CITY OF PORTERDALE, GEORGIA

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, 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, 2017, 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 December 5, 2018 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
December 5, 2018

FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 72,376	$ 51,704	$ 124,080
Receivables, net of allowance			
Taxes	59,409	-	59,409
Accounts	77,441	48,194	125,635
Due from other governments	106,973	-	106,973
Internal balances	(5,100)	5,100	-
Nondepreciable assets	348,699	26,968	375,667
Depreciable assets, net	2,402,339	4,026,846	6,429,185
Total Assets	3,062,137	4,158,812	7,220,949
LIABILITIES			
Accounts payable	191,633	103,404	295,037
Accrued salaries and benefits	39,762	-	39,762
Accrued interest	-	3,115	3,115
Customer deposits	-	86,432	86,432
Short-term payable	160,108	-	160,108
Noncurrent liabilities			
Due within one year			
Compensated absences	22,808	8,729	31,537
Capital leases	105,094	1,695	106,789
Notes payable	-	85,627	85,627
Due in more than one year			
Compensated absences	4,025	1,541	5,566
Capital leases	356,323	-	356,323
Notes payable	-	878,324	878,324
Total Liabilities	879,753	1,168,867	2,048,620
NET POSITION			
Net investment in capital assets	2,289,621	3,088,168	5,377,789
Restricted			
Law enforcement	1,854	-	1,854
Culture and recreation	6,064	-	6,064
Assigned			
Capital outlay	28,550	-	28,550
Unrestricted (Deficit)	(143,705)	(98,223)	(241,928)
Total Net Position	$ 2,182,384	$ 2,989,945	$ 5,172,329

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

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	$ 350,586	$ 22,892	$ -	$ 387,232	$ 59,538	$ -	$ 59,538
Judicial	61,100	-	-	-	(61,100)	-	(61,100)
Public safety	692,861	229,163	189	-	(463,509)	-	(463,509)
Public works	312,059	-	-	-	(312,059)	-	(312,059)
Culture and recreation	66,647	-	-	10,700	(55,947)	-	(55,947)
Housing and development	139,023	-	-	-	(139,023)	-	(139,023)
Interest on long-term debt	20,684	-	-	-	(20,684)	-	(20,684)
Total governmental activities	1,642,960	252,055	189	397,932	(992,784)	-	(992,784)
Business - Type Activities							
Water & Sewer	587,873	627,509	-	-	-	39,636	39,636
Sanitation	149,965	140,130	-	-	-	(9,835)	(9,835)
Total Business - Type Activities	737,838	767,639	-	-	-	29,801	29,801
Total Primary Government	$ 2,380,798	$ 1,019,694	$ 189	$ 397,932	(992,784)	29,801	(962,983)
General Revenues:							
Property tax					353,435	-	353,435
Sales tax					232,768	-	232,768
Other taxes					213,300	-	213,300
Insurance premium tax					94,972	-	94,972
Insurance proceeds					16,038	-	16,038
Gain on sale of asset					3,750	-	3,750
Miscellaneous					30,510	-	30,510
Total General Revenues					944,773	-	944,773
Transfers					128,371	(128,371)	-
Total General Revenues and Transfers					1,073,144	(128,371)	944,773
Change in Net Position					80,360	(98,570)	(18,210)
Net Position - Beginning of year, restated					2,102,024	3,088,515	5,190,539
Net Position - End of year					$ 2,182,384	$ 2,989,945	$ 5,172,329

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 49,972	$ 20,000	$ 2,404	$ 72,376
Receivables, net of allowance				
Taxes	59,409	-	-	59,409
Accounts	77,441	-	-	77,441
Due from other governments	28,139	78,834	-	106,973
Due from other funds	89,945	-	28,000	117,945
Total Assets	$ 304,906	$ 98,834	$ 30,404	$ 434,144
LIABILITIES				
Accounts payable	$ 171,486	$ 20,147	$ -	$ 191,633
Accrued expenses	39,762	-	-	39,762
Due to other funds	28,000	95,045	-	123,045
Tax anticipation note	20,743	139,365	-	160,108
Total Liabilities	259,991	254,557	-	514,548
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	39,256	-	-	39,256
Total Deferred Inflow of Resources	39,256	-	-	39,256
FUND BALANCES				
Restricted	6,064	-	1,854	7,918
Assigned	-	-	28,550	28,550
Unassigned/(Deficit)	(405)	(155,723)	-	(156,128)
Total Fund Balances/(Deficit)	5,659	(155,723)	30,404	(119,660)
Total Liabilities , Deferred Inflows of Resources and Fund Balances	$ 304,906	$ 98,834	$ 30,404	$ 434,144

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, 2017

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

Total Fund Balances/(Deficit) - Governmental Funds	$	(119,660)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of the assets		3,233,873
Accumulated depreciation		(482,835)
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.		
Compensated absences		(26,833)
Capital leases		(461,417)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		39,256
Net Position of Governmental Activities	$	2,182,384

