Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Hawkins & McNair, CPAs
Winder, Georgia
December 27, 2016

Hawkins & McNair, CPAs

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INDEPENDENT AUDITOR'S REPORT IN 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*

To the City Council
City of 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 of City of Hoschton, Georgia, (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City of Hoschton, Georgia
Schedule of Project Expenditures with
Special Option Sales Tax Revenue
For the Year Ended December 31, 2015

Project	Original Estimated Cost	Revised Estimated Cost	EXPENDITURES Prior Years	EXPENDITURES Current Year	EXPENDITURES Total
General Fund					
Roads & Bridges -					
Streets, Roads and Bridges	$ 207,249	$ 207,249	$ 180,836	$ 5,400	$ 186,236
Recreation	51,812	51,812	58,464	11,920	70,384
Water & Sewer Fund					
Water and Sewer	777,185	777,185	1,117,319	-	1,117,319
TOTALS	**$ 1,036,246**	**$ 1,036,246**	**$ 1,356,619**	**$ 17,320**	**$ 1,373,939**

Hawkins & McNair, CPAs

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Winder, Georgia 30680
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INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

December 27, 2016

To the Honorable Mayor and City Council
City of Hoschton, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Hoschton, Georgia for the year ended December 31, 2015. This schedule is the responsibility of the City of Hoschton, Georgia's 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 as described in Note I.B.4. and is not intended to be complete presentation of City of Hoschton, Georgia'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 City of Hoschton, Georgia's resolution or ordinance calling for the tax for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

Hawkins & McNair, CPAs

Note 1 – Budgetary Information

Budgets for the General and SPLOST Funds were adopted on a basis that is a consistent with accounting principles generally accepted in the United States as applied to governments.

City of Hoschton, Georgia
General Fund
Schedule of Revenues, Expenditures, Encumbrances,
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended December 31, 2015
(dollars are in thousands)

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
Water Fund	$ -	$ -	$ -	$ -	$ -
Capital Project	-	-	-	-	-
Sanitation	-	-	-	-	-
Total transfers from other funds	-	-	-	-	-
Transfers to other funds:					
General government:					
Non-departmental:					
Water/Sewer	-	-	-	(7)	(7)
Grants Management Fund	-	-	-	-	-
Risk Management Fund	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-
Total transfers to other funds	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-
Lawsuit settlement	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(7)	(7)
Excess of revenues and other sources over expenditures, encumbrances, and other uses	**784**	**-**	**784**	**984**	**200**
Fund balances, beginning (GAAP budgetary basis)	**691**	**-**	**691**	**691**	**-**
Less prior year fund balances (1)	(691)	-	(691)	(691)	-
Fund balance, ending (GAAP budgetary basis)	**$ 784**	**$ -**	**$ 784**	**$ 984**	**$ 200**

(1) The General Fund budget included $ 691 thousand in fund balance carried over from prior years. It is not a revenue of the current period, but is presented as revenue only for budgetary reporting purposes. Beginning budgetary fund balance has been reduced for prior year fund balance to reflect the budgetary ending fund balance projected.

See accompanying notes to financial statements.

City of Hoschton, Georgia
General Fund
Schedule of Revenues, Expenditures, Encumbrances,
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended December 31, 2015
(dollars are in thousands)

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
EXPENDITURES AND ENCUMBRANCES					
General government:					
Personal services	$ 50	$ -	$ 50	$ 50	$ -
Supplies	3	-	3	3	-
Other services and charges	69	21	90	90	-
Capital outlay	-	-	-	-	-
Total general government	122	21	143	143	-
Judicial:					
Personal services	-	-	-	-	-
Other services and charges	1	-	1	1	-
Supplies	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total public safety	1	-	1	1	-
Public Works					
Personal services	13	-	13	13	-
Other Services	46	92	138	138	-
Capital Outlay	-	-	-	-	-
Total Highways & Streets	59	92	151	151	-
Culture & Recreation:					
Capital Outlay	-	-	-	-	-
Other	5	35	40	40	-
Total Culture/Recreation	5	35	40	40	-
Housing Development:					
Personal services	-	-	-	-	-
Other services and charges	12	11	23	23	-
Total Housing/Development	12	11	23	23	-
Debt Services	-	-	-	-	-
Contingency	316	(159)	157	-	157
Expenditures and encumbrances related to prior year budgets (2)	-	-	-	-	-
Total expenditures and encumbrances	515	-	515	358	157
Excess of revenues over expenditures and encumbrances	$ 784	$ -	$ 784	$ 991	$ 207

