# CITY OF AVONDALE ESTATES
# GEORGIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2012

# CITY OF AVONDALE ESTATES, GEORGIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2012

PREPARED BY:

Ken Turner
Finance Director

CITY OF AVONDALE ESTATES, GEORGIA

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FOR THE YEAR ENDED DECEMBER 31, 2012

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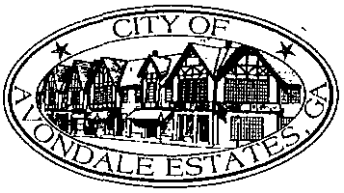
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# INTRODUCTORY SECTION

**BOARD OF MAYOR AND COMMISSIONERS**
Ed Rieker
Mayor
Terry Giager
Mayor Pro Tem
Lindsay Forlines
Commissioner
Gene Lee
Commissioner
John Quinn
Commissioner




R. Clai Brown
City Manager
Juliette Sims-Owens
City Clerk
Robert E. Wilson
City Attorney
Stephen W. Nicholas
City Judge

May 21, 2013

To the Citizens of Avondale Estates and the Board of Mayor and Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the City of Avondale Estates for the fiscal year ending December 31, 2012, is hereby submitted. Responsibility for both the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, the City's organizational chart and a list of principal officials. The financial section includes Management's Discussion and Analysis (MD&A), basic financial statements and combining ai1d individual fund statements and schedules, notes to the financial statements, individual funds, as well as the independent certified public accountants report on the financial statements and schedules. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with MD&A. The City of Avondale Estate's MD&A can be found immediately following the Independent Auditor's Report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

There were no accounting policy changes during 2012 that had a significant impact on the current period's financial statements.

The financial reporting entity includes all the funds of the primary government. The City provides a limited range of municipal government services to some 2,960 citizens. Included in these services are traditional City functions, such as public works, public safety, sanitation, parks, courts and inherent support activities.

## MAJOR INITIATIVES AND ECONOMIC OUTLOOK

### *Current Initiatives*

The City celebrated being a National Arbor Day Foundation Tree City USA for the 29th year. To become a Tree City USA, a community must meet four standards: a tree board, a community tree care ordinance, a comprehensive community forestry program, and an Arbor Day observance and proclamation.

The City of Avondale Estates also received a Tree City USA Growth Award again this year for demonstrating progress in its community forestry program. The prestigious Growth Award honors environmental improvement and higher levels of tree care in Tree City USA communities. The Avondale Estates Tree Board conducted a "Front Yard Project" providing trees to residents who live in areas of the City that do not have sidewalks. The trees were raised from the seedlings of Avondale Estates tree stock. Some of the parent trees were the 85-year old original trees planted in the late 1920's.

The Lake Avondale Park - North Woods Exotic Pest Plant project was completed during 2012. This project was to eliminate invasive species including English Ivy and Chinese Wisteria and to clear the area of undergrowth while providing a 40' vegetative buffer. In recent years, the lake park had experienced an increase in invasive plant growth.

Public Safety purchased and installed a mobile license plate reader (LPR). The LPR uses dual - lens (infrared and color) cameras engineered for extreme conditions. The LPR recognizes license plates in the camera's field of view and matches against various hotlists, and alerts the officer on his in-car computer.

Public Safety conducted the 3rd session of the Avondale Estates Citizens Police Academy. The topics included incident reporting, courts and the law, police investigations, traffic enforcement, firearms and the use of force and police special operations.

The City of Avondale Estates was selected as a National Award Winner for its outstanding participation in the 29th Annual "National Night Out" crime, drug and violence prevention program. The event involved 15,700 communities from all 50 states, U.S. territories and military bases worldwide. Of the 5 categories, which were based upon population size, only 6 Georgia communities where given awards, Avondale Estates being one of the communities.

**Business:**

Twenty (20) new businesses opened in the City during 2012. The beer "growler" concept was not permitted in the State of Georgia when the owners of The Beer Growler began developing their business concept. With dedication and perseverance, they were able to work with the State to allow this type of container and opened the first store in Georgia to sell growlers. The partners sold that store and moved their headquarters to Avondale Estates in 2011. Since then, they have opened 6 other franchises. They were named Best New Beer Store by Atlanta Magazine in 2011 and recognized by the City of Avondale Estates in 2011 as the Best Business.

The group holds many events for residents and visitors and is heavily involved in all aspects of the community.

**Community Promotion:**

2012 was the second year of the Community Promotion Program (CPP) and it was a great success. Over 14,000 people visited the City of Avondale Estates during the Art-B-Que, Autumn Fest, Academy Theatre Dark Harvest Haunted House, Steamfest, Rail Arts District - R.A.D. and Avondale Estates Sunday Ride. The CPP focuses on promoting the City of Avondale Estates through events, festivals or other mediums. The 2013 CPP funding awards have been made and the City looks forward to another successful year.

**Redevelopment:**

The Fenner Dunlop Mill property was demolished and cleared in 2011 to make the property more marketable. City staff has worked with possible developers interested in the property to ensure compliance with the adopted ordinance and high quality development. This property's potential will be evaluated in the Downtown Mast Plan Update.

The historic Tudor Village was purchased by a local real estate firm. The building has suffered from neglect for over thirty years. The new owners have started a sensitive rehabilitation of the entire building. This is a catalyst project for the City. The building is located on the National Register of Historic Places.

The only freestanding Tudor style building constructed soon after the founding of the City, is being rehabilitated for use as a restaurant. The building has been vacant for more than 5 years and suffered from neglect. It is located on one of the most important intersections in town and also listed on the National Register of Historic Places.

During 2012, the City annexed 24 properties extending the western boundaries to the City limits of Decatur. Since annexation, the City has been working with property owners and businesses to clean up these properties and bring them up to code. Eight acres are owned by one property owner and available for purchase. This property is the western gateway to the City and has enormous potential for redevelopment.

***Planned Initiatives***

The Board of Mayor and Commissioners (BOMC) recommended the formation of the Willis Park Ad Hoc Committee to research options associated with possible rehabilitation of the park, based on public interest. The Willis Park Ad Hoc Committee is in charge of planning and making recommendations regarding all aspects of Willis Park from layout and equipment to materials and rules and regulations. The Committee has presented their revised findings to the BOMC. The BOMC and the community will determine the appropriate next steps in 2013.

The City has submitted an application for the Opportunity Zone job tax credit program. Local governments which undertake redevelopment and revitalization efforts in older commercial areas can now qualify those areas for the State's maximum state job tax credit of $3,500 per job. The incentive which is available for

new or existing businesses which create two or more jobs are credits which can be taken against the business's income tax liability and state payroll withholding. The credits are available for areas designated by the Department of Community Affairs (DCA) as "Opportunity Zones". DCA will consider designations for areas that are within or adjacent to a census block group with 15% or greater poverty where an enterprise zone or urban redevelopment plan exists. The City will use this as a tool to attract business and development.

The City submitted the required Step 1 paperwork necessary to become an Official Main Street/Better Hometown Start-up Community in 2011. Achieving designation will require that a community master the Georgia Main Street *I* Better Hometown Program's Minimum Standards, which are primarily based on the National Main Street Center's Accreditation Standards. Mastering the Minimum Program Standards gives the new Better Hometown City it's very best chance of success, and means that the new city comes into the program committed to a long-term revitalization effort - a process that takes time and requires leadership and local capacity building. The City is on the list to be evaluated when the program begin to allow new communities into the program.

The City is partnering with the Atlanta Regional Commission (ARC) to implement the Lifelong Communities Program principles. As part of this effort, the City received a $26,000 grant to address zoning issues, upgrade ADA ran1ps, install crosswalks and conduct a walkability assessment.

The City is proud of its historic roots. The City applied for and received a grant in 2012 totaling $16,000 to conduct a community-wide survey of all the property in the City. This survey will provide a baseline of the existing resources for future plam1ing and be a tool for the Historic Preservation Commission when evaluating applications for changes to historic properties and buildings.

***Economic Outlook***

Avondale Estates is a rather unique and independent small City. It is located approximately 6.5 miles east of the Atlanta City limits and approximately nine (9) miles west of Stone Mountain, GA. The City encompasses 790 acres (approximately 1.25 square miles) and is the seventh most populated City in DeKalb County.

According to the U.S. Bureau of Census, approximately 90 percent of the residents have attended or completed college. The average per capita income of these residents for 2012 is approximately $40,298. Most residents are well compensated, successful professionals. They demand a high level of service and are willing to absorb the additional cost to finance this enhanced effort.

The commercial area of the City is relatively stable. Avondale Estates is the home of the State office of the Georgia Department of Juvenile Justice.

The major influence on the economic engines of the City in the foreseeable future will be re-development of the downtown commercial area. The combined efforts of the City, Avondale Estates Business Association, and the Downtown Development Authority are working diligently to increase the

City's tax base by attracting new businesses to the downtown commercial district as well as working with current businesses on expansion plans.

## FINANCIAL INFORMATION

### *General*

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. It is further incumbent upon management to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are accomplished. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be received; and (2) the evaluation or costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

### *Budgetary Controls*

The City maintains budgetary controls to ensure compliance with the legal provision embodied in the annual appropriated budget as approved by the Board of Mayor and Commissioners. Activities of the general and capital project funds, as well as the Dottie Holmes Memorial Trust Fund, are included in the annual appropriated budget. The legal level of budget control (the level on which expenditures may not legally exceed appropriations) has been established at the department level. Administrative transfers of appropriations within a department may be authorized by the City Manager up to $10,000.00 to satisfy unforeseen needs without Commission action.

### *Enterprise Operations*

The City currently has two enterprise funds, storm water utility and sanitation. Revenue collection for the storm water utility fund began in July 2005.

### *Retirement Plan*

The City of Avondale Estates Retirement Plan recommended contribution rate increased due to the unprecedented decline in the investment markets. The Board of Trustees of the Georgia Municipal Employees Benefit System approved an alternative recommended contribution that will allow the City to adopt a gradual increase to the higher funding requirements because of the investment downturn. Information concerning the City's Plan is found on Page 54-56 and Page 59 of this financial report. The Plan's investment portfolio reflects a reasonably conservative mix of investment vehicles. The annual actuarial valuation indicates compliance with state-mandated funding requirements.

### *Independent Audit*

State statutes require an annual audit by independent certified public accountants. The accounting firm of Clifton, Lipford, Hardison & Parker, LLC, C.P.A.s were selected by the Board of Mayor and Commissioners. The audit has been designed to meet all applicable requirements and standards. The auditor's report on the general purpose financial statements and the combined and individual fund statements and schedules are included in the financial section of this report.

### *Awards*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the year ended December 31, 2011. In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Excellence Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### *Acknowledgments*

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated efforts of the entire staff of the City administrative department, and the auditors for the City. My sincere appreciation is extended to each individual for the contribution made in the preparation of this report. Without the leadership and support of the Board of Mayor and Commissioners and the citizens of Avondale Estates, preparation of this report would not have been possible.

Respectfully submitted,



R. Clai Brown, City Manager

City of Avondale Estates

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Avondale Estates

## Georgia

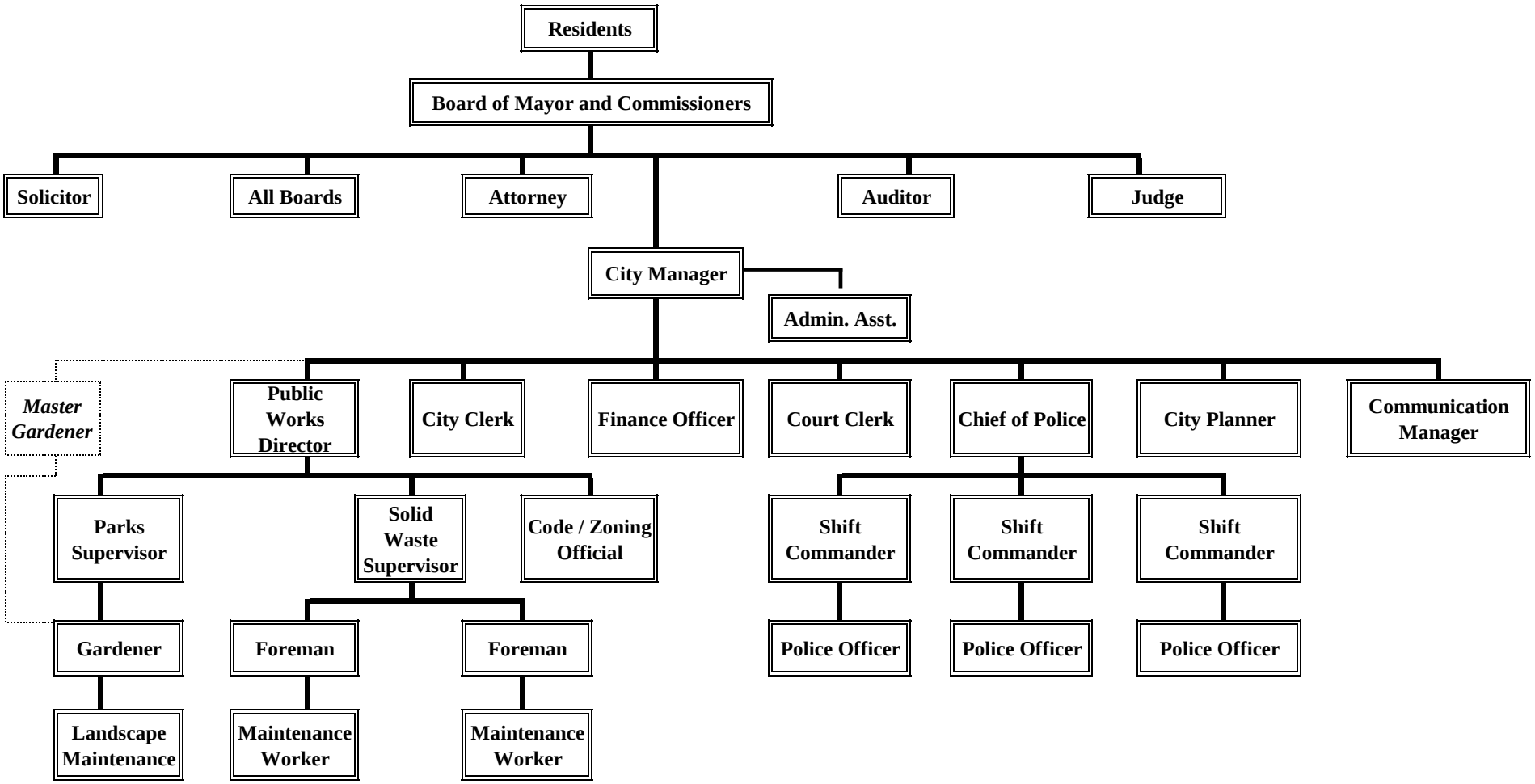
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.




