CITY OF PORTERDALE, GEORGIA

Annual Financial Report

For the year ended December 31, 2021

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CITY OF PORTERDALE, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2021

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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, each major fund, and the aggregate remaining fund information of the City of Porterdale, Georgia, as of and for the year ended December 31, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund and the American Rescue Plan Act Special Revenue 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 October 31, 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
October 31, 2022

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BASIC FINANCIAL STATEMENTS

CITY OF PORTERDALE, GEORGIA
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,125,357	$ 0	$ 1,125,357
Restricted cash and cash equivalents	23,898	101,680	125,578
Receivables (net)			
Accounts	0	77,242	77,242
Intergovernmental	142,676	0	142,676
Taxes	426,426	0	426,426
Internal balances	(47,755)	47,755	0
Total current assets	1,670,602	226,677	1,897,279
Noncurrent assets			
Capital assets			
Non-depreciable	333,200	444,041	777,241
Depreciable (net)	2,743,329	3,548,887	6,292,216
Total noncurrent assets	3,076,529	3,992,928	7,069,457
Total assets	4,747,131	4,219,605	8,966,736
LIABILITIES			
Current liabilities			
Accounts payable	74,065	216,105	290,170
Other payroll liabilities	22,359	161	22,520
Compensated absences payable	15,083	582	15,665
Accrued interest payable	0	1,728	1,728
Notes payable	0	99,938	99,938
Unearned revenue	275,970	0	275,970
Customer deposits payable	0	101,680	101,680
Total current liabilities	387,477	420,194	807,671
Noncurrent liabilities			
Notes payable	0	882,951	882,951
Total liabilities	387,477	1,303,145	1,690,622
NET POSITION			
Net investment in capital assets	3,076,529	2,996,397	6,072,926
Restricted for:			
Public Safety	6,644	0	6,644
Public Works	23,898	0	23,898
Capital outlay	954,160	0	954,160
Unrestricted	298,423	(79,937)	218,486
Total net position	$ 4,359,654	$ 2,916,460	$ 7,276,114

See accompanying notes to the financial statements.

Exhibit A-1

CITY OF PORTERDALE, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2021

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	$ 356,525	$ 12,566	$ 504	$ 426,889	$ 83,434
Judicial	76,204	288	0	0	(75,916)
Public Safety	492,908	185,708	1,360	0	(305,840)
Public Works	252,462	0	0	238,628	(13,834)
Culture and Recreation	85,641	50	0	127,230	41,639
Housing and Development	75,237	68,931	0	0	(6,306)
Interest on long-term debt	27,003	0	0	0	(27,003)
Total governmental activities	1,365,980	267,543	1,864	792,747	(303,826)
Business-type activities					
Water and Sewer	685,077	673,998	0	0	(11,079)
Sanitation	216,995	150,059	0	0	(66,936)
Total business-type activites	902,072	824,057	0	0	(78,015)
Total primary government	2,268,052	1,091,600	1,864	792,747	(381,841)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Change in net position			
Net (expense) revenue	$ (303,826)	$ (78,015)	$ (381,841)
General revenues			
Taxes			
Property	611,931	0	611,931
Sales	383,605	0	383,605
Franchise	105,768	0	105,768
Insurance premium	115,523	0	115,523
Alcoholic beverage	20,589	0	20,589
Occupational	2,025	0	2,025
Other	22,539	0	22,539
Gain on sale of assets	18,555	6,359	24,914
Miscellaneous	47,991	761	48,752
Transfers	(80,808)	80,808	0
Total general revenues and transfers	1,247,718	87,928	1,335,646
Change in net position	943,892	9,913	953,805
Net position - beginning	3,415,762	2,906,547	6,322,309
Net position - ending	$ 4,359,654	$ 2,916,460	$ 7,276,114

See accompanying notes to the financial statements.