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, 2017

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes				
Property tax	$ 359,680	$ -	$ -	$ 359,680
Sales tax	232,768	-	-	232,768
Insurance premium	94,972	-	-	94,972
Other taxes	213,300	-	-	213,300
License and permits	17,628	-	-	17,628
Intergovernmental	28,572	358,660	-	387,232
Charges for services	5,264	-	-	5,264
Fines and forfeitures	226,613	-	2,550	229,163
Contributions and donations	10,889	-	-	10,889
Rent	17,852	-	-	17,852
Other revenues	8,635	-	4,023	12,658
Total Revenues	1,216,173	358,660	6,573	1,581,406
Expenditures:				
Current				
General government	335,631	-	-	335,631
Judicial	61,100	-	-	61,100
Public safety	675,041	-	5,401	680,442
Public works	275,896	11,333	-	287,229
Culture and recreation	8,593	42,492	-	51,085
Housing and development	139,023	-	-	139,023
Debt service				
Principal	37,251	10,920	-	48,171
Interest and fiscal charges	6,599	14,085	-	20,684
Capital Outlay	-	633,189	-	633,189
Total Expenditures	1,539,134	712,019	5,401	2,256,554
Excess (Deficiency) of Revenues Over (Under) Expenditures	(322,961)	(353,359)	1,172	(675,148)
Other Financing Sources (Uses):				
Proceeds from sale of capital assts	3,750	-	-	3,750
Insurance proceeds	16,038	-	-	16,038
Capital lease proceeds	-	431,432	-	431,432
Transfers from other funds	165,180	-	-	165,180
Transfers to other funds	(36,809)	-	-	(36,809)
Total Other Financing Sources (Uses)	148,159	431,432	-	579,591
Net change in fund balances	(174,802)	78,073	1,172	(95,557)
Fund Balance/(Deficit), beginning of year, restated	180,461	(233,796)	29,232	(24,103)
Fund Balance/(Deficit), end of year	$ 5,659	$ (155,723)	$ 30,404	$ (119,660)

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, 2017

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

Net Change in Fund Balances - Total Governmental Funds	$ (95,557)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Total capital outlays	684,131
Total depreciation	(102,373)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,245)
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.	
Compensated absences	(16,335)
Proceeds from capital leases	(431,432)
Principal payments on capital leases	48,171
Change in Net Position of Governmental Activities	$ 80,360

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, 2017

Revenues:	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
Taxes				
Property tax	$ 367,000	$ 367,000	$ 359,680	$ (7,320)
Motor vehicle tax	56,000	56,000	57,247	1,247
Intangible tax	2,000	2,000	10,920	8,920
Real estate transfer tax	2,200	2,200	7,078	4,878
Franchise tax	110,300	110,300	101,853	(8,447)
Alcoholic beverage excise tax	13,500	13,500	26,595	13,095
Local option sales tax	173,000	173,000	232,768	59,768
Business and occupation tax	4,500	4,500	7,727	3,227
Insurance premium tax	82,000	82,000	94,972	12,972
Penalties and interest	1,000	1,000	1,880	880
Licenses and permits	18,750	18,750	17,628	(1,122)
Intergovernmental	44,800	44,800	28,572	(16,228)
Charges for services	10,850	10,850	5,264	(5,586)
Fines and forfeitures	265,000	265,000	226,613	(38,387)
Contributions and donations	-	-	10,889	10,889
Rent	9,600	9,600	17,852	8,252
Miscellaneous revenues	3,000	3,000	8,635	5,635
Total Revenues	1,163,500	1,163,500	1,216,173	52,673

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, 2017
(CONTINUED)

	Budgeted Amounts			Variance with
Expenditures:	Original	Final	Actual	Final Budget
Current:				
General government				
Legislative	21,800	16,740	16,740	-
Administration	205,600	304,458	318,891	(14,433)
Judicial	66,080	61,100	61,100	-
Public safety				
Police	482,550	624,584	658,781	(34,197)
Custody of prisoners	17,000	16,260	16,260	-
Public works	210,936	280,427	275,896	4,531
Culture and recreation	-	3,091	8,593	(5,502)
Housing & development				
Planning & zoning	48,794	52,387	52,387	-
Economic development & assistance	67,460	86,636	86,636	-
Debt service				
Principal	38,230	37,251	37,251	-
Interest and fiscal charges	5,050	6,599	6,599	-
Total Expenditures	1,163,500	1,489,533	1,539,134	(49,601)
Excess of Revenue Over (Under) Expenditures	-	(326,033)	(322,961)	3,072
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	3,750	3,750
Insurance proceeds	-	-	16,038	16,038
Transfers from other funds	-	362,842	165,180	(197,662)
Transfers to other funds	-	(36,809)	(36,809)	-
Total Other Financing Sources/(Uses)	-	326,033	148,159	(177,874)
Net change in fund balance	-	-	(174,802)	(174,802)
Fund balance, beginning of year, restated	180,461	180,461	180,461	-
Fund balance, end of year	$ 180,461	$ 180,461	$ 5,659	$ (174,802)

