CITY OF PORTERDALE
GEORGIA

PORTERDALE

Georgia's Historic Mill Village!

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

CITY OF PORTERDALE, GEORGIA

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

CITY OF PORTERDALE, GEORGIA

TABLE OF CONTENTS
DECEMBER 31, 2018

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 10-11
- Statement of Net Position – Proprietary Funds 12
- Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds 13
- Statement of Cash Flows – Proprietary Funds ..... 14 – 15

Notes to the Financial Statements ..... 16 – 33

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds 34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 35
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Drug Seizure Fund 36
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Conservation Fund 37
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds 38

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 ..... 39 – 40

Schedule of Findings and Responses ..... 41 – 58
Schedule of Prior Year Findings ..... 59 – 60

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, 2018, 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 from 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.

1503 Bass Road ■ Post Office Box 6315 ■ Macon, Georgia 31208-6315

Phone 478-742-3313 ■ Facsimile 478-742-0316 ■ www.clhp.com

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, 2018, 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 expenditures of special purpose local option 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 expenditures of special purpose local option 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 expenditures of special purpose local option 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 August 6, 2020 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 solely 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 effectiveness of the City of Porterdale's 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
August 6, 2020

FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 130,857	$ 45,361	$ 176,218
Receivables, net of allowance			
Taxes	47,272	-	47,272
Accounts	103,145	49,057	152,202
Due from other governments	120,320	-	120,320
Internal balances	(170,348)	170,348	-
Nondepreciable assets	391,987	276,764	668,751
Depreciable assets, net	2,291,715	3,920,691	6,212,406
Total Assets	2,914,948	4,462,221	7,377,169
LIABILITIES			
Overdrawn cash	16,391	-	16,391
Accounts payable	195,152	240,896	436,048
Accrued expenses	37,969	8,124	46,093
Accrued interest	-	3,082	3,082
Customer deposits	-	86,886	86,886
Noncurrent liabilities			
Due within one year			
Compensated absences	29,462	7,368	36,830
Capital leases	101,880	-	101,880
Notes payable	-	89,000	89,000
Due in more than one year			
Compensated absences	5,198	1,197	6,395
Capital leases	304,099	-	304,099
Notes payable	-	1,028,982	1,028,982
Total Liabilities	690,151	1,465,535	2,155,686
NET POSITION			
Net investment in capital assets	2,277,723	3,079,473	5,357,196
Restricted			
Law enforcement	4,540	-	4,540
Culture and recreation	4,194	-	4,194
Conservation	28,130	-	28,130
Capital outlay	193,347	-	193,347
Unrestricted (Deficit)	(283,137)	(82,787)	(365,924)
Total Net Position	$ 2,224,797	$ 2,996,686	$ 5,221,483

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

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	$ 314,389	$ 30,519	$ 14,638	$ 468,800	$ 199,568	$ -	$ 199,568
Judicial	62,385	-	-	-	(62,385)	-	(62,385)
Public safety	744,954	219,022	-	-	(525,932)	-	(525,932)
Public works	356,801	-	-	-	(356,801)	-	(356,801)
Culture and recreation	73,367	2,565	1,650	-	(69,152)	-	(69,152)
Housing and development	161,918	7,325	40,000	-	(114,593)	-	(114,593)
Interest on long-term debt	26,866	-	-	-	(26,866)	-	(26,866)
Total governmental activities	1,740,680	259,431	56,288	468,800	(956,161)	-	(956,161)
Business - Type Activities							
Water & Sewer	639,220	639,110	-	-	-	(110)	(110)
Sanitation	138,604	144,255	-	-	-	5,651	5,651
Total Business - Type Activities	777,824	783,365	-	-	-	5,541	5,541
Total Primary Government	$ 2,518,504	$ 1,042,796	$ 56,288	$ 468,800	(956,161)	5,541	(950,620)
		General Revenues:					
		Property tax			369,778	-	369,778
		Sales tax			255,138	-	255,138
		Other taxes			250,869	-	250,869
		Insurance premium tax			102,424	-	102,424
		Gain on sale of asset			-	1,200	1,200
		Miscellaneous			20,365	-	20,365
		Total General Revenues			998,574	1,200	999,774
		Change in Net Position			42,413	6,741	49,154
		Net Position - Beginning of year			2,182,384	2,989,945	5,172,329
		Net Position - End of year			$ 2,224,797	$ 2,996,686	$ 5,221,483

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,000	$ 92,021	$ 37,836	$ 130,857
Receivables, net of allowance				
Taxes	47,272	-	-	47,272
Accounts	94,537	8,608	-	103,145
Due from other governments	32,120	88,200	-	120,320
Due from other funds	4,616	42,346	-	46,962
Total Assets	$ 179,545	$ 231,175	$ 37,836	$ 448,556
LIABILITIES				
Overdrawn cash	$ 16,391	$ -	$ -	$ 16,391
Accounts payable	169,279	25,873	-	195,152
Accrued expenses	37,969	-	-	37,969
Due to other funds	200,739	11,955	4,616	217,310
Total Liabilities	424,378	37,828	4,616	466,822
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	28,262	-	-	28,262
Total Deferred Inflow of Resources	28,262	-	-	28,262
FUND BALANCES				
Restricted	4,194	193,347	32,670	230,211
Assigned	-	-	550	550
Unassigned/(Deficit)	(277,289)	-	-	(277,289)
Total Fund Balances/(Deficit)	(273,095)	193,347	33,220	(46,528)
Total Liabilities , Deferred Inflows of Resources and Fund Balances	$ 179,545	$ 231,175	$ 37,836	$ 448,556

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, 2018

Total Fund Balances/(Deficit) - Governmental Funds	$	(46,528)
Amounts reported for governmental activities in the Statement of Net Position differ from amounts reported in the Balance Sheet of Governmental Funds due to the following:		
Capital Assets		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of the assets		3,317,426
Accumulated depreciation		(633,724)
Revenues		
Some of the government's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are unearned in the funds.		28,262
Liabilities		
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		(34,660)
Capital leases		(405,979)
Net Position of Governmental Activities	$	2,224,797

