CITY OF AVONDALE ESTATES
GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

CITY OF AVONDALE ESTATES, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

PREPARED BY:

Ken Turner
Finance Director

CITY OF AVONDALE ESTATES, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

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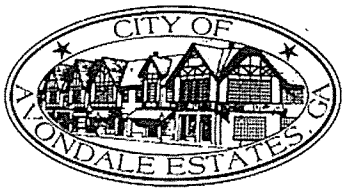
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INTRODUCTORY SECTION

BOARD OF MAYOR AND COMMISSIONERS
Ed Rieker
Mayor
Terry Giager
Mayor Pro Tem
Lindsay Forlines
Commissioner
Randy Beebe
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 30, 2014

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, 2013, 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 and 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 2013 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 30th 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 tree board conducted their annual tree plantings and 50 trees were planted. A "George Willis" oak had to be removed due to safety concerns, but seedlings have been grown and three of which have been planted in the City. They are lovingly named "Willies" in honor of George Willis.

Public Safety conducted the 4th session of the Avondale Estates Citizens Police Academy. The topics included basic police procedures including incident reporting, courts and the law, police investigations, traffic enforcement, communications/911, special operations, firearms and the use of force. The Citizen's Patrol program was implemented and solicited volunteers from the Citizens Police Academy alumni who were interested in taking ownership in their community's safety by patrolling the neighborhoods. The Citizen's Patrol main purpose is to be additional "eyes and ears" on the street, reporting any suspicious activity or individuals to 911.

Business:

Twenty-two (22) new businesses opened in the City during 2013. A catalyst project, Pallookaville Restaurant, is housed in a historic building constructed in 1925/1926 and is listed on the National Register of Historic Places. The building had been abandoned for many years. The business owners, a local celebrity chef and TV personality and his partner, a local restaurateur, began the build out of the space in 2013. The City was then made aware of issues associated with permitting through the County and an excessive "Tap Fee" required by the County. The permitting process slowed construction and the proposed fee was excessive, as the owners said, a deal killer. As a result of the project, the City saw the need to facilitate permitting for Pallookaville and all businesses in the City. The City located a consulting firm that could fill the void. Permitting, and Fire Marshall review is now under the control of the City. Pallookaville was able to ifnish all permitting and open in an expeditious manner. In addition, the City worked with the County to reduce the "Tap Fees" by approximately 83% based on prior uses and meeting directly with County officials on behalf of the business. The City was also designated an Opportunity Zone, which provides for tax credits for businesses who hire over 2 employees. Pallookaville was able to utilize this program. Pallookaville was also recognized as "Best in Business" by the Board of Mayor and Commissioners for 2013.

Another new restaurant, "The Bishop", a craft beer brewery "Wild Heaven", a record store "Sun Brimmer are scheduled to open in 2014, all were able to use the new permitting process in 2013 and expressed the importance of this change and the availability of City staff to assist. Based on

this type of feedback the City of Avondale Estates has been able to change its image locally and in the region.

In 2011, the City of Avondale Estates met with the owner of Wild Heaven Craft Beers. The owner, a local resident, has been brewing his popular beverage in North Carolina, but was finding the arrangement detrimental to the products reliability and distribution. The City has a Downtown Development Authority (DDA) and is thus able to take advantage of low interest loan programs from the State of Georgia's Department of Community Affairs (DCA). The business owner is liable for the loans but the DDA must support the project. The City met with the owner, who had found the perfect building, and highlighted the loan opportunities which could make developing a brewery financially possible. In addition, the current Zoning Ordinance did not allow for cratf breweries. The ordinance was changed to address this use. In 2013, the owner was able to work with the DDA and the City to complete the necessary paperwork to secure the loans and construction work began. Wild Heaven Cratf Beers is scheduled to open in spring 2014.

As a result of a large scale bankruptcy, including a number of properties in the Central Business District, many key properties remained vacant for over 5 years. A number of properties became available and were purchased. The new owners began investigating possible uses for the buildings. Two uses kept rising to the top based on community wants and needs as well as interested business owners: artisanal food production and craft distillery. The current Zoning Ordinance did not address either use. The City amended the ordinance to address both in 2013.

Two award winning businesses, Pine Street Market and Sweet N' Sinful, who serve local eateries and national chains, merged this year and provide more offerings than ever before with expanded retail items and an on-line presence. The merger has been very successful and brings in customers from all over the Atlanta area.

Local business owners new and old have expressed the need for overflow parking in the short term before larger development comes to Avondale Estates which may be able to accommodate some of these needs. The City has discussed utilizing approximately 1 acre of MARTA property within the Central Business District for overflow parking. MARTA has agreed and the Board of Mayor and Commissioners approved staff to move forward investigating the feasibility of this proposal. The City is attempting to remove all barriers to new development and the reuse of existing space to support quality development. The project will proceed in 2014 with cost estimates and design. All local business will be able to use the overlfow parking. The City also purchased 4.09 acres at the end of 2013. There is on-site parking available to local businesses on the 4.09 acres.

To promote local businesses the Board of Major and Commissioners created the Community Promotion Program (CPP), which helps financially fund events. As a result of the CPP program, two local business owners, Little Tree Galleries and Pine Street Market, teamed up to create the Avondale Estates Farmer's Market. The event is becoming larger each week and highlights the ever growing arts scene and up and coming Central Business District.

Community Promotion:

2013 was the third year of the Community Promotion Program (CPP) and it was a great success. Over 10,000 people visited the City of Avondale Estates during the Art-B-Que, AutumnFest, Rail Arts District _ R.A.D. Studio Cruise and the Avondale Estates Sunday Ride. AutmunFest added AutumnEats and a Pie Contest and R.A.D. had its biggest crowds yet. The CPP focuses on promoting the City of Avondale Estates through events, festivals or other mediums. The 2014 CPP funding awards have been made and the City looks forward to another successful year.

Redevelopment:

Revolving Loans: Downtown Development Authority

The Avondale Estates Downtown Development Authority assisted a local business apply for and receive low interest loans through the Department of Community Affairs (DCA) and the Georgia Cities Foundations (GCF) in the amount of $500,000 to assist in the renovation of a building in the Central Business District for a Brewery. The building has been vacant for many years and was formerly a non-conforming use which was in direct contrast to the Comprehensive Plan and newly adopted Downtown Master Plan. The building is also in close proximity to many vacant or underutilized buildings. The project will be a catalyst for future development in the area. In addition, the proposed special events will draw a local and regional crowd.

Main Street: Start-up Community

The City of Avondale Estates was designated a Main Street Start-Up Community in 2013. In 2014, the City will work with the Department of Community Affairs (DCA) to fulfill all the requirements to be designated Classic Main Street. The City will benefit from this designation by receiving low cost design services and training as well as technical assistance from DCA staff The designation will be recognized in the State of Georgia and Nationally.

Opportunity Zone

The City of Avondale Estates' Central Business District and surrounding area was approved by DCA for an Opportunity Zone. A map has been approved showing the eligible area. Businesses in the designated area qualify for the State's maximum job tax credit of $3,500 per job. The incentive, which is available for new or existing businesses that create two or more jobs, is a Job Tax Credit which can be taken against the business's Georgia income tax liability and payroll withholding tax. Pallookaville, opened in 2013, has successfully utilized this credit.

Downtown Master Plan

The City received grant funds from the Atlanta Regional Commission (ARC) to update the 2004 Downtown Master Plan 2013. The plan process includes the review the existing conditions, holding public meetings to get community input and gain community support, and make recommendations on land use, transportation and policy. The final document will also include an

Action Plan which will guide future priorities for the City. The Final Plan will be completed in 2014. The Historic Preservation Division (HPD) awarded the City of Avondale Estates grant funds to complete Phase 1 of a Community-wide Historic Resources Survey. This Phase was completed in 2013. Phase II was approved for funding and will be completed in 2014. This survey will provide a baseline of the existing resources for future planning and be a tool for the Historic Preservation Commission when evaluating applications for changes to historic properties and buildings. Phase I and Phase II will cover all buildings in the City. Partnering with the ARC, the City conducted a Walkabilty Study. This project was in conjunction with the Lifelong Communities Program. The report outlined a number of recommended actions. The City proceeded to add six new crosswalks and ADA accessible ramps in identified places along and across US 278, in compliance with the recommendations. ARC assisted with funds for this project. In addition, the study identified the need for a road diet and possible roundabout to calm traffic and increase the safety and comfort along US 278 for pedestrians and bicyclists. This recommendation is being incorporated into the Downtown Master Plan. As part of the Lifelong Communities effort, the City hired a consultant to review possible housing products not addressed in the current Zoning Ordinance. These options are being incorporated into the Downtown Master Plan.

