2012, the City's total contribution was $19,382 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, 2012:

	General Fund	2011 SPLOST	Nonmajor Governmental	Total
Fund Balances				
Restricted:				
Public Safety	$ -	$ -	$ 878	$ 878
Unassigned	187,638	(5,000)	-	182,638
Total fund balances/(deficit)	$ 187,638	$ (5,000)	$ 878	$ 183,516

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budget process

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

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

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

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

B. Budget to GAAP reconciliation

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

C. Encumbrances

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

D. Deficit Fund Balance

The 2011 SPLOST capital projects fund had a deficit fund balance of $5,000. The fund incurred expenditures prior to the receipt of sales taxes. The City plans to eliminate this deficit with future sales taxes.

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, 2012 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 2012 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, 2012 consist of the following:

	General Fund	Sanitation Fund	Water Sewer Fund	Total
Taxes	$ 158,190	$ -	$ -	$ 158,190
Accounts	500	28,498	130,617	159,615
Allowance	(96,671)	(24,879)	(99,518)	(221,068)
Net receivables	$ 62,019	$ 3,619	$ 31,099	$ 96,737

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2012 are as follows:

Fund	State	County	Total
General	$ 24,222	$ -	$ 24,222
2005 SPLOST	-	729,096	729,096
2011 SPLOST	-	27,924	27,924
Total	$ 24,222	$ 757,020	$ 781,242

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, 2012 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer	$ 51,856
General Fund	2005 SPLOST	12,557
General Fund	2011 SPLOST	27,552
General Fund	Nonmajor Governmental Fund	903
Sanitation Fund	Water and Sewer	2,143
Sanitation Fund	General Fund	548
Total		$ 95,559

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	2011 SPLOST	Water & Sewer	Total
General Fund	$ 16,877	$ -	$ 16,877
Sanitation Fund	-	783	783
Total	$ 16,877	$ 783	$ 17,660

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, 2012 was as follows:

	Beginning	Increases	Decreases	Ending
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 284,641	$ -	$ -	$ 284,641
Construction in progress	67,160	419,710	-	486,870
Total capital assets, not being depreciated	351,801	419,710	-	771,511
Capital assets, being depreciated				
Buildings and improvements	433,069	-	-	433,069
Equipment	100,261	10,852	-	111,113
Vehicles	120,230	-	-	120,230
Total capital assets, being depreciated	653,560	10,852	-	664,412
Less accumulated depreciation for:				
Buildings and improvements	(46,061)	(9,065)	-	(55,126)
Equipment	(89,036)	(8,007)	-	(97,043)
Vehicles	(102,000)	(11,542)	-	(113,542)
Total accumulated depreciation	(237,097)	(28,614)	-	(265,711)
Total capital assets, being depreciated, net	416,463	(17,762)	-	398,701
Governmental activities capital assets, net	$ 768,264	$ 401,948	$ -	1,170,212
Less related long-term debt outstanding				(5,834)
Net investment in capital assets				$ 1,164,378

	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	36,879	-	106,075
Water and sewer system	5,709,910	-	-	5,709,910
Sanitation equipment	295,805	-	-	295,805
Total capital assets, being depreciated	6,074,911	36,879	-	6,111,790
Less accumulated depreciation for:				
Equipment	(32,424)	(813)	-	(33,237)
Water and sewer system	(1,144,564)	(101,659)	-	(1,246,223)
Sanitation equipment	(292,806)	(599)	-	(293,405)
Total accumulated depreciation	(1,469,794)	(103,071)	-	(1,572,865)
Total capital assets, being depreciated, net	4,605,117	(66,192)	-	4,538,925
Business-type activities capital assets, net	$ 4,632,085	$ (66,192)	$ -	4,565,893
Less related long-term debt outstanding				(1,980,004)
Net investment in capital assets				$ 2,585,889

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

Governmental activities:	
General government	$ 3,770
Public safety	16,537
Culture and recreation	8,307
Total depreciation expense-governmental activities	$ 28,614
Business-type activities:	
Water and sewer	$ 102,472
Sanitation	599
Total depreciation expenses-business-type activities	$ 103,071

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 $32,662 for 2012.

