CITY OF EATONTON, GEORGIA

REPORT OF AUDIT

AUGUST 31, 2011

CITY OF EATONTON, GEORGIA
Annual Financial Report
For The Year Ended August 31, 2011

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report iv

Management's Discussion and Analysis (Unaudited) ..... MD&A 1 – MD&A 13

Basic Financial Statements

Government-wide Financial Statements 1
Statement of Net Assets 2
Statement of Activities 3

Fund Financial Statements 4
Governmental Funds:
Balance Sheet 5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 6
Statement of Revenues, Expenditures and Changes in Fund Balances 7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – *General Fund and Capital Reserve Fund* 9
Proprietary Funds:
Statement of Net Assets 10
Statement of Revenues, Expenses, and Changes in Fund Net Assets 11
Statement of Cash Flows 12
Notes to the Basic Financial Statements 13

Supplementary Information
Combining and Individual Fund Statements and Schedules:

Governmental Funds 32

Nonmajor Governmental Funds:
Combining Balance Sheet – By Fund Type 33
Combining Statement of Revenues, Expenditures and Changes In Fund Balances By Fund Type 34

General Fund 35
Comparative Balance Sheet 36
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances 37
Schedule of Revenues - Budget and Actual 38
Schedule of Expenditures - Budget and Actual 39

TABLE OF CONTENTS CONTINUED

Special Revenue Funds 43
Major Special Revenue Fund
Capital Reserve Fund
Comparative Balance Sheet 44
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual 45
Nonmajor Special Revenue Funds
Combining Balance Sheet 46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance 47
Hotel / Motel Tax Fund
Comparative Balance Sheet 48
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual 49
Police Condemnation Fund
Comparative Balance Sheet 50
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual 51
Youth Services Grant Fund
Comparative Balance Sheet 52
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual 53

Capital Projects Funds 54
Nonmajor Capital Project Funds
Combining Balance Sheet 55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 56
Special Local Option Sales Tax Fund
Comparative Balance Sheet 57
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances 58
Community Development Block Grant Fund, #6: 10p-x-117-2-5279
Comparative Balance Sheet 59
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance 60
Statement of Source and Status of Funds 61
Statement of Project Costs 62

Proprietary Funds 63
Major Enterprise Fund
Natural Gas Fund
Comparative Statement of Net Assets 64
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets 65
Comparative Statement of Cash Flows 66

TABLE OF CONTENTS CONTINUED

Nonmajor Enterprise Fund
Revolving Loan Fund
Comparative Statement of Net Assets 67
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets 68
Statement of Net Assets as of June 30, 2011 69
Comparative Statement of Cash Flows 70

SPECIAL REPORTS SECTION

Special Reports 71
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 72
Schedule of Financial Statement Findings and Responses 74
Independent Auditor's Report on Special One Percent Sales and Use Tax 75
Schedule of Projects Constructed with Special Sales Tax Proceeds 76

DAVID GIDDENS
CERTIFIED PUBLIC ACCOUNTANT
412 WEST MARION STREET
EATONTON, GEORGIA 31024

TELEPHONE (706)-485-5555

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Eatonton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Eatonton, Georgia, as of and for the year ended August 31, 2011. These collectively comprise the City's basic financial statements, as listed in the table of contents. The financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's August 31, 2010 financial statements; in our report dated January 6, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

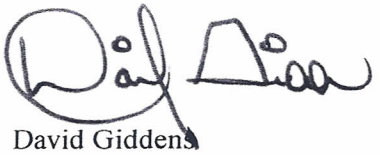
In our opinion the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Eatonton, Georgia, as of August 31, 2011. As well, the respective changes in financial position and, where applicable, the cash flows thereof, and the respective budgetary comparisons for the General Fund and the major special revenue fund, are fairly presented in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It is not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which immediately follows this report, be presented to supplement the basic financial statements. Although not a part of the basic financial statements, this information is required by the Governmental Accounting Standards Board. The Board considers this information to be essential for placing the basic financial statements in an appropriate operational, economic and/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. These procedures consisted principally of inquiries of management regarding 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. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eatonton's financial statements as a whole. In addition to the required elements of the basic financial statements, the combining and individual, nonmajor fund financial statements are presented for purposes of additional analysis. These statements are the responsibility of management. They were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements. This includes comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves as well as additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, they are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David Giddens
Certified Public Accountant
Eatonton, Georgia

August 29, 2012

Management's Discussion and Analysis
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Eatonton, Georgia (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the City's financial activities for the fiscal year ended August 31, 2011. These financial activities and their results are discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This information should be read and considered in conjunction with the financial statements.

Economic Conditions Effecting the City

The leadership of the city council and the mayor provides the backdrop for financial transactions. Some of the decisions, accomplishments and challenges of the 2011 fiscal year are noted in this discussion. Overall, the multi-year economic downturn has challenged City legislators and administrators to maintain services despite decreased revenues. To do so, reductions to routine expenditures and draw downs of accumulated fund balances have been necessary.

Never-the-less, the City continues to plan and to work for improved and expanded infrastructure.

- Specifically, a Community Development Block Grant is providing partial funding to install new storm drain mains, rehabilitate sewer lines and provide new fresh water supply lines for about 70 residents on three different streets. Additionally, a larger grant for similar work has been confirmed. This project will impact a greater number of City residents.

- County voters approved a special purpose local option sales tax (SPLOST). Through an intergovernmental agreement negotiated with Putnam County, the City will share in these tax proceeds. In accordance with the referendum, this tax will fund capital improvement projects. Collections began in October 2011. Sales tax revenues are recovering from the decreased collections of recent years.

- Natural gas service is being extended to Lake Oconee. The line is under construction. SPLOST will provide funding for another branch of this line.

- By swapping parcels of property with a real estate investor, the City obtained land to provide a parking lot in the downtown area. SPLOST proceeds will also be used for paving this lot.

- Ground has been broken for a new hospice hospital in Eatonton.

Financial Highlights

The City continues to maintain a stable financial position:

- The City's assets exceeded its liabilities by $11,834,263 (net assets) at fiscal year end. Total net assets is composed of $6,560,557 for all governmental activities and $5,273,706 for all business-type activities.

- Over the course of this year, total net assets decreased by $726,877. Governmental activities spent $1,015,705 more than they received. Business type activities increased their collective net assets by $288,828.

- Total net assets are comprised of the following:

(1) Capital assets of $6,282,214 are presented net of accumulated depreciation. There is no outstanding debt on these assets. They include property; buildings and improvements; utility systems; furniture, fixtures, machinery and equipment.

(2) Prepaid insurance premiums of $38,695 are nonspendable.

(3) Net assets of $1,030,965 are restricted by constraints imposed by sources outside the city government. Restrictions on spending these amounts are required by grantors, laws and regulations.

(4) The City Council has committed $370,555 for capital outlay; $717,089 for stabilization; and $482,699 for emergencies.

(5) At year end, the Council assigned $20,000 for appropriations in the fiscal year 2012 budget. In addition, $8,823 was assigned for development.

(6) The amount remaining after these restraints is $2,892,045. This amount is classified as unassigned. It represents the portion available to maintain the City's ongoing services.

The highlights noted above are examined in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

The City's basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. In addition to the basic financial statements, this report includes financial statements on each individual fund, along with combining statements of nonmajor funds.

Government-wide Financial Statements

This annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets.* This reports the government-wide financial position, including all of the City's assets and liabilities, with the difference reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether financial position, as a whole, is improving or deteriorating.

In addition to the information contained in this report, evaluation of the City's overall financial health extends to other factors such as stability of the tax base and condition of infrastructure.

The second government-wide statement is the *Statement of Activities,* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included, regardless of when cash is received or paid. The statement of activities is designed to show the financing sources for the City's distinct activities and functions.

Both government-wide financial statements distinguish between governmental activities, which are principally supported by sales and other taxes, and business-type activities, which are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government,

municipal court, public safety, public works, health and welfare, culture and recreation, and housing and development. Business-type activities include providing natural gas services and providing financing to promote local employment.

The government-wide financial statements are presented on pages 2 and 3 of this report.

Fund Financial Statements

A fund is a separate accounting entity used to segregate specific activities or objectives and their related financial transactions. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, the fund financial statements focus on the City's most significant funds rather than on the government as a whole. Major funds are separately reported while all others are aggregated into a single presentation. Individual fund financial statements for all funds, including nonmajor funds, is provided in latter sections of this report.

The City has two kinds of funds:

Governmental funds, as reported in the fund financial statements, encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus of fund financial statements is very different from that of the government-wide statements. Fund statements report short-term fiscal accountability focusing on the balances and uses of spendable resources. Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide a more complete picture of financial activity and financial position. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

Governmental funds include the General Fund, all special revenue funds and all capital projects funds. A budget comparison statement for the General Fund and the Capital Reserve Fund is presented as a basic financial statement. The basic governmental fund financial statements are presented on pages 5 – 9 of this report.

Proprietary funds are used to account for activities which are financed, in whole or in part, with user fees charged to external customers for services provided. These funds encompass the same functions reported as business-type activities in the government-wide statements. At both the government-wide and fund reporting levels, proprietary funds present changes in total net assets. Proprietary funds include the Natural Gas Fund and the Revolving Loan Fund. The basic proprietary fund financial statements are presented on pages 10 – 12 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 13 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents individual and nonmajor, combining fund financial statements. These may be found beginning on page 32. Budgetary

comparison schedules for the General Fund and each, individual special revenue fund are found in this section of the report. These schedules demonstrate compliance with the City's budget.

Financial Analysis of the City as a Whole

The table on page MD&A 6, ***Summary of Net Assets,*** presents summarized components of net assets at the current and previous years' end. From year to year, changes in net assets may be compared and used to analyze the changing financial position of the City as a whole.

In comparing the current and previous years, the bottom line shows a decrease in net assets of governmental activities (13.4%), and an increase in net assets of business-type activities (5.8%). Governmental Activities include the activities of seven governmental funds. Business-type activities are accounted for in two funds. Of these nine funds, seven show decreases to fund balance / net assets for the year. This is because revenues decreased by greater amounts than expenditures. Expenditures of equity have allowed the City to maintain services to citizens. In considering individual funds, only Natural Gas Fund net assets increased materially. In the following pages each fund will be analyzed individually.

Overall, the City has a high current ratio. The current ratio compares current assets to current liabilities. It is an indication of ability to pay current obligations. The City is well able to do so, as the current ratio for governmental activities is 5.5 to 1 (decreased from 10.7 to 1 last year). The business-type activities ratio is 21.9 to 1 (decreased from 26.8 to 1 previously). For the City overall, the current ratio is 8.8 to 1. The prior year's ratio was 15.3 to 1.

The City carries no outstanding debt related to capital assets or general obligations. The only long term debt represents estimates of unused annual leave benefits.

The table further shows that 53.1% of total net assets are composed of capital assets (land and improvements, buildings, furniture, fixtures, machinery, equipment, roads, bridges, sidewalks and natural gas delivery system). General infrastructure assets include roads and bridges acquired after September 1, 2003. The amount presented in the table represents cost less accumulated depreciation, or book value. More detailed discussion of capital assets is included further in this analysis.

A second table, ***Summary of Revenues, Expenses and Changes in Net Assets*** is presented on page MD&A 7. As noted in the introductory comments, the net assets decreased for governmental activities and increased for business-type activities.

Entity wide, taxes are the City's greatest source of revenues (51%). Thanks to an increase in sales tax collections, total taxes were up slightly, (2.4%). Charges for services were the second greatest contributor to overall revenues.

A small decrease in expenditures was achieved. As in previous years, expenditures were greatest for the functions of public safety, natural gas delivery and public works. Housing and Development showed the largest increase in program expenses. This is not a reflection of operating costs. Rather, it resulted from a donation of land to the Eatonton Downtown Development Authority, so the Authority can use this property to attract development.

In 2010, prior period adjustments were made to the beginning net asset balances of both governmental and business-type activities. For more information about these adjustments, please see Note 3-H-3.

Summary of Net Assets

	August 31, 2011				August 31, 2010			
	Governmental Activities	Business-type Activities	Total	% of Total	Governmental Activities	Business-type Activities	Total	% of Total
Assets:								
Current assets	2,940,750.51	2,992,837.93	5,933,588.44	47.1%	3,331,018.68	3,374,544.89	6,705,563.57	51.3%
Restricted assets	370,555.14	0.00	370,555.14	3.0%	374,381.01	0.00	374,381.01	2.9%
Capital assets, net of accumulated depreciation	3,847,071.61	2,435,142.42	6,282,214.03	49.9%	4,237,272.19	1,750,958.51	5,988,230.70	45.8%
Total assets	7,158,377.26	5,427,980.35	12,586,357.61	100.0%	7,942,671.88	5,125,503.40	13,068,175.28	100.0%
Liabilities:								
Current liabilities	536,112.67	136,499.27	672,611.94	89.4%	312,468.26	125,788.80	438,257.06	86.4%
Long-term liabilities	61,707.77	17,775.22	79,482.99	10.6%	53,941.92	14,836.46	68,778.38	13.6%
Total liabilities	597,820.44	154,274.49	752,094.93	100.0%	366,410.18	140,625.26	507,035.44	100.0%
Net assets:								
Invested in capital assets	3,847,071.61	2,435,142.42	6,282,214.03	53.1%	4,237,272.19	1,750,958.51	5,988,230.70	47.7%
Nonspendable	38,695.27	3,139.05	41,834.32	0.4%	0.00	3,139.05	3,139.05	0.0%
Restricted	936,175.49	94,789.40	1,030,964.89	8.7%	986,332.00	116,738.85	1,103,070.85	8.8%
Committed	1,374,591.57	195,751.80	1,570,343.37	13.3%	1,444,857.18	202,500.90	1,647,358.08	13.1%
Assigned	28,823.43	0.00	28,823.43	0.2%	10,124.65	0.00	10,124.65	0.1%
Unassigned	335,199.45	2,544,883.19	2,880,082.64	24.3%	897,675.68	2,911,540.83	3,809,216.51	30.3%
Total net assets	6,560,556.82	5,273,705.86	11,834,262.68	100.0%	7,576,261.70	4,984,878.14	12,561,139.84	100.0%

Summary of Revenues, Expenses and Changes in Net Assets

	For the year ended August 31, 2011				For the year ended August 31, 2010			
	Governmental Activities	Business-type Activities	Total	% of Total	Governmental Activities	Business-type Activities	Total	% of Total
Revenues								
Program:								
Charges for services	527,641.97	2,012,623.45	2,540,265.42	43.15%	534,525.80	2,340,105.36	2,874,631.16	44.08%
Operating grants	189,059.66	0.00	189,059.66	3.21%	308,457.55	112,187.11	420,644.66	6.45%
Capital grants	100,600.00	0.00	100,600.00	1.71%	218,167.00	0.00	218,167.00	3.35%
General:								
Taxes	3,007,488.42	0.00	3,007,488.42	51.09%	2,935,369.67	0.00	2,935,369.67	45.02%
Other	31,601.69	17,611.53	49,213.22	0.84%	49,550.18	22,047.87	71,598.05	1.10%
Total Revenues	3,856,391.74	2,030,234.98	5,886,626.72	100.00%	4,046,070.20	2,474,340.34	6,520,410.54	100.00%
Program Expenses								
General government	778,858.29	0.00	778,858.29	11.78%	877,805.99	0.00	877,805.99	12.92%
Judicial	18,391.64	0.00	18,391.64	0.28%	16,337.96	0.00	16,337.96	0.24%
Public safety	1,935,417.59	0.00	1,935,417.59	29.26%	2,140,536.71	0.00	2,140,536.71	31.52%
Public works	1,454,205.15	0.00	1,454,205.15	21.99%	1,499,842.37	0.00	1,499,842.37	22.08%
Health and welfare	2,958.01	0.00	2,958.01	0.04%	3,616.83	0.00	3,616.83	0.05%
Culture and recreation	226,037.90	0.00	226,037.90	3.42%	204,103.86	0.00	204,103.86	3.01%
Housing and development	456,228.04	0.00	456,228.04	6.90%	218,605.71	0.00	218,605.71	3.22%
Natural gas service	0.00	1,717,539.11	1,717,539.11	25.97%	0.00	1,829,637.71	1,829,637.71	26.94%
Employment incentive financing	0.00	23,868.15	23,868.15	0.36%	0.00	1,269.19	1,269.19	0.02%
Total Expenses	4,872,096.62	1,741,407.26	6,613,503.88	100.00%	4,960,849.43	1,830,906.90	6,791,756.33	100.00%
Change in Net Assets	(1,015,704.88)	288,827.72	(726,877.16)		(914,779.23)	643,433.44	(271,345.79)	
Net Assets at Beginning of Year	7,576,261.70	4,984,878.14	12,561,139.84		8,480,837.89	4,323,020.70	12,803,858.59	
Prior Period Adjustment	0.00	0.00	0.00		10,203.04	18,424.00	28,627.04	
Net Assets at End of Year	6,560,556.82	5,273,705.86	11,834,262.68		7,576,261.70	4,984,878.14	12,561,139.84	

Financial Analysis of Individual City Funds

The greatest influence which can be exercised by elected officials and administrators (management) is on the operations of the General Fund and the Natural Gas (enterprise) Fund. In contrast, special revenue funds and capital project funds, by definition, must adhere to specific mandates regarding their sources of revenue and purposes of expenditures. Thus, to a large extent, management of these funds is guided by these mandates.

