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Villa Rica

**CITY OF VILLA RICA, GEORGIA
ANNUAL FINANCIAL REPORT**

For the Year Ended December 31, 2017



CITY OF VILLA RICA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

Prepared By:
The City of Villa Rica Finance Department

INTRODUCTORY SECTION

CITY OF VILLA RICA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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.

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, 2017, 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, 56, and 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedules 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 schedules 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 schedules 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 27, 2018 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 solely 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 the effectiveness of City of Villa Rica, Georgia's 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.

Mauldin & Jenkins, LLC

CITY OF VILLA RICA, GEORGIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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, 2017. 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 2017 by \$55,479,745 (net position). Of this amount, the unrestricted portion is \$9,257,396.
- The City’s total net position increased by \$2,105,409 compared to the prior year. The City’s operations increased the governmental activities by \$1,747,664 and increased the business-type activities by \$357,745.
- At the close of 2017, the City of Villa Rica’s governmental funds reported combined ending fund balances of \$9,095,655.
- At the end of 2017, the unassigned fund balance for the General Fund was \$5,069,864 or 52% of the total General Fund expenditures.
- At the end of 2017, unrestricted net position for the Proprietary Funds was \$3,436,108 or 60.6% of the total Proprietary Fund expenses, excluding the transfer for the bond payment.

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, 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, 2015 SPLOST Fund, and the 2016 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 16-18 of this report.

Proprietary Funds – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, 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 20-22 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 23-55 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

The City's net position at the close of 2017 increased 3.9% from \$53,374,336 at December 31, 2016 to \$55,479,745 at December 31, 2017.

The largest portion of the City's net position at December 31, 2017 (\$43,958,887) 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 (\$2,263,462) represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of net position is \$9,257,396.

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

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 10,381,221	\$ 10,205,518	\$ 4,481,171	\$ 2,892,659	\$ 14,862,392	\$ 13,098,177
Capital assets	25,581,609	24,631,631	51,883,928	52,885,652	77,465,537	77,517,283
Total Assets	35,962,830	34,837,149	56,365,099	55,778,311	92,327,929	90,615,460
Deferred outflows of resources	3,955,611	4,368,520	81,650	134,614	4,037,261	4,503,134
Total deferred outflows of resources	3,955,611	4,368,520	81,650	134,614	4,037,261	4,503,134
Current liabilities	1,232,351	1,647,888	832,773	602,482	2,065,124	2,250,370
Long-term liabilities	38,225,544	38,911,424	412,255	483,155	38,637,799	39,394,579
Total Liabilities	39,457,895	40,559,312	1,245,028	1,085,637	40,702,923	41,644,949
Deferred inflows of resources	147,429	80,904	35,093	18,405	182,522	99,309
Total deferred inflows of resources	147,429	80,904	35,093	18,405	182,522	99,309
Net Position (Deficit):						
Invested in capital assets, net of related debt	25,581,609	24,631,631	51,730,520	52,711,362	43,958,887	43,618,398
Restricted	2,263,462	1,796,702	-	-	2,263,462	1,796,702
Unrestricted	(27,531,954)	(27,862,880)	3,436,108	2,097,521	9,257,396	7,959,236
Total Net Position (deficit)	\$ 313,117	\$ (1,434,547)	\$ 55,166,628	\$ 54,808,883	\$ 55,479,745	\$ 53,374,336

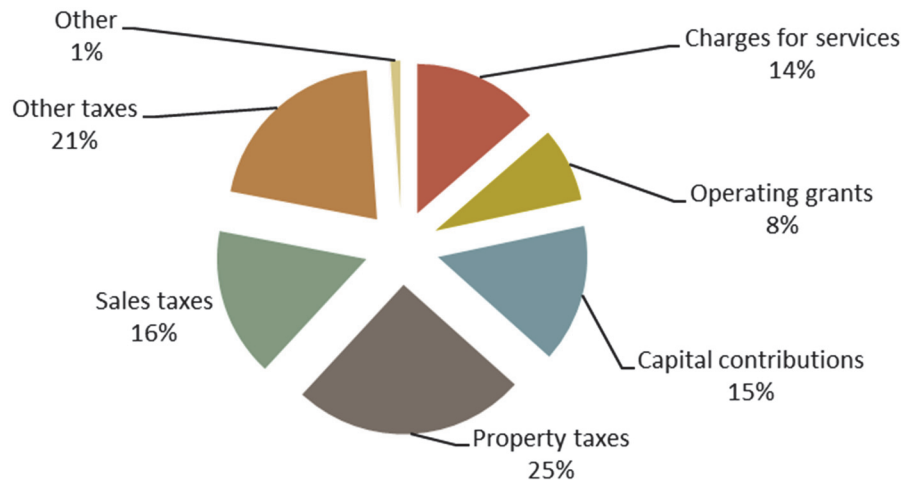
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 2,030,900	\$ 1,171,635	\$ 6,725,623	\$ 6,516,234	\$ 8,756,523	\$ 7,687,869
Operating grants	1,202,322	302,692	-	-	1,202,322	302,692
Capital contributions	2,233,372	1,422,653	144,031	322,793	2,377,403	1,745,446
General revenues:						
Property taxes	3,771,161	3,348,369	-	-	3,771,161	3,348,369
Sales taxes	2,405,569	2,328,688	-	-	2,405,569	2,328,688
Other taxes	3,118,313	3,028,918	-	-	3,118,313	3,028,918
Interest	2,967	9,698	2,772	2,457	5,739	12,155
Other	162,920	211,087	-	-	162,920	211,087
Total revenues	<u>14,927,524</u>	<u>11,823,740</u>	<u>6,872,426</u>	<u>6,841,484</u>	<u>21,799,950</u>	<u>18,665,224</u>
Expenses:						
General government	1,970,169	1,889,057	-	-	1,970,169	1,889,057
Judicial	155,784	126,958	-	-	155,784	126,958
Public safety	4,319,969	4,136,348	-	-	4,319,969	4,136,348
Public works	2,378,939	1,911,665	-	-	2,378,939	1,911,665
Health and welfare	227,141	202,580	-	-	227,141	202,580
Culture and recreation	2,731,102	2,293,240	-	-	2,731,102	2,293,240
Housing / Economic Developm.	921,503	685,524	-	-	921,503	685,524
Interest	1,333,151	1,344,470	-	-	1,333,151	1,344,470
Water and sewer	-	-	4,719,234	5,050,925	4,719,234	5,050,925
Solid waste	-	-	947,077	839,843	947,077	839,843
Total expenses	<u>14,037,758</u>	<u>12,589,842</u>	<u>5,666,311</u>	<u>5,890,768</u>	<u>19,704,069</u>	<u>18,480,610</u>
Increase (decrease) in net position before transfers	889,766	(766,102)	1,206,115	950,716	2,095,881	184,614
Sale of assets	9,528	-	-	(2,730)	9,528	(2,730)
Transfers	<u>848,370</u>	<u>963,514</u>	<u>(848,370)</u>	<u>(963,514)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	1,747,664	197,412	357,745	(15,528)	2,105,409	181,884
Net Position (deficit), January 1	<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>
Net Position (deficit), December 31	<u>\$ 313,117</u>	<u>\$ (1,434,547)</u>	<u>\$ 55,166,628</u>	<u>\$ 54,808,883</u>	<u>\$ 55,479,745</u>	<u>\$ 53,374,336</u>

Governmental Activities

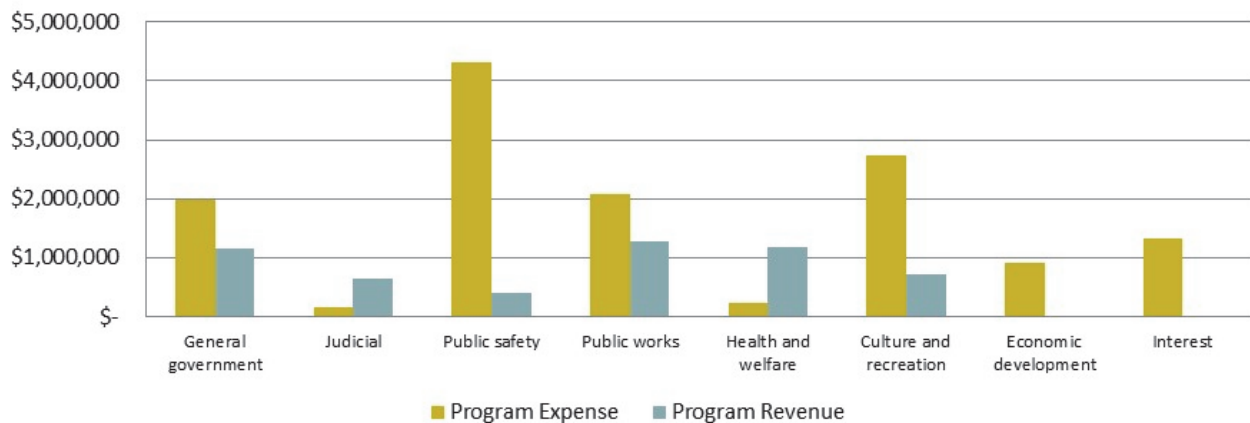
The City's governmental activities are heavily reliant on property taxes, sales taxes and other taxes to support operations. Property taxes provided 25% of revenues, sales taxes provided 16% and other taxes provided 21%. Also, program revenues cover 39% of governmental expenses. This means the government taxpayers and the City's other general revenues fund 61% 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 31% of the total governmental expense. The second largest City cost is for Culture & Recreation totaling \$2,731,102 or 19% of governmental expenses.

