

HOSCHTON

79 City Square • Hoschton, GA 30548

FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED
DECEMBER 31, 2019

CITY OF HOSCHTON

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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, 2019, 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, 2019, 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 30, and the schedules of functional allocations for the Water, Sewer and Garbage fund on pages 28-29, are 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 15, 2020, 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 15, 2020

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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,545,360	$ 2,706,358	$ 4,251,718
Accounts receivable	220,333	118,948	339,281
Prepaid items	4,960	3,584	8,544
Internal balance	346,140	(346,140)	-
Restricted assets:			
Cash and cash equivalents	396,471	3,667,131	4,063,602
Total current assets	2,513,264	6,149,881	8,663,145
Capital Assets			
Capital assets not being depreciated			
Land	749,135	281,601	1,030,736
Construction in progress	42,007	738,710	780,717
Depreciable assets, net of depreciation	497,147	5,634,783	6,131,930
Total capital assets, net of depreciation	1,288,289	6,655,094	7,943,383
TOTAL ASSETS	$ 3,801,553	$ 12,804,975	$ 16,606,528

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
December 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 116,639	$ 91,815	$ 208,454
Current portion of long-term debt	-	290,857	290,857
Deposits and performance bond payable	145,975	168,094	314,069
Total current liabilities	262,614	550,766	813,380
Noncurrent liabilities			
Compensated absences (due within one year)	10,475	23,489	33,964
Long-term debt (net of current portion)	-	5,200,522	5,200,522
Total long-term liabilities	10,475	5,224,011	5,234,486
Total liabilities	273,089	5,774,777	6,047,866
NET POSITION			
Net investment in capital assets	1,288,289	1,163,715	2,452,004
Restricted for:			
General government	145,975	-	145,975
Capital projects	210,598	3,667,131	3,877,729
Customer deposits	-	168,094	168,094
Unrestricted	1,883,602	2,031,258	3,914,860
Total net position	3,528,464	7,030,198	10,558,662
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 3,801,553	$ 12,804,975	$ 16,606,528

CITY OF HOSCHTON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

		Program Revenues		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	$ 359,496	$ 87,174	$ -	$ 4,977
Public works	330,907	-	-	256,978
Culture/recreation	72,122	35,837	-	13,525
Housing and business development	452,623	756,351	-	-
Total Government Activities	1,215,148	879,362	-	275,480
Business-Type Activities				
Water, sewer and garbage	1,715,488	1,477,216	-	2,368,478
Total Business-Type Activities	1,715,488	1,477,216	-	2,368,478
Total-Primary Government	$ 2,930,636	$ 2,356,578	$ -	$ 2,643,958
GENERAL REVENUES:				
Taxes: Sales				
Property				
Alcoholic Beverage				
Franchise				
Other				
Interest earned				
Gain (loss) on sale of assts				
TRANSFERS:				
Total general revenues and transfers				
Change in net position				
NET POSITION - beginning of year, original				
SPECIAL ITEM - prior period adjustment				
NET POSITION - beginning of year, 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, 2019

Net (Expense) Revenue and Changes In Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (267,345)	$ -	$ (267,345)
(73,929)	-	(73,929)
(22,760)	-	(22,760)
303,728	-	303,728
(60,306)	-	(60,306)
-	2,130,206	2,130,206
-	2,130,206	2,130,206
(60,306)	2,130,206	2,069,900
305,436	-	305,436
66,091	-	66,091
30,201	-	30,201
151,568	-	151,568
105,888	-	105,888
792	3,558	4,350
2,450	(43,459)	(41,009)
(490,000)	490,000	-
172,426	450,099	622,525
112,120	2,580,305	2,692,425
2,729,778	4,185,292	6,915,070
686,566	264,601	951,167
3,416,344	4,449,893	7,866,237
$ 3,528,464	$ 7,030,198	$ 10,558,662

FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS

CITY OF
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CITY OF HOSCHTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

