

City of White, Georgia
Annual Financial Report
For the Fiscal Year Ended December 31, 2017

By Authority of
The Mayor and City Council

**CITY OF WHITE, GEORGIA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Council
City of White, Georgia

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of White, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain documentation supporting the City's fines and forfeitures revenue and certain vendor and payroll expenditures, nor were we able to satisfy ourselves as to the amounts by other auditing procedures.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, our report disclaims an opinion.

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of Funding Progress, and the budgetary comparison information on pages 31-33 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

We were engaged for the purpose of forming opinions on the basic financial statements as a whole. The supplemental schedule of 1 Percent Sales Tax Projects Constructed with Special Sales Tax Proceeds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2019, on our consideration of the City of White, Georgia's internal control over

financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 White, Georgia's internal control over financial reporting and compliance.

Richards, Cauley & Associates, LLC

Kennesaw, Georgia
September 5, 2019

CITY OF WHITE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 148,289	\$ 362,250	\$ 510,539
Investments	239,315	62,983	302,298
Receivables, net	42,711	59,938	102,649
Due from other governments	29,640	-	29,640
Prepaid items	3,736	-	3,736
Internal balances	46,405	(46,405)	-
Restricted cash	74,384	148,701	223,085
Capital assets, non depreciated	117,360	6,400	123,760
Capital assets, depreciated, net	1,310,392	7,783,272	9,093,664
Total assets	2,012,232	8,377,139	10,389,371
Deferred outflows of resources:			
Related to pensions	17,665	-	17,665
Liabilities:			
Accounts payable and other current liabilities	19,867	99,124	118,991
Customer deposits	-	23,869	23,869
Noncurrent liabilities:			
Due within one year	-	47,753	47,753
Due in more than one year	11,381	3,040,361	3,051,742
Total liabilities	31,248	3,211,107	3,242,355
Deferred inflows of resources:			
Related to pensions	31,995	-	31,995
Total deferred inflows of resources	31,995	-	31,995
Net position:			
Net investment in capital assets	1,427,752	4,741,268	6,169,020
Restricted for:			
Water and sewer replacements	-	32,617	32,617
Debt service reserve	-	48,048	48,048
SPLOST projects	73,020	-	73,020
Unrestricted	465,882	344,099	809,981
Total net position	\$ 1,966,654	\$ 5,166,032	\$ 7,132,686

See accompanying notes to financial statements.

CITY OF WHITE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR DECEMBER 31, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary Government						
Governmental activities:						
General government	\$ 223,976	\$ 20,337	\$ -	\$ -	\$ (203,639)	\$ (203,639)
Public safety	114,207	22,763	-	-	(91,444)	(91,444)
Public works	381,432	25,942	-	143,756	(211,734)	(211,734)
Housing and development	-	-	-	-	-	-
Judicial	3,600	-	-	-	(3,600)	(3,600)
Total governmental activities	723,215	69,042	-	143,756	(510,417)	(510,417)
Business-type activities:						
Water and sewer	736,892	610,174	-	4,092	-	(122,626)
Total business-type activities	736,892	610,174	-	4,092	-	(122,626)
Total Primary Government	\$ 1,460,107	\$ 679,216	\$ -	\$ 147,848	(510,417)	(633,043)
General Revenues:						
Property taxes					22,274	22,274
Insurance premium tax					44,529	44,529
Alcohol taxes					12,560	12,560
Franchise taxes					39,734	39,734
Energy excise tax					13,973	13,973
Local option sales tax					187,533	187,533
Unrestricted investment earnings					1,124	1,160
Total general revenues and transfers					321,727	321,763
Change in net position					(188,690)	(311,280)
Net position - beginning					2,147,662	7,472,392
Restatement					7,682	(28,426)
Net position - beginning, after restatement					2,155,344	7,443,966
Net position - ending					\$ 1,966,654	\$ 7,132,686

See accompanying notes to financial statements.

**CITY OF WHITE, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2017**

	General Fund	2014 SPLOST	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 148,289	\$ -	\$ 148,289
Investments	239,315	-	239,315
Receivables, net	42,711	-	42,711
Due from other governments	17,749	11,891	29,640
Prepaid items	3,736	-	3,736
Due from other funds	46,405	-	46,405
Restricted cash	-	74,384	74,384
Total assets	\$ 498,205	\$ 86,275	\$ 584,480
Liabilities:			
Accounts payable	\$ 4,486	\$ 13,255	\$ 17,741
Accrued liabilities	2,126	-	2,126
Total liabilities	6,612	13,255	19,867
Fund balances:			
Nonspendable	3,736	-	3,736
Restricted for SPLOST Projects	-	73,020	73,020
Unassigned	487,857	-	487,857
Total fund balances	491,593	73,020	564,613
Total liabilities and fund balances	\$ 498,205	\$ 86,275	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	1,427,752
Deferred outflows of resources are not an available resource and, therefore, are not reported in the funds. Related to pensions	17,665
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds: Deferred inflows of resources related to pensions Net pension liability	(31,995) (11,381)
Net position of governmental activities	\$ 1,966,654