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 51,704	$ -	$ 51,704
Accounts receivable net of allowance	44,198	3,996	48,194
Due from other funds	5,100	3,192	8,292
Total current assets	101,002	7,188	108,190
Noncurrent assets			
Capital assets			
Nondepreciable assets	26,968	-	26,968
Depreciable assets, net	4,015,376	11,470	4,026,846
Total capital assets	4,042,344	11,470	4,053,814
Total assets	4,143,346	18,658	4,162,004
LIABILITIES AND NET POSITION			
Liabilities:			
Current liabilities			
Accounts payable	89,830	13,574	103,404
Accrued interest	3,115	-	3,115
Due to other funds	3,192	-	3,192
Customer utility deposits	86,432	-	86,432
Compensated absences	4,408	4,321	8,729
Current maturities of long-term debt	87,322	-	87,322
Total Current Liabilities	274,299	17,895	292,194
Long-Term Liabilities			
Compensated absences	778	763	1,541
Long-term debt, less current portion	878,324	-	878,324
Total Long-Term Liabilities	879,102	763	879,865
Total Liabilities	1,153,401	18,658	1,172,059
Net Position:			
Net investment in capital assets	3,076,698	11,470	3,088,168
Unrestricted (Deficit)	(86,753)	(11,470)	(98,223)
Total Net Position	$ 2,989,945	$ -	$ 2,989,945

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, 2017

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Operating revenues			
Charges and fees	$ 585,557	$ 135,979	$ 721,536
Penalties	12,192	4,064	16,256
Other fees	29,760	87	29,847
Total Operating Revenues	627,509	140,130	767,639
Operating expenses			
Personnel services and employee benefits	105,045	81,537	186,582
Purchased and contracted services	267,070	10,440	277,510
Landfill fees	-	43,742	43,742
Professional fees	26,791	-	26,791
Contract fees	6,522	-	6,522
Materials and supplies	39,738	12,321	52,059
Depreciation	104,230	1,925	106,155
Total Operating Expenses	549,396	149,965	699,361
Operating Income	78,113	(9,835)	68,278
Nonoperating revenues (expenses)			
Interest expense	(38,477)	-	(38,477)
Total nonoperating revenues (expenses)	(38,477)	-	(38,477)
Net income before transfers	39,636	(9,835)	29,801
Transfers in	26,974	36,809	63,783
Transfers out	(165,180)	(26,974)	(192,154)
Net transfers	(138,206)	9,835	(128,371)
Changes in net position	(98,570)	-	(98,570)
Net position - beginning of year	3,088,515	-	3,088,515
Net position - end of year	$ 2,989,945	$ -	$ 2,989,945

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, 2017

	Business Activities - Enterprise Funds		
	Water and Sewer	Sanitation Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 657,685	$ 151,893	$ 809,578
Cash payments to employees for services	(105,045)	(81,537)	(186,582)
Cash payments to other suppliers of goods or services	(299,407)	(80,191)	(379,598)
Net cash provided by (used for) operating activities	253,233	(9,835)	243,398
Cash flows from noncapital financing activities			
Transfer from other funds	26,974	36,809	63,783
Transfer to other funds	(165,180)	(26,974)	(192,154)
Net cash provided by (used for) Noncapital financing activities	(138,206)	9,835	(128,371)
Cash flows from capital and related financing activities			
Interest paid on long-term debt	(39,203)	-	(39,203)
Principal paid on long-term debt	(88,470)	-	(88,470)
Net cash provided by (used for) capital and related financing activities	(127,673)	-	(127,673)
Net increase (decrease) in cash and cash equivalents	(12,646)	-	(12,646)
Cash and cash equivalents, beginning of year	64,350	-	64,350
Cash and cash equivalents, end of year	$ 51,704	$ -	$ 51,704

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, 2017
(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)	$ 78,113	$ (9,835)	$ 68,278
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	104,230	1,925	106,155
Changes in operating assets and liabilities:			
Accounts receivable	10,557	4,864	15,421
Due from other funds	25,544	6,899	32,443
Accounts payable	36,295	7,067	43,362
Due to other funds	(6,899)	(24,938)	(31,837)
Compensated absences	4,419	4,183	8,602
Customer deposits	974	-	974
Net cash provided (used) by operating activities	$ 253,233	$ (9,835)	$ 243,398

The accompanying notes are an integral part of the statements.

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 its operational and financial relationships with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards Board (GASB) No. 61 "The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and 34," the City's relationships with other governments and agencies have been examined. The component unit column in the combined financial statements includes the financial data for the component units, as of December 31, 2017. The financial information for the component units are reported in columns separate from the City's financial information to emphasize that they are 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, 2017.

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, 2017.

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. 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 are 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.

SPLOST Fund – The SPLOST Fund accounts for the 2017 and 2011 SPLOST 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 acquisition 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, 2017, the City's total contribution was $24,439 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, 2017:

	General Fund	SPLOST Fund	Nonmajor Governmental	Total
Fund Balances				
Restricted:				
Law enforcement	$ -	$ -	$ 1,854	1,854
Economic development & assistance	6,064	-	-	6,064
Assigned:				
Capital outlay	-	-	28,550	28,550
Unassigned/(deficit)	(405)	(155,723)	-	(156,128)
Total fund balances/(deficit)	$ 5,659	$ (155,723)	$ 30,404	$ (119,660)

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 adopted on a basis consistent with generally accepted accounting principles 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. Expenditures over Appropriations

The following departments had expenditures in excess of departmental appropriations:

Administration	$ 14,433
Police	34,197
Culture and recreation	5,502

C. Budget Not Adopted for Special Revenue Fund

The City did not adopt a budget for the Drug Seizure Fund. The City plans to adopt a budget for this fund in future years.