	General	SPLOST	Non-Major Special Revenue Fund - Grants	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,545,360	$ -	$ -	$ 1,545,360
Receivables (net):				
Intergovernmental receivable	45,195	49,358	4,514	99,067
Other receivables	121,266	-	-	121,266
Internal balance receivable	350,654	-	(4,514)	346,140
Prepaid items	4,960	-	-	4,960
Restricted assets:				
Cash and cash equvialents	235,231	161,240	-	396,471
TOTAL ASSETS	$ 2,302,666	$ 210,598	$ -	$ 2,513,264
LIABILITIES				
Accounts payable	106,670	-	-	106,670
Accrued expenses	9,969	-	-	9,969
Performance bond payable	145,975	-	-	145,975
Total liabilities	262,614	-	-	262,614
FUND BALANCE				
Non-spendable:				
Prepaid items	4,960	-	-	4,960
Assigned assets	88,621	-	-	88,621
Restricted:				
Performance bond payable	145,975	-	-	145,975
Capital outlay	-	210,598	-	210,598
Unassigned:	1,800,496	-	-	1,800,496
Total Fund Balances	2,040,052	210,598	-	2,250,650
TOTAL LIABILITIES AND FUND BALANCE	$ 2,302,666	$ 210,598	$ -	$ 2,513,264

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, 2019

	2019	
TOTAL GOVERNMENTAL FUND BALANCES		$ 2,250,650
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	$ 2,126,244	
Accumulated depreciation	(837,955)	
Total capital assets, net depreciation		1,288,289
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences payable	(10,475)	
Total liabilities		(10,475)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 3,528,464

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, 2019

	General	SPLOST	Non-Major Special Revenue Fund - Grants	Total Governmental Funds
REVENUES				
Taxes	$ 593,092	$ -	$ -	$ 593,092
Charges for services	461,205	-	-	461,205
Intergovernmental	-	270,503	4,514	275,017
Licenses and permits	464,433	-	-	464,433
Interest earned	792	464	-	1,256
Rental Income	19,815	-	-	19,815
Sale of assets	2,450	-	-	2,450
Total Revenues	1,541,787	270,967	4,514	1,817,268
EXPENDITURES				
Current operating:				
General government	390,585	-	29,522	420,107
Public works	256,235	-	-	256,235
Culture/recreation	59,588	-	-	59,588
Housing and business development	452,623	-	-	452,623
Capital outlay	-	-	-	-
Total Expenditures	1,159,031	-	29,522	1,188,553
EXCESS REVENUES (EXPENDITURES)	382,756	270,967	(25,008)	628,715
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(25,008)	(490,000)	25,008	(490,000)
NET CHANGE IN FUND BALANCES	357,748	(219,033)	-	138,715
FUND BALANCES - beginning of year	1,682,304	429,631	-	2,111,935
FUND BALANCES - end of year	$ 2,040,052	$ 210,598	$ -	$ 2,250,650

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, 2019

	2019	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 138,715
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	$ (76,578)	
Capital outlay reported in general government function	48,007	
		(28,571)
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	(10,475)	
Prior year liability - compensated absences	12,451	
		1,976
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 112,120

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, 2019

		Total Water, Sewer & Garbage Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,706,358	
Receivables (net of allowance for uncollectible):		
Accounts	118,948	
Prepaid expense	3,584	
Restricted assets:		
Cash and cash equivalents	3,667,131	
Total current assets		$ 6,496,021
Non-current assets:		
Capital assets:		
Capital assets not being depreciated		
Land	281,601	
Construction in progress	738,710	
Depreciable capital assets, net of depreciation	5,634,783	
Total non-current assets		6,655,094
TOTAL ASSETS		$ 13,151,115

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
December 31, 2019

	Total Water, Sewer & Garbage Fund	
LIABILITIES		
Current liabilities:		
Accounts payable	$ 75,698	
Accrued expenses	16,117	
Current portion of long-term debt	290,857	
Customer deposits payable	168,094	
Internal balance payable	346,140	
Total current liabilities		$ 896,906
Noncurrent liabilities		
Compensated absences (due within one year)	23,489	
Long-term debt (net of current portion)	5,200,522	
Total long-term liabilities		5,224,011
TOTAL LIABILITIES		6,120,917
NET POSITION		
Net investment in capital assets	1,163,715	
Restricted	3,667,131	
Unrestricted	2,199,352	
TOTAL NET POSITION		7,030,198
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		$ 13,151,115