City of Hoschton, Georgia
General Fund
Schedule of Revenues, Expenditures, Encumbrances,
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended December 31, 2015
(dollars are in thousands)

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
REVENUES					
Taxes:					
Sales Tax	$ 217	$ -	$ 217	$ 213	$ (4)
Insurance Premium Taxes	65	-	65	79	14
Alcoholic Beverage Taxes	17	-	17	20	3
Other Taxes	35	-	35	35	-
Total taxes	334	-	334	347	13
Licenses and permits:					
Licenses	22	-	22	41	19
Permits	22	-	22	26	4
Franchise taxes (fees)	91	-	91	97	6
Other fees	-	-	-	-	-
Total licenses and permits	135	-	135	164	29
Fines and forfeitures	-	-	-	-	-
Rental Income	8	-	8	10	2
Charges for services	100	-	100	90	(10)
Intergovernmental	15	-	15	-	(15)
Other	16	-	16	47	31
Total revenues before prior year fund balance	608	-	608	658	50
Prior year fund balances					
Appropriated for current year budget	691	-	691	691	-
Reappropriated for prior year encumbrances	-	-	-	-	-
Total revenues and prior year fund balances	$ 1,299	$ -	$ 1,299	$ 1,349	$ 50

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 Drive
Athens, Georgia 30503-1720

As part of this risk pool, the City is obligated to pay all contributions and assessments; to cooperate with the pool's agents and attorneys; to follow loss reduction procedures established by the fund, and to report as promptly as possible, in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type loss. The City is also to allow all the pool's agents and attorneys to represent the City in investigations settlement discussions and all level of litigation arising out of any claim made against the City. The City must participate at all times in at lease one fund which is established by GIRMA.

The City retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $1,000 deductible. The basis for estimating the liabilities for unpaid claim is "IBNR" established by an actuary.

During the year ended December 31, 2015, the City did not incur claims. The City has not compiled a record of the claims paid up to the $1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the $1,000) which were outstanding and unpaid at December 31, 2015. No provisions have been made in the financial statements for the year ended December 31, 2015 for any estimate of potential unpaid claims.

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 - TRANSFERS OUT

Transfers to/from other funds at December 31, 2015, consist of the following:

$ 7,531	From General Fund to Water and Sewer Fund for operations.
-	From SPLOST Fund to Water and Sewer Fund for capital outlay.
$ 7,531	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 409(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 employees' 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 2015 was $4,794 and employee contributions were $4,794.

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, 2015, the City paid $-0- in such dues.

REVENUE BONDS

The Water and Sewer Revenue Bonds ($224,000 – Series 1982) bear interest at 5% per annum. The bonds were issued to fiancé the expansion of the water system. In general, revenues derived from the water and sewer operation are pledged for repayment of the bonds. The annual requirements to amortize the bonds outstanding as December 31, 2015 are as follows:

Year ending December 31,	Principal	Interest	Total
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
Total	$ 55,000	$ 8,500	$ 63,500

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.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Hoschton became a member of the Georgia Municipal Association Workers' Compensation Self Insurance fund. As part of this risk pool, the City is obligated to pay all contributions and assessments; to cooperate with the pool's agents and attorneys; to follow loss reduction procedures established by the fund, and to report as promptly as possible, in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type loss. The City is also to allow all the pool's agents and attorneys to represent the City in investigations settlement discussions and all level of litigation arising out of any claim made against the City.