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, 2018

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes				
Property tax	$ 380,772	$ -	$ -	$ 380,772
Sales tax	255,138	-	-	255,138
Insurance premium	102,424	-	-	102,424
Other taxes	250,869	-	-	250,869
License and permits	29,742	-	-	29,742
Intergovernmental	14,638	468,800	-	483,438
Charges for services	3,342	-	7,325	10,667
Fines and forfeitures	209,096	-	9,926	219,022
Contributions and donations	1,650	-	40,000	41,650
Rent	10,739	-	-	10,739
Other revenues	9,626	-	-	9,626
Total Revenues	1,268,036	468,800	57,251	1,794,087
Expenditures:				
Current				
General government	302,610	-	-	302,610
Judicial	62,385	-	-	62,385
Public safety	739,087	-	7,240	746,327
Public works	301,638	-	-	301,638
Culture and recreation	7,522	3,122	-	10,644
Housing and development	144,448	-	17,470	161,918
Debt service				
Principal	29,555	84,797	-	114,352
Interest and fiscal charges	5,607	21,259	-	26,866
Capital Outlay	-	53,129	-	53,129
Total Expenditures	1,592,852	162,307	24,710	1,779,869
Excess (Deficiency) of Revenues Over (Under) Expenditures	(324,816)	306,493	32,541	14,218
Other Financing Sources (Uses):				
Issuance of debt	25,424	33,490	-	58,914
Transfers from other funds	29,725	9,087	-	38,812
Transfers to other funds	(9,087)	-	(29,725)	(38,812)
Total Other Financing Sources (Uses)	46,062	42,577	(29,725)	58,914
Net change in fund balances	(278,754)	349,070	2,816	73,132
Fund Balance/(Deficit), beginning of year	5,659	(155,723)	30,404	(119,660)
Fund Balance/(Deficit), end of year	$ (273,095)	$ 193,347	$ 33,220	$ (46,528)

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, 2018

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

Net Change in Fund Balances - Total Governmental Funds	$	73,132
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		83,553
Total depreciation		(150,889)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(10,994)
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		(7,827)
Issuance of debt		(58,914)
Principal payments on capital leases		114,352
Change in Net Position of Governmental Activities	$	42,413

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, 2018

Revenues:	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
Taxes:				
Property tax	$ 385,000	$ 385,000	$ 380,772	$ (4,228)
Motor vehicle tax	56,000	56,000	86,853	30,853
Intangible tax	3,100	3,100	3,176	76
Real estate transfer tax	2,200	2,200	1,339	(861)
Franchise tax	144,000	144,000	118,818	(25,182)
Alcoholic beverage excise tax	15,000	15,000	30,599	15,599
Local option sales tax	196,000	196,000	255,138	59,138
Business and occupation tax	8,000	8,000	4,770	(3,230)
Insurance premium tax	100,000	100,000	102,424	2,424
Penalties and interest	2,000	2,000	5,314	3,314
Total Taxes	911,300	911,300	989,203	77,903
Licenses and permits:				
Business licenses and permits	21,500	21,500	29,742	8,242
Intergovernmental:				
Federal government	60,000	60,000	14,638	(45,362)
Charges for services:				
General fees	703	703	777	74
Recreational fees	12,849	12,849	2,565	(10,284)
Total Charges for services	13,552	13,552	3,342	(10,210)
Fines and forfeitures:				
Municipal fines	237,777	237,777	209,096	(28,681)
Contributions and donations				
Private contributions and donations	-	-	1,650	1,650
Miscellaneous revenues				
Rent	7,915	7,915	10,739	2,824
Other revenues	54,855	54,855	9,626	(45,229)
Total Miscellaneous Revenues	62,770	62,770	20,365	(42,405)
Total Revenues	1,306,899	1,306,899	1,268,036	(38,863)

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, 2018
(CONTINUED)

	Budgeted Amounts			Variance with
Expenditures:	Original	Final	Actual	Final Budget
Current:				
General government				
Legislative	21,100	21,100	17,833	3,267
Administration	200,100	200,100	284,777	(84,677)
Total General government	221,200	221,200	302,610	(81,410)
Judicial	66,200	66,200	62,385	3,815
Public safety				
Police	623,559	623,559	716,707	(93,148)
Custody of prisoners	17,000	17,000	22,380	(5,380)
Total Public safety	640,559	640,559	739,087	(98,528)
Public works	228,900	228,900	301,638	(72,738)
Culture and recreation	-	-	7,522	(7,522)
Housing & development				
Planning & zoning	48,650	48,650	45,601	3,049
Economic development & assistance	69,610	69,610	98,847	(29,237)
Total Housing & development	118,260	118,260	144,448	(26,188)
Debt service				
Principal	26,730	26,730	29,555	(2,825)
Interest and fiscal charges	5,050	5,050	5,607	(557)
Total Debt service	31,780	31,780	35,162	(3,382)
Total Expenditures	1,306,899	1,306,899	1,592,852	(285,953)
Excess of Revenue Over (Under) Expenditures	-	-	(324,816)	(324,816)
Other Financing Sources (Uses):				
Issuance of debt	-	-	25,424	25,424
Transfers from other funds	-	-	29,725	29,725
Transfers to other funds	-	-	(9,087)	(9,087)
Total Other Financing Sources/(Uses)	-	-	46,062	46,062
Net change in fund balance	-	-	(278,754)	(278,754)
Fund balance, beginning of year	5,659	5,659	5,659	-
Fund balance/(deficit), end of year	$ 5,659	$ 5,659	$ (273,095)	$ (278,754)

