CITY OF PORTERDALE, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

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, 2013, 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, 2013, 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 26, 2014 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 26, 2014

FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 203,561	$ 58,752	$ 262,313
Receivables, net of allowance			
Taxes	63,029	-	63,029
Accounts	-	46,411	46,411
Due from other governments	359,151	-	359,151
Internal balances	72,730	(72,730)	-
Prepaid items	2,385	294	2,679
Nondepreciable assets	1,404,222	36,089	1,440,311
Depreciable assets, net	606,969	4,453,266	5,060,235
Total Assets	2,712,047	4,522,082	7,234,129
LIABILITIES			
Accounts payable	134,746	89,509	224,255
Accrued salaries and benefits	17,372	-	17,372
Accrued interest	-	12,050	12,050
Customer deposits	-	70,375	70,375
Short-term payable	441,110	-	441,110
Unearned revenues	312,231	-	312,231
Noncurrent liabilities			
Due within one year	30,061	237,133	267,194
Due in more than one year	76,566	1,556,170	1,632,736
Total Liabilities	1,012,086	1,965,237	2,977,323
NET POSITION			
Net investment in capital assets	1,915,801	2,696,418	4,612,219
Restricted			-
Public safety	786	-	786
Unrestricted (deficit)	(216,626)	(139,573)	(356,199)
Total Net Position	$ 1,699,961	$ 2,556,845	$ 4,256,806

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

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	$ 279,363	$ 18,775	$ -	$ 482,284	$ 221,696	$ -	$ 221,696
Public safety	532,878	250,277	39,892	-	(242,709)	-	(242,709)
Public works	445,153	-	-	71	(445,082)	-	(445,082)
Culture and recreation	26,960	-	-	-	(26,960)	-	(26,960)
Interest on long-term debt	1,899	-	-	-	(1,899)	-	(1,899)
Total governmental activities	1,286,253	269,052	39,892	482,355	(494,954)	-	(494,954)
Business - Type Activities							
Water & Sewer	600,291	639,134	-	-	-	38,843	38,843
Sanitation	127,640	129,430	-	-	-	1,790	1,790
Total Business - Type Activities	727,931	768,564	-	-	-	40,633	40,633
Total Primary Government	$ 2,014,184	$ 1,037,616	$ 39,892	$ 482,355	(494,954)	40,633	(454,321)
		General Revenues					
		Property tax			258,997	-	258,997
		Sales tax			214,029	-	214,029
		Other taxes			242,756	-	242,756
		Insurance premium tax			73,714	-	73,714
		Interest revenue			3	-	3
		Miscellaneous			16,125	-	16,125
		Total General Revenues			805,624	-	805,624
		Change in Net Position			310,670	40,633	351,303
		Net Position - Beginning of year			1,389,291	2,516,212	3,905,503
		Net Position - End of year			$ 1,699,961	$ 2,556,845	$ 4,256,806

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	2005 SPLOST Fund	2011 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 151,838	$ -	$ 50,034	$ 1,689	$ 203,561
Receivables, net of allowance					
Taxes	63,029	-	-	-	63,029
Due from other governments	25,752	321,222	12,177	-	359,151
Due from other funds	202,164	-	-	-	202,164
Prepaids	2,385			-	2,385
Total Assets	$ 445,168	$ 321,222	$ 62,211	$ 1,689	$ 830,290
LIABILITIES					
Accounts payable	$ 107,345	$ -	$ 27,401	$ -	$ 134,746
Accrued expenses	17,372	-	-	-	17,372
Due to other funds	-	8,991	119,540	903	129,434
Tax Anticipation Note	-	-	441,110	-	441,110
Unearned revenue	-	312,231	-	-	312,231
Total Liabilities	124,717	321,222	588,051	903	1,034,893
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	49,646	-	-	-	49,646
Total Deferred Inflow of Resources	49,646	-	-	-	49,646
FUND BALANCES					
Nonspendable	2,385	-	-	-	2,385
Restricted	-	-	-	786	786
Unassigned/(Deficit)	268,420	-	(525,840)	-	(257,420)
Total Fund Balances/(Deficit)	270,805	-	(525,840)	786	(254,249)
Total Liabilities , Deferred Inflows of Resources and Fund Balances	$ 445,168	$ 321,222	$ 62,211	$ 1,689	$ 830,290