- The cost for all governmental activity for the year was \$14,037,758 compared to \$12,589,842 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 (\$9,295,043).
- Some of the costs were paid by those benefiting directly from the programs (\$2,030,900) and subsidies from other governments and organizations through grants and/or contributions (\$3,435,694).

Business-Type Activities

The cost of all Business-Type activities in 2017 was \$5,666,311. The amounts paid by the users of the systems were \$6,725,623 and additionally the business-type activities earned \$146,803 from other revenues.

With the activity from the year, the net position at December 31, 2017 for business-type activities was \$55,166,628.

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 \$9,095,655. Of this year-end total, \$5,069,864 is unassigned indicating availability for continuing 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 \$6,755,756. 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 46.7% total general fund expenditures. Total general fund revenues for the period ending December 31st were \$11,553,647 or a 12.2% increase from the prior year. Total general fund expenditures for 2017 were \$10,854,467, which is a 12.0% increase from 2016.

General Fund's Net Change in Fund Balance

	2017	2016	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes	\$ 9,057,364	\$ 8,579,734	\$ 477,630	5.6%
Fines and fees	537,327	359,260	178,067	49.6%
Licenses and permits	630,236	229,187	401,049	175.0%
Charges for services	456,895	581,309	(124,414)	-21.4%
Intergovernmental rev.	644,540	288,570	355,970	123.4%
Interest Income	2,336	9,024	(6,688)	-74.1%
Other revenue	224,949	248,207	(23,258)	-9.4%
Total revenues	<u>11,553,647</u>	<u>10,295,291</u>	<u>1,258,356</u>	<u>12.2%</u>
Expenses:				
General government	1,616,386	1,773,837	(157,451)	-8.9%
Judicial	154,686	125,679	29,007	23.1%
Public safety	4,055,900	3,771,067	284,833	7.6%
Public works	1,656,698	1,351,303	305,395	22.6%
Health and welfare	224,809	200,007	24,802	12.4%
Community development	2,303,076	555,016	1,748,060	315.0%
Culture and recreation	842,912	1,910,875	(1,067,963)	-55.9%
Total expenditures	<u>10,854,467</u>	<u>9,687,784</u>	<u>1,166,683</u>	<u>12.0%</u>
Other financing sources (uses)				
Transfers in	921,657	1,302,591	(380,934)	-29.2%
Transfers out	(1,773,224)	(2,218,415)	445,191	-20.1%
Proceeds from sale of assets	<u>49,000</u>	<u>-</u>	<u>49,000</u>	<u>100</u>
Net change in fund balance	(103,387)	(308,317)	204,930	-66.5%
Fund Balance, beginning of year	<u>6,859,143</u>	<u>7,167,460</u>	<u>(308,317)</u>	<u>-4.3%</u>
Fund Balance, end of year	<u>\$ 6,755,756</u>	<u>\$ 6,859,143</u>	<u>\$ (103,387)</u>	<u>-1.5%</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 \$1,706,138 in 2017 and were matched with an operating transfer from 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 \$1,223,582 in 2017 and the expenditures totaled \$673,091.

The 2016 SPLOST Fund is used for capital projects which were funded by the most recent SPLOST referendum from Douglas County. The revenues were \$753,798 in 2017 and the expenditures totaled \$204,278.

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 3.2% higher than the prior year and operating expenses were 3.8% lower than in 2016.

The water and sewer fund operating revenues are 3.6% higher than those in 2016 and operating expenses were 6.5% lower than the prior year. The solid waste fund operating revenues are 0.6% higher than those in 2016 and operating expenses are 12.8% higher than the prior year.

BUDGETARY HIGHLIGHTS

The General Fund's 2017 final approved revenue budget was \$11,154,786. The City collected \$398,861 more than the approved revenue budget. The General Fund's original approved expenditure budget was \$10,866,158, and the final budget remained unchanged. The City expended 99.9% of the final approved expenditure budget. The General Fund actual expenditures were \$11,691 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, 2017, was \$25,581,609 and \$51,883,928 respectively. The major changes to capital for 2017 were:

Governmental Activities:

- Construction of the new library was completed in early 2017. The total amount expended by the City was \$2,217,683.
- Construction of the Fullerville Trailhead was completed in 2017. The total cost to the City was \$793,869.
- A roof was installed on the gymnasium portion of the Gold Dust building for \$263,260.
- Six police vehicles and equipment, totaling \$193,052, were added to the fleet in 2017.
- A back-up server was purchased for \$37,563.
- An asphalt roller was purchased for the Street department for \$55,880.

Business-Type Activities:

- Pumps were replaced at various lift stations for a total of \$137,599.
- Various equipment was replaced at the West Wastewater Treatment plant for a total of \$55,813.
- Two trucks were purchased for a total of \$62,220.
- One dump truck was purchased and received for the Solid Waste department for a total of \$77,049.

At December 31, 2017, the depreciable capital assets for governmental activities were 36% depreciated. The business-type activities were 27% depreciated.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,489,020	\$ 2,673,398	\$ 2,101,972	\$ 2,101,972	\$ 4,590,992	\$ 4,775,370
Construction in progress	1,253,096	3,159,080	63,595	63,595	1,316,691	3,222,675
Site Improvements	7,777,704	5,110,529	34,598	34,598	7,812,302	5,145,127
Infrastructure	12,243,463	9,414,223	30,998,747	30,626,545	43,242,210	40,040,768
Buildings	10,301,559	3,048,212	33,448,833	33,448,833	43,750,392	36,497,045
Machinery and equipment	5,415,513	1,226,189	3,972,709	3,834,804	9,388,222	5,060,993
Total	\$ 39,480,355	\$ 24,631,631	\$ 70,620,454	\$ 70,110,347	\$ 110,100,809	\$ 94,741,978

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 \$36,965,830. The 2015 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	
	2017	2016	2017	2016	2017	2016
Bonds Payable	\$ 32,885,000	\$ 33,130,000	\$ -	\$ -	\$ 32,885,000	\$ 33,130,000
Plus: Premiums	4,080,830	4,371,391	-	-	4,080,830	4,371,391
Compensated absences	216,510	183,429	29,027	29,817	245,537	213,246
Net Pension Liability	965,501	1,226,604	229,820	279,048	1,195,321	1,505,652
Notes payable	-	-	153,408	174,290	153,408	174,290
Total Outstanding Debt	\$ 38,147,841	\$ 38,911,424	\$ 412,255	\$ 483,155	\$ 38,560,096	\$ 39,394,579

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 2017 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 growth in the economy as the City is beginning to have a steady flow of new residents and businesses. There are several companies contacting the City about relocating or expanding their footprint in Villa Rica.

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.

CITY OF VILLA RICA, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Villa Rica Industrial Development Authority	Villa Rica Downtown Development Authority
ASSETS					
Cash and cash equivalents	\$ 6,607,647	\$ 1,611,018	\$ 8,218,665	\$ 262,062	\$ 31,839
Investments	-	2,062,050	2,062,050	865,708	-
Receivables (net of allowance for uncollectibles)	1,590,445	703,305	2,293,750	-	-
Taxes receivable	1,878,795	-	1,878,795	-	-
Due from component unit	206,100	-	206,100	-	-
Inventories	15,538	93,693	109,231	-	-
Prepaid items	82,696	11,105	93,801	-	-
Capital assets, nondepreciable	3,742,116	2,165,567	5,907,683	154,172	-
Capital assets, depreciable, net of accumulated depreciation	21,839,493	49,718,361	71,557,854	154,600	-
Total assets	35,962,830	56,365,099	92,327,929	1,436,542	31,839
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	3,612,588	-	3,612,588	-	-
Pension related items	345,934	82,342	428,276	-	-
Total deferred outflows of resources	3,958,522	82,342	4,040,864	-	-
LIABILITIES					
Accounts payable	510,300	308,849	819,149	-	-
Accrued liabilities	722,051	28,515	750,566	-	-
Customer deposits payable	-	495,409	495,409	-	-
Claims payable	77,703	-	77,703	-	-
Noncurrent liabilities due within one year					
Compensated absences payable	173,208	23,307	196,515	-	-
Note payable	-	21,561	21,561	-	-
Bonds payable	250,000	-	250,000	-	-
Noncurrent liabilities due in more than one year					
Due to primary government	-	-	-	157,100	49,000
Compensated absences payable	43,302	5,720	49,022	-	-
Note payable	-	131,847	131,847	-	-
Bonds payable	36,715,830	-	36,715,830	-	-
Net pension liability	965,501	229,820	1,195,321	-	-
Total liabilities	39,457,895	1,245,028	40,702,923	157,100	49,000
DEFERRED INFLOWS OF RESOURCES					
Pension related items	150,340	35,785	186,125	-	-
Total deferred inflows of resources	150,340	35,785	186,125	-	-
NET POSITION					
Net investment in capital assets	25,581,609	51,730,520	43,958,887	308,772	-
Restricted for:					
Debt service	1,002	-	1,002	-	-
Economic development	17,697	-	17,697	970,670	-
Capital projects	1,996,373	-	1,996,373	-	-
Public safety	248,390	-	248,390	-	-
Unrestricted	(27,531,954)	3,436,108	9,257,396	-	(17,161)
Total net position	\$ 313,117	\$ 55,166,628	\$ 55,479,745	\$ 1,279,442	\$ (17,161)

