CITY OF PORTERDALE
GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2019

CITY OF PORTERDALE, GEORGIA

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

CITY OF PORTERDALE, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

Mayor and Council
City of Porterdale, Georgia
Porterdale, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Porterdale, Georgia, as of and for the year ended December 31, 2019, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Porterdale, Georgia, as of December 31, 2019, 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 May 21, 2021 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
May 21, 2021

FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 257,881	$ 44,217	$ 302,098
Restricted cash	15,295	-	15,295
Receivables, net of allowance			
Taxes	49,601	-	49,601
Accounts	102,741	37,330	140,071
Due from other governments	220,673	-	220,673
Internal balances	(236,773)	236,773	-
Nondepreciable assets	542,688	596,398	1,139,086
Depreciable assets, net	2,654,745	3,818,049	6,472,794
Total Assets	3,606,851	4,732,767	8,339,618
LIABILITIES			
Accounts payable	328,726	323,276	652,002
Accrued expenses	31,955	9,470	41,425
Accrued interest	1,140	2,676	3,816
Customer deposits	-	88,314	88,314
Noncurrent liabilities			
Due within one year			
Compensated absences	34,660	8,565	43,225
Capital leases	189,080	-	189,080
Notes payable	-	92,506	92,506
Due in more than one year			
Capital leases	445,849	-	445,849
Notes payable	-	978,844	978,844
Total Liabilities	1,031,410	1,503,651	2,535,061
NET POSITION			
Net investment in capital assets	2,562,504	3,343,097	5,905,601
Restricted			
Law enforcement	3,142	-	3,142
Culture and recreation	30,000	-	30,000
Public works	63,567	-	63,567
Capital outlay	329,730	-	329,730
Unrestricted (Deficit)	(413,502)	(113,981)	(527,483)
Total Net Position	$ 2,575,441	$ 3,229,116	$ 5,804,557

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

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	$ 372,976	$ 28,338	$ 2,640	$ 773,198	$ 431,200	$ -	$ 431,200
Judicial	63,645	-	-	-	(63,645)	-	(63,645)
Public safety	716,876	252,748	4,882	-	(459,246)	-	(459,246)
Public works	568,378	-	-	257,785	(310,593)	-	(310,593)
Culture and recreation	104,789	2,080	-	30,000	(72,709)	-	(72,709)
Housing and development	176,960	-	-	-	(176,960)	-	(176,960)
Interest & fiscal charges on long-term debt	62,436	-	-	-	(62,436)	-	(62,436)
Total governmental activities	2,066,060	283,166	7,522	1,060,983	(714,389)	-	(714,389)
Business - Type Activities							
Water & Sewer	651,871	596,664	-	257,785	-	202,578	202,578
Sanitation	126,258	156,110	-	-	-	29,852	29,852
Total Business - Type Activities	778,129	752,774	-	257,785	-	232,430	232,430
Total Primary Government	$ 2,844,189	$ 1,035,940	$ 7,522	$ 1,318,768	(714,389)	232,430	(481,959)
		General Revenues:					
		Property tax			390,697	-	390,697
		Sales tax			289,123	-	289,123
		Other taxes			248,175	-	248,175
		Insurance premium tax			108,797	-	108,797
		Insurance recoveries			1,921	-	1,921
		Miscellaneous			26,320	-	26,320
		Total General Revenues			1,065,033	-	1,065,033
		Change in Net Position			350,644	232,430	583,074
		Net Position - Beginning of year			2,224,797	2,996,686	5,221,483
		Net Position - End of year			$ 2,575,441	$ 3,229,116	$ 5,804,557

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

CITY OF PORTERDALE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	2017 SPLOST Fund	CDBG Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 51,123	$ 200,673	$ -	$ 6,085	$ 257,881
Restricted cash	-	15,295	-	-	15,295
Receivables, net of allowance					
Taxes	49,601	-	-	-	49,601
Accounts	102,741	-	-	-	102,741
Due from other governments	33,140	161,754	25,779	-	220,673
Due from other funds	1,914	126,199	-	-	128,113
Total Assets	$ 238,519	$ 503,921	$ 25,779	$ 6,085	$ 774,304
LIABILITIES					
Accounts payable	$ 147,727	$ 154,191	$ 25,779	$ 1,029	$ 328,726
Accrued expenses	31,955	-	-	-	31,955
Due to other funds	202,972	-	-	1,914	204,886
Advances from other funds	160,000	-		-	160,000
Total Liabilities	542,654	154,191	25,779	2,943	725,567
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	23,901	-	-	-	23,901
Total Deferred Inflow of Resources	23,901	-	-	-	23,901
FUND BALANCES					
Restricted	73,567	349,730	-	3,142	426,439
Unassigned/(Deficit)	(401,603)	-	-	-	(401,603)
Total Fund Balances/(Deficit)	(328,036)	349,730	-	3,142	24,836
Total Liabilities , Deferred Inflows of Resources and Fund Balances	$ 238,519	$ 503,921	$ 25,779	$ 6,085	$ 774,304

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, 2019

Total Fund Balances - Governmental Funds	$	24,836
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		3,973,932
Accumulated depreciation		(776,499)
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.		23,901
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		(634,929)
Accrued interest		(1,140)
Net Position of Governmental Activities	$	2,575,441