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, 2019

	Total Water, Sewer & Garbage Fund	
OPERATING REVENUES		
Charges for services	$ 1,399,659	
Other service fees	77,557	
Total operating revenues		$ 1,477,216
OPERATING EXPENSES		
Personnel services and benefits	328,948	
Purchased and contractual services	354,228	
Supplies	583,131	
Depreciation	323,197	
Total operating expenses		1,589,504
OPERATING INCOME (LOSS)		(112,288)
NON-OPERATING INCOME (LOSS)		
Interest and other fiscal charges	(125,984)	
Interest earned	3,558	
Loss on disposal of assets	(43,459)	
Total non-operating income (loss)		(165,885)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS		(278,173)
Transfers In (Out)	490,000	
Capital contributions - tap fees and other	2,368,478	
Total transfers in (out) and capital contributions		2,858,478
CHANGE IN NET POSITION		2,580,305
NET POSITION - beginning of year, original		4,185,292
SPECIAL ITEM - prior period adjustment		264,601
NET POSITION - beginning of year, as restated		4,449,893
NET POSITION - end of year		$ 7,030,198

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, 2019

	Total Water, Sewer & Garbage Fund	
Cash flows from operating activities:		
Cash receipts from customers	$ 1,555,335	
Cash payments for goods and services	(801,881)	
Cash payments to employees for services and benefits	(325,064)	
Net cash provided by (used in) operating activities		$ 428,390
Cash flows from non-capital financing activities:		
Transfers from other funds	490,000	
Net cash provided by (used in) non-capital financing activities		490,000
Cash flows from capital and related financing activities:		
Acquisition, construction and disposal of capital assets, net	(411,692)	
Proceeds from capital contributions	2,330,170	
Proceeds from grant	38,308	
Proceeds from debt	219,926	
Principal paid on debt	(248,281)	
Interest paid on debt	(125,984)	
Net cash provided by capital and related financing activities		1,802,447
Cash Flows from investing activities:		
Interest received	3,558	
Net cash provided by investing activities		3,558
Net increase (decrease) in cash and cash equivalents		2,724,395
Cash and equivalents - beginning of year		3,649,094
Cash and equivalents - end of year		$ 6,373,489

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, 2019

	Total Water, Sewer & Garbage Fund	
Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities:		
Operating income	$ (112,288)	
Adjustments		
Depreciation	323,197	
(Increase) decrease in assets and deferred outflows of resources		
Accounts receivable	31,515	
Prepaid expense	(109)	
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable	47,435	
Accrued expenses	1,137	
Compensated absences payable	2,747	
Customer deposits	46,604	
Internal balance payable	88,152	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		$ 428,390
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	$ 2,706,358	
Cash and cash equivalents - restricted	3,667,131	
Total cash and cash equivalents		$ 6,373,489

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 2019.

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 flow of 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, which employ the economic resources measurement focus, distinguish 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) Non-major Fund

The Special Revenue / Grants Fund: The City has one non-major fund for small grants pertaining to capital projects and specified use, such as safety and maintenance or improvement of existing infrastructures.

(g) 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.

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

(h) 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, 2019, 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.

(i) 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 $ 20,000 for lands, land improvements, and building projects and in excess of $ 5,000 for equipment, and a useful life in excess of two years.

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

(j) 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).

(k) 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.

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

(l) 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.

(m) 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.

(n) Property Taxes

The City does not levy Property Taxes.

(o) 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.

(p) 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)

(q) 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.

(r) Implementation of new GASB Pronouncement

During the fiscal year ended December 31, 2019, the City adopted the following GASB Pronouncement:

GASB Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowings, and Direct Placements.* This statement was issued March 2018 to improve the information that is disclosed in the notes to the governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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. Actual bank cash balances of $ 8,446,382 are insured and adequately collateralized as of December 31, 2019.

(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*	$ 146,610	$ -	$ -	$ 146,610
Culture & recreation	88,621	-	-	88,621
Capital projects	-	161,240	3,499,037	3,660,277
Customer deposits	-	-	168,094	168,094
Total Restricted Cash	$ 235,231	$ 161,240	$ 3,667,131	$ 4,063,602

**includes 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, 2019 consist of the following:

	General	SPLOST	Capital Projects / Grants Fund	Water, Sewer and Garbage Fund	Total
Receivables					
Water, sewer, garbage bills	$ -	$ -	$ -	$ 118,948	$ 118,948
Taxes receivable	166,461	49,358	-	-	215,819
Grants	-	-	4,514	-	4,514
Gross receivables	$ 166,461	$ 49,358	$ 4,514	$ 118,948	$ 339,281

