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 17 of this report.

Financial Analysis of the City as a Whole

The City's net assets at year-end are $1,463,303. The following table provides a summary of the City's net assets:

	12/31/11	Percentage of Total	12/31/10	Percentage of Total
Assets:				
Current Assets	$ 765,254	39.4%	$ 692,286	43.5%
Capital Assets	1,176,811	60.6%	900,761	56.5%
Total Assets	1,942,065	100.0%	1,593,047	100.0%
Liabilities:				
Current Liabilities	71,065	14.8%	51,532	11.5%
Noncurrent Liabilities	407,697	85.2%	397,241	88.5%
Total Liabilities	478,762	100.0%	448,773	100.0%
Net Assets:				
Invested in Capital Assets, net of related debt	743,308	50.8%	485,992	42.5%
Restricted	67,812	4.6%	83,405	7.3%
Unrestricted	652,183	44.6%	574,877	50.2%
Total Net Assets	$ 1,463,303	100.0%	$ 1,144,274	100.0%

The City maintains a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 11 to 1 for 2011 and 13 to 1 for 2010.

Note that approximately 51% of the governmental activities' net assets are invested in capital assets. The City uses these capital assets to provide services to its citizens.

The following table provides a summary of the City's changes in net assets:

	12/31/11	Percentage of Total	12/31/10	Percentage of Total
Revenues:				
Program				
Charges for Services	96,501	9.6%	$ 102,408	13.4%
Operating Grants and Contributions	226	0.0%	170	0.0%
Capital Grants and Contributions	277,632	27.7%	70,748	9.3%
General				
Taxes	331,041	33.2%	333,031	43.7%
Franchise Fees	289,937	29.0%	253,351	33.2%
Interest Earned	2,290	0.2%	1,599	0.2%
Miscellaneous	3,032	0.3%	1,804	0.2%
Total Revenues	1,000,659	100.0%	763,111	100.0%
Program Expense				
General Government	321,838	47.2%	314,284	43.5%
Judicial	10,946	1.6%	30,255	4.2%
Public Safety	217,357	31.9%	216,773	30.0%
Public Works	99,916	14.6%	114,071	15.8%
Health and Welfare	4,675	0.7%	8,600	1.2%
Culture and Recreation	8,163	1.2%	17,682	2.4%
Housing and Economic Development	580	0.1%	1,410	0.2%
Interest on Long-Term Debt	18,155	2.7%	19,834	2.7%
Total Expenditures	681,630	100.0%	722,909	100.0%
Change in Net Assets	319,029		40,202	
Beginning Net Assets	1,144,274		1,104,072	
Ending Net Assets	$ 1,463,303		$ 1,144,274	

Governmental Revenues

The City's overall total revenues increased for the year ended December 31, 2011. This was mainly due to an increase in capital grant funding in the amount of $232,750. There was also an increase in franchise fees. The City received SPLOST revenue for expansion of sewer services, street improvements, and improvements to City parks.

Governmental Functional Expenses

This table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

	For Governmental Activities			
	Total Cost of Services 12/31/11	Net Cost of Services 12/31/11	Total Cost of Services 12/31/10	Net Cost of Services 12/31/10
General Government	$ 321,838	$ 302,838	$ 314,284	$ 297,830
Judicial	10,946	(66,555)	30,255	(55,699)
Public Safety	217,357	(15,393)	216,773	187,594
Public Works	99,916	55,034	114,071	72,502
Health and Welfare	4,675	4,675	8,600	8,600
Culture and Recreation	8,163	7,937	17,682	17,512
Housing and Economic Development	580	580	1,410	1,410
Interest on Long-Term Debt	18,155	18,155	19,834	19,834
Total	$ 681,630	$ 307,271	$ 722,909	$ 549,583

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, as of December 31, 2011 was $743,308. See Note 6 for additional information about changes in capital assets during the calendar year.

The following table provides a summary of capital asset activity:

	Governmental Activities	
	2011	2010
Capital Assets not Depreciated:		
Land	$ 111,250	$ 111,250
Depreciable Assets		
Buildings and Improvements	720,254	720,254
Equipment and Furniture	1,052,077	717,445
Total Depreciable Assets	1,772,331	1,437,699
Less: Accumulated Depreciation:	706,770	648,188
Book Value - Depreciable Assets	1,065,561	789,511
Percentage Depreciated	40%	45%
Book Value - All Assets	$1,176,811	$ 900,761

Debt

At the end of 2011, the City had approximately $455,000 outstanding from long-term debt, as compared to approximately $436,000 at the end of 2010.

The following is a summary of the City's long-term debt:

	Balance at 12/31/11	Balance at 12/31/10
Governmental Activities:		
Captial Leases Payable	$ 120,938	$ 77,737
Notes Payable	312,565	337,032
Accrued Compensated Absences	21,652	21,067
Total Long-Term Debt	$ 455,155	$ 435,836

See Note 7 for additional information about the City's long-term debt.

