

# City of Villa Rica



*The Mill Amphitheater in Villa Rica, GA  
Photo Credit: Michael Valentine*

## **CITY OF VILLA RICA, GEORGIA ANNUAL FINANCIAL REPORT For the Year Ended December 31, 2015**

**CITY OF VILLA RICA, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2015**

**Prepared By:**  
**The City of Villa Rica Finance Department**

## INTRODUCTORY SECTION

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**CITY OF VILLA RICA, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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**To the Honorable Mayor and Members  
of the City Council  
City of Villa Rica, Georgia**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Villa Rica, Georgia (the "City")**, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Villa Rica, Georgia, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison information of the General Fund and the Public Facilities Authority Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Notes 9 and 15, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of January 1, 2015. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 4 through 13, 56, and 57 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.

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### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Villa Rica, Georgia's basic financial statements. The combining and individual fund statements and schedules, and the schedule of expenditures of special purpose local option sales taxes, as required by 48-4-121 of the Georgia Code, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, and the schedule of expenditures of special purpose local options sales taxes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, and the schedule of expenditures of special purpose local option sales taxes 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 June 29, 2016 on our consideration of the City of Villa Rica, 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 Villa Rica, Georgia's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia  
June 29, 2016

**CITY OF VILLA RICA, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2015**

The following discussion and analysis of the City of Villa Rica, Georgia (the "City") provides an introduction to the basic financial statements for the fiscal period ended December 31, 2015. Management prepared this discussion that should be read in conjunction with the basic financial statements, footnotes, and supplementary information found in this report. This information taken collectively is designed to provide readers with an understanding of the City's finances.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City of Villa Rica exceeded its liabilities and deferred inflows of resources at the close of 2015 by \$53,192,452 (net position). Of this amount, the unrestricted portion is \$7,425,857.
- The City's total net position increased by \$703,000 compared to the restated prior year. The City's operations increased the governmental activities by \$893,925 and decreased the business-type activities by \$190,925.
- At the close of 2015, the City of Villa Rica's governmental funds reported combined ending fund balances of \$10,151,340.
- At the end of 2015, the unassigned fund balance for the General Fund was \$6,523,603 or 73% of the total General Fund expenditures.
- At the end of 2015, unrestricted net position for the proprietary funds was \$1,289,168 or 34% of the total proprietary fund expenses, excluding depreciation expense.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, with the difference reported as *net position*. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, development services, and cultural and recreation. The business-type activities of the City include water, sewer, and solid waste operations.

The government-wide statements financial statements are presented on pages 14 and 15 of this report.

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen (14) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Villa Rica Public Facilities Authority Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-18 of this report.

**Proprietary Funds** – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste operations. Proprietary

funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-55 of this report.

## **GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

The City's net position at the close of 2015 increased 1% from \$52,489,452 (restated) at December 31, 2014 to \$53,192,452 at December 31, 2015.

The largest portion of the City's net position at December 31, 2015 (\$42,820,242) reflects its investment in capital assets (e.g., land, buildings machinery and equipment, less any outstanding debt used to acquire those assets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that revenue sources needed to pay this debt must be provided from other sources, since capital assets themselves are not planned to be used to liquidate these liabilities.

An additional portion of the City's net position 5.5% represents resources that are subjects to external restrictions on how they may be used. The unrestricted portion of net position is \$7,425,857.

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Following are summaries of the City's Statement of Net Position and Changes in Net Position.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 11,272,057	\$ 11,546,758	\$ 1,984,200	\$ 2,949,258	\$ 13,256,257	\$ 14,496,016
Capital assets	23,376,912	23,064,667	53,729,756	54,273,347	77,106,668	77,338,014
Total Assets	34,648,969	34,611,425	55,713,956	57,222,605	90,362,925	91,834,030
Deferred outflows of resources	4,082,157	147,955	38,147	39,985	4,120,304	187,940
Total deferred outflows of resources	4,082,157	147,955	38,147	39,985	4,120,304	187,940
Current liabilities	1,416,765	1,695,869	513,953	1,773,921	1,930,718	3,469,790
Long-term liabilities	38,785,697	35,589,395	370,330	473,333	39,156,027	36,062,728
Total Liabilities	40,202,462	37,285,264	884,283	2,247,254	41,086,745	39,532,518
Deferred inflows of resources	160,623	-	43,409	-	204,032	-
Total deferred inflows of resources	160,623	-	43,409	-	204,032	-
Net Position:						
Invested in capital assets, net of related debt	23,376,912	23,064,667	53,535,243	54,026,341	42,820,242	42,616,252
Restricted	2,946,353	2,326,672	-	-	2,946,353	2,326,672
Unrestricted	(27,955,224)	(27,917,223)	1,289,168	988,995	7,425,857	7,546,528
Total Net Position	\$ (1,631,959)	\$ (2,525,884)	\$ 54,824,411	\$ 55,015,336	\$ 53,192,452	\$ 52,489,452

### Changes in Net Position

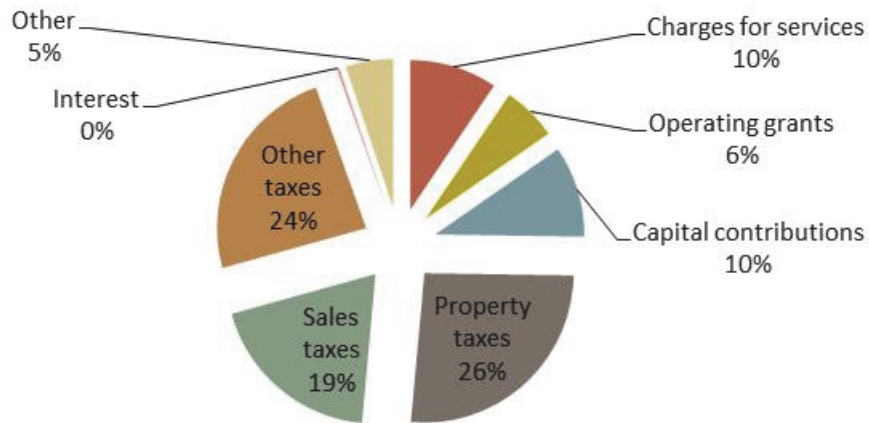
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 1,125,798	\$ 1,224,987	\$ 6,039,052	\$ 5,564,569	\$ 7,164,850	\$ 6,789,556
Operating grants	699,582	478,226	-	-	699,582	478,226
Capital contributions	1,175,651	1,170,507	264,443	500,000	1,440,094	1,670,507
General revenues:						
Property taxes	3,113,639	4,176,958	-	-	3,113,639	4,176,958
Sales taxes	2,288,460	2,739,884	-	-	2,288,460	2,739,884
Other taxes	2,829,722	1,144,511	-	-	2,829,722	1,144,511
Interest	37,827	11,738	875	1,692	38,702	13,430
Other	614,828	84,253	-	314,391	614,828	398,644
Total revenues	<u>11,885,507</u>	<u>11,031,064</u>	<u>6,304,370</u>	<u>6,380,652</u>	<u>18,189,877</u>	<u>17,411,716</u>
Expenses:						
General government	2,240,151	846,657	-	-	2,240,151	846,657
Judicial	118,003	219,206	-	-	118,003	219,206
Public safety	3,598,334	3,228,101	-	-	3,598,334	3,228,101
Public works	2,136,417	2,490,499	-	-	2,136,417	2,490,499
Health and welfare	195,254	197,633	-	-	195,254	197,633
Culture and recreation	2,228,525	2,207,497	-	-	2,228,525	2,207,497
Housing/ Economic Developm.	434,965	522,374	-	-	434,965	522,374
Interest	1,326,673	1,728,076	-	-	1,326,673	1,728,076
Water and sewer	-	-	4,438,097	4,824,998	4,438,097	4,824,998
Solid waste	-	-	778,358	829,068	778,358	829,068
Total expenses	<u>12,278,322</u>	<u>11,440,043</u>	<u>5,216,455</u>	<u>5,654,066</u>	<u>17,494,777</u>	<u>17,094,109</u>
Increase (decrease) in net position before transfers	(392,815)	(408,979)	1,087,915	726,586	695,100	317,607
Sale of assets	-	16,964	7,900	1,425	7,900	18,389
Transfers	1,286,740	1,443,352	(1,286,740)	(1,443,352)	-	-
Increase (decrease) in net position	893,925	1,051,337	(190,925)	(715,341)	703,000	335,996
Net Position, January 1	(2,525,884)	26,801,343	55,015,336	25,544,800	52,489,452	52,346,143
Prior period adjustment		(30,378,564)	-	30,185,877	-	(192,687)
Net Position, December 31	<u>\$ (1,631,959)</u>	<u>\$ (2,525,884)</u>	<u>\$ 54,824,411</u>	<u>\$ 55,015,336</u>	<u>\$ 53,192,452</u>	<u>\$ 52,489,452</u>

### Governmental Activities

The City's governmental activities are heavily reliant on property taxes, sales taxes and other taxes to support operations. Property taxes provided 26% of revenues, sales taxes provided 19% and other taxes provided 24%. Also, note program revenues cover 24% of governmental expenses. This means the government taxpayers and the City's other general revenues fund 76% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the City's revenue streams.

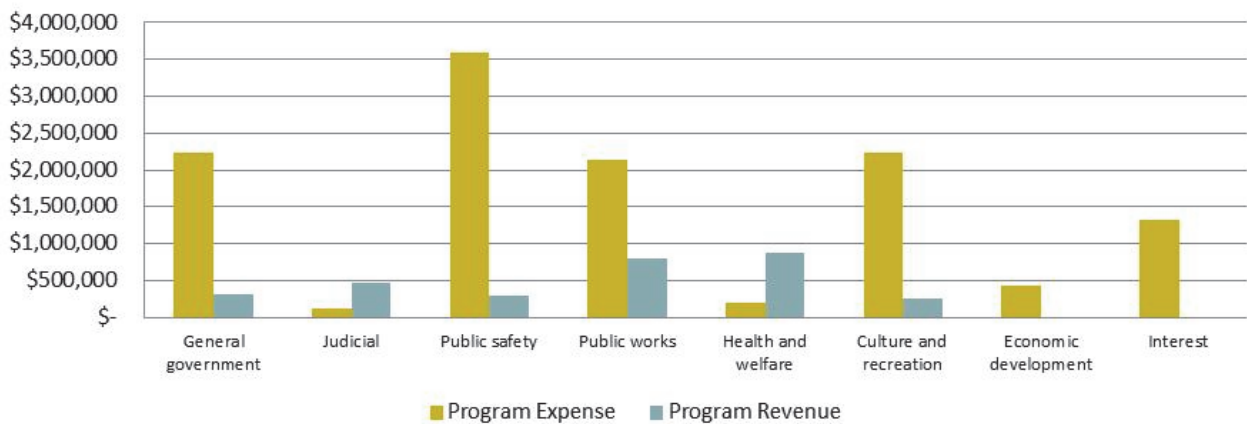


## Governmental Activities - Revenues by Source



The table below presents the cost of each of the City's programs and the related program revenues. The difference between the expenses and the program revenues show the financial burden placed on the City's taxpayers by each of these functions.

## Expenses and Program Revenues - Governmental Activities



The most significant governmental expense for the City is providing Public Safety services such as the police department. This comprises 29.3% of the total governmental expense. The second largest City cost is for General Government totaling \$2,240,151 or 18.2% of governmental expenses.

- The cost for all governmental activity for the year was \$12,278,322 compared to \$11,440,043 in the previous year.
- The revenue amount paid for most of these activities came from the general revenues of the City such as property taxes, sales taxes and business taxes (\$8,231,821).

- Some of the costs were paid by those benefiting directly from the programs (\$1,125,798) and subsidies from other governments and organizations through grants and/or contributions (\$1,875,233).

### **Business-Type Activities**

The cost of all Business-Type activities in 2015 was \$5,216,455. The amounts paid by the users of the systems were \$6,039,052 and additionally, the business-type activities earned \$875 from other revenues.

There were two restatements to the beginning net position for the business-type activities of the City. The first restatement was a decrease of \$173,179 for the City's net pension liability, net of deferred outflows of resources for pension contributions made subsequent to the measurement date. See Note 9 for more information about pensions. The second restatement was to move the wastewater treatment plant capital asset from the governmental activities to the business-type activities. This increased the beginning net position by \$30,359,056. Although, the capital asset was moved to the business-type activities, the related bonded debt remains in the governmental activities. The 2015 Series Bond, while a revenue bond, is backed by ad valorem taxes. See Note 15 for more information about the restatements.

With the activity from the year and the restatements for the beginning balance, the net position at December 31, 2015 for business-type activities was \$54,824,411.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. The information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

### ***Governmental Funds***

Governmental funds reported ending fund balance of \$10,151,340. Of this year-end total, \$6,523,603 is unassigned indicating availability for continuing City service requirements.