The fund is 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 workers' compensation law of Georgia. The fund is to pay all cost taxed against the members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City is a member of the Georgia Interlocal Risk Management Agency which allows the City to share liability, crime, motor vehicle and property damage risks. Chapter 85, Title 36, of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of causality and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions and any member of GIRMA against liability or loss.

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

Governmental Activities:	
General Government	$ 8,841
Public Works	42,627
Recreation and Culture	7,751
Total depreciation expense-governmental activities	59,219
Business-type Activities:	
Water and Sewer	285,295
Total depreciation expense-business-type activities	$ 285,295

NOTE 6 – LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Notes payable	$ 5,251,730	$ -	$ -	$ 5,251,730
Revenue bonds	65,000	-	(10,000)	55,000
Business-type activities long-term liabilities	$ 5,316,730	$ -	$ (10,000)	$ 5,306,730

NOTES PAYABLE

On August 1, 2006, the City entered into a contract with Georgia Environmental Facilities Authority (GEFA), to borrow funds for the water and sewer improvements. The original amount of the loan was $3,124,536 with an interest rate of 3.00%. On March 3, 2011, the City entered into a contract with Georgia Environmental Facilities Authority (GEFA), to borrow funds for the water and sewer improvements. On December 1, 2014, both contracts held with the Georgia Environmental Facilities Authority (GEFA) were consolidated into one note. The consolidated loan (No. 2013-L27WQ) had an original amount of $5,251,731 with an interest rate of 2.40%. Transfers from the General Fund and SPLOST Fund will be used to repay the loan. Both principal and interest payments have been deferred until December 1, 2016. The loan will mature on February 1, 2037. The amount outstanding as of December 31, 2015 is $5,251,730.

The annual requirements to amortize notes payable outstanding as of December 31, 2015 are as follows:

Year ending December 31,	Principal	Interest	Total
2016	-	-	-
2017	204,960	123,797	328,757
2018	209,933	118,823	328,756
2019	215,027	113,729	328,756
2020	220,245	108,511	328,756
2021-2025	1,184,034	459,748	1,643,782
2026-2030	1,334,834	308,948	1,643,782
2031-2035	1,504,843	138,941	1,643,782
2036-2037	377,856	5,693	383,549
Total	$ 5,251,732	$ 1,378,190	$ 6,629,920

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 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:					
Building and improvements	357,799	9,398	-	-	367,197
Machinery and equipment	81,232	-	-	-	81,232
Vehicles	13,695	-	-	-	13,695
Infrastructure	793,140	-	-	-	793,140
Total depreciable capital assets	1,245,866	9,398	-	-	1,255,264
Less Accumulated Depreciation for:					
Building and improvements	195,823	16,562	-	-	212,385
Machinery and equipment	73,896	1,631	-	-	75,527
Vehicles	5,478	1,370	-	-	6,848
Infrastructure	404,438	39,656	-	-	444,094
Total accumulated depreciation	679,635	59,219	-	-	738,854
Total depreciable capital assets, net	566,231	(49,821)	-	-	516,410
Governmental activities capital assets, net	$ 628,801	$ (49,821)	$ -	$ -	$ 578,980

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities					
Non-Depreciable Assets:					
Land and improvements	$ 17,000	$ -	$ -	$ -	$ 17,000
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	17,000	-	-	-	17,000
Depreciable Assets:					
Machinery and equipment	104,920	-	-	-	104,920
Infrastructure	9,164,471	17,518	-	-	9,181,989
Total depreciable capital assets	9,269,391	17,518	-	-	9,286,909
Less Accumulated Depreciation for:					
Machinery and equipment	79,456	5,328	-	-	84,784
Infrastructure	2,990,192	279,967	-	-	3,270,159
Total accumulated depreciation	3,069,648	285,295	-	-	3,354,943
Total depreciable capital assets, net	6,199,743	267,777	-	-	5,931,966
Business-type activities capital assets, net	$ 6,216,743	$ 267,777	$ -	$ -	$ 5,948,966