(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, 2019 are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 350,654	$ -
Capital Projects / Grants Fund	-	4,514
SPLOST Fund	-	-
Water, Sewer and Garbage Fund	-	346,140
Totals	$ 350,654	$ 350,654

NOTE 2 – ASSETS (CONT'D)

(e) Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 12/31/2018	Additions	Deductions	Balance 12/31/2019
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 62,570	$ 686,565 *	$ -	$ 749,135
Construction in progress	5,500	36,507	-	42,007
Total capital assets not being depreciated	68,070	723,072	-	791,142
Depreciable capital assets:				
Buildings and improvements	433,955	-	96,869	337,086
Machinery and equipment	125,608	-	81,233	44,375
Vehicles	13,695	-	-	13,695
Infrastructure	928,446	11,500	-	939,946
Total depreciable capital assets	1,501,704	11,500	178,102	1,335,102
Accumulated depreciation:				
Buildings and improvements	267,507	20,799	97,685	190,621
Machinery and equipment	89,464	8,035	80,417	17,082
Vehicles	10,159	-	-	10,159
Infrastructure	572,349	47,744	-	620,093
Total accumulated depreciation	939,479	76,578	178,102	837,955
Total depreciable capital assets - net	562,225	(65,078)	-	497,147
Governmental activities capital assets, net	$ 630,295	$ 657,994	$ -	$ 1,288,289

*****_Land owned by the City, not previously recorded. See Note 7._

NOTE 2 – ASSETS (CONT'D)

(e) Capital Assets (cont'd)

	Balance 12/31/2018	Additions	Deductions	Balance 12/31/2019
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 17,000	$ 264,601 *	$ -	$ 281,601
Construction in progress	333,513	411,692	6,495	738,710
Total capital assets not being depreciated	350,513	676,293	6,495	$ 1,020,311
Depreciable capital assets:				
Machinery and equipment	180,599	-	73,585	107,014
Infrastructure	10,076,035	-	840,510	9,235,525
Total depreciable capital assets	10,256,634	-	914,095	9,342,539
Accumulated depreciation:				
Machinery and equipment	117,423	17,170	73,585	61,008
Infrastructure	4,144,267	306,027	803,546	3,646,748
Total accumulated depreciation	4,261,690	323,197	877,131	3,707,756
Total depreciable capital assets - net	5,994,944	(323,197)	36,964	5,634,783
Business-type activities capital assets, net	$ 6,345,457	$ 353,096	$ 43,459	$ 6,655,094

Depreciation expense was charged to function as follows:	
General government	$ 7,395
Highways and streets	56,650
Culture and recreation	12,533
	$ 76,578
Business-type Activities	
Water, sewer and garbage fund	$ 323,197

Land owned by the City, not previously recorded. See Note 7.

NOTE 3 – LONG-TERM OBLIGATIONS 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 – LONG-TERM OBLIGATIONS 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, 2019 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, 2019. No provisions have been made in the financial statements for the year ended December 31, 2019, 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 2019 was $ 10,636.

NOTE 3 – LONG-TERM OBLIGATIONS AND NET POSITION (CONT'D)

(c) Compensated Absences Liability

Compensated absences consisted of the following:

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Due Within One Year
General fund	$ 12,451	$ 5,545	$ 7,521	$ 10,475	$ 10,475
Water, sewer & garbage fund	20,742	28,721	25,974	23,489	23,489
Total compensated absences	$ 33,193	$ 34,266	$ 33,495	$ 33,964	$ 33,964

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 began making payments on the loan in 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% per annum. Receipt of funds and the project began in 2019. Principal payments are not anticipated to begin until summer of 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 – LONG-TERM OBLIGATIONS AND NET POSITION (CONT'D)

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

Long-term obligation activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Due One Year
Business-type Activities					
Note - 2013-L27WQ	$ 5,180,733	$ -	$ 232,946	$ 4,947,787	$ 238,599
Note - CW2016024	315,000	-	3,334	311,666	20,080
Note - DW2018002	-	219,926	-	219,926	20,178
Revenue bonds	24,000	-	12,000	12,000	12,000
Total Debt (Water & Sewer Fund)	$ 5,519,733	$ 219,926	$ 248,280	$ 5,491,379	$ 290,857

Notes and revenue bonds payable including interest matures as follows:

	Principal	Interest	Total
2020	290,857	120,568	411,425
2021	284,910	113,915	398,825
2022	291,104	107,721	398,825
2023	297,443	101,381	398,824
2024	303,933	94,892	398,825
2025-2029	1,622,478	371,647	1,994,125
2030-2034	1,785,305	184,938	1,970,243
2035-2039	615,348	34,726	650,074
Total	5,491,378	$ 1,129,788	$ 6,621,166
Less current portion	290,857		
Noncurrent portion of long-term obligations	$ 5,200,521		

The City has no unused lines of credit open, and has no assets pledged as collateral for debt. All notes and revenue bonds originated under direct borrowing agreements.