In addition to analysis, tables summarizing activity and changes in fund balance are presented for each of the City's major funds, on the following pages.

Governmental Funds

During fiscal year 2011, the City's governmental funds included the General Fund, four special revenue funds and two capital projects funds. As previously noted, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

The General Fund

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. Financial statements of the General Fund may be found beginning on page 35.

Summary of General Fund Activity and Changes in Fund Balance - Budget and Actual

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Total Revenues	4,278,813.00	4,289,687.00	3,681,923.27	(607,763.73)	3,695,707.80
Total Expenditures	4,288,813.00	4,401,187.00	4,230,734.59	(170,452.41)	4,682,476.51
Excess (Deficiency) of Revenues	(10,000.00)	(111,500.00)	(548,811.32)	(437,311.32)	(986,768.71)
Operating Transfers In	10,000.00	10,000.00	10,000.00	0.00	10,000.00
Allocation of Fund Balance	0.00	101,500.00	0.00	(101,500.00)	0.00
Net Change in Fund Balance	0.00	0.00	(538,811.32)	(538,811.32)	(976,768.71)
Fund Balance at Beginning of Year			1,901,733.09		2,868,298.76
Prior Period Adjustment			0.00		10,203.04
Fund Balance at End of Year			1,362,921.77		1,901,733.09

Fiscal year 2011 marks the third year of decreased General Fund revenues. Most recently, the decline from 2010 to 2011 was slight, 0.4%. A decrease in intergovernmental grants contributed to the decline. However, local option sales tax, the General Fund's greatest source of revenue, increased by 4%. Expenditures, on the other hand, were reduced by 9.6% during the 2011 year. 2011 was typical in that the greatest portion of General Fund expenditures supports public safety (45%) and public works (32%).

The result of activities was a decrease to fund balance of $538,811, or 28%. This follows a decline of 34% in fiscal year 2010. Of the remaining fund balance at August 31, 2011, $1,362,922, roughly one third of this amount, is unassigned. The City Council has adopted financial policies which establish a reserve for contingencies/emergencies; the policy on stabilization funds calls for 10% of budgeted operating expenditures plus

10% of budgeted general government expenditures to be held in reserve. In addition, the General Fund holds certificates of deposits which are restricted for capital outlay.

During the course of the year, the budget was amended to reflect actual outcomes. Appropriations were shifted and a portion of the fund balance was allocated to authorize increased funding for public safety, public works, culture and recreation, and housing and development. As may be expected, variations occurred between budget amounts and actual results. Expenditures did not exceed the final budget for any General Fund functions.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City utilizes four special revenue funds; of these, only the Capital Reserve Fund is a major fund. Summary information on each fund follows.

The Capital Reserve Fund – A major fund, the Capital Reserve Fund, as the name implies, serves to preserve capital and to expend investment earnings, according to ordinance. The corpus of this fund was established by preserving the initial 12 months' proceeds of local option sales tax collections. These proceeds are invested in bank certificates of deposit. Interest earnings are expended for cemetery care; to support local, non-profit, civic organizations; and to support other operations of City government.

The Capital Reserve Fund, fund balance is reserved for program purposes. Specifically, a City Council resolution reserves a portion of these funds for emergencies, as defined in the resolution. Further, expenditure of the final $500,000.00 requires a local referendum.

As the Capital Reserve Fund's certificates of deposit matured during the course of the year, they renewed at lower interest rates. Consequently, as compared to the prior year, revenues decreased by 40%. In addition to interest earnings, 1.5% of fund balance was used to support expenditures for programs. As may be seen in the following table, expenditures were held within budgeted appropriations.

Summary of Capital Reserve Fund Activity and Changes in Fund Balance - Budget and Actual

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Total Revenues	25,000.00	25,000.00	17,335.60	(7,664.40)	28,997.53
Total Expenditures	33,700.00	33,700.00	32,863.54	(836.46)	24,377.85
Excess (Deficiency) of Revenues	(8,700.00)	(8,700.00)	(15,527.94)	(6,827.94)	4,619.68
Operating Transfers Out	(10,000.00)	(10,000.00)	(10,000.00)	0.00	(10,000.00)
Allocation of Fund Balance	18,700.00	18,700.00	0.00	(18,700.00)	0.00
Net Change in Fund Balance	0.00	0.00	(25,527.94)	(25,527.94)	(5,380.32)
Fund Balance At Beginning of Year			1,008,227.17		1,013,607.49
Fund Balance At End of Year			982,699.23		1,008,227.17

Capital Reserve Fund Financial Statements may be found beginning on page 44.

Nonmajor Special Revenue Funds – These funds serve citizenry in very focused ways. A description of each fund follows this paragraph. Collectively, their financial proportion is small as compared to the government as a whole. The combined fund balances of the City's three nonmajor special revenue funds, $74,032, comprise just

2.6% of total governmental fund balances of $2,790,620. The combined annual activity of these funds resulted in a $7,590 decrease to their combined fund balance.

Combining and individual fund financial statements begin on page 46.

- The **Hotel / Motel Tax Fund** serves to account for taxes collected on overnight lodging rentals. These taxes are collected and expended in accordance with Georgia law. Consequently, a minimum of forty per cent of tax proceeds must be committed to promoting tourism. Over and above the minimum, 100% of expenditures were directed toward promoting tourism during fiscal year 2011. Financial statements of the Hotel / Motel Tax Fund begin on page 48.

- The **Police Condemnation Fund** serves to account for net proceeds of confiscated items which were seized in drug related crimes. Expenditures are legally restricted to purchases of law enforcement materials and equipment. The Police Condemnation Fund financial statements begin on page 50.

- The **Youth Services Grant Fund** serves to account for grant proceeds which are designated, to support youth and families. A state of Georgia Family Connection grant of $44,000 provided the majority of funding for these services. The Youth Services Grant Fund financial statements begin on page 52.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources which are dedicated to the acquisition or construction of capital facilities (other than those financed by proprietary funds). These funds are created and presented in the financial statements for the life of their project(s). Capital Projects Funds utilize project based (rather than annual) budgets. Their fund balances are reserved in accordance with the sales tax referendum or grant agreements. During this fiscal year, the City used two capital projects funds to account for intergovernmental revenues generated by sales tax proceeds and capital grant proceeds. Both are nonmajor funds.

Special Purpose Local Option Sales Tax Fund – The SPLOST Fund, is used to account for special purpose local option sales taxes which are collected as a result of a county resolution. Proceeds are shared with the City for municipal projects, as specified in an intergovernmental agreement. Consequently, expenditures are made in accordance with this agreement, and the fund balance is reserved for specified projects. Collections of this tax began in October 2005. The amount of collections designated for City projects, in the referendum, were fully collected in February 2009. With the exception of interest earnings on the checking account balance, activity in this fund consists of expenditures of the remaining proceeds from this tax.

Financial statements for the SPLOST Fund may be found beginning on page 57. In addition, a schedule of projects constructed with special sales tax proceeds may be found on page 76. Still more information may be found in the notes to the financial statements, note 3-I.

Federal grants provided the funding for the **Community Development Block Grant Fund #6**. This project funds improvements to streets, drainage, water and sewer lines. The City's participation is accounted for in the General Fund. As work was just beginning, financial activity during 2011was minimal. Typically, grant proceeds are drawn down to pay for work as each project progresses. Draw downs are paid out almost immediately. Thus, revenues and expenditures are roughly equal, and fund balance is minimal. Financial statements for the CDBG #6 Fund may be found beginning on page 59.

Proprietary Funds

Proprietary funds are used to account for activities which are financed, in whole or in part, with user fees charged to external customers for services provided. Two City operations utilize proprietary fund accounting. Of these, the Natural Gas Fund is a major fund.

Natural Gas Fund – is used to account for the provision of natural gas services. Financial statements may be found beginning on page 64. A summary of Natural Gas Fund activity and changes in fund balance is presented as follows.

Natural Gas Fund
Summary of Activity and Changes in Net Assets

	2011	2010
Operating Revenues	2,014,518.99	2,340,822.81
Operating Expenses	1,592,789.12	1,829,637.71
Operating Income (Loss)	421,729.87	511,185.10
Non-operating Revenues (Expenses)	(110,952.70)	131,017.81
Change in Net Assets	310,777.17	642,202.91
Net Assets at Beginning of Year	4,868,139.29	4,207,512.38
Prior Period Adjustment	0.00	18,424.00
Net Assets at End of Year	5,178,916.46	4,868,139.29

The overall result of annual activities was an increase in net assets of $310,777, a change of 6%. Natural gas sales provide the bulk of operating revenues. Because gas usage is largely determined by residential and commercial heating needs, sales fluctuate with the weather. The 2010 – 2011 winter was mild. The previous winter was a cold one. As a result, operating revenues fell off by 14% from the prior year. Concurrently, operating expenses were decreased by 13%.

A varying amount of uncollectible customer accounts must be routinely written off. Such write offs reduce operating income. However, the bankruptcy of a high use customer resulted in an accounts receivable write off of $124,570. This amount is roughly five times greater than the total of all accounts written off in a single year. Thus, it is presented separately from operations as a special item.

In fiscal year 2010 two out-of-the-ordinary items were included in the Gas Fund activities. First, a Georgia Department of Transportation grant, in the amount of $112,187 augmented non-operating revenues. The grant was provided to assist with the cost of moving natural gas lines to accommodate changes in state transportation routes. Secondly, a prior period adjustment increased net assets by $18,424. The City's compliance with the newly effective Governmental Accounting Standards Board Statement Number 51, *Accounting and Financial Reporting for Intangible Assets* necessitated the adjustment. In order to comply with the statement, the City recognized the right of ways, provided for gas lines which border state highways, as intangible assets. The estimated value of this land, at the time that the gas lines were installed, is incorporated in the financial statements through this adjustment.

As in the General Fund, the stabilization funds policy designates 10% of total budgeted operating expenses for stabilization. Thus, $195,752 of net assets is committed at the fund reporting level.

During 2011, construction began on a major gas line extension. The City is extending service to business and residences in the Lake Oconee area. At year end, the costs of this extension were classified as construction in process. This contributed to an increase in net capital assets of 6.5%.

Revolving Loan Fund – is used to account for monies provided through a Community Development Block Grant Employment Incentive Program to finance low interest loans to local businesses and industries. The program is structured to increase the amount available for loans with the interest earned on loans. Individual fund financial statements may be found beginning on page 67. In addition, details on loan activity may be found in the notes to the financial statements, note 4-H.

During fiscal year 2010, the fund's only outstanding loan was re-established as two individual loans with each of the former partners. During the year ended August 31, 2011, one of these loans performed as scheduled. However, during the ensuing year, payments have fallen behind schedule. The other loan was written off as a result of the guarantor's bankruptcy. Because the amounts of eventual collections or possible losses cannot be estimated, no provision for such is recorded in the financial statements.

Capital Assets

The following schedule summarizes capital assets used in both governmental and business activities at the current and previous year ends.

Capital Assets	Governmental Activities		Business Activities		Total	
	8/31/2011	8/31/2010	8/31/2011	8/31/2010	8/31/2011	8/31/2010
Total non-depreciable assets	243,877.90	390,126.54	845,791.00	44,924.00	1,089,668.90	435,050.54
Total depreciable assets	5,923,857.62	6,001,235.91	4,093,018.85	4,063,628.32	10,016,876.47	10,064,864.23
Less accumulated depreciation	2,320,663.91	2,154,090.26	2,503,667.43	2,357,593.81	4,824,331.34	4,511,684.07
Book value - depreciable assets	3,603,193.71	3,847,145.65	1,589,351.42	1,706,034.51	5,192,545.13	5,553,180.16
Percentage depreciated	39.2%	35.9%	61.2%	58.0%	48.2%	44.8%
Book value assets	3,847,071.61	4,237,272.19	2,435,142.42	1,750,958.51	6,282,214.03	5,988,230.70

The value of **governmental capital assets** declined as disposals exceeded acquisitions. **Disposals** include a donation of land. In 2008 the City purchased a blighted tract so that it could be redeveloped. During the 2011 fiscal year, this acreage was deeded to the Eatonton Downtown Development Authority; that organization will guide redevelopment. Further, the City disposed of 14 obsolete items of equipment and vehicles. **Acquisitions** were predominately composed of real estate and construction. The old water works building and land were returned to the City according to the terms of an intergovernmental agreement. This property has been renovated to accommodate short term gatherings; it is available for public rentals. Additionally, a land swap netted a tract which will provide more downtown parking. Lastly, expenditures for improved drainage, water service and waste water service is classified as construction in progress pending project completion.

Business capital assets are entirely those assets of the Natural Gas Fund. With the exception of the recognition of non-depreciable assets (construction on the gas line extension), as discussed in previous analysis of the Gas Fund, there were no acquisitions or dispositions of proprietary fund capital assets.

More information on changes in capital assets is presented in the notes to the financial statements (Note 3-C).

Long-term Debt

At year end, the only long-term liability carried by the City is for compensated absences payable. More information about changes in the estimate of compensated absences payable may be found in the notes to the financial statements (Note 3-E).

