CITY OF AVONDALE ESTATES
GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

CITY OF AVONDALE ESTATES, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

PREPARED BY:

Paul Hanebuth
Finance Director

CITY OF AVONDALE ESTATES, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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INTRODUCTORY SECTION

BOARD OF MAYOR AND COMMISSIONERS

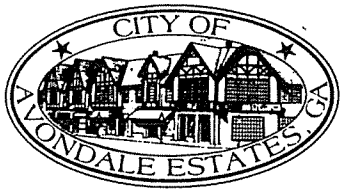
Jonathan Elmore
Mayor

Brian Fisher
Mayor Pro Tem

Lisa Shortell
Commissioner

Lionel Laratte
Commissioner

Adela Yelton
Commissioner



Patrick Bryant
City Manager

Robert E. Wilson
City Attorney

Stephen W. Nicholas
City Judge

June 13, 2019

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, 2018, 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.

There were no accounting policy changes during 2018 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 an estimated 3,154 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

Initiatives:

The City celebrated 35 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. Every year in celebration of Arbor Day, the City plants a tree to honor a community member who has passed. It is important to note; the City of Avondale Estates was the first Tree City USA in DeKalb County.

The City was re-designated Classic Main Street status by the Department of Community Affairs for the 2018 calendar year. The Downtown Development Authority/Main Street Board's website "Explore Avondale" and Facebook page has engaged people in surrounding neighborhoods and regionally. This extended reach has assisted with event attendance and business interest. In an effort to utilize City property and enliven the downtown area in the short term, the DDA/Main Street Board focused on signature events in 2018 including but not limited to Art Walk and Avondale Sip n' Stroll, both were a great success. The Downtown Development Authority/Main Street Board will continue these efforts in 2019. In 2018 promotional merchandising was also a focus with t-shirts, mugs and tote bags being sold at local retailers and given away for promotions.

The Downtown Development Authority (DDA), in conjunction with the City, worked diligently in 2018 to provide additional parking on underutilized City owned land. The DDA Executive Director engaged with professionals to maximize the number of parking spots on available land. The additional parking spaces will supplement existing City lots and street parking to accommodate existing and new uses in convenient locations. To facilitate control of some key downtown development sites, the DDA negotiated the purchasing property adjacent to City owned land (completed in early 2019). Parking lot construction will start in 2019.

The City worked with the Georgia Department of Transportation and a consultant to develop a concept for the US 278 Road Diet, which is under review. Various community meetings and stakeholder interviews took place to identify community wants and needs. The scope consists of completing and widening the sidewalk system from Ashton Place to Sams Crossing, along with a mixed mode (bike/pedestrian) path 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 City's initial funding approval for a total project cost was $5.5 million with the City responsible for 20% of the total project cost. The City has also received a $1.5 million grant from the Georgia Transportation Infrastructure Bank (GTIB). The City hopes to break ground in 2021.

The City has two other street redesign projects in design: Laredo Drive Intersection Improvements and Re-establishment of the Street Grid. The City hired consultants to assist with both projects. The projects were outlined in the Downtown Master Plan (2014). The Laredo Drive Intersection Feasibility Study is funded in part by a grant from the Atlanta Regional Commission.

The City received 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 wording was completed in 2017 and installation was completed in 2018. The City will focus on an interpretive marker program throughout the City based on this model.

The approach and intersection at US 278 and North Clarendon Avenue have deteriorated and the conditions in the area are dangerous to pedestrians, cyclist and motorists. The redesign of this intersection has been approved. GDOT is letting this project but it is hoped to be completed by the fall of 2019 with grant funds received by the City; the design was completed in 2018 with operating funds.

A Zoning Code Audit was completed in 2017. The City began preparation for a Zoning Code Rewrite in 2018, which will continue into 2019. This will address the discrepancies between the Downtown Master Plan (2014) and the Comprehensive Plan (2016) as well as other issues with the Zoning Ordinance. This initiative is important to provide the regulatory framework to implement the City's vision.

Business:

In 2018, fourteen (14) brick and mortar 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. 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 2018 the Avondale Estates Business Association (AEBA), held monthly meetings, hosted business development events, and recruited new members.

Community Promotion Program:

The 2018 Community Promotion Program (CPP) was a great success. Over 15,000 people visited Avondale Estates during the Avondale Estates Farmers Market, May Ham Fest, Southern Surf StompFest, Sip n' Stroll, and Fruhlingfest.

Recreation and Greenspace:

Four (4) acres in the Central Business District were acquired by the City via capital leasing beginning in 2014; lease payments concluded in 2018. The Downtown Development Authority and the City hosted six (6) months of meetings to determine the community preferred design for a park and mixed-use development on this property. Local professionals submitted ten (10) design concepts, and through on-line and in person surveying one (1) concept was selected, Concept 9. The City hired consultants to assist with options to pay for the park space and how

to redevelop the commercial portion of the concept. The City anticipates engineering and final design will be completed in 2019 and construction in 2020.

The North Woods area of Lake Avondale has been deemed a safety hazard. The Lake Master Plan (2008) identified projects in this area which can mitigate the erosion and sedimentation issues while enhancing the area as a passive, unable portion of the park. A grant was submitted to supplement the cost and funds were budgeted. The design will begin in 2019.

Economic Outlook:

Avondale Estates 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 an estimated population of 3,154 (American Community Survey 2018).

According to the U.S. Bureau of Census, approximately 99 percent of the residents have graduated from High School or higher. The median income is $102,708. Most residents are well-compensated, successful professionals.

A major development project at the intersection of Sam's Crossing and US 278 was mostly completed in 2018. The 3.18-acre mixed-use project includes approximately 6,500 square feet of commercial space,197 apartment units., and a half-acre park which will be deeded to the City at the conclusion of the project (2019). Further redevelopment began near the end of the year, including a two-acre townhouse project and a four-acre mixed-use project. A 5,000 square foot brewery, costing over $2 million dollars, was constructed in 2018 and is scheduled to open in Spring/Summer 2019. The brewery is located in the part of the Central Business District which features junk car lots and industrial uses which are not compatible with the City's vision. The project will attract visitors and possible investors to the area. The City plans to catalyze further redevelopment by completing the green space and road diet projects; these City projects will serve residents, property owners, businesses and visitors.

Avondale Estates features a variety of individual industrial buildings which will require upgrades to meet required codes but will add to the unique downtown. While this has been a challenge in the past and will continue to be, developers have seen the new development and plans which are underway and have invested in buildings and vacant property. In 2018 there was most interest than ever in redevelopment projects.

The major influence on the economic engines of the City in 2019 will be re-development of the downtown commercial area. The redevelopment of the downtown area is underway and will economically propel the City forward. The Board of Mayor and Commissioners and Downtown Development Authority are working to facilitate new development that meets the vision established in the Downtown Master Plan (2014).

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 to satisfy unforeseen needs without Commission action.

Enterprise Operations:

The City currently has two enterprise funds, stormwater utility and sanitation. The Sanitation Fund is self-supporting, but pools cash with the General Fund to facilitate cash flow. The Stormwater Fund has historically funded only maintenance to the system, but the City anticipates major infrastructure projects beginning in 2019 and 2020.

Retirement Plan:

The recommended contribution rate for the City Retirement Plan decreased due to relatively strong investment performance in 2017. Information concerning the City's Plan is found on Pages 55-58 and Pages 62-64 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, was 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:

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale Estates for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the twenty-first consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only; the 2018 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will be submitted to 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,



Patrick Bryant
City Manager
City of Avondale Estates

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avondale Estates

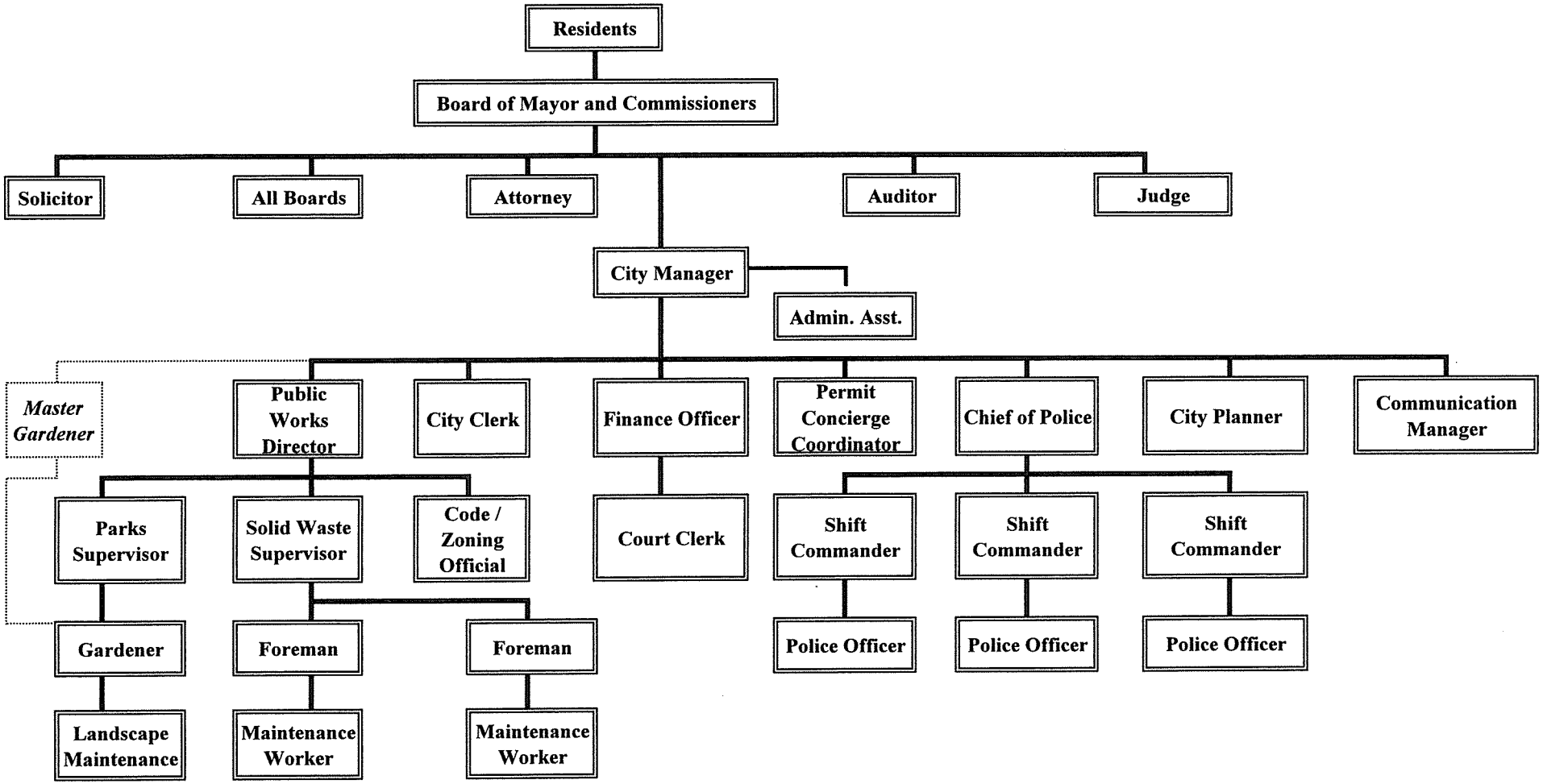
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