Christopher P. Morrill
President

Jeffrey R. Esser
Executive Director


Residents
Board of Mayor and Commissioners
Solicitor
All Boards
Attorney
Auditor
Judge
City Manager
Admin. Asst.
Master Gardener
Public Works Director
City Clerk
Finance Officer
Court Clerk
Chief of Police
City Planner
Communication Manager
Parks Supervisor
Solid Waste Supervisor
Code / Zoning Official
Shift Commander
Shift Commander
Shift Commander
Gardener
Foreman
Foreman
Police Officer
Police Officer
Police Officer
Landscape Maintenance
Maintenance Worker
Maintenance Worker

CITY OF AVONDALE ESTATES, GEORGIA

PRINCIPAL OFFICIALS

DECEMBER 31, 2012

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CITY COMMISSION

| | |
|---|---|
| Ed Rieker | Mayor |
| Terry Giager | Mayor Pro-Tem |
| Lindsay Forlines | Commissioner |
| Gene Lee | Commissioner |
| John Quinn | Commissioner |

ADMINISTRATION OFFICIALS

| | |
|---|---|
| Clai Brown | City Manager |
| Robert E. Wilson | City Attorney |
| Ken Turner | Finance Director |
| Juliette Sims-Owens | City Clerk |
| Karen Holmes | Administrative Assistant |
| Hazel Baker | Municipal Court Clerk |
| Gary Broden | Chief of Police |
| Bryan Armstead | Public Works Director |
| Keri Stevens | City Planner |

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# FINANCIAL SECTION

CLIFTON, LIPFORD, HARDISON & PARKER, LLC

J. Russell Lipford, Jr., CPA
Mark O. Hardison, CPA
Terry I. Parker, CPA
Christopher S. Edwards, CPA
Lynn S. Hudson, CPA
Kevin E. Lipford, CPA

Member of
American Institute of
Certified Public Accountants
Truman W. Clifton (1902-1989)

# INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Avondale Estates, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Avondale Estates, Georgia, as of and for the year ended December 31, 2012, 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 of 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Avondale Estates, Georgia, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedule of pension funding progress on pages 13-22, and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Avondale Estates, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and budgetary comparison schedules are the responsibility of management and was derived from and relates 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 nonmajor fund financial statements and schedules, and budgetary comparison schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2013 on our consideration of the City of Avondale Estates, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Avondale Estates, Georgia's internal control over financial reporting and compliance.



Macon, Georgia
May 21, 2013

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Avondale Estates (the "City"), we offer readers of the City of Avondale Estates' financial statements this narrative overview and analysis of the financial activities of the City of Avondale Estates for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements and footnotes.

**Financial Highlights**

The net position of the City exceeded its liabilities at the close of the most recent fiscal year by $5,809,344. Of this amount, $2,959,611 (unrestricted net position) may be used to meet the government's ongoing obligations.

The City's net position from governmental activities increased approximately .34% when compared to the previous year, while business-type activities' net position increased by approximately 12% when compared to the previous year.

General Fund Revenues decreased 8.85% or $283,033 compared to 2012, and expenditures increased .52% or $12,406 compared to 2012. The primary reason for the decrease in revenues is the continued decrease in real estate values affecting real estate property tax revenues. Alcohol beverage licenses have increased due to the passage of Sunday sales license applications resulting in an increase in licenses and permits. Interest income has decreased due to the lower interest rates.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,681,194 an increase of $126,715. At the end of the current fiscal year, unassigned fund balance for the general fund was $2,284,487 or 94.63% of total general fund expenditures. This amount is available for spending at the government's discretion, as it is unassigned fund balance.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other 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, public safety, public works, parks, and municipal court. The business-type activities of the City are the Storm Water utility and Sanitation.

The government-wide financial statements include not only the City itself (known as the primary government), but also a discretely presented component unit, the Downtown Development Authority for which the City is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 23-25 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 three categories: governmental funds, proprietary funds, and fiduciary 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 near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five (5) individual 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, which is considered to be the major fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-30 of this report.

**Proprietary funds.** The City maintains two (2) enterprise funds in the proprietary fund group. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Avondale Estates uses enterprise funds to account for its Storm Water Utility and Sanitation functions.

The basic proprietary fund financial statements can be found on pages 31-34 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 35 and 36 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 37-58 of this report.

**Government-wide Financial Analysis**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Avondale Estates, Georgia, assets exceeded liabilities by $5,809,344 at the close of the most recent fiscal year. Following is a description of the City's net position (in thousands) as compared to the previous year.

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| Assets | | | | | | |
| Current assets | $ 2,770 | $ 2,804 | $ 621 | $ 764 | $ 3,391 | $ 3,568 |
| Capital assets | 2,498 | 2,394 | 141 | 100 | 2,639 | 2,494 |
| Total assets | 5,268 | 5,198 | 762 | 864 | 6,030 | 6,062 |
| Liabilities | | | | | | |
| Non-current liabilities | 68 | 72 | 14 | 16 | 82 | 88 |
| Other liabilities | 194 | 104 | 45 | 61 | 239 | 165 |
| Total liabilities | 262 | 176 | 59 | 77 | 321 | 253 |
| Net Position | | | | | | |
| Net Investment in capital assets | 2,498 | 2,394 | 141 | 100 | 2,639 | 2,494 |
| Restricted | 196 | 356 | - | - | 196 | 356 |
| Unrestricted | 2,312 | 2,273 | 562 | 687 | 2,874 | 2,960 |
| Total net position | $ 5,006 | $ 5,023 | $ 703 | $ 787 | $ 5,709 | $ 5,810 |

By far the largest portion of the City's net position (43%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services; consequently, these assets are not currently available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portions of the City's net position are either restricted ($355,482) or unrestricted ($2,959,611). Unrestricted net position may be used to meet the government's ongoing obligations. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its business-type activities.

During the current fiscal year the City's total net position increased by $101,182.

## Changes in Net Position

The following schedule presents a summary of changes in net position for the fiscal year ending December 31, 2012 (in thousands).

**City of Avondale Estates Changes in Net Position**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 507 | $ 525 | $ 416 | $ 417 | $ 923 | $ 942 |
| Operating grants & contributions | 19 | 15 | - | - | 19 | 15 |
| General revenues: | | | | | | |
| Property taxes | 1,793 | 1,536 | - | - | 1,793 | 1,536 |
| Franchise taxes | 189 | 189 | - | - | 189 | 189 |
| Insurance Premium taxes | 139 | 147 | - | - | 139 | 147 |
| Occupational taxes | 78 | 80 | - | - | 78 | 80 |
| HOST taxes | 366 | 302 | - | - | 366 | 302 |
| Other taxes | 96 | 58 | - | - | 96 | 58 |
| Other revenues | - | 56 | 6 | - | 6 | 56 |
| Investment earnings | 14 | 5 | 4 | 2 | 18 | 7 |
| Total revenues | 3,201 | 2,913 | 426 | 419 | 3,627 | 3,332 |
| Expenses | | | | | | |
| General government | 783 | 862 | - | - | 783 | 862 |
| Public safety | 961 | 1,009 | - | - | 961 | 1,009 |
| Public works | 296 | 242 | - | - | 296 | 242 |
| Recreation | 354 | 412 | - | - | 354 | 412 |
| Interest | - | - | 1 | - | 1 | - |
| Sanitation | - | - | 664 | 673 | 664 | 673 |
| Stormwater | - | - | 42 | 34 | 42 | 34 |
| Total expenses | 2,394 | 2,525 | 707 | 707 | 3,101 | 3,232 |
| Increase in Net Position Before Transfers | 807 | 388 | (281) | (288) | 526 | 100 |
| Transfers | (359) | (372) | 359 | 372 | - | - |
| Change in net position | 448 | 16 | 78 | 84 | 526 | 100 |
| Net Position beginning of year | 4,558 | 5,006 | 625 | 703 | 5,183 | 5,709 |
| Net Position end of year | $ 5,006 | $ 5,022 | $ 703 | $ 787 | $ 5,709 | $ 5,809 |

Governmental charges for services increased by $18,619. Operating grants and contributions decreased $3,696 due to decreases of health promotion and GBI grants. Property taxes showed an approximate decrease of $257,112. This decrease is primarily due to continuing decreases of assessed property values. Other factors contributing to the changes are, increases in franchise taxes of approximately $595 due to an increase in franchise taxable revenue, decreases in public utilities ad valorem taxes of $18,218 due to decreases in taxable values. The increase in motor vehicle taxes of $9,171 and real estate transfer taxes of $1,820 are attributed to the current economic environment. The decrease in investment earnings of $9,754 is due to lower interest rates on investments.

Total governmental expenses increased approximately $131,291. Increases in salaries and related fringe benefits comprise $87,116 across all categories. In the general government category, retirement expense increased $6,117, repairs and maintenance to buildings increased $5,053, legal services increased $2,612, newsletter printing and postage decreased $16,567 as the City has outsourced this function, postage increased $2,578 due to increased cost of postage and increased number of mailings, the purchase of small equipment decreased $3,272, and other grant expenditures increased $4,010 due to increased health promotion activities. In the Public Safety category, retirement expense increased $9,970, worker's compensation insurance expense decreased $4,594 due to changes in rates, computer expense decreased $8,702 due to no computers were purchased during the year, repairs and maintenance – vehicles increased $6,774 due to higher repair costs. Vehicles purchased decreased $98,795 as no police cars were purchased during 2012.

Net position on governmental activities funds increased by $16,869 as a result of revenues exceeding expenditures.

Business-type activities contain operations of the Storm Water utility and Sanitation. Business-type activities increased the City of Avondale Estates' net position by $84,313. The Storm Water and Sanitation charges are billed on the annual property tax bills.

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year or for use during the fiscal year to balance cash flow needs.

As of the end of the current fiscal year, the City of Avondale Estates, Georgia's governmental funds reported combined ending fund balances of $2,681,194, an increase of $126,715 in comparison with the prior year. Approximately eighty five percent of the total amount ($2,284,487) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance ($396,707) is designated as follows: non spendable $16,873 (prepaid expenses), restricted $355,482 ($325,478 HOST, $29,468 TAD, $536 Police Seizure), and assigned $24,352 ($11,588 Technology Fund, $27 Capital Projects, and $12,737 Lake Avondale Fund).

The general fund is the chief operating fund of the City of Avondale Estates, Georgia. At the end of the current fiscal year, the unassigned fund balance of the general fund was $2,284,487. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 94.63% of total General Fund expenditures.

The table below compares general fund revenues and expenditures for 2011 and 2012 (in thousands).

**General Fund**

| | 2011 | 2012 | $ Increase (Decrease) |
|---|---|---|---|
| Revenues | | | |
| Taxes | $ 2,612 | $ 2,315 | $ (297) |
| Licenses & permits | 15 | 26 | 11 |
| Intergovernmental | 19 | 15 | (4) |
| Fines & forfeitures | 472 | 476 | 4 |
| Charges for services | 19 | 23 | 4 |
| Interest income | 14 | 5 | (9) |
| Other revenues | 48 | 56 | 8 |
| Total revenues | 3,199 | 2,916 | (283) |
| Expenditures | | | |
| General government | 766 | 817 | 51 |
| Public safety | 994 | 949 | (45) |
| Public works | 289 | 236 | (53) |
| Recreation | 353 | 412 | 59 |
| Total expenditures | 2,402 | 2,414 | 12 |
| Excess of revenues over expenditures | 797 | 502 | (295) |
| Transfers to other funds | (359) | (372) | (13) |
| Net change in fund balances | 438 | 130 | (308) |
| Fund balances, beginning of year | 2,071 | 2,509 | 438 |
| Fund balances, end of year | $ 2,509 | $ 2,639 | $ 130 |

Revenues from taxes decreased mainly due to decreased HOST sales taxes in the amount of $64,009 and a decrease in real estate property tax of $239,412. Licenses and permits increased approximately $10,316 due to an increase in alcoholic beverage licenses of $8,392 and an increase in permit authorizations of $1,865. Fines and forfeitures increased $3,732 due to increased traffic enforcement. Charges for services increased $4,070 due to increases in advertising revenue, donations for various City activities like the July 4th celebration and the Labor Day Race. Interest income decreased due to lower interest rates on investible funds. Other revenues increased due to increases in sale of surplus equipment and insurance reimbursements.

Total expenditures increased over the prior year. The increases in General Government were due primarily to increases in salaries and related fringe benefits of $29,856, the purchase of a License Plate Reader $19,560, printing and binding $4,585, other grant expenditures of $4,010, other major decreases were, administrative services $2,848, municipal election expense $2,449 (no elections in 2012), dog park $3,000, small equipment $3,507, computer/software $2,931, newsletter printing/postage $16,567 as this activity is now outsourced and other grant expenditures of $4,639. The decrease in Public Safety was primarily due to not purchasing any police patrol vehicles as was done in 2011. Public Works decreased primarily due to roadways and walkways decreasing $6,554 and sites decreasing $25,000. Recreation increases were primarily due to increases in salaries and related fringe benefits of $16,404, technical services – Willis Park $6,826, landscape maintenance $3,178, tree maintenance $4,865 and Lake Avondale improvements $15,653.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City maintains two enterprise funds that account for activities of the City that are operated in a business fashion. The funds are the Storm Water Utility Fund and Sanitation.

Storm Water fees and Sanitation are billed on the City property tax bills, collected by Dekalb County and remitted by the County to the City. Revenue from Storm Water fees increased $736 over last year. After accounting for operating expenses of $31,547, depreciation of $2,046 and interest income of $1,933, the Storm Water utility increased its net position by $84,313 for total net position of $786,742 at the end of the fiscal year. This increase is largely attributed to minimal expenses and interest income.

Sanitation revenues remained constant with a small $38 decrease. After accounting for operating expenses of $634,368 and depreciation of $38,736, Sanitation had an operating loss of $372,165 before transfers from the General Fund of $372,165. At the end of the fiscal year, Sanitation did not have any net position. It is expected for the General Fund to continue to transfer funds to cover expenditures.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The primary fiduciary fund is the Dottie Holmes Memorial Trust Fund that holds assets to be used for replanting certain flora around the City. The Dottie Holmes Memorial Trust Fund had a net increase of $21 to net position during 2012 for a total of $12,093 at year end.

