



*Photo Credit: Michael Valentine*

# Villa Rica

CITY OF VILLA RICA, GEORGIA  
ANNUAL FINANCIAL REPORT

For the Nine Months Ended September 30, 2018



**CITY OF VILLA RICA, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE NINE MONTHS ENDED**  
**SEPTEMBER 30, 2018**

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

## INTRODUCTORY SECTION

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**CITY OF VILLA RICA, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

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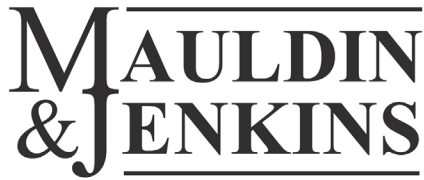
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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Villa Rica, Georgia (the "City")**, as of and for the nine months ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Villa Rica, Georgia, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison information of the General Fund for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 4 through 13, 55, and 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Villa Rica, Georgia's basic financial statements. The combining and individual fund statements and schedules, and the 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 17, 2019 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*

Atlanta, Georgia  
June 17, 2019

**CITY OF VILLA RICA, GEORGIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Nine Months Year Ended September 30, 2018**

The following discussion and analysis of the City of Villa Rica, Georgia (the “City”) provides an introduction to the basic financial statements for the nine months ended September 30, 2018. 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 fiscal year-end changed from a December 31<sup>st</sup> year-end to a September 30<sup>th</sup> year-end. A short fiscal period of nine months was necessary to facilitate the change. The 2018 fiscal period was January 1, 2018 to September 30, 2018. The change in year-end will allow the elected officials and staff to prepare annual budgets concurrently with adopting the millage rate.
- 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 fiscal period 2018 by \$55,751,552 (net position). Of this amount, the unrestricted portion is \$9,302,027.
- The City’s total net position increased by \$271,807 compared to the prior year. The City’s operations increased the governmental activities by \$652,210 and decreased the business-type activities by \$380,403.
- At the close of fiscal period 2018, the City of Villa Rica’s governmental funds reported combined ending fund balances of \$5,775,832.
- At the end of fiscal period 2018, the unassigned fund balance for the General Fund was \$3,618,577 or 42.6% of the total General Fund expenditures.
- At the end of fiscal period 2018, unrestricted net position for the Enterprise Funds was \$3,674,679 or 77.5% 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 of resources, 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 period. 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, electric and airport operations.

The government-wide 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 period. 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 sixteen (16) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Villa Rica Public Facilities Authority Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

**Proprietary Funds** – The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste operations. Internal Service Funds are used to report departments that provide services for other city departments. The City uses an internal service fund to account for its partially self-funded insurance fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-54 of this report.

## **GOVERNMENTAL-WIDE FINANCIAL ANALYSIS**

The City's net position at the close of fiscal period 2018 increased 0.49% from \$55,479,745 at December 31, 2017 to \$55,751,552 at September 30, 2018.

The largest portion of the City's net position at September 30, 2018 (\$45,628,831) 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 (\$820,694) represents resources that are subjects to external restrictions on how they may be used. The unrestricted portion of net position is \$9,302,027.

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

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 8,685,446	\$ 10,381,221	\$ 4,782,200	\$ 4,481,171	\$ 13,467,646	\$ 14,862,392
Capital assets	27,495,408	25,581,609	51,248,847	51,883,928	78,744,255	77,465,537
Total Assets	36,180,854	35,962,830	56,031,047	56,365,099	92,211,901	92,327,929
Deferred outflows of resources	3,868,183	3,955,611	130,424	81,650	3,998,607	4,037,261
Total deferred outflows of resources	3,868,183	3,955,611	130,424	81,650	3,998,607	4,037,261
Current liabilities	1,055,079	1,232,351	800,964	832,773	1,856,043	2,065,124
Long-term liabilities	37,769,969	38,225,544	493,921	412,255	38,263,890	38,637,799
Total Liabilities	38,825,048	39,457,895	1,294,885	1,245,028	40,119,933	40,702,923
Deferred inflows of resources	258,662	147,429	80,361	35,093	339,023	182,522
Total deferred inflows of resources	258,662	147,429	80,361	35,093	339,023	182,522
Net Position:						
Invested in capital assets, net of related debt	27,495,408	25,581,609	51,111,546	51,730,520	45,628,831	43,958,887
Restricted	820,694	2,263,462	-	-	820,694	2,263,462
Unrestricted	(27,350,775)	(27,531,954)	3,674,679	3,436,108	9,302,027	9,257,396
Total Net Position	\$ 965,327	\$ 313,117	\$ 54,786,225	\$ 55,166,628	\$ 55,751,552	\$ 55,479,745

### Changes in Net Position

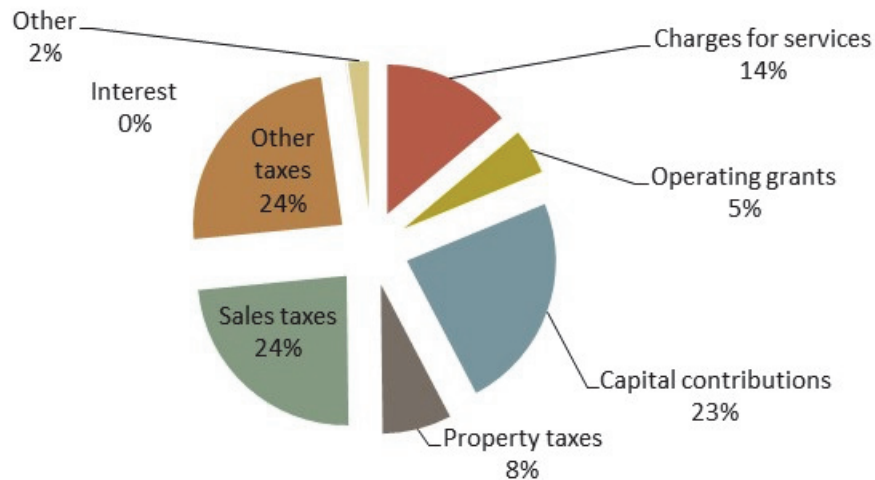
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 1,170,200	\$ 2,030,900	\$ 6,576,126	\$ 6,725,623	\$ 7,746,326	\$ 8,756,523
Operating grants	414,040	1,202,322	-	-	414,040	1,202,322
Capital contributions	1,978,565	2,233,372	259,724	144,031	2,238,289	2,377,403
General revenues:						
Property taxes	631,999	3,771,161	-	-	631,999	3,771,161
Sales taxes	1,992,836	2,405,569	-	-	1,992,836	2,405,569
Other taxes	2,042,776	3,118,313	-	-	2,042,776	3,118,313
Interest	2,592	2,967	2,795	2,772	5,387	5,739
Other	189,060	162,920	-	-	189,060	162,920
Total revenues	<u>8,422,068</u>	<u>14,927,524</u>	<u>6,838,645</u>	<u>6,872,426</u>	<u>15,260,713</u>	<u>21,799,950</u>
Expenses:						
General government	824,644	1,970,169	-	-	824,644	1,970,169
Judicial	109,652	155,784	-	-	109,652	155,784
Public safety	3,294,223	4,319,969	-	-	3,294,223	4,319,969
Public works	1,899,343	2,378,939	-	-	1,899,343	2,378,939
Health and welfare	179,681	227,141	-	-	179,681	227,141
Culture and recreation	1,972,259	2,731,102	-	-	1,972,259	2,731,102
Housing/ Economic Developm.	1,002,085	921,503	-	-	1,002,085	921,503
Interest	964,522	1,333,151	-	-	964,522	1,333,151
Water and sewer	-	-	3,820,811	4,719,234	3,820,811	4,719,234
Solid waste	-	-	921,686	947,077	921,686	947,077
Total expenses	<u>10,246,409</u>	<u>14,037,758</u>	<u>4,742,497</u>	<u>5,666,311</u>	<u>14,988,906</u>	<u>19,704,069</u>
Increase (decrease) in net position before transfers	(1,824,341)	889,766	2,096,148	1,206,115	271,807	2,095,881
Sale of assets	-	9,528	-	-	-	9,528
Transfers	2,476,551	848,370	(2,476,551)	(848,370)	-	-
Increase (decrease) in net position	652,210	1,747,664	(380,403)	357,745	271,807	2,105,409
Net Position, January 1	313,117	(1,434,547)	55,166,628	54,808,883	55,479,745	53,374,336
Net Position, September 30	<u>\$ 965,327</u>	<u>\$ 313,117</u>	<u>\$ 54,786,225</u>	<u>\$ 55,166,628</u>	<u>\$ 55,751,552</u>	<u>\$ 55,479,745</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 8% of revenues, sales taxes provided 24% and other taxes provided 24%. Also, program revenues cover 35% of governmental expenses. This means the government taxpayers and the City's other general revenues fund 65% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the City's revenue streams.

