CITY OF PORTERDALE, GEORGIA

Annual Financial Report

For the year ended December 31, 2020

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CITY OF PORTERDALE, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2020

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RUSHTON

ACCOUNTING & BUSINESS ADVISORS | CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Porterdale, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Porterdale, Georgia, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Porterdale, Georgia and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Porterdale, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City of Porterdale, Georgia's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Porterdale, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary 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 fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2022, on our consideration of the City of Porterdale, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Porterdale, Georgia's internal control over financial reporting and compliance.

Rushton, LLC

Gainesville, Georgia
July 15, 2022

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BASIC FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA
STATEMENT OF NET POSITION
December 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 792,871	$ 0	$ 792,871
Restricted cash and cash equivalents	23,898	102,724	126,622
Receivables (net)			
Accounts	0	55,425	55,425
Intergovernmental	166,982	0	166,982
Taxes	221,502	0	221,502
Internal balances	(309,678)	309,678	0
Total current assets	895,575	467,827	1,363,402
Noncurrent assets			
Capital assets			
Non-depreciable	624,968	857,838	1,482,806
Depreciable (net)	2,530,103	3,169,892	5,699,995
Total noncurrent assets	3,155,071	4,027,730	7,182,801
Total assets	4,050,646	4,495,557	8,546,203
LIABILITIES			
Current liabilities			
Accounts payable	86,165	414,925	501,090
Retainages payable	42,152	0	42,152
Other payroll liabilities	31,370	537	31,907
Compensated absences payable	41,160	2,183	43,343
Accrued interest payable	713	1,958	2,671
Capital leases payable	189,074	0	189,074
Notes payable	0	96,150	96,150
Customer deposits payable	0	102,724	102,724
Total current liabilities	390,634	618,477	1,009,111
Noncurrent liabilities			
Capital leases payable	244,250	0	244,250
Notes payable	0	970,533	970,533
Total noncurrent liabilities	244,250	970,533	1,214,783
Total liabilities	634,884	1,589,010	2,223,894
NET POSITION			
Net investment in capital assets	2,679,595	2,852,734	5,532,329
Restricted for:			
Public Safety	1,548	0	1,548
Public Works	23,898	0	23,898
Capital outlay	748,141	0	748,141
Unrestricted	(37,420)	53,813	16,393
Total net position	$ 3,415,762	$ 2,906,547	$ 6,322,309

See accompanying notes to the financial statements.

CITY OF PORTERDALE, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General Government	$ 280,344	$ 14,474	$ 6,250	$ 401,714	$ 142,094
Judicial	67,237	0	0	0	(67,237)
Public Safety	636,136	256,016	0	0	(380,120)
Public Works	239,851	0	0	417,733	177,882
Culture and Recreation	68,850	4,600	0	119,726	55,476
Housing and Development	107,459	24,509	0	0	(82,950)
Interest on long-term debt	26,330	0	0	0	(26,330)
Total governmental activities	1,426,207	299,599	6,250	939,173	(181,185)
Business-type activities					
Water and Sewer Utility	674,764	634,064	0	0	(40,700)
Sanitation	112,206	158,690	0	0	46,484
Total business-type activites	786,970	792,754	0	0	5,784
Total primary government	2,213,177	1,092,353	6,250	939,173	(175,401)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Change in net position			
Net (expense) revenue	$ (181,185)	$ 5,784	$ (175,401)
General revenues			
Taxes			
Property	577,228	0	577,228
Sales	330,919	0	330,919
Franchise	115,514	0	115,514
Insurance premium	114,765	0	114,765
Alcoholic beverage	23,045	0	23,045
Occupational	8,295	0	8,295
Other	10,326	0	10,326
Other	35,300	1,261	36,561
Transfers	(175,586)	175,586	0
Total general revenues and transfers	1,039,806	176,847	1,216,653
Change in net position	858,621	182,631	1,041,252
Net position - beginning (original)	2,575,441	3,229,116	5,804,557
Prior period adjustment	(18,300)	(505,200)	(523,500)
Net position - beginning (restated)	2,557,141	2,723,916	5,281,057
Net position - ending	$ 3,415,762	$ 2,906,547	$ 6,322,309

See accompanying notes to the financial statements.

CITY OF PORTERDALE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	2017 SPLOST	Nonmajor Governmental	Total
ASSETS				
Cash and cash equivalents	$ 339,253	$ 450,106	$ 3,512	$ 792,871
Restricted cash and cash equivalents	23,898	0	0	23,898
Receivables (net)				
Intergovernmental	0	110,907	56,075	166,982
Taxes	221,502	0	0	221,502
Due from other funds	14,329	181,086	0	195,415
Total assets	$ 598,982	$ 742,099	$ 59,587	$ 1,400,668
LIABILITIES				
Payables				
Accounts	$ 78,234	$ 7,931	$ 0	$ 86,165
Retainages	0	0	42,152	42,152
Accrued salaries and payroll liabilities	31,370	0	0	31,370
Due to other funds	503,179	0	1,914	505,093
Total liabilities	612,783	7,931	44,066	664,780
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	28,620	0	0	28,620
FUND BALANCES				
Restricted for:				
Public Safety	0	0	1,548	1,548
Public Works	23,898	0	0	23,898
Capital projects	0	734,168	13,973	748,141
Unassigned	(66,319)	0	0	(66,319)
Total fund balances	(42,421)	734,168	15,521	707,268
Total liabilities and fund balances	$ 598,982	$ 742,099	$ 59,587	$ 1,400,668

