

FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED
DECEMBER 31, 2025

CITY OF HOSCHTON
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WILSON LEWIS
ATTESTATION SERVICES, LLP

ALEXANDER ALMAND & BANGS, LLP

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Hoschton, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hoschton, Georgia, as of and for the year ended December 31, 2025, 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.

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, each major fund, and the aggregate remaining fund information of the City of Hoschton, Georgia, as of December 31, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hoschton, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hoschton, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hoschton, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hoschton, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Defined Benefit Retirement Plan Schedule and notes, and the General Fund Budgetary Comparison Schedule and Impact Fee Fund Budgetary Comparison Schedule and notes, listed in the table of contents to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 budgetary comparison schedules for the Special Purpose Local Option Sales Tax and Downtown Development Authority, and the accompanying state reporting Schedule of Projects Financed with Special Sales Tax Proceeds which is presented for the purpose of additional analysis as required by the Official Code of Georgia 48-8-121, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 budgetary comparison schedules and the state reporting Schedule of Projects Financed 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 May 14, 2026, 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 solely 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 the effectiveness of the City of Hoschton, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hoschton, Georgia's internal control over financial reporting and compliance.

Wilson Lewis

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May 14, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of management's discussion and analysis (MD&A) is to help the City of Hoschton, Georgia, residents, and other readers understand what the financial statements and notes in this financial report say about the City's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the City's finances.

If you have any questions about this report or require further information, contact the City Hall at 706-654-3034.

Overview of the Financial Statements

The City of Hoschton's financial report contains basic financial statements. Those financial statements present the City's finances at both an overall and a detailed level. The first two statements – *the government-wide financial statements* – cover the City's governmental activities and business-type activities (together the *primary government*).

- Governmental activities comprise the City's most basic functions, such as public safety, culture and recreation, and social and economic development. Governmental activities primarily are financed by taxes paid by City residents and businesses and grants from the State of Georgia and the federal government.

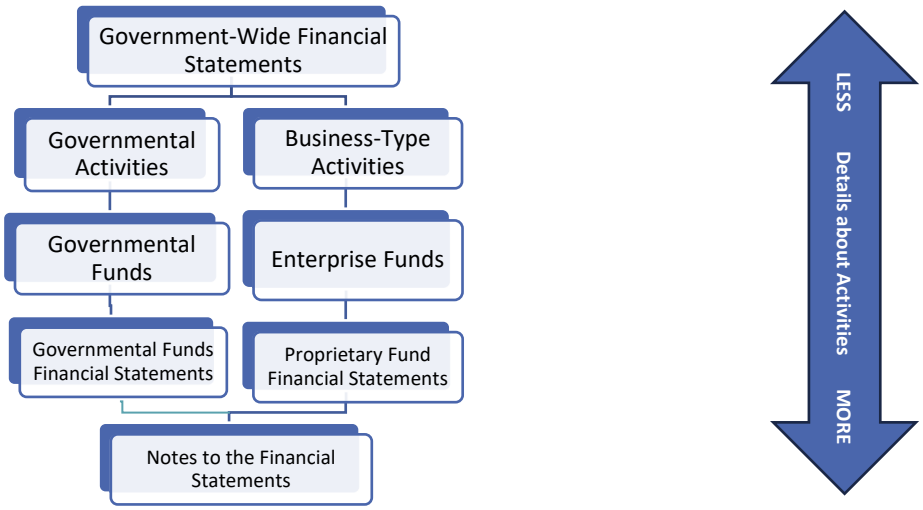
- Business-type activities are City services primarily financed in whole or in part with charges to customers—water, sewer, and garbage system.

The remaining basic financial statements present the City's finances in greater detail and present fiduciary activities. As their name implies, the *fund financial statements* disaggregate financial information by separate funds to report on the specific purpose for which resources are used or for which they are restricted. The City reports on two groups of funds:

- *Governmental fund financial statements* report all of the City's governmental activities except those that involve providing services to other City departments. In addition to the City's main operating fund — the general fund — these statements report a capital projects fund used to account for capital improvements financed through the City's Special Purpose Local Option Sales Tax (SPLOST); a special revenue fund that records impact fees collected for infrastructure improvements; and a special revenue fund that accounts for resources dedicated to local downtown development. Because governmental funds focus on the near-term inflows, outflows, and balances of spendable resources, they present a more detailed, shorter-term view than the government-wide statements, and the financial section includes reconciliations explaining the differences between the two presentations.

- *Proprietary fund financial statements* report all of the business-type activities (*enterprise funds*) and the services provided to City departments (*internal service funds*).

Contents of the City's Basic Financial Statements



The next section of this financial report contains notes to financial statements, which delve deeper into the City's finances as reported in the financial statements. The information in the notes is as important to understanding the City's finances as the information in the financial statements. The City uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Types of Information in the Financial Statements
All of the City's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. In other words, they comprehensively report all types of financial statement elements:

- *Assets*—resources the City controls, from short-term assets like cash to long-term assets like buildings, building improvements and vehicles.

- *Liabilities*—amounts the City owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed for pensions.

- *Deferred outflows of resources and deferred inflows of resources*—flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues and expenses*—inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation debt, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from selling equipment, as well as principal and interest payments on debt and spending on the construction of a City building.

Types of Information Reported in the City's Financial Statements

	Financial Statements		
	Government-Wide	Proprietary Fund	Governmental Fund
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term		Only current financial resources, such as cash, taxes receivable, and accounts payable
Types of revenue / additions	All types of revenue / additions that flow into the government during the year that relate to that year, regardless of when cash is received		Only revenues that are measurable and available to finance expenditures of that year
Types of expenses / deductions / expenditures	All types of expenses / deductions / expenditures that flow out of the government during the year that relate to that year, regardless of when cash is paid		Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year		Current financial resources that flow into and out of the governmental fund during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements in the summary of significant accounting policies.

Table A-1
City of Hoschton's Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2025	2024	2025	2024	2025	2024	2025-2024
Current and other assets	$ 15,960,310	$ 11,832,429	$ 22,423,831	$ 16,935,568	$ 38,384,141	$ 28,767,997	33%
Capital assets, net	10,600,084	10,668,436	20,339,433	16,040,696	30,939,517	26,709,132	16%
Total assets	**26,560,394**	**22,500,865**	**42,763,264**	**32,976,264**	**69,323,658**	**55,477,129**	**25%**
Current and other liabilities	218,527	1,544,829	1,805,100	1,443,386	2,023,627	2,988,215	-32%
Non-current liabilities	1,392,114	1,536,302	146,563	6,598	1,538,677	1,542,900	0%
Total liabilities	**1,610,641**	**3,081,131**	**1,951,663**	**1,449,984**	**3,562,304**	**4,531,115**	**-21%**
Deferred inflows of resources	**202,700**	**328,967**	**-**	**-**	**202,700**	**328,967**	**-38%**
Net position:							
Net investment in capital assets	9,250,894	9,014,493	20,339,433	16,040,696	29,590,327	25,055,189	18%
Restricted	3,768,865	2,824,455	11,247,253	10,745,127	15,016,118	13,569,582	11%
Unrestricted	11,727,294	7,251,819	9,224,915	4,740,457	20,952,209	11,992,276	75%
Total net position	**$ 24,747,053**	**$ 19,090,767**	**$ 40,811,601**	**$ 31,526,280**	**$ 65,558,654**	**$ 50,617,047**	**30%**

Table A-1 shows that as of December 31, 2025, the City's total net position – assets minus liabilities and deferred inflows – was slightly more than $ 65.5 million, an increase of slightly under $ 15 million or 30 percent compared with 2024. This increase is primarily due to a roughly $ 9 million or 75 percent increase in unrestricted net position resulting from property tax base increase and charges for services while maintaining conservative budgetary control. Much of the increase in net position was the result of the financial performance of the governmental activities related to restricted infrastructure fees and the significant infrastructure improvements in the business-type activities. The following sections of the MD&A analyze the finances of the governmental activities and business-type activities separately.

Governmental activities

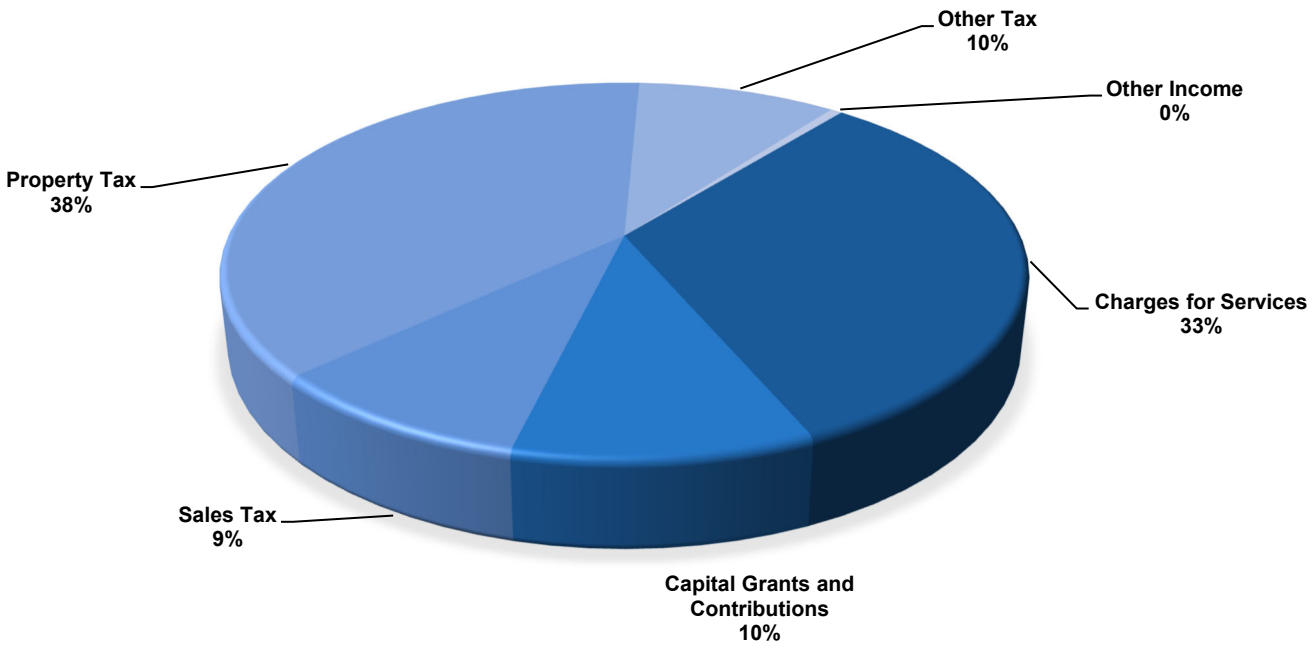
Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. The total net position of the City's governmental activities was over $ 24 million, an increase of $ 5.6 million or 30 percent compared with 2024. Various events contributed to this increase in net position; however, three of the primary factors affecting the change in net position are as follows:

1. Growth in various revenues due to the population growth stemming from housing and retail availability
2. Increase in intergovernmental capital grant revenues due to local population retail spending
3. Increase in property tax collections due to an increased tax digest base

Table A-2
City of Hoschton's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2025	2024	2025	2024	2025	2024	2025-2024
Revenues:							
Program revenues:							
Charges for services	$ 2,930,655	$ 4,927,032	$ 6,161,119	$ 5,147,047	$ 9,091,774	$ 10,074,079	-10%
Grants & contributions							
Operating	-	-	-	-	-	-	0%
Capital	919,505	822,915	7,039,034	7,053,797	7,958,539	7,876,712	1%
General revenues:							
Taxes	5,061,920	2,838,206	-	-	5,061,920	2,838,206	78%
Miscellaneous	-	-	27,646	-	27,646	-	0%
Interest	49,724	42,615	555,786	440,782	605,510	483,397	25%
Total Revenues	**8,961,804**	**8,630,768**	**13,783,585**	**12,641,626**	**22,745,389**	**21,272,394**	**7%**
Expenses:							
General government	950,722	883,603	-	-	950,722	883,603	8%
Judicial	74,255	47,052	-	-	74,255	47,052	58%
Public works	541,520	433,863	-	-	541,520	433,863	25%
Public safety	1,128,441	246,899	-	-	1,128,441	246,899	357%
Culture / recreation	277,672	497,613	-	-	277,672	497,613	-44%
Housing and development	332,908	362,697	-	-	332,908	362,697	-8%
Water and sewer	-	-	4,498,264	3,652,879	4,498,264	3,652,879	23%
Total Expense	**3,305,518**	**2,471,727**	**4,498,264**	**3,652,879**	**7,803,782**	**6,124,606**	**27%**
Change in net position	**5,656,286**	**6,159,041**	**9,285,321**	**8,988,747**	**14,941,607**	**15,147,788**	**-1%**
Net position - beginning of year	19,090,767	12,931,726	31,526,280	22,537,533	50,617,047	35,469,259	43%
Net position - ending of year	**$ 24,747,053**	**$ 19,090,767**	**$ 40,811,601**	**$ 31,526,280**	**$ 65,558,654**	**$ 50,617,047**	**30%**

FIGURE A-3. GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE



Growth in various revenues

The City continues to be one of the fastest growing municipalities in Georgia. Hoschton's population increased more than 300 percent from 2020 to 2026, reaching roughly 8,700 residents, a pace driven by its position along the Interstate 85 corridor between Athens and Atlanta. Much of this expansion is concentrated in large master-planned communities that continue to build out and add rooftops each year. This sustained residential and commercial growth broadened the base for nearly every recurring revenue stream the City collects, including business and occupational licenses, building permits and inspection fees, franchise fees tied to new utility connections and local sales tax distributions. Because these revenues scale with the number of households and businesses operating within the City, the addition of new residents and retail establishments during the fiscal year produced organic increases across multiple categories rather than a one-time spike in any single source. Some fees collected in the current year decreased due to the cyclical nature of building progression, for instance the time between a fee collected to build a residential or retail establishment and the next phase of construction. The area that decreased most significantly in the current year was for building permits, which decreased by nearly 37 percent (roughly $ 860,000) from the 2024 fiscal year. Additionally, overall revenue increases were limited due to the change in the City's ability to impose and collect impact fees from developers for fire services as they have in prior years. The collection of fire impact fees was determined to be unavailable to the City because the City does not internally operate its own fire public safety department within the jurisdiction of the City of Hoschton.

Increase in intergovernmental grant revenues

Capital grant and contribution revenues – including the City's share of county-collected sales tax proceeds restricted for capital purposes (SPLOST) and other intergovernmental capital funding – rose in the current year as countywide and local spending expanded alongside the growing population. SPLOST collections are a function of taxable retail sales across the collecting jurisdiction; as residential growth attributed to additional retail development and consumer spending in the area, the City's distributable share of those capital-restricted proceeds increased correspondingly. The total increase in these revenues was approximately 1 percent from 2024.

Increase in property and other tax collections

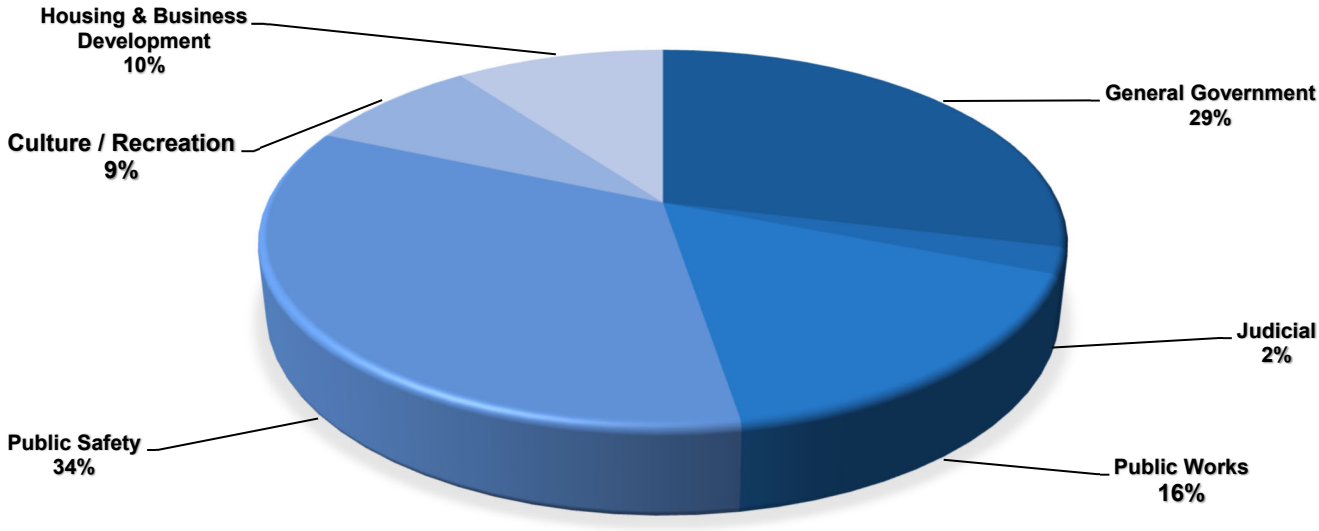
As noted above, the City's growth has also had an impact on the tax revenue categories during the year. The growth reflects a larger taxable base from the expansion of households and businesses operating in the City.

Franchise taxes were the second largest increasing category, increasing slightly over $ 300,000 or right under 300 percent. Franchise taxes are assessed on utility providers' gross receipts from customers inside the City limits. Examples of these utilities are electric, natural gas, cable, and telecommunications services.

Property taxes were the largest tax revenue increase category. Revenues from property taxes increased by roughly 78 percent from the 2024 fiscal year. The total assessed value of taxable property within the City limits expanded on two fronts. First, new construction added taxable parcels and improvements to the digest. Second, the assessed value of existing property rose with the regional housing market. The combination of more taxable parcels and higher per-parcel values enlarged the digest base, generating additional revenue while the millage rate remained steady. In addition, the tax collection and billing was delayed in the prior year causing an increase in current year billing and collection.

Growth in expenses

FIGURE A-4. GOVERNMENTAL ACTIVITIES EXPENDITURES



The changes in revenues were accompanied by an increase in the City's costs of providing services in all areas. Governmental activities expenses rose 34 percent overall. Most notably, public safety expenses rose by roughly $ 880,000 (357 percent) in 2025. Public safety expenses represent 34 percent of total expenses in 2025 versus the 10 percent in 2024. This increase is related to the increase in City population and the need for additional public safety resources to residents. Increase in expense was allocated primarily to personnel resources and related costs, and public safety supplies.

The general government functions comprise the second largest spending category for the City. These expenses increased by slightly under $ 70,000 or 8 percent. The primary increase of general government spending is attributed to economic inflationary costs such as personal cost of living salary increases, insurance and consumable supplies and materials necessary for the City's day-to-day operating activities.

The public works department is the third largest spending category of the governmental activities, which maintains the City's roads, drainage systems, public facilities, the cemetery, and other various maintenance needs within the City's jurisdiction and associated properties. The expenses for the public works department may vary from year to year and not necessarily have a significant change from one event but may vary due to a series of events. The expenses in the current year increased by slightly over $ 105,000 (25 percent) in the current year. These increases are related to additional repairs of public roads, maintenance of facilities, and the addition of utilities for the completion of construction on the new public works building (shop). The repairs and maintenance expenses incurred in the current fiscal year are considered necessary but do not extend the life of the public infrastructure as applicable to the City's capitalization policy which allows the City to differentiate between the necessary repairs and maintenance expense versus those significant repairs that extend the life of the infrastructure.

Governmental Funds

The City reports three major funds individually in the governmental fund financial statements. Those funds are the general fund, special purpose local option sales tax fund (SPLOST), and the impact fee fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the City's current financial health are more apparent in the fund financial statements than in the government-wide financial statements. There were significant changes to all three major funds. Those three major funds are shown in Table A-3 and are discussed in more detail below.

Table A-3

Revenues, Expenditures, and Changes in Fund Balances

	General Fund		SPLOST Fund		Impact Fee Fund	
	2025	2024	2025	2024	2025	2024
Total Revenues	**$ 7,328,539**	**$ 6,459,097**	**$ 739,491**	**$ 716,326**	**$ 604,051**	**$ 1,159,447**
Total Expenditures	**2,968,563**	**4,040,155**	**-**	**300,000**	**409,144**	**1,280,200**
Excess (deficiency) of revenues over expenditures	**4,359,976**	**2,418,942**	**739,491**	**416,326**	**194,907**	**(120,753)**
Transfers in (out)	40,438	(60,000)	-	-	-	-
Total other financing sources (uses)	**40,438**	**(60,000)**	**-**	**-**	**-**	**-**
Net change in fund balances	**4,400,414**	**2,358,942**	**739,491**	**416,326**	**194,907**	**(120,753)**
Fund balances - beginning of period	7,275,723	4,916,781	732,119	315,793	2,034,874	2,155,627
Fund balances - end of period	**$ 11,676,137**	**$ 7,275,723**	**$ 1,471,610**	**$ 732,119**	**$ 2,229,781**	**$ 2,034,874**

Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective.

