

HOSCHTON

79 City Square • Hoschton, GA 30548

FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED
DECEMBER 31, 2018

CITY OF HOSCHTON

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Fund	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11-12
Notes to Financial Statements	13-25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	26
Notes to Required Supplemental Information	27
OTHER REPORTING SECTION	
Independent Auditor's Compliance Report	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	28-29
Schedule of Internal Control Findings, Criteria and Recommendations Applicable on Non-Federal Programs for *Government Auditing Standards*	30-31
State Reporting Section	
Schedule of Projects Funded with Special Sales Tax Proceeds	32

INDEPENDENT AUDITOR'S REPORT

To the Mayor and 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, and each major fund of the City of Hoschton, Georgia as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Hoschton, Georgia'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.

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 of Hoschton, Georgia, as of December 31, 2018, 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.

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Other Matters

Required Supplementary Information

Management has omitted the 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 statement is not affected by this missing information.

Accounting principles generally accepted in the United States of America also requires that the budgetary comparison information on page 26 and the notes to the supplementary information on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hoschton, Georgia's basic financial statements. The schedule of projects funded with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of projects funded with special sales tax proceeds on page 32 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the projects funded with special sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, 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 the City of Hoschton, Georgia's internal control over financial reporting and compliance.



Alexander, Almand and Bangs, LLP
Gainesville, Georgia
June 17, 2019

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF
HOSCHTON
79 City Square • Hoschton, GA 30548

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,257,196	$ 3,527,604	$ 4,784,800
Accounts receivable	189,147	150,463	339,610
Prepaid items	3,713	3,475	7,188
Internal balance	257,988	(257,988)	-
Restricted assets:			
Cash and cash equivalents	602,493	121,490	723,983
Total current assets	2,310,537	3,545,044	5,855,581
Capital Assets			
Capital assets, non-depreciable			
Land	62,570	17,000	79,570
Construction in progresss	5,500	333,512	339,012
Depreciable assets, net of depreciation	562,224	5,994,944	6,557,168
Total capital assets, net of depreciation	630,294	6,345,456	6,975,750
TOTAL ASSETS	$ 2,940,831	$ 9,890,500	$ 12,831,331

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 52,627	$ 43,243	$ 95,870
Current portion of long-term debt	-	262,833	262,833
Deposits and performance bond payable	145,975	121,490	267,465
Total current liabilities	198,602	427,566	626,168
Noncurrent liabilities			
Compensated absences (due within one year)	12,451	20,742	33,193
Long-term debt (net of current portion)	-	5,256,900	5,256,900
Total long-term liabilities	12,451	5,277,642	5,290,093
Total liabilities	211,053	5,705,208	5,916,261
NET POSITION			
Net investment in capital assets	630,294	825,723	1,456,017
Restricted for:			
General government	145,975	-	145,975
Culture & recreation	49,644	-	49,644
Public works	5,971	-	5,971
Capital projects	454,639	-	454,639
Customer deposits	-	121,490	121,490
Unrestricted	1,443,255	3,238,079	4,681,334
Total net position	2,729,778	4,185,292	6,915,070
TOTAL LIABILITIES AND NET POSITION	$ 2,940,831	$ 9,890,500	$ 12,831,331

CITY OF HOSCHTON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

		Program Revenues		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	$ 344,360	$ 43,898	$ -	$ 253
Public works	178,870	-	-	284,507
Culture/recreation	75,040	116,146	-	12,257
Housing and business development	259,034	304,064	-	-
Total Government Activities	857,304	464,108	-	297,017
Business-Type Activities				
Water, sewer and garbage	1,330,891	1,180,035	-	931,163
Total Business-Type Activities	1,330,891	1,180,035	-	931,163
Total-Primary Government	$ 2,188,195	$ 1,644,143	$ -	$ 1,228,180
GENERAL REVENUES:				
Taxes: Sales				
Property				
Alcoholic beverage				
Franchise				
Other				
Interest earned				
TRANSFERS:				
Total general revenues and transfers				
Change in net position				
NET POSITION - beginning (original)				
SPECIAL ITEM - prior period adjustment				
NET POSITION - beginning of year, as restated				
NET POSITION - end of year				