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 45,361	$ -	$ 45,361
Accounts receivable net of allowance	39,529	9,528	49,057
Due from other funds	180,080	877	180,957
Total current assets	264,970	10,405	275,375
Noncurrent assets			
Capital assets			
Nondepreciable assets	276,764	-	276,764
Depreciable assets, net	3,911,146	9,545	3,920,691
Total capital assets	4,187,910	9,545	4,197,455
Total assets	4,452,880	19,950	4,472,830
LIABILITIES AND NET POSITION			
Liabilities:			
Current liabilities			
Accounts payable	235,530	5,366	240,896
Accrued expenses	4,737	3,387	8,124
Accrued interest	3,082	-	3,082
Due to other funds	-	10,609	10,609
Customer utility deposits	86,886	-	86,886
Compensated absences	6,780	588	7,368
Current maturities of long-term debt	89,000	-	89,000
Total Current Liabilities	426,015	19,950	445,965
Long-Term Liabilities			
Compensated absences	1,197	-	1,197
Long-term debt, less current portion	1,028,982	-	1,028,982
Total Long-Term Liabilities	1,030,179	-	1,030,179
Total Liabilities	1,456,194	19,950	1,476,144
Net Position:			
Net investment in capital assets	3,069,928	9,545	3,079,473
Unrestricted (Deficit)	(73,242)	(9,545)	(82,787)
Total Net Position	$ 2,996,686	$ -	$ 2,996,686

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, 2018

	Business Activities - Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Operating revenues			
Charges and fees	$ 599,482	$ 140,231	$ 739,713
Penalties	12,072	4,024	16,096
Other fees	27,556	-	27,556
Total Operating Revenues	639,110	144,255	783,365
Operating expenses			
Personnel services and employee benefits	154,579	76,323	230,902
Purchased and contracted services	254,776	6,451	261,227
Landfill fees	-	39,457	39,457
Professional fees	22,220	-	22,220
Materials and supplies	42,493	14,448	56,941
Depreciation	104,230	1,925	106,155
Total Operating Expenses	578,298	138,604	716,902
Operating Income	60,812	5,651	66,463
Nonoperating revenues (expenses)			
Interest expense	(35,782)	-	(35,782)
Issuance costs	(25,140)	-	(25,140)
Gain on disposal of assets	-	1,200	1,200
Total nonoperating revenues (expenses)	(60,922)	1,200	(59,722)
Net income before transfers	(110)	6,851	6,741
Transfers in	25,673	18,822	44,495
Transfers out	(18,822)	(25,673)	(44,495)
Net transfers	6,851	(6,851)	-
Changes in net position	6,741	-	6,741
Net position - beginning of year	2,989,945	-	2,989,945
Net position - end of year	$ 2,996,686	$ -	$ 2,996,686

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, 2018

	Business Activities - Enterprise Funds		
	Water and Sewer	Sanitation Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 466,061	$ 151,647	$ 617,708
Cash payments to employees for services	(147,051)	(77,432)	(224,483)
Cash payments to other suppliers of goods or services	(173,789)	(68,564)	(242,353)
Net cash provided by (used for) operating activities	145,221	5,651	150,872
Cash flows from noncapital financing activities			
Transfer from other funds	25,673	18,822	44,495
Transfer to other funds	(18,822)	(25,673)	(44,495)
Net cash provided by (used for) Noncapital financing activities	6,851	(6,851)	-
Cash flows from capital and related financing activities			
Purchase of capital asset	(249,796)	-	(249,796)
Interest paid on long-term debt	(35,815)	-	(35,815)
Principal paid on long-term debt	(87,322)	-	(87,322)
Proceeds from notes payable issuances	239,658	-	239,658
Debt issuance costs	(25,140)	-	(25,140)
Proceeds from sale of capital assets	-	1,200	1,200
Net cash provided by (used for) capital and related financing activities	(158,415)	1,200	(157,215)
Net increase (decrease) in cash and cash equivalents	(6,343)	-	(6,343)
Cash and cash equivalents, beginning of year	51,704	-	51,704
Cash and cash equivalents, end of year	$ 45,361	$ -	$ 45,361

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, 2018
(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)	$ 60,812	$ 5,651	$ 66,463
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	4,669	(5,532)	(863)
Due from other funds	(174,980)	2,315	(172,665)
Accounts payable	145,700	(8,208)	137,492
Accrued expenses	4,737	3,387	8,124
Due to other funds	(3,192)	10,609	7,417
Compensated absences	2,791	(4,496)	(1,705)
Customer deposits	454	-	454
Net cash provided (used) by operating activities	$ 145,221	$ 5,651	$ 150,872

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, highways 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, 2018. 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, 2018.

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, 2018.

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 expenditures associated with the special purpose 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. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. 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.

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.

I. 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.

J. 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.

K. 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.

L. 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, 2018, the City's total contribution was $31,304 for the Workers Compensation Fund.

M. 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, 2018:

	General Fund	SPLOST Fund	Nonmajor Governmental	Total
Fund Balances				
Restricted:				
Capital outlay	$ -	$ 193,347	$ -	$ 193,347
Conservation	-	-	28,130	28,130
Law enforcement	-	-	4,540	4,540
Recreation	4,194	-	-	4,194
Assigned:				
Capital outlay	-	-	550	550
Unassigned/(deficit)	(277,289)	-	-	(277,289)
Total fund balances/(deficit)	$ (273,095)	$ 193,347	$ 33,220	$ (46,528)

N. 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 position 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. All appropriations lapse at fiscal year-end.

B. Expenditures over Appropriations

The following departments had expenditures in excess of departmental appropriations:

Administration	$ 84,677
Police	93,148
Custody of prisoners	5,380
Public works	72,738
Culture and recreation	7,522
Economic development & assistance	29,237
Debt service	
Principal	2,825
Interest and fiscal charges	557
Transfers to other funds	9,087

C. Budget Not Adopted for Special Revenue Funds

The City did not adopt a budget for the Drug Seizure and Conservation funds. The City plans to adopt a budget for these funds in future years.

D. Deficit Fund Balance

The General Fund has a deficit fund balance of $273,095. The fund incurred expenditures in excess of revenues by $278,754. The City has adopted an action plan to assist in eliminating the deficit. See Note 13.

