CITY OF HOSCHTON, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended December 31, 2013

CITY OF HOSCHTON, GEORGIA

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December 31, 2013

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PH 770.532.9131
FX 770.536.5223
525 CANDLER STREET, NE
P.O. DRAWER 2396
GAINESVILLE, GEORGIA 30503
WWW.BATESCARTER.COM

INDEPENDENT AUDITOR'S REPORT

June 30, 2014

To the City Council
CITY OF HOSCHTON, GEORGIA

Report on the Financial Statements

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 HOSCHTON, GEORGIA as of, and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express and opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014 on our consideration of the CITY OF HOSCHTON, GEORGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF HOSCHTON, GEORGIA's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

CITY OF HOSCHTON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: TOTAL
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	$ 156,668	$ 25,925	$ -	$ -	$ (130,743)	$ -	$ (130,743)
Judicial	227	-	-	-	(227)	-	(227)
Public works	115,213	-	14,109	180,432	79,328	-	79,328
Public health and welfare	-	11,220	-	-	11,220	-	11,220
Recreation and culture	24,595	23,801	-	-	(794)	-	(794)
Housing and development	12,489	6,571	-	-	(5,918)	-	(5,918)
Total Governmental Activities	309,192	67,517	14,109	180,432	(47,134)	-	(47,134)
BUSINESS-TYPE ACTIVITIES							
Water and sewer	996,670	678,409	-	-	-	(318,261)	(318,261)
Total Business-Type Activities	996,670	678,409	-	-	-	(318,261)	(318,261)
TOTAL PRIMARY GOVERNMENT	$ 1,305,862	$ 745,926	$ 14,109	$ 180,432	(47,134)	(318,261)	(365,395)
GENERAL REVENUES							
Property taxes					22,853	-	22,853
Sales taxes					206,957	-	206,957
Insurance premium taxes					71,031	-	71,031
Financial institutions taxes					10,791	-	10,791
Franchise taxes					90,036	-	90,036
Alcohol beverage taxes					23,566	-	23,566
Total taxes					425,234	-	425,234
Unrestricted investment earnings					455	678	1,133
Gain on sale of capital assets					1,730	-	1,730
TRANSFERS					(303,133)	303,133	-
TOTAL GENERAL REVENUES AND TRANSFERS					124,286	303,811	428,097
CHANGES IN NET POSITION					77,152	(14,450)	62,702
NET POSITION, Beginning					1,345,168	1,524,497	2,869,665
NET POSITION, Ending					$ 1,422,320	$ 1,510,047	$ 2,932,367

The accompanying notes are an integral part of this statement.

CITY OF HOSCHTON, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended December 31, 2013

Total Fund Balances for Governmental Funds (page 3)	$	786,500
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		635,821
Rounding		(1)
Total net position of governmental activities (page 1)	$	1,422,320

The accompanying notes are an integral part of this statement.

CITY OF HOSCHTON, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Net change in fund balances (page 5)		$ 130,799
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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Depreciation expense	(53,646)	
		(53,646)
Changes in net position of governmental activities (page 2)		$ 77,152

The accompanying notes are an integral part of this statement.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For the Year Ended December 31, 2013

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUND WATER AND SEWER FUND
OPERATING REVENUES	
Charges for sales and services:	
Pledged as security for revenue bonds:	
Water and sewer sales	$ 580,615
Garbage collection	97,794
Total Operating Revenues	678,409
OPERATING EXPENSES	
Salaries and benefits	62,523
Supplies	10,568
Other services and charges	58,642
Depreciation	294,022
Waste disposal fees	90,626
Repairs and maintenance	43,832
Utilities	27,862
Water purchases	118,098
Contracted services	98,762
Total Operating Expenses	804,935
OPERATING INCOME (LOSS)	(126,526)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	678
Interest expense	(191,735)
Total Nonoperating Revenues (Expenses)	(191,057)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(317,583)
Transfer in	303,133
CHANGE IN NET POSITION	(14,450)
TOTAL NET POSITION, Beginning of year	1,524,497
TOTAL NET POSITION, End of year	$ 1,510,047

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CITY OF HOSCHTON, GEORGIA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

REPORTING ENTITY

The reporting entity consists of the following:

The primary government;

Organizations for which the primary government is financially accountable;

Other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity.