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Net (Expense) Revenue and Changes In Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (300,209)	$ -	$ (300,209)
105,637	-	105,637
53,363	-	53,363
45,030	-	45,030
(96,179)	-	(96,179)
-	780,307	780,307
-	780,307	780,307
(96,179)	780,307	684,128
281,111	-	281,111
42,344	-	42,344
29,789	-	29,789
142,074	-	142,074
119,103	-	119,103
1,853	2,620	4,473
-	-	-
616,274	2,620	618,894
520,095	782,927	1,303,022
2,209,683	3,780,489	5,990,172
-	(378,124)	(378,124)
2,209,683	3,402,365	5,612,048
$ 2,729,778	$ 4,185,292	$ 6,915,070

FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS

CITY OF
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CITY OF HOSCHTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	General	SPLOST	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,257,196	$ -	$ 1,257,196
Receivables (net):			
Intergovernmental receivable	145,233	43,914	189,147
Internal balance receivable	278,633	-	278,633
Prepaid items	3,713	-	3,713
Restricted assets:			
Cash and cash equvialents	196,131	406,362	602,493
TOTAL ASSETS	$ 1,880,906	$ 450,276	$ 2,331,182
LIABILITIES			
Accounts payable	44,823	-	44,823
Accrued expenses	7,804	-	7,804
Performance bond payable	145,975	-	145,975
Due to other funds	-	20,645	20,645
Total liabilities	198,602	20,645	219,247
FUND BALANCE			
Non-spendable:			
Prepaid items	3,713	-	3,713
Restricted:			
Culture & recreation	49,644	-	49,644
Performance bond payable	145,975	-	145,975
Public works	5,971	-	5,971
Capital outlay	25,008	429,631	454,639
Unassigned:	1,451,993	-	1,451,993
Total Fund Balances	1,682,304	429,631	2,111,935
TOTAL LIABILITIES AND FUND BALANCE	$ 1,880,906	$ 450,276	$ 2,331,182

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2018

	2018	
TOTAL GOVERNMENTAL FUND BALANCES		$ 2,111,935
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	$ 1,569,774	
Accumulated depreciation	(939,480)	
Total capital assets, net depreciation		630,294
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds .		
Compensated absences payable	(12,451)	
Total liabilities		(12,451)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 2,729,778

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General	SPLOST	Total Governmental Funds
REVENUES			
Taxes	$ 614,424	$ -	$ 614,424
Charges for services	100,430	-	100,430
Intergovernmental	30,979	245,144	276,123
Licenses and permits	341,809	-	341,809
Interest earned	1,853	253	2,106
Rental Income	21,865	-	21,865
Total Revenues	1,111,360	245,397	1,356,757
EXPENDITURES			
Current operating:			
General government	364,456	-	364,456
Public works	152,515	-	152,515
Culture/recreation	73,510	-	73,510
Housing and business development	259,034	-	259,034
Capital outlay	-	48,335	48,335
Total Expenditures	849,515	48,335	897,850
EXCESS REVENUES (EXPENDITURES)	261,845	197,062	458,907
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
NET CHANGE IN FUND BALANCES	261,845	197,062	458,907
FUND BALANCES - beginning of year	1,420,459	232,569	1,653,028
FUND BALANCES - end of year	$ 1,682,304	$ 429,631	$ 2,111,935

See accompanying notes to the basic financial statements.

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, 2018

	2018	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 458,907
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 exceeds depreciation expense in the current period.		
Depreciation expense	$ (73,208)	
Capital outlay reported in general government function	120,694	
		47,486
Governmental funds do not include the expense of compensated absences liabilites, which are reflected in the statement of net position.		
Current year liability - compensated absences	(12,451)	
Prior year liability - compensated absences	5,512	
		(6,939)
Governmental funds record grants as revenue when received, in advance of time requirements. These are considered as deferred inflows of resources, which are reflected on the statement of net position and then recognized on the statement of activities when time requirements have met.		
Recgonition of prior year grant received in advance		20,641
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 520,095

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS
PROPRIETARY FUND – WATER, SEWER & GARBAGE FUND

CITY OF
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CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
December 31, 2018

		Total Water, Sewer & Garbage Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,527,604	
Receivables (net of allowance for uncollectible):		
Accounts	150,463	
Prepaid expense	3,475	
Restricted assets:		
Cash and cash equivalents	121,490	
Total current assets		$ 3,803,032
Non-current assets:		
Capital assets		
Capital assets not being depreciated:		
Land	17,000	
Construction in progress	333,512	
Depreciable capital assets, net of depreciation	5,994,944	
Total non-current assets		6,345,456
TOTAL ASSETS		$ 10,148,488