### ***Major Governmental Funds***

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. At the end of the current fiscal year, fund balance of the General Fund was \$7,167,460. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 73.2% total General Fund expenditures. Total General Fund revenues for the period ending December 31, 2015 were \$10,518,348 or a 7.0% increase from the prior year. Total general fund expenditures for 2015 were \$8,914,200, which is a 8.0% increase from 2014. The increase in expenditures is consistent with the increase in revenues for 2015.

**General Fund's Net Change in Fund Balance**

	2015	2014	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes	\$ 8,092,713	\$ 8,015,005	\$ 77,708	1.0%
Fines and fees	261,061	538,872	(277,811)	-51.6%
Licenses and permits	211,314	195,729	15,585	8.0%
Charges for services	651,818	468,312	183,506	39.2%
Intergovernmental rev.	633,316	478,226	155,090	32.4%
Interest Income	11,918	11,083	835	7.5%
Other revenue	656,208	120,300	535,908	445.5%
Total revenues	<u>10,518,348</u>	<u>9,827,527</u>	<u>690,821</u>	<u>7.0%</u>
Expenses:				
General government	1,625,699	753,825	871,874	115.7%
Judicial	118,330	216,681	(98,351)	-45.4%
Public safety	3,498,690	3,057,866	440,824	14.4%
Public works	1,150,151	1,414,663	(264,512)	-18.7%
Health and welfare	195,735	197,314	(1,579)	-0.8%
Community development	392,107	448,985	(56,878)	-12.7%
Culture and recreation	1,842,238	1,862,430	(20,192)	-1.1%
Debt service	91,250	293,092	(201,842)	-68.9%
Capital outlay	-	11,360	(11,360)	-100.0%
Total expenditures	<u>8,914,200</u>	<u>8,256,216</u>	<u>657,984</u>	<u>8.0%</u>
Other financing sources (uses)				
Transfers in	568,145	61,021	507,124	831.1%
Transfers out	(1,430,614)	(1,110,155)	(320,459)	28.9%
Proceeds from sale of assets	-	16,614	(16,614)	-100.0%
Net Position, December 31	<u>\$ 741,679</u>	<u>\$ 538,791</u>	<u>\$ 202,888</u>	<u>37.7%</u>

The Villa Rica Public Facilities Fund is used for revenue bonds which were for the construction of the waste water treatment plant on the Northwest side of the City. The expenditures totaled \$1,881,185 in 2015 and were matched with operating transfers from the General Fund and the Water and Sewer Fund.

***Proprietary Funds***

The proprietary funds share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Operating revenues were 4.5% higher than the prior year and operating expenses were 7.9% lower than in 2014.

The Water and Sewer Fund operating revenues are 3.4% higher than those in 2014 and operating expenses were 7.6% lower than the prior year. The Solid Waste Fund operating revenues are 11.9% higher than those in 2014 and operating expenses are 9.4% lower than the prior year.

**BUDGETARY HIGHLIGHTS**

The General Fund's 2015 final approved revenue budget was \$11,271,910 and the original approved revenue budget was \$10,120,385. The City collected \$185,417 less than the approved revenue budget. The General Fund's final approved expenditure budget was \$11,271,910 and the original approved

expenditures budget was \$10,120,385. The City expended 92% of the final approved expenditure budget. The General Fund actual expenditures were \$927,096 less than budgeted. See page 19 for more information about the General Fund budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

The City's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as December 31, 2015, was \$23,376,912 and \$53,535,243 respectively. The major changes to capital for 2015 were:

#### Governmental Activities:

- Two sites (75.49 acres and 13 acres) were purchased during 2015 for a total of \$525,518.
- An additional 149.79 acres were donated to the City for a future passive park. The fair market value on the property is \$317,000.
- Construction in progress at the new library totaled \$844,661 for 2015. The library is set to open in 2016.
- Three police vehicles, totaling \$98,481, were added to the fleet in 2015.

#### Business-Type Activities:

- An ultraviolet light unit was in construction at the Wastewater Treatment Plant. A total of \$227,213 was spent on the project in 2015.
- The CDBG project was continued in 2015 for a total of \$194,538.
- Improvements to the water and sewer systems for 2015 were \$191,576 and \$105,487, respectively.

At December 31, 2015, the depreciable capital assets for governmental activities were 39% depreciated. The business-type activities were 24% depreciated.

	Governmental Activities		Business-type Activities		Total	
	2014		2014		2014	
	2015	Restated	2015	Restated	2015	Restated
Land	\$ 2,528,492	\$ 1,685,974	\$ 2,101,972	\$ 2,101,972	\$ 4,630,464	\$ 3,787,946
Construction in progress	1,882,656	953,047	1,312,937	871,836	3,195,593	1,824,883
Site Improvements	5,207,034	5,404,096	19,717	22,491	5,226,751	5,426,587
Infrastructure	9,261,540	9,502,055	18,263,992	18,554,519	27,525,532	28,056,574
Buildings	3,253,674	4,115,666	30,878,783	31,480,936	34,132,457	35,596,602
Machinery and equipment	1,243,516	1,403,828	1,152,355	1,342,071	2,395,871	2,745,899
Total	<u>\$ 23,376,912</u>	<u>\$ 23,064,666</u>	<u>\$ 53,729,756</u>	<u>\$ 54,373,825</u>	<u>\$ 77,106,668</u>	<u>\$ 77,438,491</u>

For more information on the changes in capital assets, see Note 6.

### **Debt Administration**

At the end of the year, the City had total bonded debt outstanding of \$38,032,917. The 2008 and 2009 series bonds were defeased in January 2015 and the 2015 Series Revenue Bonds were issued. The 2015 Series bond is a revenue bond, but is backed by the ad valorem tax revenues of the City.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ 38,032,917	\$ 34,905,000	\$ -	\$ -	\$ 38,032,917	\$ 34,905,000
Less Deferred charges	(3,941,004)	-	-	-	(3,941,004)	-
Compensate absences	181,937	169,037	21,546	17,693	203,483	186,730
Capital lease agreement	-	66,302	-	-	-	66,302
Notes payable	-	-	194,513	214,097	194,513	214,097
Total Outstanding Debt	<u>\$ 34,273,850</u>	<u>\$ 35,140,339</u>	<u>\$ 216,059</u>	<u>\$ 231,790</u>	<u>\$ 34,489,909</u>	<u>\$ 35,372,129</u>

For more information on the long-term debt, see Note 8 to the financial statements.

### **ECONOMIC FACTORS**

The City's elected and appointed officials considered many factors when adopting the 2016 budget, tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. The economic trends for the City of Villa Rica have shown stabilization in the economy; however, the City continues to have a steady flow of newcomers and industry.

### **REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of the City of Villa Rica's finances for all those with an interest in the City's finances. If you have any questions about this report or need any additional information, contact the Finance Department, Attn: Chief Financial Officer, at 571 W. Bankhead Highway, Villa Rica, Georgia 30180, or call 770-459-7000. A copy of this document is available on the City's website at [www.villarica.org](http://www.villarica.org).

# CITY OF VILLA RICA, GEORGIA

## STATEMENT OF NET POSITION DECEMBER 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Villa Rica Industrial Development Authority	Villa Rica Downtown Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,210,722	\$ 15,116	\$ 7,225,838	\$ 17,842	\$ 64,187
Investments	205,065	2,058,087	2,263,152	1,165,844	-
Receivables (net of allowance for uncollectibles)	1,202,160	732,260	1,934,420	-	-
Taxes receivable	1,575,194	-	1,575,194	-	-
Due from component unit	50,000	-	50,000	-	-
Internal balances	922,369	(922,369)	-	-	-
Inventories	29,456	97,609	127,065	-	-
Prepaid items	77,091	3,497	80,588	-	-
Capital assets, nondepreciable	4,411,148	3,414,909	7,826,057	154,172	-
Capital assets, depreciable, net of accumulated depreciation	18,965,764	50,314,847	69,280,611	-	-
Total assets	34,648,969	55,713,956	90,362,925	1,337,858	64,187
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding	3,941,004	-	3,941,004	-	-
Pension related items	141,153	38,147	179,300	-	-
Total deferred outflows of resources	4,082,157	38,147	4,120,304	-	-
<b>LIABILITIES</b>					
Accounts payable	718,428	31,235	749,663	-	-
Accrued liabilities	698,337	18,877	717,214	-	-
Customer deposits payable	-	448,269	448,269	-	-
Unearned revenue	-	15,572	15,572	-	-
Noncurrent liabilities due within one year					
Compensated absences payable	132,972	18,353	151,325	-	-
Note payable	-	20,223	20,223	-	-
Bonds payable	240,000	-	240,000	-	-
Noncurrent liabilities due in more than one year					
Due to primary government	-	-	-	-	50,000
Compensated absences payable	48,965	3,193	52,158	-	-
Note payable	-	174,290	174,290	-	-
Bonds payable	37,792,917	-	37,792,917	-	-
Net pension liability	570,843	154,271	725,114	-	-
Total liabilities	40,202,462	884,283	41,086,745	-	50,000
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related items	160,623	43,409	204,032	-	-
Total deferred inflows of resources	160,623	43,409	204,032	-	-
<b>NET POSITION</b>					
Net investment in capital assets	23,376,912	53,535,243	42,820,242	154,172	-
Restricted for:					
Debt service	3,502	-	3,502	-	-
Economic development	622,825	-	622,825	1,183,686	14,187
Capital projects	1,925,838	-	1,925,838	-	-
Public safety	394,188	-	394,188	-	-
Unrestricted	(27,955,224)	1,289,168	7,425,857	-	-
Total net position	\$ (1,631,959)	\$ 54,824,411	\$ 53,192,452	\$ 1,337,858	\$ 14,187

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

**CITY OF VILLA RICA, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 2,240,151	\$ 81,819	\$ 119,138	\$ 114,674
Judicial	118,003	470,045	-	-
Public safety	3,598,334	2,402	165,100	126,033
Public works	2,136,417	1,605	368,584	423,768
Health and welfare	195,254	438,871	46,760	396,502
Culture and recreation	2,228,525	131,056	-	114,674
Housing and economic development	434,965	-	-	-
Interest on long-term debt	1,326,673	-	-	-
Total governmental activities	<u>12,278,322</u>	<u>1,125,798</u>	<u>699,582</u>	<u>1,175,651</u>
Business-type activities:				
Water and sewer	4,438,097	5,207,284	-	264,443
Solid waste	778,358	831,768	-	-
Total business-type activities	<u>5,216,455</u>	<u>6,039,052</u>	<u>-</u>	<u>264,443</u>
Total primary government	<u>\$ 17,494,777</u>	<u>\$ 7,164,850</u>	<u>\$ 699,582</u>	<u>\$ 1,440,094</u>
Component units:				
Villa Rica Industrial Development Authority	28,783	-	-	-
Villa Rica Downtown Development Authority	7,580	-	-	-
Total component units	<u>\$ 36,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales and use taxes				
Franchise taxes				
Hotel/motel taxes				
Alcohol taxes				
Insurance premium tax				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year, restated				
Net position, end of year				

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



Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Villa Rica Industrial Development Authority	Villa Rica Downtown Development Authority	
\$ (1,924,520)	\$ -	\$ (1,924,520)	\$ -	\$ -	
352,042	-	352,042	-	-	
(3,304,799)	-	(3,304,799)	-	-	
(1,342,460)	-	(1,342,460)	-	-	
686,879	-	686,879	-	-	
(1,982,795)	-	(1,982,795)	-	-	
(434,965)	-	(434,965)	-	-	
(1,326,673)	-	(1,326,673)	-	-	
(9,277,291)	-	(9,277,291)	-	-	
-	1,033,630	1,033,630	-	-	
-	53,410	53,410	-	-	
-	1,087,040	1,087,040	-	-	
(9,277,291)	1,087,040	(8,190,251)	-	-	
-	-	-	(28,783)	-	
-	-	-	-	(7,580)	
-	-	-	(28,783)	(7,580)	
3,113,639	-	3,113,639	-	-	
2,288,460	-	2,288,460	-	-	
1,177,544	-	1,177,544	-	-	
109,438	-	109,438	-	-	
288,093	-	288,093	-	-	
804,151	-	804,151	-	-	
450,496	-	450,496	-	-	
37,827	875	38,702	11,338	53	
-	7,900	7,900	-	-	
614,828	-	614,828	-	-	
1,286,740	(1,286,740)	-	-	-	
10,171,216	(1,277,965)	8,893,251	11,338	53	
893,925	(190,925)	703,000	(17,445)	(7,527)	
(2,525,884)	55,015,336	52,489,452	1,355,303	21,714	
\$ (1,631,959)	\$ 54,824,411	\$ 53,192,452	\$ 1,337,858	\$ 14,187	