CITY OF WHITE, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	General Fund	2007 SPLOST	2014 SPLOST	Total Governmental Funds
Revenues:				
Taxes	\$ 320,603	\$ -	\$ -	\$ 320,603
Licenses and permits	10,228	-	-	10,228
Intergovernmental	-	-	143,756	143,756
Charges for services	35,667	-	-	35,667
Fines and forfeitures	22,763	-	-	22,763
Investment earnings	1,124	-	-	1,124
Other	384	-	-	384
Total revenues	<u>390,769</u>	<u>-</u>	<u>143,756</u>	<u>534,525</u>
Expenditures:				
Current:				
General government	178,098	-	-	178,098
Public safety	100,853	-	-	100,853
Public works	108,388	-	-	108,388
Judicial	3,600	-	-	3,600
Capital outlay	-	10,296	255,445	265,741
Total expenditures	<u>390,939</u>	<u>10,296</u>	<u>255,445</u>	<u>656,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170)</u>	<u>(10,296)</u>	<u>(111,689)</u>	<u>(122,155)</u>
Net change in fund balance	<u>(170)</u>	<u>(10,296)</u>	<u>(111,689)</u>	<u>(122,155)</u>
Fund balance - beginning, before restatement	484,081	10,296	184,709	679,086
Restatement	7,682	-	-	7,682
Fund balance - beginning, after restatement	<u>491,763</u>	<u>10,296</u>	<u>184,709</u>	<u>686,768</u>
Fund balance - ending	<u>\$ 491,593</u>	<u>\$ -</u>	<u>\$ 73,020</u>	<u>\$ 564,613</u>

See accompanying notes to financial statements.

CITY OF WHITE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds		\$ (122,155)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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. When assets are sold or retired, the difference between the sales proceeds, if any, and the net book value of the assets is reported in the statement of activities as a gain or loss.</p>		
Depreciation expense	(85,071)	
Capital outlay	2,493	(82,578)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net pension liability and changes in related deferred inflows/outflows of resources		16,043
Change in net position of governmental activities		\$ (188,690)

**CITY OF WHITE, GEORGIA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2017**

	<u>Water and Sewer</u>
Assets:	
Current assets:	
Cash	\$ 362,250
Investments	62,983
Accounts receivables, net	59,938
Restricted cash	148,701
	633,872
Total current assets	
Noncurrent assets:	
Property, plant and equipment, net	7,789,672
	8,423,544
Total assets	
Liabilities:	
Current liabilities:	
Accounts payable	25,493
Accrued interest payable	73,631
Due to other funds	46,405
Notes payable - current	47,753
Customer deposits	23,869
	217,151
Total current liabilities	
Long-term liabilities (net of current portion):	
Notes payable	3,040,361
	3,040,361
Total long-term liabilities	
Total liabilities	
	3,257,512
Net Position:	
Net investment in capital assets	4,741,268
Restricted	80,665
Unrestricted	344,099
	5,166,032
Total net position	

CITY OF WHITE, GEORGIA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	Water and Sewer
Operating revenues:	
Charges for services	\$ 610,174
Operating expenses:	
Personal services	111,081
Operating	286,535
Depreciation	253,087
Total operating expenses	650,703
Operating income (loss)	(40,529)
Nonoperating revenues (expenses):	
Interest income	36
Interest expense	(86,189)
Total nonoperating revenues (expenses)	(86,153)
Income (loss) before contributions and transfers	(126,682)
Capital contributions	4,092
Increase (decrease) in net position	(122,590)
Net position at beginning of year, before restatement	5,324,730
Restatement	(36,108)
Net position at beginning of year, after restatement	5,288,622
Net position at end of year	\$ 5,166,032

See accompanying notes to financial statements.