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
December 31, 2018

		Total Water, Sewer & Garbage Fund
LIABILITIES		
Current liabilities:		
Accounts payable	$ 28,263	
Accrued expenses	14,980	
Current portion of long-term debt	262,833	
Customer deposits payable	121,490	
Internal balance payable	257,988	
Total current liabilities		$ 685,554
Noncurrent liabilities		
Compensated absences (due within one year)	20,742	
Long-term debt (net of current portion)	5,256,900	
Total long-term liabilities		5,277,642
TOTAL LIABILITIES		5,963,196
NET POSITION		
Net investment in capital assets	825,723	
Restricted	121,490	
Unrestricted	3,238,079	
TOTAL NET POSITION		4,185,292
TOTAL LIABILITIES AND NET POSITION		$ 10,148,488

CITY OF HOSCHTON, GEORGIA
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
For the Year Ended December 31, 2018

	Total Water, Sewer & Garbage Fund	
OPERATING REVENUES		
Charges for services	$ 1,097,318	
Other service fees	82,717	
Total operating revenues		$ 1,180,035
OPERATING EXPENSES		
Personnel services and benefits	201,185	
Purchased and contractual services	420,538	
Supplies	249,146	
Depreciation	320,260	
Total operating expenses		1,191,129
OPERATING INCOME (LOSS)		(11,094)
NON-OPERATING INCOME (LOSS)		
Interest and other fiscal charges	(139,762)	
Interest earned	2,620	
Total non-operating income (loss)		(137,142)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS		(148,236)
Transfers In (Out)	-	
Capital contributions - tap fees and other	931,163	
Total transfers in (out) and capital contributions		931,163
CHANGE IN NET POSITION		782,927
NET POSITION - beginning of year, original		3,780,489
SPECIAL ITEM - prior period adjustment		(378,124)
NET POSITION - beginning of year, as restated		3,402,365
NET POSITION - end of year		$ 4,185,292

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF CASH FLOWS
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
For the Year Ended December 31, 2018

	Total Water, Sewer & Garbage Fund	
Cash flows from operating activities:		
Cash receipts from customers	$ 1,245,142	
Cash payments for goods and services	(392,036)	
Cash payments to employees for services and benefits	(189,949)	
Net cash provided by (used in) operating activities		$ 663,157
Cash flows from capital and related financing activities:		
Proceeds from tap fees	931,163	
Proceeds from debt acquisition	315,000	
Acquisition, construction and disposal of capital assets, net	(667,610)	
Principal paid on debt	(238,193)	
Interest paid on debt	(139,762)	
Net cash provided by capital and related financing activities		200,598
Cash Flows from investing activities:		
Interest received	2,620	
Net cash provided by investing activities		2,620
Net increase (decrease) in cash and cash equivalents		866,375
Cash and equivalents - beginning of year		2,782,719
Cash and equivalents - end of year		$ 3,649,094

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF CASH FLOWS
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
For the Year Ended December 31, 2018

	Total Water, Sewer & Garbage Fund	
Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities:		
Operating income	$ (11,094)	
Adjustments		
Depreciation	320,260	
(Increase) decrease in assets and deferred outflows of resources		
Accounts receivable	34,407	
Prepaid expense	(220)	
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable	19,879	
Customer deposits	30,700	
Accrued expenses	9,972	
Compensated absences payable	1,264	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		$ 405,168
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	$ 3,527,604	
Cash and cash equivalents - restricted	121,490	
Total cash and cash equivalents		$ 3,649,094

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF
HOSCHTON
79 City Square • Hoschton, GA 30548

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hoschton, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applicable to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below:

(a) Financial Reporting Entity

The City was incorporated in 1891 and operates under the appointed City Mayor and City Council form of government. As required by GAAP, the financial statements of the financial reporting entity present the City as the primary form of government. There are no component units associated with the City.

(b) Government Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated but shown as the internal services activities. There were no internal service activities in the current year. Government-wide financial statements do not provide information by fund but distinguish between the City's governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions, and are reported separately from business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties. The City of Hoschton had one business-type activity, the Water, Sewer and Garbage Fund, during the fiscal year 2018.