# CITY OF VILLA RICA, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2015

ASSETS	General	Villa Rica Public Facilities Authority Fund	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 5,211,789	\$ 2	\$ 1,998,931	\$ 7,210,722
Investments	-	-	205,065	205,065
Receivables (net of allowance for uncollectibles)	472,278	-	729,882	1,202,160
Taxes receivable	1,575,194	-	-	1,575,194
Due from component unit	-	-	50,000	50,000
Due from other funds	722,193	-	-	722,193
Inventories	29,456	-	-	29,456
Prepaid items	77,091	-	-	77,091
Advances to other funds	200,176	-	-	200,176
Total assets	<u>\$ 8,288,177</u>	<u>\$ 2</u>	<u>\$ 2,983,878</u>	<u>\$ 11,272,057</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 718,428	\$ -	\$ -	\$ 718,428
Accrued liabilities	208,874	-	-	208,874
Total liabilities	<u>927,302</u>	<u>-</u>	<u>-</u>	<u>927,302</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	169,214	-	-	169,214
Unavailable revenue - grants	24,201	-	-	24,201
Total deferred inflows of resources	<u>193,415</u>	<u>-</u>	<u>-</u>	<u>193,415</u>
<b>FUND BALANCES</b>				
Fund balances:				
Nonspendable:				
Prepays	77,091	-	-	77,091
Inventories	29,456	-	-	29,456
Advances to other funds	200,176	-	-	200,176
Restricted:				
Public safety	-	-	394,188	394,188
Capital projects	-	-	1,925,838	1,925,838
Economic development	-	2	622,823	622,825
Debt service	-	-	3,502	3,502
Committed for cemetery improvements	-	-	37,527	37,527
Assigned:				
Use of reserves in 2016 budget	161,928	-	-	161,928
Open encumbrances for 2016 budget	175,206	-	-	175,206
Unassigned	6,523,603	-	-	6,523,603
Total fund balances	<u>7,167,460</u>	<u>2</u>	<u>2,983,878</u>	<u>10,151,340</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,288,177</u>	<u>\$ 2</u>	<u>\$ 2,983,878</u>	
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.				23,376,912
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.				193,415
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(34,763,313)
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.				(590,313)
Net position of governmental activities				<u>\$ (1,631,959)</u>

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

**CITY OF VILLA RICA, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Villa Rica Public Facilities Authority Fund	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 8,092,713	\$ -	\$ 109,687	\$ 8,202,400
Licenses and permits	211,314	-	-	211,314
Intergovernmental	633,316	-	1,175,282	1,808,598
Fines and forfeitures	261,061	-	-	261,061
Charges for services	651,818	-	1,605	653,423
Investment earnings	11,918	-	26,278	38,196
Contributions	42,065	-	-	42,065
Miscellaneous	614,143	-	685	614,828
Total revenues	<u>10,518,348</u>	<u>-</u>	<u>1,313,537</u>	<u>11,831,885</u>
<b>Expenditures:</b>				
Current:				
General government	1,625,699	-	527,514	2,153,213
Judicial	118,330	-	-	118,330
Public safety	3,498,690	-	108,970	3,607,660
Public works	1,150,151	-	9,770	1,159,921
Health and welfare	195,735	-	-	195,735
Culture and recreation	1,842,238	-	32,327	1,874,565
Economic development	392,107	-	44,489	436,596
Capital outlay	-	-	1,755,468	1,755,468
Debt service:				
Principal	66,302	490,000	-	556,302
Interest and fiscal charges	24,948	865,589	-	890,537
Issuance costs	-	525,596	-	525,596
Total expenditures	<u>8,914,200</u>	<u>1,881,185</u>	<u>2,478,538</u>	<u>13,273,923</u>
Excess (deficiency) of revenues over expenditures	1,604,148	(1,881,185)	(1,165,001)	(1,442,038)
<b>Other financing sources (uses):</b>				
Proceeds from issuance of bonds	-	33,860,000	-	33,860,000
Premium on bonds issued	-	4,835,048	-	4,835,048
Payment to escrow agent	-	(38,127,925)	(306,881)	(38,434,806)
Transfers in	568,145	1,314,062	835,147	2,717,354
Transfers out	(1,430,614)	-	-	(1,430,614)
Total other financing sources (uses)	<u>(862,469)</u>	<u>1,881,185</u>	<u>528,266</u>	<u>1,546,982</u>
Net change in fund balances	741,679	-	(636,735)	104,944
<b>Fund balances, beginning of year, restated</b>	<u>6,425,781</u>	<u>2</u>	<u>3,620,613</u>	<u>10,046,396</u>
<b>Fund balances, end of year</b>	<u>\$ 7,167,460</u>	<u>\$ 2</u>	<u>\$ 2,983,878</u>	<u>\$ 10,151,340</u>

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

## CITY OF VILLA RICA, 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, 2015

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

Net change in fund balances - total governmental funds	\$	104,944
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. This is the amount by which capital outlays exceeded depreciation in the current period.		312,246
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		53,622
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		296,060
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 governmental funds.		<u>127,053</u>
Change in net position - governmental activities	\$	<u><u>893,925</u></u>

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

**CITY OF VILLA RICA, GEORGIA  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 7,805,500	\$ 8,071,885	\$ 8,092,713	\$ 20,828
Licenses and permits	198,140	194,900	211,314	16,414
Intergovernmental	340,600	640,600	633,316	(7,284)
Fines and forfeitures	615,000	615,000	261,061	(353,939)
Charges for services	486,300	531,300	651,818	120,518
Investment earnings	10,000	10,000	11,918	1,918
Contributions	12,500	32,480	42,065	9,585
Miscellaneous	46,200	569,600	614,143	44,543
Total revenues	9,514,240	10,665,765	10,518,348	(147,417)
<b>Expenditures:</b>				
Current:				
General government:				
General administration	278,769	233,364	233,136	228
City manager	232,327	259,697	257,491	2,206
Elections	3,300	4,985	4,984	1
Finance	267,671	356,360	351,510	4,850
Other post-employment benefits	1,000	1,000	-	1,000
Legal	75,000	112,500	112,246	254
IT	51,500	91,500	91,156	344
Human resources	118,001	122,201	120,396	1,805
Customer service	386,058	508,008	454,780	53,228
Total general government	1,413,626	1,689,615	1,625,699	63,916
Judicial	247,436	247,436	118,330	129,106
Public safety:				
Police department	3,414,451	3,534,712	3,464,845	69,867
Custody of prisoners	50,000	50,000	33,845	16,155
Total public safety	3,464,451	3,584,712	3,498,690	86,022
Public works:				
Public works department	745,710	745,710	682,141	63,569
Watershed management department	146,972	143,787	116,343	27,444
Garage	202,504	214,504	182,260	32,244
Administrative community services	228,382	176,882	169,407	7,475
Total public works	1,323,568	1,280,883	1,150,151	130,732
Health and welfare	203,371	204,571	195,735	8,836
Culture and recreation:				
Recreation	1,426,057	1,411,057	1,212,305	198,752
Mountain gold museum	255,099	300,599	298,076	2,523
Library	360,400	368,517	331,857	36,660
Total health and welfare	2,041,556	2,080,173	1,842,238	237,935
Housing and economic development:				
Protective inspection	72,000	65,800	63,728	2,072
Planning and zoning	163,434	173,434	169,240	4,194
Code enforcement	22,541	28,538	26,438	2,100
Economic development	55,000	30,080	28,477	1,603
Main street	50,914	104,524	104,224	300
Total housing and economic development	363,889	402,376	392,107	10,269
Debt service:				
Principal	66,302	66,302	66,302	-
Interest	61,298	61,298	24,948	36,350
Total expenditures	9,185,497	9,617,366	8,914,200	703,166
Excess of revenues over expenditures	328,743	1,048,399	1,604,148	555,749
<b>Other financing sources (uses):</b>				
Transfers in	606,145	606,145	568,145	(38,000)
Transfers out	(934,888)	(1,654,544)	(1,430,614)	223,930
Total other financing sources (uses)	(328,743)	(1,048,399)	(862,469)	185,930
Net change in fund balances	-	-	741,679	741,679
<b>Fund balance, beginning</b>	6,425,781	6,425,781	6,425,781	-
<b>Fund balance, ending</b>	\$ 6,425,781	\$ 6,425,781	\$ 7,167,460	\$ 741,679

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

**CITY OF VILLA RICA, GEORGIA  
PUBLIC FACILITIES AUTHORITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Expenditures:</b>				
Debt service:				
Principal	\$ -	\$ -	\$ 490,000	\$ (490,000)
Interest	1,713,010	1,713,010	865,589	847,421
Issuance costs	-	-	525,596	(525,596)
Total expenditures	<u>1,713,010</u>	<u>1,713,010</u>	<u>1,881,185</u>	<u>(168,175)</u>
Deficiency of revenues over expenditures	(1,713,010)	(1,713,010)	(1,881,185)	(168,175)
<b>Other financing sources (uses):</b>				
Proceeds from issuance of bonds	-	-	33,860,000	33,860,000
Premium on bonds issued	-	-	4,835,048	4,835,048
Payment to escrow agent	-	-	(38,127,925)	(38,127,925)
Transfers in	<u>1,713,010</u>	<u>1,713,010</u>	<u>1,314,062</u>	<u>(398,948)</u>
Total other financing sources (uses)	<u>1,713,010</u>	<u>1,713,010</u>	<u>1,881,185</u>	<u>168,175</u>
Net change in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 2</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ -</u></u>

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

# CITY OF VILLA RICA, GEORGIA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2015

	Water and Sewer	Solid Waste	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 14,545	\$ 571	\$ 15,116
Investments	2,058,087	-	2,058,087
Receivables (net of allowance for uncollectibles)	625,756	106,504	732,260
Inventory	97,609	-	97,609
Prepaid items	3,168	329	3,497
Total current assets	<u>2,799,165</u>	<u>107,404</u>	<u>2,906,569</u>
Noncurrent assets:			
Capital assets:			
Capital assets, not being depreciated	3,414,909	-	3,414,909
Capital assets, being depreciated	65,943,989	123,791	66,067,780
Less accumulated depreciation	<u>(15,632,844)</u>	<u>(120,089)</u>	<u>(15,752,933)</u>
Total noncurrent assets	<u>53,726,054</u>	<u>3,702</u>	<u>53,729,756</u>
Total assets	<u>56,525,219</u>	<u>111,106</u>	<u>56,636,325</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	<u>34,313</u>	<u>3,834</u>	<u>38,147</u>
Total deferred outflows of resources	<u>34,313</u>	<u>3,834</u>	<u>38,147</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	30,323	912	31,235
Accrued expenses	17,296	1,581	18,877
Customer deposits payable	448,269	-	448,269
Compensated absences, current	16,497	1,856	18,353
Due to other funds	722,193	-	722,193
Unearned revenues	15,572	-	15,572
Notes payable, due within one year	<u>20,223</u>	<u>-</u>	<u>20,223</u>
Total current liabilities	<u>1,270,373</u>	<u>4,349</u>	<u>1,274,722</u>
Long-term liabilities:			
Compensated absences, long term	3,185	8	3,193
Advances from other funds	-	200,176	200,176
Notes payable, long term	174,290	-	174,290
Net pension liability	<u>138,766</u>	<u>15,505</u>	<u>154,271</u>
Total long-term liabilities	<u>316,241</u>	<u>215,689</u>	<u>531,930</u>
Total liabilities	<u>1,586,614</u>	<u>220,038</u>	<u>1,806,652</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	<u>39,046</u>	<u>4,363</u>	<u>43,409</u>
Total deferred inflows of resources	<u>39,046</u>	<u>4,363</u>	<u>43,409</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	53,531,541	3,702	53,535,243
Unrestricted	<u>1,402,331</u>	<u>(113,163)</u>	<u>1,289,168</u>
Total net position (deficit)	<u>\$ 54,933,872</u>	<u>\$ (109,461)</u>	<u>\$ 54,824,411</u>

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



**CITY OF VILLA RICA, GEORGIA**

**STATEMENT OF REVENUES, EXPENSES, AND**

**CHANGES IN FUND NET POSITION**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Water and Sewer	Solid Waste	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,984,050	\$ 831,768	\$ 5,815,818
Other fees	207,316	-	207,316
Miscellaneous	15,918	-	15,918
Total operating revenues	<u>5,207,284</u>	<u>831,768</u>	<u>6,039,052</u>
<b>OPERATING EXPENSES</b>			
Personnel services and benefits	1,111,952	145,686	1,257,638
Purchased contract services	507,830	590,153	1,097,983
Supplies and maintenance	1,362,330	38,363	1,400,693
Depreciation	1,446,659	4,156	1,450,815
Total operating expenses	<u>4,428,771</u>	<u>778,358</u>	<u>5,207,129</u>
Operating income	778,513	53,410	831,923
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Gain (loss) on disposal of assets	7,900	-	7,900
Intergovernmental	264,443	-	264,443
Investment earnings	875	-	875
Interest expense	(9,326)	-	(9,326)
Total nonoperating revenues (expenses)	<u>263,892</u>	<u>-</u>	<u>263,892</u>
<b>INCOME BEFORE TRANSFERS</b>	1,042,405	53,410	1,095,815
Transfers out	<u>(1,172,690)</u>	<u>(114,050)</u>	<u>(1,286,740)</u>
Change in net position	(130,285)	(60,640)	(190,925)
<b>NET POSITION (DEFICIT), beginning of year, restated</b>	<u>55,064,157</u>	<u>(48,821)</u>	<u>55,015,336</u>
<b>NET POSITION (DEFICIT), end of year</b>	<u>\$ 54,933,872</u>	<u>\$ (109,461)</u>	<u>\$ 54,824,411</u>