CITY OF WHITE, GEORGIA
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	Water and Sewer
Cash flows from (to) operating activities:	
Cash received from contributions and services provided	\$ 598,112
Cash payments for goods and services	(486,362)
Cash payments for employee services and fringe benefits	(111,081)
	669
Cash flows from (to) capital and related financing activities:	
Contributed capital	4,092
Interest paid	(12,558)
Payments for capital acquisitions	(7,483)
Principal payments on long-term obligations	(5,010)
	(20,959)
Cash flows from (to) investing activities:	
Interest received from investments	36
	36
Net increase (decrease) in cash	(20,254)
Cash at beginning of year (including \$325,800 in restricted cash)	531,205
Cash at end of year (including \$148,701 in restricted cash)	\$ 510,951
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	\$ (40,529)
Adjustments to reconcile operating income (loss) to net cash from (to) operating activities:	
Depreciation	253,087
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(14,827)
Increase (decrease) in accounts payable	(218,288)
Increase (decrease) in due to other funds	18,461
Increase (decrease) in customer deposits	2,765
	2,765
Net cash from (to) operating activities	\$ 669

See accompanying notes to financial statements.

CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

The accounting methods and procedures adopted by the City of White, Georgia, (the City), conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Annual Financial Report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City was created in 1919 and operates under a Mayor-Council form of government. The City provides the following services: Recreation, Public Works (which includes Streets and Sanitation), Public Utilities (Water and Sewer), Public Safety (Police), General and Administrative Services.

The financial statements of the reporting entity include those of the City (the primary government). In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, certain potential component units are considered for inclusion in the financial report because of the significance of the City's influence over their operation or finances. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). In accordance with the above criteria, the City does not include any component units.

B. Government-Wide and Fund 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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles.

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

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 a payment is due.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

2014 SPLOST Fund - This fund is used to account for the proceeds of the 2014 special purpose local option sales tax approved by voter referendum for various projects throughout the City.

CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

2007 SPLOST Fund – This fund is used to account for the proceeds of the 2007 special purpose local option sales tax approved by voter referendum for various projects throughout the City.

The City reports the following major proprietary fund:

Water and Sewer Fund – This fund accounts for the operations of the City's water and sewage systems.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's proprietary fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses of the water and sewer fund generally result from charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets and Budgetary Accounting

An operating budget is legally adopted each fiscal year for the General Fund on a basis consistent with generally accepted accounting principles (GAAP). Project length budgets are adopted for the Capital Project Funds.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to City Council.
2. A public hearing on the budget is held, giving notice thereof at least ten days in advance.
3. The budget is then revised and adopted or amended by the City Council at the first regular meeting following the hearing.

CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

4. The level of control (the level at which expenditures may not legally exceed appropriations) for each of the above adopted budgets is at the department level. The City's department heads may make transfers of appropriations within a department. The total budget so adopted may be revised during the year only by formal action of the City Council in a regular meeting.

Budgeted amounts reflected in the accompanying budget and actual comparisons are as originally adopted, or as amended, by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

Unencumbered appropriations lapse at year end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

E. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, cash and cash equivalents include restricted and unrestricted amounts in demand deposits.

The City's investments include Certificates of Deposit.

F. Short-Term/Long-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds."

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Noncurrent portions of long-term interfund loan receivables are reported as advances.

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

CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current fiscal period are recorded as prepaid items. The consumption method is used to account for prepaid items within the City's funds.

H. Capital Assets

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

GASB Statement No. 34 requires the City to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The City's governmental infrastructure assets are acquisitions made after the implementation of GASB Statement No. 34.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are reported at acquisition value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The capitalization threshold for capital assets is \$1,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on an estimated useful life as follows:

Buildings and improvements	30 years
Furniture	5-10 years
Infrastructure	30-40 years
Machinery and equipment	3-20 years

I. Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in

CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Premiums and discounts are amortized over the life of the debt using the effective interest method straight-line basis. Long-term obligations are reported net of the applicable premium or discount.

J. 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. The City has one item that qualifies for reporting in this category. It is the deferred outflows relating to pension reported in the government wide statement of net position.

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 City has one item that qualifies for reporting in this category. It is the deferred inflows related to pension in the government wide statement of net position. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Nature and Purpose of Classifications of Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. The committed fund balance classification includes amounts that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority.

The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of a fiscal year, commit fund balances. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (adoption of another resolution) to remove or revise the limitation. Amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. The City Council is authorized to assign fund balance. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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Unassigned fund balance 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 City uses restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents or contracts that prohibit doing this. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City reduces its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law. As of December 31, 2017, \$9,118 of the City's deposits were exposed to custodial credit risk.

The City's investments are certificates of deposits.

