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# Villa Rica

CITY OF VILLA RICA, GEORGIA  
ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2016



**CITY OF VILLA RICA, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**

**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, 2016**

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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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison information of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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, 55, and 56 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 23, 2017 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 23, 2017

**CITY OF VILLA RICA, GEORGIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2016**

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, 2016. 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 2016 by \$53,374,336 (net position). Of this amount, the unrestricted portion is \$7,959,236.
- The City’s total net position increased by \$181,884 compared to the prior year. The City’s operations increased the governmental activities by \$197,412 and decreased the business-type activities by \$15,528.
- At the close of 2016, the City of Villa Rica’s governmental funds reported combined ending fund balances of \$8,879,544.
- At the end of 2016, the unassigned fund balance for the General Fund was \$5,220,018 or 54% of the total General Fund expenditures.
- At the end of 2016, unrestricted net position for the Proprietary Funds was \$2,097,521 or 48% 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, liabilities, and deferred inflows, 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, sanitation 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, Villa Rica Public Facilities Authority Fund, and the 2015 SPLOST 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 and 17 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, sanitation, 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 20 through 22 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 23 through 54 of this report.

## **GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

The City's net position at the close of 2016 increased 0.34% from \$53,192,452 at December 31, 2015 to \$53,374,336 at December 31, 2016.

The largest portion of the City's net position at December 31, 2016 (\$43,618,398) 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 (\$1,796,702) represents resources that are subjects to external restrictions on how they may be used. The unrestricted portion of net position is \$7,959,236.

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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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 10,205,518	\$ 11,272,057	\$ 2,892,659	\$ 1,984,200	\$ 13,098,177	\$ 13,256,257
Capital assets	24,631,631	23,376,912	52,885,652	53,729,756	77,517,283	77,106,668
Total Assets	34,837,149	34,648,969	55,778,311	55,713,956	90,615,460	90,362,925
Deferred outflows of resources	4,368,520	4,082,157	134,614	38,147	4,503,134	4,120,304
Total deferred outflows of resources	4,368,520	4,082,157	134,614	38,147	4,503,134	4,120,304
Current liabilities	1,647,888	1,416,765	602,482	513,953	2,250,370	1,930,718
Long-term liabilities	38,911,424	38,785,697	483,155	370,330	39,394,579	39,156,027
Total Liabilities	40,559,312	40,202,462	1,085,637	884,283	41,644,949	41,086,745
Deferred inflows of resources	80,904	160,623	18,405	43,409	99,309	204,032
Total deferred inflows of resources	80,904	160,623	18,405	43,409	99,309	204,032
Net Position (Deficit):						
Invested in capital assets, net of related debt	24,631,631	23,376,912	52,711,362	53,535,243	43,618,398	42,820,242
Restricted	1,796,702	2,946,353	-	-	1,796,702	2,946,353
Unrestricted	(27,862,880)	(27,955,224)	2,097,521	1,289,168	7,959,236	7,425,857
Total Net Position (deficit)	\$ (1,434,547)	\$ (1,631,959)	\$ 54,808,883	\$ 54,824,411	\$ 53,374,336	\$ 53,192,452

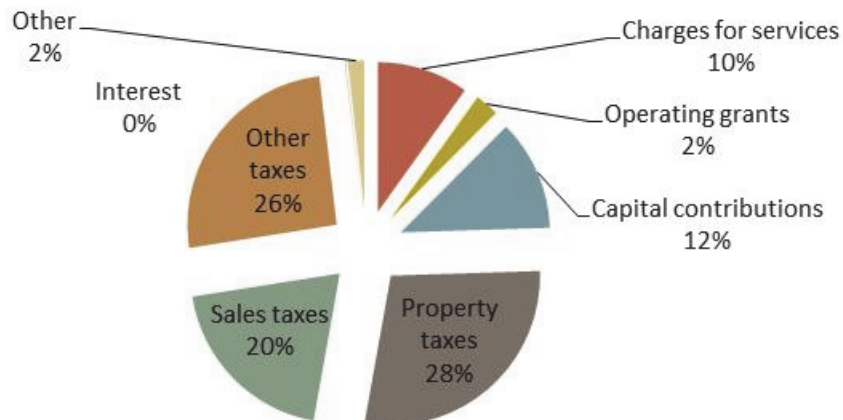
**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 1,171,635	\$ 1,125,798	\$ 6,516,234	\$ 6,039,052	\$ 7,687,869	\$ 7,164,850
Operating grants	302,692	699,582	-	-	302,692	699,582
Capital contributions	1,422,653	1,175,651	322,793	264,443	1,745,446	1,440,094
General revenues:						
Property taxes	3,348,369	3,113,639	-	-	3,348,369	3,113,639
Sales taxes	2,328,688	2,288,460	-	-	2,328,688	2,288,460
Other taxes	3,028,918	2,829,722	-	-	3,028,918	2,829,722
Interest	9,698	37,827	2,457	875	12,155	38,702
Other	211,087	614,828	-	-	211,087	614,828
Total revenues	<u>11,823,740</u>	<u>11,885,507</u>	<u>6,841,484</u>	<u>6,304,370</u>	<u>18,665,224</u>	<u>18,189,877</u>
Expenses:						
General government	1,889,057	2,240,151	-	-	1,889,057	2,240,151
Judicial	126,958	118,003	-	-	126,958	118,003
Public safety	4,136,348	3,598,334	-	-	4,136,348	3,598,334
Public works	1,911,665	2,136,417	-	-	1,911,665	2,136,417
Health and welfare	202,580	195,254	-	-	202,580	195,254
Culture and recreation	2,293,240	2,228,525	-	-	2,293,240	2,228,525
Housing/ Economic Developm.	685,524	434,965	-	-	685,524	434,965
Interest	1,344,470	1,326,673	-	-	1,344,470	1,326,673
Water and sewer	-	-	5,050,925	4,438,097	5,050,925	4,438,097
Solid waste	-	-	839,843	778,358	839,843	778,358
Total expenses	<u>12,589,842</u>	<u>12,278,322</u>	<u>5,890,768</u>	<u>5,216,455</u>	<u>18,480,610</u>	<u>17,494,777</u>
Increase (decrease) in net position before transfers	(766,102)	(392,815)	950,716	1,087,915	184,614	695,100
Sale of assets	-	-	(2,730)	7,900	(2,730)	7,900
Transfers	<u>963,514</u>	<u>1,286,740</u>	<u>(963,514)</u>	<u>(1,286,740)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	197,412	893,925	(15,528)	(190,925)	181,884	703,000
Net Position (deficit), January 1	<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>
Net Position (deficit), December 31	<u>\$ (1,434,547)</u>	<u>\$ (1,631,959)</u>	<u>\$ 54,808,883</u>	<u>\$ 54,824,411</u>	<u>\$ 53,374,336</u>	<u>\$ 53,192,452</u>

**Governmental Activities**

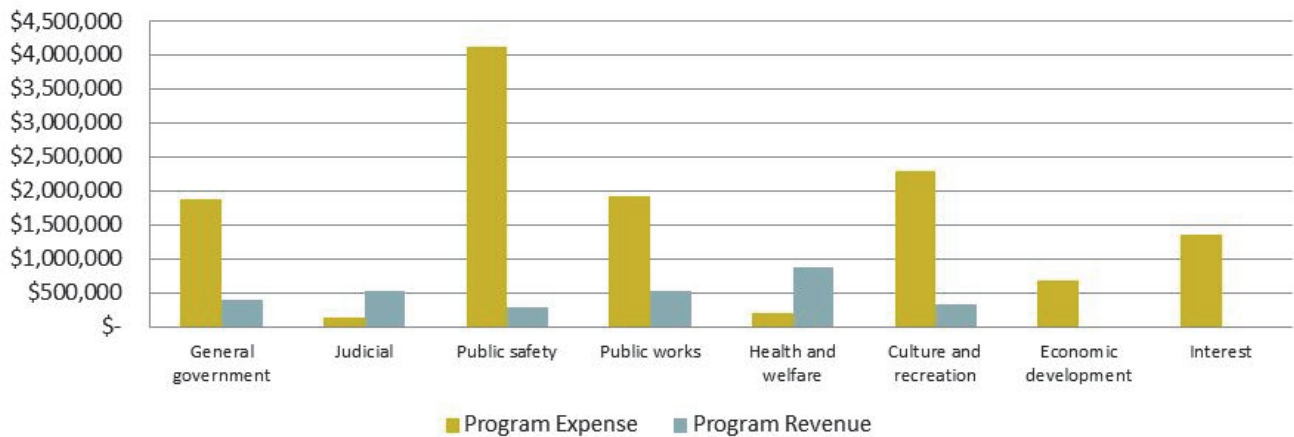
The City's governmental activities are heavily reliant on property taxes, sales taxes and other taxes to support operations. Property taxes provided 28% of revenues, sales taxes provided 20% and other taxes provided 26%. Also, program revenues cover 23% of governmental expenses. This means the government taxpayers and the City's other general revenues fund 77% 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 33% of the total governmental expense. The second largest City cost is for Culture & Recreation totaling \$2,293,240 or 18% of governmental expenses.

