CITY OF AVONDALE ESTATES
GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

CITY OF AVONDALE ESTATES, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

PREPARED BY:

Ken Turner
Finance Director

CITY OF AVONDALE ESTATES, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal ..... 1 – 6
Certificate of Achievement for Excellence in Financial Reporting 7
Organizational Chart 8
Principal Officials 9

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ..... 10 – 12

MANAGEMENT'S DISCUSSION & ANALYSIS ..... 13 – 22

FINANCIAL STATEMENTS

Government-wide Financial Statements:

Statement of Net Position ..... 23 – 24
Statement of Activities ..... 25 – 26

Fund Financial Statements:

Balance Sheet – Governmental Funds 27
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 30
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund 31
Statement of Fund Net Position – Proprietary Funds 32
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds 33
Statement of Cash Flows – Proprietary Funds ..... 34 – 35
Statement of Fiduciary Net Position – Fiduciary Fund 36
Statement of Changes in Fiduciary Net Position – Fiduciary Fund 37

Notes to the Financial Statements ..... 38 – 61

CITY OF AVONDALE ESTATES, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

Page

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the City's Net Pension Liability and Related Ratios 62

Schedule of City Contributions 63

Notes to the Required Supplementary Information ..... 64 – 65

SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS

Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds 66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 67

Special Revenue Funds

Police Seizure Fund
Balance Sheet 68
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 69

Tax Allocation District Fund
Balance Sheet 70
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 71

Capital Project Funds

Capital Project Fund
Balance Sheet 72
Statement of Revenues, Expenditures and Changes in Fund Balance 73

Lake Avondale Fund
Balance Sheet 74
Statement of Revenues, Expenditures and Changes in Fund Balance 75

CITY OF AVONDALE ESTATES, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

Page

Component Unit – Downtown Development Authority

Balance Sheet 76
Statement of Revenues, Expenditures and
Changes in Fund Balance 77

STATISTICAL SECTION

Fund Information:

Financial Trends
Net Positions by Component 78
Changes in Net Position ..... 79 – 80
Governmental Activities Tax Revenues by Source 81
Fund Balances of Governmental Funds 82
Changes in Fund Balances of Governmental Funds 83

Revenue Capacity
General Governmental Tax Revenues by Source 84
Assessed Value and Estimated Actual Value of Taxable Property ..... 85 – 86
Property Tax Rate – All Overlapping Governments 87
Principal Tax Payers 88
Property Tax Levies and Collections 89

Debt Capacity
Ratios of Outstanding Debt by Type 90
Direct and Overlapping Governmental Activities Debt 91
Legal Debt Margin Information 92

Demographic and Economic Information
Demographic and Economic Statistics 93
Principal Employers 94
Full-time Equivalent City Government Employees by Function 95

Operating Information
Operating Indicators by Function 96
Capital Asset Statistics by Function 97

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* ..... 98 – 99

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INTRODUCTORY SECTION

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BOARD OF MAYOR AND COMMISSIONERS

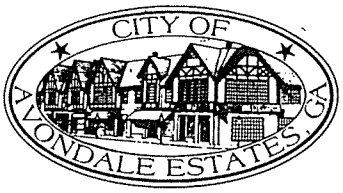
Jonathan Elmore
Mayor

Terry Giager
Mayor Pro Tem

Brian Fisher
Commissioner

Randy Beebe
Commissioner

Adela Yelton
Commissioner



R. Clai Brown
City Manager

Robert E. Wilson
City Attorney

Stephen W. Nicholas
City Judge

May 19, 2017

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, 2016, 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 2016 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 3,356 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 33 years as a Tree City USA through the National Arbor Day Foundation. To become a Tree City USA, a community must meet four standards: have a tree board, have a community tree care ordinance, participate in a comprehensive community forestry program, have an Arbor Day observance and issue a proclamation. The City again received a Tree City USA Growth Award 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. Every year in celebration of Arbor Day, the City plants a tree to honor a community member who has passed. This year, the Tree Board is partnering with Arborguard Tree Specialists on a new initiative called "Front Yard Tree Planting". Residents will apply to receive a tree at half price for their front yard. This will serve to replenish tree canopy being lost to old age. It is important to note; the City of Avondale Estates was the first Tree City USA in DeKalb County.

The City was designated Classic Main Street status by the Department of Community Affairs in 2014 and re-designated and exceeded all requirements for the program in 2016. In 2017, the City will be using design services to update the façade of a long vacant City owned building. The City plans to update the entire building inside and out in anticipation of leasing the space.

The City completed a major update to the Downtown Master Plan in 2014 with extensive public participation. This effort was funded through a grant from the Atlanta Regional Commission. The Downtown Master Plan participants overwhelmingly supported and prioritized a redesign of US 278 to recapture it as the City's Main Street. A supplemental grant from the Atlanta Regional Commission funded a Feasibility Study in 2014/2015 for a possible road diet and roundabout along US 278. The City conducted a demonstration project in 2014 to illustrate, in real time and on location, the impact of the proposed project. The City also coordinated with the Georgia Department of Transportation, DeKalb County, and the City of Decatur, who are integral partners moving forward. The City applied for and was awarded a grant to implement the planned US 278 Redesign Project studied above in 2014-2015 which consists of a four-lane section with pedestrian improvements. The City preferred a three-lane section but was originally denied. The City continued to work with the Georgia Department of Transportation to receive the appropriate approvals to pursue a road diet from five lanes to three lanes and was approved in early 2017. This new scope consists of completing and widening the sidewalk system from Ashton Place to Sams Crossing, along with adding bike lanes and refuge islands throughout the corridor to increase safety and make a more aesthetically pleasing multi-use thoroughfare that is enjoyable for residents and visitors. The estimate for the original scope, four-lane section, was approximately $2.8 million dollars. The City is pursuing additional funds to complete the new scope which is a three- lane section. The City hopes to start construction by 2021/2022.

The Downtown Development Authority (DDA)/Main Street Board are charged with facilitating redevelopment in the downtown. In an effort to utilize City property and enliven the downtown area in the short term, the DDA/Main Street Board contracted with the Avondale Arts Alliance to

build a pop-up art park which has programed events each weekend. This will continue until at least the Fall of 2017.

Business:

In 2016, thirteen (13) new businesses opened in the City. The City continues to attract independent specialty retailers and remains dedicated to being business-friendly while maintaining high standards. The Downtown Development Authority determined a consultant was needed to dedicate time to assisting local businesses and recruiting new ones. A position was created in 2016 to fulfil this need and a consultant was hired in 2017. Throughout each year, the City celebrates new businesses with ribbon cutting ceremonies to welcome them to the City. This establishes a connection between the business owners and City officials.

The DDA/Main Street Board again participated in the American Express Initiative "Small Business Saturday" and funded a marketing campaign for the Month of Merry. This campaign begins the Saturday after Thanksgiving and runs throughout the holiday season, encouraging the community to shop local.

In 2016, the Avondale Estates Business Association was revived. Their goal is to focus on hosting downtown events and marketing. They are working in tandem with the DDA/Main Street Board to promote and attract visitors and businesses to the City.

Community Promotion:

The 2016 Community Promotion Program (CPP) was a great success. Over 16,000 people visited Avondale Estates during the Avondale Estates Farmers Market, May Ham Fest, Southern Surf StompFest and Rail Arts District (RAD) Studio Cruise. In addition to the above events, the DDA/Main Street Board funded AutumnFest which drew a sizable crowd. The 2017 CPP funding awards have been made and the City looks forward to another successful year.

Redevelopment:

In 2014, the Fenner Dunlop Site (13+ acres) and the Maple Street property (1.77 acres) were purchased by a developer. Plans from the developer are underway and negotiations have been held with the City for the Fenner Dunlop site. The developer is currently working on site layout and stormwater issues.

The 3.18 acres at the corner of Sams Crossing and US 278 was approved for a mixed-use project with approximately 8,000 square feet of commercial space and 197 apartment units. At the request of the developer, the City amended the Zoning Ordinance to allow for planned developments in the Central Business District. The City and the developer entered into a development agreement which consisted of a site-specific plan and elevations along with a ½ acre park which would be deeded to the City once the project is completed. In addition, the DDA/Main Street Board approved a Bond for Title to assist the developer after an unexpected

sewer issue required a costly infrastructure upgrade. This project is a true public/private partnership.

Recreation and Greenspace:

In 2016, the City completed the planned upgrades to Willis Park. The project cost $705,621. A ribbon cutting ceremony was held to officially announce the park's reopening. The park features new playground equipment, a pavilion, walking paths, seating, passive fields and flood mitigation measures.

The City continues to explore additional park and greenspace opportunities in the Central Business District. A possible future location may be on the 4 acres of City owned property. Discussions and planning sessions are underway.

Planned Initiatives:

The City applied for a grant to complete Phase III of the Carl's Corner Project. Phase I included stabilization and rehabilitation of the historic arch, funded partially by the Historic Preservation Division. Phase II included extensive clean up and landscaping by the local garden clubs and Phase III includes a proposed historic marker for the site.

The approach and intersection at US 278 and North Clarendon Avenue has deteriorated and is dangerous to pedestrians, cyclist and motorists. The City applied for and received funding to improve curbing, sidewalks and pedestrian crossing technology. Work should begin in 2017.

The City plans to conduct a Zoning Code audit so that all planning and regulatory documents are compatible.

Phase I, engineering, of the US 278 Road Diet is planned for 2017.

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) with a population of 3,356.

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 2014 is approximately $49,563. 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 redevelopment of the downtown area will

economically propel the City forward. The City, the Avondale Estates Business Association, and the Downtown Development Authority are diligently working 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 decline in the investment markets in prior years. 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 58-61 and Page 63 of this financial report. The Plan's investment portfolio reflects a reasonably conservative mix of investment vehicles. The annual actuarial valuation indicates compliance with state-mandated funding requirements.