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, 2018 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 2018 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, 2018 consist of the following:

	General Fund	SPLOST Fund	Water & Sewer Fund	Sanitation Fund	Total
Taxes	$ 91,050	$ -	$ -	$ -	$ 91,050
Accounts	94,537	8,608	162,234	40,204	305,583
Allowance	(43,778)	-	(122,705)	(30,676)	(197,159)
Net receivables	$ 141,809	$ 8,608	$ 39,529	$ 9,528	$ 199,474

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2018 are as follows:

Fund	State	County	Total
General	$ 26,357	$ 5,763	$ 32,120
SPLOST	-	88,200	88,200
Total	$ 26,357	$ 93,963	$ 120,320

The amount due from the state government represents local option sales tax revenues. The amount due from 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, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	$ 4,616
SPLOST	General Fund	42,346
Water and Sewer	General Fund	157,516
Water and Sewer	SPLOST	11,955
Water and Sewer	Sanitation	10,609
Sanitation	General Fund	877
		$ 227,919

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	SPLOST Fund	Water and Sewer	Sanitation	Total
Transfer Out:					
General Fund	$ -	$ 9,087	$ -	$ -	$ 9,087
Water and Sewer Fund	-	-	-	18,822	18,822
Sanitation Fund	-	-	25,673	-	25,673
Nonmajor Governmental	29,725	-	-	-	29,725
Total	$ 29,725	$ 9,087	$ 25,673	$ 18,822	$ 83,307

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, 2018 was as follows:

	Beginning	Increases	Decreases	Transfers	Ending
Governmental activities:					
Capital assets, not being depreciated					
Land	$ 294,641	$ -	$ -	$ -	$ 294,641
Construction in progress	54,058	19,639	-	23,649	97,346
Total capital assets, not being depreciated	348,699	19,639	-	23,649	391,987
Capital assets, being depreciated					
Buildings and improvements	2,206,562	-	-	(23,649)	2,182,913
Equipment	381,778	-	-	-	381,778
Vehicles	296,834	63,914	-	-	360,748
Total capital assets, being depreciated	2,885,174	63,914	-	(23,649)	2,925,439
Less accumulated depreciation for:					
Buildings and improvements	(259,973)	(58,954)	-	-	(318,927)
Equipment	(61,443)	(38,894)	-	-	(100,337)
Vehicles	(161,419)	(53,041)	-	-	(214,460)
Total accumulated depreciation	(482,835)	(150,889)	-	-	(633,724)
Total capital assets, being depreciated, net	2,402,339	(86,975)	-	(23,649)	2,291,715
Governmental activities capital assets, net	$ 2,751,038	$ (67,336)	$ -	$ -	2,683,702
Less related long-term debt outstanding					(405,979)
Net investment in capital assets					$ 2,277,723

	Beginning	Increases	Decreases	Ending
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 26,968	$ -	$ -	$ 26,968
Construction in progress	-	249,796	-	249,796
Total capital assets, not being depreciated	26,968	249,796	-	276,764
Capital assets, being depreciated				
Equipment	106,075	-	-	106,075
Water and sewer system	5,709,910	-	-	5,709,910
Sanitation equipment	315,055	-	(49,452)	265,603
Total capital assets, being depreciated	6,131,040	-	(49,452)	6,081,588
Less accumulated depreciation for:				
Equipment	(63,646)	(6,082)	-	(69,728)
Water and sewer system	(1,736,963)	(98,148)	-	(1,835,111)
Sanitation equipment	(303,585)	(1,925)	49,452	(256,058)
Total accumulated depreciation	(2,104,194)	(106,155)	49,452	(2,160,897)
Total capital assets, being depreciated, net	4,026,846	(106,155)	-	3,920,691
Business-type activities capital assets, net	$ 4,053,814	$ 143,641	$ -	4,197,455
Less related long-term debt outstanding				(1,117,982)
Net investment in capital assets				$ 3,079,473

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

Governmental activities:	
General government	$ 3,952
Public safety	29,051
Public works	55,163
Culture and recreation	62,723
Total depreciation expense - governmental activities	$ 150,889
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:

GEFA Loan #2004-L02WQ

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 $35,482 for 2018. As of December 31, 2018, the note had an outstanding balance of $878,324.

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
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	103,876	17,547	121,423
2024-2027	396,854	88,840	485,694
	$ 878,324	$ 214,485	$ 1,092,809

GEFA Loan #CW 2018 008

On May 8, 2018, the City's Water and Sewer Fund has entered in a loan agreement in the original amount of $2,514,000 with the Georgia Environmental Facilities Authority (GEFA), a State agency, to provide for the interim finance portion of the costs to repair and rehabilitate a large portion of the City's sewerage system.

The GEFA makes low interest long-term loans to fund improvements to publicly owned water and sewer systems. Once the loan commitment has been made, loan proceeds are drawn down as costs are incurred. Payback of the loan principal does not begin until after the funded project has been completed. Interest is paid on all outstanding amounts. The loan has an interest rate of 1.25% and is payable over 239 consecutive monthly installments.

The City has received $239,658 in GEFA loan drawdowns as of December 31, 2018. The project is not complete so an amortization schedule has not been created.

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%. This lease was paid off during May 2018.

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, 2018, the lease had an outstanding balance of $2,954.

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, 2018, the lease had an outstanding balance of $11,136.

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, 2018, the lease had an outstanding balance of $80,433.

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, 2018, the lease had an outstanding balance of $205,561.

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, 2018, the lease had an outstanding balance of $55,302.

During 2018, the City entered into a capital lease with United Bank in the amount of $33,490 for the purchase of a vehicle for the public works department. The loan payments are made monthly in the amount of $625 including interest at 4.50%. As of December 31, 2018, the lease had an outstanding balance of $27,904.

During 2018, the City entered into a capital lease with GM Financial in the amount of $25,424 for the purchase of a vehicle for the police department. The loan payments are made monthly in the amount of $480 including interest at 4.34%. As of December 31, 2018, the lease had an outstanding balance of $22,689.

During 2018, the City incurred $26,866 in interest on governmental capital leases.