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, 2019

	General Fund	2017 SPLOST Fund	CDBG Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes					
Property tax	$ 395,058	$ -	$ -	$ -	$ 395,058
Sales tax	289,123	-	-	-	289,123
Insurance premium	108,797	-	-	-	108,797
Other taxes	248,175	-	-	-	248,175
License and permits	27,360	-	-	-	27,360
Intergovernmental	53,332	724,748	257,785	-	1,035,865
Charges for services	3,058	-	-	-	3,058
Fines and forfeitures	247,748	-	-	5,000	252,748
Contributions and donations	32,640	-	-	-	32,640
Rent	16,283	-	-	-	16,283
Other revenues	9,839	198	-	-	10,037
Total Revenues	1,431,413	724,946	257,785	5,000	2,419,144
Expenditures:					
Current					
General government	365,327	3,697	-	-	369,024
Judicial	63,645	-	-	-	63,645
Public safety	691,966	-	-	6,398	698,364
Public works	212,139	43,292	-	-	255,431
Culture and recreation	11,275	28,366	-	-	39,641
Housing and development	146,189	-	-	30,771	176,960
Debt service					
Principal	11,872	143,928	-	-	155,800
Interest and fiscal charges	7,201	29,864	-	-	37,065
Issuance costs	-	24,231	-	-	24,231
Capital Outlay	-	656,505	257,785	-	914,290
Total Expenditures	1,509,614	929,883	257,785	37,169	2,734,451
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,201)	(204,937)	-	(32,169)	(315,307)
Other Financing Sources (Uses):					
Insurance proceeds	1,921	-	-	-	1,921
Issuance of debt	-	384,750	-	-	384,750
Transfers from other funds	550	-	-	2,641	3,191
Transfers to other funds	(2,641)	-	-	(550)	(3,191)
Total Other Financing Sources (Uses)	(170)	384,750	-	2,091	386,671
Net change in fund balances	(78,371)	179,813	-	(30,078)	71,364
Fund Balance/(Deficit), beginning of year, restated	(249,665)	169,917	-	33,220	(46,528)
Fund Balance/(Deficit), end of year	$ (328,036)	$ 349,730	$ -	$ 3,142	$ 24,836

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, 2019

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

Net Change in Fund Balances - Total Governmental Funds	$	71,364
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		656,506
Total depreciation		(142,775)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(4,361)
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.		
Issuance of debt		(384,750)
Interest		(1,140)
Principal payments on capital leases		155,800
Change in Net Position of Governmental Activities	$	350,644

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, 2019

Revenues:	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget
Taxes:				
Property tax	$ 405,000	$ 405,000	$ 395,058	$ (9,942)
Motor vehicle tax	84,000	84,000	85,231	1,231
Intangible tax	3,000	3,000	3,086	86
Real estate transfer tax	2,200	2,200	1,742	(458)
Franchise tax	127,000	127,000	121,514	(5,486)
Alcoholic beverage excise tax	29,000	29,000	26,339	(2,661)
Local option sales tax	240,000	240,000	289,123	49,123
Business and occupation tax	6,000	6,000	6,170	170
Insurance premium tax	100,000	100,000	108,797	8,797
Penalties and interest	2,000	2,000	4,093	2,093
Total Taxes	998,200	998,200	1,041,153	42,953
Licenses and permits:				
Business licenses and permits	23,500	23,500	27,360	3,860
Intergovernmental:				
State government	24,000	24,000	53,332	29,332
Charges for services:				
General fees	1,200	1,200	978	(222)
Recreational fees	11,500	11,500	2,080	(9,420)
Total Charges for services	12,700	12,700	3,058	(9,642)
Fines and forfeitures:				
Municipal fines	260,000	260,000	247,748	(12,252)
Contributions and donations				
Private contributions and donations	-	-	32,640	32,640
Miscellaneous revenues				
Rent	11,369	11,369	16,283	4,914
Other revenues	15,000	15,000	9,839	(5,161)
Total Miscellaneous Revenues	26,369	26,369	26,122	(247)
Total Revenues	1,344,769	1,344,769	1,431,413	86,644

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, 2019
(CONTINUED)

	Budgeted Amounts			Variance with
Expenditures:	Original	Final	Actual	Final Budget
Current:				
General government				
Legislative	24,100	24,100	16,977	7,123
Administration	204,600	204,600	348,350	(143,750)
Total General government	228,700	228,700	365,327	(136,627)
Judicial	67,320	67,320	63,645	3,675
Public safety				
Police	636,559	636,559	671,311	(34,752)
Custody of prisoners	20,700	20,700	20,655	45
Total Public safety	657,259	657,259	691,966	(34,707)
Public works	238,550	238,550	212,139	26,411
Culture and recreation	-	-	11,275	(11,275)
Housing & development				
Planning & zoning	49,840	49,840	53,575	(3,735)
Economic development & assistance	71,320	71,320	92,614	(21,294)
Total Housing & development	121,160	121,160	146,189	(25,029)
Debt service				
Principal	31,780	24,579	11,872	12,707
Interest and fiscal charges	-	7,201	7,201	-
Total Debt service	31,780	31,780	19,073	12,707
Total Expenditures	1,344,769	1,344,769	1,509,614	(164,845)
Excess of Revenue Over (Under) Expenditures	-	-	(78,201)	(78,201)
Other Financing Sources (Uses):				
Insurance proceeds	-	-	1,921	1,921
Transfers from other funds	-	-	550	550
Transfers to other funds	-	-	(2,641)	(2,641)
Total Other Financing Sources/(Uses)	-	-	(170)	(170)
Net change in fund balance	-	-	(78,371)	(78,371)
Fund balance/(deficit), beginning of year, restate	(249,665)	(249,665)	(249,665)	-
Fund balance/(deficit), end of year	$ (249,665)	$ (249,665)	$ (328,036)	$ (78,371)

