CITY OF PORTERDALE, GEORGIA

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF PORTERDALE, GEORGIA

TABLE OF CONTENTS
DECEMBER 31, 2014

Page

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ..... 1 – 3

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:
- Statement of Net Position 4
- Statement of Activities 5

Fund Financial Statements:
- Balance Sheet – Governmental Funds 6
- Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 7
- Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 8
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities 9
- Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund 10
- Statement of Net Position – Proprietary Funds 11
- Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds 12
- Statement of Cash Flows – Proprietary Funds ..... 13 – 14

Notes to the Financial Statements ..... 15 – 31

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds 32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 33
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Funds 34
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – From Inception: Housing Improvements CDBG 35
Schedule of Projects Special Purpose Local Option Sales Tax 36

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 ..... 37 – 38

Schedule of Findings and Responses 39-42

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, 2014, 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.

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, 2014, 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, cumulative schedule of the Community Development Block Grant, 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, cumulative schedule of the Community Development Block Grant, 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, cumulative schedule of the Community Development Block Grant, 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 July 6, 2015 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
July 6, 2015

BASIC FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 149,024	$ 55,090	$ 204,114
Receivables, net of allowance			
Taxes	65,690	-	65,690
Accounts	-	41,298	41,298
Due from other governments	352,396	-	352,396
Internal balances	57,328	(57,328)	-
Nondepreciable assets	284,641	36,089	320,730
Depreciable assets, net	1,868,853	4,346,511	6,215,364
Total Assets	2,777,932	4,421,660	7,199,592
LIABILITIES			
Accounts payable	141,818	114,541	256,359
Accrued salaries and benefits	21,367	-	21,367
Accrued interest	-	11,454	11,454
Customer deposits	-	77,121	77,121
Short-term payable	457,935	-	457,935
Unearned revenues	307,005	-	307,005
Noncurrent liabilities			
Due within one year	50,353	249,747	300,100
Due in more than one year	93,398	1,329,933	1,423,331
Total Liabilities	1,071,876	1,782,796	2,854,672
NET POSITION			
Net investment in capital assets	2,031,928	2,804,671	4,836,599
Restricted			
Law enforcement	9,438	-	9,438
Unrestricted (Deficit)	(335,310)	(165,807)	(501,117)
Total Net Position	$ 1,706,056	$ 2,638,864	$ 4,344,920

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

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	$ 480,362	$ 65,495	$ -	$ 229,665	$ (185,202)	$ -	$ (185,202)
Public safety	597,049	229,005	9,005	-	(359,039)	-	(359,039)
Public works	190,533	-	-	13	(190,520)	-	(190,520)
Culture and recreation	34,178	-	-	-	(34,178)	-	(34,178)
Housing and development	10,343	-	-	10,343	-	-	-
Interest on long-term debt	47,342	-	-	-	(47,342)	-	(47,342)
Total governmental activities	1,359,807	294,500	9,005	240,021	(816,281)	-	(816,281)
Business - Type Activities							
Water & Sewer	578,801	633,139	-	-	-	54,338	54,338
Sanitation	104,431	132,112	-	-	-	27,681	27,681
Total Business - Type Activities	683,232	765,251	-	-	-	82,019	82,019
Total Primary Government	$ 2,043,039	$ 1,059,751	$ 9,005	$ 240,021	(816,281)	82,019	(734,262)
		General Revenues					
		Property tax			261,092	-	261,092
		Sales tax			223,541	-	223,541
		Other taxes			226,295	-	226,295
		Insurance premium tax			77,073	-	77,073
		Miscellaneous			34,375	-	34,375
		Total General Revenues			822,376	-	822,376
		Change in Net Position			6,095	82,019	88,114
		Net Position - Beginning of year			1,699,961	2,556,845	4,256,806
		Net Position - End of year			$ 1,706,056	$ 2,638,864	$ 4,344,920