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, 2018

CITY COMMISSION

Jonathan Elmore	Mayor
Brian Fisher	Mayor Pro-Tem
Lionel Laratte	Commissioner
Lisa Shortell	Commissioner
Adela Yelton	Commissioner

ADMINISTRATION OFFICIALS

Patrick Bryant	City Manager
Robert E. Wilson	City Attorney
Paul Hanebuth	Finance Director
Gina Hill	City Clerk
Karen Holmes	Administrative Assistant
Marcella Shaw	Municipal Court Clerk
Lynn Thomas	Chief of Police
Bryan Armstead	Public Works Director
Keri Stevens	Assistant City Manager
Rebecca Long	Communications Manager
Ken Morris	Permit Concierge Coordinator

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Avondale Estates, Georgia (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ■ Fax 478-742-0316

Member of
American Institute of
Certified Public Accountants
www.clhp.com

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, 2018, 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 page 64 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Avondale Estates, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Avondale Estates, Georgia's internal control over financial reporting and compliance.



Macon, Georgia
June 13, 2019

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, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements and footnotes.

Financial Highlights

The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $8,946,809. Of this amount, $4,142,138 (unrestricted net position) may be used to meet the government's ongoing obligations.

The City's net position from governmental activities increased approximately 19% when compared to the previous year, while business-type activities' net position increased by approximately 10% when compared to the previous year.

General Fund Revenues decreased by about $68,000 (1.6%) compared to 2017, and expenditures decreased about 13.5% or roughly $587,000 compared to 2017. While property tax revenues – the City's single largest source of funds – increased by about $150,000, that increase was more than offset by a decline in permit fees and the conclusion of a Homestead Option Sales Tax (HOST). 2017 permit fees were much higher than usual due to a single large development in the City; 2018 permit fees were closer to historical norms. HOST collections were over $400,000 less in 2018 than in 2017; this was largely supplanted by a Special Purpose Local Option Sales Tax (SPLOST) which is reported as a separate fund in these statements, and as intergovernmental revenue (from DeKalb County) rather than a tax. The decline in expenditures is primarily in the Public Works department, as the City undertook no large-scale projects in 2018.

At the close of 2018, the City's governmental funds reported combined ending fund balances of $4,939,798, an increase of $799,703. Unassigned fund balance for the general fund was $2,018,597 or 43.8% of total general fund expenditures. During 2018, the City engaged in planning and design phases of capital projects planned for the next three years, which resulted in less spending on the more-expensive construction phases than in recent years. The City anticipates expending any unassigned fund balance in excess of its 25% reserve policy during 2019 and 2020 as major capital projects are implemented fully.

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 related to pensions, liabilities, and deferred inflows related to pensions, with the difference 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 positions changed during the most recent fiscal year. All changes in net positions 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. 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	
	2018	2017	2018	2017	2018	2017
Assets						
Current assets	$ 5,125	$ 4,517	$ 1,375	$ 1,236	$ 6,500	$ 5,753
Capital assets	3,097	2,928	208	219	3,305	3,147
Total assets	8,222	7,445	1,583	1,455	9,805	8,900
Deferred outflows-Pension	117	161	28	39	145	200
Liabilities						
Non-current liabilities	467	808	107	137	574	945
Other liabilities	182	365	48	49	230	414
Total liabilities	649	1,173	155	186	804	1,359
Deferred inflows-Pension	160	105	39	25	199	130
Net Position						
Investment in capital assets	3,097	2,928	208	219	3,305	3,147
Restricted	1,500	1,288	-	-	1,500	1,288
Unrestricted	2,933	2,111	1,209	1,064	4,142	3,175
Total net position	$ 7,530	$ 6,327	$ 1,417	$ 1,283	$ 8,947	$ 7,610

A large portion of the City's net position (41%) 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 ($1.5 million) or unrestricted ($2.93 million). 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 fiscal 2018, the City's total primary government net position increased by $1.34 million.

Changes in Net Position

The following schedule presents a summary of changes in net position for the fiscal year ending December 31, 2018 (in thousands).

City of Avondale Estates Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	$ 749	$ 838	$ 984	$ 871	$ 1,733	$ 1,709
Operating grants & contributions	421	52	-	-	421	52
Capital grants & contributions	154	-	-	133	154	133
General revenues:						
Property taxes	2,258	2,102	-	-	2,258	2,102
Franchise taxes	217	192	-	-	217	192
Insurance Premium taxes	212	196	-	-	212	196
Other taxes	348	735	-	-	348	735
Other revenues	66	60	-	-	66	60
Investment earnings	9	5	3	3	12	7
Total revenues	4,434	4,180	987	1,007	5,421	5,186
Expenses						
General government	1,241	1,369	-	-	1,241	1,369
Public safety	1,264	1,236	-	-	1,264	1,236
Public works	322	958	-	-	322	958
Recreation	426	384	-	-	426	384
Housing & Development	78	180	-	-	78	180
Interest	3	8	-	-	3	8
Sanitation	-	-	749	692	749	692
Stormwater	-	-	1	16	1	16
Total expenses	3,334	4,135	750	707	4,084	4,842
Increase in Net Position Before Transfers	1,100	44	237	299	1,337	344
Transfers	103	180	(103)	(180)	-	-
Change in net position	1,203	224	134	120	1,337	344
Net Position beginning of year	6,327	6,103	1,283	1,164	7,610	7,266
Net Position end of year	$ 7,530	$ 6,327	$ 1,417	$ 1,283	$ 8,947	$ 7,610

Governmental charges for services decreased by about $89,000 due to an approximate $234,000 decrease in permit authorizations as noted above, partially offset by an increase in fines and forfeitures of just over $100,000. Operating grants and contributions increased significantly, largely due to the SPLOST revenues described above and a FEMA reimbursement for disaster relief provided after Hurricane Irma hit the City in 2017. The City also enjoyed an 84% ($28,526) increase in cable franchise fees, an 8% ($15,402) increase in insurance premium taxes, and an unanticipated $40,000 miscellaneous permit fee for filming in a City park.

Total expenses decreased approximately $750,000 across all categories in Primary Government, with an $636,000 decrease in Public Works partially offset by relatively small increases in most other departments. The City also decreased the amount of a development grant to the Downtown Development Authority from $180,000 in 2017 to $78,000 in 2018. Increases in other departments were largely in line with budgeted expectations, although there were unanticipated transitional costs in General Government due to a change in City leadership. As personnel costs require more than 50% of the budget and increases in health insurance premiums continue to significantly outpace inflation, the City expects overall operating expenditures to increase by up to 6% annually in the medium term.

Business-type activities contain operations of the Storm Water utility and Sanitation. Business-type activities increased the City of Avondale Estates' net position by $237,028 before transfers and $133,955 after considering a transfer of $103,073 to the General Fund. The Sanitation Fund requires significant transfers from the General Fund early in the year and then transfers monies back to the General Fund as tax revenues are collected near the end of the year. The Sanitation Fund is managed in order to have no net position at the end of each year. Both Storm Water and Sanitation fees are billed with 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 $4,939,798, an increase of $799,703 in comparison with the prior year. Of that total, $2,018,597 constitutes unassigned fund balance, which is available for spending at the government's discretion. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance at the end of 2018 represents 53.9% of total General Fund expenditures for the year.

Another $1,150,901 of fund balance is non-spendable, with $1,116,409 of that amount representing an asset held for resale, and the remainder being prepaid expenses. $1,499,843 (consisting of $1,132,522 in HOST collections, $329,271 in SPLOST collections, and $29,645 from Tax Allocation District collections) is restricted for capital outlay projects, and $8,405 is restricted for law enforcement outlays. The final $270,457 has been assigned by the Board of Mayor and Commissioners to specific purposes: $21,198 for expenditures on technological equipment, $238,096 for the 2019 operating budget and $11,163 to be spent maintaining Lake Avondale.

The table below compares general fund revenues and expenditures for 2018 and 2017 (in thousands).

	General Fund		
	2018	2017	$ Increase (Decrease)
Revenues			
Taxes	$ 3,042	$ 3,218	$ (176)
Licenses & permits	153	359	(206)
Intergovernmental	246	52	194
Fines & forfeitures	565	455	110
Charges for services	22	23	(1)
Interest income	9	5	4
Other revenue	66	60	6
Total revenues	4,103	4,172	(75)
Expenditures			
General government	1,541	1,448	93
Public safety	1,224	1,190	34
Public works	299	953	(654)
Recreation	426	383	43
Housing & Development	78	180	(102)
Debt Services:			
Principal retirements	170	165	5
Interest payments	3	8	(5)
Total expenditures	3,741	4,327	(586)
Excess of revenues over expenditures	362	(155)	517
Transfers to / from other funds (Net)	103	170	(67)
Net change in fund balance	465	15	450
Fund balance, beginning of year	4,096	4,081	15
Fund balance, end of year	$ 4,561	$ 4,096	$ 465

Although real property tax collections were about $167,000 higher than in 2017, total tax receipts were $176,000 lower due to the expiration of the HOST; SPLOST revenues are not reported as part of the General Fund. Licenses & Permits decreased $233,888 because there was no large development in 2018 to compare to one that generated nearly $250,000 in 2017. However, film permitting continued to grow, offsetting nearly $30,000 of the decrease in building permits. Intergovernmental revenues were significantly higher than in 2017 because of federal grants reimbursing the City for US Highway 278 redesign costs and the FEMA grant described above. Fines and forfeitures increased over $100,000 due to higher traffic enforcement activities. Other revenues and expenditures were in line with expectations, with the exceptions noted above in the discussion of governmental activities.