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

CITY OF PORTERDALE, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business Activities - Enterprise Funds		
	Major	Non-major	
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 44,217	$ -	$ 44,217
Accounts receivable net of allowance	29,571	7,759	37,330
Due from other funds	90,693	877	91,570
Advances to other funds	160,000	-	160,000
Total current assets	324,481	8,636	333,117
Noncurrent assets			
Capital assets			
Nondepreciable assets	596,398	-	596,398
Depreciable assets, net	3,810,429	7,620	3,818,049
Total capital assets	4,406,827	7,620	4,414,447
Total assets	4,731,308	16,256	4,747,564
LIABILITIES AND NET POSITION			
Liabilities:			
Current liabilities			
Accounts payable	319,725	3,551	323,276
Accrued expenses	7,205	2,265	9,470
Accrued interest	2,676	-	2,676
Due to other funds	4,945	9,852	14,797
Customer utility deposits	88,314	-	88,314
Compensated absences	7,977	588	8,565
Current maturities of long-term debt	92,506	-	92,506
Total Current Liabilities	523,348	16,256	539,604
Long-Term Liabilities			
Long-term debt, less current portion	978,844	-	978,844
Total Long-Term Liabilities	978,844	-	978,844
Total Liabilities	1,502,192	16,256	1,518,448
Net Position:			
Net investment in capital assets	3,335,477	7,620	3,343,097
Unrestricted (Deficit)	(106,361)	(7,620)	(113,981)
Total Net Position	$ 3,229,116	$ -	$ 3,229,116

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, 2019

	Business Activities - Enterprise Funds		
	Major	Non-major	
	Water and Sewer Fund	Sanitation Fund	Total
Operating revenues			
Charges and fees	$ 558,534	$ 152,544	$ 711,078
Penalties	12,354	3,566	15,920
Other fees	25,776	-	25,776
Total Operating Revenues	596,664	156,110	752,774
Operating expenses			
Personnel services and employee benefits	167,441	65,469	232,910
Purchased and contracted services	294,554	4,867	299,421
Landfill fees	-	39,101	39,101
Professional fees	6,373	-	6,373
Contract fees	9,519	-	9,519
Materials and supplies	37,914	14,896	52,810
Depreciation	100,717	1,925	102,642
Total Operating Expenses	616,518	126,258	742,776
Operating Income/(Loss)	(19,854)	29,852	9,998
Nonoperating revenues (expenses)			
Interest expense	(35,353)	-	(35,353)
Total nonoperating revenues (expenses)	(35,353)	-	(35,353)
Net income/(loss) before contributions and transfers	(55,207)	29,852	(25,355)
Capital contributions	257,785	-	257,785
Transfers in	29,852	-	29,852
Transfers out	-	(29,852)	(29,852)
Total contributions and transfers	287,637	(29,852)	257,785
Changes in net position	232,430	-	232,430
Net position - beginning of year	2,996,686	-	2,996,686
Net position - end of year	$ 3,229,116	$ -	$ 3,229,116

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, 2019

	Business Activities - Enterprise Funds		
	Major	Non-major	
	Water and Sewer Fund	Sanitation Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 542,382	$ 157,122	$ 699,504
Cash payments to employees for services	(164,973)	(66,591)	(231,564)
Cash payments to other suppliers of goods or services	(264,165)	(60,679)	(324,844)
Net cash provided by (used for) operating activities	113,244	29,852	143,096
Cash flows from noncapital financing activities			
Transfer from other funds	29,852	-	29,852
Transfer to other funds	-	(29,852)	(29,852)
Net cash provided by (used for) Noncapital financing activities	29,852	(29,852)	-
Cash flows from capital and related financing activities			
Purchase of capital assets	(61,849)	-	(61,849)
Interest paid on long-term debt	(35,759)	-	(35,759)
Principal paid on long-term debt	(89,000)	-	(89,000)
Issuance of debt	42,368	-	42,368
Net cash provided by (used for) capital and related financing activities	(144,240)	-	(144,240)
Net increase (decrease) in cash and cash equivalents	(1,144)	-	(1,144)
Cash and cash equivalents, beginning of year	45,361	-	45,361
Cash and cash equivalents, end of year	$ 44,217	$ -	$ 44,217

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, 2019
(CONTINUED)

	Business Activities - Enterprise Funds		
	Major	Non-major	
	Water and Sewer Fund	Sanitation Fund	Total
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (loss)	$ (19,854)	$ 29,852	$ 9,998
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	100,717	1,925	102,642
Changes in operating assets and liabilities:			
Accounts receivable	9,958	1,769	11,727
Due from other funds	89,387	-	89,387
Advances to other funds	(160,000)	-	(160,000)
Accounts payable	84,195	(1,815)	82,380
Accrued expenses	2,468	(1,122)	1,346
Due to other funds	4,945	(757)	4,188
Customer deposits	1,428	-	1,428
Net cash provided (used) by operating activities	$ 113,244	$ 29,852	$ 143,096
Noncash Investing, Capital, and Financing Activities			
Capital contributions	$ 257,785	$ -	$ 257,785

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, 2019. 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, 2019.