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City of Eatonton's finances; comply with finance-related laws and regulations; and demonstrate the City's commitment to public accountability. If you have questions about any of the information provided in this report or would like to request additional information, contact the City Administrator, City of Eatonton, P.O. Box 3820, Eatonton, Georgia 31024.

Government-wide Financial Statements

CITY OF EATONTON, GEORGIA

STATEMENT OF NET ASSETS

AUGUST 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash	1,259,485.95	2,177,191.61	3,436,677.56
Prepaid Asset	38,695.27	3,139.05	41,834.32
Receivables:			
Accounts, Net of Allowance for Doubtful Accounts	24,979.09	39,371.37	64,350.46
Taxes	1,002.28	0.00	1,002.28
Note	0.00	20,613.36	20,613.36
Intergovernmental	434,087.92	0.00	434,087.92
Time Certificates of Deposit	1,182,500.00	752,522.54	1,935,022.54
Restricted Assets	370,555.14	0.00	370,555.14
Capital Assets:			
Nondepreciable Capital Assets	243,877.90	845,791.00	1,089,668.90
Depreciable Capital Assets, Net Accumulated Depreciation	3,603,193.71	1,589,351.42	5,192,545.13
Total Assets	7,158,377.26	5,427,980.35	12,586,357.61
Liabilities			
Current Liabilities:			
Accounts Payable	382,600.12	36,591.24	419,191.36
Accrued Wages	100,501.37	0.00	100,501.37
Deposits	37,584.24	95,464.23	133,048.47
Current Portion of Compensated Absences Payable	15,426.94	4,443.80	19,870.74
Long-Term Liabilities, Net of Current Portion:			
Compensated Absences Payable	61,707.77	17,775.22	79,482.99
Total Liabilities	597,820.44	154,274.49	752,094.93
Net Assets			
Invested in Capital Assets	3,847,071.61	2,435,142.42	6,282,214.03
Nonspendable	38,695.27	0.00	38,695.27
Restricted	936,175.49	94,789.40	1,030,964.89
Committed	1,374,591.57	195,751.80	1,570,343.37
Assigned	20,000.00	0.00	20,000.00
Unassigned	344,022.88	2,548,022.24	2,892,045.12
Total Net Assets	6,560,556.82	5,273,705.86	11,834,262.68

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2011

Function / Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:							
General Government	778,858.29	3,575.51	0.00	0.00	(775,282.78)	0.00	(775,282.78)
Judicial	18,391.64	0.00	0.00	0.00	(18,391.64)	0.00	(18,391.64)
Public Safety	1,935,417.59	233,533.38	144,859.66	0.00	(1,557,024.55)	0.00	(1,557,024.55)
Public Works	1,454,205.15	204,994.17	0.00	10,600.00	(1,238,610.98)	0.00	(1,238,610.98)
Health and Welfare	2,958.01	0.00	0.00	0.00	(2,958.01)	0.00	(2,958.01)
Culture and Recreation	226,037.90	14,601.00	0.00	90,000.00	(121,436.90)	0.00	(121,436.90)
Housing and Development	456,228.04	70,937.91	44,200.00	0.00	(341,090.13)	0.00	(341,090.13)
Total Governmental Activities	4,872,096.62	527,641.97	189,059.66	100,600.00	(4,054,794.99)	0.00	(4,054,794.99)
Business-Type Activities:							
Natural Gas Service	1,717,539.11	2,011,523.13	0.00	0.00	0.00	293,984.02	293,984.02
Employment Incentive Financing	23,868.15	1,100.32	0.00	0.00	0.00	(22,767.83)	(22,767.83)
Total Business-Type Activities	1,741,407.26	2,012,623.45	0.00	0.00	0.00	271,216.19	271,216.19
Total Activities	6,613,503.88	2,540,265.42	189,059.66	100,600.00	(4,054,794.99)	271,216.19	(3,783,578.80)
General Revenues							
Sales Taxes					2,090,307.41	0.00	2,090,307.41
Other Taxes					917,181.01	0.00	917,181.01
Interest Earnings					31,601.69	14,615.67	46,217.36
Miscellaneous					0.00	2,995.86	2,995.86
Total General Revenues					3,039,090.11	17,611.53	3,056,701.64
Change in Net Assets					(1,015,704.88)	288,827.72	(726,877.16)
Net Assets at Beginning of Year					7,576,261.70	4,984,878.14	12,561,139.84
Net Assets at End of Year					6,560,556.82	5,273,705.86	11,834,262.68

The accompanying Notes are an integral part of this statement.

Fund Financial Statements

CITY OF EATONTON, GEORGIA

GOVERNMENTAL FUNDS

BALANCE SHEET

AUGUST 31, 2011

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Cash	844,963.85	0.00	414,522.10	1,259,485.95
Prepaid Insurance	38,695.27	0.00	0.00	38,695.27
Accounts Receivable, Net of Allowance for Doubtful Accounts	24,979.09	0.00	0.00	24,979.09
Taxes Receivable	0.00	0.00	1,002.28	1,002.28
Interfund Receivables	29,626.25	0.00	0.00	29,626.25
Intergovernmental Receivables	378,037.90	0.00	56,050.02	434,087.92
Time Certificates of Deposit	195,000.00	987,500.00	0.00	1,182,500.00
Restricted Assets:				
Time Certificates of Deposit	370,555.14	0.00	0.00	370,555.14
Total Assets	1,881,857.50	987,500.00	471,574.40	3,340,931.90
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	380,850.12	1,750.00	0.00	382,600.12
Accrued Wages	100,501.37	0.00	0.00	100,501.37
Deposit	37,584.24	0.00	0.00	37,584.24
Interfund Payables	0.00	3,050.77	26,575.48	29,626.25
Total Liabilities	518,935.73	4,800.77	26,575.48	550,311.98
Fund Balance:				
Nonspendable	38,695.27	0.00	0.00	38,695.27
Restricted	0.00	500,000.00	436,175.49	936,175.49
Committed	891,892.34	482,699.23	0.00	1,374,591.57
Assigned	20,000.00	0.00	8,823.43	28,823.43
Unassigned	412,334.16	0.00	0.00	412,334.16
Total Fund Balance	1,362,921.77	982,699.23	444,998.92	2,790,619.92
Total Liabilities and Fund Balance	1,881,857.50	987,500.00	471,574.40	3,340,931.90

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

AUGUST 31, 2011

Total Governmental Fund Balances		2,790,619.92
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	6,167,735.52	
Less accumulated depreciation	(2,320,663.91)	3,847,071.61
Compensated absences are not due and payable in the current period and therefore are not reported in the funds:		(77,134.71)
Net Assets Of Governmental Activities		6,560,556.82

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 2011

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	2,996,800.88	0.00	10,687.54	3,007,488.42
Licenses and Permits	70,937.91	0.00	0.00	70,937.91
Intergovernmental	144,859.66	0.00	54,600.00	199,459.66
Charges for Services	222,598.04	0.00	0.00	222,598.04
Fines and Forfeitures	219,328.54	0.00	981.00	220,309.54
Other	27,398.24	17,335.60	864.33	45,598.17
Total Revenues	3,681,923.27	17,335.60	67,132.87	3,766,391.74
Expenditures				
Current:				
General Government	722,914.75	8,443.00	0.00	731,357.75
Judicial	18,391.64	0.00	0.00	18,391.64
Public Safety	1,886,701.18	0.00	7,319.19	1,894,020.37
Public Works	1,357,176.79	0.00	10,320.00	1,367,496.79
Health and Welfare	2,958.01	0.00	0.00	2,958.01
Culture and Recreation	138,630.65	24,420.54	0.00	163,051.19
Housing and Development	103,961.57	0.00	56,196.91	160,158.48
Capital Outlay	0.00	0.00	44,754.50	44,754.50
Total Expenditures	4,230,734.59	32,863.54	118,590.60	4,382,188.73
Excess (Deficiency) of Revenues over Expenditures	(548,811.32)	(15,527.94)	(51,457.73)	(615,796.99)
Other Financing Sources (Uses)				
Transfers In	10,000.00	0.00	0.00	10,000.00
Transfers Out	0.00	(10,000.00)	0.00	(10,000.00)
Net Other Financing Sources	10,000.00	(10,000.00)	0.00	0.00
Net Change in Fund Balance	(538,811.32)	(25,527.94)	(51,457.73)	(615,796.99)
Fund Balance at Beginning of Year	1,901,733.09	1,008,227.17	496,456.65	3,406,416.91
Fund Balance at End of Year	1,362,921.77	982,699.23	444,998.92	2,790,619.92

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, 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 AUGUST 31, 2011

Net Changes In Fund Balances - Total Governmental Funds			(615,796.99)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.			
	Depreciation expense	(323,818.61)	
	Loss on disposal of capital asset	(4,833.33)	
	Land swap	(30,000.00)	
	Real estate donation	(251,075.64)	
	Cost of capital assets acquired	219,527.00	(390,200.58)
Elimination of transfers between governmental funds:			
	Transfers in	(10,000.00)	
	Transfers out	10,000.00	0.00
Compensated absences reported in the statement of activities, do not require the use of current financial resources; therefore they are not reported as expenditures in governmental funds.			
	Liability at 8/31/10	67,427.40	
	Liability at 8/31/11	(77,134.71)	(9,707.31)
Change In Net Assets of Governmental Activities			(1,015,704.88)

The accompanying notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

MAJOR GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -

FOR THE YEAR ENDED AUGUST 31, 2011

	General Fund				Capital Reserve Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues								
Taxes	3,433,380.00	3,444,254.00	2,996,800.88	(447,453.12)	0.00	0.00	0.00	0.00
Licenses and Permits	76,000.00	76,000.00	70,937.91	(5,062.09)	0.00	0.00	0.00	0.00
Intergovernmental Revenues	200,000.00	200,000.00	144,859.66	(55,140.34)	0.00	0.00	0.00	0.00
Charges for Services	283,432.00	283,432.00	222,598.04	(60,833.96)	0.00	0.00	0.00	0.00
Fines and Forfeitures	260,000.00	260,000.00	219,328.54	(40,671.46)	0.00	0.00	0.00	0.00
Other	26,001.00	26,001.00	27,398.24	1,397.24	25,000.00	25,000.00	17,335.60	(7,664.40)
Total Revenues	4,278,813.00	4,289,687.00	3,681,923.27	(607,763.73)	25,000.00	25,000.00	17,335.60	(7,664.40)
Expenditures								
General Government	846,285.00	812,185.00	722,914.75	(89,270.25)	8,800.00	8,800.00	8,443.00	(357.00)
Judicial	18,550.00	18,550.00	18,391.64	(158.36)	0.00	0.00	0.00	0.00
Public Safety	1,879,368.00	1,941,368.00	1,886,701.18	(54,666.82)	0.00	0.00	0.00	0.00
Public Works	1,350,667.00	1,372,667.00	1,357,176.79	(15,490.21)	0.00	0.00	0.00	0.00
Health and Welfare	3,961.00	2,961.00	2,958.01	(2.99)	0.00	0.00	0.00	0.00
Culture and Recreation	92,394.00	141,494.00	138,630.65	(2,863.35)	24,900.00	24,900.00	24,420.54	(479.46)
Housing and Development	97,588.00	111,962.00	103,961.57	(8,000.43)	0.00	0.00	0.00	0.00
Total Expenditures	4,288,813.00	4,401,187.00	4,230,734.59	(170,452.41)	33,700.00	33,700.00	32,863.54	(836.46)
Excess (Deficiency) of Revenues over Expenditures	(10,000.00)	(111,500.00)	(548,811.32)	(437,311.32)	(8,700.00)	(8,700.00)	(15,527.94)	(6,827.94)
Other Financing Sources (Uses)								
Transfers In	10,000.00	10,000.00	10,000.00	0.00	0.00	0.00	0.00	0.00
Transfers Out	0.00	0.00	0.00	0.00	(10,000.00)	(10,000.00)	(10,000.00)	0.00
Allocation of Prior Year's Fund Balance	0.00	101,500.00	0.00	(101,500.00)	18,700.00	18,700.00	0.00	(18,700.00)
Net Other Financing Sources	10,000.00	111,500.00	10,000.00	(101,500.00)	8,700.00	8,700.00	(10,000.00)	(18,700.00)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	0.00	0.00	(538,811.32)	(538,811.32)	0.00	0.00	(25,527.94)	(25,527.94)
Fund Balance at Beginning of Year			1,901,733.09				1,008,227.17	
Fund Balance at End of Year			1,362,921.77				982,699.23	

The accompanying notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

AUGUST 31,2011

	Business-type Activities: Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Natural Gas Fund	Revolving Loan Fund	Total
Assets			
Current Assets			
Cash	2,101,765.57	75,426.04	2,177,191.61
Time Certificates of Deposit	385,723.56	0.00	385,723.56
Accounts Receivable, Net of Allowance for Doubtful Accounts	39,371.37	0.00	39,371.37
Sales Tax Deposit	3,139.05	0.00	3,139.05
Note Receivable	0.00	20,613.36	20,613.36
Time Certificates of Deposit, Customer Deposits	366,798.98	0.00	366,798.98
Total Current Assets	2,896,798.53	96,039.40	2,992,837.93
Noncurrent Assets			
Capital Assets:			
Nondepreciable	44,924.00	0.00	44,924.00
Depreciable, Net Accumulated Depreciation	2,390,218.42	0.00	2,390,218.42
Total Noncurrent Assets	2,435,142.42	0.00	2,435,142.42
Total Assets	5,331,940.95	96,039.40	5,427,980.35
Liabilities			
Current Liabilities			
Accounts Payable	35,341.24	1,250.00	36,591.24
Customer Deposits	95,464.23	0.00	95,464.23
Current Portion of Compensated Absences Payable	4,443.80	0.00	4,443.80
Total Current Liabilities	135,249.27	1,250.00	136,499.27
Long-Term Liabilities (Net of Current Portion)			
Compensated Absences Payable	17,775.22	0.00	17,775.22
Total Liabilities	153,024.49	1,250.00	154,274.49
Net Assets			
Invested in Capital Assets	2,435,142.42	0.00	2,435,142.42
Restricted for Program Purposes	0.00	94,789.40	94,789.40
Committed for Stabilization	195,751.80	0.00	195,751.80
Unrestricted Net Assets	2,548,022.24	0.00	2,548,022.24
Total Net Assets	5,178,916.46	94,789.40	5,273,705.86

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2011

	Business-type Activities: Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Natural Gas Fund	Revolving Loan Fund	Total
Operating Revenues			
Charges for Sales and Services	2,011,523.13	1,100.32	2,012,623.45
Miscellaneous	2,995.86	0.00	2,995.86
Total Operating Revenues	2,014,518.99	1,100.32	2,015,619.31
Operating Expenses			
Cost of Natural Gas	931,537.33	0.00	931,537.33
Personnel Services and Employee Benefits	301,015.99	0.00	301,015.99
Travel, Education and Training	1,097.89	0.00	1,097.89
Professional Services	29,339.04	1,250.00	30,589.04
Technical Services	7,391.19	0.00	7,391.19
Maintenance and Repairs - Vehicles and Equipment	32,325.45	0.00	32,325.45
Maintenance and Repairs - System	9,735.79	0.00	9,735.79
Depreciation Expense	171,555.63	0.00	171,555.63
Insurance	8,653.00	0.00	8,653.00
Communications	19,591.02	0.00	19,591.02
Supplies, Hardware and Small Equipment	18,239.33	22,618.15	40,857.48
Gasoline	22,301.16	0.00	22,301.16
Utilities	11,846.05	0.00	11,846.05
Taxes	28,160.25	0.00	28,160.25
Total Operating Expenses	1,592,789.12	23,868.15	1,616,657.27
Operating Income (Loss)	421,729.87	(22,767.83)	398,962.04
Non-Operating Revenues (Expenses)			
Interest Income	13,797.29	818.38	14,615.67
Special Item			
Accounts Receivable Bankruptcy Loss	(124,749.99)	0.00	(124,749.99)
Change in Net Assets	310,777.17	(21,949.45)	288,827.72
Net Assets at Beginning of Year	4,868,139.29	116,738.85	4,984,878.14
Net Assets at End of Year	5,178,916.46	94,789.40	5,273,705.86