Proprietary funds. The Statement of Revenues, Expenses, and Changes in Net Position for 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, the Storm Water Utility Fund and Sanitation Fund that are operated in a business-like fashion; i.e., expenses incurred in providing services to residents are generally recouped through fees charged.

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 decreased $136 over last year. After accounting for operating expenses of $1,398 and interest income of $2,981, the Storm Water utility increased its net position by $133,955 for total net position of $1,417,101 at the end of the fiscal year. The City's stormwater assets are fully depreciated; however, the City anticipates strong infrastructure spending in 2019 and 2020.

Sanitation revenues increased $112,815; in 2018 the Board of Mayor and Commissioners expressed an interest in improving cash flow and sustainability in the Fund, and therefore increased sanitation fees in furtherance of those goals. After accounting for operating expenses of $722,019 and depreciation of $26,548, Sanitation had an operating profit of $103,073 before transfers to the General Fund. Expenses increased by about $57,000 year-on-year; primarily from higher salary and insurance costs resulting from keeping the department more fully staffed. Vehicle repair costs were also higher than the historical average.

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 $99 to net position during 2018 for a total of $12,441 at year end.

General Fund Budgetary Highlights

The 2018 budget anticipated no change in fund balance. The City's general fund balance as of December 31, 2018 is $4,561,314. This is equivalent to approximately 122% of the City's actual general fund expenditures for calendar year 2018.

Actual General Fund revenues for 2018 were 18% higher than the original budget and 8.5% higher than the final amended budget. Actual expenditures were 11.2% lower than the original budget and 7.4% lower than the final amended 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, 2018, amounts to $3,304,828 (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 5% for the current calendar year. The increase is due to land improvements and other construction projects begun in 2018, partially offset by depreciation in Infrastructure and Buildings and Improvements. The City anticipates completing all current capital projects during 2019 and 2020. Additional information on the City's capital assets can be found in Note 8 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	
	2018	2017	2018	2017	2018	2017
Land	$ 1,859	$ 1,859	$ 102	$ 102	$ 1,961	$ 1,961
Land Improvements	725	706	-	-	725	706
Infrastructure	114	129	-	-	114	129
Construction in Progress	219	18	27	11	246	30
Building & improvements	63	89	-	-	63	89
Furniture, Equipment & Vehicles	116	127	80	106	196	233
Total	$ 3,097	$ 2,928	$ 208	$ 219	$ 3,305	$ 3,147

Long-term Debt

The only long-term liabilities held by the City at the end of 2018 were for compensated absence liabilities amounting to $96,330 and net pension liabilities amounting to $477,274, related to business-type activities and governmental activities.

The City's long-term debt information can be found in Note 9 on pages 52-54 of this report.

Economic Factors

The unemployment rate for the City is currently 3.6%. The cost of living is 122.30 compared to the nation-wide index of 100. The median age is 47.7 compared to a US median of 37.9. Median household income is $102,708 compared to the U.S. median household income of $57,652 (2013-2017 American Community Survey 5-year estimates). There are on-going development and redevelopment efforts occurring throughout the City.

Next Year's Budget

At December 31, 2018, unassigned fund balance in governmental funds was $2,018,597, of which $238,096 was assigned to fund general operating expenses in 2019. The 2019 budget anticipates revenues of $3,907,019, which is about $200,000 less than actual 2018 revenues. The 2018 budgeted sanitation revenue amounts to $869,030 which is an increase of $17,390 over 2018. General Fund expenditures are projected to increase by 4.43% or $165,859 compared to 2018. This increase is primarily due to increases in the cost of health insurance provided to City employees, increases in consulting costs as the City develops and executes a long-range capital program, and potential wage and salary increases after the City completes a compensation and classification study.

Requests for Information

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

FINANCIAL STATEMENTS

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 2,316,399	$ 1,289,372	$ 3,605,771	$ 1,535,311
Certificate of deposits	1,507,144	-	1,507,144	-
Investments	1,744	-	1,744	-
Receivables, net of allowance				
Taxes	34,148	-	34,148	-
Accounts	53,338	19,694	73,032	814
Due from other governments	126,563	-	126,563	-
Internal balances	(65,167)	65,167	-	-
Asset held for resale	1,116,409	-	1,116,409	-
Land deposits	-	-	-	500
Prepaids	34,492	-	34,492	-
Noncurrent Assets:				
Non depreciable	2,078,165	128,566	2,206,731	600,000
Depreciable, net	1,018,455	79,642	1,098,097	9,445,764
Total Assets	8,221,690	1,582,441	9,804,131	11,582,389
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	116,853	28,198	145,051	-
Total deferred outflows of resources	116,853	28,198	145,051	-

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, 2018
(CONTINUED)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
LIABILITIES				
Accounts payable	114,140	31,044	145,184	46,474
Accrued payables	67,694	16,783	84,477	-
Unearned revenue	-	-	-	190,324
Noncurrent liabilities				
Due within one year				
Compensated absences	82,108	14,222	96,330	-
Due in more than one year				
Bonds payable	-	-	-	64,850
Net pension liability	384,492	92,782	477,274	-
Total Liabilities	648,434	154,831	803,265	301,648
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	160,401	38,707	199,108	-
Total Deferred Inflows of Resources	160,401	38,707	199,108	-
NET POSITION				
Investment in capital assets	3,096,620	208,208	3,304,828	9,980,914
Restricted for				
Capital outlay	1,491,438	-	1,491,438	-
Law enforcement	8,405	-	8,405	-
Unrestricted	2,933,245	1,208,893	4,142,138	1,299,827
Total Net Position	$ 7,529,708	$ 1,417,101	$ 8,946,809	$ 11,280,741

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, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General government	$ 1,240,838	$ 175,388	$ 421,285	$ 153,397
Public safety	1,264,070	573,849	-	-
Public works	321,977	-	-	126
Culture and recreation	426,465	-	-	-
Housing and development	78,030	-	-	-
Interest expense	2,648	-	-	-
Total governmental activities	3,334,028	749,237	421,285	153,523
Business-Type Activities				
Stormwater Utility	1,398	132,372	-	-
Sanitation	748,567	851,640	-	-
Total business-type activities	749,965	984,012	-	-
Total Primary Government	$ 4,083,993	$ 1,733,249	$ 421,285	$ 153,523
Component Unit:				
Downtown Development Authority	$ 933,502	$ 2,264,429	$ 78,030	$ -
Total Component Unit	$ 933,502	$ 2,264,429	$ 78,030	$ -
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, 2018
(CONTINUED)

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Component Unit
Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
$ (490,768)	$ -	$ (490,768)	$ -
(690,221)	-	(690,221)	-
(321,851)	-	(321,851)	-
(426,465)	-	(426,465)	-
(78,030)	-	(78,030)	-
(2,648)	-	(2,648)	-
(2,009,983)	-	(2,009,983)	-
-	130,974	130,974	-
-	103,073	103,073	-
-	234,047	234,047	-
(2,009,983)	234,047	(1,775,936)	-
			1,408,957
			1,408,957
2,258,039	-	2,258,039	-
216,833	-	216,833	-
211,728	-	211,728	-
347,953	-	347,953	-
9,164	2,981	12,145	1,040
65,886	-	65,886	17,768
3,109,603	2,981	3,112,584	18,808
103,073	(103,073)	-	-
3,212,676	(100,092)	3,112,584	18,808
1,202,693	133,955	1,336,648	1,427,765
6,327,015	1,283,146	7,610,161	9,852,976
$ 7,529,708	$ 1,417,101	$ 8,946,809	$ 11,280,741

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, 2018

ASSETS	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalent	$ 1,980,372	$ 336,027	$ 2,316,399
Certificates of deposit	1,507,144	-	1,507,144
Investments	1,744	-	1,744
Receivables, net of allowance			
Taxes	34,148	-	34,148
Accounts	53,338	-	53,338
Due from other governments	84,106	42,457	126,563
Asset held for resale	1,116,409	-	1,116,409
Prepaids	34,492	-	34,492
Total Assets	$ 4,811,753	$ 378,484	$ 5,190,237
LIABILITIES			
Accounts payable	$ 114,140	$ -	$ 114,140
Accrued liabilities	67,694	-	67,694
Due to other funds	65,167	-	65,167
Total Liabilities	247,001	-	247,001
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	3,438	-	3,438
Total Deferred Inflows of Resources	3,438	-	3,438
FUND BALANCES			
Nonspendable	1,150,901	-	1,150,901
Restricted	1,132,522	367,321	1,499,843
Assigned	259,294	11,163	270,457
Unassigned	2,018,597	-	2,018,597
Total Fund Balances	4,561,314	378,484	4,939,798
Total Liabilities, Deferred inflows of Resources, and Fund Balances	$ 4,811,753	$ 378,484	$ 5,190,237

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, 2018

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

Total fund balances - governmental funds	$	4,939,798
Capital Assets		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of the assets		5,227,728
Accumulated depreciation		(2,131,108)
Deferred outflows of resources		
Related to pensions		116,853
Long-term Liabilities		
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:		
Compensated absences		(82,108)
Net pension liability		(384,492)
Deferred Inflows of resources		
Related to pensions		(160,401)
Revenues		
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		3,438
Net Position of Governmental Activities	$	7,529,708