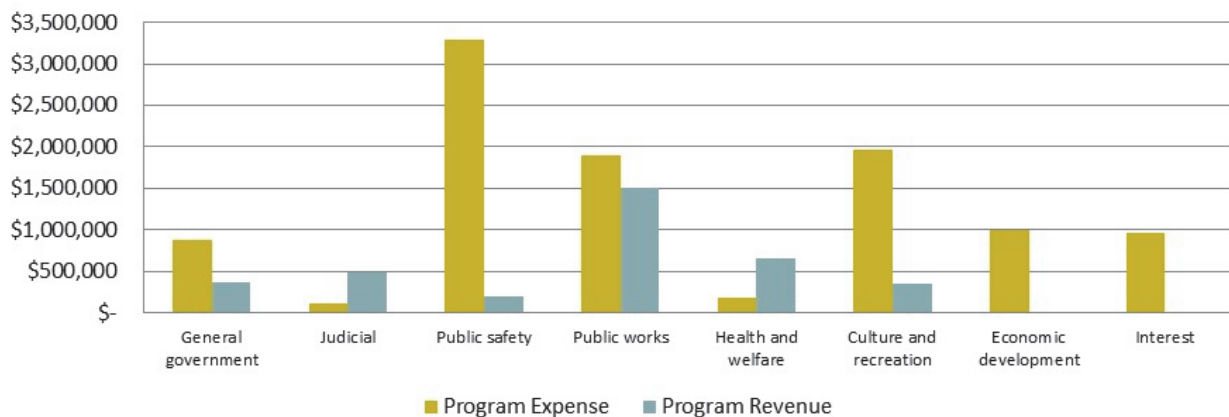


## Governmental Activities - Revenues by Source



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 32% of the total governmental expense. The second largest City cost is for Culture & Recreation totaling \$1,972,259 or 19% of governmental expenses.

- The cost for all governmental activity for the period was \$10,246,409 compared to \$14,037,758 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 (\$4,667,611).
- Some of the costs were paid by those benefiting directly from the programs (\$1,170,200) and subsidies from other governments and organizations through grants and/or contributions (\$2,392,605).

**Business-Type Activities**

The cost of all Business-Type activities in 2018 was \$4,742,497. The amounts paid by the users of the systems were \$6,576,126 and additionally the business-type activities earned \$259,724 from other revenues.

With the activity from the period, the net position at September 30, 2018 for business-type activities was \$54,786,225.

**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 period in comparison with upcoming financing requirements.

***Governmental Funds***

Governmental funds reported ending fund balance of \$5,775,832. Of this period-end total, \$3,673,127 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 period, fund balance of the general fund was \$4,940,581. 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 42.6% total general fund expenditures. Total general fund revenues for the period ending September 30<sup>th</sup> were \$6,240,374 or a 46% decrease from the prior year. The large decrease was due to the change in fiscal year-ends. Total general fund expenditures for fiscal year 2018 were \$8,627,417, which is a 21% decrease from 2017. Again, this significant change was due to the fiscal period-end change.

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

	2018	2017	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes	\$ 4,428,270	\$ 9,057,364	\$ (4,629,094)	-51.1%
Licenses and permits	275,853	537,327	(261,474)	-48.7%
Intergovernmental	464,879	630,236	(165,357)	-26.2%
Fines and fees	337,910	456,895	(118,985)	-26.0%
Charges for services	532,758	644,540	(111,782)	-17.3%
Interest income	2,484	2,336	148	6.3%
Other revenue	198,220	224,950	(26,730)	-11.9%
Total revenues	<u>6,240,374</u>	<u>11,553,648</u>	<u>(5,313,274)</u>	<u>-46.0%</u>
Expenses:				
General government	1,273,637	1,616,386	(342,749)	-21.2%
Judicial	111,680	154,686	(43,006)	-27.8%
Public safety	3,280,725	4,055,900	(775,175)	-19.1%
Public works	1,207,174	1,656,698	(449,524)	-27.1%
Health and welfare	177,939	224,809	(46,870)	-20.8%
Culture and recreation	1,711,620	2,303,076	(591,456)	-25.7%
Economic development	864,642	842,912	21,730	2.6%
Debt service	-	-	-	
Capital outlay	-	-	-	
Total expenditures	<u>8,627,417</u>	<u>10,854,467</u>	<u>(2,227,050)</u>	<u>-20.5%</u>
Other financing sources (uses)				
Transfers in	866,589	921,657	(55,068)	-6.0%
Transfers out	(294,721)	(1,773,225)	1,478,504	-83.4%
Proceeds from sale of assets	<u>-</u>	<u>49,000</u>	<u>(49,000)</u>	
Net change in fund balance	\$ (1,815,175)	\$ (103,387)	\$ (1,711,788)	1655.7%
Fund Balance, beginning of year	<u>6,755,756</u>	<u>6,859,143</u>	<u>(103,387)</u>	<u>-1.5%</u>
Fund Balance, end of year	<u>\$ 4,940,581</u>	<u>\$ 6,755,756</u>	<u>\$ (1,815,175)</u>	<u>-26.9%</u>

The Villa Rica Public Facilities Fund is used for revenue bonds which were for the construction of the wastewater treatment plant on the Northwest side of the City. The expenditures totaled \$1,704,938 in 2018 and were matched with an operating transfer from the water and sewer fund.

**Proprietary Funds**

The proprietary funds share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Operating revenues were 10% higher than the prior year and operating expense were 5.5% lower than in 2017. The increases in revenue were due to the rate increases for the enterprise funds as well as a full fiscal year of contributions for the self-funded insurance internal service fund. In the prior year, the self-funded insurance internal service fund was only active for three months of the fiscal year.

The water and sewer fund operating revenues were 2.1% lower than those in 2017 and operating expenses were 19% lower than the prior year. Significant rate increases were effective in February 2018, so the revenues did not decrease as much as the expenses with the short year due to the year-end change. The solid waste fund operating revenues were 3% lower than those in 2017 and operating expenses were 3% lower than the prior year.

## **BUDGETARY HIGHLIGHTS**

The General Fund's 2018 final approved revenue budget was \$7,223,260. The City collected \$982,886 less than the approved revenue budget. The General Fund's final approved expenditure budget was \$9,074,530. The City expended 95.7% of the final approved expenditure budget. The General Fund actual expenditures were \$447,113 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 September 30, 2018, was \$27,495,408 and \$51,248,847 respectively. The major changes to capital for 2018 were:

#### Governmental Activities:

- Street improvements of \$1,059,837 were completed in 2018.
- Stormwater improvements of \$49,144 were completed in 2018.
- A retaining wall was built at the Hillcrest Cemetery for a total of \$94,100.
- Roof replacement and gutter replacement at Gold Dust Recreation building for a total of \$258,672.
- Four patrol vehicles and equipment, totaling \$173,703, were added to the fleet in 2018.
- Five pick-up trucks were added to the fleet in 2018 for a total of \$115,070.
- Server replacements were done in 2018 for a total of \$140,839.
- The audio-visual equipment in the council chambers were replaced for \$37,785.
- Two heavy-duty tractors were purchased for the Street department for \$113,184.

#### Business-Type Activities:

- Meters were replaced for a total of \$76,397.
- Ground Penetrating Radar Equipment was purchased in 2018 for \$26,690.
- A Smart Covers Monitoring System was purchased for the Collection system for \$33,936.
- Two pick-up trucks were added to the fleet for a total of \$50,900.
- A used 18-wheel tractor was added to the fleet for \$35,000.
- A skid steer loader was purchased in 2018 for \$64,520.

At September 30, 2018, the depreciable capital assets for governmental activities were 39% depreciated. The business-type activities were 29% depreciated.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,489,020	\$ 2,489,020	\$ 2,101,972	\$ 2,101,972	\$ 4,590,992	\$ 4,590,992
Construction in progress	1,457,677	1,253,096	63,595	63,595	1,521,272	1,316,691
Site Improvements	8,218,084	8,089,751	34,598	34,598	8,252,682	8,124,349
Infrastructure	13,372,944	12,243,463	31,148,079	30,998,747	44,521,023	43,242,210
Buildings	10,738,713	10,301,559	33,448,833	33,448,833	44,187,546	43,750,392
Machinery and equipment	6,035,014	5,415,513	4,377,756	3,972,709	10,412,770	9,388,222
Total	\$ 42,311,452	\$ 39,792,402	\$ 71,174,833	\$ 70,620,454	\$ 113,486,285	\$ 110,412,856

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

### ***Debt Administration***

At the end of the fiscal period, the City had total bonded debt outstanding of \$36,426,501. 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	
	2018	2017	2018	2017	2018	2017
Bonds Payable	\$ 32,635,000	\$ 32,885,000	\$ -	\$ -	\$ 32,635,000	\$ 32,885,000
Plus: Premiums	3,791,501	4,080,830	-	-	3,791,501	4,080,830
Compensated absences	228,244	216,510	43,962	29,027	272,206	245,537
Net Pension Liability	1,006,375	965,501	312,658	229,820	1,319,033	1,195,321
Notes payable	-	-	137,301	153,408	137,301	153,408
Total Outstanding Debt	\$ 37,661,120	\$ 38,147,841	\$ 493,921	\$ 412,255	\$ 38,155,041	\$ 38,560,096

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 2018 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 seeing a steady flow of new residential housing permit applications. 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](http://www.villarica.org).