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, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,970,169	\$ 440,433	\$ 466,815	\$ 248,369
Judicial	155,784	656,508	-	-
Public safety	4,319,969	13,810	118,719	273,796
Public works	2,378,939	5,525	610,308	717,729
Health and welfare	227,141	439,047	6,480	745,109
Culture and recreation	2,731,102	475,577	-	248,369
Housing and economic development	921,503	-	-	-
Interest on long-term debt	1,333,151	-	-	-
Total governmental activities	14,037,758	2,030,900	1,202,322	2,233,372
Business-type activities:				
Water and sewer	4,719,234	5,857,818	-	66,982
Solid waste	947,077	867,805	-	77,049
Total business-type activities	5,666,311	6,725,623	-	144,031
Total primary government	\$ 19,704,069	\$ 8,756,523	\$ 1,202,322	\$ 2,377,403
Component units:				
Villa Rica Industrial Development Authority	\$ 42,960	\$ -	\$ -	\$ -
Villa Rica Downtown Development Authority	96,162	72,206	-	-
Total component units	\$ 139,122	\$ 72,206	\$ -	\$ -
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
\$ (814,552)	\$ -	\$ (814,552)	\$ -	\$ -
500,724	-	500,724	-	-
(3,913,644)	-	(3,913,644)	-	-
(1,045,377)	-	(1,045,377)	-	-
963,495	-	963,495	-	-
(2,007,156)	-	(2,007,156)	-	-
(921,503)	-	(921,503)	-	-
(1,333,151)	-	(1,333,151)	-	-
(8,571,164)	-	(8,571,164)	-	-
-	1,205,566	1,205,566	-	-
-	(2,223)	(2,223)	-	-
-	1,203,343	1,203,343	-	-
(8,571,164)	1,203,343	(7,367,821)	-	-
-	-	-	(42,960)	-
-	-	-	-	(23,956)
-	-	-	(42,960)	(23,956)
3,771,161	-	3,771,161	-	-
2,405,569	-	2,405,569	-	-
1,151,519	-	1,151,519	-	-
179,033	-	179,033	-	-
299,585	-	299,585	-	-
933,311	-	933,311	-	-
554,865	-	554,865	-	-
2,967	2,772	5,739	-	-
9,528	-	9,528	-	-
162,920	-	162,920	10,811	-
848,370	(848,370)	-	-	-
10,318,828	(845,598)	9,473,230	10,811	-
1,747,664	357,745	2,105,409	(32,149)	(23,956)
(1,434,547)	54,808,883	53,374,336	1,311,591	6,795
\$ 313,117	\$ 55,166,628	\$ 55,479,745	\$ 1,279,442	\$ (17,161)

CITY OF VILLA RICA, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

		Villa Rica				
		Public Facilities	2015 SPLOST	2016 SPLOST	Nonmajor	
ASSETS	General	Authority Fund	Fund	Fund	Governmental	Total
Cash and cash equivalents	\$ 4,738,412	\$ 148	\$ 1,424	\$ 397,292	\$ 1,227,984	\$ 6,365,260
Receivables (net of allowance for uncollectibles)	586,558	-	740,473	192,082	71,332	1,590,445
Taxes receivable, net	1,878,795	-	-	-	-	1,878,795
Due from component unit	206,100	-	-	-	-	206,100
Due from other funds	43,975	-	-	-	26,502	70,477
Inventories	15,538	-	-	-	-	15,538
Prepaid items	82,696	-	-	-	-	82,696
Total assets	<u>\$ 7,552,074</u>	<u>\$ 148</u>	<u>\$ 741,897</u>	<u>\$ 589,374</u>	<u>\$ 1,325,818</u>	<u>\$ 10,209,311</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 276,901	\$ -	\$ 75,500	\$ 39,754	\$ 118,145	\$ 510,300
Accrued liabilities	235,822	-	-	-	-	235,822
Due to other funds	-	-	26,502	100	8,395	34,997
Total liabilities	<u>512,723</u>	<u>-</u>	<u>102,002</u>	<u>39,854</u>	<u>126,540</u>	<u>781,119</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - taxes	112,213	-	-	-	-	112,213
Unavailable revenue - franchise taxes	111,382	-	-	-	-	111,382
Unavailable revenue - grants	60,000	-	-	-	48,942	108,942
Total deferred inflows of resources	<u>283,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,942</u>	<u>332,537</u>
FUND BALANCES						
Fund balances:						
Nonspendable:						
Prepaid items	82,696	-	-	-	-	82,696
Inventories	15,538	-	-	-	-	15,538
Restricted:						
Public safety	-	-	-	-	248,390	248,390
Capital projects	-	-	639,895	549,520	806,958	1,996,373
Economic development	-	148	-	-	17,549	17,697
Debt service	-	-	-	-	1,002	1,002
Committed for promissory note - DDA	500,000	-	-	-	27,689	527,689
Assigned:						
Rise N Shine	1,640	-	-	-	-	1,640
Capital projects	-	-	-	-	48,748	48,748
Use of fund balance 2018 budget	981,703	-	-	-	-	981,703
General government	12,588	-	-	-	-	12,588
Public safety	13,740	-	-	-	-	13,740
Public works	52,359	-	-	-	-	52,359
Culture and recreation	25,628	-	-	-	-	25,628
Unassigned	5,069,864	-	-	-	-	5,069,864
Total fund balances	<u>6,755,756</u>	<u>148</u>	<u>639,895</u>	<u>549,520</u>	<u>1,150,336</u>	<u>9,095,655</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,552,074</u>	<u>\$ 148</u>	<u>\$ 741,897</u>	<u>\$ 589,374</u>	<u>\$ 1,325,818</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.

25,581,609

Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.

332,537

Internal service funds are used by management to charge the costs of providing self-funded insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position

129,204

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(34,055,981)

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.

(769,907)

Net position of governmental activities

\$ 313,117

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, 2017

	General	Villa Rica Public Facilities Authority Fund	2015 SPLOST Fund	2016 SPLOST Fund	Nonmajor Governmental Funds	Total
Revenues:						
Taxes	\$ 9,057,364	\$ -	\$ -	\$ -	\$ 179,033	\$ 9,236,397
Licenses and permits	537,327	-	-	-	-	537,327
Intergovernmental	630,236	-	1,233,184	753,766	638,979	3,256,165
Fines and forfeitures	456,895	-	-	-	9,199	466,094
Charges for services	644,540	-	-	-	5,525	650,065
Investment earnings	2,336	6	398	32	551	3,323
Contributions	62,029	-	-	-	-	62,029
Miscellaneous	162,920	-	-	-	9,202	172,122
Total revenues	<u>11,553,647</u>	<u>6</u>	<u>1,233,582</u>	<u>753,798</u>	<u>842,489</u>	<u>14,383,522</u>
Expenditures:						
Current:						
General government	1,616,386	-	-	80	-	1,616,466
Judicial	154,686	-	-	-	-	154,686
Public safety	4,055,900	-	-	-	-	4,055,900
Public works	1,656,698	-	-	-	238,676	1,895,374
Health and welfare	224,809	-	-	-	-	224,809
Culture and recreation	2,303,076	-	-	-	-	2,303,076
Economic development	842,912	-	-	-	75,103	918,015
Capital outlay	-	-	673,091	204,198	1,313,028	2,190,317
Debt service:						
Principal	-	245,000	-	-	-	245,000
Interest and fiscal charges	-	1,461,138	-	-	-	1,461,138
Total expenditures	<u>10,854,467</u>	<u>1,706,138</u>	<u>673,091</u>	<u>204,278</u>	<u>1,626,807</u>	<u>15,064,781</u>
Excess (deficiency) of revenues over expenditures	699,180	(1,706,132)	560,491	549,520	(784,318)	(681,259)
Other financing sources (uses):						
Proceeds from sale of capital assets	49,000	-	-	-	-	49,000
Transfers in	921,657	1,706,278	-	-	791,801	3,419,736
Transfers out	(1,773,224)	-	(644,000)	-	(154,142)	(2,571,366)
Total other financing sources (uses)	<u>(802,567)</u>	<u>1,706,278</u>	<u>(644,000)</u>	<u>-</u>	<u>637,659</u>	<u>897,370</u>
Net change in fund balances	(103,387)	146	(83,509)	549,520	(146,659)	216,111
Fund balances, beginning of year	<u>6,859,143</u>	<u>2</u>	<u>723,404</u>	<u>-</u>	<u>1,296,995</u>	<u>8,879,544</u>
Fund balances, end of year	<u>\$ 6,755,756</u>	<u>\$ 148</u>	<u>\$ 639,895</u>	<u>\$ 549,520</u>	<u>\$ 1,150,336</u>	<u>\$ 9,095,655</u>