Assets under capital leases as of December 31, 2018 consist of:

	Estimated Useful Life	Cost	Depreciation Expense	Accumulated Depreciation
Governmental activities:				
Buildings	50 years	$ 41,500	$ 989	$ 989
Equipment	5-10 years	317,872	35,707	47,182
Vehicles	5 years	215,329	40,298	84,791
Total governmental activities		$ 574,701	$ 76,994	$ 132,962

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

Year Ending December 31	Governmental Activities Principal	Interest
2019	$ 101,880	$ 16,258
2020	103,469	11,696
2021	103,708	6,980
2022	93,930	2,299
2023	2,992	32
	$ 405,979	$ 37,265

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 $10 for 2018. This lease was paid off during February 2018.

Changes in long-term liabilities

Long-term debt activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 26,833	$ 26,286	$ (18,459)	$ 34,660	$ 29,462
Capital leases	461,417	58,914	(114,352)	405,979	101,880
Total governmental activities	$ 488,250	$ 85,200	$ (132,811)	$ 440,639	$ 131,342
Business-type activities:					
Compensated absences	$ 10,270	$ 5,899	$ (7,604)	$ 8,565	$ 7,368
Capital lease	1,695	-	(1,695)	-	-
Notes payable					
GEFA Loan # 2004-L02WQ	963,951	-	(85,627)	878,324	89,000
GEFA Loan #CW 2018 008	-	239,658	-	239,658	-
Total business-type activities	$ 975,916	$ 245,557	$ (94,926)	$ 1,126,547	$ 96,368

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 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, 2018. The City's General Fund paid off the TAN during April 2018. Interest paid on the note totaled $800.

During 2018, the City obtained a (TAN) in the General Fund in the amount of $150,000 to finance general obligations of the City. The note bore interest at 4.25% and was due on December 31, 2018. The note was paid off during 2018 from General Fund revenues. Interest on the note totaled $2,352.

During 2018, the City's SPLOST Fund paid off an outstanding TAN balance carried forward from 2017. The note bore an interest rate of 4.25%. Interest paid on the note totaled $9,138.

Short-term debt activity for the year ended December 31, 2018 was as follows:

		Beginning Balance	Issued	Retired	Ending Balance
Governmental Activities:					
General Fund	Ad valorem TAN	$ 20,743	$ -	$ (20,743)	$ -
General Fund	TAN	-	150,000	(150,000)	-
SPLOST Fund	SPLOST TAN	139,365	-	(139,365)	-
Governmental activities short-term debt		$ 160,108	$ 150,000	$ (310,108)	$ -

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, 2018, 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, 2018, were $14,475 by the employees and $16,600 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

During March 2020, the City modified operations as a result of the COVID-19 pandemic and in compliance with state and federal requirements. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, all of which are uncertain. Accordingly, the extent to which COVID-19 may impact the financial condition or results of operation cannot be determined.

In July 2020, the City Council adopted an action plan designed to address operating deficits incurred by the City. The adopted measures include a millage rate increase, payroll reductions, asset liquidations, freezes on capital expenditures, and various other reductions in operating costs. The total value of the savings has not been determined as of the date of this report.

The City has evaluated subsequent events through August 6, 2020, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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.

Conservation Fund - This fund is used to account for grant revenue and related expenditures for Conservation Funding in implementing a Balancing Nature & Commerce workshop.

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 Fund - This fund was established to identify and monitor major capital expenditures of the City's various departments.

CITY OF PORTERDALE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure Fund	Conservation Fund	Capital Improvement Fund	
ASSETS				
Cash and cash equivalents	$ 5,154	$ 32,132	$ 550	$ 37,836
Total Assets	$ 5,154	$ 32,132	$ 550	$ 37,836
LIABILITIES				
Due to other funds	$ 614	$ 4,002	$ -	$ 4,616
Total Liabilities	614	4,002	-	4,616
FUND BALANCES				
Restricted:				
Law enforcement	4,540	-	-	4,540
Conservation	-	28,130	-	28,130
Assigned:				
Capital outlay	-	-	550	550
Total Fund Balances	4,540	28,130	550	33,220
Total Liabilities and Fund Balances	$ 5,154	$ 32,132	$ 550	$ 37,836

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue		Capital Project	Total Nonmajor Governmental Funds
	Drug Seizure Fund	Conservation Fund	Capital Improvement Fund	
Revenues:				
Charges for services	$ -	$ 7,325	$ -	$ 7,325
Fines and forfeitures	9,926	-	-	9,926
Contributions and donations	-	40,000	-	40,000
Total Revenues	9,926	47,325	-	57,251
Expenditures:				
Current				
Law enforcement	7,240	-	-	7,240
Conservation	-	17,470	-	17,470
Total Expenditures	7,240	17,470	-	24,710
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,686	29,855	-	32,541
Other Financing Sources (Uses)				
Transfers to other funds	-	(1,725)	(28,000)	(29,725)
Total Other Financing Sources (Uses)	-	(1,725)	(28,000)	(29,725)
Net change in fund balance	2,686	28,130	(28,000)	2,816
Fund Balances - Beginning of year	1,854	-	28,550	30,404
Fund Balance - End of year	$ 4,540	$ 28,130	$ 550	$ 33,220

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, 2018

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Fines and forfeitures	$ -	$ 9,926	$ 9,926
Total Revenues	-	9,926	9,926
Expenditures:			
Current:			
Law enforcement	-	7,240	(7,240)
Total Expenditures	-	7,240	(7,240)
Net change in fund balance	-	2,686	2,686
Fund Balances - Beginning of year	1,854	1,854	-
Fund Balance - End of year	$ 1,854	$ 4,540	$ 2,686

CITY OF PORTERDALE, GEORGIA

CONSERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Charges for services	$ -	$ 7,325	$ 7,325
Contributions and donations	-	40,000	40,000
Total Revenues	-	47,325	47,325
Expenditures:			
Current:			
Conservation	-	17,470	(17,470)
Total Expenditures	-	17,470	(17,470)
Excess (Deficiency) of Revenues over Expenditures	-	29,855	29,855
Other Financing Sources (Uses)			
Transfers to General Fund	-	(1,725)	1,725
Total Other Financing Sources (Uses)	-	(1,725)	1,725
Net change in fund balance	-	28,130	31,580
Fund Balances - Beginning of year	-	-	-
Fund Balance - End of year	$ -	$ 28,130	$ 31,580

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Special Local Option Sales Tax July 1, 2011				
Historic Preservation, Design & Renovation of Gym	$ 450,000	$ 852,130	$ -	$ 852,130
Transportation Projects	240,000	186,657	-	186,657
Recreation	140,000	178,917	-	178,917
Total 2011 SPLOST	$ 830,000	$ 1,217,704	$ -	$ 1,217,704

The 2011 Special Purpose Local Options Sales Tax was closed during 2018.