Independent Audit:

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

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the year ended December 31, 2015. In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Excellence Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments:

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

Respectfully submitted,

R. Clai Brown, City Manager

City of Avondale Estates

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

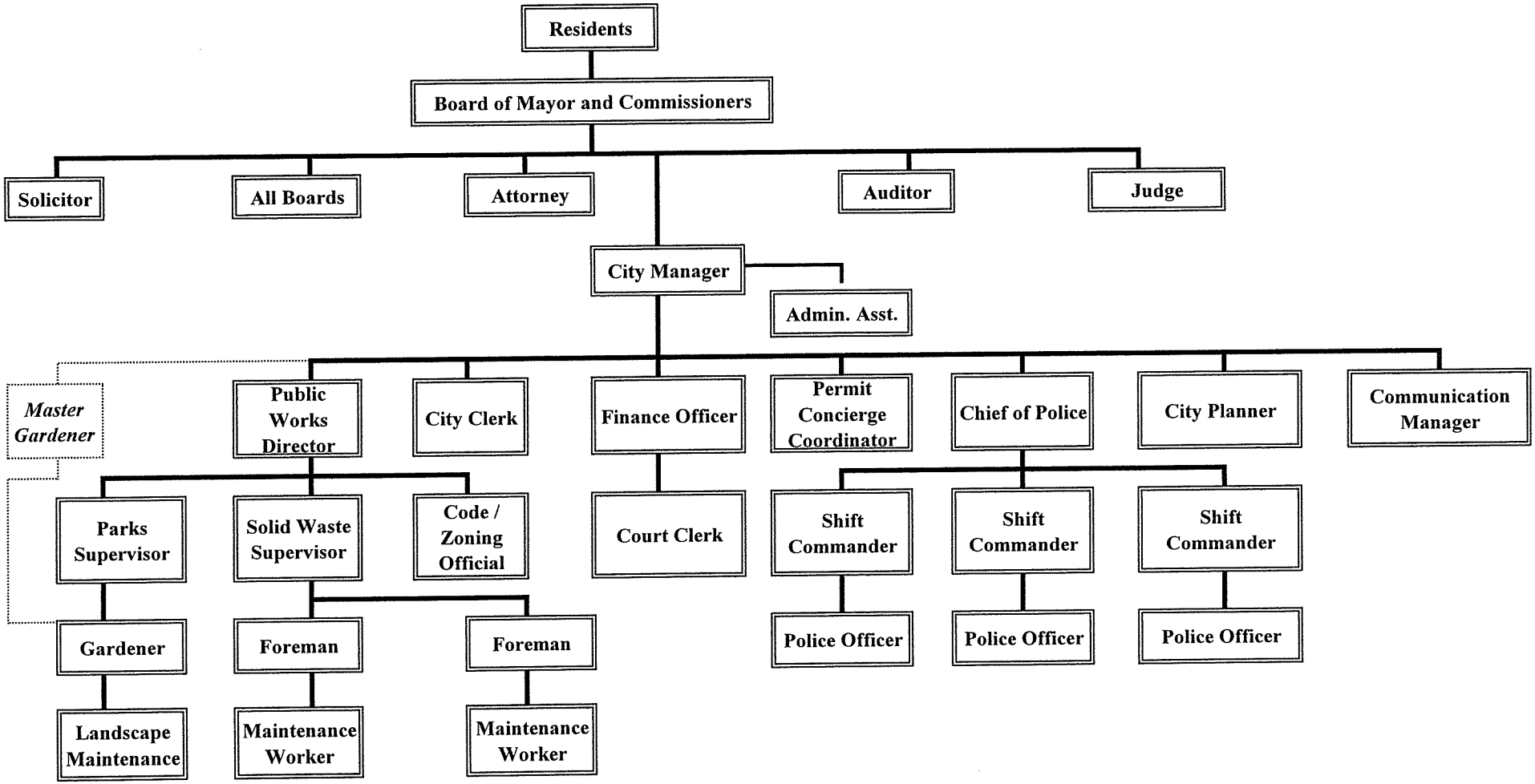
City of Avondale Estates

Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

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
Permit Concierge Coordinator
Chief of Police
City Planner
Communication Manager
Parks Supervisor
Solid Waste Supervisor
Code / Zoning Official
Court Clerk
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, 2016

CITY COMMISSION

Jonathan Elmore	Mayor
Terry Giager	Mayor Pro-Tem
Brian Fisher	Commissioner
Randy Beebe	Commissioner
Adela Yelton	Commissioner

ADMINISTRATION OFFICIALS

Clai Brown	City Manager
Robert E. Wilson	City Attorney
Ken Turner	Finance Director
Gina Hill	City Clerk
Karen Holmes	Administrative Assistant
Marcella Shaw	Municipal Court Clerk
Lynn Thomas	Chief of Police
Oscar Griffin	Public Works Director
Keri Stevens	City Planner
Debbie Revzin	Communications Manager
Ken Morris	Permit Concierge Coordinator

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FINANCIAL SECTION

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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 (the "City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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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P.O. Box 6315 Macon, Georgia 31208-6315
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American Institute of
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, 2016, 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 information on pages 13 through 22, the schedule of changes in the City's net pension liability and related ratios on page 62, the schedule of City contributions on page 63, and the notes to the required supplementary information on pages 64 and 65 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 introductory section, the combining and individual nonmajor fund financial statements and schedules, the budgetary comparison schedules, statistical tables, and the Downtown Development Authority statements 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, budgetary comparison schedules, and the Downtown Development Authority statements are the responsibility of management and were 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, budgetary comparison schedules, and the Downtown Development Authority statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables 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 19, 2017 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 19, 2017

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, 2016. 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 $7,266,260. Of this amount, $2,769,918 (unrestricted net position) may be used to meet the government's ongoing obligations.

The City's net position from governmental activities increased approximately 3.66% when compared to the previous year, while business-type activities' net position increased by approximately 10.76% when compared to the previous year.

General Fund Revenues increased 5.20% or $189,070 compared to 2015, and expenditures increased 9.54% or $338,626 compared to 2015. The primary reasons for the increase in revenues is the increase in real estate values affecting property tax revenues of $132,899, an increase in Franchise Fees of $4,920, an increase in Insurance Premium taxes of $28,551, an increase in Other Taxes of $93,544 primarily due to the increase in HOST taxes, a decrease in Licenses and Permits of $18,556, Fines & Forfeitures decreased $37,851 due to lower enforcement actions and Other Revenues decreased $46,149 primarily due to insurance reimbursements.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $4,120,733 a decrease of $49,319. At the end of the current fiscal year, unassigned fund balance for the general fund was $1,187,972 or 30.56% 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks, and municipal court. The business-type activities of the City are the Storm Water utility and Sanitation.

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

The government-wide financial statements can be found on pages 23-26 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 pages 27-31 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 32-35 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 36 and 37 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 38-61 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 $7,266,260 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	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	$ 4,779	$ 4,453	$ 1,268	$ 1,257	$ 6,047	$ 5,710
Capital assets	2,988	2,799	104	15	3,092	2,814
Total assets	7,767	7,252	1,372	1,272	9,139	8,524
Deferred outflows-Pension	101	115	24	28	125	143
Liabilities						
Non-current liabilities	1,094	1,183	172	160	1,266	1,343
Other liabilities	654	276	57	85	711	361
Total liabilities	1,748	1,459	229	245	1,977	1,704
Deferred inflows-Pension	16	22	4	5	20	27
Net Position						
Net Investment in capital assets	2,988	2,799	104	15	3,092	2,814
Restricted	1,405	1,324	-	-	1,405	1,324
Unrestricted	1,710	1,764	1,060	1,036	2,770	2,800
Total net position	$ 6,103	$ 5,887	$ 1,164	$ 1,051	$ 7,267	$ 6,938

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

The remaining portions of the City's net position are either restricted ($1,405,171) or unrestricted ($2,769,918). 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 $328,649.

Changes in Net Position

The following schedule presents a summary of changes in net position for the fiscal year ending December 31, 2016 (in thousands).

City of Avondale Estates Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016 (1)	2015	2016 (1)	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	$ 628	$ 684	$ 871	$ 864	$ 1,499	$ 1,548
Operating grants & contributions	68	71	-	-	68	71
General revenues:						
Property taxes	1,986	1,824	-	-	1,986	1,824
Franchise taxes	191	186	-	-	191	186
Insurance Premium taxes	185	156	-	-	185	156
Occupational taxes	119	128	-	-	119	128
HOST taxes	504	419	-	-	504	419
Other taxes	81	63	-	-	81	63
Other revenues	58	104	-	-	58	104
Investment earnings	5	5	3	4	8	9
Total revenues	3,825	3,640	874	868	4,699	4,508
Expenses						
General government	1,393	1,165	-	-	1,393	1,165
Public safety	1,112	1,115	-	-	1,112	1,115
Public works	678	268	-	-	678	268
Recreation	393	342	-	-	393	342
Housing & Development	36	-	-	-	36	-
Interest	12	17	-	-	12	17
Sanitation	-	-	720	730	720	730
Stormwater	-	-	26	49	26	49
Total expenses	3,624	2,907	746	779	4,370	3,686
Increase in Net Position Before Transfers	201	733	128	89	329	822
Transfers	15	(121)	(15)	121	-	-
Change in net position	216	612	113	210	329	822
Net Position beginning of year	5,887	5,275	1,051	841	6,938	6,116
Net Position end of year	$ 6,103	$ 5,887	$ 1,164	$ 1,051	$ 7,267	$ 6,938

(1) 2015 Restated for GASB 68

Governmental charges for services decreased $56,305 due primarily to the decrease in fines and forfeitures due to lower enforcement activities. Operating grants and contributions decreased $3,253 primarily due to decreases in ARC Livable Centers Initiative Grants and an increase in the county energy excise tax. Property taxes showed an increase of $161,298 primarily due to increases in assessed property values. Other factors contributing to the changes are, increases in franchise taxes of approximately $4,920 due to increases in franchise taxable revenue, increases in public utilities ad valorem taxes of $15,149 due to increases in taxable values. The decrease in motor vehicle taxes of $25,407 is due to decreases in values, and increases in real estate transfer taxes of $5,279 is attributed to a stabilized real estate environment. The increase in other taxes is primarily due to the increases in HOST tax of $84,645 and Intangible taxes of $16,187 due to increase real estate market sales. Miscellaneous revenues decreased $46,149 primarily due to decreases in insurance reimbursements of $31,325.