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

CITY OF VILLA RICA, GEORGIA

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

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

Net change in fund balances - total governmental funds	\$	216,111
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.		989,450
The effect of various miscellaneous transactions involving capital assets (i.e. sale and donations of capital assets) is to decrease net position.		(39,472)
Internal service funds are used by management to charge the costs of self-funded insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		129,204
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		166,588
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.		245,000
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>40,783</u>
Change in net position - governmental activities	\$	<u>1,747,664</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, 2017**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Taxes	\$ 8,827,000	\$ 8,827,000	\$ 9,057,364	\$ 230,364
Licenses and permits	371,700	371,700	537,327	165,627
Intergovernmental	971,336	971,336	630,236	(341,100)
Fines and forfeitures	260,000	260,000	456,895	196,895
Charges for services	622,250	622,250	644,540	22,290
Investment earnings	13,000	13,000	2,336	(10,664)
Contributions	8,000	8,000	62,029	54,029
Miscellaneous	81,500	81,500	162,920	81,420
Total revenues	<u>11,154,786</u>	<u>11,154,786</u>	<u>11,553,647</u>	<u>398,861</u>
Expenditures:				
Current:				
General government:				
General administration	211,067	211,067	206,903	4,164
City manager	282,759	282,759	262,451	20,308
City administration	87,583	87,583	86,630	953
Finance	401,240	401,240	409,785	(8,545)
Legal	125,000	125,000	109,640	15,360
IT	110,000	110,000	118,400	(8,400)
Human resources	165,535	165,535	154,271	11,264
Customer service	269,607	269,607	268,306	1,301
Total general government	<u>1,652,791</u>	<u>1,652,791</u>	<u>1,616,386</u>	<u>36,405</u>
Judicial	171,768	171,768	154,686	17,082
Public safety:				
Police department	3,953,429	3,953,429	4,046,730	(93,301)
Custody of prisoners	15,000	15,000	9,170	5,830
Total public safety	<u>3,968,429</u>	<u>3,968,429</u>	<u>4,055,900</u>	<u>(87,471)</u>
Public works:				
Public works department	1,051,639	1,051,639	1,091,221	(39,582)
Watershed management department	187,014	187,014	166,771	20,243
Garage	222,059	222,059	219,015	3,044
Administrative community services	186,666	186,666	179,691	6,975
Total public works	<u>1,647,378</u>	<u>1,647,378</u>	<u>1,656,698</u>	<u>(9,320)</u>
Health and welfare	219,880	219,880	224,809	(4,929)
Culture and recreation:				
Recreation	1,528,735	1,528,735	1,526,945	1,790
Mountain gold museum	358,831	358,831	365,141	(6,310)
Library	481,981	481,981	410,990	70,991
Total health and welfare	<u>2,369,547</u>	<u>2,369,547</u>	<u>2,303,076</u>	<u>66,471</u>
Housing and economic development:				
Protective inspection	140,000	140,000	220,915	(80,915)
Planning and zoning	346,293	346,293	277,892	68,401
Code enforcement	101,319	101,319	92,750	8,569
Economic development	53,000	53,000	51,772	1,228
Main street	195,753	195,753	199,583	(3,830)
Total housing and economic development	<u>836,365</u>	<u>836,365</u>	<u>842,912</u>	<u>(6,547)</u>
Total expenditures	<u>10,866,158</u>	<u>10,866,158</u>	<u>10,854,467</u>	<u>11,691</u>
Excess of revenues over expenditures	288,628	288,628	699,180	410,552
Other financing sources (uses):				
Proceeds from sale of capital assets	15,000	15,000	49,000	34,000
Transfers in	845,515	845,515	921,657	76,142
Transfers out	(1,149,143)	(1,149,143)	(1,773,224)	(624,081)
Total other financing sources (uses)	<u>(288,628)</u>	<u>(288,628)</u>	<u>(802,567)</u>	<u>(513,939)</u>
Net change in fund balances	-	-	(103,387)	(103,387)
Fund balance, beginning	<u>6,859,143</u>	<u>6,859,143</u>	<u>6,859,143</u>	<u>-</u>
Fund balance, ending	<u>\$ 6,859,143</u>	<u>\$ 6,859,143</u>	<u>\$ 6,755,756</u>	<u>\$ (103,387)</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, 2017

	Business-type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,607,930	\$ 3,088	\$ 1,611,018	\$ 242,387
Investments	2,062,050	-	2,062,050	-
Receivables (net of allowance for uncollectibles)	603,235	100,070	703,305	-
Inventory	93,693	-	93,693	-
Prepaid items	9,023	2,082	11,105	-
Total current assets	4,375,931	105,240	4,481,171	242,387
Noncurrent assets:				
Capital assets:				
Capital assets, not being depreciated	2,165,567	-	2,165,567	-
Capital assets, being depreciated	68,190,447	264,440	68,454,887	-
Less accumulated depreciation	(18,602,538)	(133,988)	(18,736,526)	-
Total noncurrent assets	51,753,476	130,452	51,883,928	-
Total assets	56,129,407	235,692	56,365,099	242,387
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	71,952	10,390	82,342	-
Total deferred outflows of resources	71,952	10,390	82,342	-
LIABILITIES				
Current liabilities:				
Accounts payable	238,214	70,635	308,849	-
Accrued expenses	25,427	3,088	28,515	-
Customer deposits payable	495,409	-	495,409	-
Claims payable	-	-	-	77,703
Compensated absences, current	22,879	428	23,307	-
Due to other funds	-	-	-	35,480
Notes payable, due within one year	21,561	-	21,561	-
Total current liabilities	803,490	74,151	877,641	113,183
Long-term liabilities:				
Compensated absences, long term	5,720	-	5,720	-
Notes payable, long term	131,847	-	131,847	-
Net pension liability	200,819	29,001	229,820	-
Total long-term liabilities	338,386	29,001	367,387	-
Total liabilities	1,141,876	103,152	1,245,028	113,183
DEFERRED INFLOWS OF RESOURCES				
Pension related items	31,270	4,515	35,785	-
Total deferred inflows of resources	31,270	4,515	35,785	-
NET POSITION				
Net investment in capital assets	51,600,068	130,452	51,730,520	-
Unrestricted	3,428,145	7,963	3,436,108	129,204
Total net position	\$ 55,028,213	\$ 138,415	\$ 55,166,628	\$ 129,204

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, 2017

	Business-type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 5,692,435	\$ 867,805	\$ 6,560,240	\$ 377,414
Other fees	160,034	-	160,034	-
Miscellaneous	5,349	-	5,349	-
Total operating revenues	5,857,818	867,805	6,725,623	377,414
OPERATING EXPENSES				
Personnel services and benefits	1,365,527	164,662	1,530,189	-
Purchased contract services	446,584	754,962	1,201,546	74,918
Supplies and maintenance	1,393,495	18,221	1,411,716	-
Depreciation	1,502,599	9,232	1,511,831	-
Claims	-	-	-	123,807
Other services and charges	-	-	-	49,485
Total operating expenses	4,708,205	947,077	5,655,282	248,210
Operating income (loss)	1,149,613	(79,272)	1,070,341	129,204
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	2,772	-	2,772	-
Interest expense	(11,029)	-	(11,029)	-
Total nonoperating revenues (expenses)	(8,257)	-	(8,257)	-
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,141,356	(79,272)	1,062,084	129,204
Capital contributions	66,982	77,049	144,031	-
Transfers in	644,000	384,275	1,028,275	-
Transfers out	(1,765,767)	(110,878)	(1,876,645)	-
Change in net position	86,571	271,174	357,745	129,204
NET POSITION, beginning of year	54,941,642	(132,759)	54,808,883	-
NET POSITION, end of year	\$ 55,028,213	\$ 138,415	\$ 55,166,628	\$ 129,204

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, 2017

	Business-type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,916,294	\$ 882,813	\$ 6,799,107	\$ 377,414
Payments to suppliers and service providers	(1,987,325)	(1,027,322)	(3,014,647)	(135,027)
Payments to employees	(1,349,129)	(161,426)	(1,510,555)	-
Net cash provided by operating activities	2,579,840	(305,935)	2,273,905	242,387
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(374,226)	-	(374,226)	-
Payments on long-term liabilities	(20,882)	-	(20,882)	-
Interest and fiscal charges paid	(11,029)	-	(11,029)	-
Net cash used in capital and related financing activities	(406,137)	-	(406,137)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	644,000	384,275	1,028,275	-
Transfers out	(1,765,767)	(110,878)	(1,876,645)	-
Net cash used in noncapital financing activities	(1,121,767)	273,397	(848,370)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(2,932)	-	(2,932)	-
Interest earnings	2,772	-	2,772	-
Net cash provided by investing activities	(160)	-	(160)	-
Increase in cash	1,051,776	(32,538)	1,019,238	242,387
Cash:				
Beginning of year	556,154	35,626	591,780	-
End of year	\$ 1,607,930	\$ 3,088	\$ 1,611,018	\$ 242,387
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,149,613	\$ (79,272)	\$ 1,070,341	\$ 129,204
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,502,599	9,232	1,511,831	-
Decrease in accounts receivable	65,168	15,008	80,176	-
Decrease in inventories	10,701	-	10,701	-
Decrease in prepaid expenses	24,206	4,430	28,636	-
Decrease in pension related deferred outflows of resources	46,708	5,564	52,272	-
Increase in accounts payable	223,032	20,750	243,782	-
Increase in accrued expenses	1,342	9	1,351	-
Increase (decrease) in due to other funds	(406,527)	-	(406,527)	35,480
Increase in customer deposits payable	8,880	-	8,880	-
Increase in claims payable	-	-	-	77,703
Increase in pension related deferred inflows of resources	15,046	2,334	17,380	-
Decrease in compensated absences	(200)	(590)	(790)	-
Decrease in advances from other funds	-	(279,328)	(279,328)	-
Decrease in net pension liability	(45,156)	(4,072)	(49,228)	-
Net cash provided by operating activities	\$ 2,579,840	\$ (305,935)	\$ 2,273,905	\$ 242,387
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Donated capital assets	\$ 66,982	\$ 77,049	\$ 144,031	\$ -

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

CITY OF VILLA RICA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

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

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 Carroll County sales tax proceeds received by the City and the related project expenditures associated with the approved referendum.