	Original Estimated Cost	Expenditures		
		Restated Prior Years	Current Year	Total
Special Local Option Sales Tax July 1, 2017				
Public Works, Transportation & Park Maintenance - Note 1	$ 393,600	$ 337,044	$ 46,625	$ 383,669
Yellow River Park	370,314	75,076	22,761	97,837
Municipal Building - Note 1	1,574,000	143,615	-	143,615
Gymnasium Improvements	98,800	112,195	8,124	120,319
Total 2017 SPLOST	$ 2,436,714	$ 667,930	$ 77,510	$ 745,440

Note 1: The prior years balances were restated to remove $10,920 in principal payments that should not have been included in 2017 expenditures.

Note 2: The difference in SPLOST expenditures by project and the expenditures noted in the financial statements of $162,307 represents principal debt service payments of $84,797 attributed to repayment of SPLOST capital leases. The expenditures to purchase approved items are already included in the above schedule.

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, 2018, 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 August 6, 2020.

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 as items 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, and 2018-010 that we consider to be material weaknesses.

1503 Bass Road ■ Post Office Box 6315 ■ Macon, Georgia 31208-6315

Phone 478-742-3313 ■ Facsimile 478-742-0316 ■ www.clhp.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Porterdale, Georgia's financial statements are free from 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 2018-011, 2018-012, 2018-013, and 2018-014.

City of Porterdale, Georgia's Response to Findings

City of Porterdale, Georgia's response to the findings identified in our audit is 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 the 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
August 6, 2020

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not Considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2018 due to the total amount expended being less than $750,000.

Section II – 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*:

2018-001 Controls over Disbursements

CRITERIA
An effective system of internal controls over cash disbursements should ensure that cash is only disbursed upon proper authorization of responsible officials, for valid business purposes and that all disbursements are properly recorded.

CONDITION
Disbursements were issued without the signature of authorized check signers. Online payments were made without the approval of responsible officials.

CONTEXT
During 2018, checks and online payments were issued without the authorization of the responsible officials.

EFFECT
The Mayor and Council were unable to adequately monitor the expenditures of the City.

CAUSE
The former City Manager and Clerk did not adhere to established control procedures for the payment of City invoices and credit card statements.

RECOMMENDATION
We recommend management update procedures to ensure compliance with established control procedures. In addition, payments for credit card statement balances should be made by check instead of online payments.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding and has begun the process of updating their procedures. The City will draft and adopt a series of SOP's to establish proper controls over disbursements. The SOP will be used to train staff and ensure appropriate approvals are made prior to disbursement of City funds.

2018-002 Records Retention

CRITERIA
An effective system of internal controls includes the maintenance of a filing system which allows for the systematic retention of the underlying supporting documentation for the City.

CONDITION
The City was unable to readily locate supporting documentation for transactions which occurred in 2018.

CONTEXT
During the course of our audit, the City has frequently been unable to provide sufficient audit evidence to support recorded transactions.

EFFECT
The failure to provide adequate audit evidence limits the scope of procedures for the independent auditor.

CAUSE
Former management has failed to implement procedures to facilitate the organization and retention of documents to substantiate the transactions of the City.

RECOMMENDATION
The City should establish proper records retention policies.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. The City has begun to draft a records retention policy which includes a records retention manual to ensure City records are maintained in accordance with Federal, State and Local legislation, contract covenants, and best practices for local government records retention. In addition staff will be trained to ensure compliance.

2018-003 Bank Reconciliations

CRITERIA
An effective system of internal controls includes the timely reconciliation of bank accounts to their general ledger control account and the associated investigation of reconciling items.

CONDITION
The General Fund operating fund bank reconciliation included checks which had been voided.

CONTEXT
An audit adjustment of $33,727 was required to record the voiding of the checks.

EFFECT
The City had overstated expenditures and understated cash balance.

CAUSE
The preparer of the reconciliation failed to investigate reconciling items which continually appeared on the bank reconciliation.

RECOMMENDATION
Management should ensure staff is trained to properly reconcile bank accounts to the general ledger control accounts.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. Steps are being taken to ensure current and future staff have the education and training needed to ensure bank accounts are properly reconciled. Procedures have been established to reconcile bank statements monthly.

2018-004 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. In addition, the system does not contain controls to detect unauthorized adjustments or errors to taxpayer accounts.

EFFECT
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 or contract with the County Tax Commissioner's Office for billings and collection services.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. The City has begun the process of reviewing and updating property tax subsidiary ledgers. In addition, the City Council has adopted an action plan that includes contracting with the Newton County Tax Commissioner to have property taxes billed and collected by the Tax Commissioner's office.

2018-005 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 ensure that expenditures or expenses are recorded and properly classified when a liability is incurred.

CONTEXT
Material audit adjustments were needed to fairly state and classify expenditures or expenses for the year ended December 31, 2018. The adjustments are summarized as follows:

General Fund:

- Adjustments of $83,649 were necessary to increase expenditures and accounts payable for 2018 as follows:
  - Expenditures of $49,740 for amounts to the City of Covington for E911.
  - Adjustment of $11,643 to increase accounts payable for a check held until 2019.
  - Adjustments of $6,312 for Municipal Court disbursements.
  - Adjustments of $10,815 for expenditures identified in the search for unrecorded liabilities.
  - Adjustments of $5,139 for other corrections to accounts payable.
- Adjustments of $31,101 were necessary to record accrued payroll expenditures.
- Adjustments of $9,534 to correct posting errors recorded as undistributed credit card payments.
- Adjustments of $8,408 to reduce expenditure account amounts for an incorrect journal entry.
- Other adjustments were necessary to correct numerous posting errors.
- Adjustments of $19,521 to increase expenditures for disbursements recorded in the SPLOST Fund that were ineligible SPLOST expenditures.