Financial Analysis of the City's Funds

Governmental Funds

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. Governmental funds reported ending fund balances of $707,936.

The total ending fund balances of governmental funds show a net increase of $69,303, a 10.85% increase from the prior year.

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance at December 31, 2011 was $602,718, an increase of $47,490 from 2010, which was mainly due to financing proceeds of $57,329.

The 2007 Splost Fund shows an increase in fund balance of $21,813 from the prior year. This was mainly due to a decrease in expenditures.

Economic Conditions Affecting the City

The City's annual budget relies heavily on a strong local economy. The revenues collected from services are fairly consistent and predictable; however taxes and license fees are the product of a weak or strong economy.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City of Eton City Hall at (706)-695-2652.

City of Eton, Georgia
Statement of Net Assets
December 31, 2011

	Governmental Activities
ASSETS	
Current Assets:	
Cash	$ 602,060
Receivables:	
Property and Other Taxes	41,176
Franchise Fees	90,296
Fines and Forfeitures	14,095
Intergovernmental	12,011
Prepaid Items	5,616
Total Current Assets	765,254
Noncurrent Assets:	
Capital Assets	
Nondepreciable Capital Assets:	
Land	111,250
Depreciable Capital Assets, net	1,065,561
Total Noncurrent Assets	1,176,811
Total Assets	1,942,065
LIABILITIES	
Current Liabilities:	
Accounts Payable	19,108
Accrued Expenses	4,499
Current Portion:	
Notes Payable	25,546
Capital Leases Payable	21,912
Total Current Liabilities	71,065
Noncurrent Liabilities:	
Compensated Absences	21,652
Notes Payable (Net of Current Portion)	287,019
Capital Leases Payable (Net of Current Portion)	99,026
Total Noncurrent Liabilities	407,697
Total Liabilities	478,762
NET ASSETS	
Invested in Capital Assets, net of related debt	743,308
Restricted for Capital Projects	67,812
Unrestricted	652,183
Total Net Assets	$ 1,463,303

See accompanying notes to the basic financial statements.

City of Eton, Georgia
Statement of Activities
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services, Sales and Fines	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
General Government	$ 321,838	$ 19,000	$ -	$ -	$ (302,838)
Judicial	10,946	77,501	-	-	66,555
Public Safety	217,357	-	-	232,750	15,393
Public Works	99,916	-	-	44,882	(55,034)
Health and Welfare	4,675	-	-	-	(4,675)
Culture and Recreation	8,163	-	226	-	(7,937)
Housing and Economic Development	580	-	-	-	(580)
Interest on Long-Term Debt	18,155	-	-	-	(18,155)
Total Governmental Activities	$ 681,630	$ 96,501	$ 226	$ 277,632	$ (307,271)

General Revenues:	
Taxes:	
Property Tax	140,484
Sales Tax	68,495
Alcohol Beverage Tax	63,187
Occupation Taxes	14,813
Other Taxes	44,062
Franchise Fees	289,937
Miscellaneous	3,032
Interest Earned	2,290
Total General Revenues	626,300
Change in Net Assets	319,029
Net Assets - Beginning of Year	1,144,274
Net Assets - End of Year	$ 1,463,303

See accompanying notes to the basic financial statements.

City of Eton, Georgia
Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	2007 Splost Fund	Total Governmental Funds
ASSETS			
Current Assets:			
Cash	$ 540,958	$ 61,102	$ 602,060
Receivables:			
Property and Other Taxes	41,176	-	41,176
Franchise Fees	90,296	-	90,296
Fines and Forfeitures	14,095	-	14,095
Intergovenmental	5,301	6,710	12,011
Interfund	-	37,406	37,406
Prepaid Items	5,616	-	5,616
Total Assets	$ 697,442	$ 105,218	$ 802,660
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 19,108	$ -	$ 19,108
Accrued Expenses	4,499	-	4,499
Interfund Payable	37,406	-	37,406
Deferred Revenues	33,711	-	33,711
Total Liabilities	94,724	-	94,724
FUND BALANCES			
Restricted - Capital Projects	-	105,218	105,218
Nonspendable - Prepaid Items	5,616	-	5,616
Unassigned	597,102	-	597,102
Total Fund Balances	602,718	105,218	707,936
Total Liabilities and Fund Balances	$ 697,442	$ 105,218	$ 802,660

See accompanying notes to the basic financial statements.