CITY OF PORTERDALE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General	2017 SPLOST	American Rescue Plan Act	Nonmajor Governmental	Total
ASSETS					
Cash and cash equivalents	$ 440,857	$ 675,892	$ 0	$ 8,608	$ 1,125,357
Restricted cash and cash equivalents	23,898	0	0	0	23,898
Receivables (net)					
Intergovernmental	0	142,676	0	0	142,676
Taxes	426,426	0	0	0	426,426
Due from other funds	71,363	141,695	275,970	0	489,028
Total assets	$ 962,544	$ 960,263	$ 275,970	$ 8,608	$ 2,207,385
LIABILITIES					
Payables					
Accounts	$ 67,912	$ 6,153	$ 0	$ 0	$ 74,065
Accrued salaries and payroll liabilities	22,359	0	0	0	22,359
Unearned revenue	0	0	275,970	0	275,970
Due to other funds	534,869	0	0	1,914	536,783
Total liabilities	625,140	6,153	275,970	1,914	909,177
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	40,484	0	0	0	40,484
FUND BALANCES					
Restricted for:					
Public Safety	0	0	0	6,644	6,644
Public Works	23,898	0	0	0	23,898
Capital projects	0	954,110	0	50	954,160
Unassigned	273,022	0	0	0	273,022
Total fund balances	296,920	954,110	0	6,694	1,257,724
Total liabilities and fund balances	$ 962,544	$ 960,263	$ 275,970	$ 8,608	$ 2,207,385

See accompanying notes to the financial statements.

Exhibit A-3

CITY OF PORTERDALE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2021

Total fund balance - total governmental funds	$	1,257,724
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		3,076,529
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		40,484
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These are:		
Compensated absences		(15,083)
Net position of governmental activities	$	4,359,654

See accompanying notes to the financial statements.

CITY OF PORTERDALE, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2021

	General	2017 SPLOST	American Rescue Plan Act	Nonmajor Governmental	Totals
REVENUES					
Taxes	$ 1,250,117	$ 0	$ 0	$ 0	$ 1,250,117
Licenses and permits	81,052	0	0	0	81,052
Fines, fees and forfeitures	178,076	0	0	7,632	185,708
Charges for services	783	0	0	0	783
Intergovernmental	0	714,262	1,360	78,485	794,107
Contributions	504	0	0	0	504
Other	47,991	0	0	0	47,991
Total revenues	1,558,523	714,262	1,360	86,117	2,360,262
EXPENDITURES					
Current					
General Government	347,831	0	0	0	347,831
Judicial	82,320	0	0	0	82,320
Public Safety	482,424	0	0	2,536	484,960
Public Works	209,238	0	0	0	209,238
Culture and Recreation	19,401	0	0	0	19,401
Housing and Development	82,003	0	0	0	82,003
Capital outlay	0	67,200	0	0	67,200
Debt service	0	461,040	0	0	461,040
Total expenditures	1,223,217	528,240	0	2,536	1,753,993
Excess (deficiency) of revenue over (under) expenditures	335,306	186,022	1,360	83,581	606,269
Other financing sources (uses)					
Transfers in (out)					
Transfers in	1,360	11,600	0	0	12,960
Transfers out	0	0	(1,360)	(92,408)	(93,768)
Sale of capital assets	2,675	22,320	0	0	24,995
Total other financing sources (uses)	4,035	33,920	(1,360)	(92,408)	(55,813)
Net change in fund balance	339,341	219,942	0	(8,827)	550,456
Fund balances, January 1	(42,421)	734,168	0	15,521	707,268
Fund balances, December 31	$ 296,920	$ 954,110	$ 0	$ 6,694	$ 1,257,724

See accompanying notes to the financial statements.

Exhibit A-5

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, 2021

Net change in fund balances - total governmental funds		$ 550,456
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	$ 86,715	
Depreciation	(158,817)	(72,102)
In the statement of activites, the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources.		
Cost of assets disposed	(60,678)	
Related accumulated depreciation	54,238	(6,440)
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	713	
Debt principal payments	433,324	434,037
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenue.		11,864
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		26,077
Change in net position of governmental activities		$ 943,892

See accompanying notes to the financial statements.