Total expenses increased approximately $715,444 across all categories. In the General Government category, salaries and related fringe benefits increased $28,233 primarily due to increases in salaries and related fringe benefits, legal services increased $9,014, professional services increased $15,171 due to architectural design services related to a possible new public works facility, repairs and maintenance of building decreased $9,850 due to no elevator repairs, professional consultants increased $27,695 due primarily to increases in Historic Preservation consulting and for the annexation feasibility study. The single largest contributor to the total expense increase was Willis Park current year construction of $231,033. The total cost of Willis Park was $705,621 over a two year period. In the Public Safety category, expenses decreased $3,462. The decrease is attributed to a decrease in salaries and related fringe benefits of $4,353 as the police department was not at full strength the entire year, a decrease in gasoline purchases of $6,191 due to lower prices and an increase in vehicles as the police department purchased two patrol vehicles during the year resulting in an increase of $61,552. In the Public Works category, expenses increased $410,404. The increase is attributed to roadways and walkways as the City embarked on paving various roads in the City. In the Culture and Recreation category, expenses increased $50,012. The increase is primarily due to increases in salaries and related fringe benefits of $28,802 due to full staff, increase in landscape maintenance of $17,129 and decreases in gasoline expense of $1,956 due to lower prices.

The change in net position for the governmental activities funds increased by $215,593 as a result of revenues exceeding expense.

Business-type activities contain operations of the Storm Water utility and Sanitation. Business-type activities increased the City of Avondale Estates' net position by $113,056. 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 $4,120,733, a decrease of $49,319 in comparison with the prior year. Approximately twenty-nine percent of the total amount ($1,187,972) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance ($2,932,761) is designated as follows: non spendable $1,139,292 (asset held for resale and prepaid expenses), restricted $1,405,171 ($1,114,135 HOST, $29,586 TAD, $513 Police Seizure, $260,937 Road Projects), and assigned $388,298 ($15,293 Technology Fund, $363,783 for projected budgeted use of Fund Balance for 2017 budget and $9,222 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 $1,187,972. 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 30.56% of total General Fund expenditures.

The table below compares general fund revenues and expenditures for 2016 and 2015 (in thousands).

	General Fund		
Revenues	2016	2015	$ Increase / Decrease
Taxes	$ 3,069	$ 2,774	$ 295
Licenses & permits	93	112	(19)
Intergovernmental	68	71	(3)
Fines & forfeitures	514	552	(38)
Charges for services	21	20	1
Interest income	5	5	-
Other revenue	58	104	(46)
Total revenue	3,828	3,638	190
Expenditures			
General government	1,470	1,685	(215)
Public safety	1,158	1,108	50
Public works	661	243	418
Recreation	391	341	50
Housing & development	36	-	36
Debt Service			
Principal retirements	160	155	5
Interest payments	12	17	(5)
Total expenditures	3,888	3,549	339
Excess of revenus over expenditures	(60)	89	(149)
Transfers to / from other funds	5	(131)	136
Net change in fund balance	(55)	(42)	(13)
Fund balance, beginnning of year	4,136	4,178	(42)
Fund balance, end of year	$ 4,081	$ 4,136	$ (55)

Revenues from taxes increased primarily due to increased property taxes of $132,899 due to increased values, increased franchise taxes of $4,922, increased insurance premium taxes of $28,551, HOST sales taxes increased $84,645, intangible taxes increased $1,888, occupational taxes decreased $8,883 due to lower taxable revenues. Licenses & Permits decreased due to permit authorizations decreasing $18,407 due to less construction, other permits decreased $10,477 due to a decrease of film permits issued. Intergovernmental revenues decreased $3,254 due to less ARC Livable Centers Initiative grants of $31,452, an increase in the LMIG grant funding of $18,699 and an increase in county energy excise taxes of $11,096. Fines and forfeitures deceased $37,851 due to lower traffic enforcement activities, other revenues decreased $46,149 due to lower insurance reimbursements of $31,325 and lower cell tower rental income of $11,707 due to termination of one cell tower rental agreement and sale of surplus equipment decreased $2,132.

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 $1,998 over last year. After accounting for operating expenses of $24,289, depreciation of $2,047 and interest income of $3,430, the Storm Water utility increased its net position by $113,056 for total net position of $1,163,595 at the end of the fiscal year. This increase is largely attributed to minimal expenses and interest income.

Sanitation revenues increased $5,789. After accounting for operating expenses of $709,319 and depreciation of $10,860, Sanitation had an operating profit of $15,233 before transfers to the General Fund of $15,233. At the end of the fiscal year, Sanitation did not have any net.

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 $49 to net position during 2016 for a total of $12,293 at year end.

General Fund Budgetary Highlights

In calendar year 2016, it was anticipated that there would not be an increase in fund balance. The City's general fund balance as of December 31, 2016 is $4,081,412. This is equivalent to approximately one hundred fourteen percent of the City's current estimate of the total general fund expenditures for calendar year 2016. It should be noted that the calendar year 2017 budget anticipates utilization of fund balance in the amount of $363,783.

The final amended budget for revenues was approximately 23.93% higher than the original budget. The final amended budget for expenditures was approximately 21.0% 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, 2016, amounts to $3,091,171 (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 approximately 9.92% for the current calendar year. The increase is due to additions to capital assets in governmental activities of $188,884 and depreciation within the governmental activities. Additional information on the City's capital assets can be found in Note 7 on pages 50-51 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	
	2016	2015	2016	2015	2016	2015
Land	$ 1,859	$ 1,859	$ 102	$ -	$ 1,961	$ 1,859
Land Improvements	706	-	-	-	706	-
Infrastructure	143	157	2	4	145	161
Construction in Progress	-	524	-	-	-	524
Building & improvements	105	132	-	-	105	132
Furniture, Equipment & Vehicles	175	126	-	11	175	137
Total	$ 2,988	$ 2,798	$ 104	$ 15	$ 3,092	$ 2,813

Long-term Debt and Capital Leases.

The City has a $334,109 capital lease outstanding at December 31, 2016. The lease term is for five years with a 2.93% fixed rate with monthly amortization amounting to $14,350. The City has paid the first three years of the obligation, there are two more years to completely amortize the loan. The City had long-term debt in the amount of $111,945, which is comprised of compensated absences. (Governmental Activities $99,531 and Business-type activities $12,414).

Additional information on the City's long-term debt can be found in Note 8 on pages 52-54 of this report.

Economic Factors

The unemployment rate for the City is currently 4.1%. The cost of living is 99.4 compared to the US median of 100. The median age is 44.6 compared to a US median of 37.9. Per capita income is $49,563 compared to a US per capita of approximately $28,555. 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, 2016, unassigned fund balance in the general fund was $1,187,972. Next year's budgeted revenues will largely be derived from property taxes (59.07%), the remaining 40.93% is to come from other revenue sources. General Fund budgeted revenues for 2017 are expected to increase with a 6.32% increase or $191,098 compared to 2016. This is primarily due to anticipated increase in taxes of $75,535, increases in franchise and other taxes of $29,400, increases in licenses, occupational taxes and permits of $24,031, increases in fines & forfeitures of $31,411 due to anticipated full staffing in the police department enabling additional traffic enforcement. The 2017 budgeted sanitation revenue amounts to $745,490 which is an increase of $2,820. It is anticipated the General Fund will no longer have to financially subsidize the Sanitation Fund. General Fund expenditures are expected to increase by 18.36% or $554,881 compared to 2016. This increase is primarily due to the purchase of a garbage truck of $136,600, a police patrol vehicle of $50,183, increases in funding for the Downtown Development Authority of $180,000, increases in Administration due to salaries and related fringe benefit increases of $32,395, increases in the Public Safety of $92,279 due primarily to the additional budgeted patrol officer and related expenses, increases in Public Works of $85,227 due to increases in paving roadways and walkways of $38,203 and increases in LMIG expenditures of $31,482 for paving various roads throughout the city.

Requests for Information

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

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FINANCIAL STATEMENTS

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,113,923	$ 1,064,182	$ 4,178,105	$ 344,517
Certificate of deposits	501,749	-	501,749	-
Investments	1,696	-	1,696	-
Receivables, net of allowance				
Taxes	25,810	-	25,810	-
Accounts	65,777	18,319	84,096	-
Due from other governments	117,180	-	117,180	-
Internal balances	(186,201)	186,201	-	-
Asset held for resale	1,116,409	-	1,116,409	-
Land deposits	-	-	-	500
Prepaids	22,883	-	22,883	-
Noncurrent Assets:				
Non depreciable	1,859,463	101,505	1,960,968	600,000
Depreciable, net	1,128,158	2,045	1,130,203	10,022,182
Total Assets	7,766,847	1,372,252	9,139,099	10,967,199
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	100,671	24,293	124,964	-
Total deferred outflows of resources	100,671	24,293	124,964	-

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

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2016
(CONTINUED)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
LIABILITIES				
Accounts payable	585,541	46,688	632,229	36,139
Accrued payables	58,538	10,482	69,020	11,449
Due to others	10,140	-	10,140	-
Unearned revenue	-	-	-	184,249
Noncurrent liabilities				
Due within one year				
Capital lease	164,610	-	164,610	-
Bonds payable	-	-	-	1,646,372
Compensated absences	65,000	12,000	77,000	-
Due in more than one year				
Capital lease	169,499	-	169,499	-
Bonds payable	-	-	-	723,761
Compensated absences	34,531	414	34,945	-
Net pension liability	660,562	159,401	819,963	-
Total Liabilities	1,748,421	228,985	1,977,406	2,601,970
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	16,432	3,965	20,397	-
Total Deferred Inflows of Resources	16,432	3,965	20,397	-
NET POSITION				
Investment in capital assets	2,987,621	103,550	3,091,171	10,622,182
Restricted for				
Capital outlay	1,404,658	-	1,404,658	-
Law enforcement	513	-	513	-
Unrestricted	1,709,873	1,060,045	2,769,918	(2,256,953)
Total Net Position	$ 6,102,665	$ 1,163,595	$ 7,266,260	$ 8,365,229