The Statement of Net Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. This net position is reported in three categories:

Net investment in capital assets consists of capital assets and net of accumulated depreciation, and is reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. The outstanding debt is offset by any unspent proceeds from that debt.

Restricted net position results from restrictions placed on net position from external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislations.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Administrative overhead charges are included in direct expenses. Some functions, such as general government and administration, included expenses that are in essence indirect expenses of other functions. The City does not charge all of these indirect expenses to other functions. Program revenues include (1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other revenues not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns of non-major funds.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Government Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Government Fund Type Definitions, the City classifies government fund balances as follows:

Non-spendable – includes fund balances that cannot be spent either because it is not in spendable forms or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor and City Council.

Unassigned – includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Minimum Level of Unassigned Fund Balance - The general fund unassigned fund balance will be maintained at a level sufficient to provide for the required resources to meet operating costs, to allow for unforeseen needs of an emergency nature and to permit orderly adjustment to changes resulting from fluctuations of revenue resources. The City's policy is to maintain at least six months of prior year general fund operating and non-operating expenses in the unassigned balance of the general fund.

The City's policy is to use restricted/committed amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing so, as in grant agreements that require matching dollar spending. Additionally, the City's policy is to use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

(d) 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which the levy is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property, sales and franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as receivables in the current period. All other revenues are considered to be measurable and available only when cash is received.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Expenditures generally are recorded when a liability is incurred. However, expenditures related to other long-term or non-vested commitments and contingencies are recorded only when a payment is due. In accordance with GASB Statement No. 33, "*Accounting and Financial Reporting for Non-Exchange Transactions,"* the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to business in the private sector.

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

(e) Major Funds

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for the financial resources associated with Special Purpose Local Option Sales Taxes ("SPLOST") earmarked for capital projects.

The Proprietary Fund (also referred to as the Water, Sewer and Garbage Fund) is for the operation of the City's water and sewer utility and trash collection service. Activities of the fund include administration, operation, and maintenance of the water and sewer system, and billing and collection activities for water, sewer and garbage services. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

(f) Cash, Cash Equivalents, and Investments

The City'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.

Investments are reported at fair value based on quoted market values. Interest income on investments is accrued as earned. The net appreciation (depreciation) in the fair value of investments is based on the valuation of investments as of the balance sheet date.

(g) Inventories and Prepaid Expenditures

Inventories of the government funds are recorded as expenditures at the time of purchase (purchase method).

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed. Prepaid expenditures include general and workers compensation insurance.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable government or business-type activities columns in the government-wide financial statements. The City generally defines capital assets as assets with an individual cost in excess of $ 5,000, and a useful life in excess of one year.

The City maintains infrastructure asset records consistent with all other capital assets, with the exception of infrastructure assets that were not recorded prior to the adoption of GASB 34. Therefore, streets, bridges and culverts acquired prior to January 1, 2003, have not been recorded. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset's useful lives are not capitalized but are expensed in the period it is incurred. Capital assets are depreciated using the straight-line method for all real property over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Building and Improvements	20-50 years	20-50 years
Machinery and Equipment	5-10 years	5-10 years
Vehicles	5-7 years	5-7 years
Infrastructure	15-40 years	25-65 years
Water/Sewer System and Plant	-	25-60 years

(i) Restricted Assets

Assets are reported as restricted when limitation on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. The City has restricted assets in the form of cash and cash equivalents. These assets are limited based on: uses for the Capital Projects Fund (SPLOST); performance bond obligations (General Fund); and customer utility deposits (Proprietary Fund).

(j) Deferred Outflows/Inflows of Resources – Government-Wide Statements

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City does not have any items that qualify for reporting in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category in the current year.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Compensated Absences

Employees earn personal leave at the rate of 10 hours per month for full-time employees having worked less than 4 years at the City and 15 hours per month for full-time employees working longer than 4 years at the City. Personal leave cannot be accrued in excess of 200 hours during a calendar year. In addition, the City maintains the policy that non-exempt employees who work over 40 hours per week may receive compensation time at the rate of 1.5 times per hour of overtime. Accrued compensation time cannot exceed 80 hours in a calendar year. Upon request, employees can be paid for personal leave and compensation time up to their accumulated hours. Personal leave benefits are accrued as a liability as the benefits are earned, if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. The total compensated absence liability is reported on the government-wide financial statements.