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	2005 SPLOST Fund	2011 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 108,671	$ -	$ 13,325	$ 27,028	$ 149,024
Receivables, net of allowance					
Taxes	65,690	-	-	-	65,690
Due from other governments	22,175	317,164	13,057	-	352,396
Due from other funds	63,385	-	-	-	63,385
Advances to other funds	100,353				100,353
Total Assets	$ 360,274	$ 317,164	$ 26,382	$ 27,028	$ 730,848
LIABILITIES					
Accounts payable	$ 117,398	$ 5,005	$ 2,728	$ 16,687	$ 141,818
Accrued expenses	21,367	-	-	-	21,367
Due to other funds	-	5,154	-	903	6,057
Tax Anticipation Note	-	-	457,935	-	457,935
Unearned revenue	-	307,005	-	-	307,005
Advances from other funds	-	-	100,353	-	100,353
Total Liabilities	138,765	317,164	561,016	17,590	1,034,535
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	27,762	-	-	-	27,762
Total Deferred Inflow of Resources	27,762	-	-	-	27,762
FUND BALANCES					
Nonspendable	100,353	-	-	-	100,353
Restricted	-	-	-	9,438	9,438
Unassigned/(Deficit)	93,394	-	(534,634)	-	(441,240)
Total Fund Balances/(Deficit)	193,747	-	(534,634)	9,438	(331,449)
Total Liabilities , Deferred Inflows of Resources and Fund Balances	$ 360,274	$ 317,164	$ 26,382	$ 27,028	$ 730,848

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, 2014

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

Total Fund Balances - Governmental Funds	$	(331,449)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,153,494
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.		(143,751)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		27,762
Net Position of Governmental Activities	$	1,706,056

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, 2014

	General Fund	2005 SPLOST Fund	2011 SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes					
Property tax	$ 282,976	$ -	$ -	$ -	$ 282,976
Sales tax	223,541	-	-	-	223,541
Insurance premium	77,073	-	-	-	77,073
Other taxes	226,295	-	-	-	226,295
License and permits	65,495	-	-	-	65,495
Fines	203,467	-	-	25,538	229,005
Intergovernmental	68,928	5,226	155,511	10,343	240,008
Interest earnings	-	-	13	-	13
Contributions and donations	9,005	-	-	-	9,005
Rent	13,808	-	-	-	13,808
Other revenues	20,567	-	-	-	20,567
Total Revenues	1,191,155	5,226	155,524	35,881	1,387,786
Expenditures:					
Current					
General government	465,740	-	-	-	465,740
Public safety	579,612	-	-	13,212	592,824
Public works	206,079	5,226	7,052	-	218,357
Culture and recreation	37,681	-	24,903	-	62,584
Housing and develoment	-	-	-	10,343	10,343
Intergovernmental	-	-	-	3,674	3,674
Debt service					
Principal	28,864	-	-	-	28,864
Interest	5,277	-	42,065	-	47,342
Capital Outlay	-	-	90,298	-	90,298
Total Expenditures	1,323,253	5,226	164,318	27,229	1,520,026
Excess (Deficiency) of Revenues Over (Under) Expenditures	(132,098)	-	(8,794)	8,652	(132,240)
Other Financing Sources (Uses):					
Capital lease proceeds	55,040	-	-	-	55,040
Total Other Financing Sources (Uses)	55,040	-	-	-	55,040
Net change in fund balances	(77,058)	-	(8,794)	8,652	(77,200)
Fund Balance/(Deficit), beginning of year	270,805	-	(525,840)	786	(254,249)
Fund Balance/(Deficit), end of year	$ 193,747	$ -	$ (534,634)	$ 9,438	$ (331,449)

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, 2014

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

Net Change in Fund Balances - Total Governmental Funds	$	(77,200)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(21,884)
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.		(37,124)
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		142,303
Change in Net Position of Governmental Activities	$	6,095