- The cost for all governmental activity for the year was \$12,589,842 compared to \$12,278,322 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 (\$8,705,975).
- Some of the costs were paid by those benefiting directly from the programs (\$1,171,635) and subsidies from other governments and organizations through grants and/or contributions (\$1,725,345).



**Business-Type Activities**

The cost of all Business-Type activities in 2016 was \$5,890,768. The amounts paid by the users of the systems were \$6,516,234 and additionally the business-type activities earned \$322,793 from other revenues.

With the activity from the year, the net position at December 31, 2016 for business-type activities was \$54,808,883.

**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 \$8,879,544. Of this year-end total, \$5,220,018 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 \$6,859,143. 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 53.8% total general fund expenditures. Total general fund revenues for the period ending December 31<sup>st</sup> were \$10,295,291 or a 2.1% decrease from the prior year. Total general fund expenditures for 2016 were \$9,687,784, which is an 8.7% increase from 2015.

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

	2016	2015	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes	\$ 8,579,734	\$ 8,092,713	\$ 487,021	6.0%
Fines and fees	359,260	261,061	98,199	37.6%
Licenses and permits	229,187	211,314	17,873	8.5%
Charges for services	581,309	651,818	(70,509)	-10.8%
Intergovernmental rev.	288,570	633,316	(344,746)	-54.4%
Interest Income	9,024	11,918	(2,894)	-24.3%
Other revenue	248,207	656,208	(408,001)	-62.2%
Total revenues	<u>10,295,291</u>	<u>10,518,348</u>	<u>(223,057)</u>	<u>-2.1%</u>
Expenses:				
General government	1,773,837	1,625,699	148,138	9.1%
Judicial	125,679	118,330	7,349	6.2%
Public safety	3,771,067	3,498,690	272,377	7.8%
Public works	1,351,303	1,150,151	201,152	17.5%
Health and welfare	200,007	195,735	4,272	2.2%
Community development	555,016	392,107	162,909	41.5%
Culture and recreation	1,910,875	1,842,238	68,637	3.7%
Debt service	-	91,250	(91,250)	-100.0%
Total expenditures	<u>9,687,784</u>	<u>8,914,200</u>	<u>773,584</u>	<u>8.7%</u>
Other financing sources (uses)				
Transfers in	1,302,591	568,145	734,446	129.3%
Transfers out	<u>(2,218,415)</u>	<u>(1,430,614)</u>	<u>(787,801)</u>	<u>55.1%</u>
Net change in fund balance	(308,317)	741,679	(1,049,996)	-141.6%
Fund Balance, beginning of year	<u>7,167,460</u>	<u>6,425,781</u>	<u>741,679</u>	<u>11.5%</u>
Fund Balance, end of year	<u>\$ 6,859,143</u>	<u>\$ 7,167,460</u>	<u>\$ (308,317)</u>	<u>-4.3%</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 \$1,713,388 in 2016 and were matched with operating transfers from the general fund and the water and sewer fund.

The 2015 SPLOST Fund is used for capital projects which were funded by the most recent SPLOST referendum from Carroll County. The revenues were \$1,208,559 in 2016 and the expenditures totaled \$1,205,501.

**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 7.9% higher than the prior year and operating expense were 12.9% higher than in 2015.

The water and sewer fund operating revenues are 8.6% higher than those in 2015 and operating expenses were 13.8% higher than the prior year. The solid waste fund operating revenues are 3.7% higher than those in 2015 and operating expenses are 7.9% higher than the prior year.

## BUDGETARY HIGHLIGHTS

The General Fund's 2016 final approved revenue budget was \$11,128,601. The City collected \$833,310 less than the approved revenue budget. The General Fund's original approved expenditure budget was \$10,400,708, and the final budget remained unchanged. The City expended 93% of the final approved expenditure budget. The General Fund actual expenditures were \$712,924 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, 2016, was \$24,631,631 and \$52,885,652 respectively. The major changes to capital for 2016 were:

#### Governmental Activities:

- Two properties were purchased during 2016 for a total of \$144,906.
- Construction in progress at the new library totaled \$1,316,760 for 2016. The library opened in February of 2017.
- Seven police vehicles and equipment, totaling \$185,076, were added to the fleet in 2016.

#### Business-Type Activities:

- A grapple truck was purchased for the solid waste crew for a total of \$63,600.
- Improvements to the water and sewer systems for 2016 were \$151,898 and \$83,585, respectively.

At December 31, 2016, the depreciable capital assets for governmental activities were 341% depreciated. The business-type activities were 25% depreciated.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,673,398	\$ 2,528,492	\$ 2,101,972	\$ 2,101,972	\$ 4,775,370	\$ 4,630,464
Construction in progress	3,159,080	1,882,656	63,595	1,312,937	3,222,675	3,195,593
Site Improvements	5,110,529	5,207,034	18,047	19,717	5,128,576	5,226,751
Infrastructure	9,414,223	9,261,540	19,324,299	18,263,992	28,738,522	27,525,532
Buildings	3,048,212	3,253,674	30,264,715	30,878,783	33,312,927	34,132,457
Machinery and equipment	1,226,189	1,243,516	1,113,024	1,152,355	2,339,213	2,395,871
Total	<u>\$ 24,631,631</u>	<u>\$ 23,376,912</u>	<u>\$ 52,885,652</u>	<u>\$ 53,729,756</u>	<u>\$ 77,517,283</u>	<u>\$ 77,106,668</u>

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

### **Debt Administration**

At the end of the fiscal year, the City had total bonded debt outstanding of \$37,501,391. The 2016 Series bond is a revenue bond, but is backed by the ad valorem tax revenues of the General Fund.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds Payable	\$ 33,130,000	\$ 33,370,000	\$ -	\$ -	\$ 33,130,000	\$ 33,370,000
Plus: Premiums	4,371,391	4,662,917	-	-	4,371,391	4,662,917
Compensated absences	183,429	181,937	29,817	21,546	213,246	203,483
Net Pension Liability	1,226,604	570,843	279,048	154,271	1,505,652	725,114
Notes payable	-	-	174,290	194,513	174,290	194,513
Total Outstanding Debt	\$ 38,911,424	\$ 38,785,697	\$ 483,155	\$ 370,330	\$ 39,394,579	\$ 39,156,027

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, 2016

	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	\$ 6,133,876	\$ 591,780	\$ 6,725,656	\$ 11,985	\$ 56,795
Investments	205,167	2,059,118	2,264,285	1,145,434	-
Receivables (net of allowance for uncollectibles)	1,117,010	783,481	1,900,491	-	-
Taxes receivable	1,823,810	-	1,823,810	-	-
Due from component unit	50,000	-	50,000	-	-
Internal balances	685,855	(685,855)	-	-	-
Inventories	13,531	104,394	117,925	-	-
Prepaid items	176,269	39,741	216,010	-	-
Capital assets, nondepreciable	5,832,478	2,165,567	7,998,045	154,172	-
Capital assets, depreciable, net of accumulated depreciation	18,799,153	50,720,085	69,519,238	-	-
Total assets	34,837,149	55,778,311	90,615,460	1,311,591	56,795
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding	3,776,796	-	3,776,796	-	-
Pension related items	591,724	134,614	726,338	-	-
Total deferred outflows of resources	4,368,520	134,614	4,503,134	-	-
<b>LIABILITIES</b>					
Accounts payable	971,012	73,217	1,044,229	-	-
Accrued liabilities	676,876	27,164	704,040	-	-
Customer deposits payable	-	486,529	486,529	-	-
Unearned revenue	-	15,572	15,572	-	-
Noncurrent liabilities due within one year					
Compensated absences payable	183,429	24,009	207,438	-	-
Note payable	-	20,881	20,881	-	-
Bonds payable	245,000	-	245,000	-	-
Noncurrent liabilities due in more than one year					
Due to primary government	-	-	-	-	50,000
Compensated absences payable	-	5,808	5,808	-	-
Note payable	-	153,409	153,409	-	-
Bonds payable	37,256,391	-	37,256,391	-	-
Net pension liability	1,226,604	279,048	1,505,652	-	-
Total liabilities	40,559,312	1,085,637	41,644,949	-	50,000
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related items	80,904	18,405	99,309	-	-
Total deferred inflows of resources	80,904	18,405	99,309	-	-
<b>NET POSITION</b>					
Net investment in capital assets	24,631,631	52,711,362	43,618,398	154,172	-
Restricted for:					
Debt service	1,002	-	1,002	-	-
Economic development	102	-	102	1,157,419	6,795
Capital projects	1,514,350	-	1,514,350	-	-
Public safety	281,248	-	281,248	-	-
Unrestricted	(27,862,880)	2,097,521	7,959,236	-	-
Total net position	\$ (1,434,547)	\$ 54,808,883	\$ 53,374,336	\$ 1,311,591	\$ 6,795