# CITY OF VILLA RICA, GEORGIA

## STATEMENT OF NET POSITION SEPTEMBER 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Villa Rica Industrial Development Authority	Villa Rica Downtown Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,162,869	\$ 1,832,565	\$ 6,995,434	\$ 262,062	\$ 31,839
Investments	-	2,064,845	2,064,845	865,708	-
Receivables (net of allowance for uncollectibles)	2,679,194	842,368	3,521,562	-	-
Taxes receivable	271,981	-	271,981	-	-
Due from component unit	281,100	-	281,100	-	-
Internal balances	53,487	(53,487)	-	-	-
Inventories	31,985	95,909	127,894	-	-
Prepaid items	204,830	-	204,830	-	-
Capital assets, nondepreciable	3,946,697	2,165,567	6,112,264	154,172	-
Capital assets, depreciable, net of accumulated depreciation	23,548,711	49,083,280	72,631,991	154,600	-
Total assets	36,180,854	56,031,047	92,211,901	1,436,542	31,839
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding	3,448,378	-	3,448,378	-	-
Pension related items	419,805	114,004	533,809	-	-
Total deferred outflows of resources	3,868,183	114,004	3,982,187	-	-
<b>LIABILITIES</b>					
Accounts payable	646,866	201,993	848,859	-	-
Accrued liabilities	464,966	65,692	530,658	-	-
Customer deposits payable	-	533,279	533,279	-	-
Claims payable	108,849	-	108,849	-	-
Noncurrent liabilities due within one year					
Compensated absences payable	125,534	26,185	151,719	-	-
Note payable	-	18,467	18,467	-	-
Bonds payable	260,000	-	260,000	-	-
Noncurrent liabilities due in more than one year					
Due to primary government	-	-	-	157,100	49,000
Compensated absences payable	102,710	17,777	120,487	-	-
Note payable	-	118,834	118,834	-	-
Bonds payable	36,166,501	-	36,166,501	-	-
Net pension liability	1,006,375	312,658	1,319,033	-	-
Total liabilities	38,881,801	1,294,885	40,176,686	157,100	49,000
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related items	258,662	80,361	339,023	-	-
Total deferred inflows of resources	258,662	80,361	339,023	-	-
<b>NET POSITION</b>					
Net investment in capital assets	27,495,408	51,111,546	45,628,831	308,772	-
Restricted for:					
Economic development	17,653	-	17,653	970,670	-
Capital projects	549,976	-	549,976	-	-
Public safety	253,065	-	253,065	-	-
Unrestricted	(27,407,528)	3,658,259	9,228,854	-	(17,161)
Total net position	\$ 908,574	\$ 54,769,805	\$ 55,678,379	\$ 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 NINE MONTHS ENDED SEPTEMBER 30, 2018**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 881,397	\$ 9,945	\$ 275,003	\$ 86,548
Judicial	109,652	479,575	-	-
Public safety	3,294,223	23,585	95,656	86,548
Public works	1,899,343	5,023	38,900	1,459,275
Health and welfare	179,681	385,036	4,481	259,646
Culture and recreation	1,972,259	267,036	-	86,548
Housing and economic development	1,002,085	-	-	-
Interest on long-term debt	964,522	-	-	-
Total governmental activities	<u>10,303,162</u>	<u>1,170,200</u>	<u>414,040</u>	<u>1,978,565</u>
Business-type activities:				
Water and sewer	3,833,639	5,732,545	-	95,626
Solid waste	925,278	843,581	-	164,098
Total business-type activities	<u>4,758,917</u>	<u>6,576,126</u>	<u>-</u>	<u>259,724</u>
Total primary government	<u>\$ 15,062,079</u>	<u>\$ 7,746,326</u>	<u>\$ 414,040</u>	<u>\$ 2,238,289</u>
Component units:				
Villa Rica Industrial Development Authority	\$ 42,960	\$ -	\$ -	\$ -
Villa Rica Downtown Development Authority	96,162	72,206	-	-
Total component units	<u>\$ 139,122</u>	<u>\$ 72,206</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales and use taxes				
Franchise taxes				
Hotel/motel taxes				
Alcohol taxes				
Insurance premium tax				
Other taxes				
Unrestricted investment earnings				
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
\$ (509,901)	\$ -	\$ (509,901)	\$ -	\$ -
369,923	-	369,923	-	-
(3,088,434)	-	(3,088,434)	-	-
(396,145)	-	(396,145)	-	-
469,482	-	469,482	-	-
(1,618,675)	-	(1,618,675)	-	-
(1,002,085)	-	(1,002,085)	-	-
(964,522)	-	(964,522)	-	-
(6,740,357)	-	(6,740,357)	-	-
-	1,994,532	1,994,532	-	-
-	82,401	82,401	-	-
-	2,076,933	2,076,933	-	-
(6,740,357)	2,076,933	(4,663,424)	-	-
-	-	-	(42,960)	-
-	-	-	-	(23,956)
\$ -	\$ -	\$ -	\$ (42,960)	\$ (23,956)
\$ 631,999	\$ -	\$ 631,999	\$ -	\$ -
1,992,836	-	1,992,836	-	-
161,639	-	161,639	-	-
252,081	-	252,081	-	-
224,312	-	224,312	-	-
1,006,675	-	1,006,675	-	-
398,069	-	398,069	-	-
2,592	2,795	5,387	-	-
189,060	-	189,060	10,811	-
2,476,551	(2,476,551)	-	-	-
7,335,814	(2,473,756)	4,862,058	10,811	-
595,457	(396,823)	198,634	(32,149)	(23,956)
313,117	55,166,628	55,479,745	1,311,591	6,795
\$ 908,574	\$ 54,769,805	\$ 55,678,379	\$ 1,279,442	\$ (17,161)

# CITY OF VILLA RICA, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2018

ASSETS	General	Villa Rica Public Facilities Authority Fund	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 3,661,545	\$ 508	\$ 938,125	\$ 4,600,178
Receivables (net of allowance for uncollectibles)	1,530,103	-	1,149,091	2,679,194
Taxes receivable, net	271,981	-	-	271,981
Due from component unit	281,100	-	-	281,100
Due from other funds	153,586	-	17,923	171,509
Inventories	31,985	-	-	31,985
Prepaid items	204,830	-	-	204,830
Total assets	<u>\$ 6,135,130</u>	<u>\$ 508</u>	<u>\$ 2,105,139</u>	<u>\$ 8,240,777</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 588,522	\$ -	\$ 58,344	\$ 646,866
Accrued liabilities	344,034	-	-	344,034
Due to other funds	107,891	-	116,370	224,261
Total liabilities	<u>1,040,447</u>	<u>-</u>	<u>174,714</u>	<u>1,215,161</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	210,855	-	-	210,855
Unavailable revenue - intergovernmental	-	-	1,095,682	1,095,682
Total deferred inflows of resources	<u>210,855</u>	<u>-</u>	<u>1,095,682</u>	<u>1,306,537</u>
<b>FUND BALANCES</b>				
Fund balances:				
Nonspendable:				
Prepaid items	204,830	-	-	204,830
Inventories	31,985	-	-	31,985
Restricted:				
Public safety	-	-	253,065	253,065
Capital projects	-	-	549,976	549,976
Economic development	-	508	17,145	17,653
Committed for promissory note - DDA	950,000	-	15,508	965,508
Assigned:				
Rise N Shine	2,892	-	-	2,892
General government	26,581	-	-	26,581
Public safety	10,348	-	-	10,348
Public works	11,751	-	-	11,751
Culture and recreation	7,446	-	-	7,446
Economic development	20,670	-	-	20,670
Unassigned	3,617,325	-	(951)	3,616,374
Total fund balances	<u>4,883,828</u>	<u>508</u>	<u>834,743</u>	<u>5,719,079</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,135,130</u>	<u>\$ 508</u>	<u>\$ 2,105,139</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.	27,495,408
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.	1,306,537
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.	560,081
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(33,327,299)
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.	(845,232)
Net position of governmental activities	<u>\$ 908,574</u>

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

**CITY OF VILLA RICA, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	General	Villa Rica Public Facilities Authority Fund	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 4,428,270	\$ -	\$ 252,081	\$ 4,680,351
Licenses and permits	275,853	-	-	275,853
Intergovernmental	464,879	-	916,797	1,381,676
Fines and forfeitures	337,910	-	18,656	356,566
Charges for services	532,758	-	5,023	537,781
Investment earnings	2,484	29	573	3,086
Contributions	9,160	-	14,500	23,660
Miscellaneous	189,060	-	35	189,095
Total revenues	<u>6,240,374</u>	<u>29</u>	<u>1,207,665</u>	<u>7,448,068</u>
<b>Expenditures:</b>				
Current:				
General government	1,330,390	-	165	1,330,555
Judicial	111,680	-	-	111,680
Public safety	3,280,725	-	14,080	3,294,805
Public works	1,207,174	-	497,475	1,704,649
Health and welfare	177,939	-	-	177,939
Culture and recreation	1,711,620	-	-	1,711,620
Economic development	864,642	-	175,393	1,040,035
Capital outlay	-	-	2,224,974	2,224,974
Debt service:				
Principal	-	250,000	-	250,000
Interest and fiscal charges	-	1,454,938	-	1,454,938
Total expenditures	<u>8,684,170</u>	<u>1,704,938</u>	<u>2,912,087</u>	<u>13,301,195</u>
Excess (deficiency) of revenues over expenditures	(2,443,796)	(1,704,909)	(1,704,422)	(5,853,127)
<b>Other financing sources (uses):</b>				
Transfers in	866,589	1,705,269	294,721	2,866,579
Transfers out	(294,721)	-	(95,307)	(390,028)
Total other financing sources (uses)	<u>571,868</u>	<u>1,705,269</u>	<u>199,414</u>	<u>2,476,551</u>
Net change in fund balances	(1,871,928)	360	(1,505,008)	(3,376,576)
<b>Fund balances, beginning of period</b>	<u>6,755,756</u>	<u>148</u>	<u>2,339,751</u>	<u>9,095,655</u>
<b>Fund balances, end of period</b>	<u>\$ 4,883,828</u>	<u>\$ 508</u>	<u>\$ 834,743</u>	<u>\$ 5,719,079</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 NINE MONTHS ENDED SEPTEMBER 30, 2018