City of Eton, Georgia
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2011

Total Governmental Fund Balances		$ 707,936
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 are not reported in the funds:		
Capital Assets (at cost)	$ 1,883,581	
Less: Accumulated Depreciation	(706,770)	1,176,811
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes		33,711
Interfund receivables and payables between governmental funds are reported on the governmental fund's balance sheet, but eliminated on the government-wide statement of net assets.		
Interfund Receivables	$ 37,406	
Interfund Payables	(37,406)	-
Liabilities, including Capital Leases and Notes Payable are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	$ (21,652)	
Notes Payable	(312,565)	
Capital Leases	(120,938)	(455,155)
Net Assets of Governmental Activities		$ 1,463,303

See accompanying notes to the basic financial statements.

City of Eton, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General Fund	2007 Splost Fund	Total Governmental Funds
Revenues			
Taxes	$ 269,551	$ -	$ 269,551
Franchise Fees	289,937	-	289,937
Licenses and Permits	19,000	-	19,000
Interest Earned	2,290	226	2,516
Fines and Forfeitures	77,501	-	77,501
Intergovernmental	301,245	44,882	346,127
Miscellaneous	3,032	-	3,032
Total Revenues	962,556	45,108	1,007,664
Expenditures			
Current:			
General Government	300,020	-	300,020
Judicial	10,946	-	10,946
Public Safety	533,821	-	533,821
Public Works	76,999	21,586	98,585
Health and Welfare	4,675	-	4,675
Culture and Recreation	6,454	1,709	8,163
Housing and Economic Development	580	-	580
Debt Service:			
Principal	24,468	-	24,468
Interest	14,432	-	14,432
Total Expenditures	972,395	23,295	995,690
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,839)	21,813	11,974
Other Financing Sources (Uses)			
Inception of Capital Lease	57,329	-	57,329
Total Other Financing Sources (Uses)	57,329	-	57,329
Net Change in Fund Balances	47,490	21,813	69,303
Fund Balances - Beginning of Year	555,228	83,405	638,633
Fund Balances - End of Year	$ 602,718	$ 105,218	$ 707,936

See accompanying notes to the basic financial statements.

City of Eton, Georgia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011

Net Changes in Fund Balances - Total Governmental Funds		$ 69,303
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	$ (58,581)	
Capital Asset Additions	334,631	276,050
Capital leases are reported as other financing at the fund level but are reported as a libility on the government-wide statement activities.		(57,329)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of activities.		38,595
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes:		
Deferred at 12/31/10	$ (40,716)	
Deferred at 12/31/11	33,711	(7,005)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The change in the current year expense is as follows:		
Compensated Absences		
Liability @ 12/31/10	$ 21,067	
Liability @ 12/31/11	(21,652)	(585)
Change in Net Assets - Total Governmental Activities		$ 319,029

See accompanying notes to the basic financial statements.

City of Eton, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	$ 250,350	$ 250,350	$ 269,551	$ 19,201
Franchise Fees	230,000	230,000	289,937	59,937
Licenses and Permits	23,500	23,500	19,000	(4,500)
Interest Earned	1,100	1,100	2,290	1,190
Fines and Forfeitures	60,000	60,000	77,501	17,501
Intergovernmental	60,000	60,000	68,495	8,495
Miscellaneous	4,500	4,500	3,032	(1,468)
Total Revenues	629,450	629,450	729,806	100,356
Expenditures				
Current:				
General Government	304,949	321,531	301,279	20,252
Judicial	3,655	11,575	10,946	629
Public Safety	185,969	206,187	197,932	8,255
Public Works	78,624	78,809	76,999	1,810
Health and Welfare	4,000	4,675	4,675	-
Culture and Recreation	8,000	10,037	6,453	3,584
Housing and Economic Developmen	2,500	2,500	580	1,920
Debt Service:				
Principal	24,468	24,468	24,468	-
Interest	14,432	14,432	14,432	-
Total Expenditures	626,597	674,214	637,764	36,450
Revenues Over (Under) Expenditures	2,853	(44,764)	92,042	136,806
Other Financing Sources (Uses)				
Appropriation of Fund Balance	(2,853)	44,764	-	(44,764)
Total Other Financing Sources	(2,853)	44,764	-	(44,764)
Net Change in Fund Balance	$ -	$ -	$ 92,042	$ 92,042
Fund Balance - Beginning of Year			555,228	
Differences:				
Inception of Capital Lease			57,329	
Intergovernmental Grant			232,750	
Expenditures for New Equipment			(334,631)	
Fund Balance - End of Year - GAAP Basis			$ 602,718	

See accompanying notes to the basic financial statements.