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, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 3,042,424	$ -	$ 3,042,424
License and permits	153,317	-	153,317
Intergovernmental	245,537	329,145	574,682
Fines and forfeitures	565,323	8,526	573,849
Charges for Services	22,071	-	22,071
Interest earnings	9,117	173	9,290
Other revenues	65,886	-	65,886
Total Revenues	4,103,675	337,844	4,441,519
Expenditures			
Current:			
General government	1,541,296	3,089	1,544,385
Public safety	1,224,273	640	1,224,913
Public works	299,336	-	299,336
Culture and recreation	426,078	-	426,078
Housing and development	78,030	-	78,030
Debt service			
Principal	169,499	-	169,499
Interest	2,648	-	2,648
Total Expenditures	3,741,160	3,729	3,744,889
Excess (Deficiency) of Revenues Over (Under) Expenditures	362,515	334,115	696,630
Other Financing Sources (Uses)			
Transfers from other funds	103,073	-	103,073
Total other financing sources (uses)	103,073	-	103,073
Net change in fund balances	465,588	334,115	799,703
Fund Balance, beginning of year	4,095,726	44,369	4,140,095
Fund Balance, end of year	$ 4,561,314	$ 378,484	$ 4,939,798

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, 2018

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

Net Change in Fund Balances - total governmental funds	$ 799,703
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	271,927
Total depreciation	(85,153)
The net effect of various miscellanous transactions involving capital assets (i.e., sales and donations) is to decrese net position.	(18,187)
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	(43,958)
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:	
Leases payable	169,499
Compensated absences	36,114
Net pension liability	135,919
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	(55,300)
Revenues	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,871)
Change in Net Position of Governmental Activities	$ 1,202,693

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, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 2,708,494	$ 2,858,744	$ 3,042,424	$ 183,680
Licenses and permits	94,025	94,025	153,317	59,292
Intergovernmental	33,823	203,073	245,537	42,464
Fines and forfeitures	569,784	569,784	565,323	(4,461)
Charges for services	16,733	16,733	22,071	5,338
Interest income	4,362	4,362	9,117	4,755
Miscellaneous	35,839	35,839	65,886	30,047
Total Revenue	3,463,060	3,782,560	4,103,675	321,115
Expenditures:				
Current:				
General government	1,327,276	1,606,176	1,541,296	64,880
Public safety	1,352,608	1,353,308	1,224,273	129,035
Public works	1,014,090	385,090	299,336	85,754
Culture and recreation	440,443	444,443	426,078	18,365
Housing and development	78,000	78,030	78,030	-
Debt service				
Principal	-	169,500	169,499	1
Interest	-	2,650	2,648	2
Total Expenditures	4,212,417	4,039,197	3,741,160	298,037
Excess Revenue Over (Under) Expenditures	(749,357)	(256,637)	362,515	619,152
Other Financing Sources (Uses):				
Transfer from other funds	(29,056)	(29,056)	103,073	132,129
Transfer to other funds	(10,000)	(10,000)	-	10,000
Notes payable proceeds	600,000	-	-	-
Total Other Financing Sources (Uses)	560,944	(39,056)	103,073	142,129
Net change in fund balance	(188,413)	(295,693)	465,588	761,281
Fund balance, beginning of year	4,095,726	4,095,726	4,095,726	-
Fund balance, end of year	$ 3,907,313	$ 3,800,033	$ 4,561,314	$ 761,281

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

CITY OF AVONDALE ESTATES, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-type Activities-Enterprise Funds		
ASSETS	Stormwater Utility Fund	Sanitation Fund	Total
Current assets:			
Cash and cash equivalents	$ 1,289,372	$ -	$ 1,289,372
Accounts receivable, net	3,354	16,340	19,694
Due from other funds	-	65,167	65,167
Total current assets	1,292,726	81,507	1,374,233
Noncurrent assets:			
Capital assets:			
Non depreciable	128,566	-	128,566
Depreciable, net	-	79,642	79,642
Total noncurrent assets	128,566	79,642	208,208
Total Assets	1,421,292	161,149	1,582,441
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	-	28,198	28,198
Total Deferred outflows of resources related to pensions	-	28,198	28,198
LIABILITIES			
Current liabilities:			
Accounts payable	4,191	26,853	31,044
Accrued salaries	-	16,783	16,783
Compensated absences	-	14,222	14,222
Total current liabilities	4,191	57,858	62,049
Long-term liabilities:			
Net pension liability	-	92,782	92,782
Total noncurrent liabilities	-	92,782	92,782
Total Liabilities	4,191	150,640	154,831
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	-	38,707	38,707
Total Deferred inflows of resources related to pensions	-	38,707	38,707
NET POSITION			
Investment in Capital Assets	128,566	79,642	208,208
Unrestricted	1,288,535	(79,642)	1,208,893
Total Net Position	$ 1,417,101	$ -	$ 1,417,101

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, 2018

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
Operating revenues:			
Charges and fees	$ 132,372	$ 851,640	$ 984,012
Total operating revenues	132,372	851,640	984,012
Operating expenses:			
Salaries and benefits	-	496,629	496,629
Cost of sales	1,398	133,433	134,831
Other operating expenses	-	40,827	40,827
Repairs and maintenance	-	51,130	51,130
Depreciation	-	26,548	26,548
Total operating expenses	1,398	748,567	749,965
Operating income	130,974	103,073	234,047
Nonoperating revenues (expenses):			
Interest income	2,981	-	2,981
Total nonoperating revenues (expenses)	2,981	-	2,981
Net income before transfers	133,955	103,073	237,028
Transfers out	-	(103,073)	(103,073)
Change in net position	133,955	-	133,955
Total Net Position - Beginning of Year	1,283,146	-	1,283,146
Total Net Position - Ending of Year	$ 1,417,101	$ -	$ 1,417,101

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, 2018

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	$ 132,453	$ 848,055	$ 980,508
Cash paid to employees	-	(495,805)	(495,805)
Cash paid to suppliers for goods and services	2,793	(249,177)	(246,384)
Net Cash Flows Provided by (Used for) Operating Activities	135,246	103,073	238,319
Cash Flows from Noncapital Financing Activities:			
Transfers to General Fund	-	(103,073)	(103,073)
Net Cash Provided by Noncapital Financing Activities	-	(103,073)	(103,073)
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(15,661)	-	(15,661)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(15,661)	-	(15,661)
Cash Flows from Investing Activities:			
Interest income	2,981	-	2,981
Net Cash Flows Provided by (Used for) Investing Activities	2,981	-	2,981
Net Increase (Decrease) in Cash and Cash Equivalents	122,566	-	122,566
Cash and Cash Equivalents, Beginning of Year	1,166,806	-	1,166,806
Cash and Cash Equivalents, End of Year	$ 1,289,372	$ -	$ 1,289,372

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, 2018
(CONTINUED)

	Business-type Activities-Enterprise Funds		
	Stormwater Utility Fund	Sanitation Fund	Total
Cash Flows From Operating Activities:			
Operating income	$ 130,974	$ 103,073	$ 234,047
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	-	26,548	26,548
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	81	(3,585)	(3,504)
(Increase) decrease in due from other funds	-	(12,092)	(12,092)
(Increase) decrease in deferred outflows of resources	-	10,608	10,608
Increase (decrease) in accounts payable	4,191	(11,695)	(7,504)
Increase (decrease) in accrued liabilities	-	6,664	6,664
Increase (decrease) in compensated absences	-	3,006	3,006
Increase (decrease) in deferred inflows of resources	-	13,345	13,345
Increase (decrease) in net pension liability	-	(32,799)	(32,799)
Total Adjustments	4,272	-	4,272
Net Cash Provided by (Used for) Operating Activities	$ 135,246	$ 103,073	$ 238,319

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, 2018

	Dottie Holmes Memorial Private-Purpose Trust
ASSETS	
Cash and cash equivalents	$ 132
Certificates of deposit	12,309
Total Assets	$ 12,441
NET POSITION	
Held in trust	$ 12,441
Total net position	$ 12,441

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, 2018

	Dottie Holmes Memorial Private-Purpose Trust
ADDITIONS	
Interest earnings	$ 49
Contributions and donations	50
Total additions	99
Change in net position	99
Total net position, beginning of year	12,342
Total net position, end of year	$ 12,441

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

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, 2018. 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 acquisition 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 following is a summary of the fund balance classifications as of December 31, 2018:

	General Fund	Nonmajor Governmental	Total
Fund Balances:			
Nonspendable			
Prepaids	$ 34,492	$ -	$ 34,492
Assets held for resale	1,116,409	-	1,116,409
Restricted for:			
Capital outlay	1,132,522	358,916	1,491,438
Law enforcement	-	8,405	8,405
Road projects	-	-	-
Assigned to:			
Fund balance appropriation	238,096	-	238,096
Capital outlay	21,198	11,163	32,361
Unassigned	2,018,597	-	2,018,597
Total fund balances	$ 4,561,314	$ 378,484	$ 4,939,798

N. Minimum Fund Balance Policy

The Board of Mayor and Commissioners has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at 25% of current budgeted operating expenditures. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level.

O. 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, 2018, the City had no bank balances that were exposed to custodial credit risk.

At December 31, 2018, the City's certificates of deposit were as follows:

Investments	Maturity	Amount
Certificates of deposit - General Fund	6 months or less	$ 1,507,144
Certificates of deposit - Dottie Holmes Memorial	6-12 months	12,309
		$ 1,519,453

B. Investments

	Credit Rating	Investment Value	Weighted Average Maturity
Georgia Fund 1	AAAf / S1+	$ 1,744	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, 2018.

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 25th	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, 2018, 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:

Receivables:	General Fund	Stormwater Utility	Sanitation Fund	Total
Taxes	$ 35,945	$ -	$ -	$ 35,945
Accounts	53,338	3,354	16,340	73,032
Gross receivables	89,283	3,354	16,340	108,977
Less: allowance for uncollectibles	(1,797)	-	-	(1,797)
Net total receivables	$ 87,486	$ 3,354	$ 16,340	$ 107,180

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 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2018, are as follows:

	Federal	State	Other	Total
Fund:				
General Fund	$ 83,506	$ -	$ 600	$ 84,106
Nonmajor Governmental Fund	-	42,457	-	42,457
Total	$ 83,506	$ 42,457	$ 600	$ 126,563

The amounts due from the federal government are grant funds and the amounts due from the state government are for sale tax collections.