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 in 2012. The Willis Park Ad Hoc Committee was 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 presented their revised findings to the BOMC. A Request for Proposal (RFP) has been issued and a firm selected to fine tune the design and create construction documents.

The City has submitted an application for a Feasibility Study to review specific options for a road diet and intersection improvement. This grant application was submitted based on community support of this project. The study will be the next required step toward project implementation and pursuing grant funds for this purpose. The City will be working with local partners such as the City of Decatur and DeKalb County and State-wide partners, Georgia Department of Transportation (GDOT), Metropolitan Atlanta Rapid Transit Authority (MARTA) and the ARC. The HPD awarded the City of Avondale Estates grant funding to stabilize a local monument, Carl's Corner. The work will be completed in 2014.

Parking is a concern for existing businesses as well as for businesses looking to locate in the City. The City has determined that in the short-term a place for overflow parking is needed. MARTA has a lot in close proximity to the downtown business district and has agreed to work with the City to utilize a portion of this property for parking. A Request for Proposals (RFP) has been issued to explore the design and cost of the proposed lot.

The Fenner Dunlop Mill property was demolished and cleared in 2011 to make the property more marketable. City staff continues to work with possible developers interested in the property to ensure compliance with the adopted ordinance and high quality development. To this end the City purchased 4.09 acres along US 278, property which was in foreclosure, to use as possible leverage

in the redevelopment of the Fenner Dunlop site. The 4.09 acres is located along a major thoroughfare and can act as the "window" to the Fenner Dunlop property to the North.

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 2013 is approximately $38,195. 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 52-54 and Page 57 of this financial report. The Plan's investment portfolio relfects 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, 2012. In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efifciently 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. ai Brown, City Manager

City of Avondale Estates

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

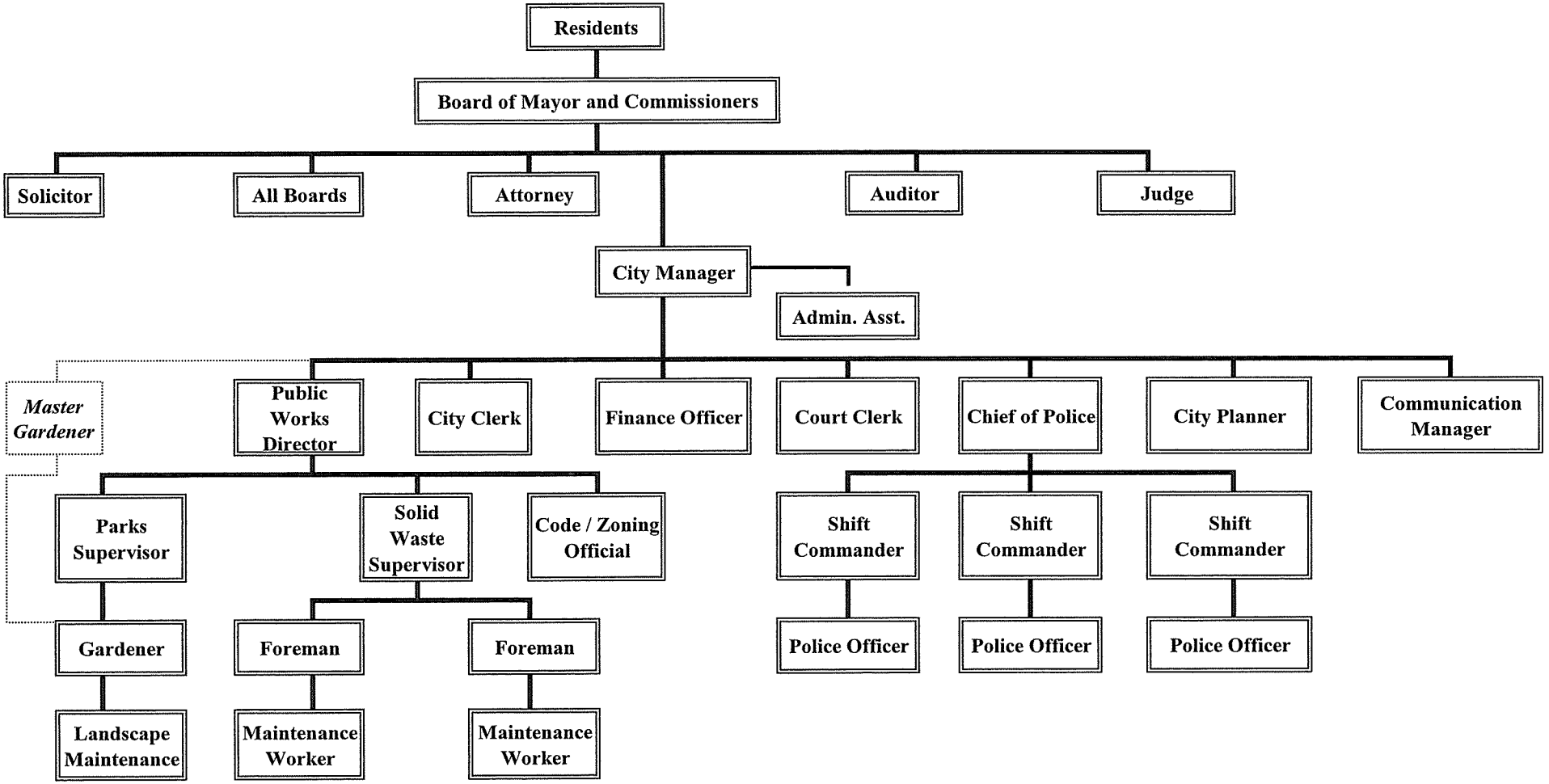
City of Avondale Estates

Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO


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, 2013

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

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, 2013, 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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Certified Public Accountants
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468 South Houston Lake Road
Warner Robins, Georgia 31088
Phone 478-953-0125 ■ Fax 478-953-0983

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, 2013, 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 15-24, and 62 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 30, 2014 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 30, 2014

MANAGEMENT'S DISCUSSION & 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, 2013. 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 $5,961,433. Of this amount, $3,002,876 (unrestricted net position) may be used to meet the government's ongoing obligations.

The City's net position from governmental activities increased approximately 0.89% when compared to the previous year, while business-type activities' net position increased by approximately 13.68% when compared to the previous year.

General Fund Revenues increased 6.91% or $201,538 compared to 2013, and expenditures increased 11.26% or $271,841 compared to 2013. The primary reasons for the increase in revenues is the increase in real estate values affecting property tax revenues of $139,788 and an increase in fines and forfeitures due to increased enforcement activities of $76,856. Licenses and permit revenues increased $10,229 primarily due to permit authorization revenues. During 2013, the City began issuing permits, DeKalb County previously issued the permits. Intergovernmental revenues increased $41,054 due to increased grant funding from the Livable Centers Initiative (LCI) for developing the downtown master plan $13,200, Atlanta Regional Commission (ARC) for the Lifelong Communities grant $20,800, and Georgia Department of Natural Resources for conducting a historical survey of commercial buildings and private residences $11,500.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $3,605,547 an increase of $924,353. Of this, $800,000 was a capital lease the City used to purchase land for future economic development. The lease will be repaid over a term of five years at a fixed interest rate of 2.93%. At the end of the current fiscal year, unassigned fund balance for the general fund was $1,937,016 or 72.12% 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 25-27 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 non-major 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 page 28 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 33-36 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 37 and 38 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 39-61 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 $5,961,433 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.