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, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government:			
Governmental Activities			
General government	$ 1,392,594	$ 114,290	$ 67,749
Public safety	1,111,874	513,503	-
Public works	678,845	-	-
Culture and recreation	392,502	-	-
Housing and development	36,000	-	-
Interest expense	12,338	-	-
Total governmental activities	3,624,153	627,793	67,749
Business-Type Activities			
Stormwater Utility	26,336	135,962	-
Sanitation	720,179	735,412	-
Total business-type activities	746,515	871,374	-
Total Primary Government	$ 4,370,668	$ 1,499,167	$ 67,749
Component Unit:			
Downtown Development Authority	$ 1,053,089	$ 2,174,003	$ 36,000
Total Component Unit	$ 1,053,089	$ 2,174,003	$ 36,000
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, 2016
(CONTINUED)

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
	$ (1,210,555)	$ -	$ (1,210,555)	$ -
	(598,371)	-	(598,371)	-
	(678,845)	-	(678,845)	-
	(392,502)	-	(392,502)	-
	(36,000)	-	(36,000)	-
	(12,338)	-	(12,338)	-
	(2,928,611)	-	(2,928,611)	-
	-	109,626	109,626	-
	-	15,233	15,233	-
	-	124,859	124,859	-
	(2,928,611)	124,859	(2,803,752)	-
				1,156,914
				1,156,914
	1,985,658	-	1,985,658	-
	191,244	-	191,244	-
	184,933	-	184,933	-
	703,785	-	703,785	-
	5,150	3,430	8,580	522
	58,201	-	58,201	23,017
	3,128,971	3,430	3,132,401	23,539
	15,233	(15,233)	-	-
	3,144,204	(11,803)	3,132,401	23,539
	215,593	113,056	328,649	1,180,453
	5,887,072	1,050,539	6,937,611	7,184,776
	$ 6,102,665	$ 1,163,595	$ 7,266,260	$ 8,365,229

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, 2016

ASSETS	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalent	$ 3,074,344	$ 39,579	$ 3,113,923
Certificates of deposit	501,749	-	501,749
Investments	1,696	-	1,696
Receivables, net of allowance			
Taxes	25,810	-	25,810
Accounts	65,777	-	65,777
Due from other governments	117,180	-	117,180
Asset held for resale	1,116,409	-	1,116,409
Prepaids	22,883	-	22,883
Total Assets	$ 4,925,848	$ 39,579	$ 4,965,427
LIABILITIES			
Accounts payable	$ 585,283	$ 258	$ 585,541
Accrued liabilities	58,538	-	58,538
Due to others	10,140	-	10,140
Due to other funds	186,201	-	186,201
Total Liabilities	840,162	258	840,420
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	4,274	-	4,274
Total Deferred Inflows of Resources	4,274	-	4,274
FUND BALANCES			
Nonspendable	1,139,292	-	1,139,292
Restricted	1,375,072	30,099	1,405,171
Assigned	379,076	9,222	388,298
Unassigned	1,187,972	-	1,187,972
Total Fund Balances	4,081,412	39,321	4,120,733
Total Liabilities, Deferred inflows of Resources, and Fund Balances	$ 4,925,848	$ 39,579	$ 4,965,427

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, 2016

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

Total fund balances - governmental funds	$	4,120,733
Capital Assets		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of the assets		4,944,177
Accumulated depreciation		(1,956,556)
Deferred outflows of resources		
Related to pensions		100,671
Long-term Liabilities		
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:		
Capital leases		(334,109)
Compensated absences		(99,531)
Net pension liability		(660,562)
Deferred Inflows of resources		
Related to pensions		(16,432)
Revenues		
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		4,274
Net Position of Governmental Activities	$	6,102,665

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, 2016

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 3,068,551	$ -	$ 3,068,551
License and permits	93,285	-	93,285
Intergovernmental	67,749	-	67,749
Fines and forfeitures	513,503	-	513,503
Charges for Services	21,005	-	21,005
Interest earnings	5,115	35	5,150
Other revenues	58,201	-	58,201
Total Revenues	3,827,409	35	3,827,444
Expenditures			
Current:			
General government	1,470,140	4,340	1,474,480
Public safety	1,157,543	-	1,157,543
Public works	660,871	-	660,871
Culture and recreation	390,901	-	390,901
Housing and development	36,000	-	36,000
Debt service			
Principal	159,863	-	159,863
Interest	12,338	-	12,338
Total Expenditures	3,887,656	4,340	3,891,996
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,247)	(4,305)	(64,552)
Other Financing Sources (Uses)			
Transfers from other funds	15,260	10,000	25,260
Transfers to other funds	(10,000)	(27)	(10,027)
Total other financing sources (uses)	5,260	9,973	15,233
Net change in fund balances	(54,987)	5,668	(49,319)
Fund Balance, beginning of year	4,136,399	33,653	4,170,052
Fund Balance, end of year	$ 4,081,412	$ 39,321	$ 4,120,733

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, 2016

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

Net Change in Fund Balances - total governmental funds	$ (49,319)
Capital Assets	
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.	
Total capital outlays	283,280
Total depreciation	(94,396)
Deferred outflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.	
Change in deferred outflows of resources related to pensions	(14,647)
Long-Term Debt	
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustments for these items are as follows:	
Capital leases	159,863
Compensated absences	(9,840)
Net pension liability	(61,499)
Deferred inflows of resources related to pensions is not available during the current period and therefore is not reported in the funds	
Change in deferred inflows of resources related to pensions	5,083
Revenues	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,932)
Change in Net Position of Governmental Activities	$ 215,593

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, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 2,336,565	$ 3,068,551	$ 3,068,551	$ -
Licenses and permits	84,981	93,285	93,285	-
Intergovernmental	-	67,749	67,749	-
Fines and forfeitures	538,373	547,443	513,503	(33,940)
Charges for services	11,950	21,005	21,005	-
Interest income	4,392	5,115	5,115	-
Miscellaneous	46,416	58,201	58,201	-
Total Revenue	3,022,677	3,861,349	3,827,409	(33,940)
Expenditures:				
Current:				
General government	1,128,234	1,470,156	1,470,140	16
Public safety	1,131,392	1,201,531	1,157,543	43,988
Public works	370,887	660,871	660,871	-
Culture and recreation	382,164	390,901	390,901	-
Housing and development	-	36,000	36,000	-
Debt service				
Principal	-	159,863	159,863	-
Interest	-	12,338	12,338	-
Total Expenditures	3,012,677	3,931,660	3,887,656	44,004
Excess Revenue Over (Under) Expenditures	10,000	(70,311)	(60,247)	10,064
Other Financing Sources (Uses):				
Transfer from other funds	-	(56,241)	15,260	71,501
Transfer to other funds	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	(10,000)	(66,241)	5,260	71,501
Net change in fund balance	-	(136,552)	(54,987)	81,565
Fund balance, beginning of year	4,136,399	4,136,399	4,136,399	-
Fund balance, end of year	$ 4,136,399	$ 3,999,847	$ 4,081,412	$ 81,565

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, 2016

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,064,182	$ -	$ 1,064,182
Accounts receivable, net	3,472	14,847	18,319
Due from other funds	-	186,201	186,201
Total current assets	1,067,654	201,048	1,268,702
Noncurrent assets:			
Capital assets:			
Non depreciable	101,505	-	101,505
Depreciable, net	2,045	-	2,045
Total noncurrent assets	103,550	-	103,550
Total Assets	1,171,204	201,048	1,372,252
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	-	24,293	24,293
Total Deferred outflows of resources related to pensions	-	24,293	24,293
LIABILITIES			
Current liabilities:			
Accounts payable	7,609	39,079	46,688
Accrued salaries	-	10,482	10,482
Accrued vacation	-	12,000	12,000
Total current liabilities	7,609	61,561	69,170
Long-term liabilities:			
Accrued vacation	-	414	414
Net pension liability	-	159,401	159,401
Total noncurrent liabilities	-	159,815	159,815
Total Liabilities	7,609	221,376	228,985
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	-	3,965	3,965
Total Deferred inflows of resources related to pensions	-	3,965	3,965
NET POSITION			
Investment in Capital Assets	103,550	-	103,550
Unrestricted	1,060,045	-	1,060,045
Total Net Position	$ 1,163,595	$ -	$ 1,163,595

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, 2016

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
Operating revenues:			
Charges and fees	$ 135,962	$ 735,412	$ 871,374
Total operating revenues	135,962	735,412	871,374
Operating expenses:			
Salaries and benefits	-	485,764	485,764
Cost of sales	24,289	119,696	143,985
Other operating expenses	-	45,350	45,350
Repairs and maintenance	-	58,509	58,509
Depreciation	2,047	10,860	12,907
Total operating expenses	26,336	720,179	746,515
Operating income (loss)	109,626	15,233	124,859
Nonoperating revenues (expenses):			
Interest income	3,430	-	3,430
Total nonoperating revenues (expenses)	3,430	-	3,430
Net income (loss) before transfers	113,056	15,233	128,289
Transfers out	-	(15,233)	(15,233)
Change in net position	113,056	-	113,056
Total Net Position - Beginning of Year	1,050,539	-	1,050,539
Total Net Position - Ending of Year	$ 1,163,595	$ -	$ 1,163,595

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, 2016

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	$ 135,132	$ 734,529	$ 869,661
Cash paid to employees	-	(470,833)	(470,833)
Cash paid to suppliers for goods and services	(59,743)	(248,463)	(308,206)
Net Cash Flows Provided by (Used for) Operating Activities	75,389	15,233	90,622
Cash Flows from Noncapital Financing Activities:			
Transfers to General Fund	-	(15,233)	(15,233)
Net Cash Provided by Noncapital Financing Activities	-	(15,233)	(15,233)
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(101,506)	-	(101,506)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(101,506)	-	(101,506)
Cash Flows from Investing Activities:			
Interest income	3,430	-	3,430
Net Cash Flows Provided by (Used for) Investing Activities	3,430	-	3,430
Net Increase (Decrease) in Cash and Cash Equivalents	(22,687)	-	(22,687)
Cash and Cash Equivalents, Beginning of Year	1,086,869	-	1,086,869
Cash and Cash Equivalents, End of Year	$ 1,064,182	$ -	$ 1,064,182