CITY OF PORTERDALE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2020

Total fund balance - total governmental funds		$ 707,268
Amounts reported for governmental activities in the statement of net position are different because:		
Some assets are not financial resources and, therefore, are not reported in the funds.		
These are:		
Capital assets net of accumulated depreciation		3,155,071
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the funds.		
These are:		
Property taxes		28,620
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
These are:		
Interest payable	$ (713)	
Compensated absences	(41,160)	
Capital leases payable	(433,324)	(475,197)
Net position of governmental activities		$ 3,415,762

CITY OF PORTERDALE, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2020

	General	2017 SPLOST	Nonmajor Governmental	Totals
REVENUES				
Taxes	$ 1,175,373	$ 0	$ 0	$ 1,175,373
Licenses and permits	35,114	0	0	35,114
Fines, fees and forfeitures	255,276	0	740	256,016
Charges for services	8,469	0	0	8,469
Intergovernmental	47,109	702,504	189,559	939,172
Contributions	6,250	0	0	6,250
Other	35,300	0	0	35,300
Total revenues	1,562,891	702,504	190,299	2,455,694
EXPENDITURES				
Current				
General Government	272,529	0	0	272,529
Judicial	61,168	0	0	61,168
Public Safety	608,391	5,589	2,334	616,314
Public Works	216,234	0	0	216,234
Culture and Recreation	0	104,474	0	104,474
Housing and Development	110,935	0	0	110,935
Debt Service	0	208,003	0	208,003
Total expenditures	1,269,257	318,066	2,334	1,589,657
Excess (deficiency) of revenue over (under) expenditures	293,634	384,438	187,965	866,037
Other financing sources (uses)				
Transfers in (out)				
Transfers out	0	0	(175,586)	(175,586)
Net change in fund balance	293,634	384,438	12,379	690,451
Fund balances, January 1 (original)	(328,036)	349,730	3,142	24,836
Prior period adjustment	(8,019)	0	0	(8,019)
Fund balances, January 1 (restated)	(336,055)	349,730	3,142	16,817
Fund balances, December 31	$ (42,421)	$ 734,168	$ 15,521	$ 707,268

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, 2020

Net change in fund balances - total governmental funds		$ 690,451
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 124,709	
Depreciation	(145,780)	(21,071)
The proceeds of debt issuance, net of premiums, discounts and issuance costs provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In addition, interest on long-term debt is not recognized in the governmental funds until due, but is recognized in the statement of activities as it accrues.		
Net change in interest payable	427	
Debt principal payments	190,595	191,022
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenues		4,719
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the following:		
Net change in compensated absences		(6,500)
Change in net position of governmental activities		$ 858,621

CITY OF PORTERDALE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2020

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,080,642	$ 1,140,878	$ 1,175,373	$ 34,495
Licenses and permits	31,450	32,114	35,114	3,000
Fines, fees and forfeitures	253,650	252,917	255,276	2,359
Charges for services	2,000	8,449	8,469	20
Intergovernmental	23,211	23,211	47,109	23,898
Contributions	36,250	6,250	6,250	0
Other	31,581	37,220	35,300	(1,920)
Total revenues	1,458,784	1,501,039	1,562,891	61,852
EXPENDITURES				
Current				
General Government				
Mayor and Council	29,396	31,147	28,742	2,405
Administration	296,093	234,601	243,787	(9,186)
Judicial				
Municipal Court	89,496	58,537	61,168	(2,631)
Public Safety				
Police	650,101	601,552	600,906	646
Dentention Center	13,000	7,485	7,485	0
Public Works				
Streets	238,673	194,812	216,234	(21,422)
Culture and Recreation				
Parks and Recreation	36,200	0	0	0
Housing and Development				
Planning and Zoning	43,890	39,525	40,502	(977)
Economic Development	61,935	54,943	70,433	(15,490)
Total expenditures	1,458,784	1,222,602	1,269,257	(46,655)
Excess (deficiency) of revenues over (under) expenditures	0	278,437	293,634	15,197
Other financing sources (uses)				
Transfers in	0	12,799	0	(12,799)
Contingency	0	(291,236)	0	291,236
Total other financing sources (uses)	0	(278,437)	0	278,437
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	293,634	293,634
Fund balances, January 1 (original)	0	0	(328,036)	(328,036)
Prior period adjustment	0	0	(8,019)	(8,019)
Fund balances, January 1 (restated)	0	0	(336,055)	(336,055)
Fund balances, December 31	$ 0	$ 0	$ (42,421)	$ (42,421)

See accompanying notes to the financial statements.