City of Avondale Estates Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Assets						
Current assets	$ 2,804	$ 3,818	$ 764	$ 895	$ 3,568	$ 4,713
Capital assets	2,394	2,335	100	71	2,494	2,406
Total assets	5,198	6,153	864	966	6,062	7,119
Liabilities						
Non-current liabilities	72	886	16	16	88	902
Other liabilities	104	200	61	55	165	255
Total liabilities	176	1,086	77	71	253	1,157
Net Position						
Net Investment in capital assets	2,394	2,335	100	71	2,494	2,406
Restricted	356	552	-	-	356	552
Unrestricted	2,273	2,180	687	823	2,960	3,003
Total net position	$ 5,023	$ 5,067	$ 787	$ 894	$ 5,810	$ 5,961

By far the largest portion of the City's net position (40%) 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 ($552,420) or unrestricted ($3,002,876). 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 $152,089.

Changes in Net Position

The following schedule presents a summary of changes in net position for the fiscal year ending December 31, 2013 (in thousands).

City of Avondale Estates Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Revenues						
Program revenues:						
Charges for services	$ 525	$ 609	$ 417	$ 525	$ 942	$ 1,134
Operating grants & contributions	15	93	-	-	15	93
General revenues:						
Property taxes	1,536	1,672	-	-	1,536	1,672
Franchise taxes	189	179	-	-	189	179
Insurance Premium taxes	147	153	-	-	147	153
Occupational taxes	80	89	-	-	80	89
HOST taxes	302	236	-	-	302	236
Other taxes	58	53	-	-	58	53
Other revenues	56	59	-	-	56	59
Investment earnings	5	5	2	2	7	7
Total revenues	2,913	3,148	419	527	3,332	3,675
Expenses						
General government	862	997	-	-	862	997
Public safety	1,009	1,080	-	-	1,009	1,080
Public works	242	320	-	-	242	320
Recreation	412	403	-	-	412	403
Sanitation	-	-	673	699	673	699
Stormwater	-	-	34	23	34	23
Total expenses	2,525	2,800	707	722	3,232	3,522
Increase in Net Position Before Transfers	388	348	(288)	(195)	100	153
Transfers	(372)	(303)	372	303	-	-
Change in net position	16	45	84	108	100	153
Net Position beginning of year	5,006	5,022	703	787	5,709	5,809
Net Position end of year	$ 5,022	$ 5,067	$ 787	$ 895	$ 5,809	$ 5,962

Governmental charges for services increased by $83,909. Operating grants and contributions increased $77,035 due to the Local Maintenance and Improvement Grant (LMIG) grant of $35,980, Lifelong Community grant of $20,800, Livable Centers Initiative grant of $13,200, Georgia Department of Natural Resources grant of $11,500 for a historic survey, and GMA safety grant and GMEBS health promotion grants. Property taxes showed an approximate increase of $135,899. This increase is primarily due to increases in assessed property values. Other factors contributing to the changes are, decreases in franchise taxes of approximately $10,423 due to decreases in franchise taxable revenue, increases in public utilities ad valorem taxes of $17,446 due to increases in taxable values. The increase in motor vehicle taxes of $12,410 and real estate transfer taxes of $1,615 are attributed to the improving current economic environment.

Total expenses increased approximately $274,608 across all categories. In the general government category, salaries and related fringe benefits increased $40,643 primarily due to the hiring of a communications manager, legal services increased $16,815, professional consultants decreased $10,220 due to less consulting, printing and binding decreased $8,626 due to outsourcing the printing of the City newsletter, Historic Survey expense amounted to $13,800 and was funded, in part, by a Georgia Natural Resources grant previously mentioned, the permitting vendor expense increased $5,130 and was a result of the City assuming the task of issuing permits, other grant expenditures increased $80,217 due to expenses related to the Lifelong Community – Walkability Study $8,685 and the development of the downtown master plan $71,700, building repairs and maintenance expenses increased $9,692 primarily due to exterior painting of City Hall. In the Public Safety category, salaries and related fringe benefits increased $66,821 primarily due to the hiring of an additional police officer, the Citizen's Patrol expenses amounted to $8,460, gasoline expense increased $5,726 due to the increase in price per gallon, repairs and maintenance costs for vehicles decreased $7,153 due to the retirement and replacement of older vehicles,. Vehicles purchased increased $39,116 as one police car was purchased during 2013. In the Public Works category, expenses related to the construction of cross walks increased $14,970 and was partially funded by the Lifelong Community grant,

Net position on governmental activities funds increased by $44,461 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 $107,628. 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 $3,605,547, an increase of $924,353 in comparison with the prior year. Approximately fifty five percent of the total amount ($1,937,016) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance ($1,668,531) is designated as follows: non spendable $1,091,493 (asset held for resale and prepaid expenses), restricted $552,420 ($522,411 HOST, $29,497 TAD, $512 Police Seizure), and assigned $24,618 ($15,994 Technology Fund, $27 Capital Projects, and $8,597 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 $1,937,016. 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 72.12% of total General Fund expenditures.

The table below compares general fund revenues and expenditures for 2012 and 2013 (in thousands).

	General Fund		
	2012	2013	$ Increase (Decrease)
Revenues			
Taxes	$ 2,315	$ 2,388	$ 73
Licenses & permits	26	36	10
Intergovernmental	15	56	41
Fines & forfeitures	476	555	79
Charges for services	23	19	(4)
Interest income	5	5	-
Other revenues	56	59	3
Total revenues	2,916	3,118	202
Expenditures			
General government	817	959	142
Public safety	949	1,070	121
Public works	236	256	20
Recreation	412	401	(11)
Total expenditures	2,414	2,686	272
Excess of revenues over expenditures	502	432	(70)
Transfers to other funds	(372)	(303)	69
Capital lease	-	800	800
Total Other Financing	(372)	497	869
Net change in fund balances	130	928	798
Fund balances, beginning of year	2,509	2,639	130
Fund balances, end of year	$ 2,639	$ 3,567	928

Revenues from taxes increased primarily due to decreased HOST sales taxes in the amount of $65,719, an increase in property taxes of $139,788, a decrease in franchise fees of $10,423 and an increase of insurance premium taxes of $5,221. Licenses and permits increased approximately $10,229 primarily due to an increase in permit authorizations of $8,522. Fines and forfeitures increased $78,380 due to increased traffic enforcement. Charges for services decreased $4,199 due to decreases in advertising revenue and donations for various City activities like the July 4th celebration and the Labor Day Race. Other revenues increased due to increases in revenue from the bike event, donations for tree replacement and reimbursement for legal expenses related to a cell tower lease.

Total expenditures increased over the prior year. The increases in General Government were due primarily to increases in salaries and related fringe benefits of $44,784, decreased expenses for repairs and maintenance of buildings $6,691, decreases in dues and fees $3,406, increases in legal services were $16,815, professional consultants decreased $10,220, printing and binding decreased $8,626, historic survey expense increased $13,800, other grant expenditures increased $80,217, due to expenses related to the Lifelong Community – Walkability Study $8,685 and the development of the downtown master plan $71,700. The increase in Public Safety was primarily due to increases in salaries and related fringe benefits of $66,821 (added one new police officer), the purchase of a police patrol vehicle $39,116 and Citizen's Patrol expenses $8,460. Public Works increased primarily due to roadways and walkways increasing $6,231 and cross walk construction costs of $14,970. Recreation decreases were primarily due to increases in salaries and related fringe benefits of $5,711, decreases in technical services – Willis Park $3,712, decreases in tree maintenance $3,490, increase in tree removal $13,150, and decreases in 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 $12,618 over last year. After accounting for operating expenses of $20,888, depreciation of $2,046 and interest income of $1,971, the Storm Water utility increased its net position by $107,628 for total net position of $894,370 at the end of the fiscal year. This increase is largely attributed to minimal expenses and interest income.