3. RECEIVABLES

Receivables at December 31, 2017 consist of the following:

	<u>Taxes</u>	<u>Utility Accounts</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
General Fund	\$ 40,345	\$ 2,366	\$ -	\$ 42,711
Water and Sewer Fund	-	68,606	(8,668)	59,938
Total	<u>\$ 40,345</u>	<u>\$ 70,972</u>	<u>\$ (8,668)</u>	<u>\$ 102,649</u>

CITY OF WHITE, GEORGIA
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4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2017 consist of the following:

	Bartow County, Georgia	State of Georgia	Total
General Fund	\$ -	\$ 17,749	\$ 17,749
2014 SPLOST Fund	11,891	-	11,891
Total	<u>\$ 11,891</u>	<u>\$ 17,749</u>	<u>\$ 29,640</u>

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund loans receivable are considered "available spendable resources". Such balances at December 31, 2017 include Due from (to) and are summarized as follows:

Payable From	Receivable To General Fund
Water and Sewer Fund	<u>\$ 46,405</u>

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds.

CITY OF WHITE, GEORGIA
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6. RESTRICTED ASSETS

The City's restricted assets at December 31, 2017 are restricted for the following:

Governmental Funds	<u>Cash Equivalents</u>
2014 SPLOST Fund:	
Unspent SPLOST proceeds	<u>\$ 74,384</u>
Proprietary Fund	
Water and Sewer Fund:	
Debt service reserve	\$ 48,048
Unspent debt proceeds	44,167
Fund replacements	32,617
Customer deposits	<u>23,869</u>
	<u>148,701</u>
Total	<u><u>\$ 223,085</u></u>

CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 117,360	\$ -	\$ -	\$ 117,360
Total capital assets not being depreciated	<u>117,360</u>	<u>-</u>	<u>-</u>	<u>117,360</u>
Capital assets, being depreciated:				
Buildings and improvements	1,407,842	-	-	1,407,842
Furniture	8,017	-	-	8,017
Infrastructure	340,281	-	-	340,281
Machinery and equipment	415,106	2,493	-	417,599
Total capital assets being depreciated	<u>2,171,246</u>	<u>2,493</u>	<u>-</u>	<u>2,173,739</u>
Less accumulated depreciation for:				
Buildings and improvements	(397,119)	(47,024)	-	(444,143)
Furniture	(5,111)	(802)	-	(5,913)
Infrastructure	(75,602)	(8,507)	-	(84,109)
Machinery and equipment	(300,444)	(28,738)	-	(329,182)
Total accumulated depreciation	<u>(778,276)</u>	<u>(85,071)</u>	<u>-</u>	<u>(863,347)</u>
Total capital assets being depreciated, net	<u>1,392,970</u>	<u>(82,578)</u>	<u>-</u>	<u>1,310,392</u>
Governmental activities capital assets, net	<u>\$ 1,510,330</u>	<u>\$ (82,578)</u>	<u>\$ -</u>	<u>\$ 1,427,752</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,400	\$ -	\$ -	\$ 6,400
Total capital assets not being depreciated	<u>6,400</u>	<u>-</u>	<u>-</u>	<u>6,400</u>
Capital assets, being depreciated:				
Buildings and improvements	55,274	-	-	55,274
Furniture	3,000	-	-	3,000
Infrastructure	9,081,309	5,728	-	9,087,037
Machinery and equipment	337,613	1,755	-	339,368
Total capital assets being depreciated	<u>9,477,196</u>	<u>7,483</u>	<u>-</u>	<u>9,484,679</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,316)	(2,054)	-	(14,370)
Furniture	(3,000)	-	-	(3,000)
Infrastructure	(1,258,327)	(226,453)	-	(1,484,780)
Machinery and equipment	(174,677)	(24,580)	-	(199,257)
Total accumulated depreciation	<u>(1,448,320)</u>	<u>(253,087)</u>	<u>-</u>	<u>(1,701,407)</u>
Total capital assets being depreciated, net	<u>8,028,876</u>	<u>(245,604)</u>	<u>-</u>	<u>7,783,272</u>
Business-type activities capital assets, net	<u>\$ 8,035,276</u>	<u>\$ (245,604)</u>	<u>\$ -</u>	<u>\$ 7,789,672</u>

CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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

Governmental Activities:	
General government	\$ 57,108
Public safety	17,452
Public works, including depreciation of general infrastructure	10,511
Total depreciation expense - governmental activities	\$ 85,071
Business-type activities:	
Water and sewer	\$ 253,087
Total depreciation expense - business-type activities	\$ 253,087

8. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Net pension liability	\$ 53,403	\$ 22,559	\$ (64,581)	\$ 11,381	\$ -
Business-type activities:					
USDA notes payable	\$ 3,093,124	\$ -	\$ (5,010)	\$ 3,088,114	\$ 47,753

For Governmental Activities, pension liabilities are typically liquidated in the General Fund.

Business-type Activities:

A. Long Term Notes Payable

In 2006, the City entered into a loan with the USDA Rural Development in the amount of \$331,100 to refinance a GEFA loan used on construction of a gravity sewer line. The note bears interest at 4.375%.