CITY OF PORTERDALE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	Business-Type Activities		
	Water and Sewer	Nonmajor Sanitation	Totals
ASSETS			
Current assets			
Restricted assets cash and cash equivalents	$ 102,724	$ 0	$ 102,724
Accounts receivable (net)	17,669	37,756	55,425
Due from other funds	327,038	199,443	526,481
Total current assets	447,431	237,199	684,630
Noncurrent assets			
Capital assets			
Non-depreciable	857,838	0	857,838
Depreciable (net)	3,164,170	5,722	3,169,892
Total noncurrent assets	4,022,008	5,722	4,027,730
Total assets	4,469,439	242,921	4,712,360
LIABILITIES			
Current liabilities			
Accounts payable	384,865	30,060	414,925
Accrued salaries and other payroll liabilities	376	161	537
Compensated absences payable	2,183	0	2,183
Due to other funds	204,388	12,415	216,803
Accrued interest payable	1,958	0	1,958
Notes payable	96,150	0	96,150
Liabilities payable from restricted assets:			
Customer deposits payable	102,724	0	102,724
Total current liabilities	792,644	42,636	835,280
Noncurrent liabilities			
Notes payable	970,533	0	970,533
Total liabilities	1,763,177	42,636	1,805,813
NET POSITION			
Net investment in capital assets	2,847,012	5,722	2,852,734
Unrestricted	(140,750)	194,563	53,813
Total net position	$ 2,706,262	$ 200,285	$ 2,906,547

See accompanying notes to the financial statements.

CITY OF PORTERDALE, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2020

	Business-Type Activities		
	Water and Sewer	Nonmajor Sanitation	Totals
OPERATING REVENUES			
Charges for services	$ 634,064	$ 158,690	$ 792,754
Miscellaneous	1,261	0	1,261
Total operating revenues	635,325	158,690	794,015
OPERATING EXPENSES			
Costs of sales and services	383,622	51,198	434,820
Personal services	117,679	59,110	176,789
Depreciation	141,060	1,898	142,958
Total operating expenses	642,361	112,206	754,567
Operating income (loss)	(7,036)	46,484	39,448
Non-operating revenues (expenses)			
Interest expense	(32,403)	0	(32,403)
Income (loss) before transfers	(39,439)	46,484	7,045
Transfers in (out)			
Transfers in	189,509	167,724	357,233
Transfers out	(167,724)	(13,923)	(181,647)
Total transfers in (out)	21,785	153,801	175,586
Change in net position	(17,654)	200,285	182,631
Net position, January 1 (original)	3,229,116	0	3,229,116
Prior period adjustment	(505,200)	0	(505,200)
Net position, January 1 (restated)	2,723,916	0	2,723,916
Net position, December 31	$ 2,706,262	$ 200,285	$ 2,906,547

CITY OF PORTERDALE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2020

	Business-Type Activities		
	Water and Sewerage	Nonmajor Sanitation	Totals
Cash flows from operating activities:			
Receipts from customers	$ 660,376	$ 128,693	$ 789,069
Payments to suppliers	(434,000)	(26,954)	(460,954)
Payments to employees	(123,097)	(59,537)	(182,634)
Other receipts	1,261	0	1,261
Net cash provided (used) by operating activities	104,540	42,202	146,742
Cash flows from non-capital financing activities:			
Payments to other funds	(244,069)	(212,489)	(456,558)
Receipts from other funds	213,365	170,287	383,652
Net cash provided (used) by non-capital and related financing activities	(30,704)	(42,202)	(72,906)
Cash flows from capital financing and related financing activities:			
Receipts from other funds	175,586	0	175,586
Payments for acquisitions of capital assets	(153,127)	0	(153,127)
Proceeds from issuance of promissory notes	87,664	0	87,664
Principal payments - promissory notes	(92,331)	0	(92,331)
Interest paid	(33,121)	0	(33,121)
Net cash provided (used) by capital and related financing activities	(15,329)	0	(15,329)
Net increase (decrease) in cash and cash equivalents	58,507	0	58,507
Cash and cash equivalents, January 1	44,217	0	44,217
Cash and cash equivalents, December 31	$ 102,724	$ 0	$ 102,724
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (7,036)	$ 46,484	$ 39,448
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	141,060	1,898	142,958
(Increase) decrease in accounts receivable	11,902	(29,997)	(18,095)
Increase (decrease) in accounts payable	(50,378)	24,244	(26,134)
Increase (decrease) in payroll liabilities	(5,418)	(427)	(5,845)
Increase (decrease) in deposits payable	14,410	0	14,410
Total adjustments	111,576	(4,282)	107,294
Net cash provided (used) by operating activities	$ 104,540	$ 42,202	$ 146,742

Noncash investing, capital, and financing activities

Acquisition of capital assets through accounts payable totaled $108,313.

1. Description of Government Unit

The City of Porterdale was established in 1917. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, culture and recreation, public improvements, and general and administrative services. In addition, the City operates public utilities for water for the incorporated and immediate surrounding areas.

The City is governed by an elected Mayor and five-member council.

2. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

Standards published by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as (a) the primary government, (b) organizations for which the primary government is financially responsible, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61, the financial statements of component units have been included as discretely presented component units. The City has two discretely presented component units. The component unit column on the government-wide financial statements is used to emphasize that the entities are legally separate from the City.

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

Financial information pertaining to the component units can be obtained from the City upon request.

The Porterdale Historic Preservation Commission (the "Commission") is reported as a discretely presented component unit in the accompanying financial statements. The purpose of the Commission 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. The Commission was established by the City of Porterdale. The majority of the governing body of the Commission is appointed by the City of Porterdale City Council. There were no assets, liabilities, or net position for the Commission at the end of the current year.

The Downtown Development Authority (the "DDA") is reported as a discretely presented component unit in the accompanying financial statements. The purpose of the DDA is to promote business and commerce within the downtown business district of the City. The DDA 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 net position for the Downtown Development Authority at the end of the current year.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

2017 SPLOST Fund – This fund is used to account for long-term projects financed by the passage of the 2017 Newton County special purpose local option sales tax.