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2011

	Business-type Activities: Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Natural Gas Fund	Revolving Loan Fund	Total
Cash Flows from Operating Activities			
Cash Received from Customers	1,893,062.62	3,665.94	1,896,728.56
Cash Payments for Personnel Services	(297,342.55)	0.00	(297,342.55)
Cash Payments for Goods and Services	(1,106,547.06)	(1,250.00)	(1,107,797.06)
Net Cash Provided (Used) by Operating Activities	489,173.01	2,415.94	491,588.95
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(855,739.54)	0.00	(855,739.54)
Net Cash Provided (Used) by Capital and Related Financing Activities	(855,739.54)	0.00	(855,739.54)
Cash Flows from Investing Activities			
Earnings On Investments	13,797.29	818.38	14,615.67
(Increase) Decrease in Investments	(11,906.87)	0.00	(11,906.87)
Net Cash Flows From Investing Activities	1,890.42	818.38	2,708.80
Net Increase (Decrease) in Cash	(364,676.11)	3,234.32	(361,441.79)
Cash at Beginning of Year	2,466,441.68	72,191.72	2,538,633.40
Cash at End of Year	2,101,765.57	75,426.04	2,177,191.61
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	296,979.88	(22,767.83)	274,212.05
Adjustments:			
Depreciation	171,555.63	0.00	171,555.63
(Increase) Decrease in Assets:			
Accounts / Notes Receivable	6,988.27	25,183.77	32,172.04
Increase (Decrease) in Liabilities:			
Accounts Payable	13,670.44	0.00	13,670.44
Customer Deposits	(3,694.65)	0.00	(3,694.65)
Accrued Liabilities	3,673.44	0.00	3,673.44
Net Cash Provided by (Used in) Operating Activities	489,173.01	2,415.94	491,588.95

The accompanying Notes are an integral part of this statement.

Notes to the Basic Financial Statements

Index

Summary of Significant Accounting Policies 1
- Reporting Entity 1-A
- Basis of Presentation 1-B
- Measurement Focus 1-C
- Basis of Accounting 1-D
- Assets, Liabilities and Fund Equity 1-E
  - Cash, Cash Equivalents and Investments 1-E-1
  - Receivables 1-E-2
  - Interfund Balances 1-E-3
  - Prepaid Items 1-E-4
  - Consumable Inventories 1-E-5
  - Restricted Assets 1-E-6
  - Capital Assets 1-E-7
  - Compensated Absences 1-E-8
  - Accrued Liabilities and Long-term Obligations 1-E-9
  - Fund Equity 1-E-10
  - Operating Revenues and Expenses 1-E-11
  - Contributions of Capital 1-E-12
- Interfund Activity 1-F
- Estimates 1-G

Stewardship, Compliance and Accountability 2
- Budgetary Information 2-A
- Excess of Expenditures over Appropriations 2-B

Detailed Notes on All Funds 3
- Deposits and Investments 3-A
- Receivables 3-B
- Capital Assets 3-C
- Interfund Balances and Transfers 3-D
- Long-Term Debt 3-E
- Defined Benefit Pension Plan 3-F
- Post Employment Benefits 3-G
- Equity 3-H
  - Government-wide Net Assets 3-H-1
  - Fund Balance Components 3-H-2
  - Prior Period Adjustments 3-H-3
- Special Purpose Local Option Sales Tax 3-I
- Special Item 3-J

Other Notes 4
- Risk Management 4-A
- Contingent Liabilities 4-B
- Applicability of the Single Audit Act 4-C
- Property Taxes and Local Option Sales Tax 4-D
- Component Unit 4-E
- Related Organizations 4-F
- Joint Ventures 4-G
- Notes Receivable – Revolving Loan Fund 4-H
- Hotel - Motel Lodging Tax 4-I

The City of Eatonton, Georgia (the City) operates under a Council / Mayor form of government and provides the following services: public safety, municipal court, highways and streets, sanitation, culture and recreation, public improvements, economic development and general administrative services.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

A municipal governmental reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which a local government is financially accountable. The City is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) it is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves their budget, levies their taxes or issues their debt.

The City of Eatonton has one outside component unit: the Eatonton Downtown Development Authority. Because this Authority's financial activity, for the year ended August 31, 2011, is immaterial, it is not presented in this report.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, fund financial statements and the notes to the financial statements. Additionally, combining and individual presentations are provided.

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are aggregated as governmental and business-type activities. Governmental activities are those which are supported by taxes, grants and general revenues. Whereas, business-type activities are those which are financed in whole or in part with user fees charged to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the City at year-end.

Note 1 - Summary of Significant Accounting Policies (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of governmental activities and for each identifiable activity of business-type activities. To provide this comparison, the statement of activities reports the expenses of a given function, offset by those revenues directly connected with the same, functional program.

A function is an assembly of similar activities. Portions of a fund or summaries of more than one fund may be included to express the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function a program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted.*

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City segregates transactions related to certain functions or activities in separate funds. Organizing transactions in this way aids financial management and insures compliance with appropriate accounting, funding and legal requirements.

Fund financial statements are designed to present financial information at a more detailed level than government-wide presentation. Separate fund financial statements are provided for governmental and proprietary funds. In these statements major individual funds are reported in separate columns.

- ***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:
    - ***The General Fund*** accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose, provided it is expended or transferred according to the general laws of Georgia.
    - ***The Capital Reserve Fund*** was formed for capital preservation and to provide a buffer against emergencies. Restricted and committed funds are invested in bank certificates of deposits. Interest earnings may be expended according to ordinance.
- ***Proprietary Funds*** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds. The following is the single, major enterprise fund:
    - ***The Natural Gas Fund*** – accounts for the operation of the City's natural gas system.

Note 1 – Summary of Significant Accounting Policies (continued)

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues and expenses.

Fund Financial Statements – include two distinct measurement focuses, which are applied based on fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements provide a reconciliation to the government-wide statements. The reconciliations include brief explanations of the differences between the government-wide statements and the governmental fund statements.

Proprietary fund types are accounted for on a flow of economic resources measurement focus, at both the government-wide and fund reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Note 1 - Summary of Significant Accounting Policies (continued)

Under the modified accrual basis, the following revenue source is considered to be susceptible to accrual: sales taxes.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities and Fund Equity

1-E-1 Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices. Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

1-E-2 Receivables

All trade receivables are reported net of an allowance for uncollectibles, where applicable.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond August 31, 2011, are recorded as prepaid items. The consumption method is used by recording an asset for the prepaid amount and by recording the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is denoted as nonspendable, because this amount is not available for general appropriation.

Note 1 – Summary of Significant Accounting Policies (continued)

1-E-5 Consumable Inventories

Consumable inventories of supplies and small tools and hardware are recorded as expenditures/expenses when acquired.

1-E-6 Restricted Assets

Through local resolution, assets are restricted for capital expenditures in the General Fund.

1-E-7 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend an asset's life, are expensed. Interest incurred during the construction of capital assets utilized by enterprise funds is capitalized. The current capitalization threshold for newly acquired assets is $5,000; all acquisitions of land and titled vehicles or equipment are capitalized, even if the cost is less than $5,000. General infrastructure assets acquired prior to September 1, 2003 are not reported in the basic financial statements.

All reported capital assets are depreciated except for land and any construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Lives	
Asset Class	Governmental Activities	Business-type Activities
Buildings and improvements	10-30 Years	10 Years
Machinery and equipment	3-12 Years	3-12 Years
Vehicles	3-5 Years	3-5 Years
Infrastructure	10-50 Years	10-50 Years

1-E-8 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned. City employees may accumulate between 6 and 18 days of vacation annually, up to a maximum of 30 days. The resulting liability includes salary-related payments (the City's portion of social security and Medicare). It is calculated using current pay rates.

Note 1 – Summary of Significant Accounting Policies (continued)

Employees may also accumulate sick leave. No liability has been recorded for accumulated sick pay benefits because payment is made only upon the illness of an employee. As such, the amount of payments cannot be reasonably estimated.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each, individual fund at the fund reporting level.

1-E-9 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds.

1-E-10 Fund Equity

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

Governmental Funds ***Fund Balance*** – Generally, fund balance represents the difference between the current assets and current liabilities. In the governmental fund financial statements, this balance is classified according to constraints regarding the specific purposes for which the fund balance may be spent. The classifications are presented in a hierarchy, which is based primarily on the extent to which the City is bound to observe the constraints imposed upon the use of resources. The City presents the following fund balance classifications.

- *Nonspendable* – This describes fund balance amounts which cannot be spent because (1) they are non-cash assets, or (2) because they are legally or contractually required to be maintained intact.

- *Restricted* - Fund balances are reported as restricted when there are limitations imposed on their use either by (1) enabling legislation adopted by the City, or by (2) external restrictions imposed by creditors and grantors, or by the laws or regulations of other governments.

- *Committed* – When, as a result of formal action of the City Council, amounts may be used only for specific purposes, the fund balance is committed. Only the council may subsequently modify or rescind the commitment.

- *Assigned* – Through resolution, the City Council may authorize management or the finance committee to constrain balances for specific purposes. Such amounts are neither restricted nor committed; they are assigned.

- *Unassigned* – Residual amounts, which do not meet any of the above criteria, are reported as unassigned. Due to the nature of governmental funds, the City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions - The City applies restricted resources first, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. For unrestricted amounts of fund balance, the City uses fund balances in the following order: (1) committed, (2) assigned, (3) unassigned.

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds ***Net Assets*** - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted according to the restraints hierarchy described in the previous section. All other net assets are reported as unrestricted.

Net assets invested in capital assets, net of related debt, consists of capital assets, less accumulated depreciation, and further reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. When applicable, net assets are adjusted by any bond issuance deferral amounts.

Stabilization commitments are based on budgeted expenditures for the General Fund and the Natural Gas Fund. Respectively, these amounts were $521,337 and $195,752 at August 31, 2011. These commitments may be revised by action of the City Council.

1-E-11 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. These revenues are charges for utility services provided through the Natural Gas Fund and for interest revenues generated by loans extended through the Revolving Loan Fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of each fund. In contrast, all other revenues and expenditures, which are unrelated to the primary activity, are classified as non-operating.

1-E-12 Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

1-G. Estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

2-A. Budgetary Information

The City adopts an annual operating budget for the general fund and each special revenue fund. Original and final budgets are presented for these funds. A project budget is adopted for each capital projects fund, with budget presentation for the entire project period rather than an annual period. All budgets are adopted on a basis consistent with GAAP.

The legal level of control for each adopted annual operating budget, generally, is the department level within each individual fund. Accordingly the budget resolution reflects the total of each department's appropriation within each fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council. Department directors are authorized to transfer line item appropriations within a single department. Only action of Council may authorize the employment of additional personnel. The City does not use encumbrance accounting; all unexpended annual appropriations lapse at year-end.

2-B. Excess of Expenditures over Appropriations

There were no instances of expenditures exceeding the final budget at the fund or function level.

Note 3 - Detailed Notes on All Funds

3-A. Deposits and Investments

The City does not have a policy regarding management of risk for deposits or investments.

Deposits - Custodial risk for deposits is the risk that, in the event of financial institution failure, a depositor will not be able to recover deposits or collateral securities that are in the possession of an outside party. State statutes 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.

At August 31, 2011, all City deposits were entirely insured or collateralized with securities held by the City or by its agent in the City's name.

Investments – Custodial risk for investments is the risk that, in the event of the failure of the counterparty, an investor will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. All investments held by the City at August 31, 2011 are in the form of bank certificates of deposit. Certificates with maturity periods greater than 90 days are classified as investments.

At August 31, 2011, with the exception of $40,832, all City investments were entirely insured or collateralized with securities held by the City or by its agent in the City's name. The excepted balance was collateralized with securities held by the pledging financial institution.

3-B. Receivables

Receivables at August 31, 2011, consisted of taxes, accounts, notes and intergovernmental receivables arising from hotel/motel tax collections, sales tax collections, utility service accounts, notes receivable and intergovernmental grant agreements. Receivables and payables are recorded on the City's financial statements to

Note 3 - Detailed Notes on All Funds (continued)

the extent that the amounts are determined to be material and are substantiated. These are substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

3-C. Capital Assets

Capital asset activity for the year ended August 31, 2011 is presented in the following tables.

Changes in Governmental Capital Assets

Governmental activities:	8/31/2010	Additions	Deductions	8/31/2011
Capital assets not being depreciated:				
Land	390,126.54	50,000.00	(281,075.64)	159,050.90
Construction in progress	0.00	84,827.00	0.00	84,827.00
Total non-depreciable capital assets	390,126.54	134,827.00	(281,075.64)	243,877.90
Depreciable capital assets:				
Buildings and improvements	2,544,001.34	70,000.00	0.00	2,614,001.34
Furniture, fixtures, machinery and equipment	1,402,121.35	14,700.00	(162,078.29)	1,254,743.06
Infrastructure	2,055,113.22	0.00	0.00	2,055,113.22
Total depreciable capital assets	6,001,235.91	84,700.00	(162,078.29)	5,923,857.62
Total capital assets	6,391,362.45	219,527.00	(443,153.93)	6,167,735.52
Accumulated depreciation:				
Buildings and improvements	502,726.99	98,265.44	0.00	600,992.43
Furniture, fixtures, machinery and equipment	967,069.30	89,358.95	(157,244.96)	899,183.29
Infrastructure	684,293.97	136,194.22	0.00	820,488.19
Total accumulated depreciation	2,154,090.26	323,818.61	(157,244.96)	2,320,663.91
Governmental activities capital assets, net	4,237,272.19	(104,291.61)	(285,908.97)	3,847,071.61

Governmental activities depreciation expense:	
General government	45,357.80
Public safety	39,895.71
Public works	130,798.70
Culture and recreation	63,306.38
Housing and development	44,460.02
Total governmental activities depreciation expense	323,818.61

Note 3 – Detailed Notes on All Funds (continued)

Changes in Proprietary Funds Capital Assets

Business-type activities:	8/31/2010	Additions	Deductions	8/31/2011
Capital assets not being depreciated:				
Land	26,500.00	0.00	0.00	26,500.00
Intangible Assets	18,424.00	0.00	0.00	18,424.00
Construction in progress	0.00	800,867.00	0.00	800,867.00
Total non-depreciable capital assets	44,924.00	800,867.00	0.00	845,791.00
Depreciable capital assets:				
Furniture, fixtures, machinery and equipment	574,384.84	27,519.00	(25,482.01)	576,421.83
Infrastructure	3,489,243.48	27,353.54	0.00	3,516,597.02
Total depreciable capital assets	4,063,628.32	54,872.54	(25,482.01)	4,093,018.85
Total capital assets	4,108,552.32	855,739.54	(25,482.01)	4,938,809.85
Accumulated depreciation:				
Furniture, fixtures, machinery and equipment	488,064.17	23,642.99	(25,482.01)	486,225.15
Infrastructure	1,869,529.64	147,912.64	0.00	2,017,442.28
Total accumulated depreciation	2,357,593.81	171,555.63	(25,482.01)	2,503,667.43
Business-type activities capital assets, net	1,750,958.51	684,183.91	0.00	2,435,142.42

3-D. – Interfund Balances and Transfers

Interfund Balances - Interfund balances at August 31, 2011, represent reimbursable expenses. They result from short-term loans. The balance between nonmajor governmental funds (the Police Condemnation Fund and the Youth Services Grant Fund) and the General Fund is $26,575.48. In the Police Condemnation Fund, this amount, $5,397.14, represents collected and unremitted non-seizure revenues due to the General Fund. In the Youth Services Grant Fund, this amount, $21,178.34, results from cash advances extended by the General Fund for reimbursable grant expenditures. In both cases, repayment in full is expected within the coming year.