D. Deficit Fund Balance

The SPLOST capital projects fund had a deficit fund balance of $155,723. The fund incurred expenditures prior to the receipt of sales taxes. The City plans to eliminate this deficit with future sales taxes and reimbursements from the General Fund.

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, 2017 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 2017 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, 2017 consist of the following:

	General Fund	Water & Sewer Fund	Sanitation Fund	Total
Taxes	$ 94,391	$ -	$ -	$ 94,391
Accounts	77,441	163,797	33,896	275,134
Allowance	(34,982)	(119,599)	(29,900)	(184,481)
Net receivables	$ 136,850	$ 44,198	$ 3,996	$ 185,044

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2017 are as follows:

Fund	State	County	Total
General	$ 23,261	$ 4,878	$ 28,139
SPLOST	-	78,834	78,834
Total	$ 23,261	$ 83,712	$ 106,973

The amount due from the state government represents local option sales tax revenues. The amount due for the county represents motor vehicle and real estate transfer taxes held by Newton County.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of the due to / from other funds as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	SPLOST	$ 89,945
Water and Sewer	SPLOST	5,100
Sanitation	Water and Sewer	3,192
Nonmajor Governmental	General Fund	28,000
		$ 126,237

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

Interfund transfers:

	Transfer In:			
	General Fund	Water and Sewer	Sanitation	Total
Transfer Out:				
General Fund	$ -	$ -	$ 36,809	$ 36,809
Water and Sewer Fund	165,180	-	-	165,180
Sanitation Fund	-	26,974	-	26,974
Total	$ 165,180	$ 26,974	$ 36,809	$ 228,963

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, 2017 was as follows:

	Beginning	Increases	Decreases	Ending
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 294,641	$ -	$ -	$ 294,641
Construction in progress	-	54,058	-	54,058
Total capital assets, not being depreciated	294,641	54,058	-	348,699
Capital assets, being depreciated				
Buildings and improvements	1,997,982	208,580	-	2,206,562
Equipment	97,009	317,585	(32,816)	381,778
Vehicles	218,365	103,908	(25,439)	296,834
Total capital assets, being depreciated	2,313,356	630,073	(58,255)	2,885,174
Less accumulated depreciation for:				
Buildings and improvements	(206,369)	(53,604)	-	(259,973)
Equipment	(83,660)	(10,599)	32,816	(61,443)
Vehicles	(148,688)	(38,170)	25,439	(161,419)
Total accumulated depreciation	(438,717)	(102,373)	58,255	(482,835)
Total capital assets, being depreciated, net	1,874,639	527,700	-	2,402,339
Governmental activities capital assets, net	$ 2,169,280	$ 581,758	$ -	2,751,038
Less related long-term debt outstanding				(461,417)
Net investment in capital assets				$ 2,289,621

	Beginning	Increases	Decreases	Ending
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 26,968	$ -	$ -	$ 26,968
Total capital assets, not being depreciated	26,968	-	-	26,968
Capital assets, being depreciated				
Equipment	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	(57,564)	(6,082)	-	(63,646)
Water and sewer system	(1,638,815)	(98,148)	-	(1,736,963)
Sanitation equipment	(301,660)	(1,925)	-	(303,585)
Total accumulated depreciation	(1,998,039)	(106,155)	-	(2,104,194)
Total capital assets, being depreciated, net	4,133,001	(106,155)	-	4,026,846
Business-type activities capital assets, net	$ 4,159,969	$ (106,155)	$ -	4,053,814
Less related long-term debt outstanding				(965,646)
Net investment in capital assets				$ 3,088,168

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

Governmental activities:	
General government	$ 1,274
Public safety	53,521
Public works	35,467
Culture and recretion	12,111
Total depreciaton expense - governmetal activities	$ 102,373
Business-type activities:	
Water and sewer	$ 104,230
Sanitation	1,925
Total depreciation expenses - business-type activities	$ 106,155

NOTE 9 – LONG-TERM DEBT

Notes payable

Business-Type:

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 $38,079 for 2017. As of December 31, 2017, the note had an outstanding balance of $963,951.

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

GEFA Loan # 2004-L02-WQ:

Year Ending December 31	Business-type Activities Principal	Interest	Total
2018	$ 85,627	$ 35,796	$ 121,423
2019	89,000	32,423	121,423
2020	92,506	28,917	121,423
2021	96,150	25,273	121,423
2022	99,938	21,485	121,423
2023-2027	500,730	106,387	607,117
	$ 963,951	$ 250,281	$ 1,214,232

Capital leases

A. Governmental

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%. As of December 31, 2017, the lease had an outstanding balance of $9,537.

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%. As of December 31, 2017, the lease had an outstanding balance of $15,409.

During 2016, the City entered into a capital lease with the United Bank in the amount of $24,315 for the purchase of a police vehicle. The loan payments are made monthly in the amount of $449 including interest at 4.00%. As of December 31, 2017, the lease had an outstanding balance of $15,959.

During 2017, the City entered into a capital lease with United Bank in the amount of $102,440 for the purchase of sound equipment and a stage roof/covering for the Porterdale Gym. The loan payments are made monthly in the amount of $1,901 including interest at 4.25%. As of December 31, 2017, the lease had an outstanding balance of $99,334.