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. There are no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Private-sector standards of accounting and financial reporting issued prior to November 30 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS, AND NET POSITION OR FUND BALANCE

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury and its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; and certificates of deposits of banks insured by FDIC.

Investments are recorded at fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of interest income.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	40
Machinery and equipment	5-20
Vehicles	3-10
Infrastructure	30

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position.

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 position."

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of December 31, 2013 are as follows:

Net investment in capital assets	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 1,259,558	$ 9,248,092
Accumulated depreciation	(623,737)	(2,784,976)
Book value	635,821	6,463,116
Capital related debt	-	(5,334,731)
Net investment in capital assets	$ 635,821	$ 1,128,385

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Prior to January 1, the department heads submit to the City Council a proposed operating budget for each department for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Council holds a public hearing on the budget.

The budget is then revised and adopted or amended by the City Council at a public meeting.

The budget may be amended during the year only by formal action of the City Council at a regular meeting.

The budget is adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. Budget amounts are as originally adopted, or as amended by the Council. Project length budgets are adopted for the capital projects funds. Annual operating budgets are prepared for each enterprise fund for planning, control and evaluation purposes. Budgetary amounts are not formally integrated into proprietary fund general ledgers.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Adjustments and Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 62,570	$ -	$ -	$ -	$ 62,570
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	62,570	-	-	-	62,570
Depreciable Assets:					
Buildings and improvements	317,072	-	-	-	317,072
Machinery and equipment	73,081	-	-	-	73,081
Vehicles	13,695	-	-	-	13,695
Infrastructure	793,140	-	-	-	793,140
Total depreciable capital assets	1,196,988	-	-	-	1,196,988
Less Accumulated Depreciation for:					
Buildings and improvements	169,747	12,020	-	-	181,767
Machinery and equipment	72,481	600	-	-	73,081
Vehicles	2,739	1,369	-	-	4,108
Infrastructure	325,124	39,657	-	-	364,781
Total accumulated depreciation	570,091	53,646	-	-	623,737
Total depreciable capital assets, net	626,897	(53,646)	-	-	573,251
Governmental activities capital assets, net	$ 689,467	$ (53,646)	$ -	$ -	$ 635,821

The City had no additions to governmental activities capital assets for fiscal year ending December 31, 2013

	Beginning Balance	Prior Period Adjustment	Adjusted Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities:							
Non-Depreciable Assets:							
Land and improvements	$ 17,000	$ -	$ 17,000	$ -	$ -	$ -	$ 17,000
Construction in progress	-	-	-	-	-	-	-
Total non-depreciable capital assets	17,000	-	17,000	-	-	-	17,000
Depreciable Assets:							
Machinery and equipment	82,971	-	82,971	-	-	-	82,971
Infrastructure	9,148,121	-	9,148,121	-	-	-	9,148,121
Total depreciable capital assets	9,231,092	-	9,231,092	-	-	-	9,231,092
Less Accumulated Depreciation for:							
Machinery and equipment	67,715	-	67,715	6,471	-	-	74,186
Infrastructure	2,423,239	-	2,423,239	287,551	-	-	2,710,790
Total accumulated depreciation	2,490,954	-	2,490,954	294,022	-	-	2,784,976
Total depreciable capital assets, net	6,740,138	-	6,740,138	(294,022)	-	-	6,446,116
Business-type activities capital assets, net	$ 6,757,138	$ -	$ 6,757,138	$ (294,022)	$ -	$ -	$ 6,463,116

The annual requirements to amortize notes payable outstanding as of December 31, 2013 are as follows:

Year ending December 31,	Principal	Interest	Total
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	204,960	123,797	328,757
2018	209,933	118,823	328,756
2019-2023	1,128,597	515,186	1,643,783
2024-2028	1,272,337	371,446	1,643,783
2029-2033	1,434,384	209,399	1,643,783
2034-2036	1,001,519	39,541	1,041,060
Total	$ 5,251,730	$ 1,378,192	$ 6,629,922

REVENUE BONDS

The Water and Sewer Revenue Bonds ($224,000 - Series 1982) bear interest at 5% per annum. The bonds were issued to finance the expansion of the water system. In general, revenues derived from the water and sewer operations are pledged for repayment of the bonds. The annual requirements to amortize the bonds outstanding as December 31, 2013 are as follows:

December 31,	Principal	Interest	Total
2014	18,000	8,300	26,300
2015	10,000	3,250	13,250
2016	10,000	2,750	12,750
2017	10,000	2,250	12,250
2018	11,000	1,700	12,700
2019-2020	24,000	1,800	25,800
	$ 83,000	$ 20,050	$ 103,050

NOTE 7 - CONTINGENT LIABILITIES / RISK MANAGEMENT

The City receives grants from various granting agencies, which are subject to audit and adjustment by these agencies. The City is not aware of any adjustments or expenditures, which may be disallowed and restitution, if any, is not determinable at this time.