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF PORTERDALE, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts			Variance with
Revenues:	Original	Final	Actual	Final Budget
Taxes				
Property tax	$ 279,042	$ 279,042	$ 282,976	$ 3,934
Motor vehicle tax	54,000	54,000	63,070	9,070
Intangible tax	1,400	1,400	1,463	63
Real estate transfer tax	500	500	585	85
Franchise tax	115,500	115,500	122,141	6,641
Alcoholic beverage excise tax	13,000	13,000	18,607	5,607
Local option sales tax	185,876	185,876	223,541	37,665
Business and occupation tax	4,000	4,000	10,789	6,789
Insurance premium tax	73,000	73,000	77,073	4,073
Penalties and interest	4,000	4,000	9,640	5,640
Licenses and Permits	14,400	14,400	65,495	51,095
Intergovernmental	12,000	12,000	68,928	56,928
Fines and forfeitures	252,000	252,000	203,467	(48,533)
Contributions and donations	-	-	9,005	9,005
Rent	6,570	6,570	13,808	7,238
Miscellaneous revenues	51,629	51,629	20,567	(31,062)
Total Revenues	1,066,917	1,066,917	1,191,155	124,238
Expenditures:				
Current:				
General government				
Administration	229,554	299,966	299,966	-
Judicial	60,799	60,799	59,203	1,596
Planning & zoning	83,470	106,571	106,571	-
Public safety				
Police	484,675	568,597	568,597	-
Fire	9,900	11,015	11,015	-
Public works	175,437	206,079	206,079	-
Culture and recreation	-	37,681	37,681	-
Debt service				
Principal	20,509	28,864	28,864	-
Interest	2,573	5,277	5,277	-
Total Expenditures	1,066,917	1,324,849	1,323,253	1,596
Excess of Revenue Over (Under) Expenditures	-	(257,932)	(132,098)	125,834
Other Financing Sources (Uses):				
Capital lease	-	-	55,040	55,040
Total Other Financing Sources/(Uses)	-	-	55,040	55,040
Net change in fund balance	-	(257,932)	(77,058)	180,874
Fund balance, beginning of year	270,805	270,805	270,805	-
Fund balance, end of year	$ 270,805	$ 12,873	$ 193,747	$ 180,874

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 55,090	$ -	$ 55,090
Accounts receivable net of allowance	37,458	3,840	41,298
Total current assets	92,548	3,840	96,388
Noncurrent assets			
Capital assets			
Nondepreciable assets	36,089	-	36,089
Depreciable assets, net	4,328,066	18,445	4,346,511
Total capital assets	4,364,155	18,445	4,382,600
Total assets	4,456,703	22,285	4,478,988
LIABILITIES AND NET POSITION			
Liabilities:			
Current liabilities			
Accounts payable	97,846	16,695	114,541
Accrued interest	11,454	-	11,454
Due to other funds	57,328	-	57,328
Customer utility deposits	77,121	-	77,121
Compensated absences	1,115	373	1,488
Current maturities of long-term debt	248,259	-	248,259
Total Current Liabilities	493,123	17,068	510,191
Long-Term Liabilities			
Compensated absences	197	66	263
Long-term debt, less current portion	1,329,670	-	1,329,670
Total Long-Term Liabilities	1,329,867	66	1,329,933
Total Liabilities	1,822,990	17,134	1,840,124
Net Position:			
Net investment in capital assets	2,786,226	18,445	2,804,671
Unrestricted (Deficit)	(152,513)	(13,294)	(165,807)
Total Net Position	$ 2,633,713	$ 5,151	$ 2,638,864

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, 2014

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Operating revenues			
Charges and fees	$ 600,380	$ 127,462	$ 727,842
Penalties	13,950	4,650	18,600
Other fees	18,809	-	18,809
Total Operating Revenues	633,139	132,112	765,251
Operating expenses			
Personnel services and employee benefits	86,023	49,974	135,997
Purchased and contracted services	226,186	5,260	231,446
Landfill fees	-	30,680	30,680
Professional fees	25,009	-	25,009
Contract fees	45,576	-	45,576
Materials and supplies	21,698	15,992	37,690
Depreciation	104,230	2,525	106,755
Total Operating Expenses	508,722	104,431	613,153
Operating Income	124,417	27,681	152,098
Nonoperating revenues (expenses)			
Interest expense	(70,079)	-	(70,079)
Total nonoperating revenues (expenses)	(70,079)	-	(70,079)
Net income before transfers	54,338	27,681	82,019
Transfers in	26,958	-	26,958
Transfers out	-	(26,958)	(26,958)
Net transfers	26,958	(26,958)	-
Changes in net position	81,296	723	82,019
Net position - beginning of year	2,552,417	4,428	2,556,845
Net position - end of year	$ 2,633,713	$ 5,151	$ 2,638,864