General fund

The fund balance of the City's general fund increased by 60 percent during the current fiscal year. This growth is attributable to several factors working together: the revenue increases discussed previously, which reflect the City's continued residential and commercial expansion; a deliberate budgeting approach under which the City closely monitored departmental spending against revenues that can fluctuate with the pace of growth; and the timing of certain capital outlay expenditures, which were deferred to align with the realization of growth-related revenues. The deliberate budgeting approach resulted in the reduction of expenditures of 27% from slightly $ 4 million in the 2024 year reduced to approximately $ 3 million in 2025. Together, these factors allowed the City to retain a larger share of current-year resources in fund balance, strengthening its financial position as it continues to manage the demands of rapid growth.

SPLOST capital projects fund

Inflows of Special Purpose Local Option Sales Tax (SPLOST) revenue, which is restricted to the specific capital purposes approved by referendum, increased modestly during the current fiscal year. The fund balance, however, grew more significantly, driven primarily by the timing of project expenditures rather than by collections. Several capital projects were scheduled later in the City's project sequence, and a portion of the work prioritized for the current year is now set to begin in the subsequent fiscal year, leaving the related revenues on hand at year-end. This timing reflects the City's deliberate sequencing of SPLOST-funded projects, under which the City may accumulate and reserve fund balance for larger capital undertakings so that they can be completed using available resources rather than by incurring debt or other long-term obligations.

Impact fee fund

The City's impact fee fund balance increased by 10 percent during the current fiscal year. Impact fees are collected from new development to offset the added demand that growth places on the City's public infrastructure — including roads, public facilities, and public safety services — by helping fund the capital improvements needed to absorb increased use and accelerated wear on those systems. Year-to-year movement in this fund balance is driven primarily by the timing of qualifying capital projects: balances rise as fees are collected and held, and decline as funds are expended on budgeted improvements or reserved for planned future projects, all within the time limits that apply to the

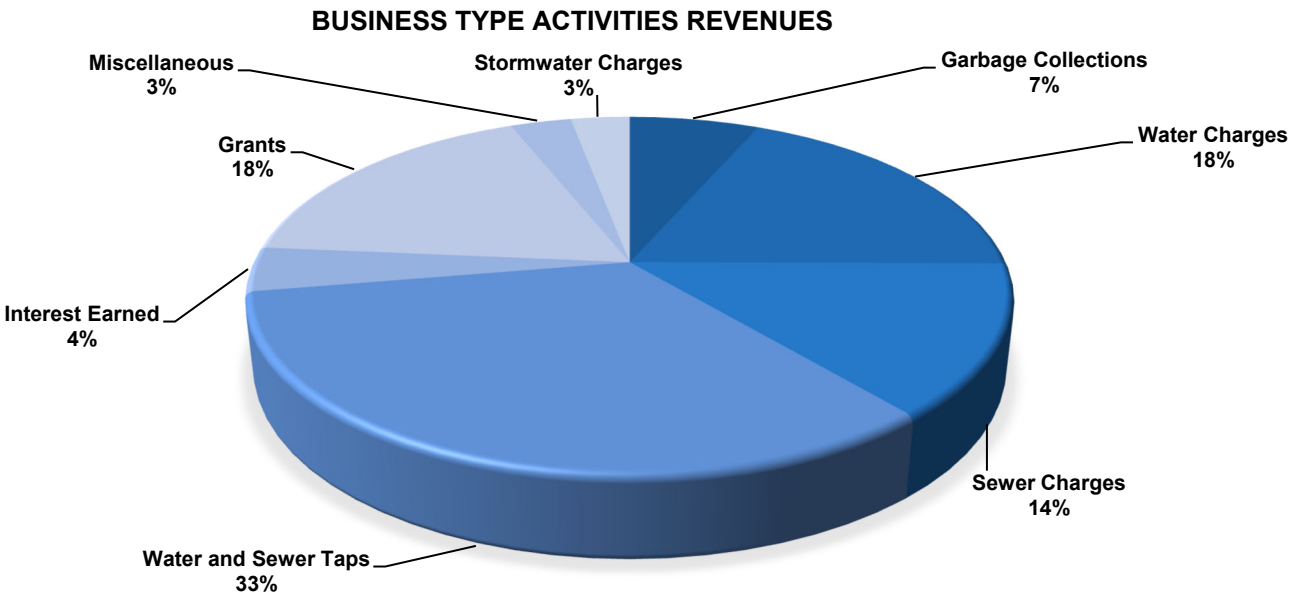
use of impact fee revenue. During the current year, the City applied a significant portion of these funds toward the purchase of a public safety ambulance that will serve residents within the City's jurisdiction, even as continued collections from new development allowed the fund balance to grow on a net basis.

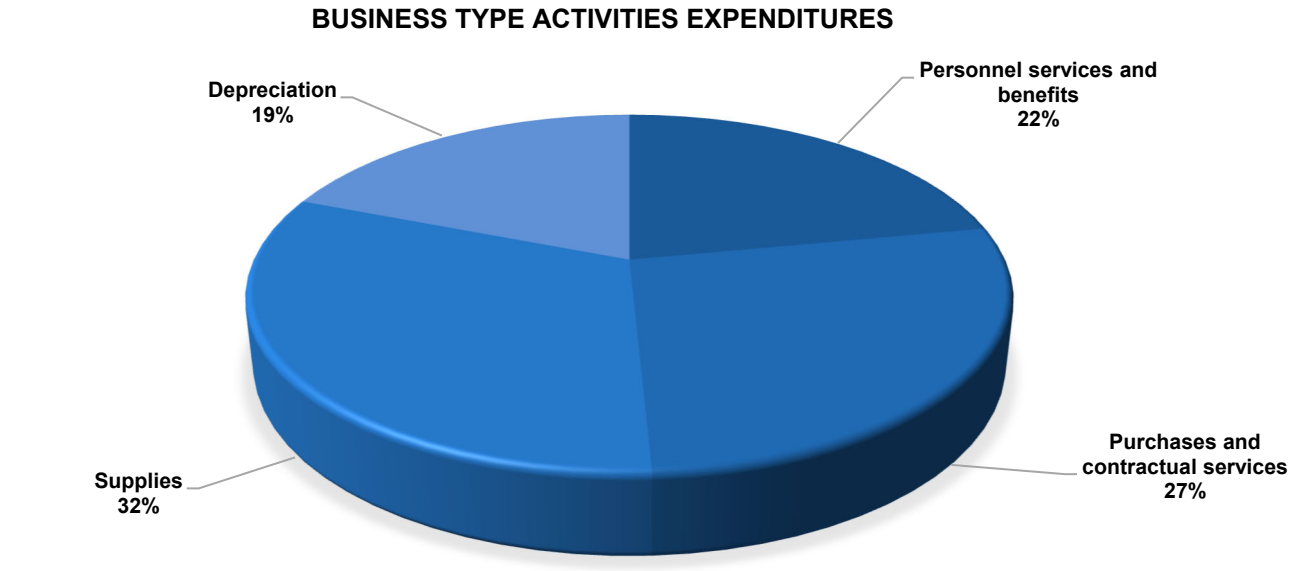
Business-type activities and enterprise funds

The total net position of the City's business-type activities (which are also reported as major enterprise funds) increased in 2025, more aggressively than that of the governmental activities. The enterprise fund of the City consists of the Water, Sewer and Garbage fund as a single business-type activity. Business-type activities net position increased roughly $ 9.3 million or 29 percent to nearly $ 41 million from the prior year. The change in position reflects the increase in the volume and rates of services charged, and the tap fees and capital grants related to the additions in the master-planned developments (discussed previously for the governmental activities). Expenses for utility services provided to residents and establishments increased by approximately 23 percent in total, with growth occurring across all primary expense categories — a pattern that tracks directly with the City's expanding customer base. Personnel costs rose as the City added staff to serve a growing system and provided cost-of-living adjustments to existing employees. Supplies and contractual services increased in response to higher operational demand, as the number of active water meters and the volume of sewer usage both grew with new residential and commercial connections. Depreciation expense also increased after the City placed several capital assets into service during the year, expanding the base of depreciable infrastructure and the corresponding annual allocation. Each of these increases reflects the cost of scaling utility operations to meet demand driven by the City's continued growth, rather than a change in the underlying cost structure or rates.

Table A-4
Revenues and Expenses

	Utilities	
	2025	**2024**
Total operating revenues	**$ 6,161,119**	**$ 5,147,047**
Total operating expenses	**4,498,264**	**3,652,879**
Operating income (loss)	**1,662,855**	**1,494,168**
Noncapital subsidies		
Transfers in (out)	-	-
Total operating income (loss) and noncapital subsidies	**-**	**-**
Other nonoperating revenues (expenses)		
Interest income	555,786	440,782
Interest expense	-	-
Capital contributions	7,039,034	7,053,797
Transfer in restricted for capital assets	-	-
Other income	27,646	-
Total other nonoperating revenues (expenses)	**7,622,466**	**7,494,579**
Increase (decrease) in fund net position	9,285,321	8,988,747
Total fund net position - beginning of period	31,526,280	22,537,533
Total fund net position - end of period	**$ 40,811,601**	**$ 31,526,280**





Government-wide significant capital assets and long-term financing activity

The discussion thus far has only touched upon certain significant transactions and events during 2025 with respect to capital assets and long-term debt. Overall, the carrying value of capital assets – original cost minus accumulated depreciation – increased 16 percent over 2024. However, that relatively small change does not completely capture the substantial amount of capital investment activity that occurred in 2025.

The City's governmental activities had nearly $ 950,000 in its beginning balance of construction in progress assets with a minimal addition of $ 14,332 in capital projects started during 2025. Of those amounts, the City put $ 790,858 into operation during the year and, therefore, reclassified that amount to the other capital asset classifications of buildings. In total, the City acquired a net increase in additional capital assets, before depreciation, of roughly $ 400,000.

As noted previously, a portion of the governmental taxes and impact fees are used to fund a reserve for special purpose projects which will be conducted on a pay-as-you-go basis.