During 2017, the City entered into a capital lease with United Bank in the amount of $261,367 for the purchase of various public works equipment and vehicles. The loan payments are made monthly in the amount of $4,880 including interest at 4.50%. As of December 31, 2017, the lease had an outstanding balance of $253,553.

During 2017, the City entered into a capital lease with United Bank in the amount of $67,625 for the purchase of two vehicles and an off-road UTV for the public works department. The loan payments are made monthly in the amount of $1,263 including interest at 4.50%. As of December 31, 2017, the lease had an outstanding balance of $67,625.

During 2017, the City incurred $4,143 in interest on governmental capital leases.

B. Business-Type

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%. Interest on the lease totaled $398 for 2017. As of December 31, the lease had an outstanding balance of $1,695.

Assets under capital leases as of December 31, 2017 consist of:

	Estimated Useful Life	Cost	Depreciation Expense	Accumulated Depreciation
Governmental activites:				
Buildings	50 years	$ 41,500	$ -	$ -
Equipment	5-10 years	317,872	7,955	11,475
Vehicles	5 years	249,017	35,482	133,963
Total governmental activities		$ 608,389	$ 43,437	$ 145,438
Business-type activities:				
Equipment	7 years	$ 36,880	$ 5,269	$ 29,856
Total business-type activities		$ 36,880	$ 5,269	$ 29,856
Total assets under capital leases		$ 645,269	$ 48,706	$ 175,294

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	$ 105,094	$ 18,260	$ 1,695	$ 10
2019	91,758	14,045	-	-
2020	91,872	10,028	-	-
2021	91,534	5,888	-	-
2022	81,159	1,742	-	-
	$ 461,417	$ 49,963	$ 1,695	$ 10

Changes in long-term liabilities

Long-term debt activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 10,498	$ 21,777	$ (5,442)	$ 26,833	$ 22,808
Capital leases	78,156	431,432	(48,171)	461,417	105,094
Total governmental activities	$ 88,654	$ 453,209	$ (53,613)	$ 488,250	$ 127,902
Business-type activities:					
Compensated absences	$ 1,668	$ 11,304	$ (2,702)	$ 10,270	$ 8,729
Capital lease	7,784	-	(6,089)	1,695	1,695
Notes payable					
GEFA loan # 2004-L02WQ	1,046,332	-	(82,381)	963,951	85,627
Total business-type activity	$ 1,055,784	$ 11,304	$ (91,172)	$ 975,916	$ 96,051
Long-term liabilities	$ 1,144,438	$ 464,513	$ (144,785)	$ 1,464,166	$ 223,953

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.

NOTE 10 – TAX ANTICIPATION NOTES

During 2017, the City also obtained a tax anticipation note (TAN) in the General Fund in the amount of $20,743 to finance the purchase of a police vehicle in the amount of $23,048. The note bore interest at 4.25% and was due on December 31, 2017. As of December 31, 2017, the note had an outstanding balance of $20,743 and was paid off January 31, 2018. Interest accrued on the note totaled $606 as of December 31, 2017.

During 2017, the City obtained a (TAN) in the General Fund in the amount of $200,000 to finance general obligations of the City. The note bore interest at 4.25% and was due on December 31, 2017. The note was paid off during 2017 from General Fund revenues. Interest on the note totaled $4,533

As of December 31, 2017 the City's SPLOST Fund reported a TAN with an outstanding balance of $139,365. The note bears an interest rate of 4.25%. The outstanding balance was renewed and is to be repaid by December 31, 2018. Interest paid on the note totaled $9,138.

Short-term debt activity for the year ended December 31, 2017 was as follows:

		Beginning Balance	Issued	Retired	Ending Balance
Governmental Activities:					
General Fund	Ad valorem TAN	$ -	$ 20,743	$ -	$ 20,743
	TAN	-	200,000	(200,000)	-
SPLOST Fund	SPLOST TAN	244,370	-	(105,005)	139,365
Governmental activities Short-term debt		$ 244,370	$ 220,743	$ (305,005)	$ 160,108

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 TANs used to finance the General Fund and SPLOST expenditures are not in compliance with state law regarding short-term financing.

NOTE 11 – EMPLOYEE RETIREMENT PLAN

The City offers a deferred contribution plan in accordance with Internal Revenue Code Section 457. The plan is administered by the Nationwide Retirement Solutions. As of December 31, 2017, there were 16 participants in the plan. 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 contribution the plan. The City contributes $100 each month for full time employees who are eligible to participate in the plan after six months of employment. 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, 2017, were $18,065 by the employees and $19,994 by the City.

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.

NOTE 13 – SUBSEQUENT EVENTS

On May 8, 2018, the City issued a Georgia Environmental Finance Authority (GEFA) Clean Water State Revolving Loan in the amount of $2,514,000 to finance a portion of the costs to repair and rehabilitate a large portion of the City's sewerage system. The loan has an interest rate of 1.25% and is payable over 239 consecutive monthly installments.

The City also obtained USDA funding of $3,467,000 in the form of a loan and a grant to finance a portion of the sewage collection system improvements. The loan amount is $2.277 million with an interest rate of 2.375% for 40 years with an annual debt service of $88,235. The grant amount is $1.190 million. The Rural Utilities Service (RUS) Loan funds will also be used to refinance an existing debt with GEFA.