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City's policy permits the City to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of December 31, 2015, all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was $2,588,466 and the bank balance was $2,596,205.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the City's individual major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	SPLOST	Water and Sewer Fund
Receivables:			
Taxes	$ 72,635	$ -	$ -
Other	-	-	80,941
Intergovernmental	20,198	32,308	-
Total Gross Receivables	92,833	32,308	80,941
Less: Allowance for Uncollectibles	-	-	-
Total Net Receivables	$ 92,833	$ 32,308	$ 80,941

(Continued on next page)

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of December 31, 2015 are as follows:

Net investment in capital assets	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 1,317,834	$ 9,303,909
Accumulated depreciation	(738,854)	(3,354,943)
Book value	578,980	5,948,966
Capital related debt	-	(5,306,731)
Net investment in capital assets	578,980	642,235

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.

The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

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."

Generally, *fund balance* represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Fund balances are reported as *nonspendable* when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.

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

Fund balances are reported as *committed* when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the City Council must adopt another resolution.

Fund balances are reported as *assigned* when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's administrator to assign fund balances.

Fund balances are reported as *unassigned* as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Streets, bridges and culverts acquired prior to January 1, 2003 have not been reported.

The costs or normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during 2015.

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

Assets	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 that time.

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 or 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.

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.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reports as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are the offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance of uncollectibles.

Inventories and Prepaid Items

Inventories, consisting of expendable supplies, not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure asses (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of two years.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are considered available if they are collected within 60 days of the end of the current fiscal period for which they are imposed. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales tax, franchise taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources, except those accounted for in another fund.

The *SPLOST Capital Projects Fund* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

The government reports the following major proprietary fund:

The *Water and Sewer Fund* accounts for revenues and expenses related to operating and maintaining a water utility system consisting of the activities of the City's water and sewerage system.

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.

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. More of the government's 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 statements 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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Hoschton, Georgia
Statement of Cash Flows
Increase (Decrease) in Cash and
Cash Equivalents
Proprietary Funds
December 31, 2015

	Water/ Sewer	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 17,202	$ 17,202
Adjustments to reconcile operating income (loss) to net cash		
Depreciation	285,295	285,295
Non-cash operating revenue (expenses)	-	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	(2,850)	(2,850)
(Increase) decrease in prepaid expense	(83)	(83)
Increase (decrease) in accounts payable	(10,141)	(10,141)
Increase (decrease) in due to other funds	-	-
Increase (decrease) in customer deposits	342	342
Increase (decrease) in accurred interest	-	-
Increase (decrease) in unearned revenue	-	-
Total adjustments	272,563	272,563
Net cash provided (used) by operating activities	**289,765**	**289,765**
Non-cash investing, capital, and financing activities:		
Net increase (decrease) in fair value of investments	-	-
Deferred interest expense on revenue bonds	-	-
Capital assets contributed by developers	-	-
Lessee improvements	-	-
Total non-cash investing, capital, and financing activities	$ -	$ -

See accompanying notes to financial statements.

City of Hoschton, Georgia
Statement of Cash Flows
Increase (Decrease) in Cash and
Cash Equivalents
Proprietary Funds
December 31, 2015