**General Fund Budgetary Highlights**

In calendar year 2012, it was anticipated that there would be not be any changes in fund balance. The City's general fund balance as of December 31, 2012 is $2,638,426. This is equivalent to approximately ninety seven percent of the City's current estimate of the total general fund expenditures for calendar year 2012. It should be noted that the calendar year 2013 budget does anticipate a small change (increase) in fund balance of $12,472.

The final amended budget for revenues was approximately 7.44% higher than the original budget. The final amended budget for expenditures was approximately 2.67% higher than the original budget.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2012, amounts to $2,494,251 (net of accumulated depreciation). This investment in capital assets includes land, buildings and fixtures, improvements, machinery and equipment, vehicles, and infrastructure. The City's investment in capital assets increased less than 1% for the current calendar year. The increase is due to additions to capital assets in governmental activities of $19,560 and depreciation within the governmental activities. Additional information on the City's capital assets can be found in Note 6 on pages 49-50 of this report. The following table summarizes the capital assets (net of depreciation) for governmental activities, business-type activities and the total for the primary government (in thousands).

**Capital Assets (net of depreciation)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| Land | $ 1,859 | $ 1,859 | $ - | $ - | $ 1,859 | $ 1,859 |
| Infrastructure | 214 | 200 | 12 | 10 | 226 | 210 |
| Construction in Progress | - | - | - | - | 174 | - |
| Building & improvements | 220 | 187 | - | - | 220 | 187 |
| Furniture, Equipment & Vehicles | 204 | 148 | 128 | 90 | 332 | 238 |
| Total | $ 2,497 | $ 2,394 | $ 140 | $ 100 | $ 2,811 | $ 2,494 |

**Long-term Debt and Capital Leases.**
The City has no capital leases outstanding. At December 31, 2012, the City had long-term debt in the amount of $88,082, which is comprised of compensated absences. (Governmental Activities $72,407 and Business-type activities $15,675).

Additional information on the City's long-term debt can be found in Note 7 on pages 51-53 of this report.

## Economic Factors

The unemployment rate for the City is currently 10.5%. The cost of living is 99 compared to the US median of 100. The median age is 45 compared to a US median of 37.1. Per capita income is $40,298 compared to a US per capita of approximately $27,915. Inflationary trends in the region compare favorably to national indices. There are on-going redevelopment efforts occurring throughout the City.

**Next Year's Budget**

At December 31, 2012, unassigned fund balance in the general fund was $2,284,487. Next year's budgeted revenues will largely be derived from property taxes (57.87%), the remaining 42.13% is to come from other revenue sources. General Fund budgeted revenues for 2013 are expected to increase by 4.13% or $111,894 compared to 2012. This is primarily due to decreases in property taxes of $126,031, an increase in fines & forfeitures of $244,328 due to increased enforcement, decreases in interest income of $7,000 due to lower interest rates. The 2013 budgeted sanitation revenue amounts to $379,580 which is an increase of $89,580 due to a fee increase plus a General Fund transfer of $277,672. General Fund expenditures are expected to increase by 3.67% or $99,422 compared to 2012. This increase is primarily due to increases in salaries and related fringe benefits for two new budgeted positions, a new traffic enforcement officer and a community communications manager. The 2013 General Fund budget includes a transfer to the Sanitation Fund of $277,672 to cover budgeted expenses.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Avondale Estates' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, 21 North Avondale Plaza, City of Avondale Estates, Avondale Estates, Georgia 30002.

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# FINANCIAL STATEMENTS

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CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2012

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Downtown Development Authority |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | $ 1,489,734 | $ 780,295 | $ 2,270,029 | $ 538,103 |
| Certificate of deposits | 1,001,004 | - | 1,001,004 | - |
| Investments | 1,682 | - | 1,682 | - |
| Receivables, net of allowance | | | | |
| Taxes | 47,054 | - | 47,054 | - |
| Accounts | 20,579 | 17,017 | 37,596 | - |
| Due from other governments | 193,772 | - | 193,772 | - |
| Internal balances | 33,397 | (33,397) | - | - |
| Prepaids | 16,873 | - | 16,873 | - |
| Noncurrent Assets: | | | | |
| Non depreciable | 1,859,463 | - | 1,859,463 | 600,000 |
| Depreciable, net | 534,860 | 99,928 | 634,788 | 10,981,000 |
| Total Assets | 5,198,418 | 863,843 | 6,062,261 | 12,119,103 |
| LIABILITIES | | | | |
| Accounts payable | 64,652 | 55,154 | 119,806 | 34,350 |
| Accrued payables | 30,513 | 6,273 | 36,786 | 37,204 |
| Due to others | 8,244 | - | 8,244 | - |
| Unearned revenue | - | - | - | 169,207 |
| Noncurrent liabilities | | | | |
| Due within one year | 63,000 | 10,000 | 73,000 | 1,160,857 |
| Due in more than one year | 9,407 | 5,674 | 15,081 | 6,540,878 |
| Total Liabilities | 175,816 | 77,101 | 252,917 | 7,942,496 |
| NET POSITION | | | | |
| Net investment in capital assets | 2,394,323 | 99,928 | 2,494,251 | 3,879,265 |
| Restricted for | | | | |
| Capital outlay | 354,946 | - | 354,946 | - |
| Public safety | 536 | - | 536 | - |
| Unrestricted | 2,272,797 | 686,814 | 2,959,611 | 297,342 |
| Total Net Position | $ 5,022,602 | $ 786,742 | $ 5,809,344 | $ 4,176,607 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| Governmental Activities | | | | |
| General government | $ 862,419 | $ 48,716 | $ 15,490 | $ - |
| Public safety | 1,008,831 | 476,688 | - | - |
| Public works | 242,160 | - | - | - |
| Culture and recreation | 411,731 | - | - | - |
| Total governmental activities | 2,525,141 | 525,404 | 15,490 | - |
| Business-Type Activities | | | | |
| Stormwater Utility | 33,593 | 115,973 | - | - |
| Sanitation | 673,104 | 300,939 | - | - |
| Total business-type activities | 706,697 | 416,912 | - | - |
| Total Primary Government | $ 3,231,838 | $ 942,316 | $ 15,490 | $ - |
| **Component Unit:** | | | | |
| Downtown Development Authority | $ 1,194,654 | $ 2,011,108 | $ - | $ - |
| Total Component Unit | $ 1,194,654 | $ 2,011,108 | $ - | $ - |

General Revenues
Property tax
Franchise tax
Insurance premium tax
Other tax
Investment earnings
Miscellaneous
Total General Revenues

Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

| | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|
| | Primary Government | | | Component Unit |
| | Governmental Activities | Business-Type Activities | Total | Downtown Development Authority |
| | $ (798,213) | $ - | $ (798,213) | $ - |
| | (532,143) | - | (532,143) | - |
| | (242,160) | - | (242,160) | - |
| | (411,731) | - | (411,731) | - |
| | (1,984,247) | - | (1,984,247) | - |
| | - | 82,380 | 82,380 | - |
| | - | (372,165) | (372,165) | - |
| | - | (289,785) | (289,785) | - |
| | (1,984,247) | (289,785) | (2,274,032) | - |
| | | | | 816,454 |
| | | | | 816,454 |
| | 1,536,366 | - | 1,536,366 | - |
| | 189,161 | - | 189,161 | - |
| | 147,468 | - | 147,468 | - |
| | 439,256 | - | 439,256 | - |
| | 4,736 | 1,933 | 6,669 | 777 |
| | 56,294 | - | 56,294 | 60 |
| | 2,373,281 | 1,933 | 2,375,214 | 837 |
| | (372,165) | 372,165 | - | - |
| | 2,001,116 | 374,098 | 2,375,214 | 837 |
| | 16,869 | 84,313 | 101,182 | 817,291 |
| | 5,005,733 | 702,429 | 5,708,162 | 3,359,316 |
| | $ 5,022,602 | $ 786,742 | $ 5,809,344 | $ 4,176,607 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalent | $ 1,447,255 | $ 42,479 | $ 1,489,734 |
| Certificates of deposit | 1,001,004 | - | 1,001,004 |
| Investments | 1,655 | 27 | 1,682 |
| Receivables, net of allowance | | | |
| Taxes | 46,816 | 238 | 47,054 |
| Accounts | 20,555 | 24 | 20,579 |
| Due from other governments | 193,772 | - | 193,772 |
| Due from other funds | 33,397 | - | 33,397 |
| Prepaids | 16,873 | - | 16,873 |
| Total Assets | $ 2,761,327 | $ 42,768 | $ 2,804,095 |
| LIABILITIES | | | |
| Accounts payable | $ 64,652 | $ - | $ 64,652 |
| Accrued liabilities | 30,513 | - | 30,513 |
| Deferred revenues | 19,492 | - | 19,492 |
| Due to others | 8,244 | - | 8,244 |
| Total Liabilities | 122,901 | - | 122,901 |
| FUND BALANCES | | | |
| Nonspendable | 16,873 | - | 16,873 |
| Restricted | 325,478 | 30,004 | 355,482 |
| Assigned | 11,588 | 12,764 | 24,352 |
| Unassigned | 2,284,487 | - | 2,284,487 |
| Total Fund Balances | 2,638,426 | 42,768 | 2,681,194 |
| Total Liabilities and Fund Balances | $ 2,761,327 | $ 42,768 | $ 2,804,095 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITIONS
DECEMBER 31, 2012

| | | |
|---|---|---|
| Total Fund Balances per Balance Sheet of Governmental Funds | $ | 2,681,194 |
| Amounts reported for governmental activities in the Statement of Net Position differ from amounts reported in the Balance Sheet of Governmental Funds due to the following: | | |
| Capital Assets | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Cost of the assets | | 4,008,845 |
| Accumulated depreciation | | (1,614,522) |
| Revenues | | |
| Some of the government's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. | | 19,492 |
| Long-term Liabilities | | |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following: | | |
| Compensated absences | | (72,407) |
| Total Net Position of Governmental Activities | $ | 5,022,602 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Revenues | | | |
| Taxes | $ 2,314,663 | $ 26 | $ 2,314,689 |
| License and permits | 25,671 | - | 25,671 |
| Intergovernmental | 15,490 | - | 15,490 |
| Fines and forfeitures | 476,188 | 500 | 476,688 |
| Charges for Services | 23,045 | - | 23,045 |
| Interest earnings | 4,696 | 40 | 4,736 |
| Other revenues | 56,294 | - | 56,294 |
| Total Revenues | 2,916,047 | 566 | 2,916,613 |
| Expenditures | | | |
| Current: | | | |
| General government | 817,379 | 3,570 | 820,949 |
| Public safety | 949,194 | - | 949,194 |
| Public works | 235,859 | - | 235,859 |
| Culture and recreation | 411,731 | - | 411,731 |
| Total Expenditures | 2,414,163 | 3,570 | 2,417,733 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 501,884 | (3,004) | 498,880 |
| Other Financing Sources (Uses) | | | |
| Transfers to other funds | (372,165) | - | (372,165) |
| Total other financing sources (uses) | (372,165) | - | (372,165) |
| Net change in fund balances | 129,719 | (3,004) | 126,715 |
| Fund Balance, beginning of year | 2,508,707 | 45,772 | 2,554,479 |
| Fund Balance, end of year | $ 2,638,426 | $ 42,768 | $ 2,681,194 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

| | |
|---|---|
| Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses Per Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances | $ 126,715 |
| Amounts reported for governmental activities in the Statement of Activities differ from amounts reported in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances due to the following: | |
| Capital Assets | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. | |
| Total capital outlays | 19,560 |
| Total depreciation | (122,655) |
| Long-term Debt | |
| Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustments for these items are as follows: | |
| Compensated absences | (4,312) |
| Revenues | |
| Because some revenues will not be collected for several months after the government's year end, they are not considered available revenues and are deferred in the governmental funds. | |
| Deferred revenues decreased by this amount during the year. | (2,439) |
| Change in Net Position of Governmental Activities | $ 16,869 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| Revenues: | | | | |
| Taxes | $ 2,160,824 | $ 2,321,626 | $ 2,314,663 | $ (6,963) |
| Licenses and permits | 95,500 | 25,671 | 25,671 | - |
| Intergovernmental | 6,000 | 15,490 | 15,490 | - |
| Fines and forfeitures | 423,500 | 475,654 | 476,188 | 534 |
| Charges for services | 2,100 | 23,045 | 23,045 | - |
| Interest income | 12,000 | 4,696 | 4,696 | - |
| Miscellaneous | 10,900 | 55,962 | 56,294 | 332 |
| Total Revenue | 2,710,824 | 2,922,144 | 2,916,047 | (6,097) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 731,900 | 817,406 | 817,379 | 27 |
| Public safety | 947,842 | 949,194 | 949,194 | - |
| Public works | 359,826 | 235,859 | 235,859 | - |
| Culture and recreation | 308,354 | 411,731 | 411,731 | - |
| Total Expenditures | 2,347,922 | 2,414,190 | 2,414,163 | 27 |
| Excess Revenue Over (Under) Expenditures | 362,902 | 507,954 | 501,884 | (6,070) |
| Other Financing Sources (Uses): | | | | |
| Transfer to other funds | (362,902) | (371,550) | (372,165) | (615) |
| Total Other Financing Sources (Uses) | (362,902) | (371,550) | (372,165) | (615) |
| Net change in fund balance | - | 136,404 | 129,719 | (6,685) |
| Fund balance, beginning of year | 2,508,707 | 2,508,707 | 2,508,707 | - |
| Fund balance, end of year | $ 2,508,707 | $ 2,645,111 | $ 2,638,426 | $ (6,685) |

The notes to the financial statements are an integral part of the basic financial statements.