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, 2013

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balances - Governmental Funds	$	(254,249)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,011,191
Long-term liabilities, including compensated absences and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.		(106,627)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		49,646
Net Position of Governmental Activities	$	1,699,961

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, 2013

	General Fund	2005 SPLOST Fund	2011 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes					
Property tax	$ 266,319	$ -	$ -	$ -	$ 266,319
Sales tax	214,029	-	-	-	214,029
Insurance premium	73,714	-	-	-	73,714
Other taxes	242,756	-	-	-	242,756
License and permits	18,775	-	-	-	18,775
Fines	249,677	-	-	600	250,277
Intergovernmental	20,493	325,511	136,280	-	482,284
Interest earnings	3	-	71	-	74
Contributions and donations	11,892	-	28,000	-	39,892
Rent	8,410	-	-	-	8,410
Other revenues	7,715	-	-	-	7,715
Total Revenues	1,113,783	325,511	164,351	600	1,604,245
Expenditures:					
Current					
General government	281,812	-	-	-	281,812
Public safety	613,643	-	-	692	614,335
Public works	190,482	1,550	20,287	-	212,319
Culture and recreation	9,094	-	-	-	9,094
Debt service					
Principal	7,981	-	-	-	7,981
Interest	1,899	-	-	-	1,899
Capital Outlay	-	323,961	688,146	-	1,012,107
Total Expenditures	1,104,911	325,511	708,433	692	2,139,547
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,872	-	(544,082)	(92)	(535,302)
Other Financing Sources (Uses):					
Capital lease	97,537	-	-	-	97,537
Transfers from other funds	-	-	23,242	-	23,242
Transfers to other funds	(23,242)	-	-	-	(23,242)
Total Other Financing Sources (Uses)	74,295	-	23,242	-	97,537
Net change in fund balances	83,167	-	(520,840)	(92)	(437,765)
Fund Balance/(Deficit), beginning of year	187,638	-	(5,000)	878	183,516
Fund Balance/(Deficit), end of year	$ 270,805	$ -	$ (525,840)	$ 786	$ (254,249)

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, 2013

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	$ (437,765)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,322)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(85,222)
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. This is the amount by which capital outlays exceeded depreciation expense in the current period	1,073,587
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(232,608)
Change in Net Position of Governmental Activities	$ 310,670

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, 2013

	Budgeted Amounts			Variance with
Revenues:	Original	Final	Actual	Final Budget
Taxes				
Property tax	$ 241,080	$ 241,080	$ 266,319	$ 25,239
Motor vehicle tax	20,000	27,806	67,241	39,435
Intangible tax	1,200	1,200	1,490	290
Real estate transfer tax	500	500	805	305
Franchise tax	115,500	115,500	119,162	3,662
Alcoholic beverage excise tax	24,566	24,566	17,670	(6,896)
Local option sales tax	200,000	200,000	214,029	14,029
Business and occupation tax	5,200	5,200	3,965	(1,235)
Insurance premium tax	72,000	72,000	73,714	1,714
Penalties and interest	-	-	32,423	32,423
Licenses and Permits	15,125	15,125	18,775	3,650
Intergovernmental	12,153	12,153	20,493	8,340
Fines and forfeitures	210,000	210,000	249,677	39,677
Interest income	-	-	3	3
Contributions and donations	-	-	11,892	11,892
Rent	6,500	6,500	8,410	1,910
Miscellaneous revenues	11,750	11,750	7,715	(4,035)
Total Revenues	935,574	943,380	1,113,783	170,403
Expenditures:				
Current:				
General government				
Administration	212,237	185,577	185,307	270
Judicial	46,764	54,464	54,387	77
Planning & zoning	8,380	42,120	42,118	2
Public safety				
Police	479,297	603,969	603,969	-
Fire	8,950	9,674	9,674	-
Public works	161,542	190,482	190,482	-
Culture and recreation	2,000	9,100	9,094	6
Debt service				
Principal	13,894	13,894	7,981	5,913
Interest	2,510	2,510	1,899	611
Total Expenditures	935,574	1,111,790	1,104,911	6,879
Excess of Revenue Over (Under) Expenditures	-	(168,410)	8,872	177,282
Other Financing Sources (Uses):				
Capital lease	-	97,540	97,537	(3)
Transfer to other funds	-	-	(23,242)	(23,242)
Total Other Financing Sources/(Uses)	-	97,540	74,295	(23,245)
Net change in fund balance	-	(70,870)	83,167	154,037
Fund balance, beginning of year	187,638	187,638	187,638	-
Fund balance, end of year	$ 187,638	$ 116,768	$ 270,805	$ 154,037