NOTE 14 – RESTATEMENT

During 2017, the City recorded a prior period adjustment to correct accounts receivable as of December 31, 2016 for franchise taxes.

The effects of this adjustment are as follows:

	General Fund	Governmental Activities
Fund Balance/Net Position December 31, 2016, as previously stated	$ 97,876	$ 2,019,439
Adjustments to correct understatement of: Prior year franchise tax	82,585	82,585
Fund Balance/Net Position December 31, 2016, restated	$ 180,461	$ 2,102,024

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 that are restricted 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.

Capital Improvement Park Fund - This fund is used to account for the monies that are restricted for improvements and expanstion of the Yellow River Walking Trail.

CITY OF PORTERDALE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure	Capital Improvement Park Fund	
ASSETS			
Cash and cash equivalents	$ 1,854	$ 550	$ 2,404
Due from other funds	-	28,000	28,000
Total Assets	$ 1,854	$ 28,550	$ 30,404
LIABILITIES			
Due to other funds	$ -	$ -	$ -
Total Liabilities	-	-	-
FUND BALANCES			
Restricted:			
Law enforcement	1,854	-	1,854
Assigned:			
Capital outlay	-	28,550	28,550
Total Fund Balances	1,854	28,550	30,404
Total Liabilities and Fund Balances	$ 1,854	$ 28,550	$ 30,404

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue	Capital Project	Total Nonmajor
	Drug Seizure	Capital Improvement Park Fund	Governmental Funds
Revenues:			
Fines and forfeitures	$ 2,550	$ -	$ 2,550
Miscellaneous	4,023	-	4,023
Total Revenues	6,573	-	6,573
Expenditures:			
Current			
Law enforcement	5,401	-	5,401
Total Expenditures	5,401	-	5,401
Net change in fund balance	1,172	-	1,172
Fund Balances - Beginning of year	682	28,550	29,232
Fund Balance - End of Year	$ 1,854	$ 28,550	$ 30,404

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, 2017

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Fines and forfeitures	$ -	$ 2,550	$ 2,550
Miscellaneous	-	4,023	4,023
Total Revenues	-	6,573	6,573
Expenditures:			
Current:			
Law enforcement	-	5,401	(5,401)
Total Expenditures	-	5,401	(5,401)
Net change in fund balance	-	1,172	1,172
Fund Balances - Beginning of year	682	682	-
Fund Balance - End of Year	$ 682	$ 1,854	$ 1,172

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF PROJECTS
SPECIAL PURPOSE LOCAL OPTION SALES TAX
DECEMBER 31, 2017

	Original Estimated Cost	Amended Budget	Expenditures		
			Prior Years	Current Year	Total
Special Local Option Sales Tax July 1, 2011					
Historic Preservation, Design & Renovation of Gym	$ 450,000	$ 450,000	$ 829,227	$ 22,903	$ 852,130
Transportation Projects	240,000	240,000	181,307	5,350	186,657
Recreation	140,000	140,000	174,001	4,916	178,917
Total 2011 SPLOST	$ 830,000	$ 830,000	$ 1,184,535	$ 33,169	$ 1,217,704

	Original Estimated Cost	Amended Budget	Expenditures		
			Prior Years	Current Year	Total
Special Local Option Sales Tax July 1, 2017					
Public Works, Transportation & Park Maintenance	$ 393,600	$ -	$ -	$ 344,858	$ 344,858
Yellow River Park	370,314	-	-	75,076	75,076
Municipal Building	1,574,000	-	-	146,721	146,721
Gymnasium Improvements	98,800	-	-	112,195	112,195
Total 2017 SPLOST	$ 2,436,714	$ -	$ -	$ 678,850	$ 678,850

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, 2017, 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 December 5, 2018.

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. 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Porterdale, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-008, 2017-009, and 2017-010.

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
December 5, 2018

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:

2017-001 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.

CONTEXT
Audit adjustments were needed to fairly state and classify expenditures or expenses for the year ended December 31, 2017. The adjustments are summarized as follows:

- Adjustment of $5,172 was necessary in the General Fund to increase expenditures for rental and dues and fees.
- Adjustment of $62,461 was necessary in the General Fund to increase accounts payable for checks held until 2018.
- Adjustment of $11,557 was necessary to increase accrued payroll expenditures in the General Fund.
- Adjustment of $4,372 was necessary to increase compensated absences in the Sanitation Fund.
- Adjustment of $4,207 was necessary to decrease compensated absences in the Water & Sewer Fund.
- Adjustment of $11,365 was necessary in the Water and Sewer Fund to increase expenses for water-resale, rental, telephone communications, and general supplies & materials.
- Adjustment of $6,522 was necessary to increase Water &Sewer fund contract labor expenses and accounts payable for invoices improperly included in the General Fund accounts payable. An adjustment was also made in the General Fund to decrease expenditures for contract labor and accounts payable.
- Adjustment of $6,222 was necessary in the Sanitation Fund to increase accounts payable and transfers out for Sanitation expenses improperly included in the Water & Sewer Fund. An adjustment was also made in the Water & Sewer fund for the same amount to decrease accounts payable and increase transfers in from the Sanitation Fund.