The City reports the following major proprietary funds:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation, and maintenance of water services in the City of Porterdale.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds -These funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditures for specific purposes.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by the proprietary funds).

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Proprietary Fund Types

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and 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 government 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 under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

F. Revenues and Expenditures/Expenses

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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund 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 non-operating revenues and expenses.

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting

The City Council adopts an annual budget for all governmental fund types, prior to January 1. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of a resolution.

In October each year, the departments submit their budget requests to the City Manager. The City Manager compiles a complete citywide budget and submits the proposed budget to the Mayor for review. Meetings are held between the Mayor, City Manager, and City Council in December to review the proposed budget. The City Manager then submits the proposed budget to the City Council.

Before the beginning of the next fiscal year, the Mayor and Council conduct a public hearing to discuss the proposed budget and to obtain input from the citizens of the City of Porterdale. This hearing is publicized in the local newspaper at least two weeks before the hearing. The final proposed budget is then adopted by the City Council on or before December 31 during a Council meeting, which is also open to the public.

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level. All changes may be made to the operating budget must be approved by the City Manager. All operating budget transfers between departments must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control, which is the department level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as originally passed by ordinance, and subsequently amended. During the year, several supplementary appropriations are made as needed. The results are increases and decreases to the appropriations within the funds. All annual appropriations lapse at year-end.

2. Summary of Significant Accounting Policies (continued)

H. Cash and Cash Equivalents

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less.

I. Property Taxes Receivable

Taxes receivable represents the past year's delinquent real property taxes. An amount equal to the difference between year-end taxes receivable collected within sixty days after year end and the total year-end collectable taxes receivable has been recorded as deferred inflows of resources.

J. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ended June 30, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to July 1, 2007, neither their historical costs nor related depreciation had historically been reported in the financial statements. For entities the size of the City of Porterdale, retroactive reporting of infrastructure assets was not required.
All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition value on the date donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life in Years	Capitalization Threshold
Buildings and improvements	15-50	$ 5,000
Distribution systems	40	$ 100,000
Roads	40	$ 100,000
Machinery and equipment	5-10	$ 5,000
Vehicles	5	$ 5,000

All land will be valued and capitalized.

The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

2. Summary of Significant Accounting Policies (continued)

M. Deferred Outflows/Inflows 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(s) and so will not be recognized as an outflow of resources (expense/ expenditure) 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.

N. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits and sick time which will be paid to the employees upon separation from City service. Accumulated unpaid vacation and sick pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

O. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

2. Summary of Significant Accounting Policies (continued)

P. Fund Balances – Governmental Funds

The City follows GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at fiscal year-end by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Porterdale's highest level of decision-making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year-end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City Council's adopted policy, amounts may be assigned by the City Manager, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in capital project funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

2. Summary of Significant Accounting Policies (continued)

P. Fund Balances – Governmental Funds, continued

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

Q. 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.

R. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

2. Summary of Significant Accounting Policies (continued)

S. Restricted Assets and Restricted Net Position

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

4. Accounts Receivable

Net accounts receivable at the end of the current year consist of the following:

Major Funds		
Enterprise Funds		
Water and Sewer	$ 186,251	
Less: Allowances for Uncollectibles	(168,582)	$ 17,669
Nonmajor Sanitation		37,756
Total Primary Government		$ 55,425

5. Intergovernmental Receivables

Intergovernmental receivables at the end of the current year consist of the following:

Major Funds	
Governmental Funds	
2017 SPLOST	$ 110,907
Nonmajor Governmental	56,075
Total Primary Government	$ 166,982

6. Property Taxes

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the 2020 tax digest year, based upon the assessments as of January 1, 2020, were levied on October 1, 2020, billed on October 20, 2020, and due on December 20, 2020. Taxes receivable at the end of the current year is made up of property tax in the amount of $77,014, net of an allowance placed on accounts deemed uncollectible, $82,765 of franchise taxes, $33,185 of sales taxes, and $28,538 of other taxes.

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at the end of the current fiscal year is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 1,914
	Nonmajor Enterprise	12,415
2017 SPLOST	General	176,141
	Water and Sewer	4,945
Water and Sewer	General	327,038
Nonmajor Enterprise	Water and Sewer	199,443
Subtotal		$ 721,896

The balances reported as Due to/Due from resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. All balances are expected to be repaid within one year.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

A summary of interfund transfers is as follows:

Transfer Out Fund	Transfer In Fund	Amount
Nonmajor Governmental	Water and Sewer	$ 175,586
Nonmajor Enterprise	Water and Sewer	13,923
Water and Sewer	Nonmajor Enterprise	167,724
Total		$ 357,233