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, 2013

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 58,752	$ -	$ 58,752
Accounts receivable net of allowance	41,829	4,582	46,411
Prepaid items	-	294	294
Total current assets	100,581	4,876	105,457
Capital assets			
Nondepreciable assets	36,089	-	36,089
Depreciable assets, net	4,432,296	20,970	4,453,266
Total capital assets	4,468,385	20,970	4,489,355
Total assets	4,568,966	25,846	4,594,812
LIABILITIES AND NET POSITION			
Liabilities:			
Current liabilities			
Accounts payable	74,894	14,615	89,509
Accrued interest	12,050	-	12,050
Due to other funds	66,079	6,651	72,730
Customer utility deposits	70,375	-	70,375
Compensated absences	182	129	311
Current maturities of long-term debt	236,822	-	236,822
Total Current Liabilities	460,402	21,395	481,797
Long-Term Liabilities			
Compensated absences	32	23	55
Long-term debt, less current portion	1,556,115	-	1,556,115
Total Long-Term Liabilities	1,556,147	23	1,556,170
Total Liabilities	2,016,549	21,418	2,037,967
Net Position:			
Net investment in capital assets	2,675,448	20,970	2,696,418
Unrestricted	(123,031)	(16,542)	(139,573)
Total Net Position	$ 2,552,417	$ 4,428	$ 2,556,845

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, 2013

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Operating revenues			
Charges and fees	$ 608,356	$ 125,098	$ 733,454
Penalties	12,996	4,332	17,328
Other fees	17,782	-	17,782
Total Operating Revenues	639,134	129,430	768,564
Operating expenses			
Personnel services and employee benefits	96,067	71,090	167,157
Purchased and contracted services	254,450	7,544	261,994
Landfill fees	-	29,696	29,696
Professional fees	25,251	-	25,251
Contract fees	5,315	-	5,315
Materials and supplies	37,300	18,630	55,930
Depreciation	104,230	680	104,910
Total Operating Expenses	522,613	127,640	650,253
Operating Income	116,521	1,790	118,311
Nonoperating revenues (expenses)			
Interest expense	(77,678)	-	(77,678)
Total nonoperating revenues (expenses)	(77,678)	-	(77,678)
Net income before transfers	38,843	1,790	40,633
Transfers in	-	2,638	2,638
Transfers out	(2,638)	-	(2,638)
Net transfers	(2,638)	2,638	-
Changes in net position	36,205	4,428	40,633
Net position - beginning of year	2,516,212	-	2,516,212
Net position - end of year	$ 2,552,417	$ 4,428	$ 2,556,845