NOTE 8 – CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,859,463	$ -	$ -	$ 1,859,463
Construction in Progress	18,187	218,702	(18,187)	218,702
Total	1,877,650	218,702	(18,187)	2,078,165
Capital assets, being depreciated:				
Land improvements	705,621	18,895	-	724,516
Buildings and improvements	867,823	-	-	867,823
Infrastructure and improvements	346,840	-	-	346,840
Machinery and equipment	1,176,053	34,330	-	1,210,383
Total	3,096,337	53,225	-	3,149,562
Less accumulated depreciation for:				
Buildings and improvements	(778,489)	(26,164)	-	(804,653)
Infrastructure and improvements	(218,173)	(14,239)	-	(232,412)
Machinery and equipment	(1,049,292)	(44,750)	-	(1,094,042)
Total	(2,045,954)	(85,153)	-	(2,131,107)
Total capital assets, being depreciated, net	1,050,383	(31,928)	-	1,018,455
Governmental activities capital assets, net	$ 2,928,033	$ 186,774	$ (18,187)	$ 3,096,620

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 101,505	$ -	$ -	$ 101,505
Construction in Progress	11,400	15,661	-	27,061
Total	112,905	15,661	-	128,566
Capital assets, being depreciated:				
Infrastructure and improvements	135,004	-	-	135,004
Machinery and equipment	541,646	-	-	541,646
Total	676,650	-	-	676,650
Less accumulated depreciation for:				
Infrastructure and improvements	(135,006)	-	-	(135,006)
Machinery and equipment	(435,454)	(26,548)	-	(462,002)
Total	(570,460)	(26,548)	-	(597,008)
Total capital assets, being depreciated, net	106,190	(26,548)	-	79,642
Business-type activities capital assets, net	$ 219,095	$ (10,887)	$ -	$ 208,208

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

Governmental activities:	
General government	$ 19,455
Public safety	39,157
Public works	26,154
Culture and recreation	387
Total depreciation expense - governmental activities	$ 85,153
Business-type activities:	
Sanitation	$ 26,548
Total depreciation expense - business-type activities	$ 26,548

Downtown Development Authority of Avondale Estates

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 600,000	$ -	$ -	$ 600,000
Total	600,000	-	-	600,000
Capital assets, being depreciated:				
Buildings	14,057,508	-	-	14,057,508
Total	14,057,508	-	-	14,057,508
Less accumulated depreciation for:				
Buildings	(4,323,535)	(288,209)	-	(4,611,744)
Total	(4,323,535)	(288,209)	-	(4,611,744)
Total capital assets, being depreciated, net	9,733,973	(288,209)	-	9,445,764
Downtown Development Authority capital assets, net	$ 10,333,973	$ (288,209)	$ -	$ 10,045,764

NOTE 9 – LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balances	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Lease payable	$ 169,499	$ -	$ (169,499)	$ -	$ -
Compensated absences	118,222	123,854	(159,968)	82,108	82,108
Net pension liability	520,411	-	(135,919)	384,492	-
Governmental activity Long-term liabilities	$ 808,132	$ 123,854	$ (465,386)	$ 466,600	$ 82,108
Business-type activities					
Compensated absences	$ 11,216	$ 17,601	$ (14,595)	$ 14,222	$ 14,222
Net pension liability	125,581	-	(32,799)	92,782	-
Business-type activities Long-term liabilities	$ 136,797	$ 17,601	$ (47,394)	$ 107,004	$ 14,222

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.

Lease Payable:

The City obtained an $800,000 lease payable from BB&T Government Finance for the financing of the 4.09 acres purchased as an asset held for resale. This lease payable was paid in full during 2018.

Component Unit

Long-term liability activity for the year ended December 31, 2018 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	$ 497,600	$ -	$ (497,600)	$ -	$ -
2003 Revenue Bonds	226,161	-	(226,161)	-	-
2018 Revenue Bonds	-	64,850	-	64,850	-
Discretely Presented Component Unit Long-term liabilities	$ 723,761	$ 64,850	$ (723,761)	$ 64,850	$ -

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. The 2002 Revenue Bonds were paid off in full during 2018.

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. The 2003 Revenue Bonds were paid off in full during 2018.

2018 Revenue Bonds

On December 28, 2018, the Downtown Development Authority of Avondale Estates (DDA) entered into a contract with Piedmont Bank for the Downtown Development Authority of Avondale Estates Taxable Revenue Bonds, Series 2018 to provide financing for the cost of the acquisition, construction, installation, modification, renovation, or rehabilitation of a commercial retail building and related improvements, building fixtures and other building equipment located on an approximately 0.7 acre site. The DDA may draw down funds up to $1,800,000. The total amount of DDA draw downs on this contract was $64,850 as of December 31, 2018.

NOTE 10 – 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 $36,644 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, 2018:

Fiscal Year Ending December 31,	General Fund
2019	$ 36,644
2020	37,053
2021	37,473
2022	37,907
2023	38,353
2024-2028	198,942
2029-2033	133,450
2034-2038	115,155
2039	23,031
Total minimum future rentals	$ 658,008

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2018, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
Sanitation Fund	General Fund	$ 65,167
		$ 65,167

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	$ 103,073

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 12 – 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, 2018, the date of the most recent actuarial valuation date, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	14
Terminated vested participants not yet receiving benefits	17
Active vested employees	18
Active nonvested employees	21
Total	70

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 6.96% 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, 2018, the City reported a net pension liability. The net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2018.

For the year ended December 31, 2018, the City recognized pension expense relative to GMEBS in the amount of $81,165. At December 31, 2018, 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	$ 14,950	$ 124,864
Changes of assumptions	34,836	2,934
Net difference between projected and actual earnings on pension plan investments	-	71,310
Employer contributions subsequent to the measurement date	95,265	-
	$ 145,051	$ 199,108

City contributions subsequent to the measurement date of March 31, 2018 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, 2019. 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:	
2019	$ (30,985)
2020	(26,142)
2021	(53,462)
2022	(38,733)

Actuarial Assumptions: The total pension liability as of December 31, 2018 was determined by an actuarial valuation as of July 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increase	2.75%, plus service based merit increases
Investment rate of return	7.50%, 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, 2018 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, 2017	$ 2,392,828	$ 1,746,836	$ 645,992
Changes for the year:			
Service cost	80,361	-	80,361
Interest	182,289	-	182,289
Difference between expected and actual experience	(98,621)	-	(98,621)
Contributions - employer	-	144,663	(144,663)
Contributions - employee	-	28,157	(28,157)
Net investment income	-	219,434	(219,434)
Benefit payments	(81,427)	(81,427)	-
Administrative expense	-	(15,960)	15,960
Other	43,547	-	43,547
Net changes	126,149	294,867	(168,718)
Balance at December 31, 2018	$ 2,518,977	$ 2,041,703	$ 477,274

The City's net pension liability is recorded in the Government-Wide Statement of Net Position in the amounts of $384,492 and $92,782 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, 2017 is summarized in the following table:

Asset class	Target allocation	Expected real rate of return
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Cash	0%	
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Sensitivity of the Net Pension Liability to Changes in the Discount Rate	$ 772,980	$ 477,274	$ 227,344

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 13 – 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, after the employee's first six months of participation, the City makes a matching contribution for each employee equal to the lesser of $25 or 50% of the employee contribution. During 2018, employees contributed $61,464 to the Plans while the City contributed $11,315. As of December 31, 2018, there were 17 participants in each Plan, and the market values were $699,330 for the 457 Plan and $165,307 for the 401A Plan.

NOTE 14 – 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 15 – 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 16 – 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 17 – 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 18 – CONDUIT DEBT – DOWNTOWN DEVELOPMENT AUTHORITY OF AVONDALE ESTATES (COMPONENT UNIT)

The Authority has issued Taxable Revenue Bonds to provide financial assistance to a private sector entity for the acquisition, construction, and equipping of commercial facilities to promote trade, commerce, industry and employment opportunities within the City and serve to revitalize and redevelop the central business district of the City. The bonds are secured by the property, property improvements, and equipment financed with the bond proceeds and are payable solely from rents, revenues and receipts derived from the lease agreement with the private sector entity. Upon repayment of the bonds, ownership of the acquired property, property improvements, and equipment transfers to the private-sector entity served by the bond issuance. The Authority, the City, the State, or any political subdivision, thereof, is not obligated in any manner for repayment of the bonds. Accordingly, they are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, there was one series of Taxable Revenue Bonds outstanding, as follows:

	Face Amount	Outstanding
Downtown Development Authority of Avondale Estates Taxable Revenue Bonds (SCP Avondale Owener, LLC Project Series 2017)	$ 42,000,000	$ 32,070,113
Total Conduit Debt	$ 42,000,000	$ 32,070,113

NOTE 19 – EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 13, 2019, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AVONDALE ESTATES, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

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

	2018	2017	2016	2015
Total pension liability				
Service cost	$ 80,361	$ 72,663	$ 73,516	$ 62,436
Interest on total pension liability	182,289	175,205	163,670	149,093
Difference between expected and actual experience	(98,621)	(68,950)	1,470	43,086
Changes of assumptions	-	-	-	(8,799)
Change of benefit terms	-	-	-	26,800
Benefit payments, including refunds of employee contributions	(81,427)	(93,599)	(86,034)	(83,009)
Other	43,547	-	-	-
Net change in total pension liability	126,149	85,319	152,622	189,607
Total pension liability - beginning of year	2,392,828	2,307,509	2,154,887	1,965,280
Total pension liability - end of year	$ 2,518,977	$ 2,392,828	$ 2,307,509	$ 2,154,887
Plan fiduciary net position				
Contributions - employer	$ 144,663	$ 154,645	$ 146,523	$ 142,543
Contributions - employee	28,157	22,901	18,911	10,067
Net investment income	219,434	191,557	5,556	121,731
Benefit payments, including refunds of member contributions	(81,427)	(93,599)	(86,034)	(83,009)
Administrative expenses	(15,960)	(16,214)	(8,674)	(7,116)
Net change in plan fiduciary net position	294,867	259,290	76,282	184,216
Plan fiduciary net position - beginning of year	1,746,836	1,487,546	1,411,264	1,227,048
Plan fiduciary net position - end of year	$ 2,041,703	$ 1,746,836	$ 1,487,546	$ 1,411,264
City's net pension liability (asset) - end of year	$ 477,274	$ 645,992	$ 819,963	$ 743,623
Plan fiduciary net position as a percentage of the total pension liability	81.05%	73.00%	64.47%	65.49%
Covered-employee payroll	1,681,314	1,795,145	1,691,563	1,608,490
Net pension liability as a percentage of coverend-employee payroll	28.39%	35.99%	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, 2018

SCHEDULE OF CITY CONTRIBUTIONS

	2018	2017	2016	2015
Actuarially determined contributions	$ 127,023	$ 151,009	$ 157,127	$ 142,989
Contributions in relation to the actuarially determined contribution	127,023	151,009	157,127	142,989
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 1,825,043	$ 1,717,964	$ 1,635,036	$ 1,471,080
Contributions as a percentage of covered-employee payroll	6.96%	8.79%	9.61%	9.72%

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:

Amounts reported for the fiscal year ending in 2018 and later reflect the following assumption changes based on an actuarial study conducted in September 2017:

- The investment return assumption was decreased from 7.75% to 7.50%
- The inflation assumption was decreased from 3.25% to 2.75%

Benefit Changes

There were no changes in benefit provisions in the last two fiscal years.