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, 2019.

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 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.

CDBG Sewer Fund – The CDBG Sewer Fund accounts for the Community Development Block Grant proceeds and the expenditures for sewerage system improvements.

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.

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 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.

The City had no significant reduction in insurance coverage from coverage in the prior year. There have been no settlements that exceed the City's insurance coverage during the past three years.

For the year ending December 31, 2019, the City's total contribution was $31,620 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, 2019:

	General Fund	SPLOST Fund	Nonmajor Governmental	Total
Fund Balances				
Restricted:				
Capital outlay	$ -	$ 329,730	$ -	$ 329,730
Law enforcement	-	-	3,142	3,142
Public works	43,567	20,000	-	63,567
Recreation	30,000	-	-	30,000
Unassigned/(deficit)	(401,603)	-	-	(401,603)
Total fund balances/(deficit)	$ (328,036)	$ 349,730	$ 3,142	$ 24,836

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	$143,750
Police	34,752
Culture and recreation	11,275
Planning & zoning	3,735
Economic development & assistance	21,294
Transfers to other funds	2,641

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 $328,036. The fund incurred expenditures in excess of revenues by $78,201. 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, 2019 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 2019 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, 2019 consist of the following:

	General Fund	Water & Sewer Fund	Nonmajor Funds	Total
Taxes	$ 93,195	$ -	$ -	$ 93,195
Accounts	102,741	155,161	38,435	296,337
Allowance	(43,594)	(125,590)	(30,676)	(199,860)
Net receivables	$ 152,342	$ 29,571	$ 7,759	$ 189,672

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2019 are as follows:

Fund	Federal	State	County	Total
General	$ -	$ 33,140	$ -	$ 33,140
2017 SPLOST	-	-	161,754	161,754
CDBG Sewer	25,779	-	-	25,779
Total	$ 25,779	$ 33,140	$ 161,754	$ 220,673

The amounts due from the state government represents local option sales tax revenues. The amounts due from the county represents motor vehicle and real estate transfer taxes and special purpose local options sales tax revenues held by Newton County. The amount due from federal government represents CDBG Sewer grant funds.

NOTE 7 – INTERFUND RECEIVABLES, ADVANCES, PAYABLES, AND TRANSFERS

The composition of the due to / from other funds as of December 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	$ 1,914
2017 SPLOST	General Fund	121,254
2017 SPLOST	Water and Sewer	4,945
Water and Sewer	General Fund	80,841
Water and Sewer	Sanitation	9,852
Sanitation	General Fund	877
		$ 219,683

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

Advance From	Advance To	Amount
Water and Sewer Fund	General Fund	$160,000

The Water and Sewer Fund advanced the General Fund $160,000 for engineering services. The General Fund will repay the Water and Sewer Fund once funds become available. As of December 31, 2019, the balance is $160,000.

Interfund transfers:

	Transfer In:			
	General Fund	Water and Sewer	Nonmajor Funds	Total
Transfer Out:				
General Fund	$ -	$ -	$ 2,641	$ 2,641
Nonmajor Governmental	550	-	-	550
Nonmajor Proprietary	-	29,852	-	29,852
Total	$ 550	$ 29,852	$ 2,641	$ 33,043

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, 2019 was as follows:

	Beginning	Increases	Decreases	Transfers	Ending
Governmental activities:					
Capital assets, not being depreciated					
Land	$ 294,641	$ -	$ -	$ -	$ 294,641
Construction in progress	97,346	167,059	-	(16,358)	248,047
Total capital assets, not being depreciated	391,987	167,059	-	(16,358)	542,688
Capital assets, being depreciated					
Buildings and improvements	2,182,913	429,743	-	16,358	2,629,014
Equipment	381,778	59,704	-	-	441,482
Vehicles	360,748	-	-	-	360,748
Total capital assets, being depreciated	2,925,439	489,447	-	16,358	3,431,244
Less accumulated depreciation for:					
Buildings and improvements	(318,927)	(58,481)	-	-	(377,408)
Equipment	(100,337)	(41,792)	-	-	(142,129)
Vehicles	(214,460)	(42,502)	-	-	(256,962)
Total accumulated depreciation	(633,724)	(142,775)	-	-	(776,499)
Total capital assets, being depreciated, net	2,291,715	346,672	-	16,358	2,654,745
Governmental activities capital assets, net	$ 2,683,702	$ 513,731	$ -	$ -	3,197,433
Less related long-term debt outstanding					(634,929)
Net investment in capital assets					$ 2,562,504

	Beginning	Increases	Decreases	Ending
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 26,968	$ 61,849	$ -	$ 88,817
Construction in progress	249,796	257,785	-	507,581
Total capital assets, not being depreciated	276,764	319,634	-	596,398
Capital assets, being depreciated				
Equipment	106,075	-	-	106,075
Water and sewer system	5,709,910	-	-	5,709,910
Sanitation equipment	265,603	-	-	265,603
Total capital assets, being depreciated	6,081,588	-	-	6,081,588
Less accumulated depreciation for:				
Equipment	(69,728)	(2,569)	-	(72,297)
Water and sewer system	(1,835,111)	(98,148)	-	(1,933,259)
Sanitation equipment	(256,058)	(1,925)	-	(257,983)
Total accumulated depreciation	(2,160,897)	(102,642)	-	(2,263,539)
Total capital assets, being depreciated, net	3,920,691	(102,642)	-	3,818,049
Business-type activities capital assets, net	$ 4,197,455	$ 216,992	$ -	4,414,447
Less related long-term debt outstanding				(1,071,350)
Net investment in capital assets				$ 3,343,097