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, 2016
(CONTINUED)

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
Cash Flows From Operating Activities:			
Operating income	$ 109,626	$ 15,233	$ 124,859
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	2,047	10,860	12,907
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(830)	(883)	(1,713)
(Increase) decrease in due from other funds	-	(32,158)	(32,158)
(Increase) decrease in deferred outflows of resources	-	3,535	3,535
Increase (decrease) in accounts payable	(35,454)	7,250	(28,204)
Increase (decrease) in accrued liabilities	-	664	664
Increase (decrease) in compensated absences	-	(2,882)	(2,882)
Increase (decrease) in deferred inflows of resources	-	(1,227)	(1,227)
Increase (decrease) in net pension liability	-	14,841	14,841
Total Adjustments	(34,237)	-	(34,237)
Net Cash Provided by (Used for) Operating Activities	$ 75,389	$ 15,233	$ 90,622

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, 2016

	Dottie Holmes Memorial Private-Purpose Trust
ASSETS	
Cash and cash equivalents	$ 12,293
Total Assets	$ 12,293
NET POSITION	
Held in trust	$ 12,293
Total net position	$ 12,293

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, 2016

	Dottie Holmes Memorial Private-Purpose Trust
ADDITIONS	
Interest earnings	$ 49
Total additions	49
Change in net position	49
Total net position, beginning of year	12,244
Total net position, end of year	$ 12,293

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 Board (GASB) No. 61 "The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and 34," the City's relationships with other governments and agencies have been examined. The financial statements of each component unit have been 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, 2016. 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.

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 assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expenses / expenditures) until then. The City has one item that qualifies for reporting in this category. The deferred outflow of resources related to the pension plans. This amount is deferred and will be recognized as a reduction of the net pension liability in future years.

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 City has one type of deferred inflows, which arises 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. The City has one type of deferred inflows, which arises under the accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred inflows of resources related to pensions, is reported only in the governmental activities and proprietary funds balance sheet. 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. The General Fund is the only fund that reports a positive unassigned fund balance.

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, 2016:

	General Fund	Nonmajor Governmental	Total
Fund Balances:			
Nonspendable			
Prepaids	$ 22,883	$ -	$ 22,883
Assets held for resale	1,116,409	-	1,116,409
Restricted for:			
Capital outlay	1,114,135	29,586	1,143,721
Law enforcement	-	513	513
Road projects	260,937	-	260,937
Assigned to:			
Fund balance appropriation	363,783	-	363,783
Capital outlay	15,293	9,222	24,515
Unassigned	1,187,972	-	1,187,972
Total fund balances	$ 4,081,412	$ 39,321	$ 4,120,733

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, 2016, the City had no bank balances that were exposed to custodial credit risk.

At December 31, 2016, the City's certificates of deposit were as follows:

Investments	Maturity	Amount
Certificates of deposit - General Fund	6 months or less	$ 501,749
Certificates of deposit - Dottie Holmes Memorial	6-12 months	12,211
		$ 513,960

B. Investments

	Credit Rating	Investment Value	Weighted Average Maturity
Georgia Fund 1	AAAf / S1+	$ 1,696	60 days or less

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, 2016.

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. 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 exemption 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 1st	January 1st
Levy Date	June 29th	January 1st
Due Date and Collection Date	October 1st and November 15th	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 were billed on August 15th along with the property taxes and are due and payable in two installments. The first installment is due September 30th and the second installment is due November 15th. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2016, 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	Stormwater Utility	Sanitation Fund	Total
Receivables:				
Taxes	$ 27,375	$ -	$ -	$ 27,375
Accounts	65,777	3,472	14,847	84,096
Gross total receivables	93,152	3,472	14,847	111,471
Less allowance for uncollectible	(1,565)	-	-	(1,565)
Net total receivables	$ 91,587	$ 3,472	$ 14,847	$ 109,906

NOTE 6 – ASSET HELD FOR RESALE

During 2013 the City purchased 4.09 acres of land for resale. The City's total investment in asset held for resale is $1,116,409.

NOTE 7 – CAPITAL ASSETS

Primary Government

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,859,463	$ -	$ -	$ -	$ 1,859,463
Construction in Progress	524,040	181,581	-	(705,621)	-
Total	2,383,503	181,581	-	(705,621)	1,859,463
Capital assets, being depreciated:					
Land improvements	-	-	-	705,621	705,621
Buildings and improvements	856,200	-	-	-	856,200
Infrastructure and improvements	346,840	-	-	-	346,840
Machinery and equipment	1,074,354	101,699	-	-	1,176,053
Total	2,277,394	101,699	-	705,621	3,084,714
Less accumulated depreciation for:					
Buildings and improvements	(724,535)	(26,925)	-	-	(751,460)
Infrastructure and improvements	(189,695)	(14,239)	-	-	(203,934)
Machinery and equipment	(947,930)	(53,232)	-	-	(1,001,162)
Total	(1,862,160)	(94,396)	-	-	(1,956,556)
Total capital assets, being depreciated, net	415,234	7,303	-	705,621	1,128,158
Governmental activities capital assets, net	$ 2,798,737	$ 188,884	$ -	$ -	$ 2,987,621

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	$ -	$ 101,505	$ -	$ 101,505
Total	-	101,505	-	101,505
Capital assets, being depreciated:				
Infrastructure and improvements	135,004	-	-	135,004
Machinery and equipment	408,908	-	-	408,908
Total	543,912	-	-	543,912
Less accumulated depreciation for:				
Infrastructure and improvements	(130,914)	(2,047)	-	(132,961)
Machinery and equipment	(398,046)	(10,860)	-	(408,906)
Total	(528,960)	(12,907)	-	(541,867)
Total capital assets, being depreciated, net	14,952	(12,907)	-	2,045
Business-type activities capital assets, net	$ 14,952	$ 88,598	$ -	$ 103,550

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

Governmental activities:	
General government	$ 18,791
Public safety	48,280
Public works	25,724
Culture and recreation	1,601
Total depreciation expense - governmental activities	$ 94,396
Business-type activities:	
Stormwater	$ 2,047
Sanitation	10,860
Total depreciation expense - business-type activities	$ 12,907

Downtown Development Authority of Avondale Estates

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 600,000	$ -	$ -	$ -	$ 600,000
Construction in progress	89,622	145,661	-	(235,283)	-
Total	689,622	145,661	-	(235,283)	600,000
Capital assets, being depreciated:					
Buildings	13,900,000	-	(77,775)	235,283	14,057,508
Total	13,900,000	-	(77,775)	235,283	14,057,508
Less accumulated depreciation for:					
Buildings	(3,753,000)	(282,326)	-	-	(4,035,326)
Total	(3,753,000)	(282,326)	-	-	(4,035,326)
Total capital assets, being depreciated, net	10,147,000	(282,326)	(77,775)	235,283	10,022,182
Downtown Development Authority capital assets, net	$ 10,836,622	$ (136,665)	$ (77,775)	$ -	$ 10,622,182

NOTE 8 – LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balances	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital lease	$ 493,972	$ -	$ (159,863)	$ 334,109	$ 164,610
Compensated absences	89,691	148,869	(139,029)	99,531	65,000
Net pension liability	599,063	61,499	-	660,562	-
Governmental activity Long-term liabilities	$ 1,182,726	$ 210,368	$ (298,892)	$ 1,094,202	$ 229,610
Business-type activities					
Compensated absences	$ 15,296	$ 50,189	$ (53,071)	$ 12,414	$ 12,000
Net pension liability	144,560	14,841	-	159,401	-
Business-type activities Long-term liabilities	$ 159,856	$ 65,030	$ (53,071)	$ 171,815	$ 12,000

For governmental activities, compensated absences and net pension liability are generally liquidated by the General Fund. For business-type activities, compensated absences and net pension liability 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, 2016 were as follows:

Year Ending December 31st	Governmental Activities	
	Principal	Interest
2017	$ 164,610	$ 7,590
2018	169,499	2,702
Total	$ 334,109	$ 10,292

Component Unit

Long-term liability activity for the year ended December 31, 2016 for the Downtown Development Authority of Avondale Estates was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented Component Unit:					
2002 Revenue Bonds	$ 2,670,767	$ -	$ (1,040,875)	$ 1,629,892	$ 1,132,292
2003 Revenue Bonds	1,212,084	-	(471,843)	740,241	514,080
Discretely Presented Component Unit Long-term liabilities	$ 3,882,851	$ -	$ (1,512,718)	$ 2,370,133	$ 1,646,372

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, 2016, the outstanding balance was $1,629,892.

Year Ending December 31,	Principal	Interest	Total
2017	$ 1,132,292	$ 58,974	$ 1,191,266
2018	497,600	4,791	502,391
Total	$ 1,629,892	$ 63,765	$ 1,693,657

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, 2016, the outstanding balance was $740,241.

Year Ending December 31,	Principal	Interest	Total
2017	$ 514,080	$ 27,492	$ 541,572
2018	226,161	2,235	228,396
Total	$ 740,241	$ 29,727	$ 769,968

NOTE 9 – 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 $42,303 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, 2016:

Fiscal Year Ending December 31,	General Fund
2017	$ 46,903
2018	42,688
2019	36,644
2020	37,053
2021	37,473
2022-2026	194,133
2027-2031	168,457
2032-2036	115,155
2037-2039	69,093
Total minimum future rentals	$ 747,599

NOTE 10 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2016, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
Sanitation Fund	General Fund	$ 186,201
		$ 186,201

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
General Fund	Sanitation Fund	$ 15,233
	Nonmajor Governmental Fund	27
Nonmajor Governmental Fund	General Fund	10,000

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 11 – RETIREMENT BENEFITS

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.