Water and Sewer Fund:

- Adjustments of $14,142 were necessary to record accruals for easements.
- Adjustments of $249,796 to reduce operating expenses for construction in process activity.
- Adjustments of $5,647 were necessary to move recorded accounts payable to the correct fund.
- Adjustments of $7,192 were necessary to record accrued salaries and to correct compensated absences.
- Adjustments of $3,082 were necessary to record accrued interest payable.

2018-005 **Accounts Payable/Expenditures or Expenses, continued**

- Adjustments of $13,929 to correct posting errors recorded as undistributed credit card payments.
- Adjustments of $8,408 were necessary to reduce expenses for items recorded in the wrong fund.

Sanitation Fund:

- Adjustments of $5,647 were necessary to record November and December 2018 invoices to Newton County.
- Adjustments of $5,207 to correct compensated absences at year end.
- Adjustments of $16,714 to decrease group insurance expense that was overstated.
- Adjustments of $1,972 to correct posting errors recorded as undistributed credit card payments.

SPLOST Fund:

- Adjustments of $18,657 were necessary to correct accounts payables and expenditures for additional accounts payables at year end.
- Adjustments of $8,608 were necessary to reduce expenditures for activity that was previously recorded in 2017.
- Adjustments of $19,521 to decrease expenditures for disbursements recorded in the SPLOST Fund that are ineligible expenditures.
- Adjustments of $25,424 to increase expenditures for a police vehicle capital lease and the corresponding capital lease proceeds that were unrecorded by the City.

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 ensure the recording and proper classification of incurred expenditures or expenses at the end of the fiscal period.

RECOMMENDATION
The City should establish procedures to ensure 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 this finding. The City is working ensure staff is properly trained and procedures are in place to ensure proper accrual and classification of all liabilities incurred during the fiscal period.

2018-006 Accounts Receivable/Revenue

CRITERIA
Accounting procedures should be designed to ensure 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 year for 2018.

CONTEXT
Material audit adjustments were required to fairly state and classify revenues for the year ended December 31, 2018.

General Fund:

- Adjustments of $78,846 were required to increase property tax receivables, increase property taxes revenues, deferred revenues and allowances for uncollectible taxes.
- Adjustment of $1,200 to reduce revenues for sales proceeds of equipment deposited to the General Fund in error.
- Adjustment of $9,087 to record a transfer to another fund.
- Other adjustments were necessary to correct numerous posting errors.

Water and Sewer Fund:

- Adjustments of $24,407 to reduce water charges for November and December Sanitation Fund activity.
- Adjustments for $77,862 to correct posting errors between Water and Sewer charges.
- Adjustments of $9,422 to correct allocations of accounts receivables to the Sanitation Fund.

Sanitation Fund:

- Adjustments of $17,091 to correct revenue account balances for posting errors related to the net position.
- Adjustments of $24,407 to increase charges for November and December activity recorded in error in the Water and Sewer Fund.
- Adjustments of $9,422 to correct accounts receivables billing.
- Adjustments of $25,673 to reduce Operating Transfers from the Water and Sewer Fund.

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

2018-006 Accounts Receivable/Revenue, continued

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

RECOMMENDATION
We recommend that the City develop procedures to ensure 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 this finding. The City has begun putting procedures in place to ensure the recording of revenues when they become measurable and available to finance expenditures of the fiscal period.

2018-007 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 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
At year end, the City had not settled the following interfund balances between the funds:

Receivable Fund	Amount	Payable Fund	Amount
General Fund	$ 4,616	Nonmajor Governmental Funds	$ 4,616
SPLOST Fund	42,346	General Fund	42,346
Water & Sewer Fund	180,080	General Fund	157,516
		SPLOST Fund	11,955
		Sanitation Fund	10,609
Sanitation Fund	877	General Fund	877
Total	$ 227,919	Total	$ 227,919

EFFECT
See condition above.

CAUSE
The control weakness is the result of the City not adhering to adopted budgets and 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 this finding. Staff is working to set up procedures to review and balance inter-fund receivables and payables on a monthly basis. Reviews for settlement will be done monthly and settled as funds are available.

2018-008 Capital Leases

CRITERIA
Under a modified accrual basis of accounting, debt service payments are only recognized as expenditures when payment is due because it is only at that time that they normally are liquidated with expendable available financial resources.

CONDITION
The City recorded capital lease liabilities in a governmental fund.

CONTEXT
A material adjustment of $391,493 was required to remove capital lease balances from the SPLOST Fund.

EFFECT
The City overstated liabilities in the SPLOST Fund.

CAUSE
The City lacked the technical expertise to ensure the proper recording of capital lease transactions.

RECOMMENDATION
The City should establish procedures to ensure the proper recording of capital lease transactions during the year.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. Procedures have been put in place to ensure proper recording of capital lease transactions as they occur.

2018-009 Capital Assets – Governmental

CRITERIA
Accounting and control procedures should be designed to ensure 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 ensure that capital assets and related depreciation are properly recorded.

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

- Material adjustments of $83,553 to record current year capital asset additions.
- Material adjustments of $44,118 to correct beginning of the year accumulated depreciation.
- Material adjustments of $48,041 to correct current year depreciation expense.
- Material adjustment of $58,255 was needed to remove the deletion of a fully depreciated asset that was disposed of in a previous year.

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 ensure that capital asset activity was properly recorded. In addition, the City did not reconcile Governmental Activities Depreciation Schedules to prior year audit balances.

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. City staff has been working to put together complete files on capital assets and establish a process to ensure complete files are available going forward. In addition it is the intention of the City to include in those files periodic inventories of the City's capital assets and establish a capital asset inventory and roll forward schedules to be reviewed and updated on a quarterly basis.

2018-010 Grant Management

CRITERIA
An effective grant management system should include strategic planning, grant identification and effective tracking and monitoring.