Capital asset activity in the enterprise fund was significant during the year. The City has many ongoing infrastructure projects for their water and sewer systems to accommodate residential and commercial population growth and utility demand. Projects put in progress during the year amounted to roughly $ 4.9 million. Some projects were completed during the year, while other assets were purchased. In total, the net increase of additional capital assets, before depreciation, was $ 5.1 million. The increase in assets was completed with no new debt being acquired during the year. The net investment in capital assets grew by nearly $ 4.3 million or 27 percent from the prior year.

The City enters into various debt agreements from time to time. Debt acquired by the City is used to fund capital projects for expansion – with some of the expansion projects relating to community and general government functions while others relate to the water and sewer utilities. The City decreased governmental debt by 18 percent for principal payments made. Total outstanding debt of the City is slightly under $ 1.35 million in 2025. There was no new debt acquired for major acquisitions or projects in the current year. Additionally, the enterprise fund remained debt free with no new debt drawn down in the current year, but the City received approval from the Georgia Environmental Finance Authority for funding to expand its water and sewer systems. This funding is estimated to be roughly $ 20 million and will be assumed in subsequent fiscal years as the phases of the expansion project are started and completed.

The City adopted a pension plan for its employees during the 2025 fiscal year. This pension plan is considered a liability to the City because it funds the retirement balances on behalf of each employee. During the initial year, the City assumed a net pension liability of roughly $ 280,000 (total government liability across funds).

Currently known facts, decisions, or conditions
The City is aware of one development that will have an impact on the City's finances in the future and were therefore incorporated into next year's budget:

1. TSPLOST collection
2. Expansion of the water and sewer systems

TSPLOST Projects

During 2025, Jackson County and City of Hoschton's citizens voted to start collecting funds for a transportation special purpose local option sales tax (TSPLOST). The citizen voted on a referendum that outlines the transportation-based projects the City is allowed to engage in. The collection of the TSPLOST monies is to start in April 2026. The current referendum is to be in effect through March 31, 2032. The City is to receive an allocation of 2.3 percent of taxes collected which is an estimated $ 4.6 million over the course of the referendum.

Expansion of the water and sewer systems

As previously noted, the City has started a major upgrade and expansion of the current water and sewer systems. These upgrades will be completed in several phases and require the use of outside funding from the Georgia Environmental Finance Authority (estimated debt of approximately $ 20 million). Construction is estimated to be completed in early 2027.

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF
HOSCHTON

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents - unrestricted	$ 10,075,197	$ 8,039,724	$ 18,114,921
Cash and cash equivalents - restricted	3,698,625	11,247,253	14,945,878
Accounts receivable	953,021	3,123,252	4,076,273
Leases receivable	116,834	-	116,834
Investments	1,000,000	-	1,000,000
Prepaid items	33,212	13,602	46,814
Total current assets	15,876,889	22,423,831	38,300,720
Non-current assets			
Leases receivable	82,235	-	82,235
Capital Assets			
Capital assets not being depreciated			
Land	4,208,123	401,765	4,609,888
Construction in progress	171,880	6,620,456	6,792,336
Depreciable assets, net of depreciation	6,220,081	13,317,212	19,537,293
Total capital assets, net of depreciation	10,600,084	20,339,433	30,939,517
Total non-current assets	10,682,319	20,339,433	31,021,752
TOTAL ASSETS	$ 26,559,208	$ 42,763,264	$ 69,322,472

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 38,307	$ 578,123	$ 616,430
Current portion of long term debt	122,220	-	122,220
Deposits and performance bond payable	12,000	513,352	525,352
Unearned revenues	46,000	713,625	759,625
Total current liabilities	218,527	1,805,100	2,023,627
Non-current liabilities			
Compensated absences (due within one year)	12,583	19,199	31,782
Long-term debt (net of current portion)	1,226,970	-	1,226,970
Net pension liability	152,561	127,364	279,925
Total non-current liabilities	1,392,114	146,563	1,538,677
Total liabilities	1,610,641	1,951,663	3,562,304
DEFERRED INFLOW OF RESOURCES			
Lease related	202,700	-	202,700
Total deferred inflow of resources	202,700	-	202,700
NET POSITION			
Net investment in capital assets	9,250,894	20,339,433	29,590,327
Restricted for:			
General government	12,000	-	12,000
Capital projects	1,471,610	10,733,901	12,205,511
Specified functions	2,285,255	-	2,285,255
Customer deposits	-	513,352	513,352
Total restricted	3,768,865	11,247,253	15,016,118
Unrestricted	11,726,108	9,224,915	20,951,023
Total net position	24,745,867	40,811,601	65,557,468
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 26,559,208	$ 42,763,264	$ 69,322,472

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes In Net Position		
					Primary Government		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General government	$ 950,722	$ 127,221	$ -	$ -	$ (823,501)	$ -	$ (823,501)
Judicial	74,255	233,983	-	-	159,728	-	159,728
Public works	542,706	-	-	681,646	138,940	-	138,940
Public safety	1,128,441	350,013	-	-	(778,428)	-	(778,428)
Culture/recreation	277,672	445,595	-	237,859	405,782	-	405,782
Housing and business development	332,908	1,773,843	-	-	1,440,935	-	1,440,935
Total Government Activities	3,306,704	2,930,655	-	919,505	543,456	-	543,456
Business-Type Activities							
Water and sewer	4,498,264	6,161,119	27,646	7,039,034	-	8,729,535	8,729,535
Total Business-Type Activities	4,498,264	6,161,119	27,646	7,039,034	-	8,729,535	8,729,535
Total-Primary Government	$ 7,804,968	$ 9,091,774	$ 27,646	$ 7,958,539	543,456	8,729,535	9,272,991
GENERAL REVENUES:							
Taxes: Sales					830,863	-	830,863
Property					3,373,844	-	3,373,844
Alcoholic Beverage					137,543	-	137,543
Franchise					427,800	-	427,800
Other					291,870	-	291,870
Interest earned					49,724	555,786	605,510
Total general revenues and transfers					5,111,644	555,786	5,667,430
Change in net position					5,655,100	9,285,321	14,940,421
NET POSITION - beginning of year					19,090,767	31,526,280	50,617,047
NET POSITION - end of year					$ 24,745,867	$ 40,811,601	$ 65,557,468

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS

CITY OF
HOSCHTON

CITY OF HOSCHTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

	Major Funds			Non-Major Fund	Total Governmental Funds
	General	SPLOST	Impact Fee Fund	DDA	
ASSETS					
Cash and cash equivalents - unrestricted	$ 10,075,197	$ -	$ -	$ -	$ 10,075,197
Cash and cash equivalents - restricted	-	1,409,121	2,229,781	59,723	3,698,625
Receivables (net):					
Intergovernmental receivable	278,489	62,489	-	-	340,978
Other receivables	612,043	-	-	-	612,043
Lease receivable	199,069	-	-	-	199,069
Investments	1,000,000	-	-	-	1,000,000
Prepaid items	33,212	-	-	-	33,212
TOTAL ASSETS	$ 12,198,010	$ 1,471,610	$ 2,229,781	$ 59,723	$ 15,959,124
LIABILITIES					
Accounts payable	-	-	-	4,249	4,249
Accrued expenses	34,058	-	-	-	34,058
Performance bond payable	12,000	-	-	-	12,000
Due to other funds	-	-	-	-	-
Unearned revenue	46,000	-	-	-	46,000
Total liabilities	92,058	-	-	4,249	96,307
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	227,115	-	-	-	227,115
Lease related	202,700	-	-	-	202,700
Total deferred inflow of resources	429,815	-	-	-	429,815
FUND BALANCE					
Non-spendable:					
Prepaid items	33,212	-	-	-	33,212
Restricted:					
Performance bond payable	12,000	-	-	-	12,000
Capital outlay	-	1,471,610	-	-	1,471,610
Functions of impact	-	-	2,229,781	-	2,229,781
Downtown development	-	-	-	55,474	55,474
Total restricted	12,000	1,471,610	2,229,781	55,474	3,768,865
Unassigned:	11,630,925	-	-	-	11,630,925
Total Fund Balances	11,676,137	1,471,610	2,229,781	55,474	15,433,002
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 12,198,010	$ 1,471,610	$ 2,229,781	$ 59,723	$ 15,959,124

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, 2025

	2025	
TOTAL GOVERNMENTAL FUND BALANCES		$ 15,433,002
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	$ 12,970,435	
Accumulated depreciation	(2,370,351)	
Total capital assets, net depreciation		10,600,084
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Unavailable but earned propety tax revenues	227,115	
Loans payable	(1,349,190)	
Compensated absences payable	(12,583)	
Total liabilities		(1,134,658)
Retirement adjustments due to net pension liability		(152,561)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 24,745,867

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2025

	Major Funds			Non-Major Fund	Total Governmental Funds
	General	SPLOST	Impact Fee Fund	DDA	
REVENUES					
Taxes	$ 3,560,567	$ -	$ -	$ -	$ 3,560,567
Charges for services	696,772	-	542,550	1,532	1,240,854
Licenses and permits	1,496,722	-	-	-	1,496,722
Intergovernmental revenues	1,393,814	709,685	-	-	2,103,499
Rental and other income	131,578	-	-	60,438	192,016
Interest earned	49,086	29,806	61,501	638	141,031
Total Revenues	7,328,539	739,491	604,051	62,608	8,734,689
EXPENDITURES					
Current operating:					
General government	682,717	-	-	-	682,717
Judicial	74,255	-	-	-	74,255
Public works	882,857	-	-	-	882,857
Public safety	857,664	-	313,144	-	1,170,808
Culture/recreation	144,280	-	96,000	12,158	252,438
Housing and business development	326,790	-	-	-	326,790
Total Expenditures	2,968,563	-	409,144	12,158	3,389,865
EXCESS REVENUES (EXPENDITURES)	4,359,976	739,491	194,907	50,450	5,344,824
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	40,438	-	-	(40,438)	-
NET CHANGE IN FUND BALANCES	4,400,414	739,491	194,907	10,012	5,344,824
FUND BALANCES - beginning of year	7,275,723	732,119	2,034,874	45,462	10,088,178
FUND BALANCES - end of year	$ 11,676,137	$ 1,471,610	$ 2,229,781	$ 55,474	$ 15,433,002

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, 2025

	2025	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 5,344,824
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 these 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.		
Capital outlay reported in general government function	$ 676,043	
Depreciation expense	(500,450)	
Net book value of capital asset sold	(245,131)	
		(69,538)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Earned but unavailable property tax revenues		227,115
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.		
Principal payments on long-term debt		306,839
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Current year liability - compensated absences	(12,583)	
Prior year liability - compensated absences	11,004	
		(1,579)
Governmental funds do not include the expense of pension contributions		
Change in net pension liability		(152,561)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 5,655,100

See accompanying notes to the basic financial statements.