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.

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. Council approved the purchase of financial reporting software October 2018. It will be installed in January of 2019, and staff will be thoroughly trained.

2017-002 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 2017.

CONTEXT
Material audit adjustments were required to fairly state and classify revenues for the year ended December 31, 2017.

- Adjustment of $4,692 was required in the General Fund to increase revenues for motor vehicle tax and TAVT.
- Adjustment of $74,626 was required in the General Fund to record franchise tax revenue.
- Adjustment of $16,851 was required to decrease unavailable property tax revenue in the General Fund.
- Adjustments of $9,382 were required to increase property tax revenues and decrease property taxes receivable and increase property tax revenue and penalties and interest on delinquent property taxes.
- Adjustment of $7,675 was required in the General Fund to correct the posting of lease payments improperly netted against Municipal Fines.
- Adjustment of $42,721 was necessary to increase 2017 SPLOST revenues in the SPLOST Fund.
- Adjustments of $11,951 and $2,988 were necessary to increase the allowance for uncollectible accounts receivable in the Water & Sewer and Sanitation funds, respectively.

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. In addition to new financial reporting software, management will be reviewing proposals from bookkeeping and audit firms with expertise in local government finances in Georgia.

2017-003 Management of Due To / From (Interfund) Accounts

CRITERIA
Generally accepted accounting principles require consideration of the collectability of receivables of all kinds whether external or internal to the City. As part of that process, the City should review the amounts included in due to / from account (interfund receivables and payables) in each fund to determine if amounts should instead be treated as a transfer in / out during any given fiscal year.

CONDITION
The City did not monitor interfund receivables and payable accounts on a monthly basis and did not make the appropriate settlements between funds.

CONTEXT
- An adjustment of $3,192 was necessary to decrease transfers from the Sanitation Fund to the Water & Sewer Fund.
- Adjustments of $12,201 in the SPLOST Fund were required to record receivables due from the General Fund for reimbursement of non-SPLOST expenditures.

EFFECT
See condition above.

CAUSE
The control weakness is the result of the city not establishing adequate internal controls to monitor the collectability of interfund receivable and payable accounts.

RECOMMENDATION
We recommend the City review all interfund receivables and payables on a monthly basis and consider the need for timely settlements between funds.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding, and will work with staff and bookkeeping firm to correct this.

2017-004 Property Tax Accounting System

CRITERIA
An adequate system of internal controls should include the timely reconciliation of subsidiary records with general ledger accounts.

CONDITION
The City does not maintain property tax subsidiary records in sufficient detail to reconcile with general ledger control accounts. In addition, property tax subsidiary records were not complete.

CONTEXT
Property tax subsidiary records do not calculate outstanding balances due by taxpayer or in total by property tax year.

Adjustments of $9,382 were required to increase property tax revenues and decrease property taxes receivable and increase property tax revenue and penalties and interest on delinquent property taxes.

EFFECT
No material misstatements were noted as a result of our audit procedures; however, inadequate subsidiary records reduce the effectiveness of internal controls and increase the likelihood that misstatements in the accounting records will not be detected and corrected on a timely basis.

CAUSE
The City's current method of maintaining the detailed property tax records is not designed to provide adequate information needed to properly record and reconcile balances to the general ledger control accounts.

RECOMMENDATION
We recommend the City purchase property tax software.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. Property tax software will be installed January 2019. This will enable staff to maintain subsidiary records in sufficient detail for reconciliation with the general ledger.

2017-005 Prior Period Adjustment

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
Franchise tax revenues were not recorded in the proper fiscal year.

CONTEXT
During 2017, the City discovered that certain franchise payments represented revenues earned during the prior period.

EFFECT
The City recorded a prior period adjustment of $82,585 to record revenues in the proper period.

CAUSE
The City was unaware that the annual payments from Georgia Power represented revenue earned from the prior year.

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. This has been resolved.

2017-006 Capital Leases and Other Debt Issuances

CRITERIA
Generally accepted accounting principals direct that proceeds from capital leases are reported as other financing sources at the inception of the lease and expenditure equal to the present value of the minimum lease payments to reflect the commitment of financial resources associated with the acquired capital asset.

CONDITION
The City did not record the proceeds of capital leases and short-term debt issuances and the corresponding expenditures.

CONTEXT
- A material adjustment of $363,807 was required in the 2017 SPLOST Fund to correct the reporting of proceeds for two capital leases recorded as short-term notes.
- An adjustment of $67,625 was required in the SPLOST Fund to correct the reporting capital lease proceeds and capital outlay.
- A material adjustment of $20,743 was required in the General Fund to record a Tax Anticipation Note (TAN) and a related capital expenditure of a police vehicle.

EFFECT
The City understated other financing sources, short-term debt, and expenditures as of December 31, 2017. In addition, the capital asset schedule did not reflect the addition of the assets and the associated depreciation expenses for the current period.

CAUSE
The City lacked the technical expertise to insure the recording and proper classification of capital lease transactions.

RECOMMENDATION
The City should establish procedures to insure the proper recorded of capital lease transactions and short-term debt issuances during the year. 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 monitor future debt obligations to ensure that all debt is recorded. In addition, management will insure that a contracted bookkeeping firm properly records future capital leases.