The **2016 SPLOST Fund** accounts for the Douglas County 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **Debt Service Fund** is used to account for the accumulation of resources used to repay outstanding bonds issued by the City.

The **Internal Service Fund** is used to finance and account for the City's partial self-funded Health Insurance Plan provided to other departments and agencies of the City.

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 Federal Seizures, Narcotics Enforcement, Community Greenspace, Drug Task Force, SPLOST, 2016 SPLOST, and Debt Service Funds. 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. There were \$589,161 outstanding encumbrances at December 31, 2017. The City reports open encumbrances in the following funds as of December 31, 2017: General Fund \$104,315, 2015 SPLOST Fund \$240,374, 2016 SPLOST Fund \$20,886, Water and Sewer Fund \$37,717 and the Solid Waste Fund of \$602.

NOTES TO FINANCIAL STATEMENTS

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

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

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, franchise 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. These contributions will offset the pension liability in the next period.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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 \$34,055,981 difference are as follows:

Bonds payable	\$ (32,885,000)
Unamortized premiums	(4,080,830)
Unamortized deferred charges	3,612,588
Accrued interest	(486,229)
Compensated absences	<u>(216,510)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (34,055,981)</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 \$769,907 difference are as follows:

Net pension liability	\$ (965,501)
Deferred outflows of resources:	
Pension plan contributions subsequent to the measurement date	167,868
Pension plan experience differences	27,875
Pension plan assumption changes	2,762
Deferred inflows of resources:	
Net difference between projected and actual investment earnings	<u>(2,911)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (769,907)</u></u>

NOTES TO FINANCIAL STATEMENTS

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 \$989,450 difference are as follows:

Capital outlay	\$ 2,075,824
Depreciation expense	<u>(1,086,374)</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>\$ 989,450</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 \$40,793 difference are as follows:

Compensated absences	\$ 33,081
Amortization	(126,353)
Accrued interest	(1,644)
Pension expense	<u>54,123</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>\$ (40,793)</u>

NOTES TO FINANCIAL STATEMENTS

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 Downtown Development Authority had a deficit fund balance of \$17,161 at December 31, 2017. This deficit will be eliminated in future years as resources (rental and advertising income) will begin to generate once the redevelopment of the Welcome Center is completed. The Development Authority will lease office space to local businesses.

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NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Expenditures in Excess of Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. For the fiscal year ended December 31, 2017, the following departments and funds, had excesses of actual expenditures over appropriations:

General Fund - Finance	\$ 8,545
General Fund - IT	8,400
General Fund - Police department	93,301
General Fund - Public works department	39,582
General Fund - Health and welfare	4,929
General Fund - Mountain gold museum	6,310
General Fund - Protective inspection	80,915
General Fund - Main street	3,830
General Fund - Transfers out	624,082
	<u>\$ 869,894</u>
2016 SPLOST Fund - General government	<u>\$ 80</u>
Hotel and Motel Fund - Economic development	\$ 23,103
Hotel and Motel Fund - Transfers out	8,481
	<u>\$ 31,584</u>
Cemetery Fund - Public works	<u>\$ 326</u>
Capital Projects for Public Roads Fund - Capital outlay	<u>\$ 19,451</u>
Capital Projects Fund - Capital outlay	<u>\$ 690,863</u>

These overages were funded with savings in other departments and revenues in excess of budgeted levels.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2017, the City's Development Authority had \$13,266 of deposits with a financial institution which were not properly insured and/or collateralized as required by GASB and state statutes. As of December 31, 2017, the City's deposits with a financial institution were properly insured and/or collateralized as required by GASB and state statutes.

Investments: As of December 31, 2017, the City had \$2,062,050 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	5/7/2018	\$ 2,062,050
Total Investments			<u>\$ 2,062,050</u>

As of December 31, 2017, the Villa Rica Industrial Development Authority had \$1,127,771 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	2/4/2018	\$ 256,049
Certificate of deposit	Two (2) year	12/7/2019	259,178
Certificate of deposit	Three (3) year	3/7/2018	153,799
Certificate of deposit	Five (5) year	12/2/2020	196,682
Total Investments			<u>\$ 865,708</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, 2017, 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>2016 SPLOST Fund</u>	<u>Water & Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Nonmajor Governmental Funds</u>
Receivables:						
Taxes	\$ 1,915,398	\$ -	\$ -	\$ -	\$ -	\$ -
Other governments	-	740,473	192,082	-	-	71,565
Accounts	1,298,131	-	-	677,548	114,225	-
Gross receivables	3,213,529	740,473	192,082	677,548	114,225	71,565
Less allowance for uncollectibles	(748,176)	-	-	(74,313)	(14,155)	(233)
Net receivables	<u>\$ 2,465,353</u>	<u>\$ 740,473</u>	<u>\$ 192,082</u>	<u>\$ 603,235</u>	<u>\$ 100,070</u>	<u>\$ 71,332</u>

Property taxes for the 2017 fiscal year were levied in September 2017, with property values assessed as of January 1, 2017. Bills are payable on or before November 15, 2017, 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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 2,673,398	\$ -	\$ (39,472)	\$ (144,906)	\$ 2,489,020
Construction in progress	3,159,080	456,519	-	(2,362,503)	1,253,096
Total capital assets, not being depreciated	5,832,478	456,519	(39,472)	(2,507,409)	3,742,116
Capital assets, being depreciated:					
Site improvements	7,207,902	406,203	-	163,599	7,777,704
Buildings and improvements	7,560,296	397,453	-	2,343,810	10,301,559
Machinery and equipment	5,010,710	404,803	-	-	5,415,513
Infrastructure	11,832,617	410,846	-	-	12,243,463
Total capital assets, being depreciated	31,611,525	1,619,305	-	2,507,409	35,738,239
Less accumulated depreciation for:					
Site improvements	(2,097,373)	(200,661)	-	-	(2,298,034)
Buildings and improvements	(4,512,084)	(294,113)	-	-	(4,806,197)
Machinery and equipment	(3,784,521)	(344,318)	-	-	(4,128,839)
Infrastructure	(2,418,394)	(247,282)	-	-	(2,665,676)
Total accumulated depreciation	(12,812,372)	(1,086,374)	-	-	(13,898,746)
Total capital assets, being depreciated, net	18,799,153	532,931	-	2,507,409	21,839,493
Governmental activities capital assets, net	\$ 24,631,631	\$ 989,450	\$ (39,472)	\$ -	\$ 25,581,609

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,101,972	\$ -	\$ -	\$ -	\$ 2,101,972
Construction in progress	63,595	-	-	-	63,595
Total capital assets, not being depreciated	<u>2,165,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,165,567</u>
Capital assets, being depreciated:					
Site improvements	34,598	-	-	-	34,598
Infrastructure	30,626,545	372,202	-	-	30,998,747
Buildings	33,448,833	-	-	-	33,448,833
Equipment	3,834,804	137,905	-	-	3,972,709
Total capital assets, being depreciated	<u>67,944,780</u>	<u>510,107</u>	<u>-</u>	<u>-</u>	<u>68,454,887</u>
Less accumulated depreciation for:					
Site improvements	(16,551)	(1,670)	-	-	(18,221)
Infrastructure	(11,302,246)	(634,013)	-	-	(11,936,259)
Buildings	(3,184,118)	(685,780)	-	-	(3,869,898)
Equipment	(2,721,780)	(190,368)	-	-	(2,912,148)
Total accumulated depreciation	<u>(17,224,695)</u>	<u>(1,511,831)</u>	<u>-</u>	<u>-</u>	<u>(18,736,526)</u>
Total capital assets, being depreciated, net	<u>50,720,085</u>	<u>(1,001,724)</u>	<u>-</u>	<u>-</u>	<u>49,718,361</u>
Business-type activities capital assets, net	<u>\$ 52,885,652</u>	<u>\$ (1,001,724)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,883,928</u>

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	\$ 97,118
Public safety	219,510
Public works	358,610
Culture and recreation	411,136
Total depreciation expense - governmental activities	<u>\$ 1,086,374</u>

Business-type activities:

Water and Sewer Fund	\$ 1,502,599
Solid Waste Fund	9,232
Total depreciation expense - business-type activities	<u>\$ 1,511,831</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>
Capital assets, being depreciated:				
Infrastructure	-	157,100	-	157,100
Total capital assets, being depreciated	<u>-</u>	<u>157,100</u>	<u>-</u>	<u>157,100</u>
Less accumulated depreciation for:				
Infrastructure	-	(2,500)	-	(2,500)
Total accumulated depreciation	<u>-</u>	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>154,600</u>	<u>-</u>	<u>154,600</u>
Governmental activities capital assets, net	<u>\$ 154,172</u>	<u>\$ 154,600</u>	<u>\$ -</u>	<u>\$ 308,772</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	2015 SPLOST Fund	\$ 26,502
General Fund	2016 SPLOST Fund	100
General Fund	Nonmajor Governmental Funds	8,395
General Fund	Internal Service Fund	35,480
		<u>\$ 70,477</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 2016 SPLOST Fund's reimbursement to the General Fund and Nonmajor Governmental Funds is for purchases made during the year.