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

CITY OF
HOSCHTON

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2025

	Utilities Fund	
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted	$ 8,039,724	
Cash and cash equivalents - restricted	11,247,253	
Receivables (net of allowance for uncollectible):		
Accounts	3,123,252	
Prepaid expense	13,602	
Total current assets		$ 22,423,831
Non-current assets:		
Capital assets:		
Capital assets not being depreciated		
Land	401,765	
Construction in progress	6,620,456	
Depreciable capital assets, net of depreciation	13,317,212	
Total non-current assets		20,339,433
TOTAL ASSETS		$ 42,763,264

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2025

	Utilities Fund	
LIABILITIES		
Current liabilities:		
Accounts payable	$ 570,693	
Accrued expenses	7,430	
Customer deposits payable	513,352	
Unearned revenue	713,625	
Total current liabilities		$ 1,805,100
Non-current liabilities:		
Compensated absences (due within one year)	19,199	
Net pension liability	127,364	
Total non-current liabilities		146,563
TOTAL LIABILITIES		1,951,663
NET POSITION		
Net investment in capital assets	20,339,433	
Restricted	11,247,253	
Unrestricted	9,224,915	
TOTAL NET POSITION		40,811,601
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		$ 42,763,264

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2025

	Utilities Fund	
OPERATING REVENUES		
Charges for services	$ 5,765,015	
Other service fees	396,104	
Total operating revenues		$ 6,161,119
OPERATING EXPENSES		
Personnel services and benefits	989,226	
Purchased and contractual services	1,224,578	
Supplies	1,424,952	
Depreciation	859,508	
Total operating expenses		4,498,264
OPERATING INCOME (LOSS)		1,662,855
OTHER NON OPERATING REVENUES (EXPENSES)		
Interest income	555,786	
Gain (loss) on the sale of assets	(1,186)	
Miscellaneous	28,832	
Capital contributions - tap fees and grants	7,039,034	
Total other non-operating income (loss)		7,622,466
Increase (decrease) in fund net position		9,285,321
Fund Net position - beginning of period		31,526,280
Fund net position - end of period		$ 40,811,601

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2025

	Utilities Fund	
Cash flows from operating activities:		
Cash receipts from customers	$ 3,918,860	
Cash payments for goods and services	(2,474,388)	
Cash payments to employees for services and benefits	(980,300)	
Net cash provided by (used in) operating activities		$ 464,172
Cash flows from capital and related financing activities:		
Acquisition, construction and disposal of capital assets	(5,159,431)	
Proceeds from insurance reimbursements, net	28,832	
Proceeds from capital contributions	6,820,350	
Proceeds from grant, net	218,684	
Net cash provided by capital and related financing activities		1,908,435
Cash Flows from investing activities:		
Interest received	555,786	
Net cash provided by investing activities		555,786
Net increase (decrease) in cash and cash equivalents		2,928,393
Cash and equivalents - beginning of year		16,358,584
Cash and equivalents - end of year		$ 19,286,977

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2025

	Utilities Fund	
Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities:		
Operating income	$ 1,662,855	
Adjustments		
Depreciation	859,508	
(Increase) decrease in assets and deferred outflows of resources		
Accounts receivable	(2,554,512)	
Prepaid expense	(5,358)	
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable	52,526	
Accrued expenses	(2,778)	
Compensated absences payable	11,704	
Customer deposits	28,918	
Net pension liability	127,364	
Unearned revenue	283,945	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		$ 464,172
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	$ 8,039,724	
Cash and cash equivalents - restricted	11,247,253	
Total cash and cash equivalents		$ 19,286,977

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF
HOSCHTON

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hoschton, Georgia (the "City" or "Hoschton") is located in the Northeastern area of Georgia off of Interstate 85 in Jackson County, about 35 miles northeast of the Atlanta Perimeter. Hoschton is within close proximity to the convenience of urban areas such as Athens, Gainesville, and metro Atlanta.

The City provides a range of governmental services, including public safety, recreational programs, and economic development as well as water and sewer service. The City 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.

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

(a) Reporting Entity

As required by GAAP, the financial statements of the reporting entity include those of the City (the primary government) and any component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable.

The component unit described below is included in the City's reporting entity because of the significance of its operational and functional relationship with the City. In conformity with GAAP, as set forth in Statement of GASB No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and 34,* the City's relationships with other governments have been examined. The financial statements of the component unit are either presented as a discretely presented component unit (shown separately from in the government-wide financial statements) or a blended component unit (shown as if it were a fund of the City).

The Hoschton Downtown Development Authority (the "Authority") is a blended component unit that began when the Mayor and City Council approved the obligation of the City to the Hoschton Downtown Development Authority for the revitalization and redevelopment of the central business district for the City. As required by the Official Code of Georgia Annotated (O.C.G.A) Section 36-42-4, the Mayor and City Council of Hoschton selected 7 members to the Board of Directors for the Authority. The Hoschton Downtown Development Authority serves the City solely and receives substantially all its revenue from the City. Because the Authority cannot stand alone without the support of the City, and all members of its Board of Directors are appointed by the City Council, it is reported as a component unit. The Authority is not a separate legal entity, therefore, the financial position, sources of revenues and uses of resources of the Authority are presented as a special revenue in the City's financial statements.

(b) Government Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City of Hoschton's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule may occur from time to time are related to amounts that are reasonably equivalent in value to the interfund services provided, and other charges for goods and services between the City of Hoschton's water and sewer functions and various other functions of the City of Hoschton. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

(b) Government Wide and Fund Financial Statements (Cont'd)

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. The City has no fiduciary funds.

(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.

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

(c) Government Fund Equity (Cont'd)

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.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further when the components of unrestricted fund balance can be used for the same purpose, committed, fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

(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 measurable 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.

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. The proprietary funds are accounted for on the accrual basis of accounting. 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.

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

(e) Budgets

The City Council adopts an operating budget for all governmental fund types for the upcoming fiscal year, prior to January 1. The City Council adopts a budget for the SPLOST fund under the adopted referendum and then annually in accordance with other governmental funds as projects are approved throughout the year. The adopted budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of a resolution.

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the function level. Changes may be made within an operating budget from the Finance Director. All operating budget transfers between functions must be approved by the Finance Director. Individual fund total budget adjustments must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control, which is the department level. Expenditures may not exceed the appropriations by more than 3% within a fund. Budgets, as reported in the financial statements, are as originally passed by and may subsequently amended by the Mayor and Council. Reasons for budget amendments may be to reflect changes in the local economy, changes in priorities or service needs, receipt of unbudgeted revenues, non-receipt of anticipated revenues, and for unanticipated expenditures.

(f) 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 Special Revenue / Impact Fees Fund is used by the City to collect impact fees from developers for the development of additional capital facilities needed to serve the influx of new citizens.

The Proprietary Fund ("Utilities Fund") is for the operation of the City's water and sewer, solid waste collection, and storm-water services for the citizens. Activities of the fund include administration, operation, and maintenance of the water, sewer and storm-water systems, billing and collection activities for water, sewer, solid waste collections and storm-water 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.

(g) Non-major Fund

The Special Revenue / Downtown Development Authority is used to support housing, development and events for the City.

(h) Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in the business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included in internal balances in the business activities column.

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

(h) Interfund Activity (Cont'd)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

(i) Cash and Investments

The City's cash consists of cash on hand and demand deposits with original maturity of three months or less from the date of acquisition.

Investments consist of non-negotiable certificate of deposit (CD) that are stated at cost. Interest is accrued annually on the certificate of deposit. The City has one CD that is maintained as a reserve for the governmental funds.

(j) Inventories and Prepaid Expenditures

Inventories of the governmental funds are recorded as expenditures at the time of purchase (purchase method). Inventories for the government-wide and proprietary funds are recorded under the consumption method. The City maintains no material inventories of supplies and therefore there is no change reported between the two methods.

Payments made to vendors for services that will benefit periods beyond December 31, 2025, 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 items related to insurance policies.

(k) 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

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

(l) 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 performance bond obligations (General Fund); capital projects (SPLOST Fund); development impact (Impact Fee Fund); and customer utility deposits (Proprietary Fund). These restrictions are presented on the Statement of Net Position.

(m) 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 governmental fund reports unavailable revenues from property tax and long-term leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(n) Compensated Absences

The City of Hoschton recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed above, one type of leave qualifies for liability recognition for compensated absences – personal leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignation or retirement. The liability for compensated absences includes salary-related benefits, where applicable.

Employees earn personal leave at the rate of 40 hours per year for an employment term of 3 months to 1 year; 160 hours per year for an employment term of 1 to 4 years; 200 hours for an employment term of 5 to 9 years; and a rate of 240 hours for an employment term of 10 years and longer. Upon request, employees can cash out their personal leave, twice a year, for a minimum of 20 hours and a maximum of 40 hours. Employees are only allowed to carry over 160 hours of personal leave each year, any amount over these hours will be forfeited without pay.

(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.

(p) Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grand proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

(q) Leases

The City is a lessor of several buildings and retail spaces. The City recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) the lease term, and (3) lease receipts.

- The City uses the interest rate charged in the agreement as the discount rate. When the interest rate is not specified, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease includes the non-cancellable period of the lease and any extensions that are deemed reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments due to the City over the term of the lease.

The City monitors changes in circumstances that require a remeasurement of its leases and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable and deferred inflows of resources.

(r) Subscription-based Information Technology Arrangements

The City reports a subscription liability and an intangible right-to-use capital asset (known as a subscription asset) on the government-wide financial statements for a subscription-based information technology arrangement (SBITA). The City's policy is to recognize subscription liabilities with an initial, individual value of $ 15,000 or more.

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the SBITA commencement date, plus certain initial data costs, including development costs. Subsequently, the subscription asset is amortized on a straight-line basis over the SBITA term.

Key estimates and judgments related to the SBITAs include how the City determines (1) the discount rate is uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and any extensions that are deemed certain to be exercised. Subscription payments included in the measurement of the subscription liability are composed of fixed payments to the SBITA vendor.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liabilities. The City has no current SBITAs that meet the policy for recognition.