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CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

| | Business-type Activities-Enterprise Funds | | |
|---|---|---|---|
| | Stormwater Utility Fund | Sanitation Fund | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 780,295 | $ - | $ 780,295 |
| Accounts receivable, net | 5,339 | 11,678 | 17,017 |
| Total current assets | 785,634 | 11,678 | 797,312 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Depreciable, net | 10,228 | 89,700 | 99,928 |
| Total noncurrent assets | 10,228 | 89,700 | 99,928 |
| Total Assets | 795,862 | 101,378 | 897,240 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 9,120 | 46,034 | 55,154 |
| Accrued salaries | - | 6,273 | 6,273 |
| Accrued vacation | - | 10,000 | 10,000 |
| Due to other funds | - | 33,397 | 33,397 |
| Total current liabilities | 9,120 | 95,704 | 104,824 |
| Noncurrent liabilities: | | | |
| Accrued vacation | - | 5,674 | 5,674 |
| Total noncurrent liabilities | - | 5,674 | 5,674 |
| Total Liabilities | 9,120 | 101,378 | 110,498 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 10,228 | 89,700 | 99,928 |
| Unrestricted | 776,514 | (89,700) | 686,814 |
| Total Net Position | $ 786,742 | $ - | $ 786,742 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Business-type Activities-Enterprise Funds | | |
|---|---|---|---|
| | Stormwater Utility Fund | Sanitation Fund | Total |
| Operating revenues: | | | |
| Charges and fees | $ 115,973 | $ 300,939 | $ 416,912 |
| Total operating revenues | 115,973 | 300,939 | 416,912 |
| Operating expenses: | | | |
| Salaries and benefits | - | 427,407 | 427,407 |
| Cost of sales | 31,547 | 130,298 | 161,845 |
| Other operating expenses | - | 53,548 | 53,548 |
| Repairs and maintenance | - | 23,115 | 23,115 |
| Depreciation | 2,046 | 38,736 | 40,782 |
| Total operating expenses | 33,593 | 673,104 | 706,697 |
| Operating income | 82,380 | (372,165) | (289,785) |
| Nonoperating revenues (expenses): | | | |
| Interest income | 1,933 | - | 1,933 |
| Total nonoperating revenues (expenses) | 1,933 | - | 1,933 |
| Net income (loss) before transfers | 84,313 | (372,165) | (287,852) |
| Transfers in | - | 372,165 | 372,165 |
| Change in net position | 84,313 | - | 84,313 |
| Total Net Position - Beginning of Year | 702,429 | - | 702,429 |
| Total Net Position - Ending of Year | $ 786,742 | $ - | $ 786,742 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Business-type Activities-Enterprise Funds | | |
|---|---|---|---|
| | Stormwater Utility Fund | Sanitation Fund | Total |
| Cash Flows from Operating Activities: | | | |
| Cash received from customers | $ 116,677 | $ 301,779 | $ 418,456 |
| Cash paid to employees | - | (424,579) | (424,579) |
| Cash paid to suppliers for goods and services | (25,758) | (249,365) | (275,123) |
| Net Cash Flows Provided by (Used for) Operating Activities | 90,919 | (372,165) | (281,246) |
| Cash Flows from Noncapital Financing Activities: | | | |
| Transfers from General Fund | - | 372,165 | 372,165 |
| Net Cash Provided by Noncapital Financing Activities | - | 372,165 | 372,165 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Proceeds on sale of assets | - | - | - |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | - | - | - |
| Cash Flows from Investing Activities: | | | |
| Interest income | 1,933 | - | 1,933 |
| Net Cash Flows Provided by (Used for) Investing Activities | 1,933 | - | 1,933 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 92,852 | - | 92,852 |
| Cash and Cash Equivalents, Beginning of Year | 687,443 | - | 687,443 |
| Cash and Cash Equivalents, End of Year | $ 780,295 | $ - | $ 780,295 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

| | Business-type Activities-Enterprise Funds | | |
|---|---|---|---|
| | Stormwater Utility Fund | Sanitation Fund | Total |
| Cash Flows From Operating Activities: | | | |
| Operating income | $ 82,380 | $ (372,165) | $ (289,785) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | |
| Depreciation | 2,046 | 38,736 | 40,782 |
| Changes in Assets and Liabilities: | | | |
| (Increase) decrease in accounts receivable | 705 | 840 | 1,545 |
| Increase (decrease) in accounts payable | 5,788 | 8,736 | 14,524 |
| Increase (decrease) in accrued liabilities | - | 1,468 | 1,468 |
| Increase (decrease) in due to other funds | - | (51,140) | (51,140) |
| Increase (decrease) in compensated absences | - | 1,360 | 1,360 |
| Total Adjustments | 8,539 | - | 8,539 |
| Net Cash Provided by (Used for) Operating Activities | $ 90,919 | $ (372,165) | $ (281,246) |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2012

| | Dottie Holmes Memorial Private-Purpose Trust |
|---|---|
| ASSETS | |
| Cash and cash equivalents | $ 12,093 |
| Total Assets | $ 12,093 |
| NET POSITION | |
| Held in trust | $ 12,093 |
| Total net position | $ 12,093 |

The notes to the financial statements are an integral part of the basic financial statements.

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Dottie Holmes Memorial Private-Purpose Trust |
|---|---|
| ADDITIONS | |
| Interest earnings | $ 21 |
| Total additions | 21 |
| Change in net position | 21 |
| Total net position, beginning of year | 12,072 |
| Total net position, end of year | $ 12,093 |

The notes to the financial statements are an integral part of the basic financial statements.

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# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Avondale Estates, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City operates under a modified commission/manager form of government and provides the following services as authorized by its charter to its citizens: public safety (police), public works (highways, streets, and sanitation), public improvements, planning and zoning, and general and administrative services. The more significant of the City's accounting policies are described below.

### A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Avondale Estates (the primary government) and any component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The component unit discussed below is included in the City's reporting entity because of the significance of their operational and financial relationships with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards No. 14, The Financial Reporting Entity, which was adopted by the City as of July 1, 1995, the financial statements of each component unit has be included as a discretely presented component unit. The component unit column in the combined financial statements includes the financial data for the Avondale Estates Downtown Development Authority, as of December 31, 2012. The financial information for the component unit is reported in columns separate from the City's financial information to emphasize that it is legally separate from the City.

The Avondale Estates Downtown Development Authority (the "DDA") has been included as a discretely presented component unit in the accompanying financial statements. The DDA was created in 2001 by local legislation enacted by the Georgia General Assembly. The members (7) of the DDA are appointed by the Mayor and Board of Commissioners and each member serves a 4-year term. The City provides significant operating subsidies to the DDA. The DDA's mission is to encourage redevelopment activities and to provide assistance to private and public partners for the purpose of improving the downtown area. The DDA is empowered under state law to borrow money, enter into contracts, receive grants and gifts, sell revenue bonds, purchase property and provide loans. The Avondale Estates Downtown Development Authority is presented as a governmental fund type and only maintains a General Fund. Separate financial statements for the Avondale Estates Downtown Development Authority are not prepared.

## B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers 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 activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

### Government-Wide Financial Statements

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's public utilities and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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 the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, insurance premium taxes, occupational taxes, other taxes licenses, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods 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.

The fund financial statements provide more detailed information about the government's most significant funds, not the government as a whole. The activities of the government are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expense, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City reports the following major governmental funds:

General Fund – 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.

Additionally, the City reports the following fund types within the nonmajor governmental funds:

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Funds – Capital Project Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

Stormwater Utility Fund – The Stormwater Utility Fund accounts for the collection of fees for upgrades to stormwater drains and related expenses.

Sanitation Fund – The Sanitation Fund accounts for the collection of garbage fees and related expenses.

The City also reports the following fund type:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net positions and the changes in net positions and is reported using accounting principles similar to proprietary funds. These funds are not incorporated into the government-wide statements.

The City's only fiduciary fund is named the Dottie Holmes Memorial Trust Fund and is used to account for the operations for purposes of maintaining the rhododendron plant thicket and abelia plant hedge at Lake Avondale. Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

## D. Budgets

The annual budget document is the financial plan for the operation of the City. The budget process exists for the purpose of providing a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the City.

Formal budgetary integration is employed as a management control device during the year. The budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund is subject to budgetary control on a departmental basis, while the Special Revenue Funds are subject to budgetary control on an individual fund basis. Budgets are prepared for the Capital Projects Funds on a project basis, which usually covers two or more fiscal years. Budgeted amounts are as originally adopted, or as amended by the Board of Mayor and Commissioners. Individual amendments are not material in relation to the original appropriations.

## E. Encumbrances – reconciliations

Encumbrance accounting, under which purchases orders, contracts and other commitments for the expenditure of funds are recorded in order to serve that portion of the applicable appropriation, is not employed by the City. Budget to Generally Accepted Accounting Principal Basis reconciliation's are not required.

## F. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. Investments are reported at fair value as determined by quoted market prices.

## G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is 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."

## H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Expenditure recognition occurs during the benefiting period.

## I. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Machinery and equipment | 5 - 10 |
| Vehicles | 5 |
| Land improvements | 15 - 20 |
| Infrastructure | 10 - 20 |
| Buildings and improvements | 20-50 |

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, sidewalks, and similar items. The City implemented the provisions of GASB Statement 34 for the year ended December 31, 2003. The City was not required to retroactively report infrastructure assets in governmental activities.

## J. Compensated Absences

### Annual Leave (Vacation)

Annual Leave (Vacation) - An employee's annual leave (vacation) is credited as it is accrued from the employee's date of full-time employment in accordance with the following schedule:

| Years of Service | Annual Leave Accrual Rate |
|---|---|
| Less than 1 year of service | 6 days (4 hours/month) |
| At least 1 year completed service but less than 5 | 12 days (8 hours/month) |
| At least 5 years completed service but less than 10 | 15 days (10 hours/month) |
| At least 10 years completed service but no less than 20 | 18 days (12 hours/month) |
| At least 20 years service | 21 day (14 hours/month) |

An employee may choose to have the City buy back accrued, unused annual leave during the last pay period in December of each year, provided funds have been budgeted for such purposes. The employee shall notify the City Clerk, on or before December 15th of each year that he/she desires to sell back accrued, unused annual leave; the employee may sell back at least eight (8) hours but no more than forty (40) hours of accrued, unused annual leave; unused, accrued annual leave may be carried forward in a particular year shall not exceed thirty (30) days (240 hours); any employee may convert up to forty (40) hours accrued, unused annual leave to sick leave credits instead of selling back these hours back to the city as long as notice is given to the City Clerk before December 15th of each year; employees whose annual leave exceeds the maximum carryover at the end of the year after the buy-back of the maximum amount accrued, unused annual leave may convert up to an additional twenty (20) hours of accrued, unused annual leave to sick leave credits; checks for accrued, unused annual leave sold to the City shall be issued on the last payday of the year. Annual leave in excess of thirty (30) days or 240 hours are forfeited on the first day of the new calendar or fiscal year.

**Sick Leave**

Each full-time career status employee will accrue sick leave at the rate of eight (8) hours per month. Sick leave may be accumulated up to a maximum of one hundred and eighty (180) days (1,440 hours). When an employee has accumulated the maximum hours of sick leave, no additional hours of sick leave shall be credited until such time as enough of the accrued sick leave has been used to bring the employee below the maximum accumulation. Part-time employees who work at least twenty-five (25) hours per week shall earn sick leave on a pro-rated basis. Career status employees who terminate their employment with the City (other than retirement) may be granted and paid for one (1) day for each fifteen (15) days of unused sick leave not to exceed twelve (12) days. At retirement, any accumulated sick leave shall be converted into credited service. Each twenty (20) days (160 hours) of sick leave will equal one month (1/12 year) of service. The maximum conversion shall be nine (9) months of credited service. Conversion of accumulated sick leave may not qualify an employee for vesting in retirement.

All vacation and sick pay, if expected to be paid out, is accrued when incurred in the government- wide fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and 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 positions. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as deferred charges and amortized over the term of the loan using the effective interest method.
In the fund financial statements, governmental fund types report the face amount of debt issued and related premiums or discounts as other financing sources and bond issuance costs as expenditures.

## L. Fund Equity

In the financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Mayor and Commissioners through adoption of a resolution. The Board of Mayor and Commissioners also may modify or rescind the commitment.
- Assigned – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Mayor and Commissioners has authorized the City Manager or designee to assign fund balances.
- Unassigned – amounts that have not been assigned to other funds and that are not restricted, committed or assigned to specific purposes within the General Fund.

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:

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy.

The following is a summary of the fund balance classifications as of December 31, 2012:

| | General Fund | Nonmajor Governmental | Total |
|---|---|---|---|
| Fund Balances: | | | |
| Nonspendable | | | |
| Prepaids | $ 16,873 | $ - | $ 16,873 |
| Restricted for: | | | |
| Capital outlay | 325,478 | 29,468 | 354,946 |
| Public safety | - | 536 | 536 |
| Assigned to: | | | |
| Technology | 11,588 | - | 11,588 |
| Capital projects | - | 27 | 27 |
| Lake Avondale | - | 12,737 | 12,737 |
| Unassigned | 2,284,487 | - | 2,284,487 |
| Total fund balances | $ 2,638,426 | $ 42,768 | $ 2,681,194 |

## M. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

## NOTE 2 – LEGAL COMPLIANCE – BUDGETS

As set forth in the City Charter, the Board of Mayor and Commissioners adopt an annual budget for all funds. The annual budget is prepared in accordance with the basis of accounting utilized by each fund. The City of Avondale Estates, Georgia employs the following procedures in establishing its annual budget:

1. The City Manager submits to the Board of Mayor and Commissioners proposed operating budgets for the fiscal year commencing the following January 1. The operating budgets for adoption include proposed expenditures and the means of financing them for all governmental funds.
2. Public meetings are held to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance. Budgeted amounts as stated in the financial statements are as originally adopted or as amended by the Board of Mayor and Commissioners.
4. The legal level of control (the level at which expenditures may not exceed appropriations) for each of the above legally adopted budgets is at the department level. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the recommendation of the City Manager and approval of the Mayor and Commission. The City Manager may authorize transfers of appropriations between line items within any departmental budget without Commission approval. Appropriations that are not expended or encumbered by year end are allowed to lapse.

## NOTE 3 – DEPOSITS AND INVESTMENTS

### A. Custodial Credit Risk — Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statues, and City policy, require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2012, the City had no bank balances that were exposed to custodial credit risk.

**B. Investments**

| | Credit Rating | Investment Value | Weighted Average Maturity |
|---|---|---|---|
| Georgia Fund 1 | AAAm rated | $ 1,682 | 40 day |

*Custodial credit risk.* For an investment, the custodial risk is the risk that in the event of the failure of the counter-party to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Georgia Fund 1 is not required to disclose custodial credit risk. The City had no such investments with such risk as of December 31, 2012.