Sanitation revenues increased $95,293. After accounting for operating expenses of $672,777 and depreciation of $26,548, Sanitation had an operating loss of $303,093 before transfers from the General Fund of $303,093. At the end of the fiscal year, Sanitation did not have any net position. The Board of Mayor and Commissioners approved a sanitation rate increase for FY 2014. It is expected the General Fund will no longer have to transfer funds to cover expenses.

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 $50 to net position during 2013 for a total of $12,143 at year end.

General Fund Budgetary Highlights

In calendar year 2013, it was anticipated that there would be a small change (increase) in fund balance in the amount of $12,472. The City's general fund balance as of December 31, 2013 is $3,566,914. This is equivalent to approximately one hundred twenty six percent of the City's current estimate of the total general fund expenditures for calendar year 2013. It should be noted that the calendar year 2014 budget does anticipate a change (increase) in fund balance of $228,764.

The final amended budget for revenues was approximately 10.70% higher than the original budget. The final amended budget for expenditures was approximately 3.67% 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, 2013, amounts to $2,406,137 (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 $39,116 and depreciation within the governmental activities. Additional information on the City's capital assets can be found in Note 6 on pages 52-53 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	
	2012	2013	2012	2013	2012	2013
Land	$ 1,859	$ 1,859	$ -	$ -	$ 1,859	$ 1,859
Infrastructure	200	186	10	8	210	194
Building & improvements	187	152	-	-	187	152
Furniture, Equipment & Vehicles	148	138	90	63	238	201
Total	$ 2,394	$ 2,335	$ 100	$ 71	$ 2,494	$ 2,406

Long-term Debt and Capital Leases.
The City has an $800,000 capital lease outstanding at December 31, 2013. The lease term is for five years with a 2.93% fixed rate with monthly amortization amounting to $14,350. The City had long-term debt in the amount of $102,140, which is comprised of compensated absences. (Governmental Activities $86,477 and Business-type activities $15,663).

Additional information on the City's long-term debt can be found in Note 7 on pages 54-56 of this report.

Economic Factors

The unemployment rate for the City is currently 10.4%. The cost of living is 107 compared to the US median of 100. The median age is 45 compared to a US median of 37. Per capita income is $38,195 compared to a US per capita of approximately $25,804. 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, 2013, unassigned fund balance in the general fund was $1,937,016. Next year's budgeted revenues will largely be derived from property taxes (59.77%), the remaining 40.23% is to come from other revenue sources. General Fund budgeted revenues for 2014 are expected to remain relatively flat with a 0.48% increase or $13,620 compared to 2013. This is primarily due to anticipated decreases in fines & forfeitures of $108,589 due to more defendants being placed on probation in order to pay their fines, an increase in property taxes of $69,155 due to increased property values, increases in other miscellaneous revenue due to permit fees of $23,500. The 2014 budgeted sanitation revenue amounts to $662,419 which is an increase of $282,839 due to a fee increase. It is anticipated the General Fund will no longer have to financially subsidize the Sanitation Fund. General Fund expenditures are expected to decrease by 7.21% or $202,672 compared to 2013. This decrease is primarily due to a decrease in Interfund transfers to the Sanitation Fund.

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.

FINANCIAL STATEMENTS

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CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 2,532,622	$ 872,005	$ 3,404,627	$ 547,674
Investments	1,685	-	1,685	-
Receivables, net of allowance				
Taxes	19,833	-	19,833	-
Accounts	33,858	14,430	48,288	-
Due from other governments	146,794	-	146,794	-
Internal balances	(7,956)	7,956	-	-
Asset held for resale	1,074,395	-	1,074,395	-
Prepaids	17,098	-	17,098	-
Noncurrent Assets:				
Non depreciable	1,859,463	-	1,859,463	600,000
Depreciable, net	475,340	71,334	546,674	10,703,000
Total Assets	6,153,132	965,725	7,118,857	11,850,674
LIABILITIES				
Accounts payable	153,347	47,300	200,647	36,099
Accrued payables	37,930	8,392	46,322	31,597
Due to others	8,315	-	8,315	-
Unearned revenue	-	-	-	172,516
Noncurrent liabilities				
Due within one year	213,775	10,000	223,775	1,270,449
Due in more than one year	672,702	5,663	678,365	5,270,429
Total Liabilities	1,086,069	71,355	1,157,424	6,781,090
NET POSITION				
Net investment in capital assets	2,334,803	71,334	2,406,137	4,762,122
Restricted for				
Capital outlay	551,908	-	551,908	-
Public safety	512	-	512	-
Unrestricted	2,179,840	823,036	3,002,876	307,462
Total Net Position	$ 5,067,063	$ 894,370	$ 5,961,433	$ 5,069,584

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, 2013

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	$ 997,050	$ 54,745	$ 92,525	$ -
Public safety	1,079,764	554,568	-	-
Public works	319,559	-	-	-
Culture and recreation	403,376	-	-	-
Total governmental activities	2,799,749	609,313	92,525	-
Business-Type Activities				
Stormwater Utility	22,934	128,591	-	-
Sanitation	699,325	396,232	-	-
Total business-type activities	722,259	524,823	-	-
Total Primary Government	$ 3,522,008	$ 1,134,136	$ 92,525	$ -
Component Unit:				
Downtown Development Authority	$ 1,161,927	$ 2,050,336	$ -	$ -
Total Component Unit	$ 1,161,927	$ 2,050,336	$ -	$ -

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, 2013
(CONTINUED)

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Component Unit
Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
$ (849,780)	$ -	$ (849,780)	$ -
(525,196)	-	(525,196)	-
(319,559)	-	(319,559)	-
(403,376)	-	(403,376)	-
(2,097,911)	-	(2,097,911)	-
-	105,657	105,657	-
-	(303,093)	(303,093)	-
-	(197,436)	(197,436)	-
(2,097,911)	(197,436)	(2,295,347)	-
			888,409
			888,409
1,672,265	-	1,672,265	-
178,738	-	178,738	-
152,689	-	152,689	-
377,925	-	377,925	-
5,057	1,971	7,028	868
58,791	-	58,791	3,700
2,445,465	1,971	2,447,436	4,568
(303,093)	303,093	-	-
2,142,372	305,064	2,447,436	4,568
44,461	107,628	152,089	892,977
5,022,602	786,742	5,809,344	4,176,607
$ 5,067,063	$ 894,370	$ 5,961,433	$ 5,069,584

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, 2013

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalent	$ 2,493,794	$ 38,828	$ 2,532,622
Investments	1,658	27	1,685
Receivables, net of allowance			
Taxes	19,797	36	19,833
Accounts	33,858	-	33,858
Due from other governments	146,794	-	146,794
Due from other funds	3,541	-	3,541
Asset held for resale	1,074,395	-	1,074,395
Prepaids	17,098	-	17,098
Total Assets	$ 3,790,935	$ 38,891	$ 3,829,826
LIABILITIES			
Accounts payable	$ 153,347	$ -	$ 153,347
Accrued liabilities	37,930	-	37,930
Due to others	8,057	258	8,315
Due to other funds	11,497	-	11,497
Total Liabilities	210,831	258	211,089
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	13,190	-	13,190
Total Deferred Inflows of Resources	13,190	-	13,190
FUND BALANCES			
Nonspendable	1,091,493	-	1,091,493
Restricted	522,411	30,009	552,420
Assigned	15,994	8,624	24,618
Unassigned	1,937,016	-	1,937,016
Total Fund Balances	3,566,914	38,633	3,605,547
Total Liabilities, Deferred inflows of Resources, and Fund Balances	$ 3,790,935	$ 38,891	$ 3,829,826

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 POSITION
DECEMBER 31, 2013

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

Total fund balances - governmental funds	$	3,605,547
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,334,803
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		13,190
Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.		(886,477)
Net Position of Governmental Activities	$	5,067,063