Note 6. Capital Assets

	Balance at 12/31/2010	Additions	Disposals	Balance at 12/31/2011
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 111,250	$ -	$ -	$ 111,250
Depreciable Capital Assets:				
Buildings and Improvements	720,254	-	-	720,254
Equipment and Furniture	717,447	334,631	-	1,052,078
Total Depreciable Capital Assets	1,437,701	334,631	-	1,772,332
Total Capital Assets	1,548,951	334,631	-	1,883,582
Accumulated Depreciation:				
Buildings and Improvements	100,113	18,006	-	118,119
Equipment and Furniture	548,077	40,575	-	588,652
Total Accumulated Depreciation	648,190	58,581	-	706,771
Capital Assets, net	$ 900,761	$ 276,050	$ -	$ 1,176,811

Depreciation expense by function is as follows:

General Government	$ 20,919
Public Safety	16,953
Public Works	20,709
	$ 58,581

Note 7. Long-Term Debt

Capital Leases

The City has entered into capital leases for the purchase of fixed assets. The following is a summary of capital leases at December 31, 2011.

Volvo Financial Services, 2008 Refuge Truck payable in annual installments of $17,851, including interest at 4.79%. Original balance of $104,084, matures September 2015	$ 63,609
Current portion	14,804
Long-term portion	$ 48,805

Future minimum payments under this capital lease debt service requirements to maturity are as follows:

Year Ending	Principal	Interest	Total
2012	$ 14,804	$ 3,047	$ 17,851
2013	15,513	2,338	17,851
2014	16,256	1,595	17,851
2015	17,036	816	17,852
	$ 63,609	$ 7,796	$ 71,405

On December 6, 2011, the City entered into a capital lease to supplement the purchase of a fire truck. The following is a summary of this capital lease:

Community First National Bank, 2011 Fire Truck payable in annual installments of $9,797, including interest at 4.69%. Original balance of $104,084, matures December 2018	$ 57,329
Current portion	7,108
Long-term portion	$ 50,221

Note 7. Long-Term Debt – Continued

Future minimum payments under this capital lease debt service requirements to maturity are as follows:

Year Ending	Principal	Interest	Total
2012	$ 7,108	$ 2,689	$ 9,797
2013	7,441	2,355	9,796
2014	7,790	2,006	9,796
2015	8,156	1,641	9,797
2016	8,538	1,259	9,797
2017-2018	18,296	1,297	19,593
	$ 57,329	$ 11,247	$ 68,576

The equipment acquired by the leases are included in governmental activities capital assets in the net amount of $126,718 (capitalized costs of $161,413 net of accumulated depreciation of $34,695).

Notes Payable

On September 6, 2006, the City acquired real estate due to the relocation of City Hall. The original amount of debt was $425,000. This loan is being repaid with semi-annual payments beginning March 2007 of $19,449, which includes interest at 4.3%. As of December 31, 2011, the City owed BB&T $312,565. The loan matures September 2021. Future annual payments under this loan to maturity are as follows:

Year Ending	Principal	Interest	Total
2012	$ 25,546	$ 13,352	$ 38,898
2013	26,672	12,226	38,898
2014	27,847	11,051	38,898
2015	29,075	9,823	38,898
2016	30,356	8,542	38,898
2017-2021	173,069	21,422	194,491
	$ 312,565	$ 76,416	$ 388,981

Note 7. Long-Term Debt – Continued

The following is a summary of the City's changes in long-term debt:

	Balance at 12/31/10	Additions	Reductions	Balance at 12/31/10	Due Within One Year
Governmental Activities:					
Captial Leases Payable	$ 77,737	57,329	$ 14,128	$ 120,938	$ 21,912
Notes Payable	337,032	-	24,467	312,565	25,546
Accrued Compensated Absences	21,067	21,665	21,080	21,652	-
Total Long-Term Debt	$ 435,836	$ 78,994	$ 59,675	$ 455,155	$ 47,458

Capital leases are generally liquidated by the capital projects SPLOST fund, and the compensated absences are generally liquidated by the general fund and are therefore included in the above schedule.

Note 8. Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-insurance Workers Compensation Fund, public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. There were no significant reductions in insurance coverage in relation to the prior year. For the years ended 2011, 2010, and 2009, there were no settlements in excess of insurance coverage.

Schedule of Projects Constructed with
Special Purpose Sales Tax Proceeds
December 31, 2011

	Resolution / Referendum Authorized Amounts [1]	Original Estimated Cost	Revisions	Revised Estimated Costs	Expenditures			Estimated % of Completion
					Prior Years	Current Year	Total	
Splost 2007								
Public Works Capital Projects	$ 300,000	$ 300,000	$(300,000)	$ -	$ -	$ -	$ -	0%
Expansion of Sewer Services	-	-	100,000	100,000	104,112	17,851	121,963	122%
Street Improvements	-	-	100,000	100,000	-	3,735	-	0%
City Park Improvements	-	-	100,000	100,000	4,349	1,709	6,058	6%
Totals	$ 300,000	$ -	$ 300,000	$ 300,000	$ 108,461	$ 23,295	$ 128,021	

[1] The Intergovernmental Agreement and Resolution/Referendum do not specify individual project budgets.