	Water/ Sewer	Total Enterprise Funds
Cash flows from operating activities:		
Cash received from customers	$ 905,785	$ 905,785
Cash payments to suppliers for goods and services	(479,168)	(479,168)
Cash payments to employees	(136,852)	(136,852)
Net cash provided (used) by operating activities	**289,765**	**289,765**
Cash flows from non-capital financing activities:		
Operating grants received	-	-
Transfers from general fund	7,531	7,531
Payments from component units	-	-
Net cash provided (used) by non-capital financing activities	**7,531**	**7,531**
Cash flows from capital and related financing activities:		
New Borrowings	-	-
Principal paid on bonds, notes, and lease obligations	(10,000)	(10,000)
Acquisition of capital assets	(17,518)	(17,518)
Interest paid on bonds, notes, and lease obligations	(3,250)	(3,250)
Proceeds from sale of assets	-	-
Capital contributions	6,117	6,117
Transfer from SPLOST fund	-	-
Net cash provided (used) by capital and related financing activities	**(24,651)**	**(24,651)**
Cash flows from investing activities:		
Purchase of investments	-	-
Proceeds from sale of investments	-	-
Investments income	1,345	1,345
Net cash provided (used) by investing activities	**1,345**	**1,345**
Net increase (decrease) in cash and cash equivalents	273,990	273,990
Cash and cash equivalents at beginning of year	821,914	821,914
Cash and cash equivalents at end of year	**$ 1,095,904**	**$ 1,095,904**

See accompanying notes to financial statements.

City of Hoschton, Georgia
Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
December 31, 2015

	Water/ Sewer	Total Enterprise Funds
OPERATING REVENUES		
Charges for services:		
Usage charges	$ 908,635	$ 908,635
Total charges for service	908,635	908,635
Total operating revenues	908,635	908,635
OPERATING EXPENSES		
Personal services	136,852	136,852
Maintenance, operations, and contractual services	302,650	302,650
Materials, supplies, and other	166,636	166,636
Depreciation	285,295	285,295
Total operating expenses	891,433	891,433
Operating income (loss)	**17,202**	**17,202**
NON-OPERATING REVENUE (EXPENSES)		
Investment income	1,345	1,345
Interest on bonds, notes and lease obligations	(3,250)	(3,250)
Total non-operating revenue (expenses)	(1,905)	(1,905)
Income (loss) before contributions and transfers	**15,297**	**15,297**
Capital contributions from developers	-	-
Capital contributions, other	6,117	6,117
Transfers from other funds	7,531	7,531
Transfers to other funds	-	-
Change in net position	28,945	28,945
Total net position, beginning	**1,736,192**	**1,736,192**
Total net position, ending	**$ 1,765,137**	**$ 1,765,137**

See accompanying notes to financial statements.

City of Hoschton, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2015

	Water/ Sewer	Total Enterprise Funds
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 763,585	$ 763,585
Restricted cash	332,319	332,319
Accounts receivable, net	80,941	80,941
Interest, dividends, and royalties receivable	-	-
Due from other funds	-	-
Loan origination fees	-	-
Intergovernmental receivables	-	-
Prepaids	2,285	2,285
Total current assets	1,179,130	1,179,130
Restricted assets-non-current		
Cash and cash equivalents	-	-
Investments	-	-
Interest receivables	-	-
Total restricted assets-non-current	-	-
Other Non-current assets:		
Receivables from component units, non-current	-	-
Capital assets:		
Land and construction in progress	17,000	17,000
Other capital assets, net of accumulated depreciation	5,931,966	5,931,966
Total other non-current assets	5,948,966	5,948,966
Total assets	7,128,096	7,128,096
LIABILITIES		
Current Liabilities		
Accounts payable	8,378	8,378
Due to other funds		
Notes and lease obligations, current	-	-
Customer Deposits	47,850	47,850
Accrued interest payable	-	-
Bonds payable	10,000	10,000
Total current liabilities	66,228	66,228
Non-current liabilities:		
Notes and lease obligations,non-current	5,251,731	5,251,731
Bond interest payable, non-current	-	-
Bond payable, non-current	45,000	45,000
Total non-current liabilities	5,296,731	5,296,731
Total liabilities	5,362,959	5,362,959
NET POSITION		
Net investment in capital assets	642,235	642,235
Restricted for capital projects	329,074	329,074
Restricted for debt service	3,245	3,245
Unrestricted (deficit)	790,583	790,583
Total net position	$ 1,765,137	$ 1,765,137

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2015

CITY OF HOSCHTON, GEORGIA

Net change in fund balance - total governmental funds	$	458,821
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 depreciation of ($59,219) exceeded capital outlay of $ 9,398 the current period.		(49,821)
Change in net position of governmental activities.	$	409,000

See accompanying notes to financial statements.