Exhibit A-6

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, 2021

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,128,250	$ 1,128,250	$ 1,250,117	$ 121,867
Licenses and permits	35,550	35,550	81,052	45,502
Fines, fees and forfeitures	253,000	253,000	178,076	(74,924)
Charges for services	2,200	2,200	783	(1,417)
Contributions	6,250	6,250	504	(5,746)
Other	28,800	28,800	47,991	19,191
Total revenues	1,454,050	1,454,050	1,558,523	104,473
EXPENDITURES				
Current				
General Government				
Mayor and Council	28,835	28,835	35,205	(6,370)
Administration	290,855	290,855	312,626	(21,771)
Judicial				
Municipal Court	85,943	85,943	82,320	3,623
Public Safety				
Police	686,985	686,985	478,749	208,236
Dentention Center	18,000	18,000	3,675	14,325
Public Works				
Streets	257,392	257,392	209,238	48,154
Culture and Recreation				
Parks and Recreation	0	0	6,585	(6,585)
Recreational Facilities	4,000	4,000	12,816	(8,816)
Housing and Development				
Planning and Zoning	53,874	53,874	55,244	(1,370)
Economic Development	65,493	65,493	26,759	38,734
Total expenditures	1,491,377	1,491,377	1,223,217	268,160
Excess (deficiency) of revenues over (under) expenditures	(37,327)	(37,327)	335,306	372,633
Other financing sources (uses)				
Transfers in	0	0	1,360	1,360
Sale of capital assets	0	0	2,675	2,675
Total other financing sources (uses)	0	0	4,035	4,035
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(37,327)	(37,327)	339,341	376,668
Fund balances, January 1	37,327	37,327	(42,421)	(79,748)
Fund balances, December 31	$ 0	$ 0	$ 296,920	$ 296,920

See accompanying notes to the financial statements.

Exhibit A-7

CITY OF PORTERDALE, GEORGIA
AMERICAN RESCUE PLAN ACT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2021

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Intergovernmental	$ 0	$ 0	$ 1,360	$ 1,360
EXPENDITURES	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	0	0	1,360	1,360
Other financing sources (uses)				
Transfers out	0	0	(1,360)	(1,360)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	0	0
Fund balances, January 1	0	0	0	0
Fund balances, December 31	$ 0	$ 0	$ 0	$ 0

See accompanying notes to the financial statements.

Exhibit A-8

CITY OF PORTERDALE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Business-Type Activities		
	Water and Sewer	Sanitation	Totals
ASSETS			
Current assets			
Restricted assets cash and cash equivalents	$ 101,680	$ 0	$ 101,680
Accounts receivable (net)	54,801	22,441	77,242
Due from other funds	124,759	250,153	374,912
Total current assets	281,240	272,594	553,834
Noncurrent assets			
Capital assets			
Non-depreciable	444,041	0	444,041
Depreciable (net)	3,548,887	0	3,548,887
Total noncurrent assets	3,992,928	0	3,992,928
Total assets	4,274,168	272,594	4,546,762
LIABILITIES			
Current liabilities			
Accounts payable	205,572	10,533	216,105
Accrued salaries and other payroll liabilities	0	161	161
Compensated absences payable	582	0	582
Due to other funds	257,708	69,449	327,157
Accrued interest payable	1,728	0	1,728
Notes payable	99,938	0	99,938
Liabilities payable from restricted assets:			
Customer deposits payable	101,680	0	101,680
Total current liabilities	667,208	80,143	747,351
Noncurrent liabilities			
Notes payable	882,951	0	882,951
Total liabilities	1,550,159	80,143	1,630,302
NET POSITION			
Net investment in capital assets	2,996,397	0	2,996,397
Unrestricted	(272,388)	192,451	(79,937)
Total net position	$ 2,724,009	$ 192,451	$ 2,916,460

See accompanying notes to the financial statements.

Exhibit A-9

CITY OF PORTERDALE, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2021

	Business-Type Activities		
	Water and Sewer	Sanitation	Totals
OPERATING REVENUES			
Charges for services	$ 673,998	$ 150,059	$ 824,057
Miscellaneous	761	0	761
Total operating revenues	674,759	150,059	824,818
OPERATING EXPENSES			
Costs of sales and services	396,908	165,868	562,776
Personal services	114,392	50,646	165,038
Depreciation	141,061	481	141,542
Total operating expenses	652,361	216,995	869,356
Operating income (loss)	22,398	(66,936)	(44,538)
Non-operating revenues (expenses)			
Interest expense	(32,716)	0	(32,716)
Gain on sale of capital assets	0	6,359	6,359
Total non-operating revenues (expenses)	(32,716)	6,359	(26,357)
Income (loss) before transfers	(10,318)	(60,577)	(70,895)
Transfers in (out)			
Transfers in	216,829	188,764	405,593
Transfers out	(188,764)	(136,021)	(324,785)
Total transfers in (out)	28,065	52,743	80,808
Change in net position	17,747	(7,834)	9,913
Net position, January 1	2,706,262	200,285	2,906,547
Net position, December 31	$ 2,724,009	$ 192,451	$ 2,916,460

See accompanying notes to the financial statements.