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

Net change in fund balances - total governmental funds	\$ (3,376,576)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,913,799
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.	430,877
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	974,000
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.	250,000
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>403,357</u>
Change in net position - governmental activities	<u>\$ 595,457</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 NINE MONTHS ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 5,205,860	\$ 5,380,860	\$ 4,428,270	\$ (952,590)
Licenses and permits	372,916	463,800	275,853	(187,947)
Intergovernmental	240,137	240,135	464,879	224,744
Fines and forfeitures	340,000	385,800	337,910	(47,890)
Charges for services	510,240	503,040	532,758	29,718
Investment earnings	1,815	1,815	2,484	669
Contributions	51,050	52,850	9,160	(43,690)
Miscellaneous	51,350	194,960	189,060	(5,900)
Total revenues	<u>6,773,368</u>	<u>7,223,260</u>	<u>6,240,374</u>	<u>(982,886)</u>
<b>Expenditures:</b>				
Current:				
General government:				
General administration	215,458	256,458	256,208	250
City manager	142,497	142,496	138,197	4,299
City administration	63,889	68,142	66,779	1,363
Finance	288,742	317,266	281,480	35,786
Legal	95,000	91,700	64,507	27,193
IT	129,032	129,032	128,405	627
Human resources	146,240	146,241	141,776	4,465
Customer service	269,110	269,817	253,038	16,779
Total general government	<u>1,349,968</u>	<u>1,421,152</u>	<u>1,330,390</u>	<u>90,762</u>
Judicial	117,603	118,067	111,680	6,387
Public safety:				
Police department	3,113,187	3,307,826	3,275,685	32,141
Custody of prisoners	8,500	8,500	5,040	3,460
Total public safety	<u>3,121,687</u>	<u>3,316,326</u>	<u>3,280,725</u>	<u>35,601</u>
Public works:				
Public works department	776,477	814,578	757,943	56,635
Watershed management department	158,510	158,509	142,470	16,039
Garage	205,797	206,152	203,057	3,095
Administrative community services	116,100	105,500	103,704	1,796
Total public works	<u>1,256,884</u>	<u>1,284,739</u>	<u>1,207,174</u>	<u>77,565</u>
Health and welfare	185,478	189,637	177,939	11,698
Culture and recreation:				
Recreation	1,106,114	1,141,965	1,107,223	34,742
Mountain gold museum	238,573	243,974	222,615	21,359
Library	352,403	421,068	381,782	39,286
Total health and welfare	<u>1,697,090</u>	<u>1,807,007</u>	<u>1,711,620</u>	<u>95,387</u>
				(continued)



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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Housing and economic development:				
Protective inspection	58,544	58,544	51,297	7,247
Planning and zoning	347,947	438,948	438,808	140
Code enforcement	81,369	68,283	62,380	5,903
Economic development	132,778	132,778	109,188	23,590
Main street	239,049	239,049	202,969	36,080
Total housing and economic development	859,687	937,602	864,642	72,960
 Total expenditures	 8,588,397	 9,074,530	 8,684,170	 390,360
 Deficiency of revenues over expenditures	 (1,815,029)	 (1,851,270)	 (2,443,796)	 (592,526)
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	25,000	25,000	-	(25,000)
Transfers in	808,325	836,164	866,589	30,425
Transfers out	-	-	(294,721)	(294,721)
Total other financing sources (uses)	833,325	861,164	571,868	5,425
 Net change in fund balances	 (981,704)	 (990,106)	 (1,871,928)	 (587,101)
 <b>Fund balance, beginning</b>	 6,755,756	 6,755,756	 6,755,756	 -
<b>Fund balance, ending</b>	<b>\$ 5,774,052</b>	<b>\$ 5,765,650</b>	<b>\$ 4,883,828</b>	<b>\$ (587,101)</b>

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

# CITY OF VILLA RICA, GEORGIA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS SEPTEMBER 30, 2018

	Business-type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,826,220	\$ 6,345	\$ 1,832,565	\$ 562,691
Investments	2,064,845	-	2,064,845	-
Receivables (net of allowance for uncollectibles)	718,247	124,121	842,368	-
Inventory	95,909	-	95,909	-
Due from other funds	-	-	-	106,239
Total current assets	<u>4,705,221</u>	<u>130,466</u>	<u>4,835,687</u>	<u>668,930</u>
Noncurrent assets:				
Capital assets:				
Capital assets, not being depreciated	2,165,567	-	2,165,567	-
Capital assets, being depreciated	68,627,698	381,568	69,009,266	-
Less accumulated depreciation	(19,809,745)	(116,241)	(19,925,986)	-
Total noncurrent assets	<u>50,983,520</u>	<u>265,327</u>	<u>51,248,847</u>	<u>-</u>
Total assets	<u>55,688,741</u>	<u>395,793</u>	<u>56,084,534</u>	<u>668,930</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	89,066	24,938	114,004	-
Total deferred outflows of resources	<u>89,066</u>	<u>24,938</u>	<u>114,004</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	137,768	64,225	201,993	-
Accrued expenses	58,630	7,062	65,692	-
Customer deposits payable	533,279	-	533,279	-
Due to other funds	-	53,487	53,487	-
Claims payable	-	-	-	108,849
Compensated absences, current	21,117	5,068	26,185	-
Notes payable, due within one year	18,467	-	18,467	-
Total current liabilities	<u>769,261</u>	<u>129,842</u>	<u>899,103</u>	<u>108,849</u>
Long-term liabilities:				
Compensated absences, long term	17,777	-	17,777	-
Notes payable, long term	118,834	-	118,834	-
Net pension liability	244,265	68,393	312,658	-
Total long-term liabilities	<u>380,876</u>	<u>68,393</u>	<u>449,269</u>	<u>-</u>
Total liabilities	<u>1,150,137</u>	<u>198,235</u>	<u>1,348,372</u>	<u>108,849</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	62,782	17,579	80,361	-
Total deferred inflows of resources	<u>62,782</u>	<u>17,579</u>	<u>80,361</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	50,846,219	265,327	51,111,546	-
Unrestricted	3,718,669	(60,410)	3,658,259	560,081
Total net position	<u>\$ 54,564,888</u>	<u>\$ 204,917</u>	<u>\$ 54,769,805</u>	<u>\$ 560,081</u>

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

**CITY OF VILLA RICA, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	Business-type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,518,757	\$ 838,496	\$ 6,357,253	\$ 1,258,261
Other fees	206,512	-	206,512	-
Miscellaneous	7,276	5,085	12,361	-
Total operating revenues	<u>5,732,545</u>	<u>843,581</u>	<u>6,576,126</u>	<u>1,258,261</u>
<b>OPERATING EXPENSES</b>				
Personnel services and benefits	1,208,587	247,661	1,456,248	-
Purchased contract services	249,832	625,473	875,305	303,183
Supplies and maintenance	1,230,701	19,891	1,250,592	-
Depreciation	1,136,692	32,253	1,168,945	-
Claims	-	-	-	507,091
Other services and charges	-	-	-	17,110
Total operating expenses	<u>3,825,812</u>	<u>925,278</u>	<u>4,751,090</u>	<u>827,384</u>
Operating income (loss)	1,906,733	(81,697)	1,825,036	430,877
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	2,795	-	2,795	-
Interest expense	(7,827)	-	(7,827)	-
Total nonoperating revenues (expenses)	<u>(5,032)</u>	<u>-</u>	<u>(5,032)</u>	<u>-</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	1,901,701	(81,697)	1,820,004	430,877
Capital contributions	95,626	164,098	259,724	-
Transfers out	(2,460,652)	(15,899)	(2,476,551)	-
Change in net position	(463,325)	66,502	(396,823)	430,877
<b>NET POSITION, beginning of period</b>	<u>55,028,213</u>	<u>138,415</u>	<u>55,166,628</u>	<u>129,204</u>
<b>NET POSITION, end of period</b>	<u>\$ 54,564,888</u>	<u>\$ 204,917</u>	<u>\$ 54,769,805</u>	<u>\$ 560,081</u>