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

**CITY OF VILLA RICA, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Water and Sewer	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 5,320,567	\$ 829,088	\$ 6,149,655
Payments to suppliers and service providers	(2,399,500)	(564,765)	(2,964,265)
Payments to employees	(1,117,729)	(149,702)	(1,267,431)
Net cash provided by operating activities	1,803,338	114,621	1,917,959
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(859,536)	-	(859,536)
Receipt of proceeds from sales of capital assets	7,900	-	7,900
Payments on long-term liabilities	(19,584)	-	(19,584)
Interest and fiscal charges paid	(9,326)	-	(9,326)
Net cash used in capital and related financing activities	(880,546)	-	(880,546)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(1,172,690)	(114,050)	(1,286,740)
Receipt of operating grant	264,443	-	264,443
Net cash used in noncapital financing activities	(908,247)	(114,050)	(1,022,297)
Increase in cash	14,545	571	15,116
<b>Cash:</b>			
Beginning of year	-	-	-
End of year	\$ 14,545	\$ 571	\$ 15,116
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 778,513	\$ 53,410	\$ 831,923
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,446,659	4,156	1,450,815
(Increase) decrease in accounts receivable	94,536	(2,680)	91,856
Increase in inventories	(72,756)	-	(72,756)
Decrease in prepaid expenses	15,841	9,186	25,027
Decrease in pension related deferred outflows of resources	1,654	185	1,839
Increase in accounts payable	24,606	912	25,518
Increase in accrued expenses	7,982	669	8,651
Decrease in due to other funds	(505,013)	-	(505,013)
Increase in customer deposits payable	3,175	-	3,175
Increase in unearned revenue	15,572	-	15,572
Increase in pension related deferred inflows of resources	39,046	4,363	43,409
Increase (decrease) in compensated absences	6,497	(2,644)	3,853
Increase in advances from other funds	-	52,984	52,984
Decrease in net pension liability	(52,974)	(5,920)	(58,894)
Net cash provided by operating activities	\$ 1,803,338	\$ 114,621	\$ 1,917,959
<b>NONCASH INVESTING ACTIVITIES</b>			
Increase in fair value of investments	\$ 875	\$ -	\$ 875

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

**CITY OF VILLA RICA, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of City of Villa Rica, Georgia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City of Villa Rica operates under a mayor/council form of government and provides the following services to its citizens: public safety, judicial, public works, planning and zoning, culture and recreation, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**Discretely Presented Component Units**

The Villa Rica Industrial Development Authority (the Industrial Development Authority) is a public body, corporate and politic and was created upon the adoption and approval of the Development Authority Law of the State of Georgia. The Mayor and City Council appoint all members of the Villa Rica Industrial Development Authority. Management has determined that due to the nature and significance of the relationship with the City and the Industrial Development Authority, to report the Industrial Development Authority as a component unit. The Industrial Development Authority has purchased land and build industrial buildings that were leased to such companies as Lowe's, Flowers Bakery, and Print Pack. The Industrial Development Authority does not issue separate financial statements.

The Villa Rica Downtown Development Authority (the Downtown Development Authority) is a seven member public body, corporate and politic and was created in 1991 upon adoption and approval of the Development Authorities of the State of Georgia. The City Council appoints all members of the Downtown Development Authority and has the ability to significantly impose the Council's will on the programs and services of the Downtown Development Authority. The Downtown Development Authority developed plans and coordinated the use of SPLOST funds for a downtown train station park parking garage. The Downtown Development Authority does not issue separate financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. Reporting Entity (Continued)

##### **Blended Component Units**

The Villa Rica Public Facilities Authority (the Public Facilities Authority) is a public body, corporate and politic and was created upon the adoption and approval of the Development Authority Law of the State of Georgia. The Mayor and City Council serve as members of the Public Facilities Authority Board and appoint three additional members. The Public Facilities Authority provides services entirely to the City of Villa Rica and the debt of the Public Facilities Authority is secured by the City's ad valorem levy. The Public Facilities Authority is therefore reported as a blended component unit of the City. There are no separately issued financial statements for the Public Facilities Authority.

##### **Related Organizations**

The City of Villa Rica officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability of the organizations do not extend beyond making appointments. The Mayor and Council appoint the board members for the Villa Rica Housing Authority, the Planning and Zoning Commission, the Library Board, and the Recreation Advisory Board.

The City previously was contracted with the Villa Rica Tourism Board to provide tourism marketing for the City; however, this was terminated in December 2015. The City provides 60% of the Hotel/Motel Tax to the Tourism Board for their operations.

#### 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 activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting, and Basis of Presentation

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

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

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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 City considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, charges for services, intergovernmental grants, and investment income 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 City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Villa Rica Public Facilities Authority Fund** accounts for the financing and construction of capital projects determined by the Authority to promote the public good or general welfare of the citizens of Villa Rica including the acquisition, construction, renovation, improvement, extension, addition, or equipping of utility systems, emergency facilities, recreational facilities, public safety facilities, healthcare facilities, educational, cultural, or historical facilities, and administrative facilities.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of the City's water system and the billing on behalf of Fulton County's sewer system as it applies to City residents, which renders those services to the residents and businesses located within the City.

The **Solid Waste Fund** accounts for the operations of the City's solid waste and sanitation program.

Additionally, the City reports the following fund types:

The **Special Revenue Funds** account for revenue sources that are restricted or committed to expenditure for specific purposes.

The **Capital Project Funds** account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of facilities and other capital assets.

The **Debt Service Fund** is used to account for the accumulation of resources used to repay outstanding bonds issued by the City and the City's Public Facilities Authority.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used have not been eliminated in this process.

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 *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 revenue of the enterprise funds are charges to customers for sales and services provided. Operating expenses for the 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.

#### D. Budget

Annual appropriated budgets are adopted for all funds. The City did not adopt and operate under a balanced budget for the Drug Task Force Fund. The governmental fund budgets are adopted on the GAAP basis. All appropriations lapse at year-end. Encumbered appropriations are carried forward to the subsequent year automatically with no formal action required by the City Council. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is employed by the City.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Budget (Continued)

The following encumbrances were outstanding as of December 31, 2015:

<u>Fund</u>	<u>Amount</u>
General Fund:	
General government	\$ 13,780
Judicial	16,522
Public safety	109,241
Public works	5
Culture and recreation	35,065
Housing and development	593
	<u>\$ 175,206</u>

#### E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value based on quoted market prices as of the balance sheet date. Increases or decreases in the fair value during the year are recognized as a component of investment earnings.

#### F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. Inventories and Prepaid Items

All inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an asset at the time the individual item is purchased. The cost is recorded as an expenditure in the governmental funds when consumed. Inventories reported in the governmental funds are equally offset by fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

#### H. Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, 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. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has elected to capitalize all general infrastructure assets regardless of the acquisition date and has used the estimated historical cost to value these assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

Capital assets of the primary government are depreciated or amortized using the straight line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	40
Machinery and equipment	5 - 30
Vehicles	8
Infrastructure	10 - 65

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net 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 several items that qualify for reporting in this category. One such item is the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

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 fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes and intergovernmental revenues as these amounts are deferred and will be recognized as inflow of resources in the period in which the amounts become available.

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements as these amounts will be paid to employees upon termination or retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

#### K. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are accrued and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Fund Equity (Continued)

Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balances are reported as restricted when they include amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

*Committed* – Fund balances are reported as committed when they include amounts that can be used only for the specific purposes determined by a formal action (i.e. resolution) of the City Council. Further the limitation that has been placed on the resources can only be removed by Mayor and Council with reversal of the action which committed the resources in the fund balance.

*Assigned* – Fund balances are reported as assigned when they include amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The City Council, through resolution, has delegated to the City Manager the authority to assign funds for a particular purpose.

*Unassigned* – Fund balances are reported as unassigned as the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Fund Equity (Continued)

**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used or restricted fund balance as described in the section above. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Villa Rica Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### N. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

#### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$34,763,313 difference are as follows:

Bonds payable	\$ (33,370,000)
Unamortized premiums	(4,662,917)
Unamortized deferred charges	3,941,004
Accrued interest	(489,463)
Compensated absences	<u>(181,937)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (34,763,313)</u></u>

Another element of that reconciliation states that “deferred outflows of resources, deferred inflows of resources and the net pension liability are not expected to be liquidated with expendable available resources and therefore are not reported in the funds.” The details of this \$590,313 difference are as follows:

Net pension liability	\$ (570,843)
Deferred outflows of resources:	
Pension plan contributions subsequent to the measurement date	135,768
Pension plan assumption changes	5,385
Deferred inflows of resources:	
Net difference between projected and actual investment earnings	(56,382)
Pension plan experience differences	<u>(104,241)</u>
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (590,313)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL (CONTINUED)

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$312,246 difference are as follows:

Capital outlay	\$ 1,898,581
Depreciation expense	<u>(1,586,335)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 312,246</u>

Another element of the reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$296,060 difference are as follows:

Payments to escrow agent	\$ 38,434,806
Principal payment on bonds	490,000
Proceeds from bond issuance	(33,860,000)
Proceeds from bond premium	(4,835,048)
Principal payment on capital lease	<u>66,302</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 296,060</u>



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL (CONTINUED)

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that “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 governmental funds.” The details of this \$127,053 difference are as follows:

Compensated absences	\$ (12,900)
Amortization	7,923
Accrued interest	81,537
Pension expense	<u>50,493</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 127,053</u>

### NOTE 3. LEGAL COMPLIANCE – BUDGETS

#### Budgets and Budgetary Accounting

1. Prior to January 1, the City Manager submits the proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments, giving notice thereof at least seven days in advance by publication in the official organ of the City.
3. The budget is then legally enacted through passage of a resolution by the City Council at a public meeting.
4. Budget amounts can be transferred between line items within any department; however, any revisions of the budget must be amended by formal action of the City Council in a regular meeting.

Budgeted amounts are as originally adopted, or as amended by the City Council. The supplementary budgetary appropriations made are reflected in the final budget amounts.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

#### Deficit Fund Equity

The Solid Waste Fund had a deficit net position at December 31, 2015. The fund deficit will be reduced through anticipated revenues.

### NOTE 4. DEPOSITS AND INVESTMENTS

**Credit risk.** State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

**Custodial credit risk.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes and City policy require all deposits to be collateralized 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2015, the City's bank balances were collateralized as defined by State statutes.

At December 31, 2015, the City's only investments are held in twelve month certificates of deposits. The certificates of deposit are \$205,065 and \$2,058,087 as of December 31, 2015. Additionally, the Villa Rica Industrial Development Authority holds five individual certificates of deposit, with maturities as of December 31, 2015 are as follows:

<u>Investment type</u>	<u>Original Maturity</u>	<u>Amount</u>
Certificate of deposit	36 month	\$ 151,133
Certificate of deposit	12 month	251,491
Certificate of deposit	60 month	259,677
Certificate of deposit	24 month	252,810
Certificate of deposit	12 month	250,733
		<u>\$ 1,165,844</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

**Interest rate risk.** Interest rate risk is the risk that a government may face should changes in interest rates affect the fair value of its investments. To reduce interest rate risk, the City limits the maturity of any investment to five years. An investment held to maturity will be paid at par value. The City intends to hold all investments to maturity.