City of Hoschton, Georgia
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
Year Ended December 31, 2015

	General Fund	SPLOST Fund	Total Governmental Funds
REVENUES			
Sales tax	$ 213,095	$ -	$ 213,095
Insurance Premium	79,343	-	79,343
Alcoholic Beverage Taxes	20,317	-	20,317
Franchise taxes (fees)	97,473	-	97,473
Licenses and permits	67,219	-	67,219
Other Taxes	35,460	-	35,460
Intergovernmental	-	182,635	182,635
Investment Income	1,013	580	1,593
Charges for services	90,312	-	90,312
Rental Income	9,520	-	9,520
Other	44,499	-	44,499
Total revenues	**658,251**	**183,215**	**841,466**
EXPENDITURES			
Current:			
General government	142,536	-	142,536
Recreation and Culture	40,410		40,410
Judicial	595	-	595
Public Works	151,180	-	151,180
Housing and Development	23,073	-	23,073
Capital outlay	-	17,320	17,320
Debt services:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	**357,794**	**17,320**	**375,114**
Excess (deficiency) of revenues over (under) expenditures	**300,457**	**165,895**	**466,352**
OTHER FINANCING SOURCES (USES)			
Sales of capital assets	-	-	-
Transfers from (to) other funds	(7,531)	-	(7,531)
Net other financing sources (uses)	(7,531)	-	(7,531)
Net change in fund balance	**292,926**	**165,895**	**458,821**
Fund balances, beginning	**691,451**	**385,628**	**1,077,079**
Fund balances, ending	**$ 984,377**	**$ 551,523**	**$ 1,535,900**

See accompanying notes to financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2015

Total fund balance - total governmental funds		
Amounts reported for *governmental activities* in the statement of net position are different because:	$	1,535,900
Capital assets of $ 1,317,834, net of accumulated depreciation of ($ 738,854), are not financial resources and, therefore, are not reported in the funds. See Note III.A.4. for additional detail.		578,980
Net position of governmental activities.	$	2,114,880

See accompanying notes to financial statements.

City of Hoschton, Georgia
Balance Sheet--Governmental Funds
As of December 31, 2015

	General	SPLOST Fund	Total Governmental Funds
ASSETS			
Cash	$ 973,347	$ 519,215	$ 1,492,562
Taxes receivables	72,635	-	72,635
Interest receivable	-	-	-
Due from other funds	-	-	-
Receivable from other Governments	20,198	32,308	52,506
Prepaids	2,902	-	2,902
Total assets	**1,069,082**	**551,523**	**1,620,605**
LIABILITIES and FUND BALANCES			
LIABILITIES			
Accounts Payable	11,789	-	11,789
Taxes withheld payable	9,626	-	9,626
Refundable deposits	1,790	-	1,790
Performance Bond Payable	61,500	-	61,500
Liabilities payable from restricted assets:			
Accounts payable	-	-	-
Other	-	-	-
Total liabilities	**84,705**	**-**	**84,705**
FUND BALANCES			
Nonspendable	-	-	-
Reserved for prepaids	2,902	-	2,902
Unassigned, reported in:			
General fund	981,475	-	981,475
Special revenue funds	-	-	-
Restricted	-	-	-
Capital projects funds	-	551,523	551,523
Total fund balances	**984,377**	**551,523**	**1,535,900**
Total liabilities and fund balances	**$ 1,069,082**	**$ 551,523**	**$ 1,620,605**

See accompanying notes to financial statements.