(l) Management Estimates

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

(m) Property Taxes

The City does not levy Property Taxes.

(n) Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

(o) Operating and Non-operating Transactions

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and garbage. Non-operating revenues and expenditures consist of those revenues and expenditures that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. Operating expenditures are necessary costs incurred to provide the good or service that are the primary activity of each fund.

The Water, Sewer and Garbage fund recognizes the portion of tap fees intended to recover current costs (e.g. labor and materials) to hook up new customers as operating revenue. The portion intended to recover the costs of the infrastructure is recognized as non-operating revenue or capital contributions. Operating expenditures for the proprietary funds include the costs of sales and service, depreciation on capital assets, and personnel services and benefits. All revenue and expenditures not meeting this definition are reported as non-operating revenue and expenditures or capital contributions and transfers.

Program revenues are those revenues that are generated directly from the primary activity of the governmental funds. These consist of licenses, permits, inspections, rental income, fire protection service, and grants. Program expenditures are any costs necessary to provide the program revenues to citizens.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Interfund Transactions

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

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

NOTE 2 – ASSETS

(a) Deposits

Custodial Credit Risk
Operating Deposits: Credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy for custodial credit risk is to obtain collateral from financial institutions in accordance with state law. The City has cash and cash equivalents in a primary banking institution. Bank balances of $ 5,623,698 are insured and adequately collateralized as of December 31, 2018.

(b) Restricted Cash

The City has restricted assets in the form of cash and cash equivalents of:

	General	SPLOST	Water, Sewer and Garbage Fund	Total
Restricted				
Performance bonds*	$ 146,487	$ -	$ -	$ 146,487
Culture & recreation	49,644	-	-	49,644
Capital projects	-	406,362	-	406,362
Customer deposits	-	-	121,490	121,490
Total Restricted Cash	$ 196,131	$ 406,362	$ 121,490	$ 723,983

**inlcudes interest earned over the periods held by the City.*

NOTE 2 – ASSETS (CONT'D)

(c) Receivables

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and, in the case of receivables, collectability. All receivables are current and due within one year.

Receivables at December 31, 2018 consist of the following:

	General	SPLOST	Water, Sewer and Garbage Fund	Total
Receivables				
Water, sewer and garbage bills	$ -	$ -	$ 150,463	$ 150,463
Taxes receivable	145,233	43,914	-	189,147
Gross receivables	$ 145,233	$ 43,914	$ 150,463	$ 339,610

(d) Interfund Balances

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans reported as receivables or payables as appropriate, are subject to elimination upon consolidation and referred to as either "due to/from other funds." Any residual balances outstanding between the government activities and the 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 offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between government or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

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

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 278,633	$ -
SPLOST Fund	-	20,645
Water, Sewer and Garbage Fund	-	257,988
Totals	$ 278,633	$ 278,633

NOTE 2 – ASSETS (CONT'D)

(e) Capital Assets

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

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 62,570	$ -	$ -	$ 62,570
Construction in progress	-	5,500	-	5,500
Total capital assets not being depreciated	62,570	5,500	-	68,070
Depreciable capital assets:				
Buildings and improvements	411,028	22,927	-	433,955
Machinery and equipment	102,308	23,300	-	125,608
Vehicles	13,695	-	-	13,695
Infastructure	859,479	68,967	-	928,446
Total depreciable capital assets	1,386,510	115,194	-	1,501,704
Accumulated depreciation:				
Buildings and improvements	249,190	18,317	-	267,507
Machinery and equipment	80,216	9,248	-	89,464
Vehicles	9,588	571	-	10,159
Infastructure	527,278	45,072	-	572,350
Total accumulated depreciation	866,272	73,208	-	939,480
Total depreciable capital assets - net	520,238	41,986	-	562,224
Governmental activities capital assets, net	$ 582,808	$ 47,486	$ -	$ 630,294

NOTE 2 – ASSETS (CONT'D)

(e) Capital Assets (cont'd)

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 17,000	$ -	$ -	$ 17,000
Construction in progress	68,441	294,128	29,057	333,512
Total capital assets not being depreciated	85,441	294,128	29,057	$ 350,512
Depreciable capital assets:				
Machinery and equipment	125,261	55,338	-	180,599
Infastructure	9,728,834	347,201	-	10,076,035
Total depreciable capital assets	9,854,095	402,539	-	10,256,634
Accumulated depreciation:				
Machinery and equipment	100,982	16,441	-	117,423
Infastructure	3,840,448	303,819	-	4,144,267
Total accumulated depreciation	3,941,430	320,260	-	4,261,690
Total depreciable capital assets - net	5,912,665	82,279	-	5,994,944
Business-type activities capital assets, net	$ 5,998,106	$ 376,407	$ 29,057	$ 6,345,456