### NOTE 5. RECEIVABLES

#### A. Primary Government

Receivables at December 31, 2015, for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Nonmajor Governmental Funds</u>
Receivables:				
Taxes	\$ 1,615,353	\$ -	\$ -	\$ -
Other governments	-	-	-	729,882
Accounts	<u>1,172,275</u>	<u>679,337</u>	<u>113,828</u>	<u>-</u>
Gross receivables	2,787,628	679,337	113,828	729,882
Less allowance for uncollectibles	<u>(740,156)</u>	<u>(53,581)</u>	<u>(7,324)</u>	<u>-</u>
Net receivables	<u><u>\$ 2,047,472</u></u>	<u><u>\$ 625,756</u></u>	<u><u>\$ 106,504</u></u>	<u><u>\$ 729,882</u></u>

Property taxes for the 2015 fiscal year were levied in September 2015, with property values assessed as of January 1, 2015. Bills are payable on or before November 15, 2015, after which the applicable property is subject to lien and penalties and interest are assessed. Property taxes attached as an enforceable lien on property as of January 1.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### A. Primary Government

Capital asset activity for the year ended December 31, 2015 was as follows:

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 1,685,974	\$ 842,518	\$ -	\$ -	\$ 2,528,492
Construction in progress	953,047	937,617	-	(8,008)	1,882,656
Total capital assets, not being depreciated	<u>2,639,021</u>	<u>1,780,135</u>	<u>-</u>	<u>(8,008)</u>	<u>4,411,148</u>
Capital assets, being depreciated:					
Site improvements	7,108,140	-	-	-	7,108,140
Buildings and improvements	7,526,474	-	-	1,500	7,527,974
Machinery and equipment	4,912,655	116,476	-	-	5,029,131
Infrastructure	11,433,436	1,970	-	6,508	11,441,914
Total capital assets, being depreciated	<u>30,980,705</u>	<u>118,446</u>	<u>-</u>	<u>8,008</u>	<u>31,107,159</u>
Less accumulated depreciation for:					
Site improvements	(1,704,044)	(197,062)	-	-	(1,901,106)
Buildings and improvements	(3,410,808)	(863,492)	-	-	(4,274,300)
Machinery and equipment	(3,508,827)	(276,788)	-	-	(3,785,615)
Infrastructure	(1,931,381)	(248,993)	-	-	(2,180,374)
Total accumulated depreciation	<u>(10,555,060)</u>	<u>(1,586,335)</u>	<u>-</u>	<u>-</u>	<u>(12,141,395)</u>
Total capital assets, being depreciated, net	<u>20,425,645</u>	<u>(1,467,889)</u>	<u>-</u>	<u>8,008</u>	<u>18,965,764</u>
Governmental activities capital assets, net	<u>\$ 23,064,666</u>	<u>\$ 312,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,376,912</u>

The above table includes a restatement to the opening balances of the City's governmental capital assets to remove the wastewater treatment plant and equipment which are now reported in the City's Water and Sewer Fund. The buildings were reduced by \$30,044,912 and machinery and equipment was reduced by \$314,144, both numbers are net of accumulated depreciation.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### A. Primary Government (Continued)

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,101,972	\$ -	\$ -	\$ -	\$ 2,101,972
Construction in progress	871,836	441,101	-	-	1,312,937
Total capital assets, not being depreciated	<u>2,973,808</u>	<u>441,101</u>	<u>-</u>	<u>-</u>	<u>3,414,909</u>
Capital assets, being depreciated:					
Site improvements	36,789	-	-	(2,191)	34,598
Infrastructure	28,668,097	297,062	-	-	28,965,159
Buildings	33,310,067	68,583	-	-	33,378,650
Equipment	3,714,331	-	(27,149)	2,191	3,689,373
Total capital assets, being depreciated	<u>65,729,284</u>	<u>365,645</u>	<u>(27,149)</u>	<u>-</u>	<u>66,067,780</u>
Less accumulated depreciation for:					
Site improvements	(14,298)	(1,935)	-	1,352	(14,881)
Infrastructure	(10,113,578)	(587,589)	-	-	(10,701,167)
Buildings	(1,829,131)	(670,736)	-	-	(2,499,867)
Equipment	(2,372,260)	(190,555)	27,149	(1,352)	(2,537,018)
Total accumulated depreciation	<u>(14,329,267)</u>	<u>(1,450,815)</u>	<u>27,149</u>	<u>-</u>	<u>(15,752,933)</u>
Total capital assets, being depreciated, net	<u>51,400,017</u>	<u>(1,085,170)</u>	<u>-</u>	<u>-</u>	<u>50,314,847</u>
Business-type activities capital assets, net	<u>\$ 54,373,825</u>	<u>\$ (644,069)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,729,756</u>

The above table includes a restatement to the opening balances of the City's business-type capital assets to include the solid-waste treatment plant and related equipment which are now reported in the City's Water and Sewer Fund. The buildings were increased by \$30,044,912 and machinery and equipment was increased by \$314,144, both numbers are net of accumulated depreciation.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### A. Primary Government (Continued)

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

Governmental activities:

General government	\$ 92,796
Public safety	154,026
Public works	979,553
Culture and recreation	359,960
Total depreciation expense - governmental activities	<u>\$ 1,586,335</u>

Business-type activities:

Water and Sewer Fund	\$ 1,446,659
Solid Waste Fund	4,156
Total depreciation expense - business-type activities	<u>\$ 1,450,815</u>

#### B. Discretely Presented Component Unit – Villa Rica Industrial Development Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 154,172	\$ -	\$ -	\$ 154,172
Total	<u>\$ 154,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,172</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2015, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 722,193

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur.

Advances to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 200,176

Since the 2013 fiscal year the City's General Fund has subsidized the cash flow needs of the Solid Waste Fund with management's intention to repay the City's General Fund. The Solid Waste Fund will repay the balances over a period greater than one year and are appropriately reported as long-term advances.

Interfund transfers for the year ended December 31, 2015 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 454,095
General Fund	Solid Waste Fund	114,050
Villa Rica Public Facilities Authority	General Fund	595,467
Villa Rica Public Facilities Authority	Water and Sewer Fund	718,595
Nonmajor Governmental Funds	General Fund	835,147

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT

#### A. Primary Government

The following is a summary of long-term debt activity for the year ended December 31, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds payable	\$ 34,905,000	\$ 33,860,000	\$ (35,395,000)	\$ 33,370,000	\$ 240,000
Plus: Premiums	-	4,835,048	(172,131)	4,662,917	-
Total bonds payable	34,905,000	38,695,048	(35,567,131)	38,032,917	240,000
Capital lease payable	66,302	-	(66,302)	-	-
Compensated absences	169,037	136,444	(123,544)	181,937	132,972
Net pension liability	788,761	459,995	(677,913)	570,843	-
Governmental activities long-term liabilities	<u>\$ 35,929,100</u>	<u>\$ 39,291,487</u>	<u>\$ (36,434,890)</u>	<u>\$ 38,785,697</u>	<u>\$ 372,972</u>
<b>Business-type Activities:</b>					
Note payable	\$ 214,097	\$ -	\$ (19,584)	\$ 194,513	\$ 20,223
Compensated absences	17,693	510,224	(506,371)	21,546	18,353
Net pension liability	213,165	124,313	(183,207)	154,271	-
Business-type activities long-term liabilities	<u>\$ 444,955</u>	<u>\$ 634,537</u>	<u>\$ (709,162)</u>	<u>\$ 370,330</u>	<u>\$ 38,576</u>

For governmental and business activities, compensated absences are liquidated in the funds from which the employees' salaries are paid, which include the General Fund, Nonmajor Governmental Funds, Water & Sewer Fund, and Solid Waste Fund, as applicable. The net pension liability is primarily liquidated by the General Fund for governmental activities. For business-type activities, the net pension liability will be liquidated by all enterprise funds.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### A. Primary Government (Continued)

**Revenue Bonds, Series 2008.** During the year 2008, the Public Facilities Authority issued \$10,000,000 of revenue bonds for the purpose of construction of a new 2.15 million gallon wastewater treatment plant including (a) a portion of the financing costs for the acquisition of land, construction and equipping the wastewater treatment plant on the west side of the City, (b) paying capitalized interest on the bonds, and (c) paying the costs of issuance incident thereto. The bonds carry a rate of interest ranging from 4.4% – 4.9% per annum and mature March 1, 2028. During 2015 these bonds were defeased through the issuance of the 2015 Series Revenue Bonds. As part of the refunding, the City defeased certain outstanding general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of December 31, 2015, the outstanding amount of Series 2008 general obligation bonds considered legally defeased is \$10,000,000.

**Revenue Bonds, Series 2009.** During the year 2009, the Public Facilities Authority issued \$24,905,000 of revenue bonds for the purpose of construction of a new 2.15 million gallon wastewater treatment plant including (a) a portion of the financing costs for the acquisition of land, construction and equipping the wastewater treatment plant on the west side of the City, (b) paying capitalized interest on the bonds, and (c) paying the costs of issuance incident thereto. The bonds carry a rate of interest ranging from 4.625% - 4.875% per annum and mature March 1, 2039. During 2015 these bonds were defeased through the issuance of the 2015 Series Revenue Bonds. As part of the refunding, the City defeased certain outstanding general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of December 31, 2015, the outstanding amount of Series 2009 general obligation bonds considered legally defeased is \$24,905,000.

The total cash flow savings of the refunding of the series 2008 and 2009 is \$6,370,734 with a present value, or economic gain, of \$4,525,794.

**Revenue Bonds, Series 2015.** During the year 2015, the Public Facilities Authority issued \$33,860,000 City of Villa Rica Public Facilities Authority (Georgia) Revenue Bonds (City of Villa Rica Water and Sewerage Project), Series 2015 revenue bonds for the purpose of (a) refunding all of Series 2008 and Series 2009 bonds of the Authority, and (b) paying the costs of issuance incident thereto. The bonds carry a rate of interest ranging from 2.0% – 5.0% per annum and mature March 1, 2039. The bonds are payable solely from the City through a lease agreement with the Authority, whereby the City agrees to make rental payments in an amount sufficient to enable the Authority to make the semi-annual principal and interest payments. The City has unconditionally agreed to levy ad valorem property tax, without limitation as to rate or amount, as necessary to meet its obligation under this agreement.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### A. Primary Government (Continued)

The City's debt service requirements to maturity on the revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2016	\$ 240,000	\$ 1,465,988	\$ 1,705,988
2017	245,000	1,461,138	1,706,138
2018	250,000	1,454,938	1,704,938
2019	260,000	1,447,288	1,707,288
2020	735,000	1,432,363	2,167,363
2021-2025	4,645,000	6,685,863	11,330,863
2026-2030	6,880,000	1,196,913	8,076,913
2031-2035	10,205,000	3,304,213	13,509,213
2036-2039	9,910,000	837,294	10,747,294
Total	<u>\$ 33,370,000</u>	<u>\$ 19,285,998</u>	<u>\$ 52,655,998</u>

**Notes Payable.** In September 2014, the City entered into an agreement with the Georgia Environmental Finance Authority to finance the improvements to the water and sewer system. Interest on the unpaid principal balance will accrue at a rate of 4% per annum. Principal and interest are paid quarterly in installments of \$1,195, maturing in 2018.

In November 2014, the City entered into an agreement with the Georgia Environmental Finance Authority to finance the construction of the installment of various water lines in an amount of \$425,000. Interest on the unpaid principal balance will accrue at a rate of 3% per annum. Principal and interest are paid monthly in installments of \$1,761, maturing in 2025.

The City's debt service requirements to maturity on the notes payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2016	\$ 20,223	\$ 5,688	\$ 25,911
2017	20,882	5,029	25,911
2018	21,562	4,389	25,951
2019	17,415	3,717	21,132
2020	17,944	3,188	21,132
2021-2025	96,487	7,398	103,885
Total	<u>\$ 194,513</u>	<u>\$ 29,409</u>	<u>\$ 223,922</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLAN

#### Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Villa Rica Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at [www.gmanet.com](http://www.gmanet.com) or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established and amended by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, excluding elected officials who are immediately eligible, who work forty hours per week are eligible to participate after one year. Benefits vest after five years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 2% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he has a minimum of 25 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Elected officials are entitled to \$30 for each year of service after reaching normal retirement age.

*Plan Membership.* At July 1, 2015, the date of the most recent actuarial valuation, there were 190 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	50
Terminated vested participants not yet receiving benefits	50
Active employees - vested	84
Active employees - nonvested	6
Total	<u>190</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLAN (CONTINUED)

#### Plan Description (Continued)

*Contributions.* The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan, as adopted by the City Council, is to contribute an amount equal to or greater than the recommended contribution described below. For 2015, the actuarially determined contribution rate was 7.17% of covered payroll. The City makes all contributions to the plan. For 2015, the City's contribution to the Plan was \$235,107.

#### **Net Pension Liability of the City**

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2015.

*Actuarial assumptions.* The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75-8.75%, including inflation
Investment rate of return	7.75%, net of pension expense, including inflation

Mortality rates for the July 1, 2014 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

#### Net Pension Liability of the City (Continued)

Cost of living adjustments were assumed to be 0.00%.

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. 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, 2015 are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	—%	
Total	100%	

\* Rates shown are net of the 3.25% assumed rate of inflation

*Discount rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

#### Net Pension Liability of the City (Continued)

*Changes in the Net Pension Liability of the City.* The changes in the components of the net pension liability of the City for the fiscal year ended December 31, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/14</b>	\$ 5,605,085	\$ 4,603,160	\$ 1,001,925
<b>Changes for the year:</b>			
Service cost	137,078	-	137,078
Interest	423,997	-	423,997
Differences between expected and actual experience	(165,517)	-	(165,517)
Assumption Changes	8,549	-	8,549
Contributions—employer	-	250,587	(250,587)
Net investment income	-	445,016	(445,016)
Benefit payments, including refunds of employee contributions	(268,317)	(268,317)	-
Administrative expense	-	(14,685)	14,685
Other changes	-	-	-
<b>Net changes</b>	<u>135,790</u>	<u>412,601</u>	<u>(276,811)</u>
<b>Balances at 12/31/15</b>	<u>\$ 5,740,875</u>	<u>\$ 5,015,761</u>	<u>\$ 725,114</u>

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

*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 percent, 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 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 1,508,225	\$ 725,114	\$ 78,372

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLAN (CONTINUED)

#### Net Pension Liability of the City (Continued)

*Changes in the Net Pension Liability of the City.* Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2015 and the current sharing pattern of costs between employer and employee.