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, 2016**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,889,057	\$ 61,807	\$ 180,384	\$ 151,070
Judicial	126,958	527,344	-	-
Public safety	4,136,348	9,331	112,944	153,434
Public works	1,911,665	1,285	1,966	513,868
Health and welfare	202,580	403,467	7,398	453,211
Culture and recreation	2,293,240	168,401	-	151,070
Housing and economic development	685,524	-	-	-
Interest on long-term debt	1,344,470	-	-	-
Total governmental activities	12,589,842	1,171,635	302,692	1,422,653
Business-type activities:				
Water and sewer	5,050,925	5,653,759	-	259,193
Solid waste	839,843	862,475	-	63,600
Total business-type activities	5,890,768	6,516,234	-	322,793
Total primary government	\$ 18,480,610	\$ 7,687,869	\$ 302,692	\$ 1,745,446
Component units:				
Villa Rica Industrial Development Authority	40,872	-	-	-
Villa Rica Downtown Development Authority	8,530	1,025	-	-
Total component units	\$ 49,402	\$ 1,025	\$ -	\$ -
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				
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	
\$ (1,495,796)	\$ -	\$ (1,495,796)	\$ -	\$ -	
400,386	-	400,386	-	-	
(3,860,639)	-	(3,860,639)	-	-	
(1,394,546)	-	(1,394,546)	-	-	
661,496	-	661,496	-	-	
(1,973,769)	-	(1,973,769)	-	-	
(685,524)	-	(685,524)	-	-	
(1,344,470)	-	(1,344,470)	-	-	
(9,692,862)	-	(9,692,862)	-	-	
-	862,027	862,027	-	-	
-	86,232	86,232	-	-	
-	948,259	948,259	-	-	
(9,692,862)	948,259	(8,744,603)	-	-	
-	-	-	(40,872)	-	
-	-	-	-	(7,505)	
-	-	-	(40,872)	(7,505)	
3,348,369	-	3,348,369	-	-	
2,328,688	-	2,328,688	-	-	
1,238,834	-	1,238,834	-	-	
130,506	-	130,506	-	-	
296,599	-	296,599	-	-	
871,052	-	871,052	-	-	
491,927	-	491,927	-	-	
9,698	2,457	12,155	14,605	113	
	(2,730)	(2,730)	-	-	
211,087	-	211,087	-	-	
963,514	(963,514)	-	-	-	
9,890,274	(963,787)	8,926,487	14,605	113	
197,412	(15,528)	181,884	(26,267)	(7,392)	
(1,631,959)	54,824,411	53,192,452	1,337,858	14,187	
\$ (1,434,547)	\$ 54,808,883	\$ 53,374,336	\$ 1,311,591	\$ 6,795	

**CITY OF VILLA RICA, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	General	Villa Rica Public Facilities Authority Fund	2015 SPLOST Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,872,640	\$ 2	\$ 27,382	\$ 1,233,852	\$ 6,133,876
Investments	-	-	-	205,167	205,167
Receivables (net of allowance for uncollectibles)	382,737	-	722,592	11,681	1,117,010
Taxes receivable, net	1,823,810	-	-	-	1,823,810
Due from component unit	50,000	-	-	-	50,000
Due from other funds	426,375	-	-	30,826	457,201
Inventories	13,531	-	-	-	13,531
Prepaid items	176,269	-	-	-	176,269
Advances from other funds	398,842	-	-	-	398,842
Total assets	<u>\$ 8,144,204</u>	<u>\$ 2</u>	<u>\$ 749,974</u>	<u>\$ 1,481,526</u>	<u>\$ 10,375,706</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 925,775	\$ -	\$ -	\$ 45,237	\$ 971,012
Accrued liabilities	189,013	-	-	-	189,013
Due to other funds	4,324	-	26,570	19,780	50,674
Advances to other funds	-	-	-	119,514	119,514
Total liabilities	<u>1,119,112</u>	<u>-</u>	<u>26,570</u>	<u>184,531</u>	<u>1,330,213</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	164,949	-	-	-	164,949
Unavailable revenue - grants	1,000	-	-	-	1,000
Total deferred inflows of resources	<u>165,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,949</u>
<b>FUND BALANCES</b>					
Fund balances:					
Nonspendable:					
Prepays	176,269	-	-	-	176,269
Inventories	13,531	-	-	-	13,531
Advances to other funds	398,842	-	-	-	398,842
Restricted:					
Public safety	-	-	-	281,248	281,248
Capital projects	-	-	723,404	790,946	1,514,350
Economic development	-	2	-	100	102
Debt service	-	-	-	1,002	1,002
Committed for promissory note - DDA	450,000	-	-	24,472	474,472
Assigned:					
Rise N Shine	483	-	-	-	483
Revolving loan for authorities	500,000	-	-	-	500,000
Capital projects	-	-	-	199,227	199,227
Use of fund balance 2017 budget	100,000	-	-	-	100,000
Unassigned	5,220,018	-	-	-	5,220,018
Total fund balances	<u>6,859,143</u>	<u>2</u>	<u>723,404</u>	<u>1,296,995</u>	<u>8,879,544</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,144,204</u>	<u>\$ 2</u>	<u>\$ 749,974</u>	<u>\$ 1,481,526</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.					24,631,631
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.					165,949
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					(34,395,887)
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.					(715,784)
Net position of governmental activities					<u>\$ (1,434,547)</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, 2016**

	General	Villa Rica Public Facilities Authority Fund	2015 SPLOST Fund	Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 8,579,734	\$ -	\$ -	\$ 130,506	\$ 8,710,240
Licenses and permits	229,187	-	-	-	229,187
Intergovernmental	288,570	-	1,208,559	213,677	1,710,806
Fines and forfeitures	359,260	-	-	594	359,854
Charges for services	581,309	-	-	1,285	582,594
Investment earnings	9,024	8	-	1,083	10,115
Contributions	37,323	-	-	-	37,323
Miscellaneous	210,884	-	-	203	211,087
Total revenues	10,295,291	8	1,208,559	347,348	11,851,206
<b>Expenditures:</b>					
Current:					
General government	1,773,837	-	-	31	1,773,868
Judicial	125,679	-	-	-	125,679
Public safety	3,771,067	-	-	116,048	3,887,115
Public works	1,351,303	-	-	23,917	1,375,220
Health and welfare	200,007	-	-	-	200,007
Culture and recreation	1,910,875	-	-	3,225	1,914,100
Economic development	555,016	-	-	124,209	679,225
Capital outlay	-	-	1,205,501	1,212,413	2,417,914
Debt service:					
Principal	-	240,000	-	-	240,000
Interest and fiscal charges	-	1,473,388	-	-	1,473,388
Total expenditures	9,687,784	1,713,388	1,205,501	1,479,843	14,086,516
Excess (deficiency) of revenues over expenditures	607,507	(1,713,380)	3,058	(1,132,495)	(2,235,310)
<b>Other financing sources (uses):</b>					
Transfers in	1,302,591	1,713,380	-	797,529	3,813,500
Transfers out	(2,218,415)	-	-	(631,571)	(2,849,986)
Total other financing sources (uses)	(915,824)	1,713,380	-	165,958	963,514
Net change in fund balances	(308,317)	-	3,058	(966,537)	(1,271,796)
<b>Fund balances, beginning of year</b>	7,167,460	2	720,346	2,263,532	10,151,340
<b>Fund balances, end of year</b>	\$ 6,859,143	\$ 2	\$ 723,404	\$ 1,296,995	\$ 8,879,544