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, 2013

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 2,387,919	$ -	$ 2,387,919
License and permits	35,900	-	35,900
Intergovernmental	56,544	35,981	92,525
Fines and forfeitures	554,568	-	554,568
Charges for Services	18,845	-	18,845
Interest earnings	5,018	39	5,057
Other revenues	58,791	-	58,791
Total Revenues	3,117,585	36,020	3,153,605
Expenditures			
Current:			
General government	958,756	4,150	962,906
Public safety	1,069,804	24	1,069,828
Public works	255,670	35,981	291,651
Culture and recreation	401,774	-	401,774
Total Expenditures	2,686,004	40,155	2,726,159
Excess (Deficiency) of Revenues Over (Under) Expenditures	431,581	(4,135)	427,446
Other Financing Sources (Uses)			
Transfers to other funds	(303,093)	-	(303,093)
Capital lease	800,000	-	800,000
Total other financing sources (uses)	496,907	-	496,907
Net change in fund balances	928,488	(4,135)	924,353
Fund Balance, beginning of year	2,638,426	42,768	2,681,194
Fund Balance, end of year	$ 3,566,914	$ 38,633	$ 3,605,547

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, 2013

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

Net Change in Fund Balances - total governmental funds	$ 924,353
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	(59,520)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,302)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(814,070)
Change in Net Position of Governmental Activities	$ 44,461

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, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 2,084,549	$ 2,406,060	$ 2,387,919	$ (18,141)
Licenses and permits	13,900	35,900	35,900	-
Intergovernmental	-	56,544	56,544	-
Fines and forfeitures	667,828	543,596	554,568	10,972
Charges for services	12,000	18,845	18,845	-
Interest income	5,000	5,002	5,018	16
Miscellaneous	39,441	58,791	58,791	-
Total Revenue	2,822,718	3,124,738	3,117,585	(7,153)
Expenditures:				
Current:				
General government	865,732	958,778	958,756	22
Public safety	1,031,568	1,069,804	1,069,804	-
Public works	264,077	255,670	255,670	-
Culture and recreation	371,197	401,774	401,774	-
Total Expenditures	2,532,574	2,686,026	2,686,004	22
Excess Revenue Over (Under) Expenditures	290,144	438,712	431,581	(7,131)
Other Financing Sources (Uses):				
Transfer to other funds	(277,672)	(303,093)	(303,093)	-
Capital lease	-	-	800,000	800,000
Total Other Financing Sources (Uses)	(277,672)	(303,093)	496,907	800,000
Net change in fund balance	12,472	135,619	928,488	792,869
Fund balance, beginning of year	2,638,426	2,638,426	2,638,426	-
Fund balance, end of year	$ 2,650,898	$ 2,774,045	$ 3,566,914	$ 792,869

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, 2013

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 872,005	$ -	$ 872,005
Accounts receivable, net	2,686	11,744	14,430
Due from other funds	11,497	-	11,497
Total current assets	886,188	11,744	897,932
Noncurrent assets:			
Capital assets:			
Depreciable, net	8,182	63,152	71,334
Total noncurrent assets	8,182	63,152	71,334
Total Assets	894,370	74,896	969,266
LIABILITIES			
Current liabilities:			
Accounts payable	-	47,300	47,300
Accrued salaries	-	8,392	8,392
Accrued vacation	-	10,000	10,000
Due to other funds	-	3,541	3,541
Total current liabilities	-	69,233	69,233
Noncurrent liabilities:			
Accrued vacation	-	5,663	5,663
Total noncurrent liabilities	-	5,663	5,663
Total Liabilities	-	74,896	74,896
NET POSITION			
Investment in Capital Assets	8,182	63,152	71,334
Unrestricted	886,188	(63,152)	823,036
Total Net Position	$ 894,370	$ -	$ 894,370

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, 2013

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
Operating revenues:			
Charges and fees	$ 128,591	$ 396,232	$ 524,823
Total operating revenues	128,591	396,232	524,823
Operating expenses:			
Salaries and benefits	-	445,216	445,216
Cost of sales	20,888	129,474	150,362
Other operating expenses	-	66,019	66,019
Repairs and maintenance	-	32,068	32,068
Depreciation	2,046	26,548	28,594
Total operating expenses	22,934	699,325	722,259
Operating income (loss)	105,657	(303,093)	(197,436)
Nonoperating revenues (expenses):			
Interest income	1,971	-	1,971
Total nonoperating revenues (expenses)	1,971	-	1,971
Net income (loss) before transfers	107,628	(303,093)	(195,465)
Transfers in	-	303,093	303,093
Change in net position	107,628	-	107,628
Total Net Position - Beginning of Year	786,742	-	786,742
Total Net Position - Ending of Year	$ 894,370	$ -	$ 894,370

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, 2013

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	$ 131,244	$ 396,166	$ 527,410
Cash paid to employees	-	(443,108)	(443,108)
Cash paid to suppliers for goods and services	(41,505)	(256,151)	(297,656)
Net Cash Flows Provided by (Used for) Operating Activities	89,739	(303,093)	(213,354)
Cash Flows from Noncapital Financing Activities:			
Transfers from General Fund	-	303,093	303,093
Net Cash Provided by Noncapital Financing Activities	-	303,093	303,093
Cash Flows from Investing Activities:			
Interest income	1,971	-	1,971
Net Cash Flows Provided by (Used for) Investing Activities	1,971	-	1,971
Net Increase (Decrease) in Cash and Cash Equivalents	91,710	-	91,710
Cash and Cash Equivalents, Beginning of Year	780,295	-	780,295
Cash and Cash Equivalents, End of Year	$ 872,005	$ -	$ 872,005

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, 2013
(CONTINUED)

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
Cash Flows From Operating Activities:			
Operating income	$ 105,657	$ (303,093)	$ (197,436)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	2,046	26,548	28,594
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	2,653	(66)	2,587
Increase (decrease) in accounts payable	(9,120)	1,266	(7,854)
Increase (decrease) in accrued liabilities	-	2,119	2,119
Increase (decrease) in due to other funds	-	(29,856)	(29,856)
Increase (decrease) in compensated absences	-	(11)	(11)
Total Adjustments	(15,918)	-	(15,918)
Net Cash Provided by (Used for) Operating Activities	$ 89,739	$ (303,093)	$ (213,354)

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, 2013

	Dottie Holmes Memorial Private-Purpose Trust
ASSETS	
Cash and cash equivalents	$ 12,143
Total Assets	$ 12,143
NET POSITION	
Held in trust	$ 12,143
Total net position	$ 12,143

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, 2013

	Dottie Holmes Memorial Private-Purpose Trust
ADDITIONS	
Interest earnings	$ 50
Total additions	50
Change in net position	50
Total net position, beginning of year	12,093
Total net position, end of year	$ 12,143

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, 2013. 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. 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.

F. 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."

G. 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.

H. 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.

I. 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.

J. 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 are amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources.

K. Deferred Outflows / Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

M. 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, 2013:

	General Fund	Nonmajor Governmental	Total
Fund Balances:			
Nonspendable			
Prepaids	$ 17,098	$ -	$ 17,098
Assets held for resale	1,074,395	-	1,074,395
Restricted for:			
Capital outlay	522,411	29,497	551,908
Public safety	-	512	512
Assigned to:			
Technology	15,994	-	15,994
Capital projects	-	27	27
Lake Avondale	-	8,597	8,597
Unassigned	1,937,016	-	1,937,016
Total fund balances	$ 3,566,914	$ 38,633	$ 3,605,547

N. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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, 2013, 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	AAAf rated	$ 1,685	60 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, 2013.