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

(s) 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.

(t) Property Taxes

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for fiscal year 2025, based upon the assessments of January 1, 2025, and levied in October and due in December 2025. The City utilizes the Jackson County Tax Commissioner to bill and collect property taxes.

(u) 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 that provide the goods or services that are the primary activity of each fund.

The Utilities 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 of 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.

(v) Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/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 expenditure/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 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) New Accounting Pronouncements

During the fiscal year ended December 31, 2025, the City implemented the following statements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. The Statement requires a government to disclose information about risks arising from certain concentrations and constraints when it is known, prior to issuance of the financial statements, that the concentration or constraint makes the government vulnerable to a substantial impact and an associated event has occurred, has begun to occur, or is more likely than not to begin to occur within twelve months of the financial statement date. Required disclosures include a description of the concentration or constraint, each associated event that could cause a substantial impact, and the actions the City has taken to mitigate the related risk. The City evaluated its concentrations and constraints and determined that no disclosures were required under this Statement. The adoption of this Statement did not have a material effect on the City's financial position or results of operations.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The Statement makes targeted improvements to the financial reporting model established by GASB Statement No. 34, including the content and presentation of management's discussion and analysis (MD&A); the separate presentation of unusual or infrequent items, which replace the items previously reported as extraordinary and special items; the presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, including the separate reporting of noncapital subsidies within nonoperating revenues and expenses; the presentation of information about major component units; and the presentation of budgetary comparison information as required supplementary information. Because the Statement addresses the presentation and disclosure of financial information and does not change the recognition or measurement of the City's transactions, its adoption did not have a material effect on the City's net position or change in net position. Certain amounts in the accompanying financial statements have been reclassified to conform to the presentation required by this Statement.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The Statement requires that certain capital assets — including lease assets, intangible right-to-use assets associated with public-private and public-public partnerships, subscription-based information technology arrangement (SBITA) assets, and other intangible assets — be disclosed separately, by major class, within the capital asset note disclosures, and it establishes additional disclosure requirements for capital assets held for sale. This Statement affects note disclosures only; its adoption did not have a material effect on the City's financial position or results of operations.

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 $ 33,492,036 are insured and adequately collateralized as of December 31, 2025.

NOTE 2 – ASSETS (CONT'D)

(b) Restricted Cash

The City has restricted assets in the form of cash and cash equivalents as of December 31, 2025:

	SPLOST	Impact Fee Fund	Non-major Governmental Funds	Utilities Fund	Total
Restricted					
Culture & recreation	$ -	$ -	$ 59,723	$ -	$ 59,723
Capital projects	1,409,121	-	-	10,733,901	12,143,022
Development impact	-	2,229,781	-	-	2,229,781
Customer deposits	-	-	-	513,352	513,352
Total Restricted Cash	$ 1,409,121	$ 2,229,781	$ 59,723	$ 11,247,253	$ 14,945,878

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

(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, except for those related to leases.

Receivables on December 31, 2025, consist of the following:

	General	SPLOST	Utilities Fund	Total
Receivables				
Utility bills collectible	$ -	$ -	$ 923,252	$ 923,252
Intergovernmental receivable	278,489	62,489	-	340,978
Taxes receivable	609,022	-	-	609,022
Grants receivable	-	-	2,200,000	2,200,000
Other receivable	3,021	-	-	3,021
Gross receivables	$ 890,532	$ 62,489	$ 3,123,252	$ 4,076,273

During the fiscal year ended December 31, 2024, the City, entered into several long-term leases as lessor for the use of properties in the City limits. An initial lease receivable was recorded in the amount of $ 414,000. The leases vary from 36-60 months. The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the term of the lease. At the end of the current year, the value of the lease receivable is $ 199,069. The lessees are required to make monthly fixed payments of $ 10,733. The leases do not contain an interest rate and therefore have estimated implicit interest rates that range between 3.92 and 4.81%, based on the start of the lease term. The value of the deferred inflow of resources at the end of the current year is $ 202,700. The City recognized lease revenue of $ 124,925 and interest revenue of $ 3,875 on leases during the current fiscal year.

NOTE 2 – ASSETS (CONT'D)

(c) Receivables (Cont'd)

Future lease receivables consist of the following as of December 31:

	Principal	Interest	Total
2026	116,834	2,164	118,998
2027	45,378	823	46,201
2028	17,537	462	17,999
2029	17,821	180	18,001
2030	1,499	2	1,501
Total	199,069	3,631	202,700
Less current portion, including interest			118,998
Noncurrent portion of long-term lease receivable, including interest			$ 83,702

(d) Interfund Balances

Interfund transactions are reflected in 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 eliminated as part of the reconciliation to the government-wide presentation.

Internal balances between the Utility Fund and Governmental Funds have been eliminated on the Statement of Net Position. All interfund balances are expected to be paid within one year of the date of the financial statements.

	Transfer In		
	Nonmajor Governmental Fund	General Fund	Total
Transfer Out			
General Fund	$ 20,000	$ -	$ 20,000
Nonmajor Governmental Fund	-	60,438	60,438
Total	$ 20,000	$ 60,438	$ 80,438

During the year, the general fund transferred $ 20,000 to the DDA to be used for restoration and safety features on the downtown City Square property. The DDA transferred funds to the general fund for the sale of a building ($ 60,438).

NOTE 2 – ASSETS (CONT'D)

(e) Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Balance 12/31/2024	Additions	Deductions	Balance 12/31/2025
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 4,208,123	$ -	$ -	$ 4,208,123
Construction in progress	948,406	14,332	790,858	171,880
Total capital assets not being depreciated	5,156,529	14,332	790,858	4,380,003
Depreciable capital assets:				
Buildings and improvements	4,497,495	1,249,972	292,734	5,454,733
Machinery and equipment	196,148	86,385	-	282,533
Vehicles	433,728	116,212	-	549,940
Infrastructure	2,303,226	-	-	2,303,226
Total depreciable capital assets	7,430,597	1,452,569	292,734	8,590,432
Accumulated depreciation:				
Buildings and improvements	769,777	295,074	48,789	1,016,062
Machinery and equipment	92,597	37,010	-	129,607
Vehicles	158,914	93,768	-	252,682
Infrastructure	897,402	74,598	-	972,000
Total accumulated depreciation	1,918,690	500,450	48,789	2,370,351
Total depreciable capital assets - net	5,511,907	952,119	243,945	6,220,081
Governmental activities capital assets, net	$ 10,668,436	$ 966,451	$ 1,034,803	$ 10,600,084

NOTE 2 – ASSETS (CONT'D)

(e) Capital Assets (Cont'd)

	Balance 12/31/2024	Additions	Deductions	Balance 12/31/2025
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 401,765	$ -	$ -	$ 401,765
Construction in progress	3,073,436	4,860,978	1,313,958	6,620,456
Total capital assets not being depreciated	3,475,201	4,860,978	1,313,958	$ 7,022,221
Depreciable capital assets:				
Machinery and equipment	653,553	103,862	47,066	710,349
Infrastructure	17,819,033	1,502,049	-	19,321,082
Building and improvements	28,231	6,500	-	34,731
Total depreciable capital assets	18,500,817	1,612,411	47,066	20,066,162
Accumulated depreciation:				
Machinery and equipment	288,572	100,955	45,880	343,647
Infrastructure	5,643,927	755,188	-	6,399,115
Building and improvements	2,823	3,365	-	6,188
Total accumulated depreciation	5,935,322	859,508	45,880	6,748,950
Total depreciable capital assets - net	12,565,495	752,903	1,186	13,317,212
Business-type activities capital assets, net	$ 16,040,696	$ 5,613,881	$ 1,315,144	$ 20,339,433

Depreciation expense was charged to function as follows:

Governmental Activities	
General government	$ 192,013
Highways and streets	193,887
Public Safety	83,598
Culture and recreation	30,952
	$ 500,450
Business-type Activities	
Utility Fund	$ 859,508

NOTE 3 – NON-CURRENT LIABILITIES 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 is 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 – NON-CURRENT LIABILITIES AND NET POSITION (CONT'D)

(a) Risk Management (Cont'd)

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.

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The City reports no IBNR for the year ending December 31, 2025.

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.

There has not been any significant reduction in coverage from the prior year. The City is defendant in several lawsuits where the City itself has been dismissed but the suits remain outstanding against elected officials, staff and other associations with the City. Management intends to contest these open cases vigorously. The City's legal counsel is defending these cases and disputes the allegations.

(b) Benefit Pension Retirement Plan

1) Plan Description

The City's defined benefit pension plan, City of Hoschton Retirement Plan ("the Plan"), was established by an adoption agreement executed by City Council, during the current fiscal year ended December 31, 2025. The Plan is affiliated with the Georgia Municipal Employees Benefit Systems (GMEBS) Retirement Fund, an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia, 30303-3606.

The specific benefit provisions of the City's plan were established by an adoption agreement executed by the City Council. This is the first reporting of the plan. The plan's effective date is March 1, 2025. The plan provides benefits upon retirement, death, disablement, and termination of employment. The City Council retains the authority to amend the adoption agreement, which defined the specific operational provisions of the plan.

Under the provisions of the plan, employees are eligible to participate immediately. The pension benefits are fully vested after 5 years in the plan. Employees may retire at the age of 65 (plus 5).

NOTE 3 – NON-CURRENT LIABILITIES AND NET POSITION (CONT'D)

(b) Benefit Pension Retirement Plan (Cont'd)

2) ***Contributions***

The plan members are not required to contribute to the plan. The City is required to contribute an actuarially determined amount annually to the plan's trust. The current rate is 5.84% of the expected payroll of covered employees. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Contribution of the recommended contribution will begin with the next fiscal year, starting January 1, 2026. Contributions to the pension liabilities and prior pension liabilities, are allocated through the respective employees' department in the general fund for governmental funds and the between the water and sewer departments for the enterprise fund by using unrestricted fund balances.

3) ***Additional Information***

At July 1, 2025, the date of the most recent actuarial valuation, the 19 participants were made of the following:

Retirees, beneficiaries and disabled participants receiving benefits	-
Vested former participants	-
Active employees participating in the plan	19
Total number of participants	19

Actuarial Assumptions: The City's total pension liability was based on a March 31, 2025, measurement date; the net pension liability was measured as of March 31, 2025.