Exhibit A-10

CITY OF PORTERDALE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2021

	Business-Type Activities		
	Water and Sewerage	Sanitation	Totals
Cash flows from operating activities:			
Receipts from customers	$ 635,822	$ 165,374	$ 801,196
Payments to suppliers	(481,530)	(185,395)	(666,925)
Payments to employees	(116,369)	(50,646)	(167,015)
Other receipts	761	0	761
Net cash provided (used) by operating activities	38,684	(70,667)	(31,983)
Cash flows from non-capital financing activities:			
Payments to other funds	(188,764)	(175,131)	(363,895)
Receipts from other funds	380,020	245,798	625,818
Net cash provided (used) by non-capital and related financing activities	191,256	70,667	261,923
Cash flows from capital financing and related financing activities:			
Receipts from other funds	92,408	0	92,408
Payments to other funds	0	(11,600)	(11,600)
Payments for acquisitions of capital assets	(98,339)	0	(98,339)
Proceeds from sale of capital assets	0	11,600	11,600
Payment of capital related accounts payable	(108,313)	0	(108,313)
Proceeds from issuance of promissory notes	11,945	0	11,945
Principal payments - promissory notes	(95,739)	0	(95,739)
Interest paid	(32,946)	0	(32,946)
Net cash provided (used) by capital and related financing activities	(230,984)	0	(230,984)
Net increase (decrease) in cash and cash equivalents	(1,044)	0	(1,044)
Cash and cash equivalents, January 1	102,724	0	102,724
Cash and cash equivalents, December 31	$ 101,680	$ 0	$ 101,680
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 22,398	$ (66,936)	$ (44,538)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	141,061	481	141,542
(Increase) decrease in accounts receivable	(37,132)	15,315	(21,817)
Increase (decrease) in accounts payable	(84,622)	(19,527)	(104,149)
Increase (decrease) in payroll liabilities	(1,977)	0	(1,977)
Increase (decrease) in deposits payable	(1,044)	0	(1,044)
Total adjustments	16,286	(3,731)	12,555
Net cash provided (used) by operating activities	$ 38,684	$ (70,667)	$ (31,983)

Noncash investing, capital, and financing activities

Acquisition of capital assets through accounts payable totaled $13,642.

See accompanying notes to the financial statements.

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.

American Rescue Plan Act Fund – This fund is used to account for revenues and expenditures of the American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund.

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.

Sanitation Fund - This fund is used to account for fees and expenses for the sanitation services provided to the citizens of the City of Porterdale.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

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).

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.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

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.

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.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

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).

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.

2. Summary of Significant Accounting Policies (continued)

F. Revenues and Expenditures/Expenses, continued

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.

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.

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting, continued

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.

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 and easements 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	$ 227,010	
Less: Allowances for Uncollectibles	(172,209)	$ 54,801
Sanitation	92,962	
Less: Allowances for Uncollectibles	$ (70,521)	22,441
Total Primary Government		$ 77,242

5. Intergovernmental Receivables

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

Major Funds	
Governmental Funds	
2017 SPLOST	$ 142,676

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 2021 tax digest year, based upon the assessments as of January 1, 2021, were levied on August 1, 2021, billed on August 20, 2021, and due on December 20, 2021. Taxes receivable at the end of the current year is made up of property tax in the amount of $285,242, net of an allowance placed on accounts deemed uncollectible, $79,065 of franchise taxes, $36,527 of sales taxes, and $25,592 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
	Sanitation	69,449
2017 SPLOST	General	134,140
	Water and Sewer	7,555
American Rescue Plan Act	General	275,970
Water and Sewer	General	124,759
Sanitation	Water and Sewer	250,153
Subtotal		$ 863,940

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	$ 92,408
American Rescue Plan Act	General	1,360
Sanitation	2017 SPLOST	11,600
Water and Sewer	Sanitation	188,764
Sanitation	Water and Sewer	124,421
Total		$ 418,553