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

Governmental activities:	
General government	$ 3,952
Public safety	18,512
Public works	55,163
Culture and recreation	65,148
Total depreciation expense - governmental activities	$ 142,775
Business-type activities:	
Water and sewer	$ 100,717
Sanitation	1,925
Total depreciation expense - business-type activities	$ 102,642

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 $34,884 for 2019. As of December 31, 2019, the note had an outstanding balance of $789,324.

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
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	107,966	13,457	121,423
2025-2027	288,888	14,670	303,558
	$ 789,324	$ 121,349	$ 910,673

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. Interest on the note totaled $3,551 for 2019.

The City has received $282,026 in GEFA loan drawdowns as of December 31, 2019. The project is not complete, so an amortization schedule has not been created.

Capital Leases

Governmental:

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%. The lease was paid off during March 2019.

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, 2019, the lease had an outstanding balance of $6,108.

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, 2019, the lease had an outstanding balance of $60,588.

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, 2019, the lease had an outstanding balance of $155,280.

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, 2019, the lease had an outstanding balance of $42,419.

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, 2019, the lease had an outstanding balance of $21,557.

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, 2019, the lease had an outstanding balance of $18,799.

During 2019, the City entered into a capital lease with United Bank in the amount of $384,750 for the renovation of the police department building, the previous City Hall. The loan payments are made monthly in the amount of $8,492 including interest at 5.5%. As of December 31, 2019, the lease had an outstanding balance of $330,178.

During 2019, the City incurred $26,866 in interest on governmental capital leases.

Assets under capital leases as of December 31, 2019 consist of:

	Estimated Useful Life	Cost	Depreciation Expense	Accumulated Depreciation
Governmental activities:				
Buildings	50 years	$ 471,243	$ 516	$ 1,032
Equipment	5-10 years	309,072	33,947	74,089
Vehicles	5 years	169,089	33,818	76,444
Total governmental activities		$ 949,404	$ 68,281	$ 151,565

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

Year Ending December 31	Governmental Activities Principal	Interest
2020	$ 189,080	$ 28,033
2021	194,260	18,329
2022	189,515	8,385
2023	62,074	31
	$ 634,929	$ 54,778

Changes in long-term liabilities

Long-term debt activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 34,660	$ -	$ -	$ 34,660	$ 34,660
Capital leases	405,979	384,750	(155,800)	634,929	189,080
Total governmental activities	$ 440,639	$ 384,750	$ (155,800)	$ 669,589	$ 223,740
Business-type activities:					
Compensated absences	$ 8,565	$ -	$ -	$ 8,565	$ 8,565
Notes payable					
GEFA Loan # 2004-L02WQ	878,324	-	(89,000)	789,324	92,506
GEFA Loan #CW 2018 008	239,658	42,368	-	282,026	-
Total business-type activities	$ 1,126,547	$ 42,368	$ (89,000)	$ 1,079,915	$ 101,071

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 NOTE

During 2019, the City obtained a (TAN) in the General Fund in the amount of $200,000 to finance general obligations of the City. The note bore interest at 4.50% and was due on December 31, 2019. The note was paid off during December 2019 with General Fund revenues. Interest on the note totaled $5,918.

Short-term debt activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Issued	Retired	Ending Balance
Governmental Activities:				
General Fund - TAN	-	200,000	(200,000)	-
Governmental activities short-term debt	$ -	$200,000	$(200,000)	$ -

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, 2019, there were 21 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, 2019, were $14,205 by the employees and $17,867 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 May 21, 2021, the date which the financial statements were available to be issued.

NOTE 14 –RESTATEMENT

During 2019, the City recorded a prior period adjustment to correct interfund balances for transportation expenditures as of December 31, 2018.

	General Fund	2017 SPLOST Fund
Fund Balance/(Deficit) December 31, 2018, as previously stated	$ (273,095)	$ 193,347
Adjustments to correct prior year transportation expenditures	23,430	(23,430)
Fund Balance/(Deficit) December 31, 2018 restated	$ (249,665)	$ 169,917

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, 2019

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Drug Seizure Fund	Conservation Fund	Capital Improvement Fund	
ASSETS				
Cash and cash equivalents	$ 6,085	$ -	$ -	$ 6,085
Total Assets	$ 6,085	$ -	$ -	$ 6,085
LIABILITIES				
Accounts payable	$ 1,029	$ -	$ -	$ 1,029
Due to other funds	1,914	-	-	1,914
Total Liabilities	2,943	-	-	2,943
FUND BALANCES				
Restricted:				
Law enforcement	3,142	-	-	3,142
Total Fund Balances	3,142	-	-	3,142
Total Liabilities and Fund Balances	$ 6,085	$ -	$ -	$ 6,085