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, 2014

	Business Activities - Enterprise Funds		
	Water and Sewer	Sanitation Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 635,505	$ 132,854	$ 768,359
Cash payments to employees for services	(86,023)	(49,974)	(135,997)
Cash payments to other suppliers of goods or services	(294,419)	(55,922)	(350,341)
Net cash provided by (used for) operating activities	255,063	26,958	282,021
Cash flows from noncapital financing activities			
Transfer from other funds	26,958	-	26,958
Transfer to other funds	-	(26,958)	(26,958)
Net cash provided by (used for) Noncapital financing activities	26,958	(26,958)	-
Cash flows from capital and related financing activities			
Interest paid on long-term debt	(70,675)	-	(70,675)
Principal paid on long-term debt	(215,008)	-	(215,008)
Net cash provided by (used for) capital and related financing activities	(285,683)	-	(285,683)
Net increase (decrease) in cash and cash equivalents	(3,662)	-	(3,662)
Cash and cash equivalents, beginning of year	58,752	-	58,752
Cash and cash equivalents, end of year	$ 55,090	$ -	$ 55,090

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, 2014
(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)	$ 124,417	$ 27,681	$ 152,098
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	104,230	2,525	106,755
Changes in operating assets and liabilities:			
Accounts receivable	4,371	742	5,113
Prepaid items	-	294	294
Accounts payable	22,952	2,080	25,032
Due to other funds	(8,751)	(6,651)	(15,402)
Compensated absences	1,098	287	1,385
Customer deposits	6,746	-	6,746
Net cash provided (used) by operating activities	$ 255,063	$ 26,958	$ 282,021

The accompanying notes are an integral part of the statements.

(THIS PAGE INTENTIONALLY LEFT BLANK)

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, 2014.

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, 2014.

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, 2014, the City paid $7,922 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
Vehicles	5 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, 2014, the City's total contribution was $58,305 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, 2014:

	General Fund	2011 SPLOST	Nonmajor Governmental	Total
Fund Balances				
Nonspendable	$ 100,353	$ -	$ -	$ 100,353
Restricted:				
Law enforcement	-	-	9,438	9,438
Unassigned	93,394	(534,634)	-	(441,240)
Total fund balances/(deficit)	$ 193,747	$ (534,634)	$ 9,438	$ (331,449)

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 $534,634. 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, 2014 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 2014 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, 2014 consist of the following:

	General Fund	Sanitation Fund	Water Sewer Fund	Total
Taxes	$ 122,533	$ -	$ -	$ 122,533
Accounts	-	31,380	147,617	178,997
Allowance	(56,843)	(27,540)	(110,159)	(194,542)
Net receivables	$ 65,690	$ 3,840	$ 37,458	$ 106,988

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2014 are as follows:

Fund	State	County	Total
General	$ 22,175	$ -	$ 22,175
2005 SPLOST	-	317,164	317,164
2011 SPLOST	-	13,057	13,057
Total	$ 22,175	$ 330,221	$ 352,396

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 the due to / from other funds as of December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer	$ 57,328
General Fund	2005 SPLOST	5,154
General Fund	Nonmajor Governmental Fund	903
Total		$ 63,385

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

The composition of the advances balances as of December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	2011 SPLOST	$ 100,353
Total		$ 100,353

Management intends to pay off this balance with future special purpose local options sales tax proceeds.

Interfund transfers:

Transfer Out:	Transfer In: Water & Sewer
Sanitation Fund	$ 26,958

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning	Increases	Decreases	Transfers	Ending
Governmental activities:					
Capital assets, not being depreciated					
Land	$ 284,641	$ -	$ -	$ -	$ 284,641
Construction in progress	1,119,581	90,298	-	(1,209,879)	-
Total capital assets, not being depreciated	1,404,222	90,298	-	(1,209,879)	284,641
Capital assets, being depreciated					
Buildings and improvements	579,857	62,404	-	1,209,879	1,852,140
Equipment	111,113	8,800	-	-	119,913
Vehicles	222,832	46,240	-	-	269,072
Total capital assets, being depreciated	913,802	117,444	-	1,209,879	2,241,125
Less accumulated depreciation for:					
Buildings and improvements	(73,977)	(34,983)	-	-	(108,960)
Equipment	(103,073)	(3,262)	-	-	(106,335)
Vehicles	(129,783)	(27,194)	-	-	(156,977)
Total accumulated depreciation	(306,833)	(65,439)	-	-	(372,272)
Total capital assets, being depreciated, net	606,969	52,005	-	1,209,879	1,868,853
Governmental activities capital assets, net	$ 2,011,191	$ 142,303	$ -	$ -	2,153,494
Less related long-term debt outstanding					(121,566)
Net investment in capital assets					$ 2,031,928