Interfund transfers for the year ended December 31, 2017 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 656,637
General Fund	Solid Waste Fund	110,878
General Fund	Nonmajor Governmental Funds	154,142
		<u>\$ 921,657</u>
Water and Sewer Fund	2015 SPLOST Fund	\$ 644,000
		<u>\$ 644,000</u>
Villa Rica Public Fac. Auth.	General Fund	\$ 597,148
Villa Rica Public Fac. Auth.	Water and Sewer Fund	1,109,130
		<u>\$ 1,706,278</u>
Solid Waste Fund	General Fund	<u>\$ 384,275</u>
Nonmajor Governmental Funds	General Fund	<u>\$ 791,801</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. The transfers from 2015 SPLOST were moved to the Water and Sewer Fund to pay for the debt service payments as permitted under the referendum.

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, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 33,130,000	\$ -	\$ (245,000)	\$ 32,885,000	\$ 250,000
Plus: Premiums	4,371,391	-	(290,561)	4,080,830	-
Total bonds payable	37,501,391	-	(535,561)	36,965,830	250,000
Compensated absences	183,429	165,759	(132,678)	216,510	173,208
Net pension liability	1,226,604	564,778	(825,881)	965,501	-
Governmental activities long-term liabilities	<u>\$ 38,911,424</u>	<u>\$ 730,537</u>	<u>\$ (1,494,120)</u>	<u>\$ 38,147,841</u>	<u>\$ 423,208</u>
Business-type Activities:					
Note payable	\$ 174,290	\$ -	\$ (20,882)	\$ 153,408	\$ 21,561
Compensated absences	29,817	28,590	(29,380)	29,027	23,307
Net pension liability	279,048	147,358	(196,586)	229,820	-
Business-type activities long-term liabilities	<u>\$ 483,155</u>	<u>\$ 175,948</u>	<u>\$ (246,848)</u>	<u>\$ 412,255</u>	<u>\$ 44,868</u>

For governmental and business-type 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

NOTE 8. LONG-TERM DEBT (CONTINUED)

Primary Government (Continued)

Revenue Bonds, Series 2008. During the year 2008, the Public Facilities Authority (PFA) 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, 2017, 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, 2017, 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 PFA 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
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	880,000	1,382,488	2,262,488
2023-2027	5,115,000	6,233,563	11,348,563
2028-2032	8,495,000	4,610,263	13,105,263
2033-2037	11,145,000	2,337,200	13,482,200
2038-2039	5,150,000	214,531	5,364,531
Total	<u>\$ 32,885,000</u>	<u>\$ 20,521,147</u>	<u>\$ 53,406,147</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
2018	\$ 21,561	\$ 4,350	\$ 25,911
2019	17,415	3,717	21,132
2020	17,944	3,188	21,132
2021	18,490	2,642	21,132
2022	19,053	2,079	21,132
2023-2025	58,945	2,677	61,622
Total	<u>\$ 153,408</u>	<u>\$ 18,653</u>	<u>\$ 172,061</u>

NOTES TO FINANCIAL STATEMENTS

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 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, 2017, the date of the most recent actuarial valuation, there were 232 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	61
Terminated vested participants not yet receiving benefits	52
Active employees - vested	113
Active employees - nonvested	6
Total	<u>232</u>

NOTES TO FINANCIAL STATEMENTS

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 2017, the actuarially determined contribution rate was 6.18% of covered payroll. The City makes all contributions to the plan. For 2017, the City's contribution to the Plan was \$277,101.

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, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2017.

Actuarial assumptions. The total pension liability in the July 1, 2016 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, 2016 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, 2016 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, 2017 are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.71%
International equity	20%	7.71
Fixed income	25%	2.36
Real estate	10%	5.21
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, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/16	\$ 6,465,450	\$ 4,959,798	\$ 1,505,652
Changes for the year:			
Service cost	200,256	-	200,256
Interest	488,754	-	488,754
Differences between expected and actual experience	(145,396)	-	(145,396)
Assumption Changes	-	-	-
Contributions—employer	-	256,886	(256,886)
Net investment income	-	620,185	(620,185)
Benefit payments, including refunds of employee contributions	(317,883)	(317,883)	-
Administrative expense	-	(23,126)	23,126
Other changes	-	-	-
Net changes	225,731	536,062	(310,331)
Balances at 12/31/17	\$ 6,691,181	\$ 5,495,860	\$ 1,195,321

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	\$ 2,104,058	\$ 1,195,321	\$ 442,388

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, 2017 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, 2017, the City recognized pension expense of \$351,647. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 217,032	\$ 182,522
Changes in assumptions	3,418	-
Net difference between projected and actual earnings on pension plan investments	-	3,603
City contributions subsequent to the measurement date	207,826	-
Total	<u>\$ 428,276</u>	<u>\$ 186,125</u>

City contributions subsequent to the measurement date of \$207,826 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, 2018. 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:		
2018	\$	(20,639)
2019		(20,639)
2020		(69,937)
2021		76,890
Total	<u>\$</u>	<u>(34,325)</u>

NOTES TO FINANCIAL STATEMENTS

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, 2017, there were 41 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 41 employees. Total employer and employee contributions for the year ended December 31, 2017 were \$48,169 and \$133,992 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

NOTE 11. RISK MANAGEMENT (CONTINUED)

Effective September 1, 2017 the City created a highly deductible self-insurance program for the City's employees. Under the program the City will pay for the first \$50,000 of claims on an individual basis and \$1.2 million in aggregate. After the initial claim the City pays annual premiums for stop-loss insurance coverage. The City's policies cover all individual claims in excess of \$50,000; additionally the City's aggregate annual exposures is limited to \$1,200,000. The following describes the claims activity for the year end December 31, 2017:

Fiscal Year	Beginning Balance	Current Year Claims and Change in Estimate	Claims Paid	End of Year Claims Liability
2017	\$	- \$	133,321 \$	(55,618) \$
				77,703

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.

Construction Commitments

As of December 31, 2017, the City has \$165,000 in uncompleted construction contracts outstanding.

NOTES TO FINANCIAL STATEMENTS

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 through September 30, 2017. During the period ended September 30, 2017, the City collected \$85,970 in revenues. The current year expenditures of \$34,388 or 40% of current year revenues were expended on the promotion of tourism in accordance with the provisions of O.C.G.A. 48-13-51.

The City levied an occupancy tax of 8% beginning August 1, 2017 for the rent of a guest room at a hotel or motel in the City as authorized by the Official Code of Georgia Annotated (O.C.G.A.) §48-13-51(b). Local governments imposing a tax under this code section are required to expend, in each fiscal year, an amount equal to not less than 50% of the total amount of taxes collected that exceed the amount of taxes that would have been collected at the rate of 5% for promoting tourism, conventions, and trade shows by the destination marketing organization designated by the municipality levying the tax (for the City, the Downtown Development Authority or Industrial Development Authority). The remaining amount of taxes collected that exceed the amount of taxes that would be collected at the rate of 5% which are not otherwise expended above shall be expended for tourism product development. For the year ended December 31, 2017, the City collected \$93,063 in hotel/motel tax revenues of which \$34,898 were transferred to the City's General Fund and \$40,715 were disbursed to the Villa Rica Convention and Visitors Bureau.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. TAX ABATEMENTS

For the year ended December 31, 2017, City property tax revenues were reduced by \$96,950 and \$107,783 under agreements entered into by Carroll County and Douglas County. Under the agreements, assessed values 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