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, 2016

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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	\$ (1,271,796)
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.	1,263,812
The effect of various miscellaneous transactions involving capital assets (i.e., disposal and sales) is to decrease net position.	(9,093)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(27,466)
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.	240,000
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>1,955</u>
Change in net position - governmental activities	<u>\$ 197,412</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 8,802,165	\$ 8,802,165	\$ 8,579,734	\$ (222,431)
Licenses and permits	248,150	248,150	229,187	(18,963)
Intergovernmental	642,947	642,947	288,570	(354,377)
Fines and forfeitures	720,000	720,000	359,260	(360,740)
Charges for services	529,300	529,300	581,309	52,009
Investment earnings	13,000	13,000	9,024	(3,976)
Contributions	38,500	38,500	37,323	(1,177)
Miscellaneous	134,539	134,539	210,884	76,345
Total revenues	<u>11,128,601</u>	<u>11,128,601</u>	<u>10,295,291</u>	<u>(833,310)</u>
<b>Expenditures:</b>				
Current:				
General government:				
General administration	450,055	450,055	438,324	11,731
City manager	279,437	279,437	263,675	15,762
Elections	6,000	6,000	5,605	395
Finance	348,630	348,630	345,678	2,952
Legal	120,000	120,000	96,284	23,716
IT	102,200	102,200	84,363	17,837
Human resources	145,894	145,894	138,386	7,508
Customer service	410,758	410,758	401,522	9,236
Total general government	<u>1,862,974</u>	<u>1,862,974</u>	<u>1,773,837</u>	<u>89,137</u>
Judicial	249,123	249,123	125,679	123,444
Public safety:				
Police department	3,817,638	3,817,638	3,744,957	72,681
Custody of prisoners	35,000	35,000	26,110	8,890
Total public safety	<u>3,852,638</u>	<u>3,852,638</u>	<u>3,771,067</u>	<u>81,571</u>
Public works:				
Public works department	814,191	814,191	773,651	40,540
Watershed management department	212,545	212,545	163,867	48,678
Garage	221,373	221,373	215,247	6,126
Administrative community services	198,650	198,650	198,538	112
Total public works	<u>1,446,759</u>	<u>1,446,759</u>	<u>1,351,303</u>	<u>95,456</u>
Health and welfare	211,384	211,384	200,007	11,377
Culture and recreation:				
Recreation	1,447,875	1,447,875	1,278,574	169,301
Mountain gold museum	300,973	300,973	282,848	18,125
Library	419,293	419,293	349,453	69,840
Total health and welfare	<u>2,168,141</u>	<u>2,168,141</u>	<u>1,910,875</u>	<u>257,266</u>
Housing and economic development:				
Protective inspection	86,980	86,980	73,591	13,389
Planning and zoning	251,911	251,911	230,635	21,276
Code enforcement	66,622	66,622	53,162	13,460
Economic development	56,000	56,000	50,284	5,716
Main street	148,176	148,176	147,344	832
Total housing and economic development	<u>609,689</u>	<u>609,689</u>	<u>555,016</u>	<u>54,673</u>
Total expenditures	<u>10,400,708</u>	<u>10,400,708</u>	<u>9,687,784</u>	<u>712,924</u>
Excess of revenues over expenditures	727,893	727,893	607,507	(120,386)
<b>Other financing sources (uses):</b>				
Transfers in	417,762	417,762	1,302,591	884,829
Transfers out	(2,052,633)	(2,052,633)	(2,218,415)	(165,782)
Total other financing sources (uses)	<u>(1,634,871)</u>	<u>(1,634,871)</u>	<u>(915,824)</u>	<u>719,047</u>
Net change in fund balances	(906,978)	(906,978)	(308,317)	598,661
<b>Fund balance, beginning</b>	<u>7,167,460</u>	<u>7,167,460</u>	<u>7,167,460</u>	<u>-</u>
<b>Fund balance, ending</b>	<u>\$ 6,260,482</u>	<u>\$ 6,260,482</u>	<u>\$ 6,859,143</u>	<u>\$ 598,661</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, 2016

	Water and Sewer	Solid Waste	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 556,154	\$ 35,626	\$ 591,780
Investments	2,059,118	-	2,059,118
Receivables (net of allowance for uncollectibles)	668,403	115,078	783,481
Inventory	104,394	-	104,394
Prepaid items	33,229	6,512	39,741
Total current assets	3,421,298	157,216	3,578,514
Noncurrent assets:			
Capital assets:			
Capital assets, not being depreciated	2,165,567	-	2,165,567
Capital assets, being depreciated	67,757,389	187,391	67,944,780
Less accumulated depreciation	(17,099,939)	(124,756)	(17,224,695)
Total noncurrent assets	52,823,017	62,635	52,885,652
Total assets	56,244,315	219,851	56,464,166
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	118,660	15,954	134,614
Total deferred outflows of resources	118,660	15,954	134,614
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	23,332	49,885	73,217
Accrued expenses	24,085	3,079	27,164
Customer deposits payable	486,529	-	486,529
Compensated absences, current	22,991	1,018	24,009
Due to other funds	406,527	-	406,527
Unearned revenues	15,572	-	15,572
Notes payable, due within one year	20,881	-	20,881
Total current liabilities	999,917	53,982	1,053,899
Long-term liabilities:			
Compensated absences, long term	5,808	-	5,808
Advances from other funds	-	279,328	279,328
Notes payable, long term	153,409	-	153,409
Net pension liability	245,975	33,073	279,048
Total long-term liabilities	405,192	312,401	717,593
Total liabilities	1,405,109	366,383	1,771,492
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	16,224	2,181	18,405
Total deferred inflows of resources	16,224	2,181	18,405
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	52,648,727	62,635	52,711,362
Unrestricted	2,292,915	(195,394)	2,097,521
Total net position (deficit)	\$ 54,941,642	\$ (132,759)	\$ 54,808,883

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, 2016**

	Water and Sewer	Solid Waste	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,448,346	\$ 859,716	\$ 6,308,062
Other fees	197,073	-	197,073
Miscellaneous	8,340	2,759	11,099
Total operating revenues	<u>5,653,759</u>	<u>862,475</u>	<u>6,516,234</u>
<b>OPERATING EXPENSES</b>			
Personnel services and benefits	1,150,661	144,407	1,295,068
Purchased contract services	994,576	671,281	1,665,857
Supplies and maintenance	1,421,310	19,488	1,440,798
Depreciation	1,471,190	4,667	1,475,857
Total operating expenses	<u>5,037,737</u>	<u>839,843</u>	<u>5,877,580</u>
Operating income	616,022	22,632	638,654
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	2,457	-	2,457
Loss on disposal of assets	(2,730)	-	(2,730)
Interest expense	(13,188)	-	(13,188)
Total nonoperating revenues (expenses)	<u>(13,461)</u>	<u>-</u>	<u>(13,461)</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	602,561	22,632	625,193
Capital contributions	259,193	63,600	322,793
Transfers in	574,000	-	574,000
Transfers out	<u>(1,427,984)</u>	<u>(109,530)</u>	<u>(1,537,514)</u>
Change in net position	7,770	(23,298)	(15,528)
<b>NET POSITION (DEFICIT), beginning of year</b>	<u>54,933,872</u>	<u>(109,461)</u>	<u>54,824,411</u>
<b>NET POSITION (DEFICIT), end of year</b>	<u><u>\$ 54,941,642</u></u>	<u><u>\$ (132,759)</u></u>	<u><u>\$ 54,808,883</u></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, 2016**

	Water and Sewer	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 5,649,372	\$ 853,901	\$ 6,503,273
Payments to suppliers and service providers	(2,771,033)	(567,329)	(3,338,362)
Payments to employees	(1,141,504)	(141,987)	(1,283,491)
Net cash provided by operating activities	1,736,835	144,585	1,881,420
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(309,257)	-	(309,257)
Payments on long-term liabilities	(20,223)	-	(20,223)
Interest and fiscal charges paid	(13,188)	-	(13,188)
Net cash used in capital and related financing activities	(342,668)	-	(342,668)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	574,000	-	574,000
Transfers out	(1,427,984)	(109,530)	(1,537,514)
Net cash used in noncapital financing activities	(853,984)	(109,530)	(963,514)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(1,031)	-	(1,031)
Interest earnings	2,457	-	2,457
Net cash provided by investing activities	1,426	-	1,426
Increase in cash	541,609	35,055	576,664
<b>Cash:</b>			
Beginning of year	14,545	571	15,116
End of year	\$ 556,154	\$ 35,626	\$ 591,780
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 616,022	\$ 22,632	\$ 638,654
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,471,190	4,667	1,475,857
Increase in accounts receivable	(42,647)	(8,574)	(51,221)
Increase in inventories	(6,785)	-	(6,785)
Decrease in prepaid expenses	(30,061)	(6,183)	(36,244)
Decrease in pension related deferred outflows of resources	(84,347)	(12,120)	(96,467)
Increase (decrease) in accounts payable	(9,424)	48,973	39,549
Increase in accrued expenses	6,789	1,498	8,287
Decrease in due to other funds	(315,666)	-	(315,666)
Increase in customer deposits payable	38,260	-	38,260
Decrease in pension related deferred inflows of resources	(22,822)	(2,182)	(25,004)
Increase (decrease) in compensated absences	9,117	(846)	8,271
Increase in advances from other funds	-	79,152	79,152
Increase in net pension liability	107,209	17,568	124,777
Net cash provided by operating activities	\$ 1,736,835	\$ 144,585	\$ 1,881,420
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Donated capital assets	\$ 259,193	\$ 63,600	\$ 322,793

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

**CITY OF VILLA RICA, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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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 council - manager 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.