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 AAAf 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	June 24th	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 June 24, 2013 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, 2013, 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	$ 22,202	$ 36	$ -	$ -	$ 22,238
Accounts	33,857	-	2,686	11,744	48,287
Gross total receivables	56,059	36	2,686	11,744	70,525
Less allowance for uncollectible	(2,404)	-	-	-	(2,404)
Net total receivables	$ 53,655	$ 36	$ 2,686	$ 11,744	$ 68,121

NOTE 6 – CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2013, 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	985,095	39,116	-	-	1,024,211
Total	2,149,382	39,116	-	-	2,188,498
Less accumulated depreciation for:					
Buildings and improvements	(630,990)	(34,262)	-	-	(665,252)
Infrastructure and improvements	(146,978)	(14,239)	-	-	(161,217)
Machinery and equipment	(836,554)	(50,135)	-	-	(886,689)
Total	(1,614,522)	(98,636)	-	-	(1,713,158)
Total capital assets, being depreciated, net	534,860	(59,520)	-	-	475,340
Governmental activities capital assets, net	$ 2,394,323	$ (59,520)	$ -	$ -	$ 2,334,803
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	(124,777)	(2,046)	-	-	(126,823)
Machinery and equipment	(319,208)	(26,548)	-	-	(345,755)
Total	(443,985)	(28,594)	-	-	(472,578)
Business-type activities capital assets, net	$ 99,927	$ (28,594)	$ -	$ -	$ 71,334

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

Governmental activities:	
General government	$ 21,675
Public safety	49,052
Public works	27,909
Total depreciation expense - governmental activities	$ 98,636
Business-type activities:	
Stormwater	$ 2,046
Sanitation	26,548
Total depreciation expense - business-type activities	$ 28,594

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	(2,919,000)	(278,000)	-	(3,197,000)
Total	(2,919,000)	(278,000)	-	(3,197,000)
Total capital assets, being depreciated, net	10,981,000	(278,000)	-	10,703,000
Downtown Development Authority capital assets, net	$ 11,581,000	$ (278,000)	$ -	$11,303,000

NOTE 7 – LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease	$ -	$ 800,000	$ -	$ 800,000	$ 150,775
Compensated absences	72,407	96,070	(82,000)	86,477	63,000
Governmental activity Long-term liabilities	$ 72,407	$ 896,070	$ (82,000)	$ 886,477	$ 213,775
Business-type activities:					
Compensated absences	$ 15,674	$ 24,581	$ (24,592)	$ 15,663	$ 10,000
Business-type activities Long-term liabilities	$ 15,674	$ 24,581	$ (24,592)	$ 15,663	$ 10,000

For governmental activities, compensated absences are generally liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Sanitation Fund.

Capital Lease Payable:

The City obtained an $800,000 capital lease from BB&T Government Finance for the financing of the 4.09 acres purchased as an asset held for resale. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013 were as follows:

Year Ending December 30th	Governmental Activities Principal	Interest
2014	$ 150,775	$ 21,426
2015	155,253	16,948
2016	159,863	12,338
2017	164,610	7,590
2018	169,499	2,702
Total	$ 800,000	$ 61,004

Component Unit

Long-term liability activity for the year ended December 31, 2013 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	$ 5,301,078	$ -	$ (800,005)	$ 4,501,073	$ 875,061
2003 Revenue Bonds	2,400,658	-	(360,853)	2,039,805	395,388
Discretely Presented Component Unit Long-term liabilities	$ 7,701,736	$ -	$(1,160,858)	$ 6,540,878	$ 1,270,449

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, 2013, the outstanding balance was $4,501,073.

Year Ending December 31,	Principal	Interest	Total
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	$ 4,501,073	$ 596,605	$ 5,097,679

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, 2013, the outstanding balance was $2,039,805.

Year Ending December 31,	Principal	Interest	Total
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	$ 2,039,805	$ 277,733	$ 2,317,538

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 $41,282 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, 2013:

Fiscal Year Ending December 31,	General Fund
2014	$ 30,258
2015	23,135
2016	23,498
2017	23,872
2018	19,657
2019-2023	72,275
2024-2028	83,787
2029	18,295
Total minimum future rentals	$ 294,777

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2013, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Sanitation Fund	$ 3,541
Stormwater Fund	General Fund	11,497
		$ 15,038

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	$ 303,093

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, 2013, the date of the most recent actuarial valuation, there were 47 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	8
Terminated vested participants not yet receiving benefits	11
Active vested employees	16
Active nonvested employees	12
Total	47

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 2013, the actuarially determined contribution rate was 10.65% of covered payroll.

The City's annual pension cost of $138,483 was equal to the City's required contributions. The recommended contribution was determined as part of the July 1, 2013 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, 2013 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)
2013	$ 138,483	100%	$ -
2012	125,772	100%	-
2011	99,626	100%	-
2010	72,192	100%	-
2009	62,870	100%	-

As of the most recent valuation date, July 1, 2013, 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, 2013	$ 1,137,100	$ 1,561,182	$ 424,082	72.84%	$ 1,310,812	32.35%

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, 2013.

The assumptions used in the July 1, 2013 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 $47,830 to the Plans while the City contributed $10,688. As of December 31, 2013, there were 36 and 30 active participants in the 457 Plan and 401A Plan, respectively. The market values for the 457 Plan and 401A Plan as of December 31, 2013 were $499,928 and $154,310, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AVONDALE ESTATES, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013
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 Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a percentage of covered payroll (b - a) / c
July 1, 2013	$1,137,100	$1,561,182	$ 424,082	72.84%	$ 1,310,812	32.35%
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%

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
2013	$ 138,483	$ 138,483	100.00%
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%

II. SUPPLEMENTAL 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, 2013

	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	$ 29,461	$ -	$ 8,855	$ 38,828
Investments	-	-	27	-	27
Tax receivable	-	36	-	-	36
Total Assets	$ 512	$ 29,497	$ 27	$ 8,855	$ 38,891
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to others	$ -	$ -	$ -	$ 258	$ 258
Total Liabilities	-	-	-	258	258
Fund Balances:					
Restricted	512	29,497	-	-	30,009
Assigned	-	-	27	8,597	8,624
Total Fund Balances	512	29,497	27	8,597	38,633
Total Liabilities and Fund Balances	$ 512	$ 29,497	$ 27	$ 8,855	$ 38,891

CITY OF AVONDALE ESTATES, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Police Seizure Fund	Tax Allocation District Fund	Capital Project Fund	Lake Avondale Fund	
Revenues:					
Intergovernmental	$ -	$ -	$ 35,981	$ -	$ 35,981
Interest earnings	-	29	-	10	39
Total Revenues	-	29	35,981	10	36,020
Expenditures:					
Current:					
General government	-	-	-	4,150	4,150
Public safety	24	-	-	-	24
Public works	-	-	35,981	-	35,981
Total Expenditures	24	-	35,981	4,150	40,155
Net change in fund balances	(24)	29	-	(4,140)	(4,135)
Fund Balance, beginning of year	536	29,468	27	12,737	42,768
Fund Balance, end of year	$ 512	$ 29,497	$ 27	$ 8,597	$ 38,633

CITY OF AVONDALE ESTATES GEORGIA

POLICE SEIZURE FUND
BALANCE SHEET
DECEMBER 31, 2013

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

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, 2013

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Confiscated revenues	$ -	$ -	$ -
Total Revenues	-	-	-
Expenditures:			
Public safety	24	24	-
Total Expenditures	24	24	-
Net change in fund balances	(24)	(24)	-
Fund balance - beginning of year	536	536	-
Fund balance - end of year	$ 512	$ 512	$ -

CITY OF AVONDALE ESTATES GEORGIA

TAX ALLOCATION DISTRICT FUND
BALANCE SHEET
DECEMBER 31, 2013

ASSETS		
Cash and cash equivalent	$	29,461
Tax receivable		36
Total Assets	$	29,497
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	-
Total Liabilities		-
Fund Balances:		
Restricted		29,497
Total Fund Balances		29,497
Total Liabilities and Fund Balances	$	29,497

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, 2013

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	$ 575	$ -	$ (575)
Interest earnings	35	29	(6)
Total Revenues	610	29	(581)
Expenditures:			
Current:			
General government	-	-	-
Total Expenditures	-	-	-
Net change in fund balances	610	29	(581)
Fund balance - beginning of year	29,468	29,468	-
Fund balance - end of year	$ 30,078	$ 29,497	$ (581)

CITY OF AVONDALE ESTATES GEORGIA

CAPITAL PROJECT FUND
BALANCE SHEET
DECEMBER 31, 2013

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, 2013

Revenues:	
Intergovernmental	$ 35,981
Total Revenues	35,981
Expenditures:	
Current:	
Public works	35,981
Total Expenditures	35,981
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, 2013