	Beginning	Increases	Decreases	Ending
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 31,968	$ -	$ -	$ 31,968
Construction in progress	4,121	-	-	4,121
Total capital assets, not being depreciated	36,089	-	-	36,089
Capital assets, being depreciated				
Equipment	106,075	-	-	106,075
Water and sewer system	5,709,910	-	-	5,709,910
Sanitation equipment	315,055	-	-	315,055
Total capital assets, being depreciated	6,131,040	-	-	6,131,040
Less accumulated depreciation for:				
Equipment	(39,318)	(6,082)	-	(45,400)
Water and sewer system	(1,344,371)	(98,148)	-	(1,442,519)
Sanitation equipment	(294,085)	(2,525)	-	(296,610)
Total accumulated depreciation	(1,677,774)	(106,755)	-	(1,784,529)
Total capital assets, being depreciated, net	4,453,266	(106,755)	-	4,346,511
Business-type activities capital assets, net	$ 4,489,355	$ (106,755)	$ -	4,382,600
Less related long-term debt outstanding				(1,577,929)
Net investment in capital assets				$ 2,804,671

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

Governmental activities:	
Public safety	$ 31,215
Public works	226
Culture and recreation	33,998
Total depreciation expense-governmental activities	$ 65,439
Business-type activities:	
Water and sewer	$ 104,230
Sanitation	2,525
Total depreciation expenses-business-type activities	$ 106,755

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 $23,131 for 2014.

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 $51,934 for 2014.

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%.

During 2014, the City entered into a capital lease with the Georgia Municipal Association in the amount of $55,040 for the purchase of a vehicle, a garbage truck, and equipment. The loan payments are made monthly in the amount of $986 including interest at 3.51%.

Assets under capital leases as of December 31, 2014 consist of:

	Estimated Useful Life	Cost	Depreciation Expense	Accumulated Depreciation
Governmental activites:				
Vehicles	5 years	$ 194,050	$ 5,173	$ 82,371
Equipment	7 years	8,800	-	-
Total governmental activities		$ 202,850	$ 5,173	$ 82,371
Business-type activities:				
Building	50 years	$ 40,663	$ 813	$ 3,890
Equipment	7 years	36,880	5,269	14,050
Total business-type activities		$ 77,543	$ 6,082	$ 17,940
Total assets under capital leases		$ 280,393	$ 11,255	$ 100,311

Changes in long-term liabilities

Long-term debt activity for the year ended December 31, 2014 was as follows:

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 11,237	$ 21,538	$ (10,590)	$ 22,185	$ 18,857
Capital leases	95,390	55,040	(28,864)	121,566	31,496
Total governmental activities	$ 106,627	$ 76,578	$ (39,454)	$ 143,751	$ 50,353
Business-type activities:					
Compensated absences	$ 366	$ 4,478	$ (3,093)	$ 1,751	$ 1,488
Capital lease	26,413	-	(5,996)	20,417	6,207
Notes payable					
GEFA loan # 93-011-WJ	491,313	-	(135,647)	355,666	165,797
GEFA loan # 2004-L02WQ	1,275,211	-	(73,365)	1,201,846	76,255
Total business-type activity	$ 1,793,303	$ 4,478	$ (218,101)	$ 1,579,680	$ 249,747
Long-term liabilities	$ 1,899,930	$ 81,056	$ (257,555)	$ 1,723,431	$ 300,100

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
2015	$ 31,496	$ 3,424	$ 6,207	$ 610
2016	32,506	2,414	6,426	392
2017	33,549	1,371	6,653	165
2018	21,060	395	1,131	5
2019	2,955	17	-	-
Total	$121,566	$ 7,621	$ 20,417	$1,172