Valuation date	The actuarially determined contribution was determined as of July 1, 2018, 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, 2019.

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	7.50%
Projected Salary Increases	2.75% 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.

SUPPLEMENTARY INFORMATION

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.

Lake Avondale Fund	To account for the maintenance and upkeep of the lake.
2018 SPLOST Fund	This fund was established to account for the proceeds and various projects associated with the 2018 SPLOST.

CITY OF AVONDALE ESTATES, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue Funds		Capital Projects Fund		Total Nonmajor Governmental Funds
	Police Seizure Fund	Tax Allocation District Fund	Lake Avondale Fund	2018 SPLOST Fund	
ASSETS					
Cash and cash equivalent	$ 8,405	$ 29,645	$ 11,163	$ 286,814	$ 336,027
Intergovernmental receivable	-	-	-	42,457	42,457
Total Assets	$ 8,405	$ 29,645	$ 11,163	$ 329,271	$ 378,484
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-	-
Fund Balances:					
Restricted	8,405	29,645	-	329,271	367,321
Assigned	-	-	11,163	-	11,163
Total Fund Balances	8,405	29,645	11,163	329,271	378,484
Total Liabilities and Fund Balances	$ 8,405	$ 29,645	$ 11,163	$ 329,271	$ 378,484

CITY OF AVONDALE ESTATES, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds		Capital Projects Fund		Total Nonmajor Governmental Funds
	Police Seizure Fund	Tax Allocation District Fund	Lake Avondale Fund	2018 SPLOST Fund	
Revenues:					
Intergovernmental	$ -	$ -	$ -	$ 329,145	$ 329,145
Interest earnings	5	29	13	126	173
Confiscated revenues	8,526	-	-	-	8,526
Total Revenues	8,531	29	13	329,271	337,844
Expenditures:					
Current:					
General government	-	-	3,089	-	3,089
Public safety	640	-	-	-	640
Total Expenditures	640	-	3,089	-	3,729
Net change in fund balances	7,891	29	(3,076)	329,271	334,115
Fund Balance, beginning of year	514	29,616	14,239	-	44,369
Fund Balance, end of year	$ 8,405	$ 29,645	$ 11,163	$ 329,271	$ 378,484

CITY OF AVONDALE ESTATES GEORGIA

POLICE SEIZURE FUND
BALANCE SHEET
DECEMBER 31, 2018

ASSETS		
Cash and cash equivalent	$	8,405
Total Assets	$	8,405
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to others	$	-
Total Liabilities		-
Fund Balances:		
Restricted		8,405
Total Fund Balances		8,405
Total Liabilities and Fund Balances	$	8,405

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, 2018

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Interest earnings	$ -	$ 5	$ 5
Confiscated revenues	-	8,526	8,526
Total Revenues	-	8,531	8,531
Expenditures:			
Public safety	640	640	-
Total Expenditures	640	640	-
Net change in fund balances	(640)	7,891	8,531
Fund balance - beginning of year	514	514	-
Fund balance - end of year	$ (126)	$ 8,405	$ 8,531

CITY OF AVONDALE ESTATES GEORGIA

TAX ALLOCATION DISTRICT FUND
BALANCE SHEET
DECEMBER 31, 2018

ASSETS	
Cash and cash equivalent	$ 29,645
Total Assets	$ 29,645
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ -
Total Liabilities	-
Fund Balances:	
Restricted	29,645
Total Fund Balances	29,645
Total Liabilities and Fund Balances	$ 29,645

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, 2018

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Interest earnings	$ -	$ 29	$ 29
Total Revenues	-	29	29
Expenditures:			
Current:			
General government	-	-	-
Total Expenditures	-	-	-
Net change in fund balances	-	29	29
Fund balance - beginning of year	29,616	29,616	-
Fund balance - end of year	$ 29,616	$ 29,645	$ 29

CITY OF AVONDALE ESTATES GEORGIA

LAKE AVONDALE FUND
BALANCE SHEET
DECEMBER 31, 2018

ASSETS		
Cash and cash equivalent	$	11,163
Total Assets	$	11,163
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	-
Total Liabilities		-
Fund Balances:		
Assigned		11,163
Total Fund Balances		11,163
Total Liabilities and Fund Balances	$	11,163

CITY OF AVONDALE ESTATES GEORGIA

LAKE AVONDALE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

Revenues:	
Interest revenue	$ 13
Total Revenues	13
Expenditures:	
Current:	
General government	3,089
Total Expenditures	3,089
Net change in fund balances	(3,076)
Fund Balance - beginning of year	14,239
Fund balance - end of year	$ 11,163

CITY OF AVONDALE ESTATES GEORGIA

2018 SPLOST FUND
BALANCE SHEET
DECEMBER 31, 2018

ASSETS		
Cash and cash equivalent	$	286,814
Intergovernmental receivable		42,457
Total Assets	$	329,271
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	-
Total Liabilities		-
Fund Balances:		
Restricted		329,271
Total Fund Balances		329,271
Total Liabilities and Fund Balances	$	329,271

CITY OF AVONDALE ESTATES GEORGIA

2018 SPLOST FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

Revenues:		
Intergovernmental revenue	$	329,145
Interest revenue		126
Total Revenues		329,271
Expenditures:		
Current:		
General government		-
Total Expenditures		-
Net change in fund balances		329,271
Fund Balance - beginning of year		-
Fund balance - end of year	$	329,271

CITY OF AVONDALE ESTATES, GEORGIA

SCHEDULE OF PROJECT EXPENDITURES WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 30, 2018

Project	Original Estimated Budget	Expenditures Current Year	Total
2018 Referendum			
Road Resurfacing / Paving	$ 2,106,616	$ -	$ -
Transportation Improvements	2,200,000	-	-
Public Safety	349,435	-	-
Total	$ 4,656,051	$ -	$ -

CITY OF AVONDALE ESTATES, GEORGIA

BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY
COMPONENT UNIT
DECEMBER 31, 2018

ASSETS		
Cash and cash equivalents	$	1,535,311
Accounts receivable		814
Other assets		500
Total Assets	$	1,536,625
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	46,474
Unearned revenues		190,324
Total Liabilities		236,798
Fund Balance:		
Unassigned		1,299,827
Total Fund Balance		1,299,827
Total Liabilities and Fund Balance	$	1,536,625

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, 2018

Revenues:		
Rental income	$	2,264,429
Intergovernmental		78,030
Interest earnings		1,040
Other miscellaneous revenues		17,768
Total Revenues		2,361,267
Expenditures:		
Current:		
General government		637,848
Debt Service		
Principal		723,761
Interest		10,941
Total Expenditures		1,372,550
Excess (Deficiency) of Revenues Over (Under) Expenditures		988,717
Other Financing Sources		
Proceeds from long term debt issuance		64,850
Total Other Financing Sources		64,850
Net change in fund balance		1,053,567
Fund Balance, beginning of year		246,260
Fund Balance, end of year	$	1,299,827

STATISTICAL SECTION

Statistical Section

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

Contents **Page**

Financial Trends
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. 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. 84-88

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. 89-91

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. 92-94

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. 95-96

CITY OF AVONDALE ESTATES, GEORGIA

NET POSITION BY COMPONENT
LAST TEN YEARS

(accrual basis of accounting)
(amounts expressed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Invested in capital assets, net of related deb	$ **3,097**	$ 2,928	$ 2,988	$ 2,799	$ 2,288	$ 2,335	$ 2,394	$ 2,497	$ 2,242	$ 2,162
Restricted	**1,500**	1,288	1,405	1,324	979	552	355	211	29	24
Unrestricted	**2,933**	2,111	1,710	1,764	2,509	2,180	2,273	2,213	2,288	2,151
Total governmental activities net assets	$ **7,530**	$ 6,327	$ 6,103	$ 5,887	$ 5,776	$ 5,067	$ 5,022	$ 4,921	$ 4,559	$ 4,337
Business-type activities										
Invested in capital assets, net of related deb	$ **208**	$ 219	$ 104	$ 15	$ 43	$ 71	$ 100	$ 141	$ 56	$ 32
Unrestricted	**1,209**	1,064	1,060	1,035	919	823	687	646	569	503
Total business-type activities net assets	$ **1,417**	$ 1,283	$ 1,164	$ 1,050	$ 962	$ 894	$ 787	$ 787	$ 625	$ 535
Primary government										
Invested in capital assets, net of related deb	$ **3,305**	$ 3,147	$ 3,092	$ 2,814	$ 2,331	$ 2,406	$ 2,494	$ 2,638	$ 2,298	$ 2,194
Restricted	**1,500**	1,288	1,405	1,324	979	552	355	211	29	24
Unrestricted	**4,142**	3,175	2,770	2,799	3,428	3,003	2,960	2,859	2,857	2,654
Total primary government net assets	$ **8,947**	$ 7,610	$ 7,267	$ 6,937	$ 6,738	$ 5,961	$ 5,809	$ 5,708	$ 5,184	$ 4,872