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

**CITY OF VILLA RICA, GEORGIA**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	Business-type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 5,655,403	\$ 819,530	\$ 6,474,933	\$ 1,258,261
Payments to suppliers and service providers	(1,540,970)	(592,231)	(2,133,201)	(937,957)
Payments to employees	(1,140,448)	(205,113)	(1,345,561)	-
Net cash provided by operating activities	2,973,985	22,186	2,996,171	320,304
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(271,109)	(3,030)	(274,139)	-
Payments on long-term liabilities	(16,107)	-	(16,107)	-
Interest and fiscal charges paid	(7,827)	-	(7,827)	-
Net cash used in capital and related financing activities	(295,043)	(3,030)	(298,073)	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers out	(2,460,652)	(15,899)	(2,476,551)	-
Net cash used in noncapital financing activities	(2,460,652)	(15,899)	(2,476,551)	-
Increase in cash	218,290	3,257	221,547	320,304
<b>Cash:</b>				
Beginning of period	1,607,930	3,088	1,611,018	242,387
End of period	\$ 1,826,220	\$ 6,345	\$ 1,832,565	\$ 562,691
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 1,906,733	\$ (81,697)	\$ 1,825,036	\$ 430,877
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,136,692	32,253	1,168,945	-
Increase in accounts receivable	(115,012)	(24,051)	(139,063)	-
Increase in due from other funds	-	-	-	(106,239)
Increase in inventories	(2,216)	-	(2,216)	-
Decrease in prepaid expenses	9,023	2,082	11,105	-
Increase in pension related deferred outflows of resources	(17,114)	(14,548)	(31,662)	-
Decrease in accounts payable	(100,446)	(6,410)	(106,856)	-
Increase in accrued expenses	33,202	3,974	37,176	-
Increase (decrease) in due to other funds	-	53,487	53,487	(35,480)
Increase in customer deposits payable	37,870	-	37,870	-
Increase in claims payable	-	-	-	31,146
Increase in net pension liability	43,446	39,392	82,838	-
Increase in pension related deferred outflows of resources	31,512	13,064	44,576	-
Increase in compensated absences	10,295	4,640	14,935	-
Net cash provided by operating activities	\$ 2,973,985	\$ 22,186	\$ 2,996,171	\$ 320,304
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Donated capital assets	\$ 95,626	\$ 164,098	\$ 259,724	\$ -

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

**CITY OF VILLA RICA, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

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

**A. Reporting Entity**

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

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

**Discretely Presented Component Units**

The Villa Rica Industrial Development Authority (the Industrial Development Authority) is a public body, corporate and politic and was created upon the adoption and approval of the Development Authority Law of the State of Georgia. The Mayor and City Council appoint all members of the Villa Rica Industrial Development Authority. Management has determined that due to the nature and significance of the relationship with the City and the Industrial Development Authority, to report the Industrial Development Authority as a component unit. The Industrial Development Authority has purchased land and build industrial buildings that were leased to such companies as Lowe's, Flowers Bakery, and Print Pack. The Industrial Development Authority does not issue separate financial statements. The Industrial Development Authority operates on a December 31 fiscal year, and therefore, reports on the fiscal year ended December 31, 2017.

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. The Downtown Development Authority operates on a December 31 fiscal year, and therefore, reports on the fiscal year ended December 31, 2017.

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Reporting Entity (Continued)

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

The Villa Rica Public Facilities Authority (the Public Facilities Authority) is a public body which 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, Cemetery Commission, Historic Preservation Commission, the Main Street Advisory Board, the Library Board, and the Recreation Advisory Board.

#### B. Government-wide and Fund Financial Statements

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, charges for services, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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



## NOTES TO FINANCIAL STATEMENTS

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

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

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, Capital Projects Fund, and Debt Service Funds. The governmental fund budgets are adopted on the GAAP basis. All appropriations lapse at fiscal period-end. Encumbered appropriations are carried forward to the subsequent fiscal period 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 \$743,197 outstanding encumbrances at September 30, 2018. The City reports open encumbrances in the following major funds as of September 30, 2018: General Fund \$76,796, Non-major Governmental Funds \$280,955, Water and Sewer Fund \$385,229 and the Solid Waste Fund of \$217.

## NOTES TO FINANCIAL STATEMENTS

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

#### E. Deposits and Investments

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

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

Increases or decrease in fair value during the fiscal period 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 period as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

## NOTES TO FINANCIAL STATEMENTS

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

#### G. Inventories and Prepaid Items

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

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

#### H. Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two fiscal periods. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The City has elected to capitalize all general infrastructure assets regardless of the acquisition date and has used the estimated historical cost to value these assets.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. That item is the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes, 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 fiscal period 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 fiscal period period. Additionally, any contributions made by the City to the pension plan before fiscal period 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

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

#### J. Compensated Absences

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

#### K. Long-Term Obligations

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

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

#### L. Fund Equity

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### L. Fund Equity (Continued)

Fund balances are classified as follows:

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### L. Fund Equity (Continued)

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

#### M. Pensions

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

#### N. Management Estimates

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

## NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$33,327,299 difference are as follows:

Bonds payable	\$ (32,635,000)
Unamortized premiums	(3,791,501)
Unamortized deferred charges	3,448,378
Accrued interest	(120,932)
Compensated absences	<u>(228,244)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (33,327,299)</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 \$845,233 difference are as follows:

Net pension liability	\$ (1,006,375)
Deferred outflows of resources	419,805
Deferred inflows of resources	<u>(258,663)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (845,233)</u></u>



## NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,913,799 difference are as follows:

Capital outlay	\$ 2,851,612
Depreciation expense	<u>(937,813)</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>\$ 1,913,799</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 \$403,356 difference are as follows:

Compensated absences	\$ 11,734
Amortization	(125,119)
Accrued interest	(365,297)
Pension expense	<u>75,326</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>\$ (403,356)</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. LEGAL COMPLIANCE – BUDGETS

#### **Budgets and Budgetary Accounting**

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

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

#### **Deficit Fund Equity**

As of September 30, 2018, the Downtown Development Authority had a deficit fund balance of \$17,161. This deficit will be eliminated in futures fiscal periods as resources begin to generate after the construction of various projects around the City.

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

Expenditures may not legally exceed budgeted appropriations at the department level. For the nine months ended September 30, 2018, the following departments and funds had excesses of actual expenditures over appropriations:

Cemetery Fund	<u>\$ 1,828</u>
Capital Projects for Public Roads Fund	<u>\$ 301,503</u>

These overages were funded with savings in other departments and use of fund balance.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

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

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

**Custodial credit risk.** State statutes require all deposits and investments (other than federal or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of September 30, 2018, the financial institution holding all of the City's deposits is a participant of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. As of September 30, 2018, all of the City's bank balances were insured and/or collateralized as defined by GASB and required by State Statutes.

**Investments:** As of September 30, 2018, the City had \$2,064,845 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	5/7/2019	\$ 2,064,845
Total Investments			\$ 2,064,845

## NOTES TO FINANCIAL STATEMENTS

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

As of December 31, 2017, the Villa Rica Industrial Development Authority had \$865,708 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	12/6/2019	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.

### NOTE 5. RECEIVABLES

#### A. Primary Government

Receivables at September 30, 2018, for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Water & Sewer Fund	Solid Waste Fund	Nonmajor Governmental Funds
Receivables:				
Taxes	\$ 288,225	\$ -	\$ -	\$ -
Other governments	-	-	-	1,149,092
Accounts	2,217,309	758,233	131,737	-
Gross receivables	2,505,534	758,233	131,737	1,149,092
Less allowance for uncollectibles	(703,450)	(39,986)	(7,616)	-
Net receivables	<u>\$ 1,802,084</u>	<u>\$ 718,247</u>	<u>\$ 124,121</u>	<u>\$ 1,149,092</u>

Property taxes for the 2019 fiscal year were levied in September 2018, with property values assessed as of January 1, 2018. Bills are payable on or before November 15, 2018, 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. Due to the changes in the City's fiscal year end from December 31, 2017 to September 30, 2018, there were no property taxes levied to fund the short nine-month period.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### A. Primary Government

Capital asset activity for the nine months ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 2,489,020	\$ -	\$ -	\$ -	\$ 2,489,020
Construction in progress	1,253,096	204,581	-	-	1,457,677
Total capital assets, not being depreciated	3,742,116	204,581	-	-	3,946,697
Capital assets, being depreciated:					
Site improvements	7,777,704	440,380	-	-	8,218,084
Buildings and improvements	10,301,559	437,154	-	-	10,738,713
Machinery and equipment	5,415,513	640,016	(20,515)	-	6,035,014
Infrastructure	12,243,463	1,129,481	-	-	13,372,944
Total capital assets, being depreciated	35,738,239	2,647,031	(20,515)	-	38,364,755
Less accumulated depreciation for:					
Site improvements	(2,298,034)	(164,121)	-	-	(2,462,155)
Buildings and improvements	(4,806,197)	(240,501)	-	-	(5,046,698)
Machinery and equipment	(4,128,839)	(323,633)	20,515	-	(4,431,957)
Infrastructure	(2,665,676)	(209,558)	-	-	(2,875,234)
Total accumulated depreciation	(13,898,746)	(937,813)	20,515	-	(14,816,044)
Total capital assets, being depreciated, net	21,839,493	1,709,218	-	-	23,548,711
Governmental activities capital assets, net	\$ 25,581,609	\$ 1,913,799	\$ -	\$ -	\$ 27,495,408