*Interest rate risk*. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

*Credit risk*. Georgia law allows investments in obligation of the U.S. Treasury, other U.S. Governmental Agencies, State of Georgia, other states, prime banker's acceptances, repurchase agreements, other political subdivisions of Georgia and the State Georgia Fund 1 investment pool. The Georgia Fund 1 is not registered with the SEC. The State of Georgia Office of Treasury operates Georgia Fund 1 in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Georgia Fund 1 is a stable net asset value investment pool that follows Standard & Poor's criteria for AAAm rated money market funds. The City has no investment policy that would further limit its investment choices.

## NOTE 4 – PROPERTY TAXES

State law requires that property taxes be based on assessed value, which is 40% of market value. All real and personal property (including motor vehicles) is valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by the Dekalb County Board of Tax Assessors.

Exemptions are permitted for certain inventories. A homestead exemptions is allowed for each taxpayer that is a homeowner and resides in the household as of January 1. There are other exemptions provided by state and local laws.

Upon completion of all assessments and tax returns, the information is compiled to form the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

The property tax calendar is as follows:

| | Real / Personal Property (Excluding Vehicles) | Motor Vehicles |
|---|---|---|
| Assessment Date | January 1 | January 1 |
| Levy Date | July 10 | January 1 |
| Due Date and Collection Date | October 1 and November 15 | Staggered |

Property taxes receivable have been reduced to their estimated net realizable value. Estimated uncollectible amounts are based upon historical experience rates and result in a direct reduction of the related revenue amount at the end of the period.

Enterprise fund storm water fees are billed annually on July 10, 2012 along with the property taxes and are due and payable in two installments. The first installment is due August 15 and the second installment is due November 15. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

## NOTE 5 – RECEIVABLES

Receivables at December 31, 2012, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts (if any) are as follows:

| | General | Nonmajor Governmental Fund | Stormwater Utility | Sanitation Fund | Total |
|---|---|---|---|---|---|
| Receivables: | | | | | |
| Taxes | $ 55,087 | $ 238 | $ - | $ - | $ 55,325 |
| Accounts | 20,555 | 24 | 5,339 | 11,678 | 37,596 |
| Gross total receivables | 75,642 | 262 | 5,339 | 11,678 | 92,921 |
| Less allowance for uncollectible | (8,271) | - | - | - | (8,271) |
| Net total receivables | $ 67,371 | $ 262 | $ 5,339 | $ 11,678 | $ 84,650 |

## NOTE 6 – CAPITAL ASSETS

### Primary Government

Capital asset activity for the year ended December 31, 2012, is as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 1,859,463 | $ - | $ - | $ - | $ 1,859,463 |
| Total | 1,859,463 | - | - | - | 1,859,463 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 817,447 | - | - | - | 817,447 |
| Infrastructure and improvements | 346,840 | - | - | - | 346,840 |
| Machinery and equipment | 965,535 | 19,560 | - | - | 985,095 |
| Total | 2,129,822 | 19,560 | - | - | 2,149,382 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (596,728) | (34,262) | - | - | (630,990) |
| Infrastructure and improvements | (132,739) | (14,239) | - | - | (146,978) |
| Machinery and equipment | (762,400) | (74,154) | - | - | (836,554) |
| Total | (1,491,867) | (122,655) | - | - | (1,614,522) |
| Total capital assets, being depreciated, net | 637,955 | (103,095) | - | - | 534,860 |
| Governmental activities capital assets, net | $ 2,497,418 | $ (103,095) | $ - | $ - | $ 2,394,323 |
| **Business-type activities:** | | | | | |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | $ 135,004 | $ - | $ - | $ - | $ 135,004 |
| Machinery and equipment | 408,908 | - | - | - | 408,908 |
| Total | 543,912 | - | - | - | 543,912 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (122,731) | (2,046) | - | - | (124,777) |
| Machinery and equipment | (280,472) | (38,736) | - | - | (319,207) |
| Total | (403,203) | (40,782) | - | - | (443,984) |
| Business-type activities capital assets, net | $ 140,709 | $ (40,782) | $ - | $ - | $ 99,928 |

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 37,157 |
| Public safety | 79,197 |
| Public works | 6,301 |
| Total depreciation expense - governmental activities | $ 122,655 |
| Business-type activities: | |
| Stormwater | $ 2,046 |
| Sanitation | 38,736 |
| Total depreciation expense - business-type activities | $ 40,782 |

**Downtown Development Authority of Avondale Estates**

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 600,000 | $ - | $ - | $ 600,000 |
| Total | 600,000 | - | - | 600,000 |
| Capital assets, being depreciated: | | | | |
| Buildings | 13,900,000 | - | - | 13,900,000 |
| Total | 13,900,000 | - | - | 13,900,000 |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,641,000) | (278,000) | - | (2,919,000) |
| Total | (2,641,000) | (278,000) | - | (2,919,000) |
| Total capital assets, being depreciated, net | 11,259,000 | (278,000) | - | 10,981,000 |
| Downtown Development Authority capital assets, net | $ 11,859,000 | $ (278,000) | $ - | $11,581,000 |

## NOTE 7 – LONG-TERM DEBT

### Primary Government

Long-term liability activity for the year ended December 31, 2012, was as follows:

| | Balance | Additions | Reductions | Balance | One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Compensated absences | $ 68,095 | $ 72,518 | $ (68,206) | $ 72,407 | $ 63,000 |
| Governmental activity Long-term liabilities | $ 68,095 | $ 72,518 | $ (68,206) | $ 72,407 | $ 63,000 |
| **Business-type activities:** | | | | | |
| Compensated absences | $ 14,314 | $ 34,588 | $ (33,228) | $ 15,674 | $ 10,000 |
| Business-type activities Long-term liabilities | $ 14,314 | $ 34,588 | $ (33,228) | $ 15,674 | $ 10,000 |

For governmental funds, compensated absences are liquidated by the General Fund.

### Component Unit

Long-term liability activity for the year ended December 31, 2012 for the Downtown Development Authority of Avondale Estates was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Discreetly Presented Component Unit: | | | | | |
| 2002 Revenue Bonds | $ 6,030,851 | $ - | $ (729,773) | $ 5,301,078 | $ 800,004 |
| 2003 Revenue Bonds | 2,729,239 | - | (328,581) | 2,400,658 | 360,853 |
| Discretely Presented Component Unit Long-term liabilities | $ 8,760,090 | $ - | $(1,058,354) | $ 7,701,736 | $ 1,160,857 |

The Downtown Development Authority's debt service requirements to maturity are as follows:

**2002 Revenue Bonds**

On May 29, 2002, the Downtown Development Authority of Avondale Estates issued $10,000,000 of Series 2002 Revenue Bonds for the purpose of providing funds to pay the costs of acquiring, constructing, and installing a governmental offices building. These revenue bonds carry an interest rate of 5.75% with principal and interest payments due monthly. The 2002 Series Bonds mature on May 1, 2018. As of December 31, 2012, the outstanding balance was $5,301,078.

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2013 | $ 800,004 | $ 280,305 | $ 1,080,310 |
| 2014 | 875,061 | 231,993 | 1,107,054 |
| 2015 | 955,244 | 179,206 | 1,134,451 |
| 2016 | 1,040,875 | 121,641 | 1,162,516 |
| 2017 | 1,132,292 | 58,974 | 1,191,266 |
| 2018 | 497,601 | 4,791 | 502,392 |
| Total | $ 5,301,078 | $ 876,911 | $ 6,177,988 |

**2003 Revenue Bonds**

On May 12, 2003, the Downtown Development Authority of Avondale Estates issued $4,500,000 of Series 2003 Revenue Bonds for the purpose of providing funds to pay the costs of acquiring, constructing, and installing a governmental offices building. These revenue bonds carry an interest rate of 5.9% with principal and interest payments due monthly. The 2003 Series Bonds mature on May 1, 2018. As of December 31, 2012, the outstanding balance was $2,400,658.

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2013 | $ 360,853 | $ 130,300 | $ 491,153 |
| 2014 | 395,388 | 107,918 | 503,306 |
| 2015 | 432,333 | 83,422 | 515,756 |
| 2016 | 471,843 | 56,666 | 528,508 |
| 2017 | 514,080 | 27,492 | 541,572 |
| 2018 | 226,161 | 2,235 | 228,396 |
| Total | $ 2,400,658 | $ 408,032 | $ 2,808,690 |

## NOTE 8 – OPERATING LEASES

**Lessor Agreements**

The City of Avondale Estates leases certain parcels of land for use by others (cell towers) for varying terms. The leases are accounted for as operating leases and revenues are recorded when earned. Revenue derived from these leases during the current year amounted to $38,609 and is reported as other revenue in the City's General Fund.

The following is a schedule of minimum future rentals to be received under the operating leases at December 31, 2012:

| Fiscal Year Ending December 31, | General Fund |
|---|---|
| 2013 | $ 31,741 |
| 2014 | 19,218 |
| 2015 | 12,095 |
| 2016 | 12,458 |
| 2017 | 12,832 |
| 2018-2022 | 70,170 |
| 2023-2027 | 81,347 |
| 2028-2029 | 36,057 |
| Total minimum future rentals | $ 275,918 |

## NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2012, is as follows:

Due to / from other funds:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Sanitation Fund | $ 33,397 |
| | | $ 33,397 |

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

| Transfer In | Transfer Out | Amount |
|---|---|---|
| Sanitation Fund | General Fund | $ 372,165 |

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsides or matching funds for various grant programs.

## NOTE 10 – PENSION PLAN

### A. Plan Description

The City, as authorized by the Mayor and Commission, has established a non-contributory defined benefit pension plan (The City of Avondale Estates Retirement Plan) covering all full-time employees. The current plan supersedes an existing retirement plan (effective date January 1, 1973) as of January 1, 1989 (the date that participants no longer contributed to the plan, but some still have contributions in the fund). 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 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 by the respective employers. As authorized by City Mayor and Commission, the plan provides pension benefits and death and disability benefits for all full-time employees. Regular, full time employees who work at least 30 hours per week may participate in the plan after they have completed three (3) years of continuous service. Employees who were participants in the plan prior to January 1, 1989 who worked at least 30 hours per week may participate in the plan after they have completed one (1) year of continuous service. Elected officials are not eligible. Benefits vest after 5 years of service. City employees who retire at age 65 with five (5) years of service are entitled to a monthly retirement benefit based upon average earnings and years credited service. Early retirement is permitted provided the participant is at least 55 years of age and has completed ten (10) years of service.

At July 1, 2012, the date of the most recent actuarial valuation, there were 46 participants consisting of the following:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 9 |
| Terminated vested participants not yet receiving benefits | 11 |
| Active vested employees | 15 |
| Active nonvested employees | 11 |
| Total | 46 |

## B. Funding Policy

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 is to contribute an amount equal to or greater than the recommended contribution described below. For 2012, the actuarially determined contribution rate was 11.29% of covered payroll.

The City's annual pension cost of $125,772 was equal to the City's required contributions. The recommended contribution was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases of 3.5% (plus age and service based merit increases) and a 0% cost of living adjustment. The normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by service. The Plan's unfunded actuarial accrued liability is being amortized (closed level dollar method) over 30 years from 1981 and changes in the unfunded actuarial accrued liabilities over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year which such changes arise. Interest on these amounts from the valuation date to the date of contributions is paid (assumed monthly). The total level dollar amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded/ (surplus) actuarial accrued liability.

## C. Annual Pension Costs

The funding policy for the Plan is to contribute an amount equal to the recommended contribution as determined by the Plan's actuary. The recommended contribution was determined as part of the July 1, 2012 actuarial valuation. The chart below shows the annual pension cost for the current year and prior two years along with the percentage actually contributed by the City.

| Fiscal Year Ended December 31, | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|
| 2012 | $ 125,772 | 100% | $ - |
| 2011 | 99,626 | 100% | - |
| 2010 | 72,192 | 100% | - |
| 2009 | 62,870 | 100% | - |
| 2008 | 60,193 | 100% | - |

As of the most recent valuation date, July 1, 2012, the funded status of the Plan was as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Ratio | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| July 1, 2012 | $ 1,014,837 | $ 1,418,777 | $ 403,940 | 71.53% | $ 1,205,309 | 33.51% |

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

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 July 1, 2012.

The assumptions used in the July 1, 2012 actuarial valuation are as follows.

***Actuarial Assumptions***

| | |
|---|---|
| Actuarial 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 amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years. |
| Assumed Rate of Return On Investments | 7.75% |
| Projected Salary Increases | 3.5% plus age and service based merit increases |
| Inflation Rate | 3.5% |
| Cost-of-living Adjustment | 0% |
| Amortization Method | Closed level dollar for remaining unfunded liability |
| Remaining Amortization Period | Remaining amortization period varies for the bases, with a net effective amortization period of 10 years. |

The City had the no changes to their actuarial assumptions since last valuation.

## NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN

The City of Avondale Estate's Internal Revenue Code Section 457 Plan and 401 Plan (the "Plans") are deferred compensation plans and qualify as defined contribution pension plans. The Plans are administered by MetLife for all full time employees. Plan provisions and contribution requirements are established and may be amended by the Mayor and City Commission.

The Plans allow for employee contributions and in addition the City makes a matching contribution per employee of the lesser of $25 or 50% of the employee contribution. During 2012, employees contributed $44,719 to the Plans while the City contributed $10,425. As of December 31, 2012, there were 20 and 20 active participants in the 457 Plan and 401A Plan, respectively. The market values for the 457 Plan and 401A Plan as of December 31, 2012 were $431,081 and $114,023, respectively.

## NOTE 12 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid by DeKalb County. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The 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 ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

## NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts 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 Inter-local Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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 pools' 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 or loss.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. Settlements have not exceeded insurance coverage in the last three years.

## NOTE 14 – 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, management of the City believes such disallowances, if any, will not be significant.

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# REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AVONDALE ESTATES, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012
UNAUDITED

SCHEDULE OF PENSION FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ration (a / b) | Annual Covered Payroll (c) | UAAL as a percentage of covered payroll (b - a) / c |
|---|---|---|---|---|---|---|
| July 1, 2012 | $1,014,837 | $1,418,777 | $ 403,940 | 71.53% | $ 1,205,309 | 33.51% |
| July 1, 2011 | 930,797 | 1,270,120 | 339,323 | 73.28% | 1,125,406 | 30.15% |
| July 1, 2010 | 873,565 | 1,163,969 | 290,404 | 75.05% | 891,382 | 32.58% |
| July 1, 2009 | 763,710 | 1,079,603 | 315,893 | 70.74% | 736,064 | 42.92% |
| July 1, 2008 | 815,841 | 997,179 | 181,338 | 81.81% | 648,613 | 27.96% |
| July 1, 2007 | 783,803 | 985,046 | 201,243 | 79.57% | 610,771 | 32.95% |

Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the net positions available for benefits as a percentage of the actuarial accrued liability provides on indication of funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan.