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

8. Capital Assets

Capital asset activity for the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Non-depreciable assets				
Land	$ 294,641	$ 0	$ 0	$ 294,641
Construction in progress	248,047	124,709	(42,429)	330,327
Total non-depreciable assets	542,688	124,709	(42,429)	624,968
Depreciable assets				
Buildings and improvements	2,629,014	42,429	0	2,671,443
Machinery and equipment	441,482	0	0	441,482
Vehicles	341,499	0	0	341,499
Total depreciable assets	3,411,995	42,429	0	3,454,424
Accumulated depreciation				
Buildings and improvements	(377,408)	(67,403)	0	(444,811)
Machinery and equipment	(142,129)	(39,950)	0	(182,079)
Vehicles	(259,004)	(38,427)	0	(297,431)
Total accumulated depreciation	(778,541)	(145,780)	0	(924,321)
Total depreciable assets, net	2,633,454	(103,351)	0	2,530,103
Governmental activities capital assets, net	$ 3,176,142	$ 21,358	$ (42,429)	$ 3,155,071
Business-type activities				
Non-depreciable assets				
Land	$ 88,817	$ 0	$ 0	$ 88,817
Construction in progress	507,581	261,440	0	769,021
Total non-depreciable assets	596,398	261,440	0	857,838
Depreciable assets				
Distribution system	5,709,910	0	0	5,709,910
Machinery and equipment	371,678	0	(98,518)	273,160
Total depreciable assets	6,081,588	0	(98,518)	5,983,070
Accumulated depreciation				
Distribution system	(2,438,459)	(140,219)	0	(2,578,678)
Machinery and equipment	(330,279)	(2,739)	98,518	(234,500)
Total accumulated depreciation	(2,768,738)	(142,958)	98,518	(2,813,178)
Total depreciable assets, net	3,312,850	(142,958)	0	3,169,892
Business-type activities capital assets, net	$ 3,909,248	$ 118,482	$ 0	$ 4,027,730

8. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 3,952
Public Safety	27,127
Public Works	49,554
Culture and Recreation	65,147
Total depreciation expense for governmental activities	$ 145,780
Business-type activities	
Water and Sewer	$ 141,060
Nonmajor Sanitation	1,898
Total depreciation expense for business-type activities	$ 142,958

A prior period adjustment was recorded to adjust beginning depreciable assets and accumulated depreciation in the Governmental Activities by a net decrease of $21,291.

A prior period adjustment was recorded to adjust beginning accumulated depreciation in the Water and Sewer Fund in the amount of $505,200.

9. Net Investment in Capital Assets

The net investment in capital assets reported on the government-wide statement of net position is calculated as follows as of the end of the current year:

	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 4,079,392	$ 6,840,908
Accumulated depreciation	(924,321)	(2,813,178)
Book value	3,155,071	4,027,730
Capital-related accounts payable	0	(108,313)
Retainage payable	(42,152)	0
Capital leases payable	(433,324)	0
Notes payable	0	(1,066,683)
Net investment in capital assets	$ 2,679,595	$ 2,852,734

10. Capital Lease Agreements

The City has entered into lease-purchase agreements to finance the purchases of capital assets. The terms of the agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balance of the leases at the end of the current year is $433,324 for the Governmental Activities. The total of assets leased under capital leases is made up of buildings and improvements, equipment, and vehicles in the amount of $1,809,635 for the Governmental Activities. Included in depreciation expense for the current year was $62,352 for the Governmental Activities.

	Governmental Activities	
	Cost	Accumulated Depreciation
Buildings and improvements	$ 1,655,980	$ 170,240
Equipment	14,990	4,559
Vehicles	138,665	94,775
Total assets under capital leases	$ 1,809,635	$ 269,574

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments and reflects the interest rate amendments as of the end of the current year:

Year Ending December 31,	Principal	Interest	Total
2021	$ 189,074	$ 17,771	$ 206,845
2022	184,379	8,120	192,499
2023	59,871	1,089	60,960
	$ 433,324	$ 26,980	$ 460,304

The City's lease agreements, other than such agreements described above, are relatively minor commitments (generally for office machines) and are in compliance with state law.

11. Long-Term Liabilities

Business-Type Activities

Notes from Direct Borrowings

During 2007, the City entered into a direct borrowing agreement with Georgia Environmental Finance Authority in the original amount of $1,684,000, bearing interest at 3.87%. The balance of the note was $696,993 at the end of the current year. The note calls for monthy payments of principal and interest of $10,119 and matures May 2027. The purpose of the note was to increase the City's sewer capacity. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. Note payments and performance obligations are secured by revenues, fees and charges collected by the City.

During 2018, the City entered into a direct borrowing agreement with Georgia Environmental Finance Authority in the original amount of $2,514,000 to provide financing of the costs to repair and rehabilitate a large portion of the City's sewerage system. Monthly installments of principal and interest are due beginning on the first day of the calendar month following the date that the loan is fully disbursed (the Amortization Commencement Date) for 239 months; interest at 1.25%. The City has drawn $369,690 on this agreement. As of the end of the current fiscal year, this note is still in the drawdown phase ($369,690 outstanding) and is not included in the amortization schedule below. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. Note payments and performance obligations are secured by revenues on taxes, fees and charges collected by the City.

Annual debt service requirements for notes from direct borrowings are as follows:

Year Ending December 31,	Principal	Interest	Total
2021	$ 96,150	$ 25,274	$ 121,424
2022	99,938	21,486	121,424
2023	103,875	17,549	121,424
2024	107,967	13,457	121,424
2025	112,220	9,204	121,424
2026-2027	176,843	5,462	182,305
Totals	$ 696,993	$ 92,432	$ 789,425

11. Long-Term Liabilities (continued)

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the current year:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital leases payable	$ 623,919	$ 0	$ (190,595)	$ 433,324	$ 189,074
Compensated absences	34,660	41,160	(34,660)	41,160	41,160
Total Governmental Activities	$ 658,579	$ 41,160	$ (225,255)	$ 474,484	$ 230,234
Business-type Activities					
Notes from direct borrowings	$ 1,071,350	$ 87,664	$ (92,331)	$ 1,066,683	$ 96,150
Compensated absences	8,565	2,183	(8,565)	2,183	2,183
Total Business-type Activities	$ 1,079,915	$ 89,847	$ (100,896)	$ 1,068,866	$ 98,333

Compensated absences are liquidated by those funds that have salary and wage expenditures. In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated in the General Fund. The total interest incurred and charged to expense for the current year was $26,330 for governmental activities and $32,403 for business-type activities.