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,101,972	\$ -	\$ -	\$ -	\$ 2,101,972
Construction in progress	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	30,998,747	149,332	-	-	31,148,079
Buildings	33,448,833	-	-	-	33,448,833
Equipment	3,972,709	384,532	-	20,515	4,377,756
Total capital assets, being depreciated	<u>68,454,887</u>	<u>533,864</u>	<u>-</u>	<u>20,515</u>	<u>69,009,266</u>
Less accumulated depreciation for:					
Site improvements	(18,221)	(1,517)	-	-	(19,738)
Infrastructure	(11,936,259)	(484,158)	-	-	(12,420,417)
Buildings	(3,869,898)	(513,304)	-	-	(4,383,202)
Equipment	(2,912,148)	(169,966)	-	(20,515)	(3,102,629)
Total accumulated depreciation	<u>(18,736,526)</u>	<u>(1,168,945)</u>	<u>-</u>	<u>(20,515)</u>	<u>(19,925,986)</u>
Total capital assets, being depreciated, net	<u>49,718,361</u>	<u>(635,081)</u>	<u>-</u>	<u>-</u>	<u>49,083,280</u>
Business-type activities capital assets, net	<u>\$ 51,883,928</u>	<u>\$ (635,081)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,248,847</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	\$ 96,369
Public safety	187,797
Public works	315,351
Culture and recreation	338,296
Total depreciation expense - governmental activities	<u>\$ 937,813</u>

Business-type activities:

Water and Sewer Fund	\$ 1,136,692
Solid Waste Fund	32,253
Total depreciation expense - business-type activities	<u>\$ 1,168,945</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>

The Villa Rica Industrial Development Authority's capital asset balances above are the audit numbers as of December 31, 2017.

## NOTES TO FINANCIAL STATEMENTS

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

The composition of interfund balances as of September 30, 2018, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 1,652
Nonmajor Governmental Funds	Nonmajor Governmental Funds	16,271
		<u>\$ 17,923</u>
Internal Service Fund	General Fund	<u>\$ 106,239</u>
General Fund	Nonmajor Governmental Funds	\$ 100,099
General Fund	Solid Waste Fund	53,487
		<u>\$ 153,586</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 is for purchases made during the fiscal period.

Interfund transfers for the nine months ended September 30, 2018 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 755,383
General Fund	Solid Waste Fund	15,899
General Fund	Nonmajor Governmental Funds	95,307
		<u>\$ 866,589</u>
Nonmajor Governmental Funds	General Fund	<u>\$ 294,721</u>
Public Facilities Authority Fund	Water and Sewer Fund	<u>\$ 1,705,269</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.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT

#### Primary Government

The following is a summary of long-term debt activity for the nine months ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable	\$ 32,885,000	\$ -	\$ (250,000)	\$ 32,635,000	\$ 260,000
Plus: Premiums	4,080,830	-	(289,329)	3,791,501	-
Total bonds payable	36,965,830	-	(539,329)	36,426,501	260,000
Compensated absences	216,510	131,595	(119,861)	228,244	125,534
Net pension liability	965,501	824,970	(784,096)	1,006,375	-
Governmental activities long-term liabilities	<u>\$ 38,147,841</u>	<u>\$ 956,565</u>	<u>\$ (1,443,286)</u>	<u>\$ 37,661,120</u>	<u>\$ 385,534</u>
<b>Business-type Activities:</b>					
Note payable	\$ 153,408	\$ -	\$ (16,107)	\$ 137,301	\$ 18,467
Compensated absences	29,027	28,990	(14,055)	43,962	26,185
Net pension liability	229,820	256,299	(173,461)	312,658	-
Business-type activities long-term liabilities	<u>\$ 412,255</u>	<u>\$ 285,289</u>	<u>\$ (203,623)</u>	<u>\$ 493,921</u>	<u>\$ 44,652</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

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

#### Primary Government (Continued)

**Revenue Bonds, Series 2008.** During the fiscal period 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 September 30, 2018, the outstanding amount of Series 2008 general obligation bonds considered legally defeased is \$10,000,000.

**Revenue Bonds, Series 2009.** During the fiscal period 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 September 30, 2018, 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 fiscal period 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 September 30,	Principal	Interest	Total
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	920,000	1,346,288	2,266,288
2024-2028	5,375,000	5,971,313	11,346,313
2029-2034	11,470,000	4,249,206	15,719,206
2035-2038	6,990,000	1,086,950	8,076,950
2039-2039	5,150,000	214,531	5,364,531
Total	<u>\$ 32,635,000</u>	<u>\$ 18,538,940</u>	<u>\$ 51,173,940</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 September 30,	Principal	Interest	Total
2019	\$ 18,467	\$ 3,860	\$ 22,327
2020	17,810	3,321	21,131
2021	18,352	2,780	21,132
2022	18,910	2,222	21,132
2023	19,486	1,646	21,132
2024-2025	44,276	1,497	45,773
Total	<u>\$ 137,301</u>	<u>\$ 15,326</u>	<u>\$ 152,627</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLAN

#### Plan Description

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

As provided by state law, benefit provisions for participants in GMEBS are established and amended by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, excluding elected officials who are immediately eligible, who work forty hours per week are eligible to participate after one fiscal period. Benefits vest after five fiscal periods of service. A City employee who retires at age 65 with five fiscal periods 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 fiscal periods total credited service to receive full benefits, otherwise early retirement may be elected after only 10 fiscal periods of service for reduced benefits. Elected officials are entitled to \$14 for each fiscal period 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

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### NOTE 9. PENSION PLAN (CONTINUED)

#### Plan Description (Continued)

*Contributions.* The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan, as adopted by the City Council, is to contribute an amount equal to or greater than the recommended contribution described below. For 2018, the actuarially determined contribution rate was 6.00% of covered payroll. The City makes all contributions to the plan. For 2018, the City's contribution to the Plan was \$138,539.

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

The City's net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2018.

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

Inflation	2.75%
Salary increases	2.75%, including inflation
Investment rate of return	7.50%, net of pension expense, including inflation

Mortality rates for the July 1, 2017 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, 2017 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, 2018 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 2.75% assumed rate of inflation

*Discount rate.* The discount rate used to measure the total pension liability was 7.50%. This was a decrease from the prior discount rate of 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 nine months ended September 30, 2018 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/17</b>	\$ 6,691,181	\$ 5,495,860	\$ 1,195,321
<b>Changes for the year:</b>			
Service cost	221,290	-	221,290
Interest	505,365	-	505,365
Differences between expected and actual experience	220,211	-	220,211
Assumption Changes	-	-	-
Contributions—employer	-	277,095	(277,095)
Net investment income	-	680,462	(680,462)
Benefit payments, including refunds of employee contributions	(340,694)	(340,694)	-
Administrative expense	-	(22,997)	22,997
Other changes	111,406	-	111,406
<b>Net changes</b>	<b>717,578</b>	<b>593,866</b>	<b>123,712</b>
<b>Balances at 9/30/18</b>	<b>\$ 7,408,759</b>	<b>\$ 6,089,726</b>	<b>\$ 1,319,033</b>

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multifiscal period 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 2,334,501	\$ 1,319,033	\$ 477,518

## 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, 2018 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 nine months ended September 30, 2018, the City recognized pension expense of \$362,466. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 320,856	\$ (120,340)
Changes in assumptions	90,834	-
Net difference between projected and actual earnings on pension plan investments	-	(218,683)
City contributions subsequent to the measurement date	138,539	-
Total	<u>\$ 550,229</u>	<u>\$ (339,023)</u>

City contributions subsequent to the measurement date of \$138,539 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2019. 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 September 30:		
2019	\$	35,384
2020		84,682
2021		(62,146)
2022		14,747
Total	<u>\$</u>	<u>72,667</u>



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. DEFINED CONTRIBUTION PLAN

The City of Villa Rica's Internal Revenue Code Section 457 Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution pension plan. The Plan is administered by John Hancock 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 September 30, 2018, there were 56 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 established the plan to make matching contributions to all employees who elect to contribute to the plan. Total employer and employee contributions for the nine months ended September 30, 2018 were \$47,098 and \$105,811 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 fiscal periods.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11. RISK MANAGEMENT (CONTINUED)

Effective September 1, 2017 the City created a high 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 nine months September 30, 2018 and the year ended December 31, 2017:

<b>Fiscal Year-End</b>	<b>Beginning Balance</b>	<b>Current Year Claims and Change in Estimate</b>	<b>Claims Paid</b>	<b>End of Period Claims Liability</b>
2018	\$ 77,703	\$ 387,398	\$ (356,252)	\$ 108,849
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.

## NOTES TO FINANCIAL STATEMENTS

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### 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 levied an occupancy tax of 8% beginning August 1, 2018 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 period, 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 nine months ended September 30, 2018, the City collected \$252,081 in hotel/motel tax revenues of which \$94,205 were transferred to the City's General Fund and \$158,180 were disbursed to the Villa Rica Convention and Visitors Bureau.