CITY OF VILLA RICA, GEORGIA

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

	2017	2016	2015
Total pension liability			
Service cost	\$ 200,256	\$ 213,374	\$ 137,078
Interest on total pension liability	488,754	433,897	423,997
Differences between expected and actual experience	(145,396)	361,719	(165,517)
Changes of assumptions	-	-	8,549
Benefit payments, including refunds of employee contributions	(317,883)	(284,415)	(268,317)
Net change in total pension liability	225,731	724,575	135,790
Total pension liability - beginning	6,465,450	5,740,875	5,605,085
Total pension liability - ending (a)	<u>\$ 6,691,181</u>	<u>\$ 6,465,450</u>	<u>\$ 5,740,875</u>
Plan fiduciary net position			
Contributions - employer	\$ 256,886	\$ 229,947	\$ 250,587
Net investment income	620,185	13,608	445,016
Benefit payments, including refunds of member contributions	(317,883)	(284,415)	(268,317)
Administrative expenses	(23,126)	(15,103)	(14,685)
Net change in plan fiduciary net position	536,062	(55,963)	412,601
Plan fiduciary net position - beginning	4,959,798	5,015,761	4,603,160
Plan fiduciary net position - ending (b)	<u>\$ 5,495,860</u>	<u>\$ 4,959,798</u>	<u>\$ 5,015,761</u>
City's net pension liability - ending (a) - (b)	<u>\$ 1,195,321</u>	<u>\$ 1,505,652</u>	<u>\$ 725,114</u>
Plan fiduciary net position as a percentage of the total pension liability	82.14%	76.71%	87.37%
Covered-employee payroll	\$ 4,619,244	\$ 4,525,595	\$ 3,966,501
City's net pension liability as a percentage of covered-employee payroll	25.88%	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

	2017	2016	2015
Actuarially determined contribution	\$ 277,077	\$ 250,148	\$ 225,696
Contributions in relation to the actuarially determined contribution	277,101	245,098	235,107
Contribution deficiency (excess)	\$ (24)	\$ 5,050	\$ (9,411)
Covered-employee payroll	\$ 4,595,373	\$ 3,966,501	\$ 3,093,925
Contributions as a percentage of covered-employee payroll	6.03%	6.18%	7.60%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2016
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

Special Revenue Funds

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

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.

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

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.

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, 2017

	Special Revenue Funds				
	Federal Seizures Fund	Narcotics Enforcement Fund	Community Green Space Fund	Drug Task Force Fund	Hotel and Motel Tax Fund
ASSETS					
Cash and cash equivalents	\$ 117,341	\$ 131,049	\$ 100	\$ -	\$ 25,544
Receivables, net of allowance for uncollectibles	-	-	-	-	22,386
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 117,341</u>	<u>\$ 131,049</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 47,930</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 22,086
Due to other funds	-	-	-	-	8,395
Total liabilities	-	-	-	-	30,481
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - grants	-	-	-	-	-
Total liabilities	-	-	-	-	-
FUND BALANCES					
FUND BALANCES					
Restricted:					
Public safety	117,341	131,049	-	-	-
Capital projects	-	-	-	-	-
Economic development	-	-	100	-	17,449
Debt service	-	-	-	-	-
Committed for cemetery improvement	-	-	-	-	-
Assigned:					
Capital projects	-	-	-	-	-
Total fund balances	<u>117,341</u>	<u>131,049</u>	<u>100</u>	<u>-</u>	<u>17,449</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 117,341</u>	<u>\$ 131,049</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 47,930</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
\$ 28,413	\$ 57,166	\$ 211,242	\$ 656,131	\$ 998	\$ 1,227,984
-	48,942	-	-	4	71,332
-	-	-	26,502	-	26,502
<u>\$ 28,413</u>	<u>\$ 106,108</u>	<u>\$ 211,242</u>	<u>\$ 682,633</u>	<u>\$ 1,002</u>	<u>\$ 1,325,818</u>
\$ 724	\$ 57,166	\$ 605	\$ 37,564	\$ -	\$ 118,145
-	-	-	-	-	8,395
724	57,166	605	37,564	-	126,540
-	48,942	-	-	-	48,942
-	48,942	-	-	-	48,942
-	-	-	-	-	248,390
-	-	161,889	645,069	-	806,958
-	-	-	-	-	17,549
-	-	-	-	1,002	1,002
27,689	-	-	-	-	27,689
-	-	48,748	-	-	48,748
27,689	-	210,637	645,069	1,002	1,150,336
<u>\$ 28,413</u>	<u>\$ 106,108</u>	<u>\$ 211,242</u>	<u>\$ 682,633</u>	<u>\$ 1,002</u>	<u>\$ 1,325,818</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, 2017

	Special Revenue Funds				
	Federal Seizures Fund	Narcotics Enforcement Fund	Community Green Space Fund	Drug Task Force Fund	Hotel and Motel Tax Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 179,033
Intergovernmental	-	-	-	25,427	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	9,199	-	-	-
Investment earnings	94	83	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	94	9,282	-	25,427	179,033
Expenditures:					
Current:					
Public works	-	-	-	-	-
Economic development	-	-	-	-	75,103
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	-	75,103
Excess (deficiency) of revenues over expenditures	94	9,282	-	25,427	103,930
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(67,661)	(86,481)
Total other financing sources (uses):	-	-	-	(67,661)	(86,481)
Net change in fund balances	94	9,282	-	(42,234)	17,449
Fund balances, beginning of year	117,247	121,767	100	42,234	-
Fund balances, end of year	\$ 117,341	\$ 131,049	\$ 100	\$ -	\$ 17,449

Special Revenue Funds		Capital Projects Funds			Debt Service Fund	Total Nonmajor Governmental Funds
Cemetery Fund	Capital Projects Fund	Public Roads Fund	SPLOST Fund	Debt Service Fund		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	179,033
-	451,057	162,495	-	-	-	638,979
5,525	-	-	-	-	-	5,525
-	-	-	-	-	-	9,199
18	-	-	356	-	-	551
-	-	-	9,202	-	-	9,202
5,543	451,057	162,495	9,558	-	-	842,489
2,326	-	230,694	5,656	-	-	238,676
-	-	-	-	-	-	75,103
-	1,194,110	-	118,918	-	-	1,313,028
2,326	1,194,110	230,694	124,574	-	-	1,626,807
3,217	(743,053)	(68,199)	(115,016)	-	-	(784,318)
-	743,053	48,748	-	-	-	791,801
-	-	-	-	-	-	(154,142)
-	743,053	48,748	-	-	-	637,659
3,217	-	(19,451)	(115,016)	-	-	(146,659)
24,472	-	230,088	760,085	1,002	-	1,296,995
\$ 27,689	\$ -	\$ 210,637	\$ 645,069	\$ 1,002	\$ -	\$ 1,150,336

**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, 2017**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 6	\$ 6
Total revenues	-	-	6	6
Expenditures:				
Debt service:				
Principal	245,000	245,000	245,000	-
Interest and fiscal charges	1,461,138	1,461,138	1,461,138	-
Total expenditures	1,706,138	1,706,138	1,706,138	-
Deficiency of revenues over expenditures	(1,706,138)	(1,706,138)	(1,706,132)	6
Other financing sources:				
Transfers in	1,706,138	1,706,138	1,706,278	140
Total other financing sources	1,706,138	1,706,138	1,706,278	140
Net change in fund balance	-	-	146	(146)
Fund balance, beginning of year	2	2	2	-
Fund balance, end of year	\$ 2	\$ 2	\$ 148	\$ 146

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

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, 2017**

	Budget			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Taxes	\$ 130,000	\$ 130,000	\$ 179,033	\$ 49,033
Total revenues	130,000	130,000	179,033	49,033
Expenditures:				
Economic development	52,000	52,000	75,103	(23,103)
Total expenditures	52,000	52,000	75,103	(23,103)
Excess of revenues over expenditures	78,000	78,000	103,930	25,930
Other financing uses:				
Transfers out	(78,000)	(78,000)	(86,481)	(8,481)
Total other financing uses	(78,000)	(78,000)	(86,481)	(8,481)
Net change in fund balance	-	-	17,449	17,449
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 17,449	\$ 17,449

**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, 2017**

	Budget			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 2,000	\$ 2,000	\$ 5,525	\$ 3,525
Investment earnings	-	-	18	18
Total revenues	2,000	2,000	5,543	3,543
Expenditures:				
Current:				
Public works	2,000	2,000	2,326	(326)
Total expenditures	2,000	2,000	2,326	(326)
Net change in fund balance	-	-	3,217	3,217
Fund balance, beginning of year	24,472	24,472	24,472	-
Fund balance, end of year	<u>\$ 24,472</u>	<u>\$ 24,472</u>	<u>\$ 27,689</u>	<u>\$ 3,217</u>

CITY OF VILLA RICA, GEORGIA
2015 SPLOST FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 1,200,000	\$ 1,200,000	\$ 1,233,184	\$ 33,184
Investment earnings	-	-	398	398
Total revenues	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,233,582</u>	<u>33,582</u>
Expenditures:				
Capital outlays	<u>2,181,650</u>	<u>2,181,650</u>	<u>673,091</u>	<u>1,508,559</u>
Total expenditures	<u>2,181,650</u>	<u>2,181,650</u>	<u>673,091</u>	<u>1,508,559</u>
Excess (deficiency) of revenues over expenditures	(981,650)	(981,650)	560,491	(1,474,977)
Other financing uses:				
Transfers out	<u>(770,000)</u>	<u>(644,000)</u>	<u>(644,000)</u>	<u>-</u>
Total other financing sources	<u>(770,000)</u>	<u>(644,000)</u>	<u>(644,000)</u>	<u>-</u>
Net change in fund balance	1,411,650	1,537,650	(83,509)	1,621,159
Fund balance, beginning of year	<u>723,404</u>	<u>723,404</u>	<u>723,404</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,135,054</u>	<u>\$ 2,261,054</u>	<u>\$ 639,895</u>	<u>\$ (1,621,159)</u>