CITY OF PORTERDALE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue		Capital Project	Total Nonmajor
	Drug Seizure Fund	Conservation Fund	Capital Improvement Fund	Governmental Funds
Revenues:				
Fines and forfeitures	$ 5,000	$ -	$ -	$ 5,000
Total Revenues	5,000	-	-	5,000
Expenditures:				
Current				
Law enforcement	6,398	-	-	6,398
Conservation	-	30,771	-	30,771
Total Expenditures	6,398	30,771	-	37,169
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,398)	(30,771)	-	(32,169)
Other Financing Sources (Uses)				
Transfers from other funds	-	2,641	-	2,641
Transfers to other funds	-	-	(550)	(550)
Total Other Financing Sources (Uses)	-	2,641	(550)	2,091
Net change in fund balance	(1,398)	(28,130)	(550)	(30,078)
Fund Balances - Beginning of year	4,540	28,130	550	33,220
Fund Balance - End of year	$ 3,142	$ -	$ -	$ 3,142

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, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Fines and forfeitures	$ -	$ 5,000	$ 5,000
Total Revenues	-	5,000	5,000
Expenditures:			
Current:			
Law enforcement	-	6,398	(6,398)
Total Expenditures	-	6,398	(6,398)
Net change in fund balance	-	(1,398)	(1,398)
Fund Balances - Beginning of year	1,854	4,540	(2,686)
Fund Balance - End of year	$ 1,854	$ 3,142	$ (4,084)

CITY OF PORTERDALE, GEORGIA

CONSERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Charges for services	$ -	$ -	$ -
Total Revenues	-	-	-
Expenditures:			
Current:			
Conservation	-	30,771	(30,771)
Total Expenditures	-	30,771	(30,771)
Excess (Deficiency) of Revenues over Expenditures	-	(30,771)	(30,771)
Other Financing Sources (Uses)			
Transfers from General Fund	-	2,641	2,641
Total Other Financing Sources (Uses)	-	2,641	2,641
Net change in fund balance	-	(28,130)	(28,130)
Fund Balances - Beginning of year	28,130	28,130	-
Fund Balance - End of year	$ 28,130	$ -	$ (28,130)

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Estimated Cost	Expenditures: Restated Prior Years	Expenditures: Current Year	Expenditures: Total
Special Local Option Sales Tax July 1, 2017				
Public Works, Transportation & Park Maintenance - Notes 1 & 2	$ 393,600	$ 407,099	$ 118,464	$ 525,563
Yellow River Park	370,314	97,837	188,548	286,385
Municipal Building	1,574,000	143,615	474,343	617,958
Gymnasium Improvements	98,800	120,319	4,600	124,919
Total 2017 SPLOST	$ 2,436,714	$ 768,870	$ 785,955	$ 1,554,825

Note 1: The difference in SPLOST expenditures by project and the expenditures noted in the financial statements of $143,928 represents principal debt service payments attributed to repayment of SPLOST capital leases. The expenditures to purchase approved items are already included in the above schedule.

Note 2: The prior years exepnditures balance has been restated to reflect additional transportation expenditures incurred in the prior year.

CITY OF PORTERDALE

SEWERAGE SYSTEM IMPROVEMENTS
COMMUNITY DEVELOPMENT BLOCK GRANT
#15-X-107-2-5777
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED DECEMBER 31, 2019

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES				
Department of Community Affairs	$ -	$ 257,785	$ 257,785	$ 500,000
Total Revenues	-	257,785	257,785	500,000
EXPENDITURES				
P-03J-020 - Sewer Facilities	-	257,785	257,785	500,000
Total Expenditures	-	257,785	257,785	500,000
Net change in fund balance	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	$ -	$ -	$ -	$ -

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*

Mayor and Council
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, 2019, 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 May 21, 2021.

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 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, and 2019-009 that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Porterdale, Georgia's financial statements are free 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 2019-010, 2019-011, 2019-012, and 2019-013.

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
May 21, 2021

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019 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*:

2019-001 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 2019, 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 the finding. We have taken actions for the last quarter of fiscal 2020 and 2021 to address these issues.

2019-002 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 2019.

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 the finding. We are currently keeping invoice, purchase order, and billing information with every check that is issued.

2019-003 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
Bank accounts were not properly reconciled for two accounts. In addition, activity of a new bank account was not recorded for 2019.

CONTEXT
- General Fund's Operating Bank Account – An adjustment of $11,643 was required to decrease cash and accounts payable.
- Conservation Fund Bank Account - Adjustments of $30,625 were required to record expenditures for the year.
- SPLOST Fund - Brick & Mortar Bank Account – Adjustments totaling $50,108 were required to correct the activity for 2019. Additionally, an adjustment of $15,295 was required to record the activity in the Fiscal Agent Bank Account for the issuance of debt from a capital lease and interest revenue activity.

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

CAUSE
The preparer of the bank reconciliations 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 the finding. We have implemented monthly reconciliations for all bank accounts.

2019-004 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 the finding. The City is currently reviewing financial software packages and will be making a decision shortly. We are concurrently in discussions with the Newton County Tax Commissioner to pick up our billing functions under an IGA.