### NOTE 15. TAX ABATEMENTS

For the nine months ended September 30, 2018, City property tax revenues were reduced by \$96,589 and \$34,016 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**

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# CITY OF VILLA RICA, GEORGIA

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

	2018	2017	2016	2015
<b>Total pension liability</b>				
Service cost	\$ 221,290	\$ 200,256	\$ 213,374	\$ 137,078
Interest on total pension liability	505,365	488,754	433,897	423,997
Differences between expected and actual experience	220,211	(145,396)	361,719	(165,517)
Changes of assumptions	-	-	-	8,549
Benefit payments, including refunds of employee contributions	(340,694)	(317,883)	(284,415)	(268,317)
Other expenses	111,406	-	-	-
<b>Net change in total pension liability</b>	<b>717,578</b>	<b>225,731</b>	<b>724,575</b>	<b>135,790</b>
<b>Total pension liability - beginning</b>	<b>6,691,181</b>	<b>6,465,450</b>	<b>5,740,875</b>	<b>5,605,085</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 7,408,759</b>	<b>\$ 6,691,181</b>	<b>\$ 6,465,450</b>	<b>\$ 5,740,875</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 277,095	\$ 256,886	\$ 229,947	\$ 250,587
Net investment income	680,462	620,185	13,608	445,016
Benefit payments, including refunds of member contributions	(340,694)	(317,883)	(284,415)	(268,317)
Administrative expenses	(22,997)	(23,126)	(15,103)	(14,685)
<b>Net change in plan fiduciary net position</b>	<b>593,866</b>	<b>536,062</b>	<b>(55,963)</b>	<b>412,601</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,495,860</b>	<b>4,959,798</b>	<b>5,015,761</b>	<b>4,603,160</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,089,726</b>	<b>\$ 5,495,860</b>	<b>\$ 4,959,798</b>	<b>\$ 5,015,761</b>
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 1,319,033</b>	<b>\$ 1,195,321</b>	<b>\$ 1,505,652</b>	<b>\$ 725,114</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>82.20%</b>	<b>82.14%</b>	<b>76.71%</b>	<b>87.37%</b>
<b>Covered payroll</b>	<b>\$ 4,595,373</b>	<b>\$ 4,619,244</b>	<b>\$ 4,525,595</b>	<b>\$ 3,966,501</b>
<b>City's net pension liability as a percentage of covered payroll</b>	<b>28.70%</b>	<b>25.88%</b>	<b>33.27%</b>	<b>18.28%</b>

**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**

	2018	2017	2016	2015
Actuarially determined contribution	\$ 207,808	\$ 277,101	\$ 250,148	\$ 225,696
Contributions in relation to the actuarially determined contribution	138,539	277,095	245,098	235,107
Contribution deficiency (excess)	\$ 69,269	\$ 6	\$ 5,050	\$ (9,411)
Covered payroll	\$ 3,522,169	\$ 4,595,274	\$ 3,966,501	\$ 3,093,925
Contributions as a percentage of covered payroll	6.03%	6.03%	6.18%	7.60%

**Notes to the Schedule:**

(1) Actuarial Assumptions:

Valuation Date	July 1, 2017
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	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost-of-living Adjustment	0.00%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective period of 10 years

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

## NONMAJOR GOVERNMENTAL FUNDS

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### Special Revenue Funds

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

**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.

**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.

**2015 SPLOST Fund** – to account for the Carroll County sales tax proceeds received by the City and the related project expenditures associated with the approved referendum.

**2016 SPLOST Fund** – to account for the Douglas County sales tax proceeds received by the City and the related project expenditures associated with the approved 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**

**SEPTEMBER 30, 2018**

Special Revenue Funds					
	Federal Seizures Fund	Narcotics Enforcement Fund	Community Green Space Fund	Hotel and Motel Tax Fund	Cemetery Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 103,305	\$ 149,760	\$ -	\$ 569	\$ 15,522
Receivables, net of allowance for uncollectibles	-	-	-	53,409	-
Due from other funds	-	-	-	1,653	-
Total assets	<u>\$ 103,305</u>	<u>\$ 149,760</u>	<u>\$ -</u>	<u>\$ 55,631</u>	<u>\$ 15,522</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 38,486	\$ 14
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,486</u>	<u>14</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - intergovernmental	-	-	-	-	-
<b>FUND BALANCES</b>					
<b>FUND BALANCES</b>					
Restricted:					
Public safety	103,305	149,760	-	-	-
Capital projects	-	-	-	-	-
Economic development	-	-	-	17,145	-
Committed for cemetery improvement	-	-	-	-	15,508
Unassigned:	-	-	-	-	-
Total fund balances	<u>103,305</u>	<u>149,760</u>	<u>-</u>	<u>17,145</u>	<u>15,508</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 103,305</u>	<u>\$ 149,760</u>	<u>\$ -</u>	<u>\$ 55,631</u>	<u>\$ 15,522</u>



Capital Projects Funds					Debt Service Fund	Total Nonmajor Governmental Funds
Capital Projects Fund	Public Roads Fund	SPLOST Fund	2015 SPLOST Fund	2016 SPLOST Fund	Debt Service Fund	
\$ -	\$ -	\$ 349,550	\$ 214,215	\$ 105,204	\$ -	\$ 938,125
-	-	-	460,697	634,985	-	1,149,091
-	-	-	16,270	-	-	17,923
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,550</u>	<u>\$ 691,182</u>	<u>\$ 740,189</u>	<u>\$ -</u>	<u>\$ 2,105,139</u>
\$ 951	\$ -	\$ 18,893	\$ -	\$ -	\$ -	\$ 58,344
-	-	16,270	100,000	100	-	116,370
951	-	35,163	100,000	100	-	174,714
-	-	-	460,697	634,985	-	1,095,682
-	-	-	-	-	-	253,065
-	-	314,387	130,485	105,104	-	549,976
-	-	-	-	-	-	17,145
-	-	-	-	-	-	15,508
(951)	-	-	-	-	-	(951)
(951)	-	314,387	130,485	105,104	-	834,743
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,550</u>	<u>\$ 691,182</u>	<u>\$ 740,189</u>	<u>\$ -</u>	<u>\$ 2,105,139</u>

# CITY OF VILLA RICA, GEORGIA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Special Revenue Funds				
	Federal Seizures Fund	Narcotics Enforcement Fund	Community Green Space Fund	Hotel and Motel Tax Fund	Cemetery Fund
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	252,081	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	5,023
Fines and forfeitures	-	18,656	-	-	-
Investment earnings	44	55	-	-	9
Miscellaneous	-	-	-	-	-
Contributions	-	-	-	-	-
Total revenues	44	18,711	-	252,081	5,032
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	14,080	-	-	-	-
Public works	-	-	-	-	-
Economic development	-	-	-	158,180	17,213
Capital outlay	-	-	-	-	-
Total expenditures	14,080	-	-	158,180	17,213
Excess (deficiency) of revenues over expenditures	(14,036)	18,711	-	93,901	(12,181)
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	(100)	(94,205)	-
Total other financing sources (uses):	-	-	(100)	(94,205)	-
Net change in fund balances	(14,036)	18,711	(100)	(304)	(12,181)
<b>Fund balances, beginning of period</b>	117,341	131,049	100	17,449	27,689
<b>Fund balances, end of period</b>	\$ 103,305	\$ 149,760	\$ -	\$ 17,145	\$ 15,508

Capital Projects Funds					Debt Service Fund	
Capital Projects Fund	Public Roads Fund	SPLOST Fund	2015 SPLOST Fund	2016 SPLOST Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,081
48,943	175,473	-	536,353	156,028	-	916,797
-	-	-	-	-	-	5,023
-	-	-	-	-	-	18,656
-	-	216	114	135	-	573
-	-	-	35	-	-	35
14,500	-	-	-	-	-	14,500
63,443	175,473	216	536,502	156,163	-	1,207,665
-	-	-	-	165	-	165
-	-	-	-	-	-	14,080
-	476,975	20,500	-	-	-	497,475
-	-	-	-	-	-	175,393
268,250	-	310,398	1,045,912	600,414	-	2,224,974
268,250	476,975	330,898	1,045,912	600,579	-	2,912,087
(204,807)	(301,502)	(330,682)	(509,410)	(444,416)	-	(1,704,422)
203,856	90,865	-	-	-	-	294,721
-	-	-	-	-	(1,002)	(95,307)
203,856	90,865	-	-	-	(1,002)	199,414
(951)	(210,637)	(330,682)	(509,410)	(444,416)	(1,002)	(1,505,008)
-	210,637	645,069	639,895	549,520	1,002	2,339,751
\$ (951)	\$ -	\$ 314,387	\$ 130,485	\$ 105,104	\$ -	\$ 834,743