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of \$170,967. At December 31, 2015, 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	\$ -	\$ 132,412
Changes in assumptions	6,840	-
Net difference between projected and actual earnings on pension plan investments	-	71,620
City contributions subsequent to the measurement date	<u>172,460</u>	<u>-</u>
Total	<u>\$ 179,300</u>	<u>\$ 204,032</u>

City contributions subsequent to the measurement date of \$172,460 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:

2016	\$ (49,298)
2017	(49,298)
2018	(49,298)
2019	<u>(49,298)</u>
Total	<u>\$ (197,192)</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. DEFINED CONTRIBUTION PLAN

The City of Villa Rica's Internal Revenue Code Section 457 Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution pension plan. The Plan is administered by DST Systems and Lord Abbett Administration for all full time employees. The Plan is funded through employer and employee contributions. Plan provisions and contribution requirements are established and may be amended by the City's Mayor and Council. At December 31, 2015, there were 30 plan members.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to the maximum amount allowed by the IRS. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. The City's Mayor and Council have approved discretionary employer contributions for 30 employees. Total employer and employee contributions for the year ended December 31, 2015 were \$31,384 and \$72,924 respectively.

### NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the 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 funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims have not exceeded the coverage in the past three years.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12. COMMITMENTS AND CONTINGENCIES

#### Litigation

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

#### Grant Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

### NOTE 13. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Three Rivers Regional Commission (TRRC) and the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid by Fulton County. Membership in the TRRC and ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the TRRC and ARC in Georgia. The TRRC and ARC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the TRRC and ARC. Separate financial statements may be obtained from the following:

Three Rivers Regional Commission  
Highway 34  
Franklin, Georgia 30217

Atlanta Regional Commission  
40 Courtland Street, NE  
Atlanta, Georgia 30303

### NOTE 14. HOTEL/MOTEL TAX

The City has levied a 5% lodging tax. During the year ended December 31, 2015, the City collected \$109,438 in revenues. The current year expenditures of \$44,489 or 41% of current year revenues were expended on the promotion of tourism in accordance with the provisions of O.C.G.A. 48-13-51.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 15. RESTATEMENTS

As discussed in Note 9 above, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The new standards significantly changed the City's accounting for pension amounts.

Additionally, the City has determined the following restatement to the beginning fund balance was required for the SPLOST Fund:

Fund balance, SPLOST Fund, as previously reported	\$ 1,524,894
Restatement for December sales tax accruals, not reported	191,054
Beginning fund balance, SPLOST Fund, restated	<u>\$ 1,715,948</u>

The governmental activities required a restatement for (1) the implementation of GASB Statements No. 68 and No. 71, (2) the under accrual of SPLOST revenues in the prior year, (3) to correctly report the wastewater treatment plant and the related equipment as part of the Water & Sewer Fund, and (4) to report the Series 2008 and 2009 discounts on the bonds as part of the long-term liabilities, which were previously expensed as part of the bond transaction.

Net position, governmental activities, as previously reported	\$ 27,852,680
Restatement for December sales tax accrual, not reported	191,054
To remove the wastewater treatment plant and related equipment	(30,359,056)
City's net pension liability net of beginning deferred outflows of resources for contributions subsequent to the measurement date, beginning balance	(640,806)
To report the offset to the bonds payable for bond issuance discount	430,244
Beginning net position, governmental activities, restated	<u>\$ (2,525,884)</u>

The business-type activities required a restatement for (1) the implementation of GASB Statements No. 68 and No. 71, and (2) to correctly report the wastewater treatment plant and the related equipment as part of the Water & Sewer Fund.

Net position, business-type activities, as previously reported	\$ 24,829,459
City's net pension liability net of beginning deferred outflows of resources for contributions subsequent to the measurement date, beginning balance	(173,179)
Capital assets previously reported as part of governmental activities	30,359,056
Beginning net position, business-type activities, restated	<u>\$ 55,015,336</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 15. RESTATEMENTS (CONTINUED)

The Water and Sewer Fund required a restatement for (1) the implementation of GASB Statements No. 68 and No. 71, and (2) to correctly report the wastewater treatment plant and the related equipment as part of the Water & Sewer Fund.

Net position, water & sewer fund, as previously reported	\$ 24,860,874
City's net pension liability net of beginning deferred outflows of resources for contributions subsequent to the measurement date, beginning balance	(155,773)
Capital assets previously reported as part of governmental activities	<u>30,359,056</u>
Beginning net position, water & sewer fund, restated	<u><u>\$ 55,064,157</u></u>

The Solid Waste Fund required a restatement for the implementation of GASB Statements No. 68 and No. 71.

Net position, solid waste fund, as previously reported	\$ (31,415)
City's net pension liability net of beginning deferred outflows of resources for contributions subsequent to the measurement date, beginning balance	(17,406)
Beginning net position, solid waste fund, restated	<u><u>\$ (48,821)</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF VILLA RICA, GEORGIA

## REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	<u>2015</u>
<b>Total pension liability</b>	
Service cost	\$ 137,078
Interest on total pension liability	423,997
Differences between expected and actual experience	(165,517)
Changes of assumptions	8,549
Benefit payments, including refunds of employee contributions	(268,317)
<b>Net change in total pension liability</b>	<u>135,790</u>
<b>Total pension liability - beginning</b>	<u>5,605,085</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 5,740,875</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 250,587
Net investment income	445,016
Benefit payments, including refunds of member contributions	(268,317)
Administrative expenses	(14,685)
<b>Net change in plan fiduciary net position</b>	<u>412,601</u>
<b>Plan fiduciary net position - beginning</b>	<u>4,603,160</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 5,015,761</u></u>
<b>City's net pension liability - ending (a) - (b)</b>	<u><u>\$ 725,114</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	87.37%
<b>Covered-employee payroll</b>	\$ 3,966,501
<b>City's net pension liability as a percentage of covered-employee payroll</b>	18.28%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

# CITY OF VILLA RICA, GEORGIA

## REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN SCHEDULE OF CITY CONTRIBUTIONS

	<u>2015</u>
Actuarially determined contribution	\$ 225,696
Contributions in relation to the actuarially determined contribution	<u>235,107</u>
Contribution deficiency (excess)	<u>\$ (9,411)</u>
Covered-employee payroll	\$ 3,093,925
Contributions as a percentage of covered-employee payroll	7.60%

### Notes to the Schedule:

#### (1) Actuarial Assumptions:

Valuation Date	July 1, 2014
Cost Method	Projected Unit Credit
Actuarial 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 amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost-of-living Adjustment	N/A
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective period of 10 years

(2) The schedule will present 10 years of information once it is accumulated.

## **NONMAJOR GOVERNMENTAL FUNDS**

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### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditures for particular purposes.

**Urban Development Action Grant** - to account for monies received from Title I, Section 119, Housing and Community Development Act of 1974. The funds are restricted to promote economic development.

**Federal Seizures Fund** – to account for funds awarded to the City of Villa Rica from joint seizures with various Federal agencies.

**Narcotics Enforcement Fund** – accounts for the City's local seizure activity. Revenues are restricted by State law to be used for drug prevention and trafficking.

**Community Greenspace Fund** – accounts for the restricted revenues provided for the preservation and enhancement of the City's green spaces.

**Drug Task Force Fund** – accounts for revenues and related expenses of the City's drug task force. Revenues are restricted by State law to be used for drug prevention and trafficking.

**Hotel/Motel Tax** - to account for the collection of hotel/motel taxes within the City which are restricted for the promotion of tourism via a contract with the Villa Rica Tourism Board.

**Cemetery Fund** – accounts for the committed resources provided for the operation and maintenance of the cemeteries.

### **Capital Projects Funds**

Capital projects funds are used to account for financial resources for the acquisition, construction, and improvements of the City's capital assets other than those financed by enterprise funds.

**Capital Projects Fund** - to account for the acquisition and construction of major capital projects..

**2015 SPLOST Fund** - to account for the proceeds of the 2015 special purpose local option sales tax for the various improvement projects as approved by voter referendum.

**SPLOST Fund** - to account for the proceeds of the 1998 and 2008 special purpose local option sales tax for the various improvement projects as approved by voter referendum.

**Villa Rica Public Facilities Capital Project Fund** – to account for capital projects which are funded through various bond financings from the Villa Rica Public Facilities Authority.

### **Debt Service Fund**

The **Debt Service Fund** is used to account of the accumulation of resources to repay existing City long-term financing contracts and bonds.

**CITY OF VILLA RICA, GEORGIA**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2015**

	Special Revenue Funds					
	Urban Development Action Grant Fund	Federal Seizures Fund	Narcotics Enforcement Fund	Community Green Space Fund	Drug Task Force Fund	Hotel and Motel Tax Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 500,717	\$ 10,793	\$ 138,460	\$ 100	\$ 39,870	\$ 64,167
Investments	-	205,065	-	-	-	-
Receivables, net of allowance for uncollectibles	-	-	-	-	-	7,839
Due from component unit	50,000	-	-	-	-	-
Total assets	<u>\$ 550,717</u>	<u>\$ 215,858</u>	<u>\$ 138,460</u>	<u>\$ 100</u>	<u>\$ 39,870</u>	<u>\$ 72,006</u>
<b>FUND BALANCES</b>						
<b>FUND BALANCES</b>						
Restricted:						
Public safety	-	215,858	138,460	-	39,870	-
Capital projects	-	-	-	-	-	-
Economic development	550,717	-	-	100	-	72,006
Debt service	-	-	-	-	-	-
Committed for cemetery improvement	-	-	-	-	-	-
Total fund balances	<u>550,717</u>	<u>215,858</u>	<u>138,460</u>	<u>100</u>	<u>39,870</u>	<u>72,006</u>
Total fund balances	<u>\$ 550,717</u>	<u>\$ 215,858</u>	<u>\$ 138,460</u>	<u>\$ 100</u>	<u>\$ 39,870</u>	<u>\$ 72,006</u>



Special Revenue Funds		Capital Projects Funds			Debt Service Fund	
Cemetery Fund	Capital Projects Fund	2015 SPLOST Fund	SPLOST Fund	Villa Rica Public Facilities Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 37,527	\$ -	\$ 887	\$ 1,202,912	\$ -	\$ 3,498	\$ 1,998,931
-	-	-	-	-	-	205,065
-	-	719,459	2,580	-	4	729,882
-	-	-	-	-	-	50,000
<u>\$ 37,527</u>	<u>\$ -</u>	<u>\$ 720,346</u>	<u>\$ 1,205,492</u>	<u>\$ -</u>	<u>\$ 3,502</u>	<u>\$ 2,983,878</u>
-	-	-	-	-	-	394,188
-	-	720,346	1,205,492	-	-	1,925,838
-	-	-	-	-	-	622,823
-	-	-	-	-	3,502	3,502
<u>37,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,527</u>
<u>37,527</u>	<u>-</u>	<u>720,346</u>	<u>1,205,492</u>	<u>-</u>	<u>3,502</u>	<u>2,983,878</u>
<u>\$ 37,527</u>	<u>\$ -</u>	<u>\$ 720,346</u>	<u>\$ 1,205,492</u>	<u>\$ -</u>	<u>\$ 3,502</u>	<u>\$ 2,983,878</u>

**CITY OF VILLA RICA, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Funds					
	Urban Development Action Grant Fund	Federal Seizures Fund	Narcotics Enforcement Fund	Community Green Space Fund	Drug Task Force Fund	Hotel and Motel Tax Fund
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,438
Intergovernmental	-	-	-	-	11,359	-
Charges for services	-	-	-	-	-	-
Investment earnings	25,645	103	12	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>25,645</u>	<u>103</u>	<u>12</u>	<u>-</u>	<u>11,359</u>	<u>109,438</u>
<b>Expenditures:</b>						
Current:						
General government	527,451	-	-	-	-	-
Public safety	-	98,481	10,489	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Economic development	-	-	-	-	-	44,489
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>527,451</u>	<u>98,481</u>	<u>10,489</u>	<u>-</u>	<u>-</u>	<u>44,489</u>
Excess (deficiency) of revenues over expenditures	(501,806)	(98,378)	(10,477)	-	11,359	64,949
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(501,806)	(98,378)	(10,477)	-	11,359	64,949
<b>Fund balances, beginning of year, restated</b>	<u>1,052,523</u>	<u>314,236</u>	<u>148,937</u>	<u>100</u>	<u>28,511</u>	<u>7,057</u>
<b>Fund balances, end of year</b>	<u>\$ 550,717</u>	<u>\$ 215,858</u>	<u>\$ 138,460</u>	<u>\$ 100</u>	<u>\$ 39,870</u>	<u>\$ 72,006</u>