2019-005 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, 2019. The adjustments are summarized as follows:

General Fund:

- Material adjustments were necessary to decrease expenditures and accounts payable for 2019 as follows:
  - Adjustment of $18,878 to decrease accounts payable for workers compensation expenditures.
  - Adjustment of $29,556 to reverse prior year accounts payable and expenditures and to decrease cash for a held check from the prior year.
  - Adjustment of $25,613 to reduce accounts payable and expenditures for an incorrect journal entry.
  - Adjustment of $2,343 for expenditures identified in the search for unrecorded liabilities.
  - An adjustment of $4,354 was needed to decrease accounts payables and to increase interfund payables to the SPLOST Fund.
- Adjustment of $33,481 was necessary to reverse prior year accrued payroll expenditures. In addition, adjustments of $27,673 was necessary to record accrued payroll expenditures in the current year.
- Adjustments of $43,828 were necessary to increase expenditures for disbursements recorded in the SPLOST Fund that were ineligible SPLOST expenditures. In addition, an adjustment of $11,095 was necessary to decrease expenditures for SPLOST project expenditures paid by the General Fund.
- A prior period adjustment of $23,430 was required to correct prior year SPLOST project infrastructure expenditures improperly recorded in the General Fund.
- Other adjustments were necessary to correct numerous posting errors.

Water and Sewer Fund:

- Material adjustments were necessary to decrease expenditures and accounts payable for 2019 as follows:

2019-005 Accounts Payable/Expenditures or Expenses, continued

  - An adjustment of $11,380 was required to record accruals for water-resale expenses.
  - An adjustment of $9,615 were required to reverse prior year accounts payable and expenses.
  - An adjustment of $5,366 was necessary to increase accounts payable and transfers to the Solid Waste Fund.
  - Adjustments of $10,494 were necessary to decrease accounts payable and workers compensation and insurance expenses.
- An adjustment of $3,551 was necessary to reduce accounts payable/expenses for activity of the Sanitation Fund.
- An adjustment of $12,859 was required to increase insurance expenses for allocations between funds.
- An adjustment of $4,737 was necessary to reverse prior year accrued payroll expenditures. In addition, adjustment of $7,205 was necessary to record accrued payroll expenditures in the current year.
- An adjustment of $4,800 was necessary to increase expenditures for disbursements recorded in the SPLOST Fund that were ineligible SPLOST expenditures.
- An adjustment of $39,916 was required to correct current year depreciation expense.

Sanitation Fund:

- Adjustments of $3,551 were necessary to record expenses for disposal services.
- Adjustment of $5,366 was necessary to decrease accounts payable for expenses recorded in the prior year. Additionally, adjustment of 5,652 was necessary to decrease accrued payroll expenses recorded in the prior year.
- Adjustments of $12,859 to decrease group insurance expense that was overstated.
- Adjustment of $3,150 was necessary to decrease workers compensation and insurance expenses.

SPLOST Fund:

- Adjustments of $132,951 were necessary to accrue accounts payable and retainage payable for capital outlay expenditures.
- Adjustment of $22,356 was necessary to reduce expenditures for activity that was recorded in 2018.
- Adjustments of $60,559 to decrease expenditures for disbursements recorded in the SPLOST Fund that are ineligible expenditures. Additionally, an adjustment of $11,095 was necessary to increase expenditures for SPLOST project expenditures paid for by the General Fund.
- Adjustments of $24,231was required to increase issuance costs for capital lease and the corresponding capital lease proceeds that were unrecorded by the City.
- Adjustments of $50,108 were required to increase cash and to decrease purchased contracted services by $2,800 and site improvements by $47,208 for two voided checks.

2019-005 Accounts Payable/Expenditures or Expenses, continued

- A prior period adjustment of $23,430 was required to record prior year infrastructure expenses improperly recorded in the General Fund.

CDBG Sewer Fund:

- An adjustment of $25,779 was required to increase sewer infrastructure expenditures and retainage payable.

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 the finding. Porterdale has new accounting staff that we are sending to training so that we can accurately record expenditures and expenses in the correct period. We have also contracted with GMA to help with 2020 and 2021.

2019-006 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 2019.

CONTEXT
Material audit adjustments were required to fairly state and classify revenues for the year ended December 31, 2019.

General Fund:

- Adjustments of $126,440 were required to increase revenue and to accrue accounts receivable. In addition, adjustments of $115,502 were required to decrease revenue and receivables for prior year activity.
- Adjustments with a net effect of $33,188 were required to decrease revenue and to record revenue in the correct fund.
- Other adjustments were necessary to correct numerous posting errors.

Water and Sewer Fund:

- Adjustments of $10,966 to reduce accounts receivable and water/sewer charges for Sanitation Fund activity.
- Adjustments for $17,824 to correct posting errors between Water and Sewer accounts receivable and customer deposits.
- Adjustment of $257,785 was required to increase revenues for a capital contribution from the CDBG Sewer Fund.

Sanitation Fund:

- Adjustment of $10,966 to correct accounts receivable billing balances.

SPLOST Fund:

- Adjustments of $161,753 were required to increase revenue and accrue intergovernmental receivables.
- Adjustment of $345,421 was required to eliminate government-wide liability balances and to eliminate the debt issuance proceeds associated with the balances.
- Adjustments with a net effect of $33,188 were required to increase revenue and to record revenue in the correct fund.
- Adjustments of $24,231was required to record issuance costs for capital lease and the corresponding capital lease proceeds that were unrecorded by the City.
- Other adjustments were necessary to correct numerous posting errors.

2019-006 Accounts Receivable/Revenue, continued

CDBG Sewer Fund

- An adjustment of $25,779 was required to record revenue and intergovernmental receivable for CDBG Sewer grant activity.