In 2016, the City entered into a loan with the USDA Rural Development in the amount of \$2,805,000 to refinance a GEFA loan used on construction of the Phase II Sewer project. The note bears interest at 2.625%.

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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Debt service requirements on these notes are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2018	\$ 47,753	\$ 73,106	\$ 120,859
2019	50,331	84,045	134,376
2020	51,568	82,808	134,376
2021	53,240	81,136	134,376
2022	54,763	79,613	134,376
2023-2027	298,084	373,796	671,880
2028-2032	343,403	328,477	671,880
2033-2037	396,316	275,564	671,880
2038-2042	457,581	214,299	671,880
2043-2047	495,723	144,286	640,009
2048-2052	505,702	78,338	584,040
2053-2055	333,650	13,546	347,196
Total	<u>\$ 3,088,114</u>	<u>\$ 1,829,014</u>	<u>\$ 4,917,128</u>

9. FUND BALANCE

The composition of the City's fund balances is as follows:

	General Fund	SPLOST Fund	Total
Nonspendable:			
Prepays	\$ 3,736	\$ -	\$ 3,736
Restricted for:			
SPLOST projects	-	73,020	73,020
Unassigned	487,857	-	487,857
	<u>\$ 491,593</u>	<u>\$ 73,020</u>	<u>\$ 564,613</u>

10. EMPLOYEE RETIREMENT SYSTEM

General Information about the Pension Plan - The City has established a defined benefit pension plan ("Plan") and contributes to the Georgia Municipal Employees Benefit System ("GMEBS"), an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for cities in the state of Georgia. The Georgia Municipal Employee Benefit System issues a publicly available financial report that includes financial statements and required supplementary information of GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling

CITY OF WHITE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

404-688-0472. Benefit terms and contribution requirements are established and may be amended by the Mayor and City Council.

All full-time employees become eligible for the plan immediately upon employment. Active employees are not required to pay into the plan in order to participate in the plan. The plan is fully funded by the City's contributions. Employees hired before December 1, 2010 are vested after 5 years of service and employees hired after December 1, 2010 are vested after 10 years of service. Elected officials are vested in the Plan immediately. Employees hired before December 1, 2010 may retire at age 65 with 5 years of service and employees hired after December 1, 2010 may retire at age 62 with 30 years of service. Early retirement is possible at age 55 with 10 years of service. Benefits are calculated at 1.50% of the average monthly earnings for the period of the five highest years prior to retirement.

Employees covered by benefit terms - At December 31, 2017, the following employees were covered by the benefit terms:

Retired participants and beneficiaries	1
Vested terminated participants	2
Active employees	<u>10</u>
Total	<u><u>13</u></u>

Contributions - Contributions are determined under the projected unit credit actuarial cost method. The GMEBS Board of Trustees has adopted an actuarial funding policy for determination of annual contributions. For the year ended December 31, 2017, the actuarially determined rate was 12.17% of annual pay. The City's contributions to the Plan totaled \$23,076 for the year ended December 31, 2017.

Net Pension Liability - The City's net pension liability was measured as of March 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions - The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF WHITE, GEORGIA
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Net investment rate of return	7.75%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	0.00%
Mortality:	
Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Disabled	RP-2000 Disabled Retiree Mortality Table with sex-distinct rates

The mortality and actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Total	<u>100%</u>	

Discount rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
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Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 3/31/2016	\$ 378,792	\$ 325,389	\$ 53,403
Changes for the year:			
Service cost	10,571	-	10,571
Interest	29,281	-	29,281
Differences between expected and actual experience	(22,381)	-	(22,381)
Contributions - employer	-	22,523	(22,523)
Net investment income	-	42,058	(42,058)
Benefit payments	(1,956)	(1,956)	-
Administrative expense	-	(5,088)	5,088
Other	15,515	57,537	(42,022)
Balances at 3/31/2017	<u>\$ 394,307</u>	<u>\$ 382,926</u>	<u>\$ 11,381</u>

Changes in Assumptions - As a result of the new administrative fee structure approved by the GMEBS Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Net pension liability (asset) \$	52,560	\$ 11,381	\$ (24,366)

CITY OF WHITE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS Retirement Trust financial report. The GMEBS's financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which the contributions are received. Investment income is recognized as earned by the GMEBS. The net appreciation (depreciation) in the fair value of investments held by the GMEBS is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the Statement of Net Position. Plan refunds, transfers and benefits to participants are recorded as they are received or paid. Other expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are reported at fair value as of the Statement of Net Position date.