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, 2013

	Business Activities - Enterprise Funds		
	Water and Sewer	Sanitation Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 643,202	$ 131,158	$ 774,360
Cash payments to employees for services	(96,067)	(71,090)	(167,157)
Cash payments to other suppliers of goods or services	(310,793)	(43,456)	(354,249)
Net cash provided by (used for) operating activities	236,342	16,612	252,954
Cash flows from noncapital financing activities			
Transfer from other funds	-	2,638	2,638
Transfer to other funds	(2,638)	-	(2,638)
Net cash provided by (used for) Noncapital financing activities	(2,638)	2,638	-
Cash flows from capital and related financing activities			
Purchase of capital asset	(9,121)	(19,250)	(28,371)
Interest paid on long-term debt	(72,377)	-	(72,377)
Principal paid on long-term debt	(187,067)	-	(187,067)
Net cash provided by (used for) capital and related financing activities	(268,565)	(19,250)	(287,815)
Net increase (decrease) in cash and cash equivalents	(34,861)	-	(34,861)
Cash and cash equivalents, beginning of year	93,613	-	93,613
Cash and cash equivalents, end of year	$ 58,752	$ -	$ 58,752

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, 2013
(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)	$ 116,521	$ 1,790	$ 118,311
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	104,230	680	104,910
Changes in operating assets and liabilities:			
Accounts receivable	(10,730)	(963)	(11,693)
Due from other funds	-	2,691	2,691
Prepaid items	-	(294)	(294)
Accounts payable	13,809	7,148	20,957
Due to other funds	12,080	6,651	18,731
Compensated absences	(2,286)	(1,091)	(3,377)
Customer deposits	2,718	-	2,718
Net cash provided (used) by operating activities	$ 236,342	$ 16,612	$ 252,954

The accompanying notes are an integral part of the statements.

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NOTES TO THE FINANCIAL STATEMENTS

CIPNOTE 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, 2013.

Downtown Development Authority

The Downtown Development Authority is governed by a two member Board of Directors. The directors are appointed as provided by O.C.G.A Section 36-41-1. All Directors must be approved by the City of Porterdale City Council. There were no assets, liabilities, or activities for the Downtown Development Authority for the year ended December 31, 2013.

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, 2013, 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 for 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 estimated useful life in excess of two years and an initial, individual cost of more than $5,000 for items other than infrastructure. Infrastructure having a value of $100,000 or greater shall be capitalized. 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 Inflows / Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense / expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, 2013, 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, 2013:

	General Fund	2011 SPLOST	Nonmajor Governmental	Total
Fund Balances				
Nonspendable	$ 2,385	$ -	$ -	$ 2,385
Restricted:				
Public Safety	-	-	786	786
Unassigned	268,420	(525,840)	-	(257,420)
Total fund balances/(deficit)	$ 270,805	$ (525,840)	$ 786	$ (254,249)

O. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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.

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 $525,840. 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, 2013 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 2013 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, 2013 consist of the following:

	General Fund	Sanitation Fund	Water Sewer Fund	Total
Taxes	$ 139,167	$ -	$ -	$ 139,167
Accounts	-	31,452	149,309	180,761
Allowance	(76,138)	(26,870)	(107,480)	(210,488)
Net receivables	$ 63,029	$ 4,582	$ 41,829	$ 109,440

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2013 are as follows:

Fund	State	County	Total
General	$ 20,014	$ 5,738	$ 25,752
2005 SPLOST	-	321,222	321,222
2011 SPLOST	-	12,177	12,177
Total	$ 20,014	$ 339,137	$ 359,151

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, 2013 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer	$ 66,079
General Fund	2005 SPLOST	8,991
General Fund	2011 SPLOST	119,540
General Fund	Nonmajor Governmental Fund	903
General Fund	Sanitation Fund	6,651
Total		$ 202,164

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	Sanitation	Total
General Fund	$ 23,242	$ -	$ 23,242
Water & Sewer Fund	-	2,638	2,638
Total	$ 23,242	$ 2,638	$ 25,880

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, 2013 was as follows:

	Beginning	Increases	Decreases	Transfers	Ending
Governmental activities:					
Capital assets, not being depreciated					
Land	$ 284,641	$ -	$ -	$ -	$ 284,641
Construction in progress	486,870	1,012,107	(232,608)	(146,788)	1,119,581
Total capital assets, not being depreciated	771,511	1,012,107	(232,608)	(146,788)	1,404,222
Capital assets, being depreciated					
Buildings and improvements	433,069	-	-	146,788	579,857
Equipment	111,113	-	-	-	111,113
Vehicles	120,230	102,602	-	-	222,832
Total capital assets, being depreciated	664,412	102,602	-	146,788	913,802
Less accumulated depreciation for:					
Buildings and improvements	(55,126)	(18,851)	-	-	(73,977)
Equipment	(97,043)	(6,030)	-	-	(103,073)
Vehicles	(113,542)	(16,241)	-	-	(129,783)
Total accumulated depreciation	(265,711)	(41,122)	-	-	(306,833)
Total capital assets, being depreciated, net	398,701	61,480	-	146,788	606,969
Governmental activities capital assets, net	$ 1,170,212	$ 1,073,587	$ (232,608)	$ -	2,011,191
Less related long-term debt outstanding					(95,390)
Net investment in capital assets					$ 1,915,801

	Beginning	Increases	Decreases	Ending
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 26,968	$ 5,000	$ -	$ 31,968
Construction in progress	-	4,121	-	4,121
Total capital assets, not being depreciated	26,968	9,121	-	36,089
Capital assets, being depreciated				
Equipment	106,075	-	-	106,075
Water and sewer system	5,709,910	-	-	5,709,910
Sanitation equipment	295,805	19,250	-	315,055
Total capital assets, being depreciated	6,111,790	19,250	-	6,131,040
Less accumulated depreciation for:				
Equipment	(33,236)	(6,082)	-	(39,318)
Water and sewer system	(1,246,223)	(98,148)	-	(1,344,371)
Sanitation equipment	(293,405)	(680)	-	(294,085)
Total accumulated depreciation	(1,572,864)	(104,910)	-	(1,677,774)
Total capital assets, being depreciated, net	4,538,926	(85,660)	-	4,453,266
Business-type activities capital assets, net	$ 4,565,894	$ (76,539)	$ -	4,489,355
Less related long-term debt outstanding				(1,792,937)
Net investment in capital assets				$ 2,696,418

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

Governmental activities:	
General government	$ 1,885
Public safety	21,145
Public works	226
Culture and recreation	17,866
Total depreciation expense-governmental activities	$ 41,122
Business-type activities:	
Water and sewer	$ 104,230
Sanitation	680
Total depreciation expenses-business-type activities	$ 104,910

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 $20,511 for 2013.

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 $50,839 for 2013.

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%.

During 2013, the City entered into a capital lease with the Georgia Municipal Association in the amount of $97,537 for the purchase of police vehicles. The loan payments are made monthly in the amount of $1,924 including interest at 2.99%.

Total cost of assets under capital leases as of December 31, 2013 is $127,751, which consists of building of $40,663 and equipment of $36,880 included in business-type activities on the statement of net position and vehicles of $50,208 included in governmental activities on the statement of net position. The building has a life of fifty years, while the equipment and vehicles have lives of seven and five years, respectively. For the year ended December 31, 2013, $6,082 of depreciation expense was included in depreciation expense for business-type activities and $2,937 of depreciation expense was included in depreciation expense for governmental activities.

Changes in long-term liabilities

Long-term debt activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 15,571	$ 19,774	$ (24,108)	$ 11,237	$ 9,551
Capital leases	5,834	97,537	(7,981)	95,390	20,510
Total governmental activities	$ 21,405	$ 117,311	$ (32,089)	$ 106,627	$ 30,061
Business-type activities:					
Capital lease	$ 32,205	$ -	$ (5,792)	$ 26,413	$ 5,996
Compensated absences	3,743	5,476	(8,853)	366	311
Notes payable					
GEFA loan # 93-011-WJ	602,003	-	(110,690)	491,313	157,461
GEFA loan # 2004-L02WQ	1,345,796	-	(70,585)	1,275,211	73,365
Total business-type activity Long-term liabilities	$ 1,983,747	$ 5,476	$ (195,920)	$ 1,793,303	$ 237,133