Actuarial valuation determined the total pension liability using assumptions that were applied to all periods included in the measurement. Assumptions were approved by the Plan's Board of Trustees in December 2019 based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019 conducted in November and December of 2019. The actuarially determined contribution was determined as of July 1, 2025 with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending December 31, 2026. These assumptions are as follows:

Inflation	2.250%
Projected salary increases	2.250% plus age and service based merit increases
Net investment rate of return	7.375%
Cost of living adjustments	0.000%
Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization method	30 years

Healthy mortality rates were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled participants mortality rates were based on the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25. Active and terminated participants mortality rates were based on the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

NOTE 3 – NON-CURRENT LIABILITIES AND NET POSITION (CONT'D)

(b) Benefit Pension Retirement Plan (Cont'd)

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45.00%	6.60%
International equity	20.00%	7.03%
Domestic fixed income	20.00%	2.70%
Real estate	10.00%	3.40%
Global fixed income	5.00%	3.70%
Cash	0.00%	
Total	100.00%	

Discount Rate: The discount rate used to determine the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rate equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTE 3 – NON-CURRENT LIABILITIES AND NET POSITION (CONT'D)

(b) Benefit Pension Retirement Plan (Cont'd)

Changes in Net Pension Liability

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (c)
Balances at March 31, 2024	$ -	$ -	$ -
Changes of the year:			
Service cost	$ -	$ -	$ -
Interest	-	-	-
Differences between expected and actual experience	-	-	-
Contribution - employer	-	-	-
Contribution - employee	-	-	-
Net investment income	-	-	-
Benefits payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Other (change of benefit terms)	279,925	-	279,925
Net Changes	279,925	-	279,925
Balances at March 31, 2025**	$ 279,925	$ -	$ 279,925

*** Entry age normal liabilities calculated using ages and service amounts as of July 1, 2025 are used to measure TPL as of March 31, 2025. The balances as of March 31, 2025 constitute measurements of the NPL for the fiscal year ending December 31, 2025.*

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)

For the Year ended December 31, 2025, the City recognized governmental-wide pension expense of $ 70,284.

NOTE 3 – NON-CURRENT LIABILITIES AND NET POSITION (CONT'D)

(c) Compensated Absences Liability

Compensated absences consisted of the following:

	Balance 12/31/2024	Net Change	Balance 12/31/2025	Due Within One Year
General fund	$ 11,004	$ 1,579	$ 12,583	$ -
Water, sewer & garbage fund	7,495	11,704	19,199	-
Total compensated absences	$ 18,499	$ 13,283	$ 31,782	$ -

Compensated absences are liquidated in the General Fund for the governmental activities; see Note 1 for a further explanation of compensated absences. Generally, the City reports 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 remain noncurrent.

(d) Notes Payable and Revenue Bonds Payable

General Fund

On May 23, 2022, the City entered into a loan agreement with Pinnacle Bank for the purchase of the building located at 29 West Broad Street. The terms state that beginning July 1, 2022, 83 consecutive monthly payments of $ 4,115 are the be made with an interest rate of 4.00 % per annum. One final balloon payment of $ 502,354 will be paid on the maturity date of June 1, 2029.

On May 22, 2022, the City entered into a loan agreement with Pinnacle Bank for the purchase of the building located at 15 First Street. The terms state that beginning Jul 1, 2022, 83 consecutive payments of $ 1,371 are to be made with an interest rate of 4.38 % per annum. One final balloon payment of $ 163,602 will be paid on the maturity date of July 1, 2029. During 2025, the City sold the building located at 15 First Street and paid off the corresponding loan with Pinnacle Bank.

On February 22, 2024, the City entered into a loan agreement with a private citizen for the purchase on land located of West Broad Street, informally called the Blankenship property. The terms state that the total purchase price will be $ 1,200,000 with a payment of $ 290,000 at the closing and the remaining balance to be paid in monthly installments of $ 8,000, no interest shall be charged on the purchase price.

Long-term obligation activity for the year ended December 31, 2025, was as follows:

	Balance 12/31/2024	Issued	Retired	Balance 12/31/2025	Due One Year
Government-type Activities					
29 West Broad Street	$ 618,123	$ -	$ 10,933	$ 607,190	$ 26,220
15 First Street	199,906	-	199,906	-	-
Blankenship	838,000	-	96,000	742,000	96,000
Total Debt (General Fund)	$ 1,656,029	$ -	$ 306,839	$ 1,349,190	$ 122,220

NOTE 3 – NON-CURRENT LIABILITIES AND NET POSITION (CONT'D)

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

General Fund

Notes payable including interest matures as follows:

	Principal	Interest	Total
2026	122,220	23,165	145,385
2027	123,288	22,097	145,385
2028	124,400	20,988	145,388
2029	621,282	10,061	631,343
2030	96,000	-	96,000
2031 and thereafter	262,000	-	262,000
Total	1,349,190	$ 76,311	$ 1,425,501
Less current portion	122,220		
Noncurrent portion of long-term obligations	$ 1,226,970		

Proprietary Fund

On November 18, 2024, the City entered into a loan (CW 2022013) with Georgia Environmental Finance Authority (GEFA) to borrow funds for wastewater treatment facility improvements. The loan is disbursed in advances requested by the City with a limit of $ 12,000,000. The unpaid principal balance carries an interest rate of 2.85% calculated on the basis of a 360- day year. Interest shall be paid monthly until the project completion date, April 1, 2027 or the loan is fully disbursed. Once the earlier of the three conditions is reached the monthly payment will include principal and interest for 239 consecutive monthly payments, with a final payment equal to the unpaid principal balance and accrued interest.

On November 18, 2024, the City entered into a loan (GF 2024006) with Georgia Environmental Finance Authority (GEFA) to borrow funds for water treatment facility improvements. The loan is disbursed in advances requested by the City with a limit of $ 8,000,000. The unpaid principal balance carries an interest rate of 3.35% calculated on the basis of a 360- day year. Interest shall be paid monthly until the project completion date, April 1, 2027 or the loan is fully disbursed. Once the earlier of the three conditions is reached the monthly payment will include principal and interest for 239 consecutive monthly payments, with a final payment equal to the unpaid principal balance and accrued interest.

As of December 31, 2025, the City has not requested funds from either of the loans. Both loans required an origination fee of 1.5% of the total loan amount, which for CW 2022013 is $ 180,000 and for GF 2024006 is $ 120,000. These fees were paid subsequent to year end. Future draws are anticipated to being in the 2026 fiscal year and are expected to continue for a minimum of 12 months.

These loans are all considered subsequent events to the City.

NOTE 4 – PERFORMANCE BONDS PAYABLE

The City has collected and retains performance bonds in the amount of $ 12,000 as of December 31, 2025. 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. During the year, the City received annual safety Local Maintenance and Improvements Grants, including federally funded grants from the American Rescue Plan Act: Local Fiscal Recovery and the Appalachian Regional Commission funded by the United States Department of Agriculture.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 14, 2026, the date on which the financial statements were available to be issued. As described in Note 3, Proprietary Fund, the City's major utility expansion projects and the related future issuance of long-term debt to finance those projects constitute subsequent events. Because these matters arose from conditions that did not exist as of the financial statement date, they are disclosed but not recognized in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION
CITY OF HOSCHTON, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Variance with Original Budget - (over) under Final Budget	Actual	Variance with Final Budget
REVENUES					
Taxes	$ 2,800,117	$ 2,800,117	$ -	3,560,567	$ 760,450
Charges for services	476,200	476,200	-	696,772	220,572
Licenses and permits	1,265,900	1,265,900	-	1,496,722	230,822
Intergovernmental revenues	51,000	51,000	-	1,393,814	1,342,814
Other income	242,800	242,800	-	131,578	(111,222)
Interest earned	20,000	20,000	-	49,086	29,086
Total revenues	4,856,017	4,856,017	-	7,328,539	2,472,522
EXPENDITURES					
Current operating:					
General government	1,210,200	1,210,200	-	682,717	527,483
Judicial	56,300	76,300	(20,000)	74,255	2,045
Public works	1,200,173	1,200,173	-	882,857	317,316
Public safety	979,708	979,708	-	857,664	122,044
Culture/recreation	754,500	734,500	20,000	144,280	590,220
Housing and business development	635,136	635,136	-	326,790	308,346
Total expenditures	4,836,017	4,836,017	-	2,968,563	1,867,454
TOTAL REVENUES OVER EXPENDITURES	20,000	20,000	-	4,359,976	4,339,976
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(20,000)	(20,000)	-	40,438	60,438
Fund balance (surplus) use	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	(20,000)	-	40,438	60,438
NET CHANGE IN FUND BALANCE	$ -	$ -	$ -	4,400,414	$ 4,400,414
FUND BALANCES - beginning of year				7,275,723	
FUND BALANCES - end of year				$ 11,676,137	

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF HOSCHTON, GEORGIA
BUDGET COMPARISON SCHEDULE
IMPACT FEE FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Variance with Original Budget - (over) under Final Budget	Actual	Variance with Final Budget
REVENUES					
Charges for services	$ 476,881	$ 476,881	$ -	542,550	$ 65,669
Interest earned	20,000	20,000	-	61,501	41,501
Total revenues	496,881	496,881	-	604,051	107,170
EXPENDITURES					
Current operating:					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Public works	-	-	-	-	-
Public safety	217,393	313,393	(96,000)	313,144	249
Culture/recreation	245,598	149,598	96,000	96,000	53,598
Housing and business development	-	-	-	-	-
Total expenditures	462,991	462,991	-	409,144	53,847
TOTAL REVENUES OVER EXPENDITURES	33,890	33,890	-	194,907	161,017
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(13,890)	(13,890)	-	-	13,890
Fund balance (surplus) use	(20,000)	(20,000)	-	-	20,000
TOTAL OTHER FINANCING SOURCES (USES)	(33,890)	(33,890)	-	-	33,890
NET CHANGE IN FUND BALANCE	$ -	$ -	$ -	194,907	$ 194,907
FUND BALANCES - beginning of year				2,034,874	
FUND BALANCES - end of year				$ 2,229,781	

See accompanying notes to the supplementary information.

CITY OF HOSCHTON, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
December 31, 2025

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The City's annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Impact Fee Fund. The Capital Projects Fund (SPLOST) is appropriated on a project-length basis. The City also prepares an annual budget for the Downtown Development Authority Fund and an annual operating budget for the SPLOST Fund. These schedules are presented in other supplementary information.