The City is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

City management feels the above coverage is adequate. There has not been any significant reduction in coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 8 - TRANSFERS OUT

Transfers to/from other funds at December 31, 2013, consists of the following:

$	6,593	From General Fund to Water and Sewer Fund for salaries.
	117,150	From SPLOST Fund to Water and Sewer Fund for debt service.
	179,390	From General Fund to Water and Sewer Fund for debt service.
$	303,133	Total

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

The City established a SIMPLE IRA plan for employees. The plan is a defined contribution plan established under section 408(p) of the Internal Revenue Code. This plan was established by the authority of the City Council and may be amended by action of the City Council. City employees make voluntary contributions and the City matches up to 3% of the employee's salary. Edward Jones Investments serves as custodian of the SIMPLE IRA and contributions can not exceed $6,000 for each participant for any calendar year. The City's contribution for 2013 was $5,158 and employee contributions were $3,980.

NOTE 10 - NORTHEAST GEORGIA REGIONAL COMMISSION

Under Georgia law, the City in conjunction with other cities and counties in the area are members of the Northeast Georgia Regional Commission (NEGRC) and is required to pay annual dues thereto. During the year ended December 31, 2013, the City paid $- in such dues. Membership in the NEGRC is required by the official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the NEGRC in Georgia. The NEGRC 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 NEGRC. Separate financial statements may be obtained from:

Northeast Georgia Regional Commission
305 Research Dr.
Athens, Georgia 30503-1720

CITY OF HOSCHTON, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAXES
For the Year Ended December 31, 2013

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
Jackson County, Georgia SPLOST #4 - Commenced July 1, 2005				
Water and sewer facilities	$ 777,185	$ 777,185	$ 983,817	$ 117,150
Roads, streets, and bridges	207,249	207,249	173,683	908
Recreational facilities	51,812	51,812	22,706	-
Totals	$ 1,036,246	$ 1,036,246	$ 1,180,206	$ 118,058

Total of SPLOST above	**$ 118,058**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)

Expenditures	$ 908
Transfers in and out	117,150
Total	**$ 118,058**

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PH 770.532.9131
FX 770.536.5223
525 CANDLER STREET, NE
P.O. DRAWER 2396
GAINESVILLE, GEORGIA 30503
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INDEPENDENT AUDITORS' 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*

June 30, 2014

To the City Council
CITY OF HOSCHTON, GEORGIA
HOSCHTON, GEORGIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the CITY OF HOSCHTON, GEORGIA, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the CITY OF HOSCHTON, GEORGIA's basic financial statements and have issued our report thereon dated June 30, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered CITY OF HOSCHTON, GEORGIA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CITY OF HOSCHTON, GEORGIA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CITY OF HOSCHTON, GEORGIA's internal control.

Our consideration of internal contril was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

to the general ledger as a receivable payment. However, the revenue generated from each month's billing cycle is not recorded to the City's general ledger.

Criteria: Revenue should be recorded when it is earned every month.

Effect of Condition: No revenue is recorded for the City until the auditor's adjustments are made. Therefore, budget reports are unavailable for the City's use.

Cause of Condition: The City does not reconcile the utility billing software to the general ledger, which is maintained through QuickBooks.

Response: The City uses Munibilling software for our Water Department, which does an excellent job of managing our utility billing. We manually enter the deposits and credits into QuickBooks. The City understands your recommendation, that rather than having the deposits go to the cash account and credits go to receivables in QuickBooks; you suggest that we make a monthly journal entry which will debit receivable for the monthly billed amount and credit the individual revenue accounts. The City will work to implement that procedure moving forward.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether CITY OF HOSCHTON, GEORGIA's 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CITY OF HOSCHTON, GEORGIA's RESPONSES TO FINDINGS

CITY OF HOSCHTON, GEORGIA's responses to the findings identified in our audit are described above. CITY OF HOSCHTON, GEORGIA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

Batts, Carter & Co, LLC