#### 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 **2015 SPLOST Fund** accounts for the sales tax proceeds received by the City and the related project expenditures associated with the approved referendum.

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 Urban Development Action Grant Fund, Hotel/Motel Tax Fund, and the Debt Service 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)

#### 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.

The City's only investments are certificates of deposit which are considered nonparticipating interest earning investment contracts. These items are recorded at cost.

Increases or decrease in fair value during the year are recognized as a component of interest income.

#### 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 acquisition 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 one item that qualifies for reporting in this category. That 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 \$34,395,987 difference are as follows:

Bonds payable	\$ (33,130,000)
Unamortized premiums	(4,371,491)
Unamortized deferred charges	3,776,796
Accrued interest	(487,863)
Compensated absences	<u>(183,429)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (34,395,987)</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 \$715,784 difference are as follows:

Net pension liability	\$ (1,226,604)
Deferred outflows of resources:	
Pension plan contributions subsequent to the measurement date	152,840
Net difference between projected and actual investment earnings	198,960
Pension plan experience differences	154,841
Pension plan assumption changes	<u>4,179</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (715,784)</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 \$1,263,812 difference are as follows:

Capital outlay	\$ 2,196,234
Depreciation expense	<u>(932,422)</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><u>\$ 1,263,812</u></u>

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 \$1,955 difference are as follows:

Compensated absences	\$ 1,492
Amortization	(127,318)
Accrued interest	(1,600)
Pension expense	<u>125,471</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u><u>\$ (1,955)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### **Deficit Fund Equity**

The Solid Waste Fund had a deficit net position at December 31, 2016. The City is currently undergoing a rate study and the fund deficit will be reduced through anticipated increased revenues.

#### **Expenditures in Excess of Appropriations**

The Public Facilities Authority Fund had expenditures in excess of appropriation in the amount of \$34,834. These excesses were funded with additional transfers.

### NOTE 4. DEPOSITS AND INVESTMENTS

**Credit risk.** State statutes authorize the City to invest in U.S. Government obligations; U.S. Government agency (or other corporation of the U.S. Government) obligations; obligations fully insured or guaranteed by the U.S. Government or a U.S. Government agency; obligations of the State of Georgia or other states; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America; prime bankers' acceptances; repurchase agreements; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

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

## NOTES TO FINANCIAL STATEMENTS

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

**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, 2016, all of the City's and component unit bank balances were insured and collateralized as defined by GASB and state statutes.

**Investments:** As of December 31, 2016, the City had \$2,264,285 of investments, all of which were held in certificates of deposit at a local financial institution as follows:

Description	Term	Maturity Date	Balance
Certificate of deposit	One (1) year	7/22/2017	\$ 205,167
Certificate of deposit	One (1) year	5/7/2017	2,059,118
Total Investments			<u>\$ 2,264,285</u>

As of December 31, 2016, the Villa Rica Industrial Development Authority had \$1,145,434 of investments, all of which were held in certificates of deposit at a local financial institution as follows:

Description	Term	Maturity Date	Balance
Certificate of deposit	One (1) year	3/17/2017	\$ 152,650
Certificate of deposit	One (1) year	12/2/2017	253,660
Certificate of deposit	Two (2) year	12/7/2017	255,979
Certificate of deposit	Three (3) year	4/15/2018	253,377
Certificate of deposit	Five (5) year	12/2/2020	229,768
Total Investments			<u>\$ 1,145,434</u>

These certificates of deposit are nonparticipating interest-earning investment contracts and, accordingly, are recorded at cost.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. RECEIVABLES

#### A. Primary Government

Receivables at December 31, 2016, for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>2015 SPLOST Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Nonmajor Governmental Funds</u>
Receivables:					
Taxes	\$ 1,868,438	\$ -	\$ -	\$ -	\$ -
Other governments	-	722,592	-	-	11,681
Accounts	1,045,931	-	744,700	193,649	-
Gross receivables	2,914,369	722,592	744,700	193,649	11,681
Less allowance for uncollectibles	(707,823)	-	(53,581)	(87,145)	-
Net receivables	<u>\$ 2,206,546</u>	<u>\$ 722,592</u>	<u>\$ 691,119</u>	<u>\$ 106,504</u>	<u>\$ 11,681</u>

Property taxes for the 2016 fiscal year were levied in September 2016, with property values assessed as of January 1, 2016. Bills are payable on or before November 15, 2016, 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.

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### A. Primary Government

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 2,528,492	\$ 144,906	\$ -	\$ -	\$ 2,673,398
Construction in progress	1,882,656	1,402,285	-	(125,861)	3,159,080
Total capital assets, not being depreciated	4,411,148	1,547,191	-	(125,861)	5,832,478
Capital assets, being depreciated:					
Site improvements	7,108,140	86,882	-	12,880	7,207,902
Buildings and improvements	7,527,974	32,322	-	-	7,560,296
Machinery and equipment	5,029,131	252,117	(270,538)	-	5,010,710
Infrastructure	11,441,914	277,722	-	112,981	11,832,617
Total capital assets, being depreciated	31,107,159	649,043	(270,538)	125,861	31,611,525
Less accumulated depreciation for:					
Site improvements	(1,901,106)	(196,267)	-	-	(2,097,373)
Buildings and improvements	(4,274,300)	(237,784)	-	-	(4,512,084)
Machinery and equipment	(3,785,615)	(260,351)	261,445	-	(3,784,521)
Infrastructure	(2,180,374)	(238,020)	-	-	(2,418,394)
Total accumulated depreciation	(12,141,395)	(932,422)	261,445	-	(12,812,372)
Total capital assets, being depreciated, net	18,965,764	(283,379)	(9,093)	125,861	18,799,153
Governmental activities capital assets, net	\$ 23,376,912	\$ 1,263,812	\$ (9,093)	\$ -	\$ 24,631,631

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### A. Primary Government (Continued)

	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	1,312,937	-	-	(1,249,342)	63,595
Total capital assets, not being depreciated	3,414,909	-	-	(1,249,342)	2,165,567
Capital assets, being depreciated:					
Site improvements	34,598	-	-	-	34,598
Infrastructure	28,965,159	431,395	-	1,229,991	30,626,545
Buildings	33,378,650	50,832	-	19,351	33,448,833
Equipment	3,689,373	152,256	(6,825)	-	3,834,804
Total capital assets, being depreciated	66,067,780	634,483	(6,825)	1,249,342	67,944,780
Less accumulated depreciation for:					
Site improvements	(14,881)	(1,670)	-	-	(16,551)
Infrastructure	(10,701,167)	(601,079)	-	-	(11,302,246)
Buildings	(2,499,867)	(684,251)	-	-	(3,184,118)
Equipment	(2,537,018)	(188,857)	4,095	-	(2,721,780)
Total accumulated depreciation	(15,752,933)	(1,475,857)	4,095	-	(17,224,695)
Total capital assets, being depreciated, net	50,314,847	(841,374)	(2,730)	1,249,342	50,720,085
Business-type activities capital assets, net	\$ 53,729,756	\$ (841,374)	\$ (2,730)	\$ -	\$ 52,885,652



## 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	\$ 89,642
Public safety	142,217
Public works	344,226
Culture and recreation	356,337
Total depreciation expense - governmental activities	<u>\$ 932,422</u>

Business-type activities:

Water and Sewer Fund	\$ 1,471,190
Solid Waste Fund	4,667
Total depreciation expense - business-type activities	<u>\$ 1,475,857</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, 2016, 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	\$ 406,527
General Fund	2015 SPLOST Fund	68
General Fund	Nonmajor Governmental Funds	19,780
		<u>\$ 426,375</u>
Nonmajor Governmental Funds	General Fund	\$ 4,324
Nonmajor Governmental Funds	2015 SPLOST Fund	26,502
		<u>\$ 30,826</u>

This balance resulted from (1) the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, (2) the 2015 SPLOST Fund's reimbursement to SPLOST for a purchase made during the year.