Plan Membership

As of July 1, 2016, the date of the most recent actuarial valuation date, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	11
Terminated vested participants not yet receiving benefits	16
Active vested employees	17
Active nonvested employees	24
Total	68

Benefits Provided

The GMEBS Plan provides retirement, disability and death benefits to plan members and beneficiaries. Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits. Effective July 1, 2015, the City Manager position was added to the plan with normal retirement eligibility at age 55 with 5 years of service.

Contributions

The plan members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 9.61% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a net pension liability. The net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2016.

For the year ended December 31, 2016, the City recognized pension expense relative to GMEBS in the amount of $137,310. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 29,900	$ -
Changes of assumptions	-	5,868
Net difference between projected and actual earnings on pension plan investments	-	14,529
Net investment income	85,248	-
Employer contributions subsequent to the measurement date	9,816	-
	$ 124,964	$ 20,397

City contributions subsequent to the measurement date of March 31, 2014 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended December 31:	
2017	$ 22,477
2018	22,477
2019	22,477
2020	27,320

Actuarial Assumptions: The total pension liability as of December 31, 2016 was determined by an actuarial valuation as of July 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increase	3.25%, plus service based merit increases
Investment rate of return	7.75%, On-going basis, based on long-term expected rate of return of pension plan investments

Mortality rates were based on the RP-2000 Combined Mortality Table with sex-distinct rates, set forward two years for males and one year for females, and the RP-2000 Disabled Mortality Table with sex-distinct rates.

The mortality and economic actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

Net Pension Liability:

Changes in the Net Pension Liability:	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2015	$ 2,154,887	$ 1,411,264	$ 743,623
Changes for the year:			
Service cost	73,516	-	73,516
Interest	163,670	-	163,670
Difference between expected and actual experience	1,470	-	1,470
Contributions - employer	-	146,523	(146,523)
Contributions - employee	-	18,911	(18,911)
Net investment income	-	5,556	(5,556)
Benefit payments	(86,034)	(86,034)	-
Administrative expense	-	(8,674)	8,674
Net changes	152,622	76,282	76,340
Balance at December 31, 2016	$ 2,307,509	$ 1,487,546	$ 819,963

The City's net pension liability is recorded in the Government-Wide Statement of Net Position in the amounts of $660,562 and $159,401 respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015 is summarized in the following table:

Asset class	Target allocation	Expected real rate of return
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
Domestic fixed incom	20%	1.75%
Cash	0%	
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount rate: The following presents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
Sensitivity of the Net Pension Liability to Changes in the Discount Rate	$ 1,109,505	$ 819,963	$ 577,205

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report which is publically available at www.gmanet.com.

NOTE 12 – 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 Newport Group 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 2016, employees contributed $91,859 to the Plans while the City contributed $13,095. As of December 31, 2016, there were 24 and 23 active participants in the 457 Plan and 401A Plan, respectively. The market values for the 457 Plan and 401A Plan as of December 31, 2016 were $618,512 and $170,614, respectively.

NOTE 13 – SPECIAL FUNDING DEFINED BENEFIT PENSION PLAN

Peace Officers' Annuity and Benefit Fund of Georgia

The City's Deputies are covered by the State of Georgia Peace Officers' Annuity and Benefit Fund. The City makes no contribution to this plan. Contributions are collected by the City as the agent for this fund through its court systems. This plan is administered through the Peace Officers' Annuity and Benefit Fund of Georgia located at 1210 Greenbelt Parkway in Griffin, Georgia where separate financial statements may be obtained. This plan is considered immaterial to the City of Avondale Estates's financial statements.

NOTE 14 – 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 15 – 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 16 – 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.

NOTE 17 – EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 19, 2017, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AVONDALE ESTATES, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS

	2016	2015
Total pension liability		
Service cost	$ 73,516	$ 62,436
Interest on total pension liability	163,670	149,093
Difference between expected and actual experience	1,470	43,086
Changes of assumptions	-	(8,799)
Change of benefit terms	-	26,800
Benefit payments, including refunds of employee contributions	(86,034)	(83,009)
Net change in total pension liability	152,622	189,607
Total pension liability - beginning of year	2,154,887	1,965,280
Total pension liability - end of year	$ 2,307,509	$ 2,154,887
Plan fiduciary net position		
Contributions - employer	$ 146,523	$ 142,543
Contributions - employee	18,911	10,067
Net investment income	5,556	121,731
Benefit payments, including refunds of member contributions	(86,034)	(83,009)
Administrative expenses	(8,674)	(7,116)
Net change in plan fiduciary net position	76,282	184,216
Plan fiduciary net position - beginning of year	1,411,264	1,227,048
Plan fiduciary net position - end of year	$ 1,487,546	$ 1,411,264
City's net pension liability (asset) - end of year	$ 819,963	$ 743,623
Plan fiduciary net position as a percentage of the total pension liability	64.47%	65.49%
Covered-employee payroll	1,691,563	1,608,490
Net pension liability as a percentage of covered-employee payroll	48.47%	46.23%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The accompanying notes to the required supplementary information are an integral part of this schedule

CITY OF AVONDALE ESTATES, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE OF CITY CONTRIBUTIONS

	2016	2015
Actuarially determined contributions	$ 157,127	$ 142,989
Contributions in relation to the actuarially determined contribution	157,127	142,989
Contribution deficiency (excess)	$ -	$ -
City's covered-employee payroll	$ 1,691,563	$ 1,608,490
Contributions as a percentage of covered-employee payroll	9.29%	8.89%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The accompanying notes to the required supplementary information are an integral part of this schedule

Changes of assumptions:

As a result of the plan change to provide immediate participation for employees, for the fiscal year ending 2015, the eligibility assumption has been changed from one year (Class 1 and 2 Employees) and three years (Class 3 and 4 Employees) to immediate for all employees. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

Amounts reported for the fiscal year ending in 2015, and later reflect the following assumption changes approved by the Board in December, 2014 based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

- The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set forward for females.
- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates were normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at age 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.
- The inflation assumption was decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

Benefit Changes

Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

Effective July 1, 2015, the City Manager position was added to the Plan with normal retirement eligibility at age 55 with 5 years of service.

Valuation date	The actuarially determined contribution was determined as of July 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Closed level dollar for the remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.
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 the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	Ages 55-59 rate of 10%, age 60 rate of 20%, age 61 rate of 25%, age 62 rate of 35%, age 63 rate of 40%, age 64 rate of 45%, ages 65-69 rate of 50% and age 70 and over rate of 100%
Mortality	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

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SUPPLEMENTARY INFORMATION

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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 restricted 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 restricted 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, 2016

	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	$ 513	$ 29,586	$ -	$ 9,480	$ 39,579
Total Assets	$ 513	$ 29,586	$ -	$ 9,480	$ 39,579
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ 258	$ 258
Total Liabilities	-	-	-	258	258
Fund Balances:					
Restricted	513	29,586	-	-	30,099
Assigned	-	-	-	9,222	9,222
Total Fund Balances	513	29,586	-	9,222	39,321
Total Liabilities and Fund Balances	$ 513	$ 29,586	$ -	$ 9,480	$ 39,579

CITY OF AVONDALE ESTATES, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Police Seizure Fund	Tax Allocation District Fund	Capital Project Fund	Lake Avondale Fund	
Revenues:					
Interest earnings	$ 1	$ 30	$ -	$ 4	$ 35
Total Revenues	1	30	-	4	35
Expenditures:					
Current:					
General government	-	-	-	4,340	4,340
Total Expenditures	-	-	-	4,340	4,340
Excess (Deficiency) of Revenues Over (Under) Expenditures	1	30	-	(4,336)	(4,305)
Other Financing Sources (Uses):					
Transfers from other funds	-	-	(27)	10,000	9,973
Total other financing sources (uses)	-	-	(27)	10,000	9,973
Net change in fund balances	1	30	(27)	5,664	5,668
Fund Balance, beginning of year	512	29,556	27	3,558	33,653
Fund Balance, end of year	$ 513	$ 29,586	$ -	$ 9,222	$ 39,321

CITY OF AVONDALE ESTATES GEORGIA

POLICE SEIZURE FUND
BALANCE SHEET
DECEMBER 31, 2016

ASSETS	
Cash and cash equivalent	$ 513
Total Assets	$ 513
LIABILITIES AND FUND BALANCES	
Liabilities:	
Due to others	$ -
Total Liabilities	-
Fund Balances:	
Restricted	513
Total Fund Balances	513
Total Liabilities and Fund Balances	$ 513

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, 2016

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Interest earnings	$ -	$ 1	$ 1
Total Revenues	-	1	1
Expenditures:			
Public safety	-	-	-
Total Expenditures	-	-	-
Net change in fund balances	-	1	1
Fund balance - beginning of year	512	512	-
Fund balance - end of year	$ 512	$ 513	$ 1

CITY OF AVONDALE ESTATES GEORGIA

TAX ALLOCATION DISTRICT FUND
BALANCE SHEET
DECEMBER 31, 2016

ASSETS	
Cash and cash equivalent	$ 29,586
Total Assets	$ 29,586
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ -
Total Liabilities	-
Fund Balances:	
Restricted	29,586
Total Fund Balances	29,586
Total Liabilities and Fund Balances	$ 29,586

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, 2016

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Interest earnings	$ 35	$ 30	$ (5)
Total Revenues	35	30	(5)
Expenditures:			
Current:			
General government	-	-	-
Total Expenditures	-	-	-
Net change in fund balances	35	30	(5)
Fund balance - beginning of year	29,556	29,556	-
Fund balance - end of year	$ 29,591	$ 29,586	$ (5)

CITY OF AVONDALE ESTATES GEORGIA

CAPITAL PROJECT FUND
BALANCE SHEET
DECEMBER 31, 2016

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

CITY OF AVONDALE ESTATES GEORGIA

CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

Revenues:	
Intergovernmental	$ -
Total Revenues	-
Expenditures:	
Current:	
Public works	-
Total Expenditures	-
Excess of Revenues Over (Under) Expenditures	-
Other Financing Sources (Uses):	
Transfers to other funds	(27)
Total Other Financing Sources (Uses)	(27)
Net change in fund balances	(27)
Fund Balance - beginning of year	27
Fund balance - end of year	$ -