Trends in unfunded actuarial liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended December 31, | Annual Required Contribution | Actual Pension Contribution | Percentage Contributed |
|---|---|---|---|
| 2012 | $ 125,772 | $ 125,772 | 100.00% |
| 2011 | 99,626 | 99,626 | 100.00% |
| 2010 | 72,192 | 72,192 | 100.00% |
| 2009 | 62,870 | 62,870 | 100.00% |
| 2008 | 60,193 | 60,193 | 100.00% |
| 2007 | 48,614 | 48,614 | 100.00% |

# SUPPLEMENTARY SCHEDULES

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

| | |
|---|---|
| Police Seizure Fund | To account for the use of confiscated drug money by the City's Police Department. |
| Tax Allocation District Fund | To account for the redevelopment of the downtown business district by means of a Redevelopment Plan and with funding from a Tax Allocation District. |

## CAPITAL PROJECT FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

| | |
|---|---|
| Capital Project Fund | To account for locally funded acquisition and construction of major capital facilities financed by unrestricted local funds. |
| Lake Avondale Fund | To account for the maintenance and upkeep of the lake. |

CITY OF AVONDALE ESTATES, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

| | Special Revenue Funds | | Capital Project Funds | | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| | Police Seizure Fund | Tax Allocation District Fund | Capital Project Fund | Lake Avondale Fund | |
| ASSETS | | | | | |
| Cash and cash equivalent | $ 512 | $ 29,230 | $ - | $ 12,737 | $ 42,479 |
| Investments | - | - | 27 | - | 27 |
| Tax receivable | - | 238 | - | - | 238 |
| Receivables - other | 24 | - | - | - | 24 |
| Total Assets | $ 536 | $ 29,468 | $ 27 | $ 12,737 | $ 42,768 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Due to others | $ - | $ - | $ - | $ - | $ - |
| Total Liabilities | - | - | - | - | - |
| Fund Balances: | | | | | |
| Restricted | 536 | 29,468 | - | - | 30,004 |
| Assigned | - | - | 27 | 12,737 | 12,764 |
| Total Fund Balances | 536 | 29,468 | 27 | 12,737 | 42,768 |
| Total Liabilities and Fund Balances | $ 536 | $ 29,468 | $ 27 | $ 12,737 | $ 42,768 |

CITY OF AVONDALE ESTATES, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Special Revenue Funds | | Capital Project Funds | | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| | Police Seizure Fund | Tax Allocation District Fund | Capital Project Fund | Lake Avondale Fund | |
| Revenues: | | | | | |
| Taxes | $ - | $ 26 | $ - | $ - | $ 26 |
| Interest earnings | - | 30 | - | 10 | 40 |
| Confiscated revenues | 500 | - | - | - | 500 |
| Total Revenues | 500 | 56 | - | 10 | 566 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | - | - | - | 3,570 | 3,570 |
| Total Expenditures | - | - | - | 3,570 | 3,570 |
| Net change in fund balances | 500 | 56 | - | (3,560) | (3,004) |
| Fund Balance, beginning of year | 36 | 29,412 | 27 | 16,297 | 45,772 |
| Fund Balance, end of year | $ 536 | $ 29,468 | $ 27 | $ 12,737 | $ 42,768 |

CITY OF AVONDALE ESTATES GEORGIA

POLICE SEIZURE FUND
BALANCE SHEET
DECEMBER 31, 2012

| | | |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalent | $ | 512 |
| Accounts receivable | | 24 |
| Total Assets | $ | 536 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Due to others | $ | - |
| Total Liabilities | | - |
| Fund Balances: | | |
| Restricted | | 536 |
| Total Fund Balances | | 536 |
| Total Liabilities and Fund Balances | $ | 536 |

CITY OF AVONDALE ESTATES GEORGIA

POLICE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Final Budget | Actual | Variance with Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Confiscated revenues | $ 500 | $ 500 | $ - |
| Total Revenues | 500 | 500 | - |
| Expenditures: | | | |
| Capital outlays | - | - | - |
| Total Expenditures | - | - | - |
| Net change in fund balances | 500 | 500 | - |
| Fund balance - beginning of year | 36 | 36 | - |
| Fund balance - end of year | $ 536 | $ 536 | $ - |

CITY OF AVONDALE ESTATES GEORGIA

TAX ALLOCATION DISTRICT FUND
BALANCE SHEET
DECEMBER 31, 2012

| | | |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalent | $ | 29,230 |
| Tax receivable | | 238 |
| Total Assets | $ | 29,468 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | $ | - |
| Total Liabilities | | - |
| Fund Balances: | | |
| Restricted | | 29,468 |
| Total Fund Balances | | 29,468 |
| Total Liabilities and Fund Balances | $ | 29,468 |

CITY OF AVONDALE ESTATES GEORGIA

TAX ALLOCATION DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

| | Final Budget | Actual | Variance with Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $ 26 | $ 26 | $ - |
| Interest earnings | 30 | 30 | - |
| Total Revenues | 56 | 56 | - |
| Expenditures: | | | |
| Current: | | | |
| General government | - | - | - |
| Total Expenditures | - | - | - |
| Net change in fund balances | 56 | 56 | - |
| Fund balance - beginning of year | 29,412 | 29,412 | - |
| Fund balance - end of year | $ 29,468 | $ 29,468 | $ - |

CITY OF AVONDALE ESTATES GEORGIA

CAPITAL PROJECT FUND
BALANCE SHEET
DECEMBER 31, 2012

| | |
|---|---|
| ASSETS | |
| Investments | $ 27 |
| Total Assets | $ 27 |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Due to other funds | $ - |
| Total Liabilities | - |
| Fund Balances: | |
| Assigned | 27 |
| Total Fund Balances | 27 |
| Total Liabilities and Fund Balances | $ 27 |

CITY OF AVONDALE ESTATES GEORGIA

CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

| | |
|---|---|
| Revenues: | |
| Interest revenue | $ - |
| Total Revenues | - |
| Expenditures: | |
| Capital outlay | - |
| Total Expenditures | - |
| Net change in fund balances | - |
| Fund Balance - beginning of year | 27 |
| Fund balance - end of year | $ 27 |

CITY OF AVONDALE ESTATES GEORGIA

LAKE AVONDALE FUND
BALANCE SHEET
DECEMBER 31, 2012

| | | |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalent | $ | 12,737 |
| Total Assets | $ | 12,737 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | $ | - |
| Total Liabilities | | - |
| Fund Balances: | | |
| Assigned | | 12,737 |
| Total Fund Balances | | 12,737 |
| Total Liabilities and Fund Balances | $ | 12,737 |

CITY OF AVONDALE ESTATES GEORGIA

LAKE AVONDALE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

| | |
|---|---|
| Revenues: | |
| Interest revenue | $ 10 |
| Total Revenues | 10 |
| Expenditures: | |
| Current: | |
| General government | 3,570 |
| Total Expenditures | 3,570 |
| Net change in fund balances | (3,560) |
| Fund Balance - beginning of year | 16,297 |
| Fund balance - end of year | $ 12,737 |

CITY OF AVONDALE ESTATES, GEORGIA

BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY
COMPONENT UNIT
DECEMBER 31, 2012

| | | |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ | 538,103 |
| Total Assets | $ | 538,103 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable | $ | 34,350 |
| Deferred revenues | | 169,207 |
| Total Liabilities | | 203,557 |
| Fund Balance: | | |
| Unassigned | | 334,546 |
| Total Fund Balance | | 334,546 |
| Total Liabilities and Fund Balance | $ | 538,103 |

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DOWNTOWN DEVELOPMENT AUTHORITY
COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2012

| | | |
|---|---|---|
| Revenues: | | |
| Rental income | $ | 2,011,108 |
| Interest earnings | | 777 |
| Other miscellaneous revenues | | 60 |
| Total Revenues | | 2,011,945 |
| Expenditures: | | |
| Current: | | |
| General government | | 440,518 |
| Debt Service | | |
| Principal | | 1,058,355 |
| Interest | | 481,249 |
| Total Expenditures | | 1,980,122 |
| Net change in fund balance | | 31,823 |
| Fund Balance, beginning of year | | 302,723 |
| Fund Balance, end of year | $ | 334,546 |

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# STATISTICAL SECTION

# Statistical Section

This part of the City's Statistical comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Contents** **Page**


**Financial Trends**
*These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.* 72-78

**Revenue Capacity**
*These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.* 79-84

**Debt Capacity**
*These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.* 85-87

**Demographic and Economic Information**
*These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.* 88-90

**Operating Information**
*These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.* 91-92


**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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## CITY OF AVONDALE ESTATES, GEORGIA

### NET POSITION BY COMPONENT
### LAST TEN YEARS
**(accrual basis of accounting)**
**(amounts expressed in thousands)**

| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | **$ 2,394** | $ 2,497 | $ 2,242 | $ 2,162 | $ 2,157 | $ 2,176 | $ 2,242 | $ 2,280 | $ 2,356 | $ 898 |
| Restricted | **355** | 211 | 29 | 24 | 14 | 1 | 70 | - | - | - |
| Unrestricted | **2,273** | 2,213 | 2,288 | 2,151 | 1,709 | 1,548 | 1,318 | 1,270 | 1,093 | 1,135 |
| Total governmental activities net assets | **$ 5,022** | $ 4,921 | $ 4,559 | $ 4,337 | $ 3,880 | $ 3,725 | $ 3,630 | $ 3,550 | $ 3,449 | $ 2,033 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | **$ 100** | $ 141 | $ 56 | $ 32 | $ 18 | $ 20 | $ 22 | $ - | $ - | $ - |
| Unrestricted | **687** | 646 | 569 | 503 | 430 | 324 | 206 | 101 | - | - |
| Total business-type activities net assets | **$ 787** | $ 787 | $ 625 | $ 535 | $ 448 | $ 344 | $ 228 | $ 101 | $ - | $ - |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | **$ 2,494** | $ 2,638 | $ 2,298 | $ 2,194 | $ 2,175 | $ 2,196 | $ 2,264 | $ 2,280 | $ 2,356 | $ 898 |
| Restricted | **355** | 211 | 29 | 24 | 14 | 1 | 70 | - | - | - |
| Unrestricted | **2,960** | 2,859 | 2,857 | 2,654 | 2,140 | 1,872 | 1,524 | 1,371 | 1,093 | 1,135 |
| Total primary government net assets | **$ 5,809** | $ 5,708 | $ 5,184 | $ 4,872 | $ 4,329 | $ 4,069 | $ 3,858 | $ 3,651 | $ 3,449 | $ 2,033 |

**CITY OF AVONDALE ESTATES, GEORGIA**

**CHANGES IN NET POSITION**
**LAST TEN YEARS**
**(accrual basis of accounting)**
**(amounts expressed in thousands)**

| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | **$ 862** | $ 783 | $ 961 | $ 716 | $ 918 | $ 820 | $ 679 | $ 646 | $ 678 | $ 652 |
| Public safety | **1,009** | 961 | 914 | 875 | 859 | 824 | 658 | 667 | 617 | 624 |
| Public works | **242** | 296 | 86 | 339 | 857 | 1,002 | 998 | 936 | 911 | 883 |
| Recreation | **412** | 354 | 329 | 237 | 239 | 225 | 241 | 245 | 244 | 241 |
| Interest on long-term debt | **-** | - | - | - | 4 | 7 | 5 | 5 | - | - |
| Total governmental activities expenses | **2,525** | 2,394 | 2,290 | 2,167 | 2,877 | 2,878 | 2,581 | 2,499 | 2,450 | 2,400 |
| Business-type activities: | | | | | | | | | | |
| Stormwater | **34** | 42 | 25 | 33 | 10 | 3 | 5 | 4 | - | - |
| Sanitation | **673** | 664 | 617 | (1) 638 | - | - | - | - | - | - |
| Total business-type activities expenses | **707** | 706 | 642 | 671 | 10 | - 3 | 5 | 4 | - | - |
| Total primary government expenses | **$ 3,232** | $ 3,100 | $ 2,932 | $ 2,838 | $ 2,887 | $ 2,880 | $ 2,586 | $ 2,503 | $ 2,450 | $ 2,400 |
| **Program Revenues** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | **$ 49** | $ 34 | $ 37 | $ 42 | $ 58 | $ 85 | $ 71 | $ 148 | $ 136 | $ 99 |
| Public safety | **477** | 473 | 442 | 362 | 357 | 263 | 143 | 277 | 240 | 260 |
| Public works | **-** | - | - | - | - | - | - | 292 | 287 | 255 |
| Recreation | **-** | - | - | - | - | 3 | 9 | 12 | 12 | 14 |
| Operating grants and contributions | **15** | 19 | - | - | - | 9 | 3 | 2 | 12 | 195 |
| Capital grants and contributions | **-** | - | 1 | 12 | 37 | 44 | - | - | - | - |
| Total governmental activities program revenues | **541** | 526 | 480 | 416 | 452 | 404 | 226 | 731 | 687 | 823 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Stormwater | **116** | 115 | 108 | 108 | 108 | 111 | 105 | 105 | - | - |
| Sanitation | **301** | 301 | 299 | 301 | - | - | - | - | - | - |
| Capital grants and contributions | **-** | - | - | 2 | - | - | - | - | - | - |
| Total business-type activities program revenues | **417** | 416 | 407 | 411 | 108 | 111 | 105 | 105 | - | - |
| Total primary government program revenues | **$ 958** | $ 942 | $ 887 | $ 827 | $ 560 | $ 515 | $ 331 | $ 836 | $ 687 | $ 823 |

Note:

(1) The City elected to report Sanitation in a separate enterprise fund.