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
2015	$ 165,797	$ 15,166
2016	151,019	6,422
2017	38,850	466
Total	$ 355,666	$ 20,054

GEFA Loan # 2004-L02WQ:

Year Ending	Business-type Activities	
December 31	Principal	Interest
2015	$ 76,255	$ 45,168
2016	79,259	42,164
2017	82,381	39,042
2018	85,627	35,797
2019	89,000	32,424
2020-2024	500,436	106,682
2025-2027	288,888	14,670
Total	$1,201,846	$315,947

NOTE 10 – TAX ANTICIPATION NOTE

During 2014, the City obtained a tax anticipation note (TAN) in the General Fund in the amount of $85,000 to finance general obligations of the City. The note bore interest at 4.25% and was due on December 31, 2014. The note was paid during 2014 from General Fund revenues. Interest on the note totaled $1,194.

As of December 31, 2014, the City's SPLOST 2011 fund reported a tax anticipation note with an outstanding balance of $457,935. The note bore interest at 4.25% and was due on December 31, 2014. During the year, the City drew down $97,256 on this note and incurred loan fees of $2,175. The City repaid $84,780 of this amount during 2014, and renewed this note to be repaid by December 31, 2015.

Short-term debt activity for the year ended December 31, 2014 was as follows:

		Beginning Balance	Issued	Retired	Ending Balance
Governmental Activities:					
General	Ad valorem TAN	$ -	$ 85,000	$ (85,000)	$ -
2011 SPLOST	SPLOST TAN	441,110	97,256	(80,431)	457,935
Governmental activities Short-term debt		$ 441,110	$ 182,256	$ (165,431)	$ 457,935

Compliance

Georgia code(O.C.G.A. 9-5-5) 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. Currently, the TAN used to finance SPLOST expenditures is not in compliance with state law regarding short-term financing.

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, 2014, there were twelve 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, 2014, were $6,410 by the employees and $13,400 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.

SUPPLEMENTARY INFORMATION

(THIS PAGE INTENTIONALLY LEFT BLANK)

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, 2014

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	CDBG	
ASSETS			
Cash and cash equivalents	$ 15,782	$ 11,246	$ 27,028
Total Assets	$ 15,782	$ 11,246	$ 27,028
LIABILITIES			
Accounts payable	$ 6,344	$ 10,343	$ 16,687
Due to other funds	-	903	903
Total Liabilities	6,344	11,246	17,590
FUND BALANCES			
Restricted:			
Law enforcement	9,438	-	9,438
Total Fund Balances	9,438	-	9,438
Total Liabilities and Fund Balances	$ 15,782	$ 11,246	$ 27,028

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	CDBG	
REVENUES			
Intergovernmental revenues	$ -	$ 10,343	$ 10,343
Fines and forfeitures	25,538	-	25,538
Total Revenues	25,538	10,343	35,881
EXPENDITURES			
Current			
Law enforcement	13,212	-	13,212
Housing and development	-	10,343	10,343
Intergovernmental	3,674	-	3,674
Total Expenditures	16,886	10,343	27,229
Net change in fund balance	8,652	-	8,652
Fund Balances - Beginning of year	786	-	786
Fund Balance - End of Year	$ 9,438	$ -	$ 9,438

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, 2014

	Final Budget	Actual	Variance with Final Budget
REVENUES			
Fines and forfeitures	$ -	$ 25,538	$ 25,538
Total Revenues	-	25,538	25,538
EXPENDITURES			
Current			
Law enforcement	13,212	13,212	-
Intergovernmental	3,674	3,674	-
Total Expenditures	16,886	16,886	-
Net change in fund balance	(16,886)	8,652	25,538
Fund Balances - Beginning of year	786	786	-
Fund Balance - End of Year	$ (16,100)	$ 9,438	$ 25,538

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, 2014

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Department of Community Affairs	$ -	$ 10,343	$ 10,343	$ 266,623
Total Revenues	-	10,343	10,343	266,623
Expenditures:				
H-14A-01 Rehabilitation of Private Properties	-	10,343	10,343	266,623
Total Expenditures	-	10,343	10,343	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, 2014