CITY OF AVONDALE ESTATES GEORGIA

LAKE AVONDALE FUND
BALANCE SHEET
DECEMBER 31, 2016

ASSETS	
Cash and cash equivalent	$ 9,480
Total Assets	$ 9,480
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 258
Total Liabilities	258
Fund Balances:	
Assigned	9,222
Total Fund Balances	9,222
Total Liabilities and Fund Balances	$ 9,480

CITY OF AVONDALE ESTATES GEORGIA

LAKE AVONDALE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

Revenues:	
Interest revenue	$ 4
Total Revenues	4
Expenditures:	
Current:	
General government	4,340
Total Expenditures	4,340
Excess of Revenues Over (Under) Expenditures	(4,336)
Other Financing Sources (Uses):	
Transfers from other funds	10,000
Total Other Financing Sources (Uses)	10,000
Net change in fund balances	5,664
Fund Balance - beginning of year	3,558
Fund balance - end of year	$ 9,222

CITY OF AVONDALE ESTATES, GEORGIA

BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY
COMPONENT UNIT
DECEMBER 31, 2016

ASSETS		
Cash and cash equivalents	$	344,517
Other assets		500
Total Assets	$	345,017
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	36,139
Unearned revenues		184,249
Total Liabilities		220,388
Fund Balance:		
Unassigned		124,629
Total Fund Balance		124,629
Total Liabilities and Fund Balance	$	345,017

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, 2016

Revenues:		
Rental income	$	2,174,003
Intergovernmental		36,000
Interest earnings		522
Other miscellaneous revenues		23,017
Total Revenues		2,233,542
Expenditures:		
Current:		
General government		520,592
Debt Service		
Principal		1,512,718
Interest		167,857
Capital outlay		157,508
Total Expenditures		2,358,675
Net change in fund balance		(125,133)
Fund Balance, beginning of year		249,762
Fund Balance, end of year	$	124,629

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STATISTICAL SECTION

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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. *78-83*

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. *84-89*

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. *90-92*

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. *93-95*

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. *96-97*

CITY OF AVONDALE ESTATES, GEORGIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Invested in capital assets, net of related debt	**$ 2,988**	$ 2,799	$ 2,288	$ 2,335	$ 2,394	$ 2,497	$ 2,242	$ 2,162	$ 2,157	$ 2,176
Restricted	**1,405**	1,324	979	552	355	211	29	24	14	1
Unrestricted	**1,710**	1,764	2,509	2,180	2,273	2,213	2,288	2,151	1,709	1,548
Total governmental activities net position	**$ 6,103**	$ 5,887	$ 5,776	$ 5,067	$ 5,022	$ 4,921	$ 4,559	$ 4,337	$ 3,880	$ 3,725
Business-type activities										
Invested in capital assets, net of related debt	**$ 104**	$ 15	$ 43	$ 71	$ 100	$ 141	$ 56	$ 32	$ 18	$ 20
Unrestricted	**1,060**	1,035	919	823	687	646	569	503	430	324
Total business-type activities net position	**$ 1,164**	$ 1,050	$ 962	$ 894	$ 787	$ 787	$ 625	$ 535	$ 448	$ 344
Primary government										
Invested in capital assets, net of related debt	**$ 3,092**	$ 2,814	$ 2,331	$ 2,406	$ 2,494	$ 2,638	$ 2,298	$ 2,194	$ 2,175	$ 2,196
Restricted	**1,405**	1,324	979	552	355	211	29	24	14	1
Unrestricted	**2,770**	2,799	3,428	3,003	2,960	2,859	2,857	2,654	2,140	1,872
Total primary government net position	**$ 7,267**	$ 6,937	$ 6,738	$ 5,961	$ 5,809	$ 5,708	$ 5,184	$ 4,872	$ 4,329	$ 4,069

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CITY OF AVONDALE ESTATES, GEORGIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
General government	$ **1,393**	$ 1,166	$ 1,110	$ 997	$ 862	$ 783	$ 961	$ 716	$ 918	$ 820
Public safety	**1,112**	1,115	1,078	1,080	1,009	961	914	875	859	824
Public works	**679**	269	286	320	242	296	86	339	857	1,002
Recreation	**392**	342	359	403	412	354	329	237	239	225
Housing and development	**36**	-	-	-	-	-	-	-	-	-
Interest on long-term debt	**12**	17	21	-	-	-	-	-	4	7
Total governmental activities expenses	**3,624**	2,909	2,854	2,800	2,525	2,394	2,290	2,167	2,877	2,878
Business-type activities:										
Stormwater	**26**	49	61	23	34	42	25	33	10	3
Sanitation	**720**	730	714	699	673 (1)	664	617	638	-	-
Total business-type activities expenses	**746**	779	775	722	707	706	642	671	10	3
Total primary government expenses	$ **4,370**	$ 3,688	$ 3,629	$ 3,522	$ 3,232	$ 3,100	$ 2,932	$ 2,838	$ 2,887	$ 2,880
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ **114**	$ 132	$ 137	$ 55	$ 49	$ 34	$ 37	$ 42	$ 58	$ 85
Public safety	**514**	552	639	554	477	473	442	362	357	263
Recreation	-	-	-	-	-	-	-	-	-	3
Operating grants and contributions	**68**	71	143	93	15	19	-	-	-	9
Capital grants and contributions	-	-	-	-	-	-	1	12	37	44
Total governmental activities program revenues	**696**	755	919	702	541	526	480	416	452	404
Business-type activities:										
Charges for services:										
Stormwater	**136**	134	125	129	116	115	108	108	108	111
Sanitation	**735**	730	659	396	301	301	299	301	-	-
Capital grants and contributions	-	-	-	-	-	-	-	2	-	-
Total business-type activities program revenues	**871**	864	784	525	417	416	407	411	108	111
Total primary government program revenues	$ **1,567**	$ 1,619	$ 1,703	$ 1,227	$ 958	$ 942	$ 887	$ 827	$ 560	$ 515

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)
(CONTINUED)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net (expense)/revenue										
Governmental activities	$ (2,929)	$ (2,154)	$ (1,935)	$ (2,098)	$ (1,984)	$ (1,868)	$ (1,810)	$ (1,751)	$ (2,425)	$ (2,474)
Business-type activities	125	84	10	(197)	(290)	(291)	(235)	(260)	98	108
Total primary government net expense	$ (2,804)	$ (2,070)	$ (1,925)	$ (2,295)	$ (2,274)	$ (2,159)	$ (2,045)	$ (2,011)	$ (2,327)	$ (2,366)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	$ 1,986	$ 1,824	$ 1,709	$ 1,672	$ 1,536	$ 1,793	$ 1,795	$ 1,909	$ 1,721	$ 1,741
Franchise taxes	191	186	170	179	189	189	180	226	208	225
Other taxes	889	767	769	531	587	630	276	287	625	574
Unrestricted investment earnings	5	5	4	5	5	14	27	30	26	29
Miscellaneous	58	105	46	58	56	48	71	90		
Intergovernmental - Unrestricted	-	-	-	-	-	-	-	-	-	-
Transfers	15	(121)	(54)	(303)	(372)	(359)	(318)	(335)	-	-
Total governmental activities	3,144	2,766	2,644	2,142	2,001	2,315	2,031	2,207	2,580	2,569
Business-type activities:										
Unrestricted investment earnings	3	3	3	2	2	3	7	12	6	8
Transfers	(15)	121	54	-	-	-	318	335	-	-
Miscellaneous	-	-	-	-	-	6	-	-	-	-
Total business-type activities	(12)	124	57	2	2	9	325	347	6	8
Total primary government	$ 3,132	$ 2,890	$ 2,701	$ 2,144	$ 2,003	$ 2,324	$ 2,356	$ 2,554	$ 2,586	$ 2,577
Change in Net Position										
Governmental activities	$ 216	$ 612	$ 709	$ 44	$ 17	$ 448	$ 221	$ 456	$ 155	$ 95
Business-type activities	113	209	68	108	84	77	90	87	104	116
Total primary government	$ 329	$ 821	$ 777	$ 152	$ 101	$ 525	$ 311	$ 543	$ 259	$ 211

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) (2)	Franchise Tax	Insurance Premium Tax	Occupational Tax	HOST Sales Tax	Sanitation	Other Taxes	Total
2007	$ 1,741	$ 225	$ 143	$ 94	$ -	$ 296	$ 41	$ 2,540
2008	1,734 (2)	208	146	92	-	304 (3)	46	2,530
2009	1,909	226	145	98	-	-	44	2,422
2010	1,795	180	140	91	-	-	45	2,251
2011	1,793	189	139	78	366 (4)	-	47	2,246
2012	1,536	189	147	80	302	-	56	2,310
2013	1,672	179	153	89	236	-	53	2,382
2014	1,709	170	146	101	471	-	50	2,647
2015	1,824	186	156	128	419	-	63	2,776
2016	1,986	191	185	119	504	-	80	3,065

Notes:

(1) Property taxes include auto ad valorem taxes.