**(Continued)**

# CITY OF AVONDALE ESTATES, GEORGIA

## CHANGES IN NET POSITION
## LAST TEN YEARS
**(accrual basis of accounting)**
**(amounts expressed in thousands)**

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net (expense)/revenue** | | | | | | | | | | |
| Governmental activities | $ (1,984) | $ (1,868) | $ (1,810) | $ (1,751) | $ (2,425) | $ (2,474) | $ (2,355) | $ (1,768) | $ (1,763) | $ (1,577) |
| Business-type activities | (290) | (291) | (235) | (260) | 98 | 108 | 100 | 101 | - | - |
| Total primary government net expense | $ (2,274) | $ (2,159) | $ (2,045) | $ (2,011) | $ (2,327) | $ (2,366) | $ (2,255) | $ (1,667) | $ (1,763) | $ (1,577) |
| **General Revenues and Other Changes in Net Position** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | $ 1,536 | $ 1,793 | $ 1,795 | $ 1,909 | $ 1,721 | $ 1,741 | $ 1,604 | $ 1,444 | $ 1,378 | $ 1,313 |
| Franchise taxes | 189 | 189 | 180 | 226 | 208 | 225 | 232 | 349 | 331 | 345 |
| Other taxes | 587 | 630 | 276 | 287 | 625 | 574 | 562 | 12 | 11 | 11 |
| Unrestricted investment earnings | 5 | 14 | 27 | 30 | 26 | 29 | 38 | 26 | 12 | 10 |
| Miscellaneous | 56 | 48 | 71 | 90 | - | - | - | - | - | - |
| Intergovernmental - Unrestricted | - | - | - | - | - | - | - | 37 | 11 | 14 |
| Transfers | (372) | (359) | (318) | (335) | - | - | - | - | - | - |
| Total governmental activities | 2,001 | 2,315 | 2,031 | 2,207 | 2,580 | 2,569 | 2,436 | 1,868 | 1,743 | 1,693 |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 2 | 3 | 7 | 12 | 6 | 8 | - | 1 | - | - |
| Transfers | - | - | 318 | 335 | - | - | - | - | - | - |
| Miscellaneous | - | 6 | - | - | - | - | - | - | - | - |
| Total business-type activities | 2 | 9 | 325 | 347 | 6 | 8 | - | 1 | - | |
| Total primary government | $ 2,003 | $ 2,324 | $ 2,356 | $ 2,554 | $ 2,586 | $ 2,577 | $ 2,436 | $ 1,869 | $ 1,743 | $ 1,693 |
| **Change in Net Position** | | | | | | | | | | |
| Governmental activities | $ 17 | $ 448 | $ 221 | $ 456 | $ 155 | $ 95 | $ 81 | $ 100 | $ (20) | $ 116 |
| Business-type activities | 84 | 77 | 90 | 87 | 104 | 116 | 100 | 102 | - | - |
| Total primary government | $ 101 | $ 525 | $ 311 | $ 543 | $ 259 | $ 211 | $ 181 | $ 202 | $ (20) | $ 116 |

**CITY OF AVONDALE ESTATES, GEORGIA**

## GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
## LAST TEN YEARS

**(accrual basis of accounting)**

**(amounts expressed in thousands)**

| Fiscal Year | Property Tax (3) | Franchise Tax | Insurance Premium Tax | Occupational Tax | HOST Sales Tax (5) | Sanitation | Other Taxes | Total |
|---|---|---|---|---|---|---|---|---|
| 2003 | $ 1,323 | $ 152 (2) | $ 89 (2) | $ 69 (2) | $ - | $ 258 | $ 20 (2) | $ 1,911 |
| 2004 | 1,437 | 170 (2) | 100 (2) | 77 (2) | - | 292 | 22 (2) | 2,098 |
| 2005 | 1,371 | 161 (2) | 94 (2) | 73 (2) | - | 287 | 20 (2) | 2,007 |
| 2006 | 1,604 | 232 | 137 | 106 | - | 293 | 26 | 2,398 |
| 2007 | 1,741 (3) | 225 | 143 | 94 | - | 296 | 41 | 2,540 |
| 2008 | 1,734 | 208 | 146 | 92 | - | 304 | 46 | 2,530 |
| 2009 | 1,909 | 226 | 145 | 98 | - | - (4) | 44 | 2,422 |
| 2010 | 1,795 | 180 | 140 | 91 | - | - | 45 | 2,251 |
| 2011 | 1,793 | 189 | 139 | 78 | 366 | - | 47 | 2,612 |
| 2012 | 1,536 | 189 | 147 | 80 | 302 | - | 56 | 2,310 |

**Notes:**

(1) Property taxes include auto ad valorem taxes.

(2) During these years, amounts were reported as either gross receipts or other taxes. Amounts modified based on allocation and total taxes noted during each of these fiscal years per previous financial reports as actual amounts are not readily available.

(3) Property taxes higher than previous years due to millage rate increase.

(4) The City elected to report Sanitation activities in a separate enterprise fund

(5) The City began collecting the HOST (Home Owner Sales Tax) during calendar year 2011.

**CITY OF AVONDALE ESTATES, GEORGIA**

**FUND BALANCES OF GOVERNMENTAL FUNDS**
**LAST TEN YEARS**
**(modified accrual basis of accounting)**
**(amounts expressed in thousands)**

| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| General fund | | | | | | | | | | |
| Nonspendable | **$ 17** | $ 13 | $ 18 | $ 19 | $ - | $ - | $ - | $ - | $ - | $ - |
| Restricted | **325** | 167 | - | - | - | - | - | - | - | - |
| Assigned | **12** | 6 | - | - | - | - | - | - | - | - |
| Unassigned | **2,284** | 2,238 | 2,053 | 2,032 | 1,681 | 1,483 | 1,275 | 1,291 | 1,124 | 1,047 |
| Total general fund | **$ 2,638** | $ 2,424 | $ 2,071 | $ 2,051 | $ 1,681 | $ 1,483 | $ 1,275 | $ 1,291 | $ 1,124 | $ 1,047 |
| All other governmental funds | | | | | | | | | | |
| Restricted | **$ 30** | $ 30 | $ 283 | $ 143 | $ 77 | **(1)** $ 87 | $ - | $ - | $ - | $ - |
| Assigned | **13** | 16 | - | - | - | - | - | - | - | - |
| Special revenue funds | **-** | - | - | - | - | - | 347 | (1) | - | - |
| Capital projects funds | - | - | - | - | - | - | - | - | - | - |
| Total all other governmental funds | **$ 43** | $ 46 | $ 283 | $ 143 | $ 77 | $ 87 | $ 347 | $ (1) | $ - | $ - |

**(1) Represents amounts reserved for the Police Seizure Special Revenue Fund created in FY 07**

**(2) From FY 2004 through FY 2006, the City did not have a Special Revenue Fund (FY 2003 amount of $152 not shown since amounts are expressed in thousands).**

## CITY OF AVONDALE ESTATES, GEORGIA

### CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
### LAST TEN YEARS
**(modified accrual basis of accounting)**
**(amounts expressed in thousands)**

| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| Taxes | **$ 2,315** | $ 2,612 | $ 2,254 | $ 2,419 | $ 2,530 | $ 2,540 | $ 2,372 | $ 2,098 | $ 2,007 | $ 1,925 |
| Licenses and permits | **26** | 15 | 12 | 24 | 35 | 14 | 7 | 97 | 114 | 78 |
| Intergovernmental | **15** | 19 | 1 | 12 | 37 | 53 | 3 | 36 | 12 | 209 |
| Fines and forfeitures | **477** | 473 | 442 | 362 | 357 | 262 | 200 | 276 | 240 | 260 |
| Charges for services | **23** | 19 | 24 | 18 | 23 | 11 | 11 | - | - | - |
| Interest income | **5** | 15 | 27 | 30 | 26 | 29 | 35 | - | - | - |
| Other revenues | **56** | 48 | 71 | 89 | 23 | 63 | 15 | 93 | 57 | 45 |
| Total revenues | **2,917** | 3,201 | 2,831 | 2,954 | 3,031 | 2,972 | 2,643 | 2,600 | 2,430 | 2,517 |
| **Expenditures** | | | | | | | | | | |
| General government | **821** | 773 | 749 | 706 | 802 | 780 | 616 | 615 | 687 | 669 |
| Public safety | **949** | 994 | 864 | 899 | 821 | 780 | 582 | 598 | 577 | 596 |
| Public works | **236** | 289 | 237 | 267 | 850 | 911 | 873 | 861 | 839 | 831 |
| Recreation | **412** | 353 | 329 | 303 | 239 | 224 | 239 | 242 | 240 | 244 |
| Capital outlay | **-** | 232 | 175 | 8 | 80 | 53 | 219 | 133 | 122 | 224 |
| Debt service | | | | | | | | | | |
| Principal retirements | **-** | - | - | - | 46 | 58 | 64 | 46 | - | - |
| Interest and fiscal charges | **-** | - | - | - | 4 | 7 | 6 | 5 | - | - |
| Total expenditures | **2,418** | 2,641 | 2,354 | 2,183 | 2,842 | 2,813 | 2,599 | 2,500 | 2,465 | 2,564 |
| Excess of revenues over (under) expenditures | **499** | 560 | 477 | 771 | 189 | 159 | 44 | 100 | (35) | (47) |

**CITY OF AVONDALE ESTATES, GEORGIA**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**
**LAST TEN YEARS**
**(modified accrual basis of accounting)**
**(amounts expressed in thousands)**

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Other financing sources (uses)** | | | | | | | | | | |
| Proceeds from capital leases | - | - | - | - | - | - | 91 | 54 | - | - |
| Transfers in | - | - | 307 | 51 | 65 | - | 272 | 65 | - | 120 |
| Transfers out | **(372)** | (359) | (625) | (386) | (65) | - | (272) | (65) | - | (120) |
| Total other financing sources (uses) | **(372)** | (359) | (318) | (335) | - | - | 91 | 54 | - | - |
| Net change in fund balances | **$ 127** | $ 201 | $ 159 | $ 436 | $ 189 | $ 159 | $ 135 | $ 154 | $ (35) | $ (47) |
| Debt service as a percentage of noncapital expenditures | **0.00%** | 0.00% | 0.00% (1) | 0.00% (1) | 1.81% | 2.36% | 2.94% | 2.15% | 0.00% | 0.00% |

(1) The City has elected to report Sanitation activities in a separate enterprise fund with the related debt.

**CITY OF AVONDALE ESTATES, GEORGIA**

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**
**LAST TEN YEARS**
**(modified accrual basis of accounting)**
**(amounts expressed in thousands)**

| Fiscal Year | Property Tax (1) | Franchise Tax | Insurance Premium Tax | Occupational Tax | HOST Sales Tax (5) | Sanitation | Other Taxes | Total |
|---|---|---|---|---|---|---|---|---|
| 2003 | $ 1,323 | $ 152 (2) | $ 89 (2) | $ 69 (2) | $ - | $ 258 | $ 20 (2) | $ 1,911 |
| 2004 | 1,437 | 170 (2) | 100 (2) | 77 (2) | - | 292 | 22 (2) | 2,098 |
| 2005 | 1,371 | 161 (2) | 94 (2) | 73 (2) | - | 287 | 20 (2) | 2,006 |
| 2006 | 1,604 | 232 | 137 | 106 | - | 293 | 26 | 2,398 |
| 2007 | 1,741 (3) | 225 | 143 | 94 | - | 296 | 41 | 2,540 |
| 2008 | 1,734 | 208 | 146 | 92 | - | 304 | 46 | 2,530 |
| 2009 | 1,905 | 226 | 145 | 98 | - | - (4) | 44 | 2,418 |
| 2010 | 1,797 | 180 | 140 | 91 | - | - | 45 | 2,253 |
| 2011 | 1,793 | 189 | 139 | 78 | 366 | - | 47 | 2,612 |
| 2012 | 1,534 | 189 | 147 | 80 | 302 | - | 56 | 2,308 |

(1) Property taxes include auto ad valorem taxes
(2) During these years, amounts were reported as either gross receipts or other taxes. Amounts modified based on allocation and total taxes noted during each of these years per previous financial reports as actual amounts are not readily available.
(3) Property taxes higher than previous years due to millage rate increase.
(4) The City elected to report Sanitation activities in a separate enterprise fund.
(5) The City began collecting the HOST (Home Owner Sales Tax) during calendar year 2011.

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## CITY OF AVONDALE ESTATES, GEORGIA

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE - ALL TAXABLE PROPERTY LAST TEN YEARS

**(amounts expressed in thousands)**

| Fiscal Year | Assessed Value | | | |
|---|---|---|---|---|
| | Real Property | Public Utility | Personal Property | Motor Vehicle |
| 2003 | 125,381 | 752 | 1,767 | 8,918 |
| 2004 | 132,441 | 719 | 1,634 | 8,948 |
| 2005 | 136,325 | 735 | 1,511 | 8,359 |
| 2006 | 148,199 | 768 | 1,556 | 8,473 |
| 2007 | 150,819 | 867 | 1,776 | 9,199 |
| 2008 | 153,202 | 852 | 2,542 | 8,929 |
| 2009 | 154,377 | 773 | 2,303 | 9,411 |
| 2010 | 154,202 | 819 | 2,156 | 7,917 |
| 2011 | 155,276 | 837 | 2,337 | 7,854 |
| 2012 | 129,159 | 1,152 | 2,711 | 8,015 |

Source: Dekalb County, Georgia Board of Tax Assessors

## CITY OF AVONDALE ESTATES, GEORGIA

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE - ALL TAXABLE PROPERTY LAST TEN YEARS

**(amounts expressed in thousands)**

| Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|---|---|---|---|---|
| 3,827 | 132,991 | 10.500 | 314,350 | 42.31% |
| 4,028 | 139,714 | 9.800 | 332,478 | 42.02% |
| 4,005 | 142,925 | 9.800 | 349,285 | 40.92% |
| 4,456 | 154,540 | 9.995 | 357,312 | 43.25% |
| 4,140 | 158,521 | 10.100 | 386,351 | 41.03% |
| 3,969 | 161,556 | 11.000 | 396,303 | 40.77% |
| 3,933 | 162,931 | 11.000 | 402,182 | 40.51% |
| 3,876 | 161,218 | 11.000 | 403,045 | 40.00% |
| 117 | 166,187 | 10.957 | 415,468 | 40.00% |
| 231 | 140,806 | 10.957 | 352,015 | 40.00% |