For the governmental activities, compensated absences are generally liquidated by the general fund. For the business-type activities, long-term liabilities are generally liquidated by the Water & Sewer Fund and Sanitation 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
2014	$ 20,510	$ 2,573	$ 5,996	$ 822
2015	21,131	1,951	6,207	610
2016	21,772	1,310	6,426	392
2017	22,432	650	6,653	165
2018	9,545	71	1,131	5
Total	$ 95,390	$ 6,555	$ 26,413	$1,993

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	Interest
2014	$ 157,461	$ 20,168
2015	143,983	13,459
2016	151,019	6,422
2017	38,850	466
Total	$ 491,313	$ 40,515

GEFA Loan # 2004-L02WQ:

Year Ending December 31	Business-type Activities Principal	Interest
2014	$ 73,365	$ 48,058
2015	76,255	45,168
2016	79,259	42,164
2017	82,381	39,042
2018	85,627	35,797
2019-2023	481,469	125,648
2024-2027	396,855	176,172
Total	$1,275,211	$512,050

NOTE 11 – TAX ANTICIPATION NOTE

During 2013, the City obtained a tax anticipation note of up to $550,000 to finance SPLOST expenditures of the City. The note bore interest at 4.25% and was due on December 31, 2013. During the year, the City drew down $450,569 on this note. The City repaid $9,460 of this amount in December 2013 and renewed this note to be repaid by December 31, 2014.

Short-term debt activity for the year ended December 31, 2013 was as follows:

Governmental activities:	Beginning Balance	Issued	Retired	Ending Balance
Tax Anticipation Loan	$ -	$ 450,570	$ 9,460	$ 441,110
Governmental activities Short-term debt	$ -	$ 450,570	$ 9,460	$ 441,110

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, 2013, there were five participants from the government. Plan members are allowed to make voluntary contributions to the plan. The City is not required to make contributions to the plan but can make voluntary 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, 2013, 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.

II. SUPPLEMENTAL 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, 2013

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	CDBG	
ASSETS			
Cash and cash equivalents	$ 786	$ 903	$ 1,689
Total Assets	$ 786	$ 903	$ 1,689
LIABILITIES			
Due to other funds	$ -	$ 903	$ 903
Total Liabilities	-	903	903
FUND BALANCES			
Restricted:			
Public safety	786	-	786
Total Fund Balances	786	-	786
Total Liabilities and Fund Balances	$ 786	$ 903	$ 1,689

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	CDBG	
REVENUES			
Fines and forfeitures	$ 600	$ -	$ 600
Total Revenues	600	-	600
EXPENDITURES			
Current			
Public safety	692	-	692
Total Expenditures	692	-	692
Net change in fund balance	(92)	-	(92)
Fund Balances - Beginning of year	878	-	878
Fund Balance - End of Year	$ 786	$ -	$ 786

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, 2013

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Fines and forfeitures	$ 600	$ 600	$ -
Total Revenues	600	600	-
EXPENDITURES			
Current			
Public safety	700	692	8
Total Expenditures	700	692	8
Net change in fund balance	(100)	(92)	8
Fund Balances - Beginning of year	878	878	-
Fund Balance - End of Year	$ 778	$ 786	$ 8

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, 2013

	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, 2013

	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	88,992	1,550	90,542
Gym	444,320	444,320	125,947	323,961	449,908
Total 2005 SPLOST	$ 909,736	$ 909,736	$ 270,619	$ 325,511	$ 596,130
Special Local Option Sales Tax July 1, 2011					
Historic Preservation, Design & Renovation of Gym	$ 450,000	$ 450,000	$ 12,482	$ 657,191	$ 669,673
Transportation Projects	240,000	240,000	134,295	20,287	154,582
Recreation	140,000	140,000	115,833	30,955	146,788
Total 2011 SPLOST	$ 830,000	$ 830,000	$ 262,610	$ 708,433	$ 971,043

GOVERNMENTAL REPORTS

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, 2013, 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 26, 2014.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2013-001, 2013-002, and 2013-003.

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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 item 2013-004.