ASSETS	
Cash and cash equivalent	$ 8,855
Total Assets	$ 8,855
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 258
Total Liabilities	258
Fund Balances:	
Assigned	8,597
Total Fund Balances	8,597
Total Liabilities and Fund Balances	$ 8,855

CITY OF AVONDALE ESTATES GEORGIA

LAKE AVONDALE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

Revenues:	
Interest revenue	$ 10
Total Revenues	10
Expenditures:	
Current:	
General government	4,150
Total Expenditures	4,150
Net change in fund balances	(4,140)
Fund Balance - beginning of year	12,737
Fund balance - end of year	$ 8,597

CITY OF AVONDALE ESTATES, GEORGIA

BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY
COMPONENT UNIT
DECEMBER 31, 2013

ASSETS		
Cash and cash equivalents	$	547,674
Total Assets	$	547,674
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	36,099
Unearned revenues		172,516
Total Liabilities		208,615
Fund Balance:		
Unassigned		339,059
Total Fund Balance		339,059
Total Liabilities and Fund Balance	$	547,674

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, 2013

Revenues:		
Rental income	$	2,050,336
Interest earnings		868
Other miscellaneous revenues		3,700
Total Revenues		2,054,904
Expenditures:		
Current:		
General government		472,321
Debt Service		
Principal		1,160,858
Interest		417,212
Total Expenditures		2,050,391
Net change in fund balance		4,513
Fund Balance, beginning of year		334,546
Fund Balance, end of year	$	339,059

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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. 75-81

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. 82-87

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. 88-90

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. 91-93

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. 94-95

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.

CITY OF AVONDALE ESTATES, GEORGIA

NET POSITION BY COMPONENT
LAST TEN YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	**$ 2,335**	$ 2,394	$ 2,497	$ 2,242	$ 2,162	$ 2,157	$ 2,176	$ 2,242	$ 2,280	$2,356
Restricted	**552**	355	211	29	24	14	1	70	-	-
Unrestricted	**2,180**	2,273	2,213	2,288	2,151	1,709	1,548	1,318	1,270	1,093
Total governmental activities net assets	**$ 5,067**	$ 5,022	$ 4,921	$ 4,559	$ 4,337	$ 3,880	$ 3,725	$ 3,630	$ 3,550	$3,449
Business-type activities										
Net investment in capital assets	**$ 71**	$ 100	$ 141	$ 56	$ 32	$ 18	$ 20	$ 22	$ -	$ -
Unrestricted	**823**	687	646	569	503	430	324	206	101	-
Total business-type activities net assets	**$ 894**	$ 787	$ 787	$ 625	$ 535	$ 448	$ 344	$ 228	$ 101	$ -
Primary government										
Net investment in capital assets	**$ 2,406**	$ 2,494	$ 2,638	$ 2,298	$ 2,194	$ 2,175	$ 2,196	$ 2,264	$ 2,280	$2,356
Restricted	**552**	355	211	29	24	14	1	70	-	-
Unrestricted	**3,003**	2,960	2,859	2,857	2,654	2,140	1,872	1,524	1,371	1,093
Total primary government net assets	**$ 5,961**	$ 5,809	$ 5,708	$ 5,184	$ 4,872	$ 4,329	$ 4,069	$ 3,858	$ 3,651	$3,449

CITY OF AVONDALE ESTATES, GEORGIA

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

	2013	2012	2011	2010		2009	2008	2007	2006	2005	2004
Expenses											
Governmental activities:											
General government	$ 997	$ 862	$ 783	$ 961		$ 716	$ 918	$ 820	$ 679	$ 646	$ 678
Public safety	1,080	1,009	961	914		875	859	824	658	667	617
Public works	320	242	296	86		339	857	1,002	998	936	911
Recreation	403	412	354	329		237	239	225	241	245	244
Interest on long-term debt	-	-	-	-		-	4	7	5	5	-
Total governmental activities expenses	2,800	2,525	2,394	2,290		2,167	2,877	2,878	2,581	2,499	2,450
Business-type activities:											
Stormwater	23	34	42	25		33	10	3	5	4	-
Sanitation	699	673	664	617	(1)	638	-	-	-	-	-
Total business-type activities expenses	722	707	706	642		671	10	3	5	4	-
Total primary government expenses	$ 3,522	$ 3,232	$ 3,100	$ 2,932		$ 2,838	$ 2,887	$ 2,880	$ 2,586	$ 2,503	$ 2,450
Program Revenues											
Governmental activities:											
Charges for services:											
General government	$ 55	$ 49	$ 34	$ 37		$ 42	$ 58	$ 85	$ 71	$ 148	$ 136
Public safety	554	477	473	442		362	357	263	143	277	240
Public works	-	-	-	-		-	-	-	-	292	287
Recreation	-	-	-	-		-	-	3	9	12	12
Operating grants and contributions	93	15	19	-		-	-	9	3	2	12
Capital grants and contributions	-	-	-	1		12	37	44	-	-	-
Total governmental activities program revenu	702	541	526	480		416	452	404	226	731	687
Business-type activities:											
Charges for services:											
Stormwater	129	116	115	108		108	108	111	105	105	-
Sanitation	396	301	301	299		301	-	-	-	-	-
Capital grants and contributions	-	-	-	-		2	-	-	-	-	-
Total business-type activities program revenu	525	417	416	407		411	108	111	105	105	-
Total primary government program revenues	$ 1,227	$ 958	$ 942	$ 887		$ 827	$ 560	$ 515	$ 331	$ 836	$ 687

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

CITY OF AVONDALE ESTATES, GEORGIA

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense)/revenue										
Governmental activities	$ (2,098)	$ (1,984)	$ (1,868)	$ (1,810)	$ (1,751)	$ (2,425)	$ (2,474)	$ (2,355)	$ (1,768)	$ (1,763)
Business-type activities	(197)	(290)	(291)	(235)	(260)	98	108	100	101	-
Total primary government net expense	$ (2,295)	$ (2,274)	$ (2,159)	$ (2,045)	$ (2,011)	$ (2,327)	$ (2,366)	$ (2,255)	$ (1,667)	$ (1,763)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	$ 1,672	$ 1,536	$ 1,793	$ 1,795	$ 1,909	$ 1,721	$ 1,741	$ 1,604	$ 1,444	$ 1,378
Franchise taxes	179	189	189	180	226	208	225	232	349	331
Other taxes	531	587	630	276	287	625	574	562	12	11
Unrestricted investment earnings	5	5	14	27	30	26	29	38	26	12
Miscellaneous	58	56	48	71	90	-	-	-	-	-
Intergovernmental - Unrestricted	-	-	-	-	-	-	-	-	37	11
Transfers	(303)	(372)	(359)	(318)	(335)	-	-	-	-	-
Total governmental activities	2,142	2,001	2,315	2,031	2,207	2,580	2,569	2,436	1,868	1,743
Business-type activities:										
Unrestricted investment earnings	2	2	3	7	12	6	8	-	1	-
Transfers	-	-	-	318	335	-	-	-	-	-
Miscellaneous	-	-	6	-	-	-	-	-	-	-
Total business-type activities	2	2	9	325	347	6	8	-	1	-
Total primary government	$ 2,144	$ 2,003	$ 2,324	$ 2,356	$ 2,554	$ 2,586	$ 2,577	$ 2,436	$ 1,869	$ 1,743
Change in Net Position										
Governmental activities	$ 44	$ 17	$ 448	$ 221	$ 456	$ 155	$ 95	$ 81	$ 100	$ (20)
Business-type activities	108	84	77	90	87	104	116	100	102	-
Total primary government	$ 152	$ 101	$ 525	$ 311	$ 543	$ 259	$ 211	$ 181	$ 202	$ (20)

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 (1) (3)	Franchise Tax	Insurance Premium Tax	Occupational Tax	HOST Sales Tax (5)	Sanitation	Other Taxes	Total
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
2013	1,672	179	153	89	236	-	53	2,382

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) This is the first year the City has collected HOST (Home Owner Sales Tax)

CITY OF AVONDALE ESTATES, GEORGIA

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General fund										
Nonspendable	$ 1,091 (3)	$ 17	$ 13	$ 18	$ 19	$ -	$ -	$ -	$ -	$ -
Restricted	522	325	167	-	-	-	-	-	-	-
Assigned	16	12	6	-	-	-	-	-	-	-
Unassigned	1,937	2,284	2,238	2,053	2,032	1,681	1,483	1,275	1,291	1,124
Total general fund	$ 3,566	$ 2,638	$ 2,424	$ 2,071	$ 2,051	$ 1,681	$ 1,483	$ 1,275	$ 1,291	$ 1,124
All other governmental funds										
Restricted	$ 30	$ 30	$ 30	$ 283	$ 143	$ 77	(1) $ 87	$ -	$ -	$ -
Assigned	9	13	16	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	347	(1)	-
Total all other governmental funds	$ 39	$ 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.
(3) Includes $1,074,395 for assets held for resale.