CITY OF VILLA RICA, GEORGIA
2016 SPLOST FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 853,750	\$ 853,750	\$ 753,766	\$ (99,984)
Investment earnings	-	-	32	
Total revenues	<u>853,750</u>	<u>853,750</u>	<u>753,798</u>	<u>(99,984)</u>
Expenditures:				
Current:				
General government	-	-	80	(80)
Public works	810,000	810,000	-	810,000
Capital outlays	<u>770,000</u>	<u>770,000</u>	<u>204,198</u>	<u>565,802</u>
Total expenditures	<u>1,580,000</u>	<u>1,580,000</u>	<u>204,278</u>	<u>1,375,722</u>
Net change in fund balance	(726,250)	(726,250)	549,520	1,275,738
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (726,250)</u>	<u>\$ (726,250)</u>	<u>\$ 549,520</u>	<u>\$ 1,275,770</u>

CITY OF VILLA RICA, GEORGIA
CAPITAL PROJECTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 451,057	\$ 451,057
Total revenues	-	-	451,057	451,057
Expenditures:				
Capital outlays	503,247	503,247	1,194,110	(690,863)
Total expenditures	503,247	503,247	1,194,110	(690,863)
Deficiency of revenues over expenditures	(503,247)	(503,247)	(743,053)	(239,806)
Other financing sources				
Transfers in	503,247	503,247	743,053	239,806
Total other financing sources	503,247	503,247	743,053	239,806
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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, 2017**

	Budget			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 162,495	\$ 162,495	\$ 162,495	\$ -
Total revenues	162,495	162,495	162,495	-
Expenditures:				
Capital outlays	211,243	211,243	230,694	(19,451)
Total expenditures	211,243	211,243	230,694	(19,451)
Excess (deficiency) of revenues over expenditures	(48,748)	(48,748)	(68,199)	(19,451)
Other financing sources:				
Transfers in	48,748	48,748	48,748	-
Total other financing uses:	48,748	48,748	48,748	-
Net change in fund balance	-	-	(19,451)	(19,451)
Fund balance, beginning of year	230,088	230,088	230,088	-
Fund balance, end of year	<u>\$ 230,088</u>	<u>\$ 230,088</u>	<u>\$ 210,637</u>	<u>\$ (19,451)</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, 2017**

<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	\$ 1,228,199	\$ 711,699	\$ 37,564	\$ 749,263
Sewer and water	3,041,685	1,920,791	1,915,135	5,656	1,920,791
Streets and sidewalks	1,757,418	2,324,380	2,060,930	81,354	2,142,284
Library	473,151	413,192	384,967	-	384,967
Recreation	473,151	548,833	548,833	-	548,833
Total 2008 SPLOST	<u>\$ 6,759,300</u>	<u>\$ 6,435,395</u>	<u>\$ 5,621,564</u>	<u>\$ 124,574</u>	<u>\$ 5,746,138</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, 2017**

<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	\$ 1,244,054	\$ 54	\$ 684,885	\$ 684,939
Public safety facilities and equipment	-	149,414	26,502	-	26,502
Roads, streets, bridges and sidewalks	2,465,490	2,647,324	-	211,697	211,697
Library facilities and equipment	1,398,435	1,375,999	1,375,999	-	1,375,999
Recreational facilities and equipment	1,379,075	1,294,037	-	399,237	399,237
Administration facilities and equipment	181,372	181,372	-	21,272	21,272
Economic development	375,000	375,000	-	-	-
Greenspace land acquisition	-	-	-	-	-
Total 2015 SPLOST	<u>\$ 7,267,000</u>	<u>\$ 7,267,000</u>	<u>\$ 1,402,555</u>	<u>\$ 1,317,091</u>	<u>\$ 2,719,646</u>

CITY OF VILLA RICA, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS -
2016 ISSUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Transportation and streets	\$ 2,179,408	\$ 2,179,408	\$ -	\$ -	\$ -
Water and sewerage	1,851,472	1,851,472	-	61,326	61,326
Public safety	804,810	804,810	-	132,938	132,938
Fire and EMS	944,182	944,182	-	-	-
Parks and recreation	1,052,128	1,052,128	-	10,014	10,014
Total 2016 SPLOST	<u>\$ 6,832,000</u>	<u>\$ 6,832,000</u>	<u>\$ -</u>	<u>\$ 204,278</u>	<u>\$ 204,278</u>

CITY OF VILLA RICA, GEORGIA

BALANCE SHEET

COMPONENT UNIT - VILLA RICA INDUSTRIAL DEVELOPMENT AUTHORITY

DECEMBER 31, 2017

	Villa Rica Industrial Development Authority
ASSETS	
Cash	\$ 262,062
Investments	865,708
Total assets	<u>\$ 1,127,770</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to primary government	<u>\$ 157,100</u>
Total liabilities	<u>157,100</u>
FUND BALANCES	
Restricted:	
Economic development	<u>\$ 970,670</u>
Total fund balance	<u>970,670</u>
Total liabilities and fund balance	<u>\$ 1,127,770</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, 2017

	Villa Rica Industrial Development Authority
Revenues:	
Investment earnings	\$ 10,811
Total revenues	<u>10,811</u>
Expenditures:	
Current:	
Economic development	40,460
Capital outlay	<u>157,100</u>
Total expenditures	<u>197,560</u>
Net change in fund balance	(186,749)
Fund balance, beginning of year	<u>1,157,419</u>
Fund balance, end of year	<u><u>\$ 970,670</u></u>

CITY OF VILLA RICA, GEORGIA

BALANCE SHEET

COMPONENT UNIT - VILLA RICA DOWNTOWN DEVELOPMENT AUTHORITY

DECEMBER 31, 2017

	Villa Rica Downtown Development Authority
ASSETS	
Cash and cash equivalents	\$ 31,839
Total assets	<u>\$ 31,839</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to primary government	\$ 49,000
Total liabilities	<u>49,000</u>
FUND BALANCES	
Unassigned	(17,161)
Total fund balance	<u>(17,161)</u>
Total liabilities and fund balance	<u>\$ 31,839</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, 2017

	Villa Rica Downtown Development Authority
Revenues:	
Intergovernmental	\$ 72,007
Investment earnings	199
Total revenues	<u>72,206</u>
Expenditures:	
Current:	
Economic development	22,728
Capital outlay	<u>73,434</u>
Total expenditures	<u>96,162</u>
Net change in fund balance	(23,956)
Fund balance, beginning of year	<u>6,795</u>
Fund balance, end of year	<u><u>\$ (17,161)</u></u>

COMPLIANCE SECTION



**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**

**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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2018.

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.

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-001 that we consider to be a material weakness.

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 2017-002.

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.

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.

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

Atlanta, Georgia
June 27, 2018

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

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, 2017 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, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2017-001 Revenues, Receivables and Related Balances

Criteria: Internal controls should be in place to ensure that the amounts reported as revenues and related balances are in accordance with generally accepted accounting principles.

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

Context/Cause: During the testing of governmental fund revenues, the following entries were required to correct revenues, receivables, and related deferred inflows of resources:

- During our testing of grant revenue, we noted the City had incurred eligible expenditures related to a grant funded project for which a receivable was not recorded as of December 31, 2017. An adjustment of \$60,000 was proposed to record the receivable balance and to record deferred inflows of resources for revenues not collected within sixty (60) days of year-end.
- An audit adjustment was required in the General Fund to remove the prior year balance for deferred inflows of resources (unavailable revenues) for delinquent property taxes as revenue. An adjustment in the amount of approximately \$33,200 was required to properly report this activity.
- An audit adjustment was required in the Capital Projects Fund to accrued grant reimbursements for project costs incurred prior to December 31, 2017 but not requested until subsequent to December 31, 2017. Accrued receivables of approximately \$49,000 were reported as unavailable revenues as of December 31, 2017.

Effects: Audit adjustments totaling approximately \$142,000 were needed to correctly report accrued receivables, and related revenues or deferred inflows of resources for the year ended December 31, 2017.

Recommendation: We recommend the County carefully review all revenues and related balances to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We will take necessary steps in the future to ensure that all revenues and related balances are properly reported in accordance with generally accepted accounting principles.

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2017-002 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 Federal Seizures Fund, Narcotics Enforcement Fund, Drug Task Force Fund, SPLOST Fund, 2016 SPLOST Fund, and the Debt Service Fund.

Context/Cause: The City did not adopt or operate under a balanced budget for six funds, though the Greenspace Fund had no activity. The City did adopt a budget for the 2016 SPLOST Fund, however, this was the first year the fund was reported and the budget was adopted to utilize over \$726,000 of fund balance, for which the fund reported zero available fund balance.

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.