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

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

(4) 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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General fund										
Nonspendable	$ 1,139	$ 1,146	$ 1,140	$ 1,091 (2)	$ 17	$ 13	$ 18	$ 19	$ -	$ -
Restricted	1,375	1,294	949	522	325	167	-	-	-	-
Assigned	379	23	21	16	12	6	-	-	-	-
Unassigned	1,188	1,673	2,068	1,937	2,284	2,238	2,053	2,032	1,681	1,483
Total general fund	$ 4,081	$ 4,136	$ 4,178	$ 3,566	$ 2,638	$ 2,424	$ 2,071	$ 2,051	$ 1,681	$ 1,483
All other governmental funds										
Restricted	$ 30	$ 34	$ 30	$ 30	$ 30	$ 30	$ 283	$ 143	$ 77 (1)	$ 87
Assigned	9	-	-	9	13	16	-	-	-	-
Total all other governmental funds	$ 39	$ 34	$ 30	$ 39	$ 43	$ 46	$ 283	$ 143	$ 77	$ 87

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

(2) Includes $1,116,409 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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	$ 3,069	$ 2,774	$ 2,658	$ 2,388	$ 2,315	$ 2,612	$ 2,254	$ 2,419	$ 2,530	$ 2,540
Licenses and permits	93	112	115	36	26	15	12	24	35	14
Intergovernmental	68	71	143	92	15	19	1	12	37	53
Fines and forfeitures	513	552	639	555	477	473	442	362	357	262
Charges for services	21	20	22	19	23	19	24	18	23	11
Interest income	5	5	4	5	5	15	27	30	26	29
Other revenues	58	104	46	59	56	48	71	89	23	63
Total revenues	3,827	3,638	3,627	3,154	2,917	3,201	2,831	2,954	3,031	2,972
Expenditures										
General government	1,474	1,685	1,099	959	818	773	749	706	802	780
Public safety	1,158	1,108	1,074	1,070	949	994	864	899	821	780
Public works	661	243	258	292	236	289	237	267	850	911
Recreation	391	341	358	401	412	353	329	303	239	224
Housing and development	36	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	4	3	232	175	8	80	53
Debt service										
Principal retirements	160	155	151	-	-	-	-	-	46	58
Interest and fiscal charges	12	17	21	-	-	-	-	-	4	7
Total expenditures	3,892	3,549	2,961	2,726	2,418	2,641	2,354	2,183	2,842	2,813
Excess of revenues over (under) expenditures	(64)	89	666	428	499	560	477	771	189	159
Other financing sources (uses)										
Transfers in	25	-	-	-	-	-	307	51	65	-
Transfers out	(10)	(131)	(54)	(303)	(372)	(444)	(625)	(386)	(65)	-
Capital Lease	-	-	-	800	-	-	-	-	-	-
Total other financing sources (uses)	15	(131)	(54)	497	(372)	(444)	(318)	(335)	-	-
Net change in fund balances	$ (49)	$ (42)	$ 612	$ 925	$ 127	$ 116	$ 159	$ 436	$ 189	$ 159
Debt service as a percentage of noncapital expenditures	4.77%	5.82%	5.72%	0.00%	0.00%	0.00% (1)	0.00% (1)	0.00%	1.79%	2.36%

(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 (4)	Sanitation	Other Taxes	Total
2007	$ 1,741	(2) $ 225	$ 143	$ 94	$ -	$ 296	41	$ 2,540
2008	1,734	208	146	92	-	304	46	2,530
2009	1,905	226	145	98	-	- (3)	44	2,418
2010	1,797	180	140	91	-	-	45	2,253
2011	1,793	189	139	78	366	-	47	2,246
2012	1,534	189	147	80	302	-	56	2,308
2013	1,666	179	153	89	236	-	53	2,376
2014	1,700	170	146	101	471	-	50	2,638
2015	1,829	186	156	128	419	-	63	2,781
2016	1,990	191	185	119	504	-	81	3,070

(1) Property taxes include auto ad valorem taxes

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

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
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
2014	145,302	1,114	1,656	7,456
2015	175,082	1,145	1,628	5,565
2016	186,008	1,218	2,210	4,307

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)
(Continued)

Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
$ 4,140	$ 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%
469	155,059	10.957	387,648	40.00%
371	183,049	9.957	457,623	40.00%
489	193,254	9.957	483,135	40.00%

CITY OF AVONDALE ESTATES, GEORGIA

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(Per $1,000 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			
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	45.19	0.10	56.247
2014	10.957	0.000	10.957	44.59	0.05	55.597
2015	9.957	0.000	9.957	44.59	0.00	54.547

(1) Mil rates for 2016 are not set until after publication of the CAFR.

CITY OF AVONDALE ESTATES, GEORGIA

PRINCIPAL TAXPAYERS
CURRENT AND TEN YEARS AGO
(amounts expressed in thousands)

Taxpayer	Fiscal Year 2016 Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Fiscal Year 2007 Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
278 Oak Holdings LLC	$ 1,817	1	0.94 %	$ -		0.00 %
Joseph Gargiulo	1,266	2	0.66	-		0.00
TOSC Properties LLC	601	3	0.31	-		0.00
CEED Properties, LLC	586	4	0.30	-		0.00
OCP Avondale LLC	499	5	0.26	-		0.00
TT and G LLC	476	6	0.25	-		0.00
Waffle House	474	7	0.25	264	8	0.17
KJA/Eckerd #1 LLC	464	8	0.24	549	3	0.35
Atlanta Gas Light	416	9	0.22	-		0.00
W T Mann LLC	392	10	0.20	-		0.00
Georgia Duck and Cordage Mill	-		0.00	930	1	0.59
Twin Oaks	-		0.00	715	2	0.45
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
	$ 6,991		3.62 %	$ 4,294		2.73 %

Source: Dekalb County Tax Commissioners Office

CITY OF AVONDALE ESTATES, GEORGIA

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

Tax Year*	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2014	1,566	1,550	99.0%	19	1,564	99.87%
2015	1,691	1,666	98.5%	31	1,670	98.76%
2016	1,849	1,799	97.3%	36	1,819	98.38%

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			
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
2014	-	-	649 (4)	-	-	649	0.54%	219
2015	-	-	494 (4)	-	-	494	0.43%	147
2016	-	-	334 (4)	-	-	334	0.30%	100

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

	Debt Outstanding	Percentage Applicable to City of Avondale Estates (1)	Amount Applicable to City of Avondale Estates
Overlapping General Obligation Debt:			
Dekalb County	$ 376,831	0.789%	$ 2,974
Fulton Dekalb Hospital Authority	29	0.789%	-
Total overlapping debt	376,860		2,974
Direct Debt:			
Capital leases	334	100.000%	334
Total direct and overlapping debt	$ 377,194		$ 3,308

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	$	193,254
Add back: exempt real property		489
Total assessed value		193,743
Debt limit (10% of total assessed value)		19,374
Legal debt margin	$	19,374

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)
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 (5)	10.4%
2014	2,960	119,231	45	45.0	70%	898 (5)	6.8%
2015	3,356	113,934	50	44.7	75%	926 (5)	4.1%
2016	3,356	112,748	50	44.6	75%	912 (5)	4.1%

(1) Source: U.S. Census (available every tenth year)
(2) Source: Dekalb County School System (Avondale Elementary School)
(3) Source: 2015 American Community Survey
(4) Source: Georgia Department of Labor

CITY OF AVONDALE ESTATES, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT AND LAST FOUR YEARS

2016 Employers	2015 Employers	2014 Employers	2013 Employers	2012 Employers
Arborguard Tree	Ace & A Heating and Air	Ace & A Heating and Air	Ace & A Heating and Air	Ace & A Heating and Air
Globe Chemical	Arborguard Tree	Arborguard Tree	Arborguard Tree	Arborguard Tree
Jollay Masonry	DeKalb Collision Center	Avondale Pizza Café	Avondale Pizza Café	Avondale Pizza Café
Lanier Jones Mechanical	Globe Chemical	DeKalb Collision Center	DeKalb Collision Center	DeKalb Collision Center
LifeLine Animal Project	Jollay Masonry	Jollay Masonry	Jollay Masonry	Jollay Masonry
Mann Mechanical	Lanier Jones Mechanical	Mann Mechanical	Mann Mechanical	Mann Mechanical
PCA Head Start	Mann Mechanical	Paste	Paste	Paste
Rite Aid # 11690	PCA Head Start	PCA Head Start	Rite Aid # 11690	Rite Aid # 11690
Savage Pizza	Rite Aid # 11690	Rite Aid # 11690	Simon Roofing	Simon Roofing
Waffle House # 1000	Waffle House # 1000	Waffle House # 1000	Waffle House # 1000	Waffle House # 1000

Source: City of Avondale Estates Occupational Tax Department

Notes: Employers are listed in alphabetical order only and not ranked in any way.
Number of employees cannot be listed due to privacy issues

CITY OF AVONDALE ESTATES, GEORGIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function										
General government	**8**	8	8	7	7	6	6	5	5	4
Public safety										
Police										
Officers	**14**	13	13	12	12	12	12	12	12	10
Public Works	**2**	2	2	2	2	2	2	2	13	18
Sanitation	**11**	11	12	11	11	11	11 (1)	11	-	-
Culture & Recreation	**6**	6	3	6	6	6	6	6	6	4
Total	**41**	40	38	38	38	37	37	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	**2016**	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Homicide	-	-	-	-	-	-	1	-	-	-
Robbery	**4**	1	0	3	2	2	3	-	3	3
Aggravated Assault	**1**	0	1	4	1	3	-	1	1	2
Auto Theft	**3**	6	2	8	5	8	8	8	5	6
Burglary	**18**	12	7	9	25	8	7	18	20	23
Larceny Theft	**48**	49	37	66	65	53	80	59	110	71
Municipal Court										
Traffic Citations Issued	**2,580**	3,030	3,123	4,368	2,929	2,965	3,155	3,127	3,062	2,065

Source: City of Avondale Estates Departments

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

	2016	2015		2014	2013	2012	2011	2010	2009	2008	2007
Function											
Public safety											
Police											
Stations	**1**	1		1	1	1	1	1	1	1	1
Patrol units *	-	-		-	-	-	-	-	-	1	1
Public Works											
Streets (miles)	**19**	19	(1)	18	18	18	18	18	18	18	18
Number of Street Lights	**385**	385	(1)	369	369	369	369	369	369	363	363
Collection Trucks *	-	-		-	-	-	-	-	-	-	-
Dump Trucks *	-	-		-	-	-	-	-	-	-	-
Street Sweeper	-	-		-	-	-	-	-	-	-	-

* Currently Under Capital Lease

Source: Various City departments

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

(1) Increase due to annexation

GOVERNMENTAL REPORT

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Avondale Estates, Georgia, as of and for the year ended December 31, 2016, 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 19, 2017.

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 19, 2017

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