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	330,327	7,924	(299,692)	38,559
Total non-depreciable assets	624,968	7,924	(299,692)	333,200
Depreciable assets				
Buildings and improvements	2,671,443	309,992	0	2,981,435
Machinery and equipment	441,482	68,491	(28,144)	481,829
Vehicles	341,499	0	(32,534)	308,965
Total depreciable assets	3,454,424	378,483	(60,678)	3,772,229
Accumulated depreciation				
Buildings and improvements	(444,811)	(70,918)	0	(515,729)
Machinery and equipment	(182,079)	(49,472)	21,704	(209,847)
Vehicles	(297,431)	(38,427)	32,534	(303,324)
Total accumulated depreciation	(924,321)	(158,817)	54,238	(1,028,900)
Total depreciable assets, net	2,530,103	219,666	(6,440)	2,743,329
Governmental activities capital assets, net	$ 3,155,071	$ 227,590	$ (306,132)	$ 3,076,529
Business-type activities				
Non-depreciable assets				
Land	$ 88,817	$ 0	$ 0	$ 88,817
Easements	0	33,496	0	33,496
Construction in progress	769,021	78,485	(525,778)	321,728
Total non-depreciable assets	857,838	111,981	(525,778)	444,041
Depreciable assets				
Distribution system	5,709,910	525,778	0	6,235,688
Machinery and equipment	273,160	0	(121,408)	151,752
Total depreciable assets	5,983,070	525,778	(121,408)	6,387,440
Accumulated depreciation				
Distribution system	(2,578,678)	(141,061)	0	(2,719,739)
Machinery and equipment	(234,500)	(481)	116,167	(118,814)
Total accumulated depreciation	(2,813,178)	(141,542)	116,167	(2,838,553)
Total depreciable assets, net	3,169,892	384,236	(5,241)	3,548,887
Business-type activities capital assets, net	$ 4,027,730	$ 496,217	$ (531,019)	$ 3,992,928

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	55,498
Culture and Recreation	72,240
Total depreciation expense for governmental activities	$ 158,817
Business-type activities	
Water and Sewer	$ 141,061
Sanitation	481
Total depreciation expense for business-type activities	$ 141,542

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	$ 4,105,429	$ 6,831,481
Accumulated depreciation	(1,028,900)	(2,838,553)
Book value	3,076,529	3,992,928
Capital-related accounts payable	0	(13,642)
Notes payable	0	(982,889)
Net investment in capital assets	$ 3,076,529	$ 2,996,397

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. All capital lease obligations were paid in full during the current year.

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 $601,254 at the end of the current year. The note calls for monthly 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 $381,635 on this agreement. As of the end of the current fiscal year, this note is still in the drawdown phase ($381,635 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.

11. Long-Term Liabilities (continued)

Business-Type Activities, continued

Notes from Direct Borrowings, continued

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

Year Ending December 31,	Principal	Interest	Total
2022	$ 99,938	$ 21,486	$ 121,424
2023	103,875	17,549	121,424
2024	107,967	13,457	121,424
2025	112,220	9,203	121,423
2026	116,641	4,783	121,424
2027	60,613	679	61,292
Totals	$ 601,254	$ 67,157	$ 668,411

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	$ 433,324	$ 0	$ (433,324)	$ 0	$ 0
Compensated absences	41,160	15,083	(41,160)	15,083	15,083
Total Governmental Activities	$ 474,484	$ 15,083	$ (474,484)	$ 15,083	$ 15,083
Business-type Activities					
Notes from direct borrowings	$ 1,066,683	$ 11,945	$ (95,739)	$ 982,889	$ 99,938
Compensated absences	2,183	582	(2,183)	582	582
Total Business-type Activities	$ 1,068,866	$ 12,527	$ (97,922)	$ 983,471	$ 100,520

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 $27,003 for governmental activities and $32,716 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:

	2017 SPLOST	2017 SPLOST	Nonmajor Governmental	Total Governmental Funds
Restricted for:				
Public Safety				
Police equipment	$ 0	$ 0	$ 6,644	$ 6,644
Public Works				
Transportation improvements	23,898	0	0	23,898
Capital projects	0	954,110	50	954,160
	$ 23,898	$ 954,110	$ 6,694	$ 984,702

13. 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.

14. 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.

14. Risk Management (continued)

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.

15. Contingencies

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

16. 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			
Mayor and Council	$ 28,835	$ 35,205	(6,370)
Administration	290,855	312,626	(21,771)
Parks and Recreation	0	6,585	(6,585)
Recreational Facilities	4,000	12,816	(8,816)
Drug Seizure Special Revenue Fund	0	2,536	(2,536)

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.