Investments of the System consist of common and preferred stocks, corporate fixed income securities, equity and fixed income mutual funds, governmental and governmental agency securities, and real estate. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in real estate funds are valued based on appraisals and valuations prepared by Morgan Stanley Real Estate Advisors. Temporary cash and cash equivalent investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at estimated fair values.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2017, the City recognized pension expense of \$7,033. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 358	\$ (21,219)
Changes of assumptions	-	(9,632)
Net difference between projected and actual earnings on pension plan investments	-	(1,144)
Employer contributions to the pension plan subsequent to the measurement date of the net pension liability	17,307	-
Total	\$ 17,665	\$ (31,995)

\$17,307 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as

**CITY OF WHITE, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2018	\$ (12,088)
2019	(12,088)
2020	(4,213)
2021	(3,248)

11. RISK MANAGEMENT

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. The City participates in a public entity risk pool managed by the Georgia Interlocal Risk Management Agency (GIRMA) whereby the risk is pooled with other entities.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. GIRMA is a municipal interlocal risk management agency. GIRMA establishes and administers one or more group self-insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City must participate at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

- To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.
- To select a person to serve as a Member representative.
- To allow GIRMA and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.
- To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.
- To assist and cooperate in the defense and settlement of claims against the City.
- To furnish full cooperation to GIRMA's attorneys, claims adjusters, Service Company,

**CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

and any agent, employee, officer or independent contractor of GIRMA relating to the purpose of GIRMA.

- To follow all loss reduction and prevention procedures established by GIRMA.
- To furnish to GIRMA such budget, operating and underwriting information as may be requested.
- To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

The City is also exposed to risks of loss related to job-related illnesses or injuries to employees for which the City has transferred its risk through participation in a group self-insurance fund managed by the Georgia Municipal Association Workers' Compensation Self-Insurance Fund whereby the risk is pooled with other entities.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

As part of this risk fund, the City is obligated to pay all contributions and assessments as prescribed by the fund, to cooperate with the fund's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the fund's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the purview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

**CITY OF WHITE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

12. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the area served by the commission, is a member of the Northwest Georgia Regional Commission. Membership in a 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 officials of political subdivisions and private citizens representing districts with the Northwest Georgia region. OCGA 50-8-39.1 provides that certain member governments are liable for any debts or obligations of a RC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, 1 Jackson Hill Drive, Rome, Georgia 30162.

13. RESTATEMENT

During 2017, the City discovered an error in the General Fund's bank reconciliation. During 2017, the City also discovered infrastructure assets in the Water and Sewer Fund that were placed into service in 2016 had not been depreciated in the prior year. During 2017, the City determined that accounts receivable in the Water and Sewer Fund was overstated in the prior year. The City also discovered \$11,492 of payables related to infrastructure in the Water and Sewer Fund were not recorded in the prior year. The effect of these restatements to beginning net position/fund balance is as follows:

	Governmental Activities	General Fund	Business-type Activities/Water and Sewer Fund
Beginning net position/fund balance, before restatement	\$ 2,147,662	\$ 484,081	\$ 5,324,730
Restatement - Cash	7,682	7,682	-
Restatement - Capital Assets	-	-	(22,350)
Restatement - Accounts Receivable	-	-	(13,758)
Beginning net position/fund balance, after restatement	<u>\$ 2,155,344</u>	<u>\$ 491,763</u>	<u>\$ 5,288,622</u>

The effect of the restatement to previously reported changes in net position/fund balance is as follows:

	Governmental Activities	General Fund	Business-type Activities/Water and Sewer Fund
Change in net position/fund balance previously reported	\$ (128,660)	\$ 23,312	\$ 802,758
Restatement	7,682	7,682	(22,350)
Change in net position/fund balance as restated	<u>\$ (120,978)</u>	<u>\$ 30,994</u>	<u>\$ 780,408</u>

The effect of the restatement in the Water Sewer Fund for Accounts Receivable to previously reported changes in net position has not been determined.

CITY OF WHITE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND
RELATED RATIOS