CITY OF AVONDALE ESTATES, GEORGIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	$ 1,241	$ 1,369	$ 1,393	$ 1,166	$ 1,110	$ 997	$ 862	$ 783	$ 961	$ 716
Public safety	1,264	1,236	1,112	1,115	1,078	1,080	1,009	961	914	875
Public works	322	958	679	269	286	320	242	296	86	339
Recreation	426	384	392	342	359	403	412	354	329	237
Housing and development	78	180	36	-	-	-	-	-	-	-
Interest on long-term debt	3	8	12	17	21	-	-	-	-	-
Total governmental activities expenses	3,334	4,135	3,624	2,909	2,854	2,800	2,525	2,394	2,290	2,167
Business-type activities:										
Stormwater	1	16	26	49	61	23	34	42	25	33
Sanitation	749	691	720	730	714	699	673 (1)	664	617	638
Total business-type activities expenses	750	707	746	779	775	722	707	706	642	671
Total primary government expenses	$ 4,084	$ 4,842	$ 4,370	$ 3,688	$ 3,629	$ 3,522	$ 3,232	$ 3,100	$ 2,932	$ 2,838
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 175	$ 382	$ 114	$ 132	$ 137	$ 55	$ 49	$ 34	$ 37	$ 42
Public safety	574	455	514	552	639	554	477	473	442	362
Operating grants and contributions	421	52	68	71	143	93	15	19	-	-
Capital grants and contributions	154	-	-	-	-	-	-	-	1	12
Total governmental activities program revenues	1,324	889	696	755	919	702	541	526	480	416
Business-type activities:										
Charges for services:										
Stormwater	132	132	136	134	125	129	116	115	108	108
Sanitation	852	739	735	730	659	396	301	301	299	301
Capital grants and contributions	-	133	-	-	-	-	-	-	-	2
Total business-type activities program revenues	984	1,004	871	864	784	525	417	416	407	411
Total primary government program revenues	$ 2,308	$ 1,893	$ 1,567	$ 1,619	$ 1,703	$ 1,227	$ 958	$ 942	$ 887	$ 827

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (expense)/revenue										
Governmental activities	$ (2,010)	$ (3,246)	(2,929)	$ (2,154)	$ (1,935)	$ (2,098)	$ (1,984)	$ (1,868)	$ (1,810)	$ (1,751)
Business-type activities	234	297	125	84	10	(197)	(290)	(291)	(235)	(260)
Total primary government net expense	$ (1,776)	$ (2,949)	(2,804)	$ (2,070)	$ (1,925)	$ (2,295)	$ (2,274)	$ (2,159)	$ (2,045)	$ (2,011)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	$ 2,258	$ 2,102	1,986	$ 1,824	$ 1,709	$ 1,672	$ 1,536	$ 1,793	$ 1,795	$ 1,909
Franchise taxes	217	192	191	186	170	179	189	189	180	226
Other taxes	560	931	889	767	769	531	587	630	276	287
Unrestricted investment earnings	9	5	5	5	4	5	5	14	27	30
Miscellaneous	66	60	58	105	46	58	56	48	71	90
Transfers	103	180	15	(121)	(54)	(303)	(372)	(359)	(318)	(335)
Total governmental activities	3,213	3,470	3,144	2,766	2,644	2,142	2,001	2,315	2,031	2,207
Business-type activities:										
Unrestricted investment earnings	3	3	3	3	3	2	2	3	7	12
Transfers	(103)	(180)	(15)	121	54		-	-	318	335
Miscellaneous	-	-	-	-	-	-	-	6	-	-
Total business-type activities	(100)	(177)	(12)	124	57	2	2	9	325	347
Total primary government	$ 3,113	$ 3,293	3,132	$ 2,890	$ 2,701	$ 2,144	$ 2,003	$ 2,324	$ 2,356	$ 2,554
Change in Net Position										
Governmental activities	$ 1,203	$ 224	216	$ 612	$ 709	$ 44	$ 17	$ 448	$ 221	$ 456
Business-type activities	134	120	113	209	68	108	84	77	90	87
Total primary government	$ 1,337	$ 344	329	$ 821	$ 777	$ 152	$ 101	$ 525	$ 311	$ 543

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)	Franchise Tax	Insurance Premium Tax	Occupational Tax	HOST Sales Tax	SPLOST Sales Tax (2)	Other Taxes	Total
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	-	47	2,612
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
2017	2,102	192	196	121	536	-	78	3,225
2018	2,258	217	212	122	131	329	95	3,364

(1) Property taxes include auto ad valorem taxes.

CITY OF AVONDALE ESTATES, GEORGIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund										
Nonspendable	$ **1,151**	$ 1,136	$ 1,139	$ 1,146	$ 1,140	$ 1,091 (1)	$ 17	$ 13	$ 18	$ 19
Restricted	**1,133**	1,258	1,375	1,294	949	522	325	167	-	-
Assigned	**259**	199	379	23	21	16	12	6	-	-
Unassigned	**2,018**	1,502	1,188	1,673	2,068	1,937	2,284	2,238	2,053	2,032
Total general fund	$ **4,561**	$ 4,095	$ 4,081	$ 4,136	$ 4,178	$ 3,566	$ 2,638	$ 2,424	$ 2,071	$ 2,051
All other governmental funds										
Restricted	$ **367**	$ 30	$ 30	$ 34	$ 30	$ 30	$ 30	$ 30	$ 283	$ 143
Assigned	**11**	14	9	-	-	9	13	16	-	-
Total all other governmental funds	$ **378**	$ 44	$ 39	$ 34	$ 30	$ 39	$ 43	$ 46	$ 283	$ 143

(1) 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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Taxes	$ 3,042	$ 3,218	$ 3,069	$ 2,774	$ 2,658	$ 2,388	$ 2,315	$ 2,612	$ 2,254	$ 2,419
Licenses and permits	153	359	93	112	115	36	26	15	12	24
Intergovernmental	246	52	68	71	143	92	15	19	1	12
Fines and forfeitures	565	455	513	552	639	555	477	473	442	362
Charges for services	22	23	21	20	22	19	23	19	24	18
Interest income	9	5	5	5	4	5	5	15	27	30
Other revenues	66	60	58	104	46	59	56	48	71	89
Total revenues	4,104	4,172	3,827	3,638	3,627	3,154	2,917	3,201	2,831	2,954
Expenditures										
General government	1,542	1,449	1,474	1,685	1,099	959	818	773	749	706
Public safety	1,224	1,190	1,158	1,108	1,074	1,070	949	994	864	899
Public works	299	953	661	243	258	292	236	289	237	267
Recreation	426	383	391	341	358	401	412	353	329	303
Housing and development	78	180	36	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	4	3	232	175	8
Debt service										
Principal retirements	169	165	160	155	151	-	-	-	-	-
Interest and fiscal charges	3	8	12	17	21	-	-	-	-	-
Total expenditures	3,742	4,328	3,892	3,549	2,961	2,726	2,418	2,641	2,354	2,183
Excess of revenues over (under) expenditures	363	(155)	(64)	89	666	428	499	560	477	771
Other financing sources (uses)										
Transfers in	103	179	25	-	-	-	-	-	307	51
Transfers out	-	(10)	(10)	(131)	(54)	(303)	(372)	(444)	(625)	(386)
Capital Lease	-	-	-	-	-	800	-	-	-	-
Total other financing sources (uses)	103	169	15	(131)	(54)	497	(372)	(444)	(318)	(335)
Net change in fund balances	$ 466	$ 14	$ (49)	$ (42)	$ 612	$ 925	$ 127	$ 116	$ 159	$ 436
Debt service as a percentage of noncapital expenditures	4.96%	4.03%	4.77%	5.82%	5.91%	0.00%	0.00%	0.00% (1)	0.00% (1)	0.00%

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

CITY OF AVONDALE ESTATES, GEORGIA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN YEARS

(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax (1)	Franchise Tax	Insurance Premium Tax	Occupational Tax	HOST Sales Tax	SPLOST (2)	Other Taxes	Total
2009	$ 1,905	$ 226	$ 145	$ 98	$ -	$ -	$ 44	$ 2,418
2010	1,797	180	140	91	-	-	45	2,253
2011	1,793	189	139	78	366	-	47	2,612
2012	1,534	189	147	80	302	-	56	2,308
2013	1,666	179	153	89	236	-	53	2,376
2014	1,700	170	146	101	471	-	50	2,638
2015	1,829	186	156	128	419	-	63	2,781
2016	1,990	191	156	119	504	-	80	3,040
2017	2,113	192	196	121	536	-	78	3,236
2018	2,261	217	212	122	131	329	95	3,367

(1) Property taxes include auto ad valorem taxes

(2) In May 2018 the HOST was replaced by a Special Purpose Local Option Sales Tax (SPLOST)

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				Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Public Utility	Personal Property	Motor Vehicle					
2009	$ 154,377	$ 773	$ 2,303	$ 9,411	$ 3,933	$ 162,931	11.000	$ 402,182	40.51%
2010	154,202	819	2,156	7,917	3,876	161,218	11.000	403,045	40.00%
2011	155,276	837	2,337	7,854	117	166,187	10.957	415,468	40.00%
2012	129,159	1,152	2,711	8,015	231	140,806	10.957	352,015	40.00%
2013	138,170	1,213	1,750	8,451	211	149,373	10.957	373,433	40.00%
2014	145,302	1,114	1,656	7,456	469	155,059	10.957	387,648	40.00%
2015	175,082	1,145	1,628	5,565	371	183,049	9.957	457,623	40.00%
2016	186,008	1,218	2,210	4,307	489	193,254	9.957	483,135	40.00%
2017	198,972	1,281	2,699	3,999	513	206,438	9.957	516,095	40.00%
2018	217,074	1,401	2,653	2,436	550	223,014	9.800	557,535	40.00%

Source: Dekalb County, Georgia Board of Tax Assessors
Larita Ellis, Lyda Steadman

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			
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
2016	9.957	0.000	9.957	44.59	0.00	54.547
2017	9.957	0.000	9.957	44.09	0.00	54.047
2018 (1)	9.800	0.000	9.800	44.09	0.00	53.890

(1) Mil rates for 2018 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)