Special Revenue Funds		Capital Projects Funds			Debt Service Fund	
Cemetery Fund	Capital Projects Fund	2015 SPLOST Fund	SPLOST Fund	Villa Rica Public Facilities Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249	\$ 109,687
-	-	917,394	246,529	-	-	1,175,282
1,605	-	-	-	-	-	1,605
109	-	6	363	40	-	26,278
-	685	-	-	-	-	685
1,714	685	917,400	246,892	40	249	1,313,537
-	-	-	63	-	-	527,514
-	-	-	-	-	-	108,970
7,394	-	-	2,376	-	-	9,770
-	-	-	32,327	-	-	32,327
-	-	-	-	-	-	44,489
-	835,832	197,054	722,582	-	-	1,755,468
7,394	835,832	197,054	757,348	-	-	2,478,538
(5,680)	(835,147)	720,346	(510,456)	40	249	(1,165,001)
-	835,147	-	-	-	-	835,147
-	-	-	-	(306,881)	-	(306,881)
-	835,147	-	-	(306,881)	-	528,266
(5,680)	-	720,346	(510,456)	(306,841)	249	(636,735)
43,207	-	-	1,715,948	306,841	3,253	3,620,613
\$ 37,527	\$ -	\$ 720,346	\$ 1,205,492	\$ -	\$ 3,502	\$ 2,983,878

**CITY OF VILLA RICA, GEORGIA**  
**URBAN DEVELOPMENT ACTION GRANT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Investment earnings	\$ 27,000	\$ 27,000	\$ 25,645	\$ (1,355)
Total revenues	27,000	27,000	25,645	(1,355)
<b>Expenditures:</b>				
Current:				
General government	-	527,451	527,451	-
Total expenditures	-	527,451	527,451	-
Net change in fund balances	27,000	(500,451)	(501,806)	(1,355)
<b>Fund balance, beginning of year</b>	<u>1,052,523</u>	<u>1,052,523</u>	<u>1,052,523</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,079,523</u>	<u>\$ 552,072</u>	<u>\$ 550,717</u>	<u>\$ (1,355)</u>

**CITY OF VILLA RICA, GEORGIA**  
**FEDERAL SEIZURES FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Investment earnings	30	30	103	73
Total revenues	5,030	5,030	103	(4,927)
<b>Expenditures:</b>				
Current:				
Public safety	135,000	235,000	98,481	136,519
Total expenditures	135,000	235,000	98,481	136,519
Net change in fund balance	(129,970)	(229,970)	(98,378)	131,592
<b>Fund balance, beginning of year</b>	314,236	314,236	314,236	-
<b>Fund balance, end of year</b>	\$ 184,266	\$ 84,266	\$ 215,858	\$ 131,592

**CITY OF VILLA RICA, GEORGIA**  
**NARCOTICS ENFORCEMENT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Fines and forfeitures	\$ 1,500	1,500	-	\$ (1,500)
Investment earnings	30	30	12	(18)
Total revenues	1,530	1,530	12	(1,518)
<b>Expenditures:</b>				
Current:				
Public safety	-	50,000	10,489	39,511
Total expenditures	-	50,000	10,489	39,511
Net change in fund balance	1,530	(48,470)	(10,477)	37,993
<b>Fund balance, beginning of year</b>	148,937	148,937	148,937	-
<b>Fund balance, end of year</b>	<u>\$ 150,467</u>	<u>\$ 100,467</u>	<u>\$ 138,460</u>	<u>\$ 37,993</u>

**CITY OF VILLA RICA, GEORGIA  
COMMUNITY GREEN SPACE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Net change in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	100	100	100	-
<b>Fund balance, end of year</b>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>

**CITY OF VILLA RICA, GEORGIA**  
**DRUG TASK FORCE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 11,359	\$ 11,359
Total revenues	-	-	11,359	11,359
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	11,359	11,359
<b>Fund balance, beginning of year</b>	<u>28,511</u>	<u>28,511</u>	<u>28,511</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 28,511</u>	<u>\$ 28,511</u>	<u>\$ 39,870</u>	<u>\$ 11,359</u>



**CITY OF VILLA RICA, GEORGIA**  
**HOTEL AND MOTEL TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 95,000	\$ 95,000	\$ 109,438	\$ 14,438
Total revenues	95,000	95,000	109,438	14,438
<b>Expenditures:</b>				
Economic development	57,000	57,000	44,489	12,511
Total expenditures	57,000	57,000	44,489	12,511
Excess of revenues over expenditures	38,000	38,000	64,949	26,949
<b>Other financing uses:</b>				
Transfers out	(38,000)	(38,000)	-	38,000
Total other financing uses	(38,000)	(38,000)	-	38,000
Net change in fund balance	-	-	64,949	64,949
<b>Fund balance, beginning of year</b>	7,057	7,057	7,057	-
<b>Fund balance, end of year</b>	<u>\$ 7,057</u>	<u>\$ 7,057</u>	<u>\$ 72,006</u>	<u>\$ 64,949</u>

**CITY OF VILLA RICA, GEORGIA  
CEMETERY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Charges for services	\$ 2,000	\$ 2,000	\$ 1,605	\$ (395)
Investment earnings	135	135	109	(26)
Total revenues	<u>2,135</u>	<u>2,135</u>	<u>1,714</u>	<u>(421)</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>7,000</u>	<u>8,000</u>	<u>7,394</u>	<u>606</u>
Total expenditures	<u>7,000</u>	<u>8,000</u>	<u>7,394</u>	<u>606</u>
Net change in fund balance	(4,865)	(5,865)	(5,680)	185
Fund balance, beginning of year	<u>43,207</u>	<u>43,207</u>	<u>43,207</u>	<u>-</u>
Fund balance, end of year	<u>\$ 38,342</u>	<u>\$ 37,342</u>	<u>\$ 37,527</u>	<u>\$ 185</u>

**CITY OF VILLA RICA, GEORGIA**  
**CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 550,000	\$ -	\$ (550,000)
Miscellaneous	-	-	685	685
Total revenues	-	550,000	685	(549,315)
<b>Expenditures:</b>				
Capital outlays	25,000	901,400	835,832	65,568
Total expenditures	25,000	901,400	835,832	65,568
Deficiency of revenues over expenditures	(25,000)	(351,400)	(835,147)	(483,747)
<b>Other financing sources</b>				
Transfers in	25,000	351,400	835,147	483,747
Total other financing sources	25,000	351,400	835,147	483,747
Net change in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ -	\$ -

**CITY OF VILLA RICA, GEORGIA**  
**SPLOST FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
intergovernmental	\$ 343,275	\$ 343,275	\$ 246,529	\$ (96,746)
Investment earnings	600	600	363	(237)
Total revenues	<u>343,875</u>	<u>343,875</u>	<u>246,892</u>	<u>(96,983)</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	63	(63)
Public works	-	-	2,376	(2,376)
Culture and recreation	-	-	32,327	(32,327)
Capital outlays	<u>1,992,122</u>	<u>1,832,372</u>	<u>722,582</u>	<u>1,109,790</u>
Total expenditures	<u>1,992,122</u>	<u>1,832,372</u>	<u>757,348</u>	<u>1,075,024</u>
Net change in fund balance	(1,648,247)	(1,488,497)	(510,456)	978,041
<b>Fund balance, beginning of year, restated</b>	<u>1,715,948</u>	<u>1,715,948</u>	<u>1,715,948</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 67,701</u>	<u>\$ 227,451</u>	<u>\$ 1,205,492</u>	<u>\$ 978,041</u>

**CITY OF VILLA RICA, GEORGIA**  
**2015 SPLOST FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental	\$ 1,079,750	\$ 900,000	\$ 917,394	\$ 17,394
Investment earnings	250	250	6	(244)
Total revenues	<u>1,080,000</u>	<u>900,250</u>	<u>917,400</u>	<u>17,150</u>
<b>Expenditures:</b>				
Capital outlays	<u>1,080,000</u>	<u>900,000</u>	<u>197,054</u>	<u>702,946</u>
Total expenditures	<u>1,080,000</u>	<u>900,000</u>	<u>197,054</u>	<u>702,946</u>
Net change in fund balance	-	250	720,346	720,096
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 720,346</u>	<u>\$ 720,096</u>

**CITY OF VILLA RICA, GEORGIA**  
**CAPITAL PROJECTS FOR PUBLIC ROADS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 124,560	\$ 124,560	\$ -	\$ (124,560)
Total revenues	124,560	124,560	-	(124,560)
<b>Expenditures:</b>				
Capital outlays	177,943	177,943	-	177,943
Total expenditures	177,943	177,943	-	177,943
Excess of revenues over expenditures	(53,383)	(53,383)	-	(53,383)
<b>Other financing sources</b>				
Transfers in	53,383	53,383	-	53,383
Total other financing sources	53,383	53,383	-	53,383
Net change in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF VILLA RICA, GEORGIA**  
**PUBLIC FACILITIES AUTHORITY CAPITAL PROJECT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 40	\$ 40
Total revenues	-	-	40	40
Excess of revenues over expenditures	-	-	40	40
<b>Other financing uses</b>				
Payments to escrow agent	-	-	(306,881)	(306,881)
Total other financing uses	-	-	(306,881)	(306,881)
Net change in fund balance	-	-	(306,841)	(306,841)
<b>Fund balance, beginning of year</b>	306,841	306,841	306,841	-
<b>Fund balance, end of year</b>	<u>\$ 306,841</u>	<u>\$ 306,841</u>	<u>\$ -</u>	<u>\$ (306,841)</u>

**CITY OF VILLA RICA, GEORGIA**  
**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 249	\$ 249
Total revenues	-	-	249	249
Net change in fund balance	-	-	249	249
<b>Fund balance, beginning of year</b>	3,253	3,253	3,253	-
<b>Fund balance, end of year</b>	<u>\$ 3,253</u>	<u>\$ 3,253</u>	<u>\$ 3,502</u>	<u>\$ 249</u>



**CITY OF VILLA RICA, GEORGIA**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS -  
1998 ISSUE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Sewer and water	\$ 2,750,000	\$ 2,773,510	\$ 2,773,510	\$ -	\$ 2,773,510
Streets and sidewalks	1,000,000	1,000,105	1,000,105	-	1,000,105
Library	150,000	142,386	49,583	32,889	82,472
Recreation	100,000	100,000	100,000	-	100,000
GEO Debt Reduction	251,000	-	-	-	-
Total 1998 SPLOST	<u>\$ 4,251,000</u>	<u>\$ 4,016,001</u>	<u>\$ 3,923,198</u>	<u>\$ 32,889</u>	<u>\$ 3,956,087</u>

**CITY OF VILLA RICA, GEORGIA**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS -  
2008 ISSUE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Administrative facilities	\$ 1,013,895	\$ 711,699	\$ 711,699	\$ -	\$ 711,699
Sewer and water	3,041,685	2,422,171	1,401,483	264,443	1,665,926
Streets and sidewalks	1,757,418	2,292,549	1,933,205	54,594	1,987,799
Library	473,151	446,775	-	364,772	364,772
Recreation	473,151	505,458	464,808	40,650	505,458
Total 2008 SPLOST	<u>\$ 6,759,300</u>	<u>\$ 6,378,652</u>	<u>\$ 4,511,195</u>	<u>\$ 724,459</u>	<u>\$ 5,235,654</u>

**CITY OF VILLA RICA, GEORGIA**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS -  
2015 ISSUE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Water and sewer facilities and equipment including debt service for WWRF capital improvements			\$ -	\$ 54	\$ 54
Public safety facilities and equipment			-	-	-
Roads, streets, bridges and sidewalks			-	-	-
Library facilities and equipment			-	197,000	197,000
Recreational facilities and equipment			-	-	-
Administration facilities and equipment			-	-	-
Economic development			-	-	-
Greenspace land acquisition			-	-	-
Total 2015 SPLOST	<u>\$ 7,267,000</u>	<u>\$ 7,267,000</u>	<u>\$ -</u>	<u>\$ 197,054</u>	<u>\$ 197,054</u>

# CITY OF VILLA RICA, GEORGIA

## BALANCE SHEET

### COMPONENT UNIT - VILLA RICA INDUSTRIAL DEVELOPMENT AUTHORITY

DECEMBER 31, 2015

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	Villa Rica Industrial Development Authority
<b>ASSETS</b>	
Cash and cash equivalents	\$ 17,842
Investments	<u>1,165,844</u>
Total assets	<u>\$ 1,183,686</u>
<b>FUND BALANCES</b>	
<b>FUND BALANCES</b>	
Restricted:	
Economic development	\$ 1,183,686
Total fund balance	<u>1,183,686</u>
Total fund balance	<u>\$ 1,183,686</u>

**CITY OF VILLA RICA, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES,**

**AND CHANGES IN FUND BALANCES**

**COMPONENT UNIT - VILLA RICA INDUSTRIAL DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

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	Villa Rica Industrial Development Authority
<b>Revenues:</b>	
Investment earnings	\$ 11,338
Total revenues	<u>11,338</u>
<b>Expenditures:</b>	
Current:	
Economic development	<u>28,783</u>
Total expenditures	<u>28,783</u>
Net change in fund balance	(17,445)
<b>Fund balance, beginning of year</b>	<u>1,201,131</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,183,686</u></u>

# CITY OF VILLA RICA, GEORGIA

## BALANCE SHEET

### COMPONENT UNIT - VILLA RICA DOWNTOWN DEVELOPMENT AUTHORITY

DECEMBER 31, 2015

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	Villa Rica Downtown Development Authority
<b>ASSETS</b>	
Cash and cash equivalents	\$ 64,187
Total assets	<u>\$ 64,187</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Due to primary government	\$ 50,000
Total liabilities	<u>50,000</u>
<b>FUND BALANCES</b>	
Economic development	<u>14,187</u>
Total fund balance	<u>14,187</u>
Total liabilities and fund balance	<u>\$ 64,187</u>

**CITY OF VILLA RICA, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES,**

**AND CHANGES IN FUND BALANCES**

**COMPONENT UNIT - VILLA RICA DOWNTOWN DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

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	Villa Rica Downtown Development Authority
<b>Revenues:</b>	
Investment earnings	\$ 53
Total revenues	<u>53</u>
<b>Expenditures:</b>	
Current:	
Economic development	7,580
Total expenditures	<u>7,580</u>
Net change in fund balance	(7,527)
<b>Fund balance, beginning of year</b>	<u>21,714</u>
<b>Fund balance, end of year</b>	<u><u>\$ 14,187</u></u>

## COMPLIANCE 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**

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**To the Honorable Mayor and Members  
of the City Council  
City of Villa Rica, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Villa Rica, Georgia (the "City"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2016. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of 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.