	2017	2016	2015
Total pension liability			
Service cost	\$ 10,571	\$ 9,899	\$ 11,934
Interest	29,281	26,552	26,477
Differences between expected and actual experience	(22,381)	716	(11,085)
Changes of assumptions	-	-	(24,080)
Benefit payments	(1,956)	(1,955)	(2,621)
Net change in total pension liability	<u>15,515</u>	<u>35,212</u>	<u>625</u>
Total pension liability - beginning	<u>378,792</u>	<u>343,580</u>	<u>342,955</u>
Total pension liability - ending (a)	<u>\$ 394,307</u>	<u>\$ 378,792</u>	<u>\$ 343,580</u>
Plan fiduciary net position			
Contributions - employer	\$ 22,523	\$ 24,035	\$ 23,163
Net investment income	42,058	1,241	26,061
Benefit payments	(1,956)	(1,955)	(2,621)
Administrative expense	(5,088)	(3,212)	(2,871)
Net change in plan fiduciary net position	<u>57,537</u>	<u>20,109</u>	<u>43,732</u>
Plan fiduciary net position - beginning	<u>325,389</u>	<u>305,280</u>	<u>261,548</u>
Plan fiduciary net position - ending (b)	<u>\$ 382,926</u>	<u>\$ 325,389</u>	<u>\$ 305,280</u>
Net pension liability - ending (a) - (b)	<u>\$ 11,381</u>	<u>\$ 53,403</u>	<u>\$ 38,300</u>
Plan fiduciary net position as a percentage of the total pension liability	97.11%	85.90%	88.85%
Covered payroll	\$ 199,954	\$ 186,682	\$ 183,000
Net pension liability as a percentage of covered payroll	5.69%	28.61%	20.93%

Notes to Schedule:

The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF WHITE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS**

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Actuarially determined contribution	\$ 23,076	\$ 22,338	\$ 24,600
Contributions in relation to the actuarially determined contribution	<u>23,076</u>	<u>22,338</u>	<u>24,600</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 225,319	\$ 205,998	\$ 183,000
Contributions as a percentage of covered payroll	10.24%	10.84%	13.44%

Notes to Schedule:

Valuation Date: The actuarially determined contribution rate was determined as of July 1, 2017, with an interest adjustment to the fiscal year.

Methods and assumptions to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	N/A
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net investment rate of return	7.75%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	0.00%
Mortality:	
Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Disabled	RP-2000 Disabled Retiree Mortality Table with sex-distinct rates

**CITY OF WHITE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 305,400	\$ 314,150	\$ 320,603	\$ 6,453
Licenses and permits	11,550	9,100	10,228	1,128
Intergovernmental	6,200	8,400	-	(8,400)
Charges for service	31,000	33,105	35,667	2,562
Fines and forfeitures	40,000	22,000	22,763	763
Investment earnings	400	400	1,124	724
Other	200	215	384	169
Total revenues	<u>394,750</u>	<u>387,370</u>	<u>390,769</u>	<u>3,399</u>
Expenditures:				
Current:				
General government	180,250	187,650	178,098	9,552
Public safety	85,400	104,550	100,853	3,697
Public works	125,100	124,550	108,388	16,162
Judicial	4,000	3,600	3,600	-
Total Expenditures	<u>394,750</u>	<u>420,350</u>	<u>390,939</u>	<u>29,411</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(32,980)</u>	<u>(170)</u>	<u>32,810</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (32,980)</u>	<u>(170)</u>	<u>\$ 32,810</u>
Fund balance - beginning, before restatement			484,081	
Restatement			7,682	
Fund balance - beginning, after restatement			<u>491,763</u>	
Fund balance - ending			<u>\$ 491,593</u>	



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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*

The Honorable Mayor and Council
City of White, Georgia

We were engaged to audit, 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, business-type activities, and each major fund of the City of White, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 5, 2019. Our report disclaims an opinion on such financial statements because the City's records relating to fines and forfeitures revenue and certain vendor and payroll expenditures do not permit the application of audit procedures.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control as described in the accompanying schedule

of findings and responses that we consider to be material weaknesses. We've identified these findings as 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007.

Compliance and Other Matters

In connection with our engagement to audit the financial statements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 2017-008. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were 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.

Richards, Cauley + Associates, L.L.C.

Kennesaw, Georgia
September 5, 2019

CITY OF WHITE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Material Weaknesses in Internal Control over Financial Reporting

Finding #

2017-001 *Condition:* Controls over the period-end financial reporting process, including controls over procedures for authorizing, recording, and processing journal entries into the general ledger, did not prevent misstatements from occurring in the fund financial statements.

Effect: Misstatements in the financial statements were not detected.

Recommendation: Controls over the period-end financial reporting process including procedures for authorizing, recording, and processing journal entries into the general ledger should be strengthened.

Management Response: Management agrees with the finding and the recommendation. Accounting management will review audit procedures and improve controls over pre-audit and post-close work, which entails strengthening the review process by managers as well as limiting the processing of journal entries.

2017-002 *Condition:* The City's general fund operating account had an unreconciled difference of \$33,331 at December 31, 2017.

Effect: The City's general fund operating account was understated by \$33,331 at December 31, 2017.

Recommendation: Controls should be implemented to ensure that cash accounts are reconciled monthly and unreconciled differences are resolved timely.

Management Response: Management agrees with the finding and the recommendation. The City will develop controls to ensure cash accounts are reconciled monthly and unreconciled differences are resolved timely.