12. Restricted and Assigned Fund Balances

The following is a summary of restricted and assigned fund balances of the governmental funds at the end of the current year:

	General	2017 SPLOST	Nonmajor Governmental	Total Governmental Funds
Restricted for:				
Public Safety				
Police equipment	$ 0	$ 0	$ 1,548	$ 1,548
Public Works				
Transportation improvements	23,898	0	0	23,898
Capital projects	0	734,168	13,973	748,141
	$ 23,898	$ 734,168	$ 15,521	$ 773,587

13. Deficit Equity Balances

At the end of the current year, the General Fund has a negative fund balance of $42,421. This deficit was $328,036 in the previous year. In July 2020, the City adopted a plan of action to eliminate the deficit. The plan includes a millage rate increase and a decrease in operating costs. Due to the measures taken in this plan and other external factors, the City was able to reduce the deficit by $285,615 during the current year.

14. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Northeast Georgia Regional Commission 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 Board 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.

15. Risk Management

Material estimates have been made by management about the life of depreciated capital assets. Management has used a conservative approach on these estimates.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. City has elected to manage its risk financing activities through the purchase of commercial insurance. There have been no insurance settlements exceeding insurance coverage for any of the past three years.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At the end of the current year, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

16. Contingencies

The City's legal counsel has stated that there are presently no determinable lawsuits.

17. Changes in Beginning Balances

Governmental Activities

General Fund

A prior period adjustment has been made to adjust payroll liabilities in the General Fund. This adjustment decreased beginning fund balance by $8,019.

Governmental Activities

A prior period adjustment has been made to adjust capital leases payable and net investment in capital assets. This adjustment increased beginning net position by $11,010.

A prior period adjustment has been made to adjust capital assets and associated accumulated depreciation. This adjustment decreased beginning net position by $21,291.

The net effect of these adjustments decreased beginning net position by $18,300 in the Governmental Activities.

Business-type Activities

Water and Sewer Fund

A prior period adjustment has been made to correct accumulated depreciation on capital assets. This adjustment decreased beginning net position by $505,200.

18. Excess of Expenditures over Appropriations in Individual Governmental Funds for which Budgets are Adopted

During the current fiscal year, the City incurred expenditures in the following departments that were materially in excess of the amounts appropriated.

Department	Budget	Actual	Variance
General Fund			
Administration	$ 234,601	$ 243,787	$ (9,186)
Streets	194,812	216,234	(21,422)
Economic Development	54,943	70,433	(15,490)
Drug Seizure Special Revenue Fund	0	2,334	(2,334)

Management concurs with these findings. Management will be reviewing the comparative financial statements to budget and recommend any necessary budget revisions to the City Council in a timely manner.

19. Subsequent Events

In August 2021, the City received $551,979 in federal grant funding as a result of the American Rescue Plan Act.

In December 2021, the City paid off all outstanding capital lease obligations. The balance of these capital lease obligations was $433,324 at December 31, 2020.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Drug Seizure Fund - Used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug raid.

CAPITAL PROJECTS FUNDS

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

CDBG/CHIP Grant Fund – Used to account for CDBG grant activity.

CITY OF PORTERDALE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020

	Special Revenue	Capital Projects	
	Drug Seizure Fund	CDBG/CHIP Grant Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 3,462	$ 50	$ 3,512
Intergovernmental receivables	0	56,075	56,075
Total assets	$ 3,462	$ 56,125	$ 59,587
LIABILITIES			
Retainages payable	$ 0	$ 42,152	$ 42,152
Due to other funds	1,914	0	1,914
Total liabilities	1,914	42,152	44,066
FUND BALANCES			
Restricted	1,548	13,973	15,521
Total liabilities and fund balances	$ 3,462	$ 56,125	$ 59,587

CITY OF PORTERDALE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2020

	Special Revenue	Capital Projects	
	Drug Seizure Fund	CDBG/CHIP Grant Fund	Total Nonmajor Governmental Funds
REVENUES			
Fines and forfeitures	$ 740	$ 0	$ 740
Intergovernmental	0	189,559	189,559
Total revenues	740	189,559	190,299
EXPENDITURES			
Current			
Public Safety	2,334	0	2,334
Excess (deficiency) of revenues over (under) expenditures	(1,594)	189,559	187,965
Other financing sources (uses)			
Transfers out	0	(175,586)	(175,586)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,594)	13,973	12,379
Fund balances, January 1	3,142	0	3,142
Fund balances, December 31	$ 1,548	$ 13,973	$ 15,521

CITY OF PORTERDALE, GEORGIA
DRUG SEIZURE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020

	Final Budget	Actual	Variance
REVENUES			
Fines and forfeitures	$ 300	$ 740	$ 440
EXPENDITURES			
Current			
Public Safety			
Materials and supplies	0	2,334	(2,334)
Excess (deficiency) of revenues over (under) expenditures	300	(1,594)	(1,894)
Other financing sources (uses)			
Contingency	300	0	300
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(1,594)	(1,594)
Fund balances, January 1	0	3,142	3,142
Fund balances, December 31	$ 0	$ 1,548	$ 1,548

OTHER REPORTING SECTION

RUSHTON
ACCOUNTING & BUSINESS ADVISORS | CERTIFIED PUBLIC ACCOUNTANTS

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*

Honorable Mayor and
Members of the City Council
City of Porterdale, Georgia

We have audited, in accordance with the 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, 2020, and the related notes to the financial statements, which collectively comprise the City of Porterdale, Georgia's basic financial statements and have issued our report thereon dated July 15, 2022.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the following deficiencies to be material weaknesses:

2020-001

Condition: The 2019 financial statements were restated for errors and incorrectly reported amounts in the Governmental Activities, General Fund, and Water and Sewer Enterprise Fund.