The City establishes the budgetary data reflected in the accompanying financial statements by the City's finance department or other authorized individual preparing a proposed budget for consideration by the appointed Council. The Finance Director prepares the proposed budget by fund, function and department. The City's management may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the Mayor and City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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 appropriations, and these amounts are anticipated and subsequently appropriated by the City Council.

NOTE 2 – EXCESS OVER APPROPRIATIONS

During the year ended December 31, 2025, the City amended its legally adopted budgets in the General Fund and the Impact Fee Fund. In the General Fund, judicial department expenditures exceeded the department's original appropriation, and in the Impact Fee Fund, public safety expenditures exceeded their original appropriation, in each case because of higher-than-anticipated caseloads and related costs of public safety purchases for necessary equipment. The City amended the final budget to increase appropriations for these functions, offset by equal decreases in appropriations for the culture and recreation function within each respective fund. As a result, total budgeted expenditures for each fund were unchanged from the original budget, and actual expenditures did not exceed final appropriations in either fund.

NOTE 3 – BUDGETARY HIGHLIGHTS AND SIGNIFICANT FINAL BUDGET-TO-ACTUAL VARIANCES

General Fund

Actual revenues of $ 7,328,539 exceeded the final budget by $ 2,472,522, or 51 percent. The favorable variance is a result of stronger-than-projected intergovernmental revenues and other services driven by continued growth in the City's tax digest; taxes collected exceeded budget by $ 760,450 (27 percent); licenses and permits, which exceeded budget by $ 230,822 (18 percent); and charges for services, which exceeded budget by $ 220,572 (46 percent) — both reflecting sustained residential and commercial development activity within the City. Intergovernmental revenues exceeded budget by $ 1,342,814 which is the result of local sales tax and other taxes distributed by Jackson County through intergovernmental agreements, and interest earned exceeded budget by $ 29,086, due to higher available cash balances and interest rates. Partially offsetting these results, other income was $ 111,222 (45.8%) below budget. Other income is considered variable and relates to anticipated collections of additional rent or uncommon activities.

Actual expenditures of $ 2,968,563 were $ 1,867,454, or 38 percent, below the final budget. The largest favorable variances were in culture and recreation ($ 590,220, or 80 percent under budget), general government ($ 527,483, or 43 percent), public works ($ 317,316, or 26 percent), and housing and business development ($ 308,346, or 48 percent), primarily because planned projects, programs, and capital outlay were deferred or not completed during the year, and strict budget compliance in preparation of future years capital outlay projects. Net other financing sources were $ 40,438, compared with a budgeted net use of $ 20,000, a favorable variance of $ 60,438 attributable to the sale of a property where the City received the balance of the proceeds to eliminate long-term liabilities associated with the property.

NOTE 3 – BUDGETARY HIGHLIGHTS AND SIGNIFICANT FINAL BUDGET-TO-ACTUAL VARIANCES (CONT'D)

As a result of these favorable revenue and expenditure variances, the General Fund's actual net change in fund balance was an increase of $ 4,400,414, compared with a budgeted break-even result, increasing fund balance to $11,676,137 at year-end.

Impact Fee Fund

Actual revenues of $ 604,051 exceeded the final budget by $ 107,170, or 21 percent due primarily to impact fees (charges for services) of $ 542,550, which exceeded budget by $ 65,669 (13 percent) as a result of development activity, and interest earnings of $ 61,501, which exceeded budget by $ 41,501.

Actual expenditures of $ 409,144 were $ 53,847, or 11 percent, below the final budget, due primarily to the culture and recreation function, which was $ 53,598 (35 percent) under budget due to the timing of recreation projects previously planned; public safety expenditures were essentially on budget. The budgeted transfer out of $ 13,890 and budgeted use of fund balance of $ 20,000 did not occur during the year.

As a result, the Impact Fee Fund's actual net change in fund balance was an increase of $ 194,907, compared with a budgeted break-even result, increasing fund balance to $ 2,229,781 at year-end.

CITY OF HOSCHTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
December 31, 2025
(unaudited)

	2025
Total pension liability	
Service cost	-
Interest	-
Differences between expected and actual experience	-
Change of assumptions	-
Change of benefit terms	279,925
Benefit payments including refunds of employee contributions	-
Net change in total pension liability	279,925
Total pension liability - beginning	-
Total pension liability - ending (a)	$ 279,925
Plan fiduciary net position	
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments including refunds of employee contributions	-
Administrative expense	-
Other	-
Net change in fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	$ -
Net Pension liability - ending (a)-(b)	$ 279,925
Plan's fiduciary net position as percentage of the total pension liability	0.00%
Covered payroll	$ 1,068,979
Net pension liability as a percentage of covered payroll	26.19%

The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF HOSCHTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PLAN
SCHEDULE OF CONTRIBUTIONS
December 31, 2025
(unaudited)

	2025	*, **
Actuarially determined contribution	-	
Contributions in relation to the actuarially determined contribution	-	
Contribution deficiency (excess)	$ -	
Covered payroll	$ -	
Contributions as a percentage of covered payroll	0.00%	

** 2025 information will be determined after fiscal year end and will be included in the 2026 valuation report.*
*** plan became effective in March 2025; first year of plan.*

The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF HOSCHTON, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PLAN
December 31, 2025

NOTE 1 – VALUATION DATE

The actuarially determined contribution was determined as of July 1, 2025, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending December 31, 2026

NOTE 2 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial Cost Method: Projected Unit Credit

Amortization Method: Closed level dollar for remaining unfunded liability

Remaining Amortization Period: Remaining amortization period varies of the bases, with net effective amortization of 30 years

Asset Valuation Method: Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of the fair value.

Net Investment Rate of Return: 7.375%

Projected Salary Increases: 2.25% plus service-based merit increases

Cost of Living Adjustments: N/A

Retirement Age for Inactive Vested Participants: 65

Mortality: Healthy retirees and beneficiaries were based on the sex-distinct Pri-2012 headcount weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled mortality was based on the sex-distinct Pri-2012 headcount weighted Disabled Retiree Mortality Table with rates multiplied by 1.25. Active participants, terminated vested participants, and deferred beneficiaries on the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

Assumptions listed above were approved by the Plan's Board of Trustees in December 2019 based on the results of an actuarial experience study approved by the Board for the period January 1, 2015 through June 30, 2019.

NOTE 3 – PRESENTATION OF REQUIRED SCHEDULES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires ten years of data to be presented in the Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Contributions. The City of Hoschton Retirement Plan became effective in March 2025; accordingly, only one year of information is presented. These schedules will be built prospectively and will present ten years of data once ten fiscal years of information are available.

SUPPLEMENTARY INFORMATION

CITY OF
HOSCHTON

CITY OF HOSCHTON, GEORGIA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPLOST VII FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Variance with Original Budget - (over) under Final Budget	Actual	Variance with Final Budget
REVENUES					
Intergovernmental	$ 690,000	$ 690,000	$ -	709,685	$ 19,685
Interest earned	12,000	12,000	-	29,806	17,806
Total revenues	702,000	702,000	-	739,491	37,491
EXPENDITURES					
Current operating:					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Public works	450,000	450,000	-	-	450,000
Public safety	-	-	-	-	-
Culture/recreation	168,000	168,000	-	-	168,000
Housing and business development	-	-	-	-	-
Total expenditures	618,000	618,000	-	-	618,000
TOTAL REVENUES OVER EXPENDITURES	84,000	84,000	-	739,491	655,491
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(72,000)	(72,000)	-	-	72,000
Fund balance (surplus) use	(12,000)	(12,000)	-	-	12,000
TOTAL OTHER FINANCING SOURCES (USES)	(84,000)	(84,000)	-	-	84,000
NET CHANGE IN FUND BALANCE	$ -	$ -	$ -	739,491	$ 739,491
FUND BALANCES - beginning of year				732,119	
FUND BALANCES - end of year				$ 1,471,610	

CITY OF HOSCHTON, GEORGIA
OTHER SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULE
DOWNTOWN DEVELOPMENT AUTHORITY FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Variance with Original Budget - (over) under Final Budget	Actual	Variance with Final Budget
REVENUES					
Contributions and donations	$ 6,000	$ 6,000	$ -	-	$ (6,000)
Charges for services	8,550	8,550	-	1,532	(7,018)
Other income	1,000	1,000	-	60,438	59,438
Interest earned	-	-	-	638	638
Total revenues	15,550	15,550	-	62,608	47,058
EXPENDITURES					
Current operating:					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Public works	-	-	-	-	-
Public safety	-	-	-	-	-
Culture/recreation	35,550	35,550	-	12,158	23,392
Housing and business development	-	-	-	-	-
Total expenditures	35,550	35,550	-	12,158	23,392
TOTAL REVENUES OVER EXPENDITURES	(20,000)	(20,000)	-	50,450	70,450
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	20,000	20,000	-	(40,438)	(60,438)
Fund balance (surplus) use	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,000	20,000	-	(40,438)	(60,438)
NET CHANGE IN FUND BALANCE	$ -	$ -	-	10,012	$ 10,012
FUND BALANCES - beginning of year				45,462	
FUND BALANCES - end of year				$ 55,474	

STATE REPORTING SECTION

CITY OF
HOSCHTON

CITY OF HOSCHTON, GEORGIA
SPECIAL LOCAL OPTION SALES TAX
SCHEDULE OF PROJECTS FUNDED WITH SPECIAL SALES TAX PROCEEDS
From Inception Through December 31, 2025

	Original Budget	Current Project Budget	Prior Year Project to Date	Current Year	Total
SPLOST # 7					
General Fund					
Road, Streets, Bridges and Sidewalks	$ 576,447	$ 576,447	$ -	$ -	$ -
Recreation	960,746	960,746	-	-	-
Facilities	1,921,491	1,921,491	300,000	-	300,000
Water, Sewer & Garbage Fund					
Water & Sewer Projects	384,298	384,298	-	-	-
	$ 3,842,982	$ 3,842,982	$ 300,000	$ -	$ 300,000

OTHER REPORTING SECTION

CITY OF
HOSCHTON

WILSON LEWIS
ATTESTATION SERVICES, LLP

ALEXANDER ALMAND & BANGS, LLP

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, 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, each major fund, and the aggregate remaining fund information of City of Hoschton, Georgia, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise City of Hoschton, Georgia's basic financial statements, and have issued our report thereon dated May 14, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hoschton, Georgia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hoschton, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. 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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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.

Wilson Lewis

Wilson Lewis Attestation Services, LLP
Gainesville, Georgia
May 14, 2026