2017-003 *Condition:* The City was unable to provide supporting documentation for any Fines and Forfeitures assessed.

Effect: Revenues related to Fines and Forfeitures could not be audited and are potentially misstated.

Recommendation: Controls should be implemented to ensure that supporting documentation is protected and available to support financial statement amounts.

Management Response: Management agrees with the finding and the recommendation. The City will implement controls to ensure supporting documentation is protected and available to support financial statement amounts.

**CITY OF WHITE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

2017-004 *Condition:* Currently, the City does not maintain the governmental and proprietary funds capital asset records.

Effect: Without a detailed schedule of capital asset activities, information to make adjustment to the records and conduct annual inventories of capital assets is not readily available to the City. Inaccurate reporting of costs and accumulated depreciation may occur.

Recommendation: We recommend the City maintain capital asset records using a system designed to accumulate asset cost and calculate depreciation expense. We also recommend the City consider physically inventorying its capital assets.

Management Response: Management agrees with the finding and the recommendation. The City will maintain capital asset records using a functional system designed to accumulate asset cost and calculate depreciation expense.

2017-005 *Condition:* Appropriate segregation of duties should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business. Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. A single individual prepared and signed checks, reconciled bank accounts, prepared utility bills, received payments, performed all payroll duties as well as maintained the general ledger.

Effect: Failure to properly segregate duties may allow for errors or irregularities to occur and not be detected in a timely manner.

Recommendation: Duties should be segregated or in areas where segregation cannot be achieved, there should be compensating review controls in place to mitigate the risks from lack of segregation of duties.

Management Response: Management agrees with the finding and the recommendation. The City will segregate duties where possible and implement compensating review controls when segregation cannot be achieved.

2017-006 *Condition:* The City was unable to provide supporting receipts for credit card transactions totaling \$35,204 or use of gift cards received from converted credit card points totaling \$475.

Effect: Credit cards could be used for inappropriate items.

Recommendation: Controls should be implemented to ensure that supporting documentation is retained.

**CITY OF WHITE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Management Response: Management agrees with the finding and the recommendation. The City will implement controls to ensure supporting documentation is retained.

2017-007 *Condition:* The City was unable to provide documentation supporting approved employee payrates.

Effect: Rates being paid to employees could not be verified with supporting documentation.

Recommendation: A history of the approved payrates for each employee should be maintained so an employee's salary can be verified.

Management Response: Management agrees with the finding and the recommendation. A file will be maintained for each employee documenting the approved payrate for the employee.

Noncompliance Material to the Financial Statements

2017-008 *Condition:* The City was not in compliance with two covenants related to the United States Department of Agriculture (USDA) Rural Development notes payable.

Effect: The required funding for 2017 for the reserve fund was underfunded by \$1,371. The required funding for 2017 for the reserve fund for short lived assets was underfunded by \$4,589.

Recommendation: Management should review covenants to ensure reserves are met.

Management Response: Management agrees with the finding and the recommendation. Management will review debt covenants to ensure reserves amounts are in compliance.

CITY OF WHITE, GEORGIA
1 PERCENT SALES TAX
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
SPLOST 2007:						
Water/Sewer						
Phase II Sewer Project	\$ 500,000	\$ 670,923	\$ 670,923	\$ -	\$ 670,923	100.00%
General Water Sewer Projects	200,000	298,657	298,657	-	298,657	100.00%
Road Projects						
General Road Projects	200,000	122,258	111,962	10,296	122,258	100.00%
Sidewalk Projects	246,500	-	-	-	-	100.00%
Public Building Projects						
Remodeling of Old Gym Into New City Hall	500,000	500,000	500,000	-	500,000	100.00%
Recreation	72,500	74,265	74,265	-	74,265	100.00%
	<u>\$ 1,719,000</u>	<u>\$ 1,666,103</u>	<u>\$ 1,655,807</u>	<u>\$ 10,296</u>	<u>\$ 1,666,103</u>	
SPLOST 2014:						
Water/Sewer						
General Sewer Projects	\$ 500,000	500,000	\$ 150,693	\$ -	\$ 150,693	30.14%
General Water Projects	538,375	538,375	-	-	-	0.00%
Road Projects						
General Road Projects	400,000	400,000	72,918	255,445	328,363	82.09%
Sidewalk Projects	300,000	300,000	-	-	-	0.00%
Recreation	100,000	100,000	5,489	-	5,489	5.49%
	<u>\$ 1,838,375</u>	<u>\$ 1,838,375</u>	<u>\$ 229,100</u>	<u>\$ 255,445</u>	<u>\$ 484,545</u>	