Criteria: Generally accepted accounting principles require that amounts in the financial statements be properly calculated and recorded.

Effect: Failure to properly apply generally accepted accounting principles led to financial statements that were materially misstated.

Cause: City staff lack the proper training to ensure accruals are properly calculated and recorded.

Recommendation: Management should review year-end procedures for recording assets and liabilities to ensure amounts in the financial statements are recorded correctly.

2020-001, continued

Management Response: Management concurs with this finding. Staff will receive training to properly calculate and record year-end accruals and adjustments. This action was taken immediately upon receipt of the comment from our auditors.

2020-002

Condition: While performing audit procedures, we noted that there is a lack of segregation of financial duties. The City Clerk performs receipting, daily balancing, prepares checks, and records all activity in the general ledger.

Criteria: Proper internal controls require adequate segregation of duties.

Effect: Failure to maintain adequate segregation of financial duties subjects the City's assets to greater risk of misappropriation.

Cause: The City does not have an adequate number of staff to properly segregate duties.

Recommendation: To ensure that sufficient internal controls are in place, the City should properly segregate duties as much as possible with available resources.

Management Response: Management concurs with this finding. Management intends to evaluate the current policies and procedures to ensure that duties are segregated to the greatest extent possible utilizing the City's current resources. This action was taken immediately upon receipt of the comment from our auditors.

2020-003

Condition: The City lacks sufficient controls and procedures regarding year-end close to ensure timely and accurate financial reporting. The financial statements required material adjustments during the audit process.

Criteria: Internal controls should be in place to ensure the City can perform timely and accurate year-end close procedures to produce its financial statements.

Effect: Failure to properly design and implement internal controls over year-end close procedures may lead to financial statements that are materially misstated and lead to delays in financial reporting.

Cause: Various posting and classification errors led to account balances not agreeing to subsidiary ledgers and supporting documentation.

Recommendation: We recommend that the City hire an outside accounting firm to assist with the annual financial close process and to add expertise to the City's accounting function.

Management Response: Management concurs with this finding. Management will ensure that proper internal controls over the year-end close procedures are designed and implemented.

2020-004

Condition: City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City of Porterdale, Georgia. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, ensuing changes to auditing standards could state that providing technical assistance would impair the independence of the external auditor.

Criteria: Effective internal control requires that the City accept responsibility and understanding of the audited financial report.

Effect: Failure to understand the financial statements may lead to material misstatements.

Cause: City staff does not have adequate experience in government accounting principles to implement them or prepare the financial statements.

Recommendation: City personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements.

Management Response: Management concurs with this finding. The City has determined that the cost of training City personnel to fully perform the duties of a financial director is prohibitive. The governing body and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professionals when necessary. This action was taken immediately upon receipt of the comment from our auditors.

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. We consider the following deficiencies to be significant deficiencies:

2020-005

Condition: During audit procedures on credit card activity, we noted that adequate supporting documentation is not maintained for credit card transactions. The City was not able to produce supporting documentation for 7 of 25 (28%) of the charges selected for testing.

Criteria: Effective internal controls require that all transactions be properly supported by appropriate supporting documentation.

Effect: Failure to maintain proper supporting documentation for transactions subjects the assets of the City to greater risk of misappropriation.

Cause: City personnel are not maintaining receipts for each purchase made on credit cards.

Recommendation: The City should maintain individual receipts for each purchase made on credit cards. Each receipt should have documentation regarding business related purpose for expenditure.

Management Response: Management concurs with this finding. City personnel will implement a process to maintain individual receipts for each credit card transaction. This action was taken immediately upon receipt of the comment from our auditors.

2020-006

Condition: The auditors were unable to complete audit procedures on traffic citations. We noted that the City was not able to produce supporting documentation for 2 of 25 (8%) traffic citations selected for testing.

Criteria: Adequate internal control requires the City to maintain supporting documentation for all traffic citations.

Cause: The City did not properly maintain supporting documentation for two traffic citations.

Effect: Failure to maintain adequate supporting documentation for traffic citations exposes the City to a greater risk of loss due to fraud.

Recommendation: In order to maintain adequate internal control over traffic citations, supporting documentation for traffic citations should be maintained for a minimum of five years.

Management Response: Management concurs with this finding. Management plans to establish policies and procedures to ensure that supporting documentation for traffic citations is properly maintained.

2020-007

Condition: While performing audit procedures at the Municipal Court, we noted instances where deposits were not made in a timely manner.

Criteria: Proper internal controls require that cash receipts are deposited and transactions recorded in a timely manner.

Effect: Failure to deposit cash receipts in a timely manner exposes the City's assets to a greater risk of loss due to fraud.