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

CAUSE
The City did not have adequate accounting procedures in place to 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 the finding. We have been reviewing all of our accounting codes to ensure they are consistent with the Uniform Chart of Accounts and have been updating the codes in the current year (2021) files; both budget and fiscal accounting. This is to ensure that those individuals making entries are placing the revenue against the correct accounting code. We are also providing internal training to our staff to understand the codes and what they apply to. In additional, we have also contracted with GMA to help with 2020 and 2021.

2019-007 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	$ 1,914	Nonmajor Governmental Funds	$ 1,914
SPLOST Fund	126,199	General Fund	121,254
		Water & Sewer Fund	4,945
Water & Sewer Fund	90,693	General Fund	80,841
		Sanitation Fund	9,852
Sanitation Fund	877	General Fund	877
Total	$219,683		$219,683

Advance From	Amount	Advance To	Amount
Water & Sewer Fund	$160,000	General Fund	$160,000

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.

2019-007 Management of Due To / From (Interfund) Accounts, continued

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. We are actively reviewing monthly revenue and expenses and invoices to ensure the correct accounts are charged/credited at the time a check/bill is processed. This is an effort to avoid having multiple adjustments having to be made through the year. We are also monitoring any transfers that may need to be made between accounts.

2019-008 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 $345,421 was required to remove capital lease balances from the SPLOST Fund. A material adjustment of $24,231 was required to record issuance of debt, issuance costs and fiscal agent fees in the SPLOST Fund.

EFFECT
The City overstated liabilities and understated other expenditures related to the issuance of debt.

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 the finding. Procedures have been put in place to ensure proper recording of capital lease transactions as they occur.

2019-009 Capital Assets

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. The City did not properly maintain the depreciation schedules for 2019.

CONTEXT
The following adjustments were needed to correct the depreciation schedules:

Governmental:
- Material adjustments of $656,506 were required to record current year capital asset additions.
- A material adjustment of $142,775 was required to record current year depreciation expense.

Water & Sewer Fund:
- Material adjustments of $317,783 were required to record current year capital asset additions and a related capital contribution of $257,785 from the Sewer CDBG Fund.
- A material adjustment of $39,916 was required to correct current year depreciation expense.

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

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

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 the finding. The City has contracted with GMA to assist with completing the depreciation schedules for 2020.

COMPLIANCE FINDINGS

2019-010 Clean Water State Revolving Fund Proceeds

CRITERIA
The Clean Water State Revolving Fund administered by Georgia Environmental Finance Authority (GEFA) provides 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
During 2018, 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
As of December 31, 2019, 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 the finding. The City has made payments to our engineer in 2021 from the General Fund to start those repayments. We will work with our engineer on a repayment schedule to correct this issue.

2019-011 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 2019, the City borrowed money from the SPLOST Fund to pay operating expenditures in the General Fund and the Water & Sewer Fund.

CONTEXT
- The General Fund owed the SPLOST Fund $121,254 as of December 31, 2019.
- The Water & Sewer Fund owed the SPLOST Fund $4,945 as of December 31, 2019.

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 the finding. We are working on reimbursing the SPLOST account from the General Fund and Water and Sewer Fund. We will start reimbursing this fund from the General Fund into the SPLOST account.

2019-012 457 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, 2019, the City had the following contributions that were in arrears:

	Amount
Employee Withholdings	$ 3,105
Employer Contributions	6,622
Total	$ 9,727

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 the finding. We are currently reviewing if any payments were made in 2020 by previous staff to catch this up. If not, we will make payments to the plan administrator within the next month to complete these arrears.

2019-013 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	$ 143,750
	Police	34,752
	Culture and recreaton	11,275
	Planning & zoning	3,735
	Economic development & assistance	21,294
	Transfers to other funds	2,641
Drug Seizure Fund:		
	Law enforcement	6,398
Conservation Fund:		
	Conservation	30,771

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management agrees with the finding. The 2020 budget shows additional funds listed and adopted by Council. For 2020, we are also completing an end of year amendment so that the General Fund expenditures will not exceed appropriations in individual departments or Special Revenue Funds.

CITY OF PORTERDALE, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

2018-001 Controls over Disbursements

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

UPDATE
Unresolved. See current year finding 2019-001.

2018-002 Records Retention

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

UPDATE
Unresolved. See current year finding 2019-002.

2018-003 Bank Reconciliations

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

UPDATE
Unresolved. See current year finding 2019-003.

2018-004 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 2019-004.

2018-005 Accounts Payable/Expenditures or Expenses

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.

UPDATE
Unresolved. See current year finding 2019-005.

2018-006 Accounts Receivable/Revenue

CONDITION
Various revenue items were not recorded in the proper year for 2018.

UPDATE
Unresolved. See current year finding 2019-006.

2018-007 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 2019-007.

2018-008 Capital Leases

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

UPDATE
Unresolved. See current year finding 2019-008.

2018-009 Capital Assets – Governmental

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

UPDATE
Unresolved. See current year finding 2019-009.

2018-010 Grant Management

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

UPDATE
Resolved.

2018-011 Clean Water State Revolving Fund Proceeds

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

UPDATE
Unresolved. See current year finding 2019-010.

2018-012 SPLOST Funds

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

UPDATE
Unresolved. See current year finding 2019-011.

2018-013 457 Plan Contributions

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

UPDATE
Unresolved. See current year finding 2019-012.

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

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.

UPDATE
Unresolved. See current year finding 2019-013.