17. Subsequent Events

In July 2022, the City received $275,967 in federal grant funding as a result of the American Rescue Plan Act.

In September 2022, the City entered into lease obligations for police vehicles in the amount of $51,200.

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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, 2021

	Special Revenue	Capital Projects	
	Drug Seizure Fund	CDBG/CHIP Grant Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 8,558	$ 50	$ 8,608
LIABILITIES			
Due to other funds	$ 1,914	$ 0	$ 1,914
FUND BALANCES			
Restricted	6,644	50	6,694
Total liabilities and fund balances	$ 8,558	$ 50	$ 8,608

CITY OF PORTERDALE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2021

	Special Revenue	Capital Projects	
	Drug Seizure Fund	CDBG/CHIP Grant Fund	Total Nonmajor Governmental Funds
REVENUES			
Fines and forfeitures	$ 7,632	$ 0	$ 7,632
Intergovernmental	0	78,485	78,485
Total revenues	7,632	78,485	86,117
EXPENDITURES			
Current			
Public Safety	2,536	0	2,536
Excess (deficiency) of revenues over (under) expenditures	5,096	78,485	83,581
Other financing sources (uses)			
Transfers out	0	(92,408)	(92,408)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	5,096	(13,923)	(8,827)
Fund balances, January 1	1,548	13,973	15,521
Fund balances, December 31	$ 6,644	$ 50	$ 6,694

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, 2021

	Final Budget	Actual	Variance
REVENUES			
Fines and forfeitures	$ 300	$ 7,632	$ 7,332
EXPENDITURES			
Current			
Public Safety			
Contract services	0	1,000	(1,000)
Materials and supplies	0	1,536	(1,536)
Total expenditures	0	2,536	(2,536)
Excess (deficiency) of revenues over (under) expenditures	300	5,096	4,796
Other financing sources (uses)			
Contingency	300	0	300
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	5,096	5,096
Fund balances, January 1	0	1,548	1,548
Fund balances, December 31	$ 0	$ 6,644	$ 6,644

OTHER REPORTING SECTION

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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, 2021, 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 October 31, 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:

2021-001

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.

2021-001, continued

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.

2021-002

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.

2021-003

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.

2021-004

Condition: The auditors were unable to complete audit procedures on traffic citations. Due to lack of supporting documentation, the auditors were unable to trace receipts to clearing on the bank statements.

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 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.

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:

2021-005

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 3 of 25 (12%) 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.

2021-006

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.

2021-006, continued

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.

2021-007

Condition: While performing audit procedures on journal entries, we noted journal entries did not have evidence of approval. The City was not able to produce supporting documentation for 14 of 25 (56%) of the journal entries selected for testing. 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.

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.

2021-008

Condition: While performing audit procedures on payroll, we noted that 6 of 42 (14%) of the payrates selected for testing do not have evidence of approval in personnel files.

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 are required to be reported under *Government Auditing Standards*:

2021-009

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 in prior years.

Criteria: OCGA Code Section 48-8-121 requires that SPLOST proceeds shall not be commingled with other funds of the City.

Effect: Failure to comply with OCGA Code Section 48-8-121 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 in prior years.

Recommendation: All revenues and expenditures should be accounted for within the appropriate fund. The amounts due from the General Fund and the Water and Sewer Fund should be deposited into this account promptly.

Management Response: Management concurs with this finding. The City recorded an amount due to the SPLOST Fund and will make the appropriate transfers to correct. City management will also make sure that future amounts are correctly deposited and reported in the correct fund.

2021-010

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 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 budget to actual comparisons are 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 review 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
October 31, 2022

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STATE REPORTING SECTION

CITY OF PORTERDALE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2021

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	$ 62,900	$ 588,463
Yellow River Park	370,314	370,314	286,385	4,300	290,685
Municipal Building	1,574,000	1,574,000	617,958	0	617,958
Gymnasium Improvements	98,800	98,800	124,919	0	124,919
Total	$ 2,436,714	$ 2,436,714	$ 1,554,825	$ 67,200	$ 1,622,025
Current year expenditures				$ 67,200	
Debt service payments on capital lease payable				461,040	
Total expenditures 2017 SPLOST fund				$ 528,240	

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Optior 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.