Interfund Transfers - Interfund transfers for the year ended August 31, 2011, result from a transfer of $10,000.00 from the Capital Reserve Fund to the General Fund. This transfer reimburses the General Fund for services provided in accordance with a Capital Reserve Fund mandate.

3-E. Long-Term Debt

Compensated Absences Payable. The following is a summary of changes in all estimated compensated absences payable, as recorded in the General Fund and the Natural Gas (enterprise) Fund.

Changes in Compensated Absences Payable for the Year Ended August 31, 2011

	8/31/2010 Obligation	+	Additions	-	Reductions	=	8/31/2011 Obligation	=	8/31/2011 Current	+	8/31/2011 Long Term
General Fund	67,427.40		10,522.66		815.36		77,134.70		15,426.94		61,707.76
Natural Gas Fund	18,545.58		4,211.46		538.02		22,219.02		4,443.80		17,775.22
Totals	85,972.98		14,734.12		1,353.38		99,353.72		19,870.74		79,482.98

Note 3 – Detailed Notes on All Funds (continued)

3-F. Defined Benefit Pension Plan

Plan Description. The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for municipalities in Georgia. All full-time City employees are eligible to participate in GMEBS after completing one year of service. Benefits vest after ten (10) years of service. The system also provides death and disability benefits. Post retirement increases are not applicable to this plan.

The benefit provisions were established by an adoption agreement executed by the City Council. The Georgia Constitution enables the governing authority, the City Council, to establish and amend the contribution rates for the employer and its plan members. Financial statements of the plan are presented in a report issued by GMEBS. Reports may be obtained by writing to GMEBS at 201 Pryor Street S.W., Atlanta, GA 30303.

Funding Policy. The funding policy for the plan is to contribute an amount equal to the recommended contribution as calculated by the actuaries for GMEBS. The recommended contribution meets the guidelines for calculating an annual required contribution as set forth in Governmental Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Further, by meeting the recommended contribution, developed under the actuarial funding policy, the Plan will meet applicable state funding standards as set forth in the Public Retirement System Standards Law (Georgia Code Section 47-20-10). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan.

Annual Pension Cost. The estimated minimum annual contribution under these funding standards is $138,787. The recommended contribution at January 1, 2011 was $193,798. The recommended contribution represents 11.45 percent of the payroll of covered employees. The City's payroll for employees covered by GMEBS for the year ended January 1, 2011 was $1,654,466 and total payroll for the City's fiscal year ending August 31, 2010 was $2,075,624. Employees are not required to contribute to the fund. Since the City's policy is to contribute the pension expense in each year, the plan will meet applicable funding standards. A recent summary of contributions is presented in the following table.

Pension Year End	City Fiscal Year End	Annual Recommended Contribution	Percent Contributed	Net Pension Obligation
July 1, 2007	August 31, 2009	128,250	100%	0.00
July 1, 2008	August 31, 2010	103,792	100%	0.00
January 1, 2010	August 31, 2011	168,677	100%	0.00

Actuarial Assumptions and Methods. Significant actuarial assumptions are used to compute the annual recommended contribution and the actuarial accrued liability. The actuarial methods and assumptions are presented on the following page.

Due to the long-term nature of retirement plans, the valuation utilizes an asset smoothing method to allow fluctuations in the market value of assets to be recognized over a number of years rather than immediately. This prevents any one year from overly impacting the valuation and allows plan sponsors to prepare for potential changes in the contribution requirements.

Effective September 1, 2009, the Eatonton-Putnam County Water and Sewer Authority Retirement Plan was established with liabilities and assets of $317,375 transferred from this plan during 2010. There were no other changes in plan provisions, methods or assumptions in this valuation.

Note 3 – Detailed Notes on All Funds (continued)

Actuarial Methods and Assumptions

Valuation Date	January 1, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Varies for the bases with a net effective amortization period of 10 years.
Asset Valuation	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009; 44% of market value for 2010; 38% of market value for 2011; 32% of market value for 2012; 26% of market value for 2013; and 20% of market value for 2014 and later years.
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increases	3.50%
Cost of Living Adjustments	0.00%

The period and related method for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Funding Status and Progress. Three year trend information for the City's PERS is presented below.

Required Supplementary Information: Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Funded) AAL as a Percent of Covered Payroll (b-a)/c
7/1/09	2,141,898	2,959,673	817,775	72.4	1,413,931	57.84%
1/1/10	2,697,476	3,037,872	340,396	88.8	1,494,265	22.78%
1/1/11	2,526,832	2,983,361	456,529	84.7	1,654,466	27.59%

3-G. Post-employment Benefits

The City does not provide health care or life insurance benefits for retired employees.

Note 3 – Detailed Notes on All Funds (continued)

3-H. Equity

*3-H-1 **Government-wide Net Assets*** - The component of net assets, "*Invested in Capital Assets, Net of Related Debt*" on the government-wide statement of net assets as of August 31, 2011 is determined as follows:

	Governmental Activities	Business Type Activities	Total
Investments in capital assets, net of related debt:			
Cost of capital assets	6,167,735.52	4,938,809.85	11,106,545.37
Less accumulated depreciation	2,320,663.91	2,503,667.43	4,824,331.34
Book value	3,847,071.61	2,435,142.42	6,282,214.03
Less capital related debt	0.00	0.00	0.00
Investments in capital assets, net of related debt	3,847,071.61	2,435,142.42	6,282,214.03

*3-H-2 **Fund Balance Components*** – At the fund financial reporting level, fund balances are classified as follows:

Governmental Funds	Amount
General Fund	
Nonspendable prepaid asset	38,695.27
Commited by city council for capital outlay	370,555.14
Committed for budget stabilization	521,337.20
Assigned by appropriation in next years' budget	20,000.00
Unassigned	412,334.16
	1,362,921.77
Special Revenue Funds	
Capital Reserve Fund	
Restricted by referendum for emergencies	500,000.00
Committed by city council for emergencies, cemetary care and services to citizens through donations to civic organizations	482,699.23
Police Condemnation Fund	
Restricted by law for law enforcement equipment and supplies	30,337.16
Youth Services Grant Fund restricted for grant purposes	34,871.68
Hotel / Motel Tax Fund assigned for development	8,823.43
	1,056,731.50
Capital Projects Funds	
Special Local Option Sales Tax Fund	
Restricted by referendum for capital outlay	370,686.65
Community Development Block Grant Fund #6, restricted for capital outlay	280.00
	370,966.65

Note 3 – Detailed Notes on All Funds (continued)

3-H-3. Prior Period Adjustments

Prior period adjustments were made to the beginning fund balances of the General Fund and the Natural Gas Fund during the year ended August 31, 2010.

In the General Fund, this adjustment was required to recognize revenue from the 2009 fiscal year. Remittance of franchise tax, by a service provider, was delinquent at year end. As the amount was unknown to the City, it could not be accrued in the proper period.

The prior period adjustment in the Natural Gas Fund was necessary as a result of the City's adoption of Governmental Accounting Standards Board Statement Number 51, *Accounting and Financial Reporting for Intangible Assets.* The City deems the rights of way associated with the natural gas lines along state highways to be an intangible asset. Retroactively, the estimated value of this land, at the time that the gas lines were installed, is incorporated in the financial statements through this adjustment.

3-I. Special Purpose Local Option Sales Tax

A county wide referendum authorizing collection of a one percent, special local option sales tax, provides for municipal projects through an intergovernmental agreement. In accordance with the referendum, the proceeds are to be expended for paving; for acquisition of public safety and public works equipment; for water and waste water infrastructure; and for restoration of a building to be used as a community, cultural center.

The City accounts for these transactions in the Special Local Option Sales Tax Fund. Cumulative expenditures are presented on the Schedule of Projects Constructed with Special Sales Tax proceeds.

3-J. Special Item

The Natural Gas Fund Statement of Revenues, Expenses and Changes in Fund Net Assets includes a special item. This item is the total of bad debt losses resulting from the bankruptcy of Appleseed's Intermediate Holdings, LLC, *et al.* (formerly Haband Company). That bankruptcy has, in the opinion of the City attorney, rendered the City's account receivable, for natural gas sales to this business, uncollectible. Because this loss was both significant, $124,750, and unusual, it is presented separately from operating expenses.

Note 4 - Other Notes

4-A. Risk Management

Predominant exposure for losses lies in the areas of liability and property damage or theft. These risks are mitigated through participation with other Georgia municipalities, in a risk sharing arrangement. Through the Georgia Municipal Association, the City holds membership in Georgia Interlocal Risk Management Agency (G.I.R.M.A). G.I.R.M.A exists by authority of the Official Code of Georgia Annotated 36.85.1 et seq. Members jointly self-insure the risks of general liability, motor vehicle liability, property damage or any combination of such risks.

Since the previous year, there have been no reductions in coverage, and the amount of an insurance settlement has never exceeded coverage.

Note 4 - Other Notes (continued)

Additionally, City employees are covered by worker's compensation insurance. Coverage is obtained through membership in the Georgia Municipal Association Worker's Compensation Self Insurance Fund. Benefits provided for employees, pursuant to this agreement, are specifically limited to obligations imposed by Georgia law against the employer for worker's compensation and/or employer's liability.

The funds are to defend and protect fund members against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. Further, the funds are to pay all costs against members in any legal proceeding defended by the member; all interest accruing after entry of judgment; all expenses incurred for investigation, negotiation or defense.

As a member of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools; to cooperate with pool agents and attorneys; to follow loss reduction procedures established by the funds; and to report, as promptly as possible and in accordance with coverage descriptions issued, all incidents which could result in fund payments for claims of loss. Further, the City is to allow the pool's agents and attorneys to represent the City in investigations, settlement discussions and all levels of litigation arising out of any claim which falls within the scope of loss protection furnished by the funds.

4-B. Contingent Liabilities

Georgia Environmental Facilities Loans

On May 1, 2007, the City transferred all assets, liabilities and net assets of its water and waste water treatment and delivery systems to the Eatonton-Putnam Water and Sewer Authority (the Authority). Included in this transfer were the City's outstanding loans payable to the Georgia Environmental Facilities Authority (GEFA). Each of these loans was made for the purpose of expanding and improving the City's (now, the Authority's) water and sewer systems.

All debt was explicitly assumed by the Authority, according to the terms of the contract signed by the two governments. Because these documents are still in the City's name, each of these debts is presented as a contingent liability. The Authority is on schedule with the terms of all loans. The loan terms are presented below.

GEFA Contract #2002-LE37WQ: This loan financed repairs and capital asset improvements to the waste water system. Total debt of $870,706.44 was amortized on February 28, 2007 at 3.37%. This loan is payable in monthly installments of $4,991.79, for 20 years. As of August 31, 2011 the outstanding loan principal was $725,396.64; scheduled payments extend through March 2027.

GEFA Contract #2004-L12WS: This loan financed repairs and capital improvements to the surface water treatment facility. Total debt of $788,730.48 was amortized on September 30, 2007, at 3.84%. This loan is payable in monthly installments of $4,713.33, over a 20 year period, extending through October 2027. The outstanding balance at August 31, 2011 was $680,414.80.

Grant Programs

During this and prior years, the City has been a recipient of both state and federal grants. These programs are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

Note 4 - Other Notes (continued)

Municipal Gas Authority of Georgia

The City has entered into a contract for natural gas purchases with the Municipal Gas Authority of Georgia (MGAG). MGAG is an association of approximately 70 cities. MGAG has issued bonded debt to purchase various natural gas properties. The City of Eatonton has an "obligation share" of these commitments. Eatonton's total bond obligation share at August 31, 2011, was $1,362,390.

Litigation

In the opinion of the City attorney, there were no legal actions in progress by or against the City at August 31, 2011, that would have a material effect on its financial position.

4-C. Applicability of the Single Audit Act

Because the City expended less than $500,000 in federal financial assistance during the fiscal year ended August 31, 2011, performance of a single audit is not required.

4-D. Property Taxes and Local Option Sales Tax

As a result of a local referendum, the City began collecting local option sales taxes on January 1, 1984. The City Council passed a resolution whereby the first year's collections would be deposited into a Special Revenue Fund called the Capital Reserve Fund. The income from the investments of this Fund is restricted by ordinance to be used for cemetery care, grants to non-profit civic organizations, and any other operations of City Government.

The use of the corpus of the Capital Reserve Fund is restricted by the same ordinance, which requires the approval of the City Council and/or a local referendum. Since 1986, sales taxes have offset the need for the City to record or accrue property taxes and the accompanying allowance for uncollectible accounts.

4-E. Component Unit

The City of Eatonton has one outside component unit: the Eatonton Downtown Development Authority. Because this Authority's financial activity, for the year ended August 31, 2011, is immaterial, it is not presented in this report.

4-F. Related Organizations

The City's mayor is responsible for all of the board appointments for the Housing Authority of the City of Eatonton. However, the City has no further accountability for this organization.

4-G. Joint Venture

Under Georgia Law, the City along with other cities and counties in the eleven county central Georgia area, is a member of the Middle Georgia Regional Development Center (RDC). Dues are required, and assessed on a per capita basis. During the year ended August 31, 2011, the City paid $6,697 in dues.

Note 4 - Other Notes (continued)

Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC.

Separate financial statements may be obtained from: Middle Georgia Regional Development Center
175 C Emery Highway
Macon, Georgia 31217

4-H. Notes Receivable – Revolving Loan Fund

The following table lists the Economic Development outstanding loans, made with C.D.B.G./E.I.P. grant monies, which were active during the year ended August 31, 2011. Allowance for doubtful accounts is established on an individual case basis; no allowance has been established for these loans.

Loans Receivable - Revolving Loan Fund - August 31, 2011

Heaven's Gate, LLC:	
Original amount $24,034.62, at 5%, payable in graduated monthly installments through January 1, 2018. Payments were on schedule at August 31, 2010. Subsequently, intermitent payments have remained behind schedule.	20,613.36
Café at the Plant:	
A balance of $22,618.15 was written off as required by the terms of the guarantor's bankruptcy.	0.00
Total Loans Receivable	20,613.36

4-I. Hotel-Motel Lodging Tax

The City taxes rentals collected on overnight lodging in accordance with OCGA 48-13-51. All activities for this tax are accounted for in the Hotel / Motel Tax Fund. The tax rate is five percent.