NOTE 4 – PERFORMANCE BONDS PAYABLE

The City has collected and retains performance bonds in the amount of $ 145,975 as of December 31, 2019. 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. In addition to the cash revenue bonds, the City has also required other developers to maintain bonds at financial institutions where the City is beneficiary, in the event the developer is unable to complete projects.

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 for capital projects in the Water, Sewer and Garbage fund of $ 38,308 from the Appalachian Regional Commission during the fiscal year 2019.

NOTE 7 – SPECIAL ITEM – PRIOR PERIOD ADJUSTMENT

During 2019, it was discovered that several parcels of land owned by the City have not been adequately on the financial statements for the governmental and business type funds. As a result, total land has been understated in prior years. The land was recorded in the current year based on appraised values. The omission of land has been corrected by restating each of the affected financial statement line items for prior periods as follows:

	General Fund	Water, Sewer & Garbage Fund
Net position, beginning	$ 2,729,778	$ 4,185,292
Prior period adjustment	686,566	264,601
Net position, beginning as restated	$ 3,416,344	$ 4,449,893

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 21, 2020, the date the financial statements were available to be issued and one event was noted.

In December 2019, an outbreak of a novel strain of the coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. on March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 14, 2020, Governor Brian Kemp ordered the closure of the physical location of every “non-essential” business for what may be an extended period of time. The City closed City Hall to the public, in response to the Governor’s declaration of a public health emergency. Future potential impacts may include disruptions in services or restrictions on our employees’ ability to work, including a disruption in local proceeds and sales taxes. The future impact of the issues are unknown at this time.

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 537,800	$ 584,800	$ 593,092	$ 8,292
Charges for services	52,100	427,100	481,020	53,920
Licenses and permits	506,400	445,400	464,433	19,033
Intergovernmental revenues	-	-	-	-
Sale of assets	17,100	19,500	2,450	(17,050)
Interest earned	1,000	1,000	792	(208)
Total revenues	1,114,400	1,477,800	1,541,787	63,987
EXPENDITURES				
Current operating:				
General government	415,350	399,150	390,585	8,565
Public works	214,210	265,210	256,235	8,975
Culture/recreation	40,800	30,800	59,588	(28,788)
Housing and development	434,150	464,150	452,623	11,527
Total expenditures	1,104,510	1,159,310	1,159,031	279
TOTAL REVENUES OVER EXPENDITURES	9,890	318,490	382,756	64,266
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	(25,008)	(25,008)
Fund balance (surplus) use	(9,890)	(318,490)	-	318,490
TOTAL OTHER FINANCING SOURCES (USES)	(9,890)	(318,490)	(25,008)	293,482
NET CHANGE IN FUND BALANCE	$ -	$ -	357,748	$ 357,748
FUND BALANCES - beginning of year			1,682,304	
FUND BALANCES - end of year			$ 2,040,052	

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 2019.

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 function.

SUPPLEMENTARY INFORMATION

CITY OF
HOSCHTON
79 City Square • Hoschton, GA 30548

CITY OF HOSCHTON, GEORGIA
SCHEDULE OF FUNCTIONAL ALLOCATIONS
WATER, SEWER AND GARBAGE
SCHEDULE OF NET POSITION
December 31, 2019

	Water / Sewer	Garbage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,590,515	$ 115,843	$ 2,706,358
Receivables (net of allowance for uncollectible):			
Accounts	104,680	14,268	118,948
Prepaid expense	3,584	-	3,584
Restricted assets:			
Cash and cash equivalents	3,667,131	-	3,667,131
Total current assets	6,365,910	130,111	6,496,021
Non-current assets:			
Capital assets:			
Capital assets not being depreciated			
Land	281,601	-	281,601
Construction in progress	738,710	-	738,710
Depreciable capital assets, net of depreciation	5,634,783	-	5,634,783
Total non-current assets	6,655,094	-	6,655,094
TOTAL ASSETS	$ 13,021,004	$ 130,111	$ 13,151,115