Advances to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 279,328
General Fund	Nonmajor Governmental Funds	119,514
		<u>\$ 398,842</u>

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended December 31, 2016 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 574,990
General Fund	Solid Waste Fund	98,530
General Fund	Nonmajor Governmental Funds	629,071
		<u>\$ 1,302,591</u>
Water and Sewer Fund	Solid Waste Fund	\$ 11,000
Water and Sewer Fund	General Fund	563,000
		<u>\$ 574,000</u>
Villa Rica Public Fac. Auth.	Nonmajor Governmental Funds	\$ 2,500
Villa Rica Public Fac. Auth.	General Fund	857,886
Villa Rica Public Fac. Auth.	Water and Sewer Fund	852,994
		<u>\$ 1,713,380</u>
Nonmajor Governmental Funds	General Fund	<u>\$ 797,529</u>

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.

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT

#### Primary Government

The following is a summary of long-term debt activity for the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable	\$ 33,370,000	\$ -	\$ (240,000)	\$ 33,130,000	\$ 245,000
Plus: Premiums	4,662,917	-	(291,526)	4,371,391	-
Total bonds payable	38,032,917	-	(531,526)	37,501,391	245,000
Compensated absences	181,937	140,506	(139,014)	183,429	183,429
Net pension liability	570,843	854,177	(198,416)	1,226,604	-
Governmental activities long-term liabilities	<u>\$ 38,785,697</u>	<u>\$ 994,683</u>	<u>\$ (868,956)</u>	<u>\$ 38,911,424</u>	<u>\$ 428,429</u>
<b>Business-type Activities:</b>					
Note payable	\$ 194,513	\$ -	\$ (20,223)	\$ 174,290	\$ 20,881
Compensated absences	21,546	27,821	(19,550)	29,817	24,009
Net pension liability	154,271	169,916	(45,139)	279,048	-
Business-type activities long-term liabilities	<u>\$ 370,330</u>	<u>\$ 197,737</u>	<u>\$ (84,912)</u>	<u>\$ 483,155</u>	<u>\$ 44,890</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)

#### 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)

#### 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
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	855,000	1,408,513	2,263,513
2022-2026	4,865,000	6,474,263	11,339,263
2027-2031	7,680,000	4,995,188	12,675,188
2032-2036	10,660,000	2,831,725	13,491,725
2037-2039	7,580,000	476,869	8,056,869
Total	<u>\$ 33,130,000</u>	<u>\$ 21,982,285</u>	<u>\$ 55,112,285</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
2017	\$ 20,881	\$ 5,030	\$ 25,911
2018	21,562	4,349	25,911
2019	17,415	3,717	21,132
2020	17,944	3,188	21,132
2021	18,490	2,642	21,132
2022-2025	77,998	4,756	82,754
Total	<u>\$ 174,290</u>	<u>\$ 23,682</u>	<u>\$ 197,972</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 \$14 for each year of service after reaching normal retirement age.

*Plan Membership.* At July 1, 2016, the date of the most recent actuarial valuation, there were 222 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	57
Terminated vested participants not yet receiving benefits	47
Active employees - vested	112
Active employees - nonvested	6
Total	<u>222</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 2016, the actuarially determined contribution rate was 6.18% of covered payroll. The City makes all contributions to the plan. For 2016, the City's contribution to the Plan was \$245,098.

#### **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, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2016.

*Actuarial assumptions.* The total pension liability in the July 1, 2015 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, 2015 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, 2015 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, 2016 are summarized in the table below:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return*</b>
Domestic equity	45%	6.75%
International equity	20%	7.45
Fixed income	25%	5.05
Real estate	10%	4.55
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, 2016 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/15</b>	\$ 5,740,875	\$ 5,015,761	\$ 725,114
<b>Changes for the year:</b>			
Service cost	213,374	-	213,374
Interest	433,897	-	433,897
Differences between expected and actual experience	361,719	-	361,719
Assumption Changes	-	-	-
Contributions—employer	-	229,947	(229,947)
Net investment income	-	13,608	(13,608)
Benefit payments, including refunds of employee contributions	(284,415)	(284,415)	-
Administrative expense	-	(15,103)	15,103
Other changes	-	-	-
<b>Net changes</b>	724,575	(55,963)	780,538
<b>Balances at 12/31/16</b>	\$ 6,465,450	\$ 4,959,798	\$ 1,505,652

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	\$ 2,403,407	\$ 1,505,652	\$ 763,819

## 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, 2016 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, 2016, the City recognized pension expense of \$373,875. At December 31, 2016, 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	\$ 289,376	\$ 99,309
Changes in assumptions	5,130	-
Net difference between projected and actual earnings on pension plan investments	244,221	-
City contributions subsequent to the measurement date	<u>187,611</u>	<u>-</u>
Total	<u>\$ 726,338</u>	<u>\$ 99,309</u>

City contributions subsequent to the measurement date of \$187,611 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, 2017. 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:

2017	\$ (97,530)
2018	(97,530)
2019	(97,530)
2020	<u>(146,828)</u>
Total	<u>\$ (439,418)</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, 2016, there were 34 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 34 employees. Total employer and employee contributions for the year ended December 31, 2016 were \$35,089 and \$74,512 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, 2016, the City collected \$130,506 in revenues. The current year expenditures of \$124,209 or 95% 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

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### **NOTE 15. TAX ABATEMENTS**

For the year ended December 31, 2016, City property tax revenues were reduced by \$123,266 and \$132,046 under agreements entered into by Carroll County and Douglas County. Under the agreements, taxes on both real property and personal property are reduced based on investments made by the corporation to whom the incentives were offered as long as the corporation meets certain investment targets.

## **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

	2016	2015
<b>Total pension liability</b>		
Service cost	\$ 213,374	\$ 137,078
Interest on total pension liability	433,897	423,997
Differences between expected and actual experience	361,719	(165,517)
Changes of assumptions	-	8,549
Benefit payments, including refunds of employee contributions	(284,415)	(268,317)
<b>Net change in total pension liability</b>	724,575	135,790
<b>Total pension liability - beginning</b>	5,740,875	5,605,085
<b>Total pension liability - ending (a)</b>	<u>\$ 6,465,450</u>	<u>\$ 5,740,875</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 229,947	\$ 250,587
Net investment income	13,608	445,016
Benefit payments, including refunds of member contributions	(284,415)	(268,317)
Administrative expenses	(15,103)	(14,685)
<b>Net change in plan fiduciary net position</b>	(55,963)	412,601
<b>Plan fiduciary net position - beginning</b>	5,015,761	4,603,160
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 4,959,798</u>	<u>\$ 5,015,761</u>
<b>City's net pension liability - ending (a) - (b)</b>	<u>\$ 1,505,652</u>	<u>\$ 725,114</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	76.71%	87.37%
<b>Covered-employee payroll</b>	\$ 4,525,595	\$ 3,966,501
<b>City's net pension liability as a percentage of covered-employee payroll</b>	33.27%	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>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 250,148	\$ 225,696
Contributions in relation to the actuarially determined contribution	<u>245,098</u>	<u>235,107</u>
Contribution deficiency (excess)	<u>\$ 5,050</u>	<u>\$ (9,411)</u>
Covered-employee payroll	\$ 3,966,501	\$ 3,093,925
Contributions as a percentage of covered-employee payroll	6.18%	7.60%

**Notes to the Schedule:**

(1) Actuarial Assumptions:

Valuation Date	July 1, 2015
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	0.00%
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.

**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.

**Public Roads Fund** – to account for capital projects which are funded through State grants that are used specifically for road resurfacing.