In accordance with state law, and by agreement with the Eatonton-Putnam Chamber of Commerce, these revenues are shared and are used to promote tourism. At fiscal year end, $4,000 remained payable to the Chamber, in fulfillment of this agreement. The City has on file a copy of the Chamber's audited financial statements; these statements verify that proceeds of this tax are used in conformity with Code requirements.

Significant Hotel / Motel Tax Fund transactions are summarized below.

Gross lodging tax receipts	10,687.54
Less commitment to Chamber of Commerce	(11,988.76)
Decrease in Fund Balance	(1,301.22)

Governmental Funds

CITY OF EATONTON, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING BALANCE SHEET

AUGUST 31, 2011

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Cash	43,555.45	370,966.65	414,522.10
Taxes Receivable	1,002.28	0.00	1,002.28
Intergovernmental Receivables	56,050.02	0.00	56,050.02
Total Assets	100,607.75	370,966.65	471,574.40
Liabilities and Fund Balance			
Liabilities:			
Interfund Payable	26,575.48	0.00	26,575.48
Total Liabilities	26,575.48	0.00	26,575.48
Fund Balance:			
Restricted for Grant Purposes	34,871.68	0.00	34,871.68
Restricted for Program Purposes	30,337.16	0.00	30,337.16
Restricted for Capital Outlay	0.00	370,966.65	370,966.65
Assigned	8,823.43	0.00	8,823.43
Total Fund Balances	74,032.27	370,966.65	444,998.92
Total Liabilities and Fund Balance	100,607.75	370,966.65	471,574.40

CITY OF EATONTON, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED AUGUST 31, 2011

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes	10,687.54	0.00	10,687.54
Intergovernmental	44,000.00	10,600.00	54,600.00
Fines and Forfeitures	981.00	0.00	981.00
Contributions from Private Sources	200.00	0.00	200.00
Interest Income	57.57	606.76	664.33
	55,926.11	11,206.76	67,132.87
Expenditures			
Housing and Development	56,196.91	0.00	56,196.91
Public Safety	7,319.19	0.00	7,319.19
Public Works	0.00	10,320.00	10,320.00
Capital Outlay	0.00	44,754.50	44,754.50
	63,516.10	55,074.50	118,590.60
Excess (Deficiency) of Revenues over Expenditures	(7,589.99)	(43,867.74)	(51,457.73)
Fund Balance at Beginning of Year	81,622.26	414,834.39	496,456.65
Fund Balance at End of Year	74,032.27	370,966.65	444,998.92

General Fund

To account for those resources traditionally associated with governments, which are not required to be accounted for in another fund.

CITY OF EATONTON, GEORGIA

GENERAL FUND

BALANCE SHEET

AUGUST 31, 2011 and 2010

	2011	2010
Assets		
Current Assets:		
Cash	844,963.85	1,124,868.88
Prepaid Insurance	38,695.27	0.00
Accounts Receivable, Net of Allowance for Doubtful Accounts	24,979.09	19,189.40
Due from Capital Reserve Fund	3,050.77	0.00
Due from Youth Services Grant Fund	21,178.34	20,072.31
Due from Police Condemnation Fund	5,397.14	5,397.14
Grant Funds Receivable	0.00	93,362.85
Due From State Government	378,037.90	366,694.28
Time Certificates of Deposit	195,000.00	190,500.00
Restricted Assets:		
Time Certificates of Deposit	370,555.14	374,381.01
Total Assets	1,881,857.50	2,194,465.87
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable	380,850.12	164,552.20
Accrued Wages and Related Liabilities	100,501.37	99,119.34
Deposits	37,584.24	29,061.24
Total Liabilities	518,935.73	292,732.78
Fund Balance:		
Nonspendable	38,695.27	0.00
Committed for Capital Outlay	370,555.14	374,381.01
Committed Stabilization Reserve	521,337.20	561,916.00
Assigned for Appropriations	20,000.00	0.00
Unassigned	412,334.16	965,436.08
Total Fund Balance	1,362,921.77	1,901,733.09
Total Liabilities and Fund Balance	1,881,857.50	2,194,465.87

CITY OF EATONTON, GEORGIA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Revenues					
Taxes	3,433,380.00	3,444,254.00	2,996,800.88	(447,453.12)	2,923,710.28
Licenses and Permits	76,000.00	76,000.00	70,937.91	(5,062.09)	73,630.13
Intergovernmental Revenues	200,000.00	200,000.00	144,859.66	(55,140.34)	258,764.99
Charges for Services	283,432.00	283,432.00	222,598.04	(60,833.96)	222,036.81
Fines and Forfeitures	260,000.00	260,000.00	219,328.54	(40,671.46)	178,944.57
Other	26,001.00	26,001.00	27,398.24	1,397.24	38,621.02
Total Revenues	4,278,813.00	4,289,687.00	3,681,923.27	(607,763.73)	3,695,707.80
Expenditures					
Current:					
General Government	846,285.00	812,185.00	722,914.75	(89,270.25)	834,584.51
Judicial	18,550.00	18,550.00	18,391.64	(158.36)	16,337.96
Public Safety	1,879,368.00	1,941,368.00	1,886,701.18	(54,666.82)	2,124,589.02
Public Works	1,350,667.00	1,372,667.00	1,357,176.79	(15,490.21)	1,497,478.70
Health and Welfare	3,961.00	2,961.00	2,958.01	(2.99)	3,616.83
Culture and Recreation	92,394.00	141,494.00	138,630.65	(2,863.35)	125,542.63
Housing and Development	97,588.00	111,962.00	103,961.57	(8,000.43)	80,326.86
Total Expenditures	4,288,813.00	4,401,187.00	4,230,734.59	(170,452.41)	4,682,476.51
Excess (Deficiency) of Revenues	(10,000.00)	(111,500.00)	(548,811.32)	(437,311.32)	(986,768.71)
Other Financing Sources					
Transfers In: Capital Reserve Fund	10,000.00	10,000.00	10,000.00	0.00	10,000.00
Allocation of Prior Year's Fund Balance	0.00	101,500.00	0.00	(101,500.00)	0.00
Total Other Financing Sources (Uses)	10,000.00	111,500.00	10,000.00	(101,500.00)	10,000.00
Net Change in Fund Balance	0.00	0.00	(538,811.32)	(538,811.32)	(976,768.71)
Fund Balance at Beginning of Year			1,901,733.09		2,868,298.76
Prior Period Adjustment			0.00		10,203.04
Fund Balance at End of Year			1,362,921.77		1,901,733.09

CITY OF EATONTON, GEORGIA

GENERAL FUND

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Revenues					
Taxes:					
Local Option Sales Tax	2,465,380.00	2,476,254.00	2,090,307.41	(385,946.59)	2,008,631.07
Tax on Insurance Premiums	380,000.00	380,000.00	364,118.31	(15,881.69)	375,017.26
Utility Franchise Tax	317,000.00	317,000.00	313,641.84	(3,358.16)	310,285.91
Alcoholic Beverage Tax	271,000.00	271,000.00	228,733.32	(42,266.68)	229,776.04
	3,433,380.00	3,444,254.00	2,996,800.88	(447,453.12)	2,923,710.28
Licenses and Permits:					
Business Licenses	76,000.00	76,000.00	70,937.91	(5,062.09)	73,630.13
	76,000.00	76,000.00	70,937.91	(5,062.09)	73,630.13
Intergovernmental Grants for:					
Public Safety	200,000.00	200,000.00	144,859.66	(55,140.34)	160,720.02
Public Works	0.00	0.00	0.00	0.00	95,048.97
Other	0.00	0.00	0.00	0.00	2,996.00
	200,000.00	200,000.00	144,859.66	(55,140.34)	258,764.99
Charges for Services:					
General Government	1,000.00	1,000.00	3,066.00	2,066.00	594.00
Public Safety	1,000.00	1,000.00	4,123.84	3,123.84	2,251.54
Public Works	270,432.00	270,432.00	200,807.20	(69,624.80)	216,391.27
Culture and Recreation	11,000.00	11,000.00	14,601.00	3,601.00	12,501.00
	283,432.00	283,432.00	222,598.04	(60,833.96)	231,737.81
Fines and Forfeitures:					
Municipal Court	260,000.00	260,000.00	219,328.54	(40,671.46)	178,944.57
	260,000.00	260,000.00	219,328.54	(40,671.46)	178,944.57
Other:					
Interest Earned	25,000.00	25,000.00	13,601.76	(11,398.24)	19,854.92
Sale of Surplus Assets	0.00	0.00	13,286.97	13,286.97	6,303.00
Miscellaneous	1,001.00	1,001.00	509.51	(491.49)	2,762.10
	26,001.00	26,001.00	27,398.24	1,397.24	28,920.02
Total Revenues	4,278,813.00	4,289,687.00	3,681,923.27	(607,763.73)	3,695,707.80
Other Financing Sources					
Transfer from Capital Reserve Fund	10,000.00	10,000.00	10,000.00	0.00	10,000.00
Allocation of Prior Year's Fund Balance	0.00	101,500.00	0.00	(101,500.00)	0.00
Total Other Financing Sources	10,000.00	111,500.00	10,000.00	(101,500.00)	10,000.00
Total Revenues And Other Financing Sources	4,288,813.00	4,401,187.00	3,691,923.27	(709,263.73)	3,705,707.80

CITY OF EATONTON, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
General Government					
City Council and Executive Offices					
Personnel Services and Employee Benefits	90,928.00	91,828.00	98,314.14	6,486.14	89,327.48
Travel, Education and Training	15,279.00	15,279.00	14,198.17	(1,080.83)	13,516.89
Insurance	39,500.00	39,500.00	40,096.53	596.53	39,391.00
Communications	2,500.00	2,500.00	3,161.50	661.50	2,009.31
Other	9,200.00	9,200.00	4,199.84	(5,000.16)	4,662.58
	157,407.00	158,307.00	159,970.18	1,663.18	148,907.26
Elections					
Poll Workers	1,200.00	1,200.00	6,339.69	5,139.69	3,578.58
Travel, Education and Training	300.00	300.00	269.06	(30.94)	30.00
Communications	500.00	500.00	255.00	(245.00)	0.00
Supplies	2,400.00	18,900.00	13,350.00	(5,550.00)	157.00
	4,400.00	20,900.00	20,213.75	(686.25)	3,765.58
Financial and General Administration					
Personnel Services and Employee Benefits	270,482.00	271,982.00	277,379.43	5,397.43	274,434.64
Travel, Education and Training	6,000.00	6,000.00	6,619.18	619.18	2,564.50
Professional Services	60,000.00	61,000.00	41,964.76	(19,035.24)	66,552.93
Technical Services	81,600.00	81,600.00	6,701.19	(74,898.81)	14,663.05
Maintenance and Repairs	4,800.00	4,800.00	6,332.06	1,532.06	19,467.58
Insurance	6,600.00	6,600.00	7,491.60	891.60	6,551.00
Communications	11,600.00	11,600.00	13,136.95	1,536.95	10,266.01
Supplies	9,000.00	9,000.00	10,464.52	1,464.52	14,679.74
Gasoline	3,300.00	3,300.00	2,736.82	(563.18)	2,538.54
Utilities	6,000.00	6,000.00	2,665.42	(3,334.58)	4,394.93
Intergovernmental Grant	0.00	0.00	0.00	0.00	50,000.00
	459,382.00	461,882.00	375,491.93	(86,390.07)	466,112.92
Buildings and Grounds					
Personnel Services and Employee Benefits	182,196.00	128,196.00	131,443.14	3,247.14	151,582.51
Travel, Education and Training	300.00	300.00	0.00	(300.00)	0.00
Technical Services	4,100.00	4,100.00	3,050.00	(1,050.00)	1,360.00
Maintenance and Repairs	3,000.00	3,000.00	7,718.61	4,718.61	27,750.01
Insurance	10,900.00	10,900.00	10,605.25	(294.75)	10,933.00
Communications	600.00	600.00	1,035.23	435.23	954.30
Supplies	8,000.00	8,000.00	6,530.43	(1,469.57)	7,832.96
Gasoline	4,000.00	4,000.00	3,612.99	(387.01)	3,918.47
Utilities	12,000.00	12,000.00	3,243.24	(8,756.76)	3,454.50
Capital Outlay	0.00	0.00	0.00	0.00	8,013.00
	225,096.00	171,096.00	167,238.89	(3,857.11)	215,798.75
Total General Government	846,285.00	812,185.00	722,914.75	(89,270.25)	834,584.51

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Judicial System					
Municipal Court	18,550.00	18,550.00	18,391.64	(158.36)	16,337.96
Total Judicial System	18,550.00	18,550.00	18,391.64	(158.36)	16,337.96
Public Safety					
Police Department					
Personnel Services and Employee Benefits	1,199,515.00	1,261,515.00	1,216,395.29	(45,119.71)	1,264,674.90
Travel, Education and Training	9,000.00	9,000.00	8,118.47	(881.53)	10,719.38
Technical Services	29,300.00	29,300.00	8,520.43	(20,779.57)	11,990.51
Maintenance and Repairs	50,000.00	50,000.00	61,626.02	11,626.02	142,433.82
Insurance	34,700.00	34,700.00	33,201.40	(1,498.60)	34,299.32
Communications	12,900.00	12,900.00	15,837.56	2,937.56	14,490.19
Supplies, Hardware and Small Equipment	25,000.00	25,000.00	32,313.53	7,313.53	78,004.53
Gasoline	75,000.00	75,000.00	89,556.73	14,556.73	70,842.59
Utilities	10,000.00	10,000.00	13,049.30	3,049.30	11,124.80
Towing and Impound	4,000.00	4,000.00	459.00	(3,541.00)	1,991.00
Prisoner Housing	4,800.00	4,800.00	16,850.00	12,050.00	21,834.38
Drug Task Force	5,000.00	5,000.00	5,000.00	0.00	5,000.00
Capital Outlay	0.00	0.00	0.00	0.00	31,350.00
Other	4,000.00	4,000.00	532.15	(3,467.85)	3,942.56
	1,463,215.00	1,525,215.00	1,501,459.88	(23,755.12)	1,702,697.98
Fire and Rescue Safety					
Personnel Services and Employee Benefits	271,433.00	284,433.00	253,928.38	(30,504.62)	213,622.69
Volunteer Fire Fighter Drill Fees	41,520.00	41,520.00	27,893.06	(13,626.94)	28,648.50
Travel, Education and Training	2,400.00	2,400.00	0.00	(2,400.00)	718.27
Maintenance and Repairs	6,000.00	6,000.00	9,984.77	3,984.77	77,404.94
Insurance	3,500.00	3,500.00	8,275.44	4,775.44	3,461.00
Communications	5,000.00	5,000.00	11,911.24	6,911.24	2,787.90
Supplies, Hardware and Small Equipment	4,000.00	4,000.00	14,870.50	10,870.50	14,416.55
Gasoline	4,000.00	4,000.00	7,737.85	3,737.85	4,850.87
Rescue Squad Fees and Associated Costs	36,700.00	35,700.00	23,007.54	(12,692.46)	37,966.95
Other	0.00	0.00	0.00	0.00	1,329.71
	374,553.00	386,553.00	357,608.78	(28,944.22)	385,207.38
Animal Control	41,600.00	29,600.00	27,632.52	(1,967.48)	36,683.66
Total Public Safety	1,879,368.00	1,941,368.00	1,886,701.18	(54,666.82)	2,124,589.02