Depreciation expense was charged to function as follows:	
General government	$ 8,643
Highways and streets	53,977
Culture and recreation	10,588
	$ 73,208
Business-type Activities	
Water, sewer and garbage fund	$ 320,260

NOTE 3 - LIABILTIES AND NET POSITION

(a) Risk Management

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 call 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.

NOTE 3 - LIABILTIES AND NET POSITION (CONT'D)

(a) Risk Management (Cont'd)

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 costs 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 (GIRMA) 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. 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 casualty 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.

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 least 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, 2018 the City did not incur claims. The city has not compiled a record of the claims paid up to $ 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, 2018. No provisions have been made in the financial statements for the year ended December 31, 2018, 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.

(b) Retirement 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 employee's salary. Edward Jones Investments serves as custodian of the SIMPLE IRA and contributions cannot exceed $ 6,000 for each participant for any calendar year. The City's contribution for 2018 was $ 7,187.

NOTE 3 - LIABILTIES AND NET POSITION (CONT'D)

(c) Compensated Absences Liability

Compensated absences consisted of the following:

	Balance 12/31/2017	Issued	Retired	Balance 12/31/2018	Due Within One Year
General fund	$ 5,512	$ 15,530	$ 8,591	$ 12,451	$ 12,451
Water, sewer & garbage fund	19,478	11,831	10,567	20,742	20,742
Total compensated absences	$ 24,990	$ 27,361	$ 19,158	$ 33,193	$ 33,193

Compensated absences are liquidated in the General Fund for the governmental activities; see Note 1 for a further explanation of compensated absences. The City has reported 100% of the compensated absence liability as due in one year, as the City projects that a majority of the employees will use compensated absences earned within one year. Although the full balance is expected to be used within one year, the time earned will continue to replenish throughout the year and will therefore the compensated absences remains noncurrent.

(d) Notes Payable and Revenue Bonds Payable

On August 1 2006, the City entered into a contract with Georgia Environmental Facilities Authority (GEFA) to borrow funds for water and sewer improvements. The original amount of the loan was $ 3,124,536 with an interest rate of 3.00%. Additionally, on March 3, 2011, the City entered into a second contract with GEFA, to borrow funds for the water and sewer improvements. On December 1, 2014, both contacts held with GEFA were consolidated into one note. The consolidated loan (No. 2013-L27WQ) had an original balance of $ 5,251,730 with an interest rate of 2.40%. In addition, interest accrued on the principal balance until payments began. Principal payments began in 2017. The loan will mature on February 1, 2037.

The City entered into a clean water contract with GEFA during 2018 (CW2016024). The clean water loan was approved for $ 315,000 with an interest rate at .65% per annum. The project is complete and the City will begin making payments on the loan beginning February 2019. The loan will mature in February 2034.

On August 15, 2018, the City was approved for a drinking water loan (DW2018002) from GEFA to complete projects in subsequent years. The loan has been approved for funds in the amount of $ 428,000, with an interest rate of 1.06%. Receipt of funds will not occur until the project is in progress, which is expected to begin in 2019. Principal payments are not anticipated to begin until April 2020 or the date in which funds are fully disbursed by GEFA.

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 operation are pledged for repayment of the bonds.

NOTE 3 - LIABILTIES AND NET POSITION (CONT'D)

(d) Notes Payable and Revenue Bonds Payable (Cont'd)

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

	Balance* 12/31/2017	Issued	Retired	Balance 12/31/2018	Due One Year
Business-type Activities					
Note - 2013-L27WQ	$ 5,407,815	$ -	$ 227,082	$ 5,180,733	$ 232,946
Note - CW2016024	-	315,000	-	315,000	18,387
Revenue bonds	35,000	-	11,000	24,000	11,500
Total Debt (Water & Sewer Fund)	$ 5,442,815	$ 315,000	$ 238,082	$ 5,519,733	$ 262,833

**as restated*

Notes and revenue bonds payable including interest matures as follows:

	Principal	Interest	Total
2019	262,833	124,758	387,591
2020	271,277	118,652	389,929
2021	264,699	112,080	376,779
2022	270,761	106,018	376,779
2023-2027	1,449,938	433,956	1,883,894
2028-2032	1,624,772	259,122	1,883,894
2033-2037	1,375,453	41,363	1,416,816
Total	5,519,733	$ 1,195,949	$ 6,715,682
Less current portion	262,833		
Noncurrent portion of long-term debt	$ 5,256,900		

NOTE 4 – PERFORMANCE BONDS PAYABLE

The City has collected and retains performance bonds in the amount of $ 145,975 as of December 31, 2018. These accounts are reserved in the event that residential developers are unable to complete roadways in which the City is obligated to maintain. Upon satisfactory completion of the roadways, the City will return the funds to the developers. The cash received from bonds are maintained in interest bearing accounts.

NOTE 5 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Northeast Georgia Regional Commission (RC) and is required to pay annual dues thereto. Membership in the RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of regional development commissions in Georgia. The RC 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 a regional commission. Separate financial statements may be obtained from:

Northeast Georgia Regional Commission
305 Research Drive
Athens, Georgia 30503-1720

NOTE 6 – FEDERAL AND STATE GRANTS

In the normal course of operations, the City may receive grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting funds. The City received federal grants of $ 196,680 from the Appalachian Regional Commission during the fiscal year 2018. The City received state grants of $ 25,008 from the Georgia Department of Transportation for Local Maintenance and Improvements and $ 5,971 from the Georgia Municipal Association for safety and liability management.

NOTE 7 – SPECIAL ITEM – PRIOR PERIOD ADJUSTMENT

During 2018, the City discovered that the original note payable to GEFA as discussed in Note 3(d), had incurred accrued interest expense on the principal balance in the amount of $ 378,124 through years 2012-2017. As a consequence, interest expense during those years and the balance of the liability have been understated. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following provides a summary of the impact on the City's financial statements:

GEFA note payable, December 31, 2017	$ 5,029,691
Correction - accrued interest	378,124
Balance corrected, December 31, 2017	$ 5,407,815
Net Assets - beginning, original	$ 3,780,489
Correction - accrued interest	(378,124)
Net assets - beginning, as restated	$ 3,402,365

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 17, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF
HOSCHTON
79 City Square • Hoschton, GA 30548

CITY OF HOSCHTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 511,372	$ 482,372	$ 614,424	$ 132,052
Charges for services	76,956	250,556	122,295	(128,261)
Licenses and permits	212,400	256,400	341,809	85,409
Intergovernmental revenues	28,000	28,000	30,979	2,979
Interest earned	1,000	1,000	1,853	853
Total revenues	829,728	1,018,328	1,111,360	93,032
EXPENDITURES				
Current operating:				
General government	467,858	368,306	364,456	3,850
Public works	136,820	270,680	152,515	118,165
Culture/recreation	54,050	54,050	73,510	(19,460)
Housing and development	171,000	230,000	259,034	(29,034)
Total expenditures	829,728	923,036	849,515	73,521
TOTAL REVENUES OVER EXPENDITURES	-	95,292	261,845	166,553
OTHER FINANCING SOURCES (USES)				
Contingency	-	(95,292)	-	-
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(95,292)	-	-
NET CHANGE IN FUND BALANCE	$ -	$ -	261,845	$ 166,553
FUND BALANCES - beginning of year			1,420,459	
FUND BALANCES - end of year			$ 1,682,304	

See accompanying notes to the required supplementary information.

NOTE 1 – BUDGETARY BASIS

The City prepares its annual budgets on a basis that is consistent with accounting principles generally accepted in the United States as applied to local governments.

The City establishes the budgetary data reflected in the accompanying financial statements by the City Clerk or other authorized individual preparing a proposed budget for consideration by the appointed Council. The Clerk prepares the proposal based on detailed line items that represent revenues by source, and expenditures by department, which is the legal level of control. Expenditures may not exceed appropriations at this level of control; however, management may transfer appropriations within the control levels.