### **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, 2016**

	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	\$ -	\$ 31,573	\$ 148,161	\$ 100	\$ 42,234	\$ -
Investments	-	205,167	-	-	-	-
Receivables, net of allowance for uncollectibles	-	21	594	-	-	11,062
Due from other funds	-	-	4,324	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 236,761</u>	<u>\$ 153,079</u>	<u>\$ 100</u>	<u>\$ 42,234</u>	<u>\$ 11,062</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 31,312	\$ -	\$ -	\$ 4,425
Due to other funds	-	-	-	-	-	6,637
Advances to other funds	-	119,514	-	-	-	-
Total liabilities	<u>-</u>	<u>119,514</u>	<u>31,312</u>	<u>-</u>	<u>-</u>	<u>11,062</u>
<b>FUND BALANCES</b>						
<b>FUND BALANCES</b>						
Restricted:						
Public safety	-	117,247	121,767	-	42,234	-
Capital projects	-	-	-	-	-	-
Economic development	-	-	-	100	-	-
Debt service	-	-	-	-	-	-
Committed for cemetery improvement	-	-	-	-	-	-
Assigned:						
Capital projects	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>117,247</u>	<u>121,767</u>	<u>100</u>	<u>42,234</u>	<u>-</u>
Total fund balances and liabilities	<u>\$ -</u>	<u>\$ 236,761</u>	<u>\$ 153,079</u>	<u>\$ 100</u>	<u>\$ 42,234</u>	<u>\$ 11,062</u>

Special Revenue Funds		Capital Projects Funds			Debt Service Fund	
Cemetery Fund	Capital Projects Fund	Public Roads Fund	SPLOST Fund	Debt Service Fund	Total Nonmajor Governmental Funds	
\$ 37,615	\$ -	\$ 230,088	\$ 743,083	\$ 998	\$ 1,233,852	
-	-	-	-	-	205,167	
-	-	-	-	4	11,681	
-	-	-	26,502	-	30,826	
<u>\$ 37,615</u>	<u>\$ -</u>	<u>\$ 230,088</u>	<u>\$ 769,585</u>	<u>\$ 1,002</u>	<u>\$ 1,481,526</u>	
\$ -	\$ -	\$ -	\$ 9,500	\$ -	\$ 45,237	
13,143	-	-	-	-	19,780	
-	-	-	-	-	119,514	
<u>13,143</u>	<u>-</u>	<u>-</u>	<u>9,500</u>	<u>-</u>	<u>184,531</u>	
-	-	-	-	-	281,248	
-	-	30,861	760,085	-	790,946	
-	-	-	-	-	100	
-	-	-	-	1,002	1,002	
24,472	-	-	-	-	24,472	
-	-	199,227	-	-	199,227	
<u>24,472</u>	<u>-</u>	<u>230,088</u>	<u>760,085</u>	<u>1,002</u>	<u>1,296,995</u>	
<u>\$ 37,615</u>	<u>\$ -</u>	<u>\$ 230,088</u>	<u>\$ 769,585</u>	<u>\$ 1,002</u>	<u>\$ 1,481,526</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, 2016**

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,506
Intergovernmental	-	-	-	-	2,364	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	594	-	-	-
Investment earnings	51	150	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	51	150	594	-	2,364	130,506
<b>Expenditures:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	98,761	17,287	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Economic development	-	-	-	-	-	124,209
Capital outlay	-	-	-	-	-	-
Total expenditures	-	98,761	17,287	-	-	124,209
Excess (deficiency) of revenues over expenditures	51	(98,611)	(16,693)	-	2,364	6,297
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(550,768)	-	-	-	-	(78,303)
Total other financing sources (uses):	(550,768)	-	-	-	-	(78,303)
Net change in fund balances	(550,717)	(98,611)	(16,693)	-	2,364	(72,006)
<b>Fund balances, beginning of year</b>	550,717	215,858	138,460	100	39,870	72,006
<b>Fund balances, end of year</b>	\$ -	\$ 117,247	\$ 121,767	\$ 100	\$ 42,234	\$ -

Special Revenue Funds		Capital Projects Funds			Debt Service Fund	
Cemetery Fund	Capital Projects Fund	Public Roads Fund	SPLOST Fund	Debt Service Fund	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,506	
-	-	211,313	-	-	213,677	
1,285	-	-	-	-	1,285	
-	-	-	-	-	594	
77	388	-	417	-	1,083	
-	203	-	-	-	203	
1,362	591	211,313	417	-	347,348	
-	-	-	31	-	31	
-	-	-	-	-	116,048	
14,417	-	-	9,500	-	23,917	
-	-	-	3,225	-	3,225	
-	-	-	-	-	124,209	
-	598,893	180,452	433,068	-	1,212,413	
14,417	598,893	180,452	445,824	-	1,479,843	
(13,055)	(598,302)	30,861	(445,407)	-	(1,132,495)	
-	598,302	199,227	-	-	797,529	
-	-	-	-	(2,500)	(631,571)	
-	598,302	199,227	-	(2,500)	165,958	
(13,055)	-	230,088	(445,407)	(2,500)	(966,537)	
37,527	-	-	1,205,492	3,502	2,263,532	
\$ 24,472	\$ -	\$ 230,088	\$ 760,085	\$ 1,002	\$ 1,296,995	

**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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 51	\$ 51
Total revenues	-	-	51	51
Excess of revenues over expenditures	-	-	51	51
<b>Other financing uses:</b>				
Transfers out	(550,953)	(550,953)	(550,768)	185
Total other financing uses	(550,953)	(550,953)	(550,768)	185
Net change in fund balances	(550,953)	(550,953)	(550,717)	236
<b>Fund balance, beginning of year</b>	550,717	550,717	550,717	-
<b>Fund balance, end of year</b>	<u>\$ (236)</u>	<u>\$ (236)</u>	<u>\$ -</u>	<u>\$ 236</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, 2016**

	<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	150	120
Total revenues	5,030	5,030	150	(4,880)
<b>Expenditures:</b>				
Current:				
Public safety	108,603	108,603	98,761	9,842
Total expenditures	108,603	108,603	98,761	9,842
Net change in fund balance	(103,573)	(103,573)	(98,611)	4,962
<b>Fund balance, beginning of year</b>	215,858	215,858	215,858	-
<b>Fund balance, end of year</b>	\$ 112,285	\$ 112,285	\$ 117,247	\$ 4,962



**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, 2016**

	<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	\$ 594	\$ (906)
Investment earnings	30	30	-	(30)
Total revenues	1,530	1,530	594	(936)
<b>Expenditures:</b>				
Current:				
Public safety	17,330	17,330	17,287	43
Total expenditures	17,330	17,330	17,287	43
Net change in fund balance	(15,800)	(15,800)	(16,693)	(893)
<b>Fund balance, beginning of year</b>	138,460	138,460	138,460	-
<b>Fund balance, end of year</b>	\$ 122,660	\$ 122,660	\$ 121,767	\$ (893)

**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, 2016**

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 11,000	\$ 11,000	\$ 2,364	\$ (8,636)
Total revenues	11,000	11,000	2,364	(8,636)
<b>Expenditures:</b>				
Current:				
Public safety	11,000	11,000	-	11,000
Total expenditures	11,000	11,000	-	11,000
Net change in fund balance	-	-	2,364	2,364
<b>Fund balance, beginning of year</b>	39,870	39,870	39,870	-
<b>Fund balance, end of year</b>	<u>\$ 39,870</u>	<u>\$ 39,870</u>	<u>\$ 42,234</u>	<u>\$ 2,364</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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 130,700	\$ 130,700	\$ 130,506	\$ (194)
Total revenues	130,700	130,700	130,506	(194)
<b>Expenditures:</b>				
Economic development	124,310	124,310	124,209	101
Total expenditures	124,310	124,310	124,209	101
Excess of revenues over expenditures	6,390	6,390	6,297	(93)
<b>Other financing uses:</b>				
Transfers out	(78,400)	(78,400)	(78,303)	97
Total other financing uses	(78,400)	(78,400)	(78,303)	97
Net change in fund balance	(72,010)	(72,010)	(72,006)	4
<b>Fund balance, beginning of year</b>	72,006	72,006	72,006	-
<b>Fund balance, end of year</b>	<u>\$ (4)</u>	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ 4</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, 2016**

	<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	\$ 1,285	\$ (715)
Investment earnings	125	125	77	(48)
Total revenues	<u>2,125</u>	<u>2,125</u>	<u>1,362</u>	<u>(763)</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>30,500</u>	<u>30,500</u>	<u>14,417</u>	<u>16,083</u>
Total expenditures	<u>30,500</u>	<u>30,500</u>	<u>14,417</u>	<u>16,083</u>
Net change in fund balance	(28,375)	(28,375)	(13,055)	15,320
Fund balance, beginning of year	<u>37,527</u>	<u>37,527</u>	<u>37,527</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,152</u>	<u>\$ 9,152</u>	<u>\$ 24,472</u>	<u>\$ 15,320</u>