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 26, 2014

FINANCIAL STATEMENT FINDINGS

Findings noted on the 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:

2013-001 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
Audit adjustments were needed to fairly state and classify expenditures or expenses for the year ended December 31, 2013. The adjustments are summarized as follows:

- Adjustment of $6,504 was necessary in the General Fund to increase expenditures for court costs and intergovernmental expenditures.
- Adjustment of $9,655 was necessary in the 2011 SPLOST to increase expenditures for capital outlay.
- Adjustment of $7,348 was necessary in the Water and Sewer Fund to increase expenditures for purchased services.
- Adjustment of $9,121 was necessary in the Water and Sewer Fund to record the purchase of a new building.
- Adjustment of $4,428 was necessary in the Sanitation Fund to decrease expenses for purchased services. October and November invoices were duplicated causing the expenses for disposal to be overstated.

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
The city concurs with the findings. The city will work with the retained outside consultant for additional training on how to record expenses in the proper fiscal year.

2013-002 Accounts Receivable/Revenue

CRITERIA
Accounting procedures should be designed to insure that revenue is accrued and recognized when it becomes both measurable and available to finance expenditures of the fiscal period.

CONDITION
Various revenue items were not recorded in the proper fiscal period.

CONTEXT
The City does not have adequate accounting procedures to insure that revenues are recorded and properly classified.

EFFECT
Audit adjustments were needed to fairly state and classify revenues for the year ended December 31, 2013. The adjustments are summarized as follows:

- Adjustments of $9,273 were necessary in the General Fund to correct the property tax receivable, allowance and unearned revenue accounts.
- Adjustment of $5,738 was necessary in the General Fund to increase motor vehicle tax revenues.

CAUSE
The City did not have adequate accounting procedures in place to insure the accrual of revenues in the proper fiscal year.

RECOMMENDATION
We recommend that the City develop procedures to insure the recording of revenues when they become both measurable and available to finance expenditures of the fiscal period.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The city concurs with the findings. The city will work with the retained outside consultant for additional training on how to record revenues in the proper fiscal year.

2013-003 Capital Asset Records

CRITERIA
Accounting procedures should be designed to insure the timely updating of capital asset records.

CONDITION
Capital asset records were not updated in conjunction with other year-end closeout procedures.

CONTEXT
Assets, which had been placed into service during 2013, had not been recorded in the capital asset depreciation schedule. In addition, management had not reviewed amounts reported in construction in progress to determine if projects had been completed and placed in service.

EFFECT
The failure to update capital asset records on a timely basis delayed the completion of audit procedures. Additionally, delays in updating capital asset records increase the likelihood that capital expenditures are omitted from depreciation schedules and therefore do not represent a complete inventory of the City's capital assets.

CAUSE
The City did not have adequate accounting procedures in place to insure the timely updating of capital asset records.

RECOMMENDATION
We recommend that capital asset records be updated on a quarterly basis.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The city concurs with the finding. The city has adopted a new capital assets management policy which will help the treasurer better manage capital projects in process and note when they become capital assets.

COMPLIANCE FINDINGS

2013-004 SPLOST Tax Anticipation Note

CRITERIA
Georgia code (O.C.G.A. Article 9, Section 5, Paragraph 5) states that temporary loans may be incurred each year to pay expenses but that such loans shall be payable on or before December 31 of the calendar year in which such loan is made.

CONDITION
The City obtained a tax anticipation note on the City's SPLOST revenue during 2013 that was to be repaid by December 31, 2013. The City was not able to fully repay this loan so the City renewed this tax anticipation note in December 2013.

CONTEXT
The City plans to repay this tax anticipation note over the next five years as the SPLOST revenues are generated and received by the City.

EFFECT
The City has not complied with State law regarding short-term debt.

CAUSE
The City did not have sufficient knowledge of the State laws regarding short-term debt and fund accounting.

RECOMMENDATION
Management should review with the City attorney the legal ramifications for this tax anticipation note and establish procedures to prevent a reoccurrence.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The city concurs with this finding. The city will work toward paying off the tax anticipation note at the end of the calendar year. Management will work more closely with the city attorney to ensure compliance with state regulations on this matter