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 $53,514 for 2012.

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%.

During 2012, the City entered into a capital lease with the Georgia Municipal Association in the amount of $36,880 for the purchase of equipment. The loan payments are made monthly in the amount of $568 including interest at 3.47%.

Changes in long-term liabilities

Long-term debt activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 38,266	$ 22,510	$ (45,205)	$ 15,571	$ 13,235
Capital leases	21,583	-	(15,749)	5,834	5,834
Total governmental activities	$ 59,849	$ 22,510	$ (60,954)	$ 21,405	$ 19,069
Business-type activities:					
Capital lease	$ 772	$ 36,880	$ (5,447)	$ 32,205	$ 5,792
Compensated absences	15,520	3,499	(15,276)	3,743	3,182
Notes payable					
GEFA loan # 93-011-WJ	726,783	-	(124,780)	602,003	130,878
GEFA loan # 2004-L02WQ	1,413,705	-	(67,909)	1,345,796	70,584
Total business-type activity Long-term liabilities	$ 2,156,780	$ 40,379	$ (213,412)	$ 1,983,747	$ 210,436

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

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

Year Ending	Governmental Activities		Business-type Activities	
December 31	Principal	Interest	Principal	Interest
2013	$ 5,834	$ 59	$ 5,792	$1,026
2014	-	-	5,996	822
2015	-	-	6,207	611
2016	-	-	6,426	392
2017	-	-	6,653	165
2018	-	-	1,131	5
Total	$ 5,834	$ 59	$ 32,205	$ 3,021

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

GEFA Loan # 93-011-WJ:

Year Ending	Business-type Activities	
December 31	Principal	Interest
2013	$ 130,878	$ 23,564
2014	137,274	20,168
2015	143,983	13,459
2016	151,019	6,422
2017	38,849	466
Total	$ 602,003	$ 64,079

GEFA Loan # 2004-L02WQ:

Year Ending	Business-type Activities	
December 31	Principal	Interest
2013	$ 70,584	$ 50,839
2014	73,365	48,058
2015	76,255	45,168
2016	79,259	42,164
2017	82,381	39,042
2018-2022	463,221	143,897
2023-2027	500,731	45,671
Total	$1,345,796	$414,839

NOTE 10 – SHORT-TERM DEBT

During 2012, the City obtained a tax anticipation note of $11,000 to finance the general obligations of the City. The note bore interest at 4.75% and was due on December 31, 2012. The note was paid in December 2012 from General Fund revenues. Interest on the note totaled $116 for 2012.

Short-term debt activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Issued	Retired	Ending Balance
Governmental activities:				
Tax Anticipation Loan	$ -	$ 11,000	$ 11,000	$ -
Governmental activities Short-term debt	$ -	$ 11,000	$ 11,000	$ -

NOTE 11 – EMPLOYEE RETIREMENT PLAN

The City is a participating member of the Georgia Municipal Association defined contribution retirement plan. The plan is administered by the Georgia Municipal Association. As of December 31, 2012, 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, 2012, were $736 by the employees and $13,000 by the government.

NOTE 12 – CONTINGENT LIABILITIES

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

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SUPPLEMENTARY SCHEDULES

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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.

CDBG - This fund is used to account for the CDBG grant monies to be used for the rehabilitation, construction, demolition or reconstruction of housing.

CITY OF PORTERDALE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	CDBG	
ASSETS			
Cash and cash equivalents	$ 878	$ 903	$ 1,781
Total Assets	$ 878	$ 903	$ 1,781
LIABILITIES			
Due to other funds	$ -	$ 903	$ 903
Total Liabilities	-	903	903
FUND BALANCES			
Restricted:			
Public safety	878	-	878
Total Fund Balances	878	-	878
Total Liabilities and Fund Balances	$ 878	$ 903	$ 1,781

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	CDBG	
REVENUES			
Confiscation	$ 382	$ -	$ 382
Total Revenues	382	-	382
EXPENDITURES			
Current			
Public safety	20	-	20
Total Expenditures	20	-	20
Net change in fund balance	362	-	362
Fund Balances - Beginning of year	516	-	516
Fund Balance - End of Year	$ 878	$ -	$ 878