CITY OF AVONDALE ESTATES, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS

(modified accrual basis of accounting)

(amounts expressed in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Taxes	**$ 2,388**	$ 2,315	$ 2,612	$ 2,254	$ 2,419	$ 2,530	$ 2,540	$ 2,372	$ 2,098	$ 2,007
Licenses and permits	**36**	26	15	12	24	35	14	7	97	114
Intergovernmental	**92**	15	19	1	12	37	53	3	36	12
Fines and forfeitures	**555**	477	473	442	362	357	262	200	276	240
Charges for services	**19**	23	19	24	18	23	11	11	-	-
Interest income	**5**	5	15	27	30	26	29	35	-	-
Other revenues	**59**	56	48	71	89	23	63	15	93	57
Total revenues	**3,154**	2,917	3,201	2,831	2,954	3,031	2,972	2,643	2,600	2,430
Expenditures										
General government	**963**	821	773	749	706	802	780	616	615	687
Public safety	**1,070**	949	994	864	899	821	780	582	598	577
Public works	**292**	236	289	237	267	850	911	873	861	839
Recreation	**401**	412	353	329	303	239	224	239	242	240
Capital outlay	**-**	-	232	175	8	80	53	219	133	122
Debt service										
Principal retirements	**-**	-	-	-	-	46	58	64	46	-
Interest and fiscal charges	**-**	-	-	-	-	4	7	6	5	-
Total expenditures	**2,726**	2,418	2,641	2,354	2,183	2,842	2,813	2,599	2,500	2,465
Excess of revenues over (under) expenditures	**428**	499	560	477	771	189	159	44	100	(35)

CITY OF AVONDALE ESTATES, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

(amounts expressed in thousands)

Continued

Capital leases	**800**	-	-	-	-	-	-	91	54	-
Transfers in	**-**	-	-	307	51	65	-	272	65	-
Transfers out	**(303)**	(372)	(359)	(625)	(386)	(65)	-	(272)	(65)	-
Total other financing sources (use	**497**	(372)	(359)	(318)	(335)	-	-	91	54	-
Net change in fund balances	**$ 925**	$ 127	$ 201	$ 159	$ 436	$ 189	$ 159	$ 135	$ 154	$ (35)
Debt service as a percentage of noncapital expenditures	**0.00%**	0.00%	0.00%	0.00% (1)	0.00% (1)	1.81%	2.36%	2.94%	2.15%	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
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
2013	1,666	179	153	89	236	-	53	2,376

(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) This is the first year the City has collected HOST (Home Owner Sales Tax).

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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
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
2013	138,170	1,213	1,750	8,451

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
$ 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%
211	149,373	10.957	373,433	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			
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
2012	10.957	0.000	10.957	45.39	0.20	56.547
2013	10.957	0.000	10.957	45.34	0.15	56.447

CITY OF AVONDALE ESTATES, GEORGIA

PRINCIPAL TAXPAYERS
CURRENT AND SIX YEARS AGO

(amounts expressed in thousands)

Taxpayer	Fiscal Year 2013 Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Fiscal Year 2007 (1) Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Joseph Gargiulo	$ 1,576	1	1.06 %	$ -		0.00 %
Georgia Duck and Cordage Mill	1,322	2	0.89	930	1	0.59
Flagstar Bank	1,305	3	0.87	-		0.00
Georgia Power Company	639	4	0.43	-		0.00
Michael Plasker	580	5	0.39	-		0.00
Cleveland Construction, Inc	466	6	0.31	-		0.00
David Ladet	451	7	0.30	-		0.00
OCP Avondale LLC	430	8	0.29	-		0.00
Waffle House, Inc.	421	9	0.28	264	8	0.17
Southcrest Bank	420	10	0.28	-		0.00
Twin Oaks	-		0.00	715	2	0.45
KJA/Eckerd # 1 LLC	-		0.00	549	3	0.35
Avondale Independent Honda	-		0.00	360	4	0.23
Tudor Village	-		0.00	357	5	0.23
Coal Mountain Farms, LLC	-		0.00	342	6	0.22
James Joyce Irish Pub	-		0.00	288	7	0.18
68 North Avondale LP	-		0.00	246	9	0.16
Godfather Vans	-		0.00	243	10	0.15
	-		0.00			
	$ 7,610		5.09 %	$ 4,294		2.73 %

Source: Dekalb County Tax Commissioners Office

Note: (1) The City of Avondale Estates implemented GASB 44 during 2007.

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
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%	-	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%
2013	1,499	1,461	97.5%	10	1,482	98.87%

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			
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%	-
2013	-	-	800 (4)	-	-	800	0.69%	270

(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.

(4) The City purchased an asset to be held for resale and financed the purchase with a capital lease.

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	$ 181,232	0.718%	$ 1,302
Fulton Dekalb Hospital Authority	11,257	0.718%	81
Total overlapping debt	192,489		1,383
City direct debt	-	100.000%	-
Total direct and overlapping debt	$ 192,489		$ 1,383

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	$	149,373
Add back: exempt real property		211
Total assessed value		149,584
Debt limit (10% of total assessed value)		14,958
Legal debt margin	$	14,958

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)
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%
2013	2,960	115,601	40	45.0	68%	784	10.4%

(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

2013 Employers	2012 Employers	2011 Employers	2010 Employers	2009 Employers
Ace & A Heating and Air	Ace & A Heating and Air	Arborguard Tree	Arborguard Tree	Arborguard Tree
Arborguard Tree	Arborguard Tree	Avondale Pizza Café	Avondale Pizza Café	CEO Motorsports, LLC
Avondale Pizza Café	Avondale Pizza Café	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	Mann Mechanical	Lifeline Animal Project	Lifeline Animal Project	Lifeline Animal Project
Paste	Paste	Mann Mechanical	Mann Mechanical	Mann Mechanical
Rite Aid # 11690	Rite Aid # 11690	Rite Aid # 11690	Rite Aid # 11690	Rite Aid # 11690
Simon Roofing	Simon Roofing	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 Occupational Tax Department

Note: Employers are listed in alphabetical order 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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Function										
General government	**7**	7	6	6	5	5	4	4	4	4
Public safety										
Police										
Officers	**12**	12	12	12	12	12	10	10	10	10
Public Works	**2**	2	2	2	2	13	18	18	18	18
Sanitation	**11**	11	11	11	11 (1)					
Culture & Recreation	**6**	6	6	6	6	6	4	4	4	4
Total	**38**	38	37	37	36	36	36	36	36	36

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

Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Homicide	-	-	-	1	-	-	-	-	-	1
Robbery	3	2	2	3	1	3	3	4	1	2
Aggravated Assault	4	1	3	-	1	1	2	-	1	3
Auto Theft	8	5	8	8	8	5	6	12	3	10
Burglary	9	25	8	7	18	20	23	15	18	10
Larceny Theft	66	65	53	80	59	110	71	77	35	70
Municipal Court										
Traffic Citations Issued	4,368	2,929	2,965	3,155	3,127	3,062	2,065	1,134	N/A	1,879

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
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	369	363	363	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

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, 2013, 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 30, 2014.

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 30, 2014