City of Hoschton, Georgia
Statement of Activities (Continued)
Year Ended December 31, 2015
(dollars are in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Assets:			
Net (expense) revenue	$ (31)	$ 21	$ (10)
General revenues:			
Taxes:			
Sales taxes	213	-	213
Insurance Premium Tax	79	-	79
Alcoholic Beverage Taxes	20	-	20
Franchise taxes (fees)	98	-	98
Other taxes	36	-	36
Unrestricted investment income	1	1	2
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Sale (loss) of capital assets	-	-	-
Transfers	(7)	7	-
Total general revenues and transfers	440	8	448
Change in net position	**409**	**29**	**438**
Net position—beginning	**1,706**	**1,736**	**3,442**
Net position—ending	**$ 2,115**	**$ 1,765**	**$ 3,880**

See accompanying notes to financial statements.

City of Hoschton, Georgia
Statement of Activities
Year Ended December 31, 2015
(dollars are in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
General government	$ 159	$ 121	$ -	$ -	$ (38)
Judicial	1	-	-	-	(1)
Public Works	194	90	-	183	79
Recreation/Culture	48	-	-	-	(48)
Housing and Development	23	-	-	-	(23)
Total governmental activities	425	211	-	183	(31)
Business-type activities:					
Water/Sewer	894	909	-	6	21
Total business-type activities	894	909	-	6	21
Total primary government	$ 1,319	$ 1,120	$ -	$ 189	$ (10)

See accompanying notes to financial sttements.

City of Hoschton, Georgia
Statement of Net Position
As of December 31, 2015

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 1,492,562	$ 763,585	$ 2,256,147	$ -
Accounts receivable, net	72,635	80,941	153,576	-
Internal balances	-	-	-	-
Receivables from other governments	52,506	-	52,506	-
Prepaids	2,902	2,285	5,187	-
Restricted assets:				
Cash-current	-	332,319	332,319	-
Cash-non-current	-	-	-	-
Loan origination fees	-	-	-	
Capital assets:				
Land and construction in progress	62,570	17,000	79,570	-
Other capital assets, net of accumulated depreciation	516,410	5,931,966	6,448,376	-
Total assets	**2,199,585**	**7,128,096**	**9,327,681**	**-**
LIABILITIES				
Accounts payable	11,789	8,378	20,167	-
Taxes withheld and payable	9,626	-	9,626	
Notes and Bonds Payable - Current	-	10,000	10,000	-
Customer Deposits	-	47,850	47,850	-
Bond interest payable	-	-	-	-
Refundable deposits	1,790	-	1,790	-
Performance Bond Payable	61,500	-	61,500	-
Notes, lease obligations, and estimated claims payable, non-current	-	5,251,731	5,251,731	-
Bonds payable, non-current	-	45,000	45,000	-
Total liabilities	**84,705**	**5,362,959**	**5,447,664**	**-**
NET POSITION				
Net investment in capital assets	578,980	642,235	1,221,215	-
Restricted for: Capital Projects	519,215	329,074	848,289	
Restricted for: Debt service	-	3,245	3,245	
Unrestricted	1,016,685	790,583	1,807,268	-
Total net position	**$ 2,114,880**	**$ 1,765,137**	**$ 3,880,017**	**$ -**

See accompanying notes to financial statements.

The Management's Discussion and Analysis (MD&A) section is omitted in this presentation.

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, and each major fund of the City as of December 31, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The City has omitted management's discussion and analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information in section D be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, on our consideration of the City'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 the City's internal control over financial reporting and compliance.

Hawkins & McNair, CPAs
Winder, Georgia
December 27, 2016

Hawkins & McNair, CPAs

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INDEPENDENT AUDITOR'S REPORT

To the City of Hoschton
Hoschton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hoschton, Georgia, (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Required Supplementary Information:
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual:
General Fund D1-D3
Notes to Required Supplemental Information D4

Other Supplemental Information:
Report on Schedule of Special Purpose Local Option Sales Tax E1
Schedule of Projects Funded with Special Sales Tax Proceeds E2

Report on Compliance and an internal control over Financial
Reporting based on an audit of Financial Statements performed
in accordance with Government Auditing Standards E3-E4

CITY OF HOSCHTON, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2015

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CITY OF HOSCHTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015