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, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Fines and forfeitures	$ 350	$ 382	$ 32
Total Revenues	350	382	32
EXPENDITURES			
Current			
Public safety	350	20	330
Total Expenditures	350	20	330
Net change in fund balance	-	362	362
Fund Balances - Beginning of year	-	516	7,914
Fund Balance - End of Year	$ -	$ 878	$ 8,276

CITY OF PORTERDALE, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT
#12h-x-107-2-5440
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED DECEMBER 31, 2012

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Department of Community Affairs	$ -	$ -	$ -	$ 266,623
Total Revenues	-	-	-	266,623
Expenditures:				
H-14A-01 Rehabilitation of Private Properties	-	-	-	266,623
Total Expenditures	-	-	-	266,623
Net change in fund balances	-	-	-	-
Fund Balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF PROJECTS
SPECIAL PURPOSE LOCAL OPTION SALES TAX
DECEMBER 31, 2012

	Original Estimated Cost	Amended Budget	Expenditures		
			Prior Years	Current Year	Total
Special Local Option Sales Tax July 1, 2005					
Train Station	$ 55,680	$ 55,680	$ 55,680	$ -	$ 55,680
Roads	409,736	409,736	13,080	75,912	88,992
Gym	444,320	444,320	44,759	81,188	125,947
Total 2005 SPLOST	$ 909,736	$ 909,736	$ 113,519	$ 157,100	$ 270,619
Special Local Option Sales Tax July 1, 2011					
Historic Preservation, Design & Renovation of Gym	$ 450,000	$ 450,000	$ -	$ 12,482	$ 12,482
Transportation Projects	240,000	240,000	-	134,295	134,295
Recreation	140,000	140,000	-	115,833	115,833
Total 2011 SPLOST	$ 830,000	$ 830,000	$ -	$ 262,610	$ 262,610

GOVERNMENTAL REPORTS

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INDEPENDENT AUDITOR'S 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 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the City of Porterdale, Georgia's basic financial statements and have issued our report thereon dated June 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Porterdale, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Porterdale, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Porterdale, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 deficiency described in the accompanying schedule of findings and responses to be a material weakness. 2012-01.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. 2012-02.

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*.

City of Porterdale, Georgia's Response to Findings

City of Porterdale, Georgia's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Porterdale, Georgia's responses were not subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macon, Georgia
June 11, 2013

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:

2012-01 Accounts Payable/Expenditures or Expenses

CRITERIA
Accounts payable should reflect obligations which have been incurred, but remain unpaid at year-end.

CONDITION
Various expenditures or expense items were not recorded in the proper fiscal period.

CONTEXT
The City does not have adequate accounting procedures to insure that expenditures or expenses are recorded and properly classified when a liability is incurred.

EFFECT
Material audit adjustments were needed to fairly state and classify expenditures or expenses for the year ended December 31, 2012. The adjustments are summarized as follows:

- Adjustments of $7,486 were necessary in the General Fund to increase expenditures for utilities and supplies.
- Adjustments of $12,638 were necessary in the 2005 SPLOST to increase expenditures for capital outlay.
- Adjustments of $5,000 were necessary in the 2011 SPLOST to increase expenditures for capital outlay.
- Adjustments of $7,753 were necessary in the Water and Sewer Fund to increase expenses for purchased services.
- Audit adjustments of $13,293 and $1,994 were necessary to correctly report accrued salaries in the General Fund and Water and Sewer Fund.

CAUSE
The City personnel lack adequate training to determine the required year-end accruals.

RECOMMENDATION
We recommend that the City provide the appropriate training to instruct City personnel in the proper governmental accounting procedures.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The City has engaged an outside consultant to train City personnel on recording expenses in the proper fiscal year.

2012-02 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 and some were incorrectly filed.

CONTEXT/CAUSE
Management has not designed sufficient procedures to allow for the proper retention and filing of accounting records. The City was able to ultimately locate all invoices requested but some invoices had to be obtained from the vendor itself.

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.

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 as of April 2012 and stamping invoices paid with the check date and check number written on the face of the invoice.