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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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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 deficiencies described in the accompanying schedule of findings and responses, as items 2015-002, 2015-003, 2015-005, and 2015-006, to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and responses, as item 2015-004, to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-001.

### **City's Responses to Findings**

The City's responses 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 them.

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**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.

Mauldin & Jenkins, LLC

Atlanta, Georgia  
June 29, 2016

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION I**  
**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

☒ yes ☐ no

Significant deficiencies identified?

☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☒ yes ☐ no

**Federal Awards**

There was not an audit of major federal award programs for the year ended December 31, 2015 due to the total amount expended being less than \$750,000.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2015-001 Governmental Fund Budgets**

**Criteria:** State of Georgia law (OCGA 36-81-3) states:

- a) Each unit of local government shall adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local government. The annual balanced budget shall be adopted by ordinance or resolution and administered in accordance with this article;
- b) a budget ordinance or resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

**Condition:** State law requires local governments to adopt annual appropriated balanced budgets for all governmental funds. Management did not adopt a balanced budget for the Drug Task Force Fund, the Public Facilities Authority Capital Fund, or the Debt Service Fund.

**Context/Cause:** The City did not adopt or operate under a balanced budget for four funds, though the Greenspace Fund had no activity.

**Effects:** The City failed to operate under a balanced budget for all of their governmental funds, which has resulted in a compliance violation with State law.

**Recommendation:** We recommend the City timely adopt and operate under balanced budgets for all governmental funds reported in the financial statements.

**Auditee's Response:** We concur with the finding. We will make sure all governmental funds have annually balanced budgets each year or in the case of capital project type funds, have at a minimum a project length budget.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2015-002 Revenues and Related Receivables**

**Criteria:** Internal controls should be in place to ensure that revenues are appropriately recognized in accordance with generally accepted accounting principles ("GAAP"), including any related receivables.

**Condition:** Internal controls were not sufficient to detect material misstatements in the reporting of the City's revenues and related receivables.

**Context/Cause:** During our testing of revenues and related receivables, certain audit adjustments were required to correct current year amounts. The nature of these adjustments is as follows:

- The General Fund required an adjustment of approximately \$139,000 to defer the recognition of outstanding property tax receivables which were not collected within sixty days of the year-end. In accordance with the City's revenue recognition policy, and GAAP, outstanding tax receivables should only be reported as revenue if they are collected within sixty days of the City's year-end.
- The General Fund required an adjustment of approximately \$670,000 to defer the recognition of outstanding court fine receivables. The fines which are uncollected within the sixty day recognition period subsequent to year-end should be reported as deferred inflows of resources and should not be a component of the current year's revenue.
- In the SPLOST Fund an adjustment of approximately \$191,000 was required to report the December 2014 sales tax receipts as a component of opening equity of the fund, rather than as a component of the current year revenue. The City received the December sales tax revenues in the current fiscal year from the County, however, the sales tax were for the month of December 2014 and should have been accrued as revenue as of December 31, 2014. The adjustment reduced the current year revenues, and increased the Fund's opening fund balance.
- In the 2015 SPLOST Fund an adjustment of approximately \$125,000 was required to properly accrue the December 2015 sales tax revenues as of December 31, 2015.
- The Capital Projects for Public Roads Fund required an adjustment of approximately \$87,000 to remove the accrued receivable and revenue for grant funds which were not earned and not received as of December 31, 2015.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2015-002 Revenues and Related Receivables (Continued)**

- In the Water & Sewer Fund an adjustment of approximately \$79,000 was required to reduce the accounts receivable balance on the general ledger and to reduce the related water and sewer revenue accounts. The year-end closing entry to reconcile the general ledger to the subsidiary incorrectly included the balance of the outstanding solid waste customers as part of the water & sewer receivable entry and thus overstated the water & sewer receivables and related revenues.

**Effects:** Audit adjustments totaling approximately \$1,291,000 were needed to correctly report revenues and related receivables. Included in the above adjustments was also one entry for approximately \$191,000 which restated opening balances.

**Recommendation:** We recommend the City carefully review all revenue and related receivable accounts to ensure all necessary transactions are reported in the proper period and in accordance with generally accepted accounting principles.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that revenues and related receivables are properly recorded.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2015-003 General Ledger Maintenance**

**Criteria:** Internal controls should be in place to ensure that financial statements properly present the financial position and results of the City in accordance with generally accepted accounting principles.

**Condition:** The City's reviews and manual adjustments were not sufficient to detect, correct, and prevent errors in the reporting of several general ledger accounts.

**Context/Cause:** During our audit for the year ended December 31, 2015, several misstatements were identified which were generated from the operation of the Town's general ledger software. There were several adjustments required as a result of the audit to correct misstatements, and they are as follows:

- During the testing of the current year's bond refunding transaction, we noted both the 2008 and 2009 Series Revenue Bonds were issued at a discount, however, the City was not reporting the unamortized discount in the prior year financial statements. The effect of including the discounts in the current year calculation of deferred charges on refunding resulted in an adjustment to the governmental activities opening net position of approximately \$430,000.
- The General Fund of the City reports the activity of the City's municipal court, however, the City is reporting the fiduciary activity as revenues and expenditures of the City. As the court operates in a fiduciary capacity, the City should be reporting all cash collections as a liability until the cases are adjudicated and the funds issued to respective parties. An entry of approximately \$410,000 was required in the current year to reduce current year revenues and expenditures and to adjust the year-end liabilities for pending court cases.
- Through the current year refunding, the City utilized funds which were being held in a sinking fund. When the funds were electronically disbursed from the cash account an entry was incorrectly posted to the wrong fund on the City's general ledger. As a result, the Villa Rica Public Facilities Authority's (special revenue fund) cash was overstated and the expenditures were understated. The Villa Rica Public Facilities Authority Capital Projects Fund's cash was understated and the expenditures were overstated. An entry for approximately \$307,000 was required to reverse the client entries and to post the disbursement in the correct fund.



**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2015-003 General Ledger Maintenance (Continued)**

- The Villa Rica Public Facilities Authority (special revenue fund) was reporting accrued interest payable for the 2016 interest payment. Under modified accrual accounting, governmental funds should not report long-term liabilities on the balance sheet, unless the liability is passed due or late. As the accrual was not due until 2016, an entry for approximately \$489,000 was required to remove the liability and reduce the current year interest expenditures.
- During the current year, we noted the Downtown Development Authority and the Industrial Development Authority, both of which are discretely presented component units of the City, do not maintain a general ledger to track their activity. Each entity performs a partial bank reconciliation to track activity through the respective bank accounts, however, without the maintenance of a general ledger, the reconciliation is not able to be reconciled to a book balance. The year-end general ledger is compiled subsequent to each fiscal year through a process whereby management of the City reviews the receipts and disbursements for the year to create a general ledger in accordance with generally accepted accounting principles (GAAP). We strongly recommend the City require each of these entities to maintain a general ledger throughout the fiscal year to record the activity in accordance with GAAP.

**Effects:** Audit adjustments of approximately \$1,636,000 were needed to correctly report general ledger balances. Included in the above entries, was one entry for approximately \$430,000 which also restated the opening equity of the governmental activities.

**Recommendation:** We recommend the City carefully review the financial statements and the underlying transactions involved in the reporting of the City's subsidiary ledgers, as well as the accruals of expenditures/expenses.

**Auditee's Response:** We will take necessary steps in the future to ensure the financial statements properly present the financial position and results of the City, in accordance with generally accepted accounting principles.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2015-004    Expenditure/Expense Recognition**

**Criteria:** Generally, expenditures/expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles.

**Condition:** Misstatements were detected in the reporting of the City's expenditures/ expenses and the related liabilities.

**Context/Cause:** During our testing, an audit adjustment was required in the City's General Fund and the Water & Sewer Fund to reduce current year expenditures/expenses which were originally accrued during the year and then settled during the year; however, the liability was not relieved and the disbursement/payment was expended/expensed a second time. As a result the liabilities and expenditures/expenses of the two funds were overstated by approximately \$27,000 and \$5,000, respectively.

**Effects:** Misstatements related to expenditures/expenses and related liability recognition were approximately \$32,000 for the year ended December 31, 2015.

**Recommendations:** We recommend the City carefully review all expenditures/expenses to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

**Auditee's Response:** We will take necessary steps in the future to ensure that expenditures/expenses and related liabilities are properly recorded.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2015-005 Capital Assets and Related Items**

**Criteria:** Internal controls should be in place to ensure amounts reported for capital assets and related items are appropriate and properly valued in accordance with GAAP.

**Condition:** The City improperly accounted for the ownership of the City's west side wastewater treatment plant. The wastewater treatment plant and the equipment used for operation of the plant were incorrectly reported as governmental capital assets and should be reported as part of the Water & Sewer Fund.

**Context/Cause:** During our audit of the current year capital asset listing, an adjustment of approximately \$30,359,000 was required to remove the wastewater treatment plant and its related equipment from governmental activities capital asset subsidiary ledgers and to add to the Water & Sewer Fund's subsidiary ledger and general ledger. The plant was purchased with funds from the Villa Rica Public Facilities Authority Series 2008 and 2009 Revenue Bonds and as such was originally reported as a capital asset of governmental activities, but as it is used in the daily operation of the Water & Sewer Fund, should be capitalized and depreciated in the Water & Sewer Fund.

**Effects:** The adjustment was made to reduce the governmental activities capital assets, net of accumulated depreciation and to reduce opening equity. Additionally, the same entry was made to increase the Water & Sewer Fund's net capital assets and increase the fund's net position.

**Recommendation:** We recommend the City carefully review all capital assets accounts and related items to ensure transactions are reported in accordance with GAAP.

**Auditee's Response:** We will take necessary steps in the future to ensure that capital assets are properly recorded.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2015-006 Segregation of Duties**

**Criteria:** Segregation of employees' duties is a common practice in an effective internal control structure. Segregation of duties is achieved when specific employee functions related to important accounting areas are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

**Condition:** The limited number of employees and the resulting overlapping of duties causes segregation of duties to be difficult.

**Context/Cause:** During the course of our test work, we noted the following areas where the City's control procedures were not sufficient to mitigate risks created due to insufficient oversight:

- City management should establish a well-defined process for financial reporting. The process and its key attributes (e.g., overall timing, methodology, format, and frequency of analyses) are formally documented, approved, and reviewed on a regular basis.
- Implementing procedures to ensure all journal entries, including nonstandard/non-routine entries, have adequate supporting documentation and are reviewed and approved independently prior to posting. During the current year we noted the Chief Financial Officer was able to post manual journal entries without any additional review or approval of the entries. We recommend all manual entries should be reviewed and approved, by a knowledgeable individual, prior to the entry being posted to the general ledger.
- Implementing procedures to ensure adjustments of cash accounts are approved and documented by the appropriate level of management or another appropriate person.
- Implementing procedures to ensure bank statements are received and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation.
- The City should establish a process in which the accounts payable aging/sub-ledger is reviewed and reconciled to the general ledger on a monthly basis.
- One employee has the ability to create new employees and to adjust employee pay rates. We recommend a change status report be generated from the payroll system and periodically compared back to the approved Change of Status Forms to ensure only approved changes are entered and to detect any errors made during the changes.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2015-006 Segregation of Duties (Continued)**

- Monthly payroll registers are not reviewed in detail, or compared to the control totals once the information is posted to the general ledger.

**Effects:** Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City. Additionally, without additional internal controls related to financial reporting, errors could occur and not be detected.

**Recommendation:** We recommend that the City review its processes and determine where it can effectively segregate duties to alleviate the segregation of duties issues as described above and strengthen internal controls.

**Auditee's Response:** We will review our operations to determine the most efficient and effective solutions to properly segregate duties and strengthen internal controls at the City.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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None reported