CONDITION
During 2018, the City failed to submit its application for the Local Maintenance and Improvement Grant (LMIG).

CONTEXT
In June 2018, the City was notified that the Department of Transportation was accepting applications for the 2019 LMIG program. The application was prepared, but was not submitted until the auditor began making inquiries to the State in conjunction with the 2018 annual audit in August of 2019.

EFFECT
Receipt of grant revenue of $21,670 was delayed until October 2019.

CAUSE
Management failed to adequately monitor the grant program.

RECOMMENDATION
We recommend management implement procedures to ensure the adequate tracking and monitoring of grant programs.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. City Clerk is working with department heads to establish a process and procedure to ensure the City Clerk receives all records regarding grants and can establish a calendar to assist department heads in meeting deadlines and having complete grant files.

COMPLIANCE FINDINGS

2018-011 Clean Water State Revolving Fund Proceeds

CRITERIA
The Clean Water State Revolving Fund administered by Georgia Environmental Finance Authority (GEFA) provide loan funds to finance the costs of acquiring, constructing , and installing environmental facilities.

CONDITION
Restricted Loan proceeds of the Water and Sewer Fund were used for General Fund expenditures of the City.

CONTEXT
The City completed and submitted Drawdown Request #1 on the GEFA Clean Water State Revolving Fund. Loan proceeds from Drawdown Request #1 totaling $159,390 were transferred to the General Fund and used to pay General Fund obligations.

EFFECT
The City has not complied with the terms of the loan agreement. At year end, the General Fund owed the Water and Sewer Fund $159,390 for GEFA restricted proceeds improperly used by the City.

CAUSE
Former employees of the City intentionally diverted restricted loan proceeds to the General Fund. Operating deficits in the General Fund have resulted in difficulty in paying obligations as they become due.

RECOMMENDATION
Management should reimburse the Water and Sewer Fund $159,390 for the noncompliant use of restricted GEFA proceeds. In addition, the City should promptly notify GEFA of this noncompliance matter.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. City management notified GEFA of this noncompliance matter in November 2019. The City intends to reimburse the Water and Sewer Fund as soon as funds are available.

2018-012 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
During 2018, the City borrowed money from the SPLOST Fund to pay operating expenditures, including payroll, in the General Fund.

CONTEXT
The General Fund owed the SPLOST Fund $42,346 as of December 31, 2018.

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

CAUSE
Former management of the City disregarded State SPLOST laws concerning eligible use of SPLOST proceeds.

RECOMMENDATION
The City should reimburse the SPLOST Fund for the borrowed funds. In addition, the City should implement procedures to ensure restricted funds are only used for eligible projects in accordance with State laws.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. The City intends to reimburse the SPLOST Fund as soon as funds are available. Procedures are being put in place and city staff is being trained to ensure restricted funds are only used for eligible projects in accordance with State laws.

2018-013 457 Plan Contributions

CRITERIA
Participant deferrals must be transferred to the 457 investment provider within a period that is reasonable for the proper administration of the plan. Generally, this period should be no longer than 15 business days following the end of the month in which the amount would have been paid by the employee.

CONDITION
The City did not remit contributions to the 457 plan on a timely basis.

CONTEXT
As of December 31, 2018, the City had the following contributions that were in arrears:

	Amount
November Employee Withholdings	$ 1,500
November Employer Contributions	1,090
Total	$ 2,590

EFFECT
The City is not in compliance with IRS requirements.

CAUSE
Operating deficits have resulted in difficulty paying obligations as they become due.

RECOMMENDATION
Management should implement procedures to ensure the timely payment of 457 plan contributions.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with this finding. The City has established procedures to ensure the timely payment of 457 plan contributions.

2018-014 Budgetary Control-Expenditures Exceeding Appropriations (36-81-3)

CRITERIA
In order to comply with the applicable legal requirements regarding budgets, procedures must exist to properly monitor compliance with the State law. Georgia code (36-81-3) requires an annual balanced budget for the General Fund and each special revenue fund.

CONDITION
The expenditures in the City's General Fund exceeded appropriations in various departments. In addition, the City did not adopt a budget for the Drug Seizure Fund and Conservation Fund.

CONTEXT
Expenditures exceeded appropriations as follows:

Fund	Department	Amount
General Fund:		
	Administration	$ 84,677
	Police	93,148
	Custody of prisoners	5,380
	Public works	72,738
	Culture and recreaton	7,522
	Economic development and assistance	29,237
	Debt Service	
	Principal	2,825
	Interest	557
	Transfers to other funds	9,087
Drug Seizure Fund:		
	Law enforcement	7,240
Conservation:		
	Conservation	17,470
	Transfers to other funds	1,725

EFFECT
The City is not in compliance with state law.

CAUSE
The City failed to properly monitor the status of budgeted expenditures.

RECOMMENDATION
We recommend the City modify its financial reporting system to more closely monitor budgeted expenditures. In addition, the City must adopt future special revenue fund budgets as required by state law.

2018-014 Budgetary Control-Expenditures Exceeding Appropriations (36-81-3), continued

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management agrees with this finding. The City is working to reorganize the budget process to ensure balanced budgets are adopted for all funds as required by state law and setting procedures to more closely monitor budgeted expenditures.

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-001 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 2018-005.

2017-002 Accounts Receivable/Revenue

CONDITION
Various revenue items were not recorded in the proper fiscal period for 2017.

UPDATE
Unresolved. See current year finding 2018-006.

2017-003 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 2018-007.

2017-004 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 2018-004.

2017-005 Prior Period Adjustment

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

UPDATE
Resolved.

2017-006 Capital Leases and Other Debt Issuances

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

UPDATE
Unresolved. See current year finding 2018-008.

2017-007 Capital Assets - Governmental

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

UPDATE
Unresolved. See current year finding 2018-009.

2017-008 Tax Anticipation Note

CONDITION
The City obtained a tax anticipation note 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 the 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.

UPDATE
Resolved.

2017-009 SPLOST Funds

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

UPDATE
Unresolved. See current year finding 2018-012.

2017-010 2017 SPLOST Fund

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

UPDATE
Resolved.