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Public Works					
Highways and Streets					
Personnel Services and Employee Benefits	632,867.00	681,867.00	622,275.84	(59,591.16)	627,577.79
Technical Services	5,000.00	5,000.00	28,555.10	23,555.10	21,549.00
Maintenance and Repairs	82,400.00	82,400.00	48,351.91	(34,048.09)	154,910.88
Insurance	31,800.00	31,800.00	28,643.83	(3,156.17)	30,032.00
Communications	4,600.00	4,600.00	3,775.89	(824.11)	4,055.95
Supplies, Hardware and Small Equipment	122,000.00	96,000.00	109,449.75	13,449.75	104,013.13
Gasoline	38,000.00	38,000.00	57,409.89	19,409.89	44,050.71
Utilities	125,000.00	125,000.00	143,351.48	18,351.48	129,099.83
Prison Crew Fees	80,000.00	80,000.00	79,000.00	(1,000.00)	79,000.00
Capital Outlay	40,000.00	40,000.00	49,182.50	9,182.50	125,982.22
	1,161,667.00	1,184,667.00	1,169,996.19	(14,670.81)	1,320,271.51
Solid Waste and Recycling					
Waste Disposal Fees	180,000.00	179,000.00	178,632.08	(367.92)	176,194.89
Insurance	8,400.00	8,400.00	8,302.82	(97.18)	0.00
Recycling Operations	600.00	600.00	245.70	(354.30)	1,012.30
	189,000.00	188,000.00	187,180.60	(819.40)	177,207.19
Total Public Works	1,350,667.00	1,372,667.00	1,357,176.79	(15,490.21)	1,497,478.70
Health and Welfare					
Mosquito Control	3,961.00	2,961.00	2,958.01	(2.99)	3,616.83
Total Health and Welfare	3,961.00	2,961.00	2,958.01	(2.99)	3,616.83
Culture and Recreation					
Personnel Services and Employee Benefits	53,394.00	102,494.00	52,302.41	(50,191.59)	51,938.86
Travel, Education and Training	1,600.00	1,600.00	1,814.82	214.82	1,973.22
Maintenance and Repairs	2,400.00	2,400.00	14,999.29	12,599.29	7,380.34
Insurance	10,500.00	10,500.00	11,260.66	760.66	10,405.00
Supplies, Hardware and Small Equipment	500.00	500.00	9,606.70	9,106.70	0.00
Utilities	24,000.00	24,000.00	48,646.77	24,646.77	47,602.47
Recreation Support	0.00	0.00	0.00	0.00	6,242.74
Total Culture and Recreation	92,394.00	141,494.00	138,630.65	(2,863.35)	125,542.63

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Housing and Development					
Personnel Services and Employee Benefits	43,028.00	78,102.00	75,158.75	(2,943.25)	42,621.27
Planning and Zoning Board	4,200.00	3,200.00	2,600.00	(600.00)	2,500.00
Travel, Education and Training	1,600.00	4,400.00	5,318.22	918.22	1,435.08
Technical Services	200.00	900.00	655.00	(245.00)	0.00
Maintenance and Repairs	18,600.00	4,600.00	3,365.06	(1,234.94)	40.00
Insurance	1,000.00	1,000.00	1,414.47	414.47	973.00
Communications	660.00	3,560.00	5,482.35	1,922.35	773.90
Supplies, Hardware and Small Equipment	800.00	800.00	664.17	(135.83)	132.93
Gasoline	900.00	900.00	803.55	(96.45)	762.06
Economic Development Grants	26,600.00	14,500.00	8,500.00	(6,000.00)	31,088.62
Total Housing and Development	97,588.00	111,962.00	103,961.57	(8,000.43)	80,326.86
Total Expenditures	4,288,813.00	4,401,187.00	4,230,734.59	(170,452.41)	4,682,476.51

SPECIAL REVENUE FUNDS

Major Fund

Capital Reserve Fund – To account for the first year's collections of local option sales taxes. Income from investments of these collections is restricted to specific purposes by ordinance.

Nonmajor Funds

Hotel / Motel Tax Fund – To account for taxes collected on overnight lodging rentals. In accordance with state law, a portion of collections is expended to promote tourism.

Police Condemnation Fund – To account for net proceeds of confiscated items, seized in drug related crimes. Expenditures are legally restricted to purchases of law enforcement supplies and equipment.

Youth Services Grant Fund – To account for the proceeds of state, Family Connection grants and related grants, the expenditures of which are designated, by contract, to support of youth and families.

CITY OF EATONTON, GEORGIA

CAPITAL RESERVE FUND

COMPARATIVE BALANCE SHEET

AUGUST 31, 2011 and 2010

	2011	2010
Assets		
Cash and Cash Equivalents	0.00	22,477.17
Time Certificates of Deposit	987,500.00	987,500.00
Total Assets	987,500.00	1,009,977.17
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	1,750.00	1,750.00
Due to General Fund	3,050.77	0.00
Total Liabilities	4,800.77	1,750.00
Fund Balance		
Fund Balance, Restricted	500,000.00	500,000.00
Fund Balance, Committed	482,699.23	508,227.17
Total Fund Balance	982,699.23	1,008,227.17
Total Liabilities and Fund Balance	987,500.00	1,009,977.17

CITY OF EATONTON, GEORGIA

CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Revenues					
Interest Earned	25,000.00	25,000.00	17,335.60	(7,664.40)	28,997.53
Total Revenues	25,000.00	25,000.00	17,335.60	(7,664.40)	28,997.53
Expenditures					
Donation - Library	21,500.00	21,500.00	21,300.00	(200.00)	15,520.00
Donation - Historical Society	3,400.00	3,400.00	3,120.54	(279.46)	343.85
Regional Development Commission Dues	7,200.00	7,200.00	6,693.00	(507.00)	6,764.00
Professional Fees	1,600.00	1,600.00	1,750.00	150.00	1,750.00
Total Expenditures	33,700.00	33,700.00	32,863.54	(836.46)	24,377.85
Excess (Deficiency) of Revenues Over Expenditures	(8,700.00)	(8,700.00)	(15,527.94)	(6,827.94)	4,619.68
Other Financing Sources (Uses)					
Allocation of Prior Year's Fund Balance	18,700.00	18,700.00	0.00	(18,700.00)	0.00
Transfer to General Fund	(10,000.00)	(10,000.00)	(10,000.00)	0.00	(10,000.00)
Total Other Financing Sources (Uses)	8,700.00	8,700.00	(10,000.00)	(18,700.00)	(10,000.00)
Net Change in Fund Balance	0.00	0.00	(25,527.94)	(25,527.94)	(5,380.32)
Fund Balance At Beginning of Year			1,008,227.17		1,013,607.49
Fund Balance At End of Year			982,699.23		1,008,227.17

CITY OF EATONTON, GEORGIA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

AUGUST 31, 2011

	Hotel / Motel Tax Fund	Police Condemnation Fund	Youth Services Grant Fund	Total Nonmajor Special Revenue Funds
Assets				
Cash	7,821.15	35,734.30	0.00	43,555.45
Grant Funds Receivable	0.00	0.00	56,050.02	56,050.02
Taxes Receivable	1,002.28	0.00	0.00	1,002.28
Total Assets	8,823.43	35,734.30	56,050.02	100,607.75
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	0.00	0.00	0.00	0.00
Interfund Payable	0.00	5,397.14	21,178.34	26,575.48
Total Liabilities	0.00	5,397.14	21,178.34	26,575.48
Fund Balance:				
Restricted for Grant Purposes	0.00	0.00	34,871.68	34,871.68
Restricted for Program Purposes	0.00	30,337.16	0.00	30,337.16
Assigned	8,823.43	0.00	0.00	8,823.43
Total Fund Balances	8,823.43	30,337.16	34,871.68	74,032.27
Total Liabilities and Fund Balance	8,823.43	35,734.30	56,050.02	100,607.75

CITY OF EATONTON, GEORGIA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED AUGUST 31, 2011

	Hotel / Motel Tax Fund	Police Condemnation Fund	Youth Services Grant Fund	Total Nonmajor Special Revenue Funds
Revenues				
Hotel / Motel Taxes	10,687.54	0.00	0.00	10,687.54
Intergovernmental State Grants	0.00	0.00	44,000.00	44,000.00
Fines and Forfeitures	0.00	981.00	0.00	981.00
Private, Local Grants	0.00	0.00	200.00	200.00
Interest Income	0.00	57.57	0.00	57.57
	10,687.54	1,038.57	44,200.00	55,926.11
Expenditures				
Housing and Development	11,988.76	0.00	44,208.15	56,196.91
Public Safety	0.00	7,319.19	0.00	7,319.19
	11,988.76	7,319.19	44,208.15	63,516.10
Excess (Deficiency) of Revenues over Expenditures	(1,301.22)	(6,280.62)	(8.15)	(7,589.99)
Fund Balance at Beginning of Year	10,124.65	36,617.78	34,879.83	81,622.26
Fund Balance at End of Year	8,823.43	30,337.16	34,871.68	74,032.27

CITY OF EATONTON, GEORGIA

HOTEL / MOTEL TAX FUND

COMPARATIVE BALANCE SHEET

AUGUST 31, 2011 AND 2010

	2011	2010
Assets		
Cash	7,821.15	13,753.02
Taxes Receivable	1,002.28	871.63
Total Assets	8,823.43	14,624.65
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable	0.00	4,500.00
Fund Balance Assigned for Development	8,823.43	10,124.65
Total Liabilities and Fund Balance	8,823.43	14,624.65

CITY OF EATONTON, GEORGIA

HOTEL / MOTEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Revenues					
Hotel / Motel Taxes	12,000.00	12,000.00	10,687.54	(1,312.46)	11,659.39
Expenditures					
Contracted Services for Tourism Promotion	11,500.00	11,500.00	11,988.76	488.76	12,000.00
Professional Services	500.00	500.00	0.00	(500.00)	500.00
	12,000.00	12,000.00	11,988.76	(11.24)	12,500.00
Net Change in Fund Balance	0.00	0.00	(1,301.22)	(1,301.22)	(840.61)
Fund Balance at Beginning of Year			10,124.65		10,965.26
Fund Balance at End of Year			8,823.43		10,124.65

CITY OF EATONTON, GEORGIA

POLICE CONDEMNATION FUND

COMPARATIVE BALANCE SHEET

AUGUST 31, 2011 AND 2010

	2011	2010
Assets		
Cash	35,734.30	42,014.92
Total Assets	35,734.30	42,014.92
Liabilities and Fund Balance		
Liabilities:		
Due to General Fund	5,397.14	5,397.14
Fund Balance		
Restricted for Program Purposes	30,337.16	36,617.78
Total Liabilities and Fund Balance	35,734.30	42,014.92

CITY OF EATONTON, GEORGIA

POLICE CONDEMNATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Revenues					
Proceeds from Seizures	11,000.00	11,000.00	981.00	(10,019.00)	41,148.19
Interest Earned	50.00	50.00	57.57	7.57	42.10
Total Revenues	11,050.00	11,050.00	1,038.57	(10,011.43)	41,190.29
Expenditures					
Education and Training	1,050.00	1,050.00	4,719.19	3,669.19	6,832.56
Supplies, Small Tools and Equipment	0.00	0.00	2,600.00	2,600.00	754.03
Capital Outlay	10,000.00	10,000.00	0.00	(10,000.00)	7,320.00
Total Expenditures	11,050.00	11,050.00	7,319.19	(3,730.81)	14,906.59
Net Change in Fund Balance	0.00	0.00	(6,280.62)	(6,280.62)	26,283.70
Fund Balance at Beginning of Year			36,617.78		10,334.08
Fund Balance at End of Year			30,337.16		36,617.78

CITY OF EATONTON, GEORGIA

YOUTH SERVICES GRANT FUND

COMPARATIVE BALANCE SHEET

AUGUST 31, 2011 AND 2010

	2011	2010
Assets		
Cash	0.00	2,250.21
Grant Funds Receivable	56,050.02	52,701.93
Total Assets	56,050.02	54,952.14
Liabilities and Fund Balance		
Liabilities:		
Due to General Fund	21,178.34	20,072.31
Fund Balance, Restricted for Grant Purposes	34,871.68	34,879.83
Total Liabilities and Fund Balance	56,050.02	54,952.14

CITY OF EATONTON, GEORGIA

YOUTH SERVICES GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2010

	2011				2010
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
Revenues					
Family Connection Grant	50,000.00	50,000.00	44,000.00	(6,000.00)	44,000.00
Emergency Food and Shelter Grant	0.00	0.00	0.00	0.00	4,491.00
Community Support	0.00	0.00	200.00	200.00	1,201.56
	50,000.00	50,000.00	44,200.00	(5,800.00)	49,692.56
Expenditures					
Purchased Services	50,000.00	50,000.00	44,208.15	(5,791.85)	45,020.74
Supplies	0.00	0.00	0.00	0.00	3,183.48
	50,000.00	50,000.00	44,208.15	(5,791.85)	48,204.22
Net Change in Fund Balance	0.00	0.00	(8.15)	(8.15)	1,488.34
Fund Balance at Beginning Of Year			34,879.83		33,391.49
Fund Balance at End of Year			34,871.68		34,879.83

CAPITAL PROJECTS FUNDS

Nonmajor Funds

Special Local Option Sales Tax Fund – To account for receipts of special sales tax proceeds. Proceeds are to be expended in accordance with the terms of a local referendum for

- Vehicles and equipment for public safety and public works
- Paving
- Water system and waste water system infrastructure
- Cultural and recreational center building

Community Development Block Grant Fund, #6: 10p-x-117-2-5279 – To account for grant proceeds designated for a street drainage project.