Cause: Municipal Court personnel are not depositing receipts at a minimum once per week.

Recommendation: At a minimum, deposits should be made weekly.

Management Response: Management concurs with this finding. Management plans to establish policies and procedures to ensure that supporting documentation for traffic citations is properly maintained.

2020-008

Condition: While performing audit procedures on journal entries, we noted journal entries did not have evidence of approval. All journal entries reviewed during audit procedures appeared appropriate.

Criteria: Proper accounting policies and procedures require that journal entries are prepared and approved by different employees.

Effect: Failure to properly segregate the duties of authorizing and recording adjustments to the general ledger exposes the City to a greater risk of financial loss.

Cause: The same employee is performing the duties of authorizing and recording adjustments to the general ledger.

Recommendation: In order to adequately segregate duties, someone other than the person recording the adjustments should review and document approval of the adjustments.

2020-008, continued

Management Response: Management concurs with this finding. The City will segregate duties of the journal entry process. This action was taken immediately upon receipt of the comment from our auditors.

2020-009

Condition: While performing audit procedures on accounts payable, we noted instances where checks were written out of sequence.

Criteria: Proper internal controls require that the check sequence be accounted for prior to each processing of accounts payable.

Effect: Failure to issue checks sequentially exposes the County to a greater risk of loss due to fraud.

Cause: Staff are not issuing checks sequentially.

Recommendation: Checks should be issued sequentially, and the sequence should be accounted for prior to each payables processing. Any checks with errors should be voided and the original voided check should be maintained by the City's finance department.

Management Response: Management concurs with this finding. The City will account for the check sequence prior to processing payables. This action was taken immediately upon receipt of the comment from our auditors.

2020-010

Condition: While performing audit procedures on payroll, we noted that payrates in personnel files do not have evidence of approval.

Criteria: Proper internal controls require that payrates for personnel be approved by an appropriate member of management.

Effect: Failure to ensure that payrates for all employees are approved by management exposes the County to a greater risk of loss due to fraud.

Cause: Staff are not maintaining evidence of approved payrates in personnel files.

Recommendation: Payrates for each employee should be documented in their personnel file with evidence of approval by a member of management.

Management Response: Management concurs with this finding. The City will begin maintaining evidence of approval of payrates in personnel files. This action was taken immediately upon receipt of the comment from our auditors.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 grants 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 the following instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*:

2020-011

Condition: The City expended SPLOST proceeds on maintenance and operational costs not related to the proposed SPLOST projects enumerated on the City's SPLOST referendum.

Criteria: OCGA Code Section 48-8-111(a)(1) requires that SPLOST proceeds be expended only on approved SPLOST projects listed on the City's SPLOST referendum.

Effect: Failure to comply with OCGA Code Section 48-8-111(a)(1) places the City in violation of state law.

Cause: SPLOST proceeds were spent on maintenance and operational costs unrelated to the projects on the SPLOST referendum.

Recommendation: SPLOST proceeds should only be used to finance projects approved on the City's SPLOST referendum.

Management Response: Management concurs with this finding. The City implemented policies and procedures to ensure SPLOST proceeds are only expended on the approved projects. This action was implemented immediately upon receipt of the comment from our auditors.

2020-012

Condition: The City experienced a material excess of expenditures over appropriations in the General Fund and Drug Seizure Special Revenue Fund.

Criteria: OCGA Code Section 36-81-3 requires local governments to operate under an approved annual budget for the General Fund, each Special Revenue Fund, and each Debt Service Fund.

Effect: Failure to maintain expenditures within the balanced budgets and failure to adopt annual budgets as required by OCGA Code Section 36-81-3 will place the City in violation of state law.

Cause: The City did not amend the General Fund and Drug Seizure Special Revenue Fund budgets to ensure resources were available for the material overbudget expenditures.

Recommendation: City management should ensure that annual operating budgets are adopted for the General Fund, each Special Revenue Fund, and each Debt Service Fund as required by state law. Budget to actual comparisons should be periodically reviewed by City management and budgets amended as needed to ensure that the City remains in compliance with state law.

Management Response: Management concurs with this finding. Management will ensure that an annual budget is adopted for the General Fund, each Special Revenue Fund, and each Debt Service Fund, and will review the budget to actual comparisons and recommend any necessary budget revisions to the City Council. This action was taken immediately upon receipt of the comment from our auditors.

City of Porterdale, Georgia's Response to Findings

The City of Porterdale, Georgia's response to the findings identified in our audit is included above. 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 results 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.

Rushton, LLC

Certified Public Accountants

Gainesville, Georgia
July 15, 2022

STATE REPORTING SECTION

CITY OF PORTERDALE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2020

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
NEWTON COUNTY 2017 SPLOST					
Public Works, Transportation, and Park Maintenace	$ 393,600	$ 393,600	$ 525,563	$ 0	$ 525,563
Yellow River Park	370,314	370,314	286,385	104,474	390,859
Municipal Building	1,574,000	1,574,000	617,958	5,589	623,547
Gymnasium Improvements	98,800	98,800	124,919	0	124,919
Total	$ 2,436,714	$ 2,436,714	$ 1,554,825	$ 110,063	$ 1,664,888
Current year expenditures				$ 110,063	
Debt service payments on capital lease payable				208,003	
Total expenditures 2017 SPLOST fund				$ 318,066	

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.

** Capital expenditures related to debt service payments were included in the above schedule in prior years.