	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	90,542	5,226	95,768
Gym	444,320	444,320	449,908		449,908
Total 2005 SPLOST	$ 909,736	$ 909,736	$ 596,130	$ 5,226	$ 601,356
Special Local Option Sales Tax July 1, 2011					
Historic Preservation, Design & Renovation of Gym	$ 450,000	$ 450,000	$ 669,673	$ 132,363	$ 802,036
Transportation Projects	240,000	240,000	154,582	7,052	161,634
Recreation	140,000	140,000	146,788	24,903	171,691
Total 2011 SPLOST	$ 830,000	$ 830,000	$ 971,043	$ 164,318	$ 1,135,361

GOVERNMENTAL REPORT

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, 2014, 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 July 6, 2015.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. 2014-001, 2014-002, and 2014-003.

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ▪ Fax 478-742-0316

Member of
American Institute of
Certified Public Accountants
www.clhp.com

468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ▪ Fax 478-953-0983

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 2014-004.

City of Porterdale, Georgia's Response to Findings

City of Porterdale, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Porterdale, Georgia's response was 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
July 6, 2015

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:

2014-001 Accounts Payable/Expenditures or Expenses

CRITERIA
In accordance with generally accepted accounting principles, expenditures or expenses are classified in the fund where the revenues are generated to finance the expenses of the period. Year end procedures are necessary to ensure that expenditures or expenses are recorded in the appropriate fund.

CONDITION
The City does not have adequate accounting procedures to insure that expenditures or expenses are recorded and properly classified when a liability is incurred. Also, the City has not been consistent in posting of transactions requiring several reclassifications and correcting entries to properly report activity.

CONTEXT
Audit adjustments were needed to fairly state and classify expenditures or expenses for the year ended December 31, 2014. The adjustments are summarized as follows:

- Adjustment of $2,050 was necessary in the General Fund to increase expenditures for communication expenditures.
- Adjustment of $9,213 was necessary in the Water and Sewer Fund to increase expenditures for purchased services.
- Adjustment of $3,876 was necessary in the Water and Sewer Fund to record to increase interest expenditures.
- Adjustment of $42,065 was necessary in the 2011 SPLOST fund to decrease expenditures for capital outlay and to record interest expenditures.
- Adjustment of $24,903 was necessary in the 2011 SPLOST Fund to properly report expenditure activity for Transportation Projects and Recreation.

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

CAUSE
The City lacked the technical expertise to insure the recording and proper classification of incurred expenditures or expenses at the end of the fiscal period.

2014-001 Accounts Payable/Expenditures or Expenses, continued

RECOMMENDATION

The City should establish procedures to insure the proper accrual and classification of all liabilities incurred during the fiscal period. The City should also consider providing additional training to personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management agrees with the finding. The City will work with the retained outside consultant for additional training on how to record expenses and expenditures in the proper fiscal year.

2014-002 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 for 2014.

CONTEXT
Material audit adjustments were required to fairly state and classify revenues for the year ended December 31, 2014.

- Adjustments with a net effect of $35,859 were necessary to increase property tax revenue in the General Fund.
- The City has not been consistent in its posting of transactions requiring reclassification and correcting entries to properly report activity for insurance premium tax and other revenue accounts.

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

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 measurable and available to finance expenditures of the fiscal period. We recommend the City develop procedures to ensure that revenues are properly classified.

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

2014-003 Capital Asset Maintenance

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

CONDITION
The Governmental Activities depreciation schedule was not properly maintained during the current year.

CONTEXT
Material audit adjustment of $42,065 was necessary to correct current year activity.

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
Management agrees with the finding. The City will work with the retained outside consultant for additional training on how to maintain Capital Asset Records.

COMPLIANCE FINDINGS

2014-004 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 2014 that was to be repaid by December 31, 2014. The City was not able to fully repay this loan so the City renewed this tax anticipation note in December 2014.

CONTEXT
The City plans to repay this tax anticipation note over the next four 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
Management agrees with the finding. The City will work toward paying off the SPLOST anticipation note at the end of the calendar year. Management will work more closely with the city attorney to ensure compliance with state regulations.