**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, 2016**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 8	\$ 8
Total revenues	-	-	8	8
<b>Expenditures:</b>				
Debt service:				
Principal	240,000	240,000	240,000	-
Interest and fiscal charges	1,438,554	1,438,554	1,473,388	(34,834)
Total expenditures	1,678,554	1,678,554	1,713,388	(34,834)
Deficiency of revenues over expenditures	(1,678,554)	(1,678,554)	(1,713,380)	34,842
<b>Other financing sources:</b>				
Transfers in	1,678,554	1,678,554	1,713,380	34,826
Total other financing sources	1,678,554	1,678,554	1,713,380	34,826
Net change in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	2	2	2	-
<b>Fund balance, end of year</b>	\$ 2	\$ 2	\$ 2	\$ -

**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, 2016**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental	\$ 1,176,850	\$ 1,176,850	\$ 1,208,559	\$ 31,709
Total revenues	<u>1,176,850</u>	<u>1,176,850</u>	<u>1,208,559</u>	<u>31,709</u>
<b>Expenditures:</b>				
Capital outlays	\$ 1,179,050	\$ 1,179,050	\$ 1,205,501	\$ (26,451)
Total expenditures	<u>1,179,050</u>	<u>1,179,050</u>	<u>1,205,501</u>	<u>(26,451)</u>
Net change in fund balance	(2,200)	(2,200)	3,058	5,258
<b>Fund balance, beginning of year</b>	<u>720,346</u>	<u>720,346</u>	<u>720,346</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 718,146</u>	<u>\$ 718,146</u>	<u>\$ 723,404</u>	<u>\$ 5,258</u>

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

**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, 2016**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental	\$ 560,000	\$ 560,000	\$ -	\$ (560,000)
Investment earnings	-	-	388	388
Miscellaneous	-	-	203	203
Total revenues	560,000	560,000	591	(559,409)
<b>Expenditures:</b>				
Capital outlays	1,379,258	1,379,258	598,893	780,365
Total expenditures	1,379,258	1,379,258	598,893	780,365
Deficiency of revenues over expenditures	(819,258)	(819,258)	(598,302)	220,956
<b>Other financing sources</b>				
Transfers in	819,258	819,258	598,302	(220,956)
Total other financing sources	819,258	819,258	598,302	(220,956)
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, 2016**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 417	\$ 417
Total revenues	-	-	417	417
<b>Expenditures:</b>				
Current:				
General government	-	-	31	(31)
Public works	-	-	9,500	(9,500)
Culture and recreation	-	-	3,225	(3,225)
Capital outlays	566,234	566,234	433,068	133,166
Total expenditures	566,234	566,234	445,824	120,410
Deficiency of revenues over expenditures	(566,234)	(566,234)	(445,407)	120,827
<b>Other financing uses:</b>				
Transfers out	(322,800)	(322,800)	-	322,800
Total other financing uses	(322,800)	(322,800)	-	322,800
Net change in fund balance	(889,034)	(889,034)	(445,407)	443,627
<b>Fund balance, beginning of year</b>	1,205,492	1,205,492	1,205,492	-
<b>Fund balance, end of year</b>	\$ 316,458	\$ 316,458	\$ 760,085	\$ 443,627



**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, 2016**

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 124,331	\$ 124,331	\$ 211,313	\$ 86,982
Total revenues	124,331	124,331	211,313	86,982
<b>Expenditures:</b>				
Capital outlays	323,558	323,558	180,452	143,106
Total expenditures	323,558	323,558	180,452	143,106
Excess (deficiency) of revenues over expenditures	(199,227)	(199,227)	30,861	230,088
<b>Other financing uses:</b>				
Transfers out	199,227	199,227	199,227	-
Total other financing uses:	199,227	199,227	199,227	-
Net change in fund balance	-	-	230,088	230,088
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ 230,088	\$ 230,088

**CITY OF VILLA RICA, GEORGIA**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS -  
1998 ISSUE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<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	82,472	59,914	142,386
Recreation	100,000	100,000	100,000	-	100,000
GO Debt Reduction	251,000	-	-	-	-
Total 1998 SPLOST	<u>\$ 4,251,000</u>	<u>\$ 4,016,001</u>	<u>\$ 3,956,087</u>	<u>\$ 59,914</u>	<u>\$ 4,016,001</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, 2016**

<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 and equipment	\$ 1,013,895	\$ 739,000	\$ 711,699	\$ -	\$ 711,699
Sewer and water	3,041,685	2,353,923	1,665,926	249,209	1,915,135
Streets and sidewalks	1,757,418	2,292,579	1,987,799	73,131	2,060,930
Library	473,151	384,967	364,772	20,195	384,967
Recreation	473,151	545,608	505,458	43,375	548,833
Total 2008 SPLOST	<u>\$ 6,759,300</u>	<u>\$ 6,316,077</u>	<u>\$ 5,235,654</u>	<u>\$ 385,910</u>	<u>\$ 5,621,564</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, 2016**

<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	\$ 2,024,000	\$ 1,874,000	\$ 54	\$ -	\$ 54
Public safety facilities and equipment	-	150,000	-	26,502	26,502
Roads, streets, bridges and sidewalks	2,465,490	2,465,490	-	-	-
Library facilities and equipment	1,398,435	1,398,435	197,000	1,178,999	1,375,999
Recreational facilities and equipment	1,379,075	1,379,075	-	-	-
Administration facilities and equipment	-	-	-	-	-
Economic development	-	-	-	-	-
Greenspace land acquisition	-	-	-	-	-
Total 2015 SPLOST	<u>\$ 7,267,000</u>	<u>\$ 7,267,000</u>	<u>\$ 197,054</u>	<u>\$ 1,205,501</u>	<u>\$ 1,402,555</u>

# CITY OF VILLA RICA, GEORGIA

## BALANCE SHEET

### COMPONENT UNIT - VILLA RICA INDUSTRIAL DEVELOPMENT AUTHORITY

DECEMBER 31, 2016

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	Villa Rica Industrial Development Authority
<b>ASSETS</b>	
Cash and cash equivalents	\$ 11,985
Investments	<u>1,145,434</u>
Total assets	<u>\$ 1,157,419</u>
<b>FUND BALANCES</b>	
<b>FUND BALANCES</b>	
Restricted:	
Economic development	\$ 1,157,419
Total fund balance	<u>1,157,419</u>
Total fund balance	<u>\$ 1,157,419</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, 2016**

	<b>Villa Rica Industrial Development Authority</b>
<b>Revenues:</b>	
Investment earnings	\$ 14,605
Total revenues	<u>14,605</u>
<b>Expenditures:</b>	
Current:	
Economic development	<u>40,872</u>
Total expenditures	<u>40,872</u>
Net change in fund balance	(26,267)
<b>Fund balance, beginning of year</b>	<u>1,183,686</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,157,419</u></u>

# CITY OF VILLA RICA, GEORGIA

## BALANCE SHEET

### COMPONENT UNIT - VILLA RICA DOWNTOWN DEVELOPMENT AUTHORITY

DECEMBER 31, 2016

	Villa Rica Downtown Development Authority
<b>ASSETS</b>	
Cash and cash equivalents	\$ 56,795
Total assets	<u>\$ 56,795</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>	
Unassigned	6,795
Total fund balance	<u>6,795</u>
Total liabilities and fund balance	<u>\$ 56,795</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, 2016**

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	Villa Rica Downtown Development Authority
<b>Revenues:</b>	
Charges for services	\$ 1,025
Investment earnings	113
Total revenues	<u>1,138</u>
<b>Expenditures:</b>	
Current:	
Economic development	<u>8,530</u>
Total expenditures	<u>8,530</u>
Net change in fund balance	(7,392)
<b>Fund balance, beginning of year</b>	<u>14,187</u>
<b>Fund balance, end of year</b>	<u>\$ 6,795</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, 2016, 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 23, 2017.

**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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2016-002 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 are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-001.

### **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 23, 2017

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**Financial Statements**

Type of report the auditor issued on whether the financial  
statements audited were prepared in accordance with GAAP: 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, 2016 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, 2016**

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

**2016-001 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 and operate under an annual appropriated balanced budgets for all governmental funds. Management did not adopt and operate under a balanced budget for the Urban Development Action Grant Fund, the Hotel/Motel Tax Fund, and 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, 2016**

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

**2016-002 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:

- 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.
- 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, by a person independent of the accounts payable sub-ledger maintenance.
- One employee has the ability to create new employees and to adjust employee pay rates. The City should establish a process in which the payroll 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, 2016**

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

**2016-002 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 by a person independent of the payroll processing.

**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, 2016**

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None reported