	Fiscal Year 2018			Fiscal Year 2009		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
278 Oak Holdings LLC	$ 1,892	1	0.85 %	$ -		0.00 %
Joseph Gargiulo	978	2	0.44	-		0.00
Georgia Power Co.	932	3	0.42	526	5	0.34
4110 Memorial Investment LLC	770	4	0.35	-		0.00
TOSC Properties LLC	601	5	0.27	-		0.00
CEED Properties	540	6	0.24	-		0.00
Wild Heaven Craft Beers	531	7	0.24	-		0.00
OCP Avondale LLC	513	8	0.23	-		0.00
Dave Ladet	479	9	0.21	451	7	0.29
TT and G LLC	476	10	0.21	-		0.00
Century AG Avondale LLC	-		0.00	2,192	1	1.42
Georgia Duck and Cordage Mill	-		0.00	979	2	0.63
Michael Plasker	-		0.00	682	3	0.44
Harold C Johnson Jr	-		0.00	540	4	0.35
KJA/Eckerd #1 LLC	-		0.00	494	6	0.32
Michael Gerard	-		0.00	420	8	0.27
William Spencer Rosenfeld	-		0.00	410	9	0.27
Rite Aid 11690	-		0.00	389	10	0.25
	$ 7,712		3.46 %	$ 7,083		4.59 %

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
2009	$ 1,561	1,541	98.7%	$ 20	$ 1,561	100.00%
2010	1,723	1,676	97.3%	47	1,723	100.00%
2011	1,665	1,663	99.9%	2	1,665	100.00%
2012	1,414	1,392	98.4%	22	1,414	100.00%
2013	1,499	1,461	97.5%	38	1,499	100.00%
2014	1,566	1,550	99.0%	16	1,566	100.00%
2015	1,725	1,666	96.6%	59	1,725	100.00%
2016	1,834	1,799	98.1%	35	1,834	100.00%
2017	1,960	1,923	98.1%	35	1,958	99.90%
2018	2,099	2,066	98.4%	0	2,066	98.43%

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			
2009	$ -	$ -	$ - (2)	$ -	$ 33 (2)	$ 33	0.03%	11
2010	-	-	-	-	12 (2)	12	0.01%	4
2011	-	-	-	-	- (3)	-	0.00%	-
2012	-	-	-	-	-	-	0.00%	-
2013	-	-	800 (4)	-	-	800	0.60%	264
2014	-	-	649 (4)	-	-	649	0.47%	212
2015	-	-	494 (4)	-	-	494	0.36%	160
2016	-	-	334 (4)	-	-	334	0.24%	108
2017	-	-	169 (4)	-	-	169	0.11%	54
2018	-	-	- (3)	-	-	-	0.00%	-

(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.

CITY OF AVONDALE ESTATES, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

(amounts expressed in thousands)

	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Avondale Estates (1)	Amount Applicable to City of Avondale Estates
Overlapping General Obligation Debt:			
Dekalb County	$ 270,470	0.764%	$ 2,068
Fulton Dekalb Hospital Authority	-		-
Total overlapping debt	270,470		2,068
City direct debt	-	100.000%	-
Total direct and overlapping debt	$ 270,470		$ 2,068

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 the taxable assessed property values below. 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	$	245,926
Add back: exempt real property		669
Total assessed value		246,595
Debt limit (10% of total assessed value)		24,660
Legal debt margin	$	24,660

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 or after the end of 2018.

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)
2009	2,954	$ 112,818	38	42.9	67%	450	9.1%
2010	2,960	129,930	44	42.9	67%	462	10.5%
2011	2,965	112,485	38	45.0	67%	637 (5)	9.7%
2012	2,985	119,361	40	45.0	67%	824 (5)	8.9%
2013	3,030	134,177	44	45.0	68%	784 (5)	10.4%
2014	3,058	137,272	45	45.0	70%	898 (5)	6.8%
2015	3,088	137,637	45	44.7	75%	926 (5)	4.1%
2016	3,129	155,488	50	44.6	75%	912 (5)	4.1%
2017	3,159	166,452	53	46.8	75%	962 (5)	4.1%
2018	3,173	177,204	56	47.7	76%	1,028 (5)	3.6%

(1) Source: U.S. Census (available every tenth year), USCB population estimates

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

(3) Source: 2017 American Community Survey

(4) Source: Georgia Department of Labor

CITY OF AVONDALE ESTATES, GEORGIA

PRINCIPAL EMPLOYERS
LAST SEVEN YEARS

2018 Employers	2017 Employers	2016 Employers	2015 Employers	2014 Employers
Community Development Institute	Ace & A Heating and Air	Arborguard Tree	Ace & A Heating and Air	Ace & A Heating and Air
Davey Tree, dba Arborguard	Arborguard Tree Service	Globe Chemical	Arborguard Tree	Arborguard Tree
Globe Chemical	Globe Chemical	Jollay Masonry	DeKalb Collision Center	Avondale Pizza Café
Jollay Masonry	Jollay Masonry	Lanier Jones Mechanical	Globe Chemical	DeKalb Collision Center
Lanier-Jones	LifeLine Animal Project	LifeLine Animal Project	Jollay Masonry	Jollay Masonry
LifeLine Animal Project	Mann Mechanical	Mann Mechanical	Lanier Jones Mechanical	Mann Mechanical
Mann Mechanical	PCA Head Start	PCA Head Start	Mann Mechanical	Paste
Rite Aid # 11690	Rite Aid # 11690	Rite Aid # 11690	PCA Head Start	PCA Head Start
Savage Pizza	Savage Pizza	Savage Pizza	Rite Aid # 11690	Rite Aid # 11690
Waffle House # 1000	Waffle House # 1000	Waffle House # 1000	Waffle House # 1000	Waffle House # 1000

2013 Employers	2012 Employers
Ace & A Heating and Air	Ace & A Heating and Air
Arborguard Tree	Arborguard Tree
Avondale Pizza Café	Avondale Pizza Café
DeKalb Collision Center	DeKalb Collision Center
Jollay Masonry	Jollay Masonry
Mann Mechanical	Mann Mechanical
Paste	Paste
Rite Aid # 11690	Rite Aid # 11690
Simon Roofing	Simon Roofing
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. Additional years will be added as information becomes available.

CITY OF AVONDALE ESTATES, GEORGIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Function										
General government	**8**	8	8	8	8	7	7	6	6	5
Public safety										
Police										
Officers	**14**	14	14	13	13	12	12	12	12	12
Public Works	**2**	2	2	2	2	2	2	2	2	2
Sanitation	**11**	11	11	11	12	11	11	11	11	11
Culture & Recreation	**7**	7	6	6	3	6	6	6	6	6
Total	**42**	42	41	40	38	38	38	37	37	36

Source: City of Avondale Estates department records

CITY OF AVONDALE ESTATES, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	**2018**	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police										
Homicide	-	-	-	-	-	-	-	-	1	-
Robbery	**2**	2	4	1	-	3	2	2	3	-
Aggravated Assault	-	3	1	-	1	4	1	3	-	1
Auto Theft	**4**	5	3	6	2	8	5	8	8	8
Burglary	**13**	14	18	12	7	9	25	8	7	18
Larceny/Theft	**58**	44	48	49	37	66	65	53	80	59
Municipal Court										
Traffic Citations Issued	**3,104**	2,870	2,580	3,030	3,123	4,368	2,929	2,965	3,155	3,127

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

Function	**2018**	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public safety										
Police										
Stations	**1**	1	1	1	1	1	1	1	1	1
Patrol units	**-**	-	-	-	-	-	-	-	-	-
Public Works										
Streets (miles)	**19**	19	19	19	**(1)** 18	18	18	18	18	18
Number of Street Lights	**387**	387	(2) 385	385	**(1)** 369	369	369	369	369	369
Collection Trucks	**3**	3	-	-	-	-	-	-	-	-
Dump Trucks	**-**	-	-	-	-	-	-	-	-	-
Street Sweeper	**-**	-	-	-	-	-	-	-	-	-

Source: Various City departments

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

(1) Increase due to annexation

(2) Increase due to Maple Street installation

GOVERNMENTAL REPORT

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, 2018, 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 June 13, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be material weaknesses.

1503 Bass Road
P.O. Box 6315 Macon, Georgia 31208-6315
Phone 478-742-3313 ■ Fax 478-742-0316

Member of
American Institute of
Certified Public Accountants
www.clhp.com

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

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.*

City of Avondale Estates, Georgia's Response to Findings

City of Avondale Estates, Georgia's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Avondale Estates, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macon, Georgia
June 13, 2019

CITY OF AVONDALE ESTATES, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2018 due to the total amount expended being less than $750,000.

Section II – Financial Statement Findings

Findings noted on the 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*:

2018-001 – General Ledger Maintenance

CRITERIA
Timely and accurate financial reports are essential in order to perform analysis of the financial condition of the City, review data for accuracy and completeness, and to prepare annual financial statements.

CONDITION
In performing year-end audit procedures, we identified that the City posted the capital lease debt service principal payment to fund balance in error.

CONTEXT
A material audit adjustment of $169,499 was required to correct the reporting of the capital lease debt service principal payment and fund balance.

EFFECT
The City understated capital lease debt service principal expenditures and fund balance.

CAUSE
The City did not have adequate internal control procedures in place to insure that all capital lease debt service expenditures were properly recorded in the general ledger.

RECOMMENDATION
The City should establish procedures to insure the proper recording of capital lease debt service expenditures.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management concurs with the finding, and the reporting error has been corrected. In the future, the City will ensure that a qualified contractor is employed and monitored during times of transition in the accounting department, and that controls will be implemented in all circumstances to ensure proper recording of debt service expenditures.

2018-002 – Downtown Development Authority of Avondale Estates (Component Unit) – Debt Issuances

CRITERIA
In accordance with generally accepted accounting principles, governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The issuance of long-term debt is a source of current financial resources, and therefore should be reported as an other financing source.

CONDITION
The Authority did not record the proceeds of draw down number one on the Downtown Development Authority of Avondale Estates Taxable Revenue Bond, Series 2018 issuance and the corresponding issuance cost.

CONTEXT
A material audit adjustment of $64,850 was required to record debt proceeds and the corresponding issuance cost.

EFFECT
The Authority understated other financing sources and expenditures.

CAUSE
The Authority did not have adequate internal control procedures in place to insure the recording and proper classification of long-term debt transactions and the corresponding issuance cost.

RECOMMENDATION
The Authority should establish procedures to insure the proper recording of long-term debt transactions.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
Management of the Downtown Development Authority (DDA) concurs with the finding, and the error has been corrected. In the future, the DDA will ensure that a qualified contractor is employed and monitored during times of transition in the Treasurer and Board positions, and that controls will be implemented in all circumstances to ensure proper recording of long-term debt issues.