2017-007 Capital Assets – Governmental

CRITERIA
Accounting and control procedures should be designed to insure that capital asset activity is recorded and reported. Capital asset records must be supported by detailed records that include location, department, cost and estimated useful life, depreciation and other detailed supporting documentation.

CONDITION
The City does not have adequate accounting procedures to insure that capital assets and related depreciation are properly recorded.

CONTEXT
The following adjustments were needed to correct the governmental depreciation schedule:

- Material adjustments of $641,131 to record current year capital asset additions.
- Material adjustments of $58,255 to record current capital asset disposals and to decrease accumulated deprecation.
- Material adjustments of $102,373 to record current year depreciation expense.

EFFECT
The City's accounting records for governmental capital assets contained material errors which were identified and corrected during the audit.

CAUSE
The City did not have adequate internal control procedures in place to insure that capital asset activity was properly recorded.

RECOMMENDATION
The City should establish procedures to insure that the capital asset records are complete, accurate, and properly recorded.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding; the City purchased capital asset software and will be trained on it in December of 2018.

COMPLIANCE FINDINGS

2017-008 Tax Anticipation Notes

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 notes on the City's SPLOST revenue and on the City's General Fund property tax revenue during 2017 that was to be repaid by December 31, 2017. The City was not able to fully repay these loans by the due date. The City renewed this 2011 SPLOST tax anticipation note in December 2017. The City paid off the General Fund's tax anticipation note once funds were available in January 2018.

CONTEXT
The City plans to repay the $139,365 tax anticipation note in 2018.

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

CAUSE
Expenditures exceeded the budget for the Renovation of the Gym and the City has been unable to pay off the tax anticipation note.

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 this finding. This loan will be paid off by the end of this calendar year (2018).

2017-009 SPLOST Funds

CRITERIA
The Official Code of Georgia (OCGA) Section 48-8-121(a)(1) requires that SPLOST proceeds cannot in any manner be commingled with other City funds prior to their expenditure. Capital outlay projects are defined by law as major projects which are of a permanent, long-lived nature and would be properly chargeable to a capital asset account as distinguished from current expenditures and ordinary maintenance expenses. State law also prohibits the expenditure of SPLOST monies for any purposes that were not approved in the SPLOST referendum.

CONDITION
In 2017, the City had expenditures in the SPLOST Fund that did not meet the definition of capital outlay items.

CONTEXT
The City paid for operating expenditures in the amount of $12,201 with SPLOST funds.

EFFECT
The City is in violation of OCGA Section 48-8-121(a)(1).

CAUSE
City personnel responsible for distribution of SPLOST funds lacked an understanding of projects eligible for SPLOST funding as defined by Georgia code.

RECOMMENDATION
The City should implement procedures to ensure restricted funds are not utilized for operating expenditures.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. We will carefully examine each expenditure to determine if it meets the definition of a capital outlay item, and to insure it's on the referendum.

2017-010 2017 SPLOST Fund

CRITERIA
The Official Code of Georgia (OCGA) Section 48-8-121(a)(1) requires that SPLOST proceeds cannot in any manner be commingled with other City funds prior to their expenditure.

CONDITION
The City did not open a new bank account for the 2017 SPLOST Fund.

CONTEXT
2017 SPLOST proceeds were deposited into the 2011 SPLOST bank account.

EFFECT
The City is in violation of OCGA Section 48-8-121 (a)(1).

CAUSE
City personnel responsible for the SPLOST proceeds lacked an understanding of Georgia Code.

RECOMMENDATION
The City should open a new bank account for the 2017 SPLOST activity.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. The City will open a bank account for the 2017 SPLOST as required.

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

2016-001 Accounts Payable/Expenditures or Expenses

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.

UPDATE
Unresolved. See current year finding 2017-001.

2016-002 Accounts Receivable/Revenue

CONDITION
Various revenue items were not recorded in the proper fiscal period for 2016.

UPDATE
Unresolved. See current year finding 2017-002.

2016-003 Management of Due To / From (Interfund) Accounts

CONDITION
The City did not monitor interfund receivables and payable accounts on a monthly basis and did not make the appropriate settlements between funds.

UPDATE
Unresolved. See current year finding 2017-003.

2016-004 Bank Reconciliation

CONDITION
The City did not properly reconcile the General Fund UCB Checking bank account as of December 31, 2016. Additionally, auditor noted several long-outstanding items on several bank reconciliations.

UPDATE
Resolved.

2016-005 Property Tax Accounting System

CONDITION
The City does not maintain property tax subsidiary records in sufficient detail to reconcile with general ledger control accounts. In addition, property tax subsidiary records were not complete.

UPDATE
Unresolved. See current year finding 2017-004.

2016-006 Prior Period Adjustment

CONDITION
During the course of our audit, it was noted that the outstanding balance and related accrued interest payable balance for the GEFA loan #93-011-WJ were misstated as of December 31, 2015.

UPDATE
Resolved.

2016-007 SPLOST Tax Anticipation Note

CONDITION
The City obtained a tax anticipation note on the City's SPLOST revenue during 2016 that was to be repaid by December 31, 2016. The City was not able to fully repay this loan so the City renewed this tax anticipation note in December 2016.

UPDATE
Unresolved. See current year finding 2017-008.