CITY OF EATONTON, GEORGIA

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

AUGUST 31, 2011

	SPLOST Fund	CDBG #6 Fund	Total Nonmajor Capital Projects Funds
Assets			
Cash	370,686.65	280.00	370,966.65
Total Assets	370,686.65	280.00	370,966.65
Liabilities and Fund Balance			
Liabilities:			
None	0.00	0.00	0.00
Fund Balance:			
Restricted for Capital Outlay	370,686.65	280.00	370,966.65
Total Liabilities and Fund Balance	370,686.65	280.00	370,966.65

CITY OF EATONTON, GEORGIA

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED AUGUST 31, 2011

	SPLOST Fund	CDBG #6 Fund	Total Nonmajor Capital Projects Funds
Revenues			
Intergovernmental Federal Grant	0.00	10,600.00	10,600.00
Interest Income	606.76	0.00	606.76
	606.76	10,600.00	11,206.76
Expenditures			
Public Works	0.00	10,320.00	10,320.00
Capital Outlay	44,754.50	0.00	44,754.50
	44,754.50	10,320.00	55,074.50
Excess (Deficiency) of Revenues over Expenditures	(44,147.74)	280.00	(43,867.74)
Fund Balance at Beginning of Year	414,834.39	0.00	414,834.39
Fund Balance at End of Year	370,686.65	280.00	370,966.65

CITY OF EATONTON, GEORGIA

SPECIAL LOCAL OPTION SALES TAX FUND

COMPARATIVE BALANCE SHEET

AUGUST 31, 2011 AND 2010

	2011	2010
Assets		
Cash and Cash Equivalents	370,686.65	414,834.39
Liabilities and Fund Balance		
Liabilities		
None	0.00	0.00
Fund Balance, Restricted for Capital Outlay	370,686.65	414,834.39
Total Liabilities and Fund Balance	370,686.65	414,834.39

CITY OF EATONTON, GEORGIA

SPECIAL LOCAL OPTION SALES TAX FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
Revenues		
Intergovernmental Revenues	0.00	0.00
Interest Income	606.76	655.63
	606.76	655.63
Expenditures		
Capital Outlay		
Public Works		
Roads, Bridges, Sidewalks	44,754.50	22,610.48
	44,754.50	22,610.48
Net Change in Fund Balance	(44,147.74)	(21,954.85)
Fund Balance at Beginning of Year	414,834.39	436,789.24
Fund Balance at End of Year	370,686.65	414,834.39

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 6

C.D.B.G. No. 10p-x-117-2-5279

COMPARATIVE BALANCE SHEET

AUGUST 31, 2011 AND 2010

	2011	2010
Assets		
Cash	280.00	0.00
Total Assets	280.00	0.00
Liabilities and Fund Balance		
Liabilities:		
None	0.00	0.00
Fund Balance, Restricted for Capital Outlay	280.00	0.00
Total Liabilities and Fund Balance	280.00	0.00

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 6

C.D.B.G. No. 07p-x-117-2-5279

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
Revenues		
Intergovernmental Federal Grant - C.D.B.G.	10,600.00	0.00
	10,600.00	0.00
Expenditures		
Capital Outlay for Street Improvements		
Public Works		
Street Improvements	0.00	0.00
Flood and Drainage Facilities	0.00	0.00
Contingencies	0.00	0.00
Administration	10,320.00	0.00
	10,320.00	0.00
Excess (Deficiency) of Revenues over Expenditures	280.00	0.00
Fund Balance at Beginning of Year	0.00	0.00
Fund Balance at End of Year	280.00	0.00

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 6

C.D.B.G. No. 07p-x-117-2-5279

STATEMENT OF SOURCE AND STATUS OF FUNDS

FOR THE PERIOD SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011

Source of Funds		
Total Program Funds Allocated	412,697.00	
Less: Total Funds Drawn Down by Recipient	10,600.00	
Program Funds Still Available from HUD		402,097.00
Status of Funds		
Total Funds Drawn Down by Recipient	10,600.00	
Less: Funds Applied to Program Expense	10,320.00	
Total Funds Held by Recipient		280.00
Total Program Funds Available for Disposition		402,377.00

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 6

C.D.B.G. No. 07p-x-117-2-5279

STATEMENT OF PROJECT COSTS

FOR THE PERIOD SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2011

Program Activity	CDBG Activity Number	Approved Budget	CDBG Expenditures Cumulative	Questioned Costs
Street Improvements	P-03K-01	163,478.00	0.00	0.00
Flood and Drainage Facilities	P-03K-02	203,400.00	0.00	0.00
Administration	A-21A -00	24,762.00	10,320.00	0.00
Contingencies	C-022-00	21,057.00	0.00	0.00
Total		412,697.00	10,320.00	0.00

PROPRIETARY FUNDS

Major Fund

Natural Gas Fund – To account for the provision of natural gas services. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance. All costs including depreciation are recorded in the fund.

Nonmajor Fund

Revolving Loan Fund – To account for monies provided by the federal government, through a Community Development Block Grant Employment Incentive Program, which finances low-interest loans to local businesses and industries. Interest earnings, from loans and deposits, increases the amount available for loans.

CITY OF EATONTON, GEORGIA

NATURAL GAS FUND

COMPARATIVE STATEMENT OF NET ASSETS

AUGUST 31, 2011 AND 2010

	2011	2010
Assets		
Current Assets		
Cash	2,101,765.57	2,466,441.68
Time Certificates of Deposit	385,723.56	381,266.94
Accounts Receivable, Net of Allowance for Doubtful Accounts	39,371.37	46,359.64
Sales Tax Deposit	3,139.05	3,139.05
Time Certificates of Deposit, Customer Deposits	366,798.98	359,348.73
Total Current Assets	2,896,798.53	3,256,556.04
Capital Assets		
Natural Gas System	4,362,388.02	3,534,167.48
Machinery and Equipment	576,421.83	574,384.84
	4,938,809.85	4,108,552.32
Less Accumulated Depreciation	2,503,667.43	2,357,593.81
Total Capital Assets	2,435,142.42	1,750,958.51
Total Assets	5,331,940.95	5,007,514.55
Liabilities		
Current Liabilities		
Accounts Payable	35,341.24	21,670.80
Customer Deposits	95,464.23	99,158.88
Current Portion of Compensated Absences Payable	4,443.80	3,709.12
Total Current Liabilities	135,249.27	124,538.80
Long-Term Liabilities (Net of Current Portion)		
Compensated Absences Payable	17,775.22	14,836.46
Total Liabilities	153,024.49	139,375.26
Net Assets		
Invested in Capital Assets	2,435,142.42	1,750,958.51
Committed for Stabilization	195,751.80	202,500.90
Unrestricted Net Assets	2,548,022.24	2,914,679.88
Total Net Assets	5,178,916.46	4,868,139.29

CITY OF EATONTON, GEORGIA

NATURAL GAS FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEARS ENDED AUGUST 31, 2011 and 2010

	2011	2010
Operating Revenues		
Sale of Natural Gas	1,973,453.94	2,303,855.67
Tap and Re-connection Fees	7,250.00	7,280.00
Penalties	30,819.19	27,252.14
Other	2,995.86	2,435.00
Total Operating Revenues	2,014,518.99	2,340,822.81
Operating Expenses		
Cost of Natural Gas	931,537.33	1,215,743.91
Personnel Services and Employee Benefits	301,015.99	275,361.94
Travel, Education and Training	1,097.89	915.00
Professional Services	29,339.04	22,160.00
Technical Services	7,391.19	12,537.82
Maintenance and Repairs - Vehicles and Equipment	32,325.45	9,506.99
Maintenance and Repairs - System	9,735.79	17,105.15
Depreciation Expense	171,555.63	170,604.76
Insurance	8,653.00	8,944.00
Communications	19,591.02	15,887.10
Supplies, Hardware and Small Equipment	18,239.33	24,377.23
Gasoline	22,301.16	14,702.34
Utilities	11,846.05	11,552.16
Taxes	28,160.25	30,239.31
Total Operating Expenses	1,592,789.12	1,829,637.71
Operating Income (Loss)	421,729.87	511,185.10
Non-Operating Revenues		
State Grants	0.00	112,187.11
Interest Income	13,797.29	18,830.70
Total Non-Operating Revenues	13,797.29	131,017.81
Special Item		
Accounts Receivable Bankruptcy Loss	124,749.99	0.00
Change in Net Assets	310,777.17	642,202.91
Net Assets at Beginning of Year	4,868,139.29	4,207,512.38
Prior Period Adjustment	0.00	18,424.00
Net Assets at End of Year	5,178,916.46	4,868,139.29

CITY OF EATONTON, GEORGIA

NATURAL GAS FUND

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
Cash Received from Customers	1,893,062.62	2,325,292.13
Cash Payments for Personnel Services	(297,342.55)	(274,057.42)
Cash Payments for Goods and Services	(1,106,547.06)	(1,408,115.01)
Net Cash Provided (Used) by Operating Activities	489,173.01	643,119.70
Cash Flows from Noncapital Financing Activities		
Operating Grant	0.00	112,187.11
Net Cash Provided (Used) by Noncapital Financing Activities	0.00	112,187.11
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(855,739.54)	0.00
Net Cash Provided (Used) by Capital and Related Financing Activities	(855,739.54)	0.00
Cash Flows from Investing Activities		
Earnings On Investments	13,797.29	18,830.70
(Increase) Decrease in Investments	(11,906.87)	(16,574.76)
Net Cash Flows From Investing Activities	1,890.42	2,255.94
Net Increase (Decrease) in Cash	(364,676.11)	757,562.75
Cash at Beginning of Year	2,466,441.68	1,708,878.93
Cash at End of Year	2,101,765.57	2,466,441.68
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	296,979.88	511,185.10
Adjustments:		
Depreciation	171,555.63	170,604.76
(Increase) Decrease in Assets:		
Accounts / Notes Receivable	6,988.27	(15,530.68)
Sales Tax Deposit	0.00	(397.58)
Increase (Decrease) in Liabilities:		
Accounts Payable	13,670.44	(22,636.46)
Customer Deposits	(3,694.65)	(1,409.96)
Accrued Liabilities	3,673.44	1,304.52
Net Cash Provided by (Used in) Operating Activities	489,173.01	643,119.70

CITY OF EATONTON, GEORGIA

REVOLVING LOAN FUND

COMPARATIVE STATEMENT OF NET ASSETS

AUGUST 31, 2011 AND 2010

	2011	2010
Assets		
Cash	75,426.04	72,191.72
Notes Receivable	20,613.36	45,797.13
Total Assets	96,039.40	117,988.85
Liabilities		
Accounts Payable	1,250.00	1,250.00
Net Assets		
Restricted for Program Purposes	94,789.40	116,738.85

CITY OF EATONTON, GEORGIA

REVOLVING LOAN FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
Operating Revenues		
Interest and Penalties - Notes Receivable	1,100.32	1,717.55
Total Operating Revenues	1,100.32	1,717.55
Operating Expenses		
Professional Services	1,250.00	1,250.00
Write-off of Uncollectable Loan	22,618.15	0.00
Supplies	0.00	19.19
Total Operating Expenses	23,868.15	1,269.19
Operating Income (Loss)	(22,767.83)	448.36
Non-Operating Revenues		
Interest - Bank Account	818.38	782.17
Change in Net Assets	(21,949.45)	1,230.53
Net Assets at Beginning of Year	116,738.85	115,508.32
Net Assets at End of Year	94,789.40	116,738.85

CITY OF EATONTON, GEORGIA

REVOLVING LOAN FUND

STATEMENT OF NET ASSETS AS OF JUNE 30, 2011

Assets	
Cash	74,665.67
Notes Receivable, Net of Allowance for Doubtful Accounts	43,677.11
Total Assets	118,342.78
Liabilities	
None	0.00
Net Assets	
Restricted for Program Purposes	118,342.78

CITY OF EATONTON, GEORGIA

REVOLVING LOAN FUND

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
Cash Received from Customers	3,665.94	3,725.19
Cash Payments for Goods and Services	(1,250.00)	(1,269.19)
Net Cash Provided (Used) by Operating Activities	2,415.94	2,456.00
Cash Flows from Investing Activities		
Earnings On Investments	818.38	782.17
Net Cash Flows From Investing Activities	818.38	782.17
Net Increase (Decrease) in Cash and Cash Equivalents	3,234.32	3,238.17
Cash at Beginning of Year	72,191.72	68,953.55
Cash at End of Year	75,426.04	72,191.72
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	(22,767.83)	448.36
Adjustments:		
(Increase) Decrease in Assets:		
Notes Receivable	25,183.77	2,007.64
Net Cash Provided by (Used in) Operating Activities	2,415.94	2,456.00

Special Reports

DAVID GIDDENS
CERTIFIED PUBLIC ACCOUNTANT
412 WEST MARION STREET
EATONTON, GEORGIA

TELEPHONE (706) 485-5555

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 the City Council
City of Eatonton, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Eatonton, Georgia, as of and for the year ended August 31, 2011. These collectively comprise the City's basic financial statements. We have issued our report thereon, dated August 29, 2012. Our audit was conducted 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.

Internal Control Over Financial Reporting

The City's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements. However, it was not our purpose to express an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eatonton's internal control over financial reporting.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section. It was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses, as defined above. However, we identified a deficiency that we consider to be a significant deficiency. 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. We consider the finding numbered as 2011-1, in the following Schedule of Findings and Responses, to be a significant deficiency.

The response of City of Eatonton officials, to the findings identified by our audit, is presented in the Schedule of Findings and Responses as "Views of Responsible Officials". These views have not been audited; accordingly, no opinion is expressed on them.

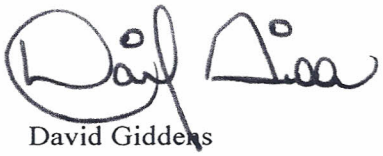
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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. As providing an opinion on compliance with those provisions was not an objective of our audit, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Additionally, we noted certain matters that we reported to City management in a separate letter dated August 29, 2012.

This report is intended solely for the information and use of the mayor, city council, management, others within the organization, federal awarding agencies and other grantor agencies. It is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



David Giddens
Certified Public Accountant
Eatonton, Georgia

August 29, 2012

City of Eatonton
Schedule of Findings and Responses
For the Year Ended August 31, 2011

Summary of Internal Control and Compliance Findings

Type of auditor's report issued	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies, not considered to be material weaknesses, identified?	yes
Noncompliance material to financial statements noted?	no

2011-1. Activity Level Controls

Criteria: General Ledger account balances should be reconciled to subsidiary ledger balances at appropriate intervals.

Condition: Unusual account balances were noted but not investigated.

Effect: Failure to reconcile subsidiary records to the corresponding general ledger accounts resulted in a $61,422 understatement of both accounts payable and cash.

Recommendation: Following the close out of each month, general ledger account balances should be reconciled to the subsidiary ledger totals for accounts receivable and accounts payable. Further, all bank accounts should be reconciled to the general ledger.

Views of Responsible Officials and Planned Corrective Action: We concur with these findings. The recommended reconciliations will be implemented.

DAVID GIDDENS
CERTIFIED PUBLIC ACCOUNTANT
412 WEST MARION STREET
EATONTON, GEORGIA 31024

TELEPHONE (706) 485-5555

Independent Auditor's Report on Special One Percent Sales and Use Tax

Honorable Mayor and Members of the City Council
City of Eatonton, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Eatonton, Georgia for the year ended August 31, 2011. This schedule is the responsibility of City management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note 1-D and is not intended to be a complete presentation of the City's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in Putnam County's resolutions (which specified pro rata allocation to the City) calling for the tax, for the year ended August 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,



David Giddens
Certified Public Accountant
Eatonton, Georgia

August 29, 2012

CITY OF EATONTON, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED

WITH SPECIAL SALES TAX PROCEEDS

FOR THE YEAR ENDED AUGUST 31, 2011

Project	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Roads, Bridges, Sidewalks	1,000,000.00	609,751.45	44,754.50	654,505.95	65%
Road Maintenance Equipment	58,000.00	50,120.63	0.00	50,120.63	86%
Police Vehicles	75,000.00	88,454.95	0.00	88,454.95	100%
Fire Fighting Equipment	400,000.00	393,058.39	0.00	393,058.39	98%
Community Cultural Center	750,000.00	750,000.00	0.00	750,000.00	100%
Water Lines and Meters	200,000.00	200,000.00	0.00	200,000.00	100%
Waste Water Line Improvements	100,000.00	94,000.00	0.00	94,000.00	94%
Totals	2,583,000.00	2,185,385.42	44,754.50	2,230,139.92	