CITY OF HOSCHTON, GEORGIA
SCHEDULE OF FUNCTIONAL ALLOCATIONS
WATER, SEWER AND GARBAGE
SCHEDULE OF NET POSITION
December 31, 2019

	Water / Sewer	Garbage	Total
LIABILITIES			
Current liabilities:			
Accounts payable	$ 75,698	$ -	$ 75,698
Accrued expenses	16,117	-	16,117
Current portion of long-term debt	290,857	-	290,857
Customer deposits payable	168,094	-	168,094
Internal balance payable	346,140	-	346,140
Total current liabilities	896,906	-	896,906
Noncurrent liabilities			
Compensated absences (due within one year)	23,489	-	23,489
Long-term debt (net of current portion)	5,200,522	-	5,200,522
Total long-term liabilities	5,224,011	-	5,224,011
TOTAL LIABILITIES	6,120,917	-	6,120,917
NET POSITION			
Net investment in capital assets	1,163,715	-	1,163,715
Restricted	3,667,131	-	3,667,131
Unrestricted	2,069,241	130,111	2,199,352
TOTAL NET POSITION	6,900,087	130,111	7,030,198
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 13,021,004	$ 130,111	$ 13,151,115

CITY OF HOSCHTON, GEORGIA
SCHEDULE OF FUNCTIONAL ALLOCATIONS
WATER, SEWER AND GARBAGE
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2019

	Water / Sewer	Garbage	Total
OPERATING REVENUES			
Charges for services	$ 1,250,293	$ 149,366	1,399,659
Other service fees	77,557	-	77,557
Total operating revenues	1,327,850	149,366	1,477,216
OPERATING EXPENSES			
Personnel services and benefits	328,948	-	328,948
Purchased and contractual services	221,535	132,693	354,228
Supplies	583,131	-	583,131
Depreciation	323,197	-	323,197
Total operating expenses	1,456,811	132,693	1,589,504
OPERATING INCOME (LOSS)	(128,961)	16,673	(112,288)
NON-OPERATING INCOME (LOSS)			
Interest and other fiscal charges	(125,984)	-	(125,984)
Interest earned	3,558	-	3,558
Loss on disposal of assets	(43,459)	-	(43,459)
Total non-operating income (loss)	(165,885)		(165,885)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(294,846)	16,673	(278,173)
Transfers In (Out)	490,000	-	490,000
Capital grants	38,308	-	38,308
Capital contributions - tap fees and other	2,330,170	-	2,330,170
Total transfers in (out) and capital contributions	2,858,478	-	2,858,478
CHANGE IN NET POSITION	2,563,632	16,673	2,580,305
NET POSITION - beginning of year, original	4,071,854	113,438	4,185,292
SPECIAL ITEM - prior period adjustment	264,601	-	264,601
NET POSITION - beginning of year, as restated	4,336,455	113,438	4,449,893
NET POSITION - end of year	$ 6,900,087	$ 130,111	$ 7,030,198

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, 2019, 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 15, 2020.

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 not identify any deficiencies in internal control.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Members of: The Georgia Society of Certified Public Accountants • The American Institute of Certified Public Accountants

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 15, 2020

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, 2019

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	$ 258,699	$ -	$ 258,699
Recreation	46,603	46,603	47,497	-	47,497
Water, Sewer & Garbage Fund					
Water & Sewer Projects	699,464	699,464	594,510	-	594,510
	$ 932,481	$ 932,481	$ 900,706	$ -	$ 900,706
SPLOST # 6					
General Fund					
Road, Streets, Bridges and Sidewalks	$ 225,330	$ 225,330	$ -	$ -	$ -
Recreation	56,332	56,332	-	-	-
Water, Sewer & Garbage Fund					
Water & Sewer Projects	844,988	844,988	-	490,000	490,000
	$ 1,126,650	$ 1,126,650	$ -	$ 490,000	$ 490,000

Reconciliation to Capital Projects Fund:

Total Expenditures - Capital Projects Fund	$ 490,000
Transfers to proprietary fund, debt service and improvements	(490,000)
SPLOST 5 & 6 Recognized Expenditures - current year	$ -