## CITY OF AVONDALE ESTATES, GEORGIA

## PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
## (Per $1000 of Assessed Value)
## LAST TEN YEARS

| Calendar Year | City of Avondale Estates, Georgia | | | Dekalb County | State | Total Direct & Overlapping Rates |
|---|---|---|---|---|---|---|
| | Operating Millage | Debt Service Millage | Total City Millage | | | |
| 2002 | 10.500 | 0.000 | 10.500 | 37.58 | 0.25 | 48.330 |
| 2003 | 9.800 | 0.000 | 9.800 | 38.01 | 0.25 | 48.060 |
| 2004 | 9.800 | 0.000 | 9.800 | 37.97 | 0.25 | 48.020 |
| 2005 | 9.995 | 0.000 | 9.995 | 37.29 | 0.25 | 47.535 |
| 2006 | 10.100 | 0.000 | 10.100 | 37.41 | 0.25 | 47.760 |
| 2007 | 11.000 | 0.000 | 11.000 | 36.69 | 0.25 | 47.940 |
| 2008 | 11.000 | 0.000 | 11.000 | 39.05 | 0.25 | 50.300 |
| 2009 | 11.000 | 0.000 | 11.000 | 39.84 | 0.25 | 51.090 |
| 2010 | 11.000 | 0.000 | 11.000 | 39.84 | 0.25 | 51.090 |
| 2011 | 10.957 | 0.000 | 10.957 | 44.19 | 0.25 | 55.397 |

## CITY OF AVONDALE ESTATES, GEORGIA

### PRINCIPAL TAXPAYERS
### CURRENT AND TWO YEARS AGO
**(amounts expressed in thousands)**

| | Fiscal Year 2012 | | | Fiscal Year 2010 | | |
|---|---|---|---|---|---|---|
| **Taxpayer** | **Taxable Assessed Value** | **Rank** | **Percentage of Taxable Assessed Value** | **Taxable Assessed Value** | **Rank** | **Percentage of Taxable Assessed Value** |
| Century A G Avondale LLC | $ 2,094 | 1 | 1.49 % | $ 675 | 2 | 0.28 % |
| Georgia Duck and Cordage Mill | 1,322 | 2 | 0.94 | 484 | 5 | 0.30 |
| KJA/Eckerd # 1 LLC | 768 | 3 | 0.55 | 539 | 3 | 0.34 |
| Georgia Power Company | 716 | 4 | 0.51 | 682 | 1 | 0.64 |
| Michael Plasker | 580 | 5 | 0.41 | 494 | 4 | 0.44 |
| David Ladet | 451 | 6 | 0.32 | 360 | 6 | 0.00 |
| Michael Gerard | 420 | 7 | 0.30 | 357 | 8 | 0.22 |
| William Spencer Rosenfield | 410 | 8 | 0.29 | 358 | 7 | 0.00 |
| CEEED Properties LLC | 373 | 9 | 0.26 | - | | 0.00 |
| Atlanta Gas Light | 369 | 10 | 0.26 | - | | 0.00 |
| O'Brien 2007 Family Trust | | | | 301 | 9 | 0.19 |
| Julie Corkran | | | | 288 | 10 | 0.18 |
| | $ 7,503 | | 5.33 % | $ 4,538 | | 2.58 % |

**Source: Dekalb County Tax Commissioners Office**

## CITY OF AVONDALE ESTATES, GEORGIA

## PROPERTY TAX LEVIES AND COLLECTIONS
## LAST TEN YEARS
**(amounts expressed in thousands)**

| Tax Year* | Total Tax Levy | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|---|---|---|---|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2003 | $ 1,134 | $ 1,117 | 98.5% | 17 | $ 1,134 | 100.00% |
| 2004 | 1,464 | 1,454 | 99.3% | 10 | 1,464 | 100.00% |
| 2005 | 1,468 | 1,463 | 99.7% | 5 | 1,468 | 100.00% |
| 2006 | 1,472 | 1,468 | 99.7% | 4 | 1,472 | 100.00% |
| 2007 | 1,514 | 1,492 | 98.5% | 21 | 1,513 | 99.93% |
| 2008 | 1,619 | 1,595 | 98.5% | 0 | 1,595 | 98.52% |
| 2009 | 1,561 | 1,541 | 98.7% | 18 | 1,559 | 99.87% |
| 2010 | 1,723 | 1,676 | 97.3% | 25 | 1,701 | 98.72% |
| 2011 | 1,705 | 1,663 | 97.5% | 30 | 1,693 | 99.30% |
| 2012 | 1,439 | 1,392 | 96.7% | 41 | 1,433 | 99.58% |

Source: DeKalb County Tax Commissisoners Office

## CITY OF AVONDALE ESTATES, GEORGIA

### RATIOS OF OUTSTANDING DEBT BY TYPE
### LAST TEN YEARS
**(amounts expressed in thousands, except per capita amount)**

| Fiscal Year | Governmental Activities | | | Business-type Activities | | Total Primary Government | Percentage of Personal Income | Per Capita (1) |
|---|---|---|---|---|---|---|---|---|
| | General Obligation Bonds | Certificates of Participation | Capital Leases | Notes Payable | Capital Leases | | | |
| 2003 | $ - | $ - | $ 43 | $ - | $ - | $ 43 | 0.12% | $ 16 |
| 2004 | - | - | 134 | - | - | 134 | 0.13% | 51 |
| 2005 | - | - | 142 | - | - | 142 | 0.15% | 54 |
| 2006 | - | - | 170 | - | - | 170 | 0.10% | 68 |
| 2007 | - | - | 112 | - | - | 112 | 0.10% | 42 |
| 2008 | - | - | 66 | - | - | 66 | 0.06% | 25 |
| 2009 | - | - | - (2) | - | 33 (2) | 33 | 0.03% | 12 |
| 2010 | - | - | - | - | 12 (2) | 12 | 0.01% | 5 |
| 2011 | - | - | - | - | - (3) | - | 0.00% | - |
| 2012 | - | - | - | - | - | - | 0.00% | - |

(1) See the Demographic and Economic Statistics for personal income and population data.

Note: The City had no debt outstanding in the year 2001

(2) The City elected to report Sanitation activities as a separate enterprise fund and the related capital leases.

(3) The City has paid off all capital leases as of this year.

## CITY OF AVONDALE ESTATES, GEORGIA

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

**(amounts expressed in thousands)**

| | Net General Obligation Bonded Debt Outstanding | Percentage Applicable to City of Avondale Estates (1) | Amount Applicable to City of Avondale Estates |
|---|---|---|---|
| Overlapping General Obligation Debt: | | | |
| Dekalb County | $ 280,273 | 0.741% | $ 2,076 |
| Fulton Dekalb Hospital Authority | 43,815 | 0.741% | 325 |
| Total overlapping debt | 324,088 | | 2,401 |
| City direct debt | - | 100.000% | - |
| Total direct and overlapping debt | $ 324,088 | | $ 2,401 |

Source: Assessed value data used to estimate applicable percentages provided by the Dekalb County Tax Assessors Office. Debt outstanding data provided by Dekalb County Finance Department.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Avondale Estates, Georgia. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

## CITY OF AVONDALE ESTATES, GEORGIA

## LEGAL DEBT MARGIN INFORMATION

**(amounts expressed in thousands)**

| | | |
|---|---|---|
| Assessed Value | $ | 140,806 |
| Add back: exempt real property | | 231 |
| Total assessed value | | 141,037 |
| | | |
| Debt limit (10% of total assessed value) | | 14,104 |
| Legal debt margin | $ | 14,104 |

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. The City currently has no outstanding general obligation debt.

The City did not have any general obligation debt outstanding prior to fiscal year 2012.

## CITY OF AVONDALE ESTATES, GEORGIA

## DEMOGRAPHIC AND ECONOMIC STATISTICS
## LAST TEN YEARS

| Fiscal Year | Population (1) | Personal Income (in thousands) | Per Capita Personal Income (1) | Median Age (1) | Percentage of Population Age 25 and Older with Greater than 12 Years of Formal Schooling (3) | School Enrollment (2) | Unemployment Rate (4) |
|---|---|---|---|---|---|---|---|
| 2003 | 2,724 | $ 116,056 | $ 43 | 42.9 | N/A | 428 | 4.5% |
| 2004 | 2,627 | 111,923 | 43 | 42.9 | N/A | 428 | 5.2% |
| 2005 | 2,627 | 111,923 | 43 | 42.9 | N/A | 428 | 6.1% |
| 2006 | 2,506 | 106,768 | 43 | 42.9 | N/A | 428 | 4.7% |
| 2007 | 2,648 | 112,818 | 43 | 42.9 | 67% | 415 | 4.6% |
| 2008 | 2,648 | 112,818 | 43 | 42.9 | 67% | 450 | 7.7% |
| 2009 | 2,648 | 112,818 | 43 | 42.9 | 67% | 450 | 9.1% |
| 2010 | 2,648 | 115,638 | 43 | 42.9 | 67% | 462 | 10.5% |
| 2011 | 2,960 | 117,373 | 46 | 45.0 | 67% | 637 (5) | 9.7% |
| 2012 | 2,960 | 117,960 | 40 | 45.0 | 67% | 824 (5) | 8.9% |

(1) Source: U.S. Census (available every tenth year)

(2) Source: Dekalb County School System (Avondale Elementary School)

(3) Source: U.S. Census and Department of Community Affairs

(4) Source: Georgia Department of Labor

(5) Avondale Estates Museum School Enrollment is included

**CITY OF AVONDALE ESTATES, GEORGIA**

**PRINCIPAL EMPLOYERS**
**CURRENT AND LAST FOUR YEARS**

| 2012 Employers | 2011 Employers | 2010 Employers | 2009 Employers | 2008 Employers |
|---|---|---|---|---|
| Ace & A Heating and Air | Arborguard Tree | Arborguard Tree | Arborguard Tree | Arborguard Tree |
| Arborguard Tree | Avondale Pizza Café | Avondale Pizza Café | Avondale Pizza Café | CEO Motorsports, LLC |
| Avondale Pizza Café | D & R Towing | D & R Towing | D & R Towing | D & R Towing |
| DeKalb Collision Center | DeKalb Collision Center | DeKalb Collision Center | DeKalb Collision Center | DeKalb Collision Center |
| Jollay Masonry | Jollay Masonry | Jollay Masonry | Jollay Masonry | Jollay Masonry |
| Mann Mechanical | Lifeline Animal Project | Lifeline Animal Project | Lifeline Animal Project | Lifeline Animal Project |
| Paste | Mann Mechanical | Mann Mechanical | Mann Mechanical | Mann Mechanical |
| Rite Aid # 11690 | Rite Aid # 11690 | Rite Aid # 11690 | Rite Aid # 11690 | Rite Aid # 11690 |
| Simon Roofing | Salvation Army Thrift Store | Salvation Army Thrift Store | Salvation Army Thrift Store | Salvation Army Thrift Store |
| Waffle House # 1000 | Waffle House # 1000 | Waffle House # 1000 | Waffle House # 1000 | Waffle House # 1000 |

Source: City of Avondale Estates Occupational Tax Department

Notes: Employers are listed in alphabetical order only and not ranked in any way.
Number of emp;loyees cannot be listed due to privacy issues
Information for years prior to 2008 is unavailable

N/A - Information not available

**CITY OF AVONDALE ESTATES, GEORGIA**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**
**LAST TEN FISCAL YEARS**

| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function** | | | | | | | | | | |
| General government | **7** | 6 | 6 | 5 | 5 | 4 | 4 | 4 | 4 | 4 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | **12** | 12 | 12 | 12 | 12 | 10 | 10 | 10 | 10 | 8 |
| Public Works | **2** | 2 | 2 | 2 | 13 | 18 | 18 | 18 | 18 | 18 |
| Sanitation | **11** | 11 | 11 | 11 (1) | - | - | - | - | - | - |
| Culture & Recreation | **6** | 6 | 6 | 6 | 6 | 4 | 4 | 4 | 4 | 4 |
| Total | **38** | 37 | 37 | 36 | 36 | 36 | 36 | 36 | 36 | 34 |

Source: City of Avondale Estates department records

(1) The City elected to report Sanitation activities in a separate enterprise fund

**CITY OF AVONDALE ESTATES, GEORGIA**

**OPERATING INDICATORS BY FUNCTION**
**LAST TEN FISCAL YEARS**

| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function** | | | | | | | | | | |
| Police | | | | | | | | | | |
| Homicide | **-** | - | 1 | - | - | - | - | - | 1 | - |
| Robbery | **2** | 2 | 3 | 1 | 3 | 3 | 4 | 1 | 2 | 2 |
| Aggravated Assault | **1** | 3 | - | 1 | 1 | 2 | - | 1 | 3 | - |
| Auto Theft | **5** | 8 | 8 | 8 | 5 | 6 | 12 | 3 | 10 | 8 |
| Burglary | **25** | 8 | 7 | 18 | 20 | 23 | 15 | 18 | 10 | 22 |
| Larceny Theft | **65** | 53 | 80 | 59 | 110 | 71 | 77 | 35 | 70 | 62 |
| Municipal Court | | | | | | | | | | |
| Traffic Citations Issued | **2929** | 2965 | 3155 | 3127 | 3,062 | 2,065 | 1,134 | N/A | 1,879 | N/A |

Source: City of Avondale Estates Departments

N/A - Information not available

Note: Fluctuations experienced in traffic violations from year to year result from the number of officers on the streets during these periods.

**CITY OF AVONDALE ESTATES, GEORGIA**

**CAPITAL ASSET STATISTICS BY FUNCTION**
**LAST TEN FISCAL YEARS**

| | **2012** | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function** | | | | | | | | | | |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | **1** | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units * | - | - | - | - | 1 | 1 | - | 1 | 2 | - |
| Public Works | | | | | | | | | | |
| Streets (miles) | **18** | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Number of Street Lights | **369** | 369 | 369 | 369 | 363 | 363 | 372 | 372 | 372 | 372 |
| Collection Trucks * | - | - | - | - | - | - | 1 | - | - | - |
| Dump Trucks * | - | - | - | - | - | - | - | 1 | 1 | - |
| Street Sweeper | - | - | - | - | - | - | - | - | 1 | - |

* Currently Under Capital Lease

Source: Various City departments

Note: Capital asset indicators are not available for the general government function

# GOVERNMENTAL REPORTS

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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*

Honorable Mayor and Members of City Council
The City of Avondale Estates, Georgia

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Avondale Estates, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Avondale Estates, Georgia's basic financial statements, and have issued our report thereon dated May 21, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Avondale Estates, Georgia'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 of Avondale Estates, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Avondale Estates, Georgia'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Avondale Estates, Georgia'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**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.

Macon, Georgia
May 21, 2013