Hearings are held regarding the budget to seek comments and questions from those who reside in the City of Hoschton. All budget revisions are subject to final review and approval by the Council. The Council then examines any changes to the original proposed budget and approves a final budget. Total appropriations for any fund may be increased if, during the year, sources of revenue become available to the City in excess of original anticipations, and these amounts are anticipated and subsequently appropriated by the City Council. No supplemental appropriations were made during 2018.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Formal budgetary control is based upon major classes of expenditures known as functions. These four functions are: general government, public works, culture/recreation, and housing and business development. During the current year, expenditures exceeded the amounts budgeted in the culture/recreation and housing and development functions.

OTHER REPORTING SECTION

CITY OF
HOSCHTON
79 City Square • Hoschton, GA 30548

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and City Council
City of Hoschton
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 the City of Hoschton, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Hoschton, Georgia's basic financial statements, and have issued our report thereon dated June 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did identify deficiencies in internal control, described in the accompanying schedule of findings, criteria and recommendations as item 2018-02 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hoschton, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings criteria and recommendations as item 2018-01.

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City of Hoschton, Georgia's Response to Findings

City of Hoschton, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings, criteria, and recommendations. City of Hoschton, Georgia's response was 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.



Alexander, Almand & Bangs, LLP
Gainesville, Georgia
June 17, 2019

CITY OF HOSCHTON, GEORGIA
SCHEDULE OF INTERNAL CONTROL FINDINGS, CRITERIA AND RECOMMENDATIONS
APPLICABLE ON NON-FEDERAL PROGRAMS FOR GOVERNMENT AUDITING STANDARDS
For the Year Ended December 31, 2018

GENERAL FUND

2018-01 – BUDGET COMPLIANCE

CONDITION – The City did not operate under the annual balanced budget adopted for the current fiscal year. Per O.C.G.A. § 36-81-3, local governments should operate within the adopted budget ordinance or resolution for the budget period.

EFFECT – Expenditures were greater than budgeted for the current fiscal year.

RECOMMENDATION – The City should observe the adopted budget periodically and amend when appropriate or necessary to adapt to the changing governmental needs during the budget period. The amended budgets should be made within the limitations of the City's charter and local law.

MANAGEMENT RESPONSE – The City concurs with this finding. The City does observe the adopted budget periodically and amend when appropriate or necessary. However, some expenditure accruals were made after the final budget amendment was adopted for fiscal year 2018. The City will work to coordinate these efforts better for future budget periods.

WATER, SEWER & GARAGE FUND

2018-02 – FISCAL YEAR-END FINANCIAL CLOSE AND REPORTING CONTROLS

CONDITION: In prior years, the City's external auditors were involved in creating several year-end closing entries. The responsibility of this has been assumed by the City in the current year for the fiscal year-end financial close procedures. While much improvement was made to the year-end financial close procedures, for the current year, several year-end audit adjustments were necessary that relate to year-end closing entries.

EFFECT: Certain adjustments were required to more accurately reflect the balances of activity for the year ended December 31, 2018.

RECOMMENDATION: We recommend that internal controls should be in place to ensure that all amounts reporting within the financial statements are reported in accordance with generally accepted accounting principles (GAAP) and have been reconciled to subsidiary ledgers and underlying accounting records.

MANAGEMENT RESPONSE: The City concurs with this finding. The City will continue to improve its fiscal year-end financial close procedures.

STATE REPORTING SECTION

CITY OF
HOSCHTON
79 City Square • Hoschton, GA 30548

CITY OF HOSCHTON, GEORGIA
SPECIAL LOCAL OPTION SALES TAX
SCHEDULE OF PROJECTS FUNDED WITH SPECIAL SALES TAX PROCEEDS
From Inception Through December 31, 2018

Project	Original Budget	Current Project Budget	Prior Year Project to Date	Current Year	Total
SPLOST # 5					
General Fund					
Road, Streets, Bridges and Sidewalks	$ 186,414	$ 186,414	$ 210,364	$ 48,335	$ 258,699
Recreation	46,603	46,603	47,497	-	47,497
Water & Sewer					
Water & Sewer Projects	699,464	699,464	594,510	-	594,510
	$ 932,481	$ 932,481	$ 852,371	$ 48,335	$ 900,706
SPLOST # 6					
General Fund					
Road, Streets, Bridges and Sidewalks	$ 225,330	$ 225,330	$ -	$ -	$ -
Recreation	56,332	56,332	-	-	-
Water & Sewer					
Water & Sewer Projects	844,988	844,988	-	-	-
	$ 1,126,650	$ 1,126,650	$ -	$ -	$ -