**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 NINE MONTHS ENDED SEPTEMBER 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 29	\$ 29
Total revenues	-	-	29	29
<b>Expenditures:</b>				
Debt service:				
Principal	250,000	250,000	250,000	-
Interest and fiscal charges	1,454,938	1,454,938	1,454,938	-
Total expenditures	1,704,938	1,704,938	1,704,938	-
Deficiency of revenues over expenditures	(1,704,938)	(1,704,938)	(1,704,909)	29
<b>Other financing sources:</b>				
Transfers in	1,704,938	1,704,938	1,705,269	331
Total other financing sources	1,704,938	1,704,938	1,705,269	331
Net change in fund balance	-	-	360	(360)
<b>Fund balance, beginning of period</b>	148	148	148	-
<b>Fund balance, end of period</b>	\$ 148	\$ 148	\$ 508	\$ 360

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 NINE MONTHS ENDED SEPTEMBER 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 172,000	\$ 260,000	\$ 252,081	\$ (7,919)
Total revenues	172,000	260,000	252,081	(7,919)
<b>Expenditures:</b>				
Economic development	107,500	195,500	158,180	37,320
Total expenditures	107,500	195,500	158,180	37,320
Excess of revenues over expenditures	64,500	64,500	93,901	29,401
<b>Other financing uses:</b>				
Transfers out	(64,500)	(64,500)	(94,205)	(29,705)
Total other financing uses	(64,500)	(64,500)	(94,205)	(29,705)
Net change in fund balance	-	-	(304)	(304)
<b>Fund balance, beginning of year</b>	17,449	17,449	17,449	-
<b>Fund balance, end of year</b>	<u>\$ 17,449</u>	<u>\$ 17,449</u>	<u>\$ 17,145</u>	<u>\$ (304)</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Charges for services	\$ 5,000	\$ 5,000	\$ 5,023	\$ 23
Investment earnings	-	-	9	9
Total revenues	5,000	5,000	5,032	32
<b>Expenditures:</b>				
Current:				
Economic development	15,385	15,385	17,213	(1,828)
Total expenditures	15,385	15,385	17,213	(1,828)
Net change in fund balance	(10,385)	(10,385)	(12,181)	(1,796)
Fund balance, beginning of period	27,689	27,689	27,689	-
Fund balance, end of period	\$ 17,304	\$ 17,304	\$ 15,508	\$ (1,796)

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental	\$ 615,000	\$ 615,000	\$ 536,353	\$ (78,647)
Investment earnings	-	-	114	114
Miscellaneous	-	-	35	35
Total revenues	615,000	615,000	536,502	(78,533)
<b>Expenditures:</b>				
Capital outlays	1,108,987	1,047,807	1,045,912	1,895
Total expenditures	1,108,987	1,047,807	1,045,912	1,895
Deficiency of revenues over expenditures	(493,987)	(432,807)	(509,410)	(80,428)
<b>Fund balance, beginning of period</b>	639,895	639,895	639,895	-
<b>Fund balance, end of period</b>	\$ 145,908	\$ 207,088	\$ 130,485	\$ (80,428)

**CITY OF VILLA RICA, GEORGIA**  
**2016 SPLOST FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 156,028	\$ (243,972)
Investment earnings	-	-	135	
Total revenues	400,000	400,000	156,163	(243,972)
<b>Expenditures:</b>				
Current:				
General government	-	-	165	(165)
Capital outlays	555,745	818,109	600,414	217,695
Total expenditures	555,745	818,109	600,579	217,530
Net change in fund balance	(155,745)	(418,109)	(444,416)	(26,442)
<b>Fund balance, beginning of period</b>	549,520	549,520	549,520	-
<b>Fund balance, end of period</b>	<u>\$ 393,775</u>	<u>\$ 131,411</u>	<u>\$ 105,104</u>	<u>\$ (26,307)</u>



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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental	\$ 175,472	\$ 175,472	\$ 175,473	\$ 1
Total revenues	175,472	175,472	175,473	1
<b>Expenditures:</b>				
Capital outlays	175,472	175,472	476,975	(301,503)
Total expenditures	175,472	175,472	476,975	(301,503)
Deficiency of revenues over expenditures	-	-	(301,502)	(301,502)
<b>Other financing sources:</b>				
Transfers in	-	-	90,865	90,865
Total other financing sources	-	-	90,865	90,865
Net change in fund balance	-	-	(210,637)	90,865
<b>Fund balance, beginning of period</b>	210,637	210,637	210,637	-
<b>Fund balance, end of period</b>	\$ 210,637	\$ 210,637	\$ -	\$ (301,502)

**CITY OF VILLA RICA, GEORGIA**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS -  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>2008 Issue</b>					
Administrative facilities and equipment	\$ 1,013,895	\$ 1,228,199	\$ 749,263	\$ 285,898	\$ 1,035,161
Sewer and water	3,041,685	1,920,791	1,920,791	-	1,920,791
Streets and sidewalks	1,757,418	2,324,380	2,142,284	20,500	2,162,784
Library	473,151	413,192	384,967	24,500	409,467
Recreation	473,151	548,833	548,833	-	548,833
Total 2008 SPLOST	<u>\$ 6,759,300</u>	<u>\$ 6,435,395</u>	<u>\$ 5,746,138</u>	<u>\$ 330,898</u>	<u>\$ 6,077,036</u>

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>2015 Issue</b>					
Water and sewer facilities and equipment including debt service for WWRF capital improvements	\$ 2,024,000	\$ 1,244,054	\$ 684,939	\$ -	\$ 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	757,739	969,436
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	258,672	657,909
Administration facilities and equipment	181,372	181,372	21,272	29,501	50,773
Economic development	375,000	375,000	-	-	-
Greenspace land acquisition	-	-	-	-	-
Total 2015 SPLOST	<u>\$ 7,267,000</u>	<u>\$ 7,267,000</u>	<u>\$ 2,719,646</u>	<u>\$ 1,045,912</u>	<u>\$ 3,765,558</u>

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>2016 Issue</b>					
Transportation and streets	\$ 2,179,408	\$ 2,179,408	\$ -	\$ 200,000	\$ 200,000
Water and sewerage	1,851,472	1,851,472	61,326	95,626	156,952
Public safety	804,810	804,810	132,938	188,265	321,203
Fire and EMS	944,182	944,182	-	98,137	98,137
Parks and recreation	1,052,128	1,052,128	10,014	18,551	28,565
Total 2016 SPLOST	<u>\$ 6,832,000</u>	<u>\$ 6,832,000</u>	<u>\$ 204,278</u>	<u>\$ 600,579</u>	<u>\$ 804,857</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		\$ 157,100
Total liabilities		<u>\$ 157,100</u>
FUND BALANCES		
Restricted:		
Economic development		\$ 970,670
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**

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

# CITY OF VILLA RICA, GEORGIA

## BALANCE SHEET

### COMPONENT UNIT - VILLA RICA DOWNTOWN DEVELOPMENT AUTHORITY

DECEMBER 31, 2017

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

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

## COMPLIANCE SECTION

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Villa Rica, Georgia (the "City"), as of and for the nine months ended September 30, 2018, 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 17, 2019.

### 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 2018-001 that we consider to be a material weakness.



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## **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 2018-002.

## **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 17, 2019

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

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

**Financial Statements**

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

Internal control over financial reporting:

Material weaknesses identified? ☒ yes ☐ no

Significant deficiencies identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☒ yes ☐ no

**Federal Awards**

There was not an audit of major federal award programs for the nine months ended September 30, 2018 due to the total amount expended being less than \$750,000.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

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

**2018-001 Expenditure Recognition for Governmental Funds**

**Criteria:** Under the modified accrual basis of accounting, all long term liabilities and related interest payables should only be recognized at the government wide balance sheet and not at the fund level.

**Condition:** Misstatements were detected in the reporting of the Public Facilities Authority's expenditures and the related payable account.

**Context/Cause:** During our testing of governmental funds, the following entries were required to correct expenditures and the related accounts:

- The City recognized accrued interest payable and the related expense in the Public Facilities Authority Fund. As this fund is a governmental fund, only interest that has been paid should be recorded as an expenditure and no accrual for interest payable should be recorded on the fund level balance sheet. An audit of adjustment of approximately \$120,900 was needed in order for this fund to comply with the modified accrual basis of accounting.
- Audit adjustments were required in the Self-Funded Insurance Fund to accrue for the claims paid in the subsequent fiscal period as well as any claims incurred but not paid as of September 30, 2018. Audit adjustments of approximately \$108,800 were required to properly report the activity in this fund.

**Effects:** Audit adjustments of approximately \$229,700 were needed in order properly report governmental funds as of September 30, 2018.

**Recommendation:** We recommend the City strengthen internal controls surrounding the recognition and review of expenditures and the related balance sheet accounts during their year-end close process.

**Auditee's Response:** We concur. These corrections will be made in the 2019 fiscal year.

**CITY OF VILLA RICA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

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

**2018-002 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, Community Greenspace Fund, Narcotics Enforcement Fund, Capital Projects Funds, and the Debt Service Fund.

**Context/Cause:** The City did not adopt or operate under a balanced budget for five funds.

**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:** The City will reflect these in the fiscal year 2020 budgets.

**CITY OF VILLA RICA, GEORGIA**  
**STATUS OF PRIOR YEAR FINDINGS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

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**SECTION I**  
**FINANCIAL STATEMENT FINDINGS**

**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.

**Status:** Resolved.

**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.

**Status:** Repeat finding – see 2018-002.