CITY OF HOSCHTON, GEORGIA

HOSCHTON, GEORGIA

FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED

DECEMBER 31, 2016

CITY OF HOSCHTON

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Fund	
Statement of Net Position	9
Statement of Revenues, Expenses and Change in Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12-26
Required Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis) General Fund	27
Notes to the Required Supplemental Information	28
Other Supplemental Information:	
Schedule of Projects Funded with Special Sales Tax Proceeds	29
Independent Auditor's Report on Compliance and Internal Control over Financial Reporting On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	30-31

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Hoschton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hoschton, Georgia as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Hoschton, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Hoschton, Georgia, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America also requires that the budgetary comparison information on page 27 and the notes to the supplementary information on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of projects constructed with special sales tax proceeds on page 30 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the projects constructed 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 August 15, 2017, on our consideration of the City of Hoschton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hoschton, Georgia's internal control over financial reporting and compliance.

Alexander, Almand and Bangs, LLP
Gainesville, Georgia
August 15, 2017

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government - 2016		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,211,632	$ 1,083,209	$ 2,294,841
Restricted assets:			
Cash and cash equivalents	586,951	726,777	1,313,728
Accounts receivable	131,364	131,313	262,677
Prepaid items	3,042	3,042	6,084
Due to (from) other funds	(25,687)	25,687	-
Total current assets	1,907,302	1,970,028	3,877,330
Non-current assets			
Capital assets (net of accumulated depreciation)			
Land	62,570	17,000	79,570
Depreciable capital assets, net	565,564	5,754,219	6,319,783
Total non-current assets	628,134	5,771,219	6,399,353
TOTAL ASSETS	$ 2,535,436	$ 7,741,247	$ 10,276,683

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government - 2016		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 31,744	$ 16,074	$ 47,818
Current portion, notes payable	-	214,960	214,960
Current portion, compensated absences	2,705	11,316	14,021
Customer deposits payable	122,850	73,752	196,602
Total current liabilities	157,299	316,102	473,401
Long-term liabilities:			
Long-term debt, notes payable	-	5,081,770	5,081,770
Long-term portion, compensated absences	-	3,772	3,772
Total long-term liabilities	-	5,085,542	5,085,542
Total liabilities	157,299	5,401,644	5,558,943
NET POSITION			
Net investment in capital assets	628,134	474,489	1,102,623
Restricted	-	726,777	726,777
Restricted for capital projects	624,018	-	624,018
Unrestricted	1,125,985	1,138,337	2,264,322
Total net position	2,378,137	2,339,603	4,717,740
TOTAL LIABILITIES AND NET POSITION	$ 2,535,436	$ 7,741,247	$ 10,276,683

CITY OF HOSCHTON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

		Program Revenues	
	Expenses	Charges For Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental Activities			
General government	$ 155,847	$ 116,806	$ -
Public works	200,354	-	-
Culture/recreation	27,281	14,815	-
Housing and business development	121,839	149,840	-
		-	
Total Government Activities	505,321	281,461	-
Business-Type Activities			
Water/sewer	1,047,247	1,041,839	-
Total Business-Type Activities	1,047,247	1,041,839	-
Total-Primary Government	$ 1,552,568	$ 1,323,300	$ -
GENERAL REVENUES:			
Taxes: Sales			
Alcoholic Beverage			
Franchise			
Other			
Interest earned			
TRANSFERS:			
Total general revenues and transfers			
Change in net position			
NET POSITION - beginning of year, as restated			
NET POSITION - end of year			

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
$ -	$ (39,041)	$ -	$ (39,041)
237,936	37,582	-	37,582
-	(12,466)	-	(12,466)
-	28,001	-	28,001
237,936	14,076	-	14,076
386,480	-	381,072	381,072
386,480	-	381,072	381,072
$ 624,416	14,076	381,072	395,148
	226,703	-	226,703
	21,673	-	21,673
	96,863	-	96,863
	102,316	-	102,316
	1,626	1,211	2,837
	(200,000)	200,000	-
	249,181	201,211	450,392
	263,257	582,283	845,540
	2,114,880	1,757,320	3,872,200
	$ 2,378,137	$ 2,339,603	$ 4,717,740

CITY OF HOSCHTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General	SPLOST	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,211,632	$ -	$ 1,211,632
Restricted assets:			
Cash and cash equvialents	-	586,951	586,951
Receivables (net):			
Taxes receivable	94,297	37,067	131,364
Prepaid items	3,042	-	3,042
TOTAL ASSETS	$ 1,308,971	$ 624,018	$ 1,932,989
LIABILITIES			
Accounts payable	17,891	-	17,891
Accrued expenses	13,853	-	13,853
Performance bond payable	122,850	-	122,850
Due to other funds	25,687	-	25,687
Total liabilities	180,281	-	180,281
FUND BALANCE			
Non-spendable:			
Prepaid items	3,042	-	3,042
Restricted:			
Permanent funds	-	-	-
Special revenue funds	-	-	-
Capital outlay	-	624,018	624,018
Unassigned:	1,125,648	-	1,125,648
Total Fund Balances	1,128,690	624,018	1,752,708
TOTAL LIABILITIES AND FUND BALANCE	$ 1,308,971	$ 624,018	$ 1,932,989

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, 2016

	2016	
TOTAL GOVERNMENTAL FUND BALANCES		$ 1,752,708
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	$ 1,428,004	
Accumulated depreciation	(799,870)	
Total capital assets, net depreciation		628,134
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds .		
Compensated absences payable	(2,705)	
Total liabilities		(2,705)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 2,378,137

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General	SPLOST	Total Governmental Funds
REVENUES			
Taxes	$ 447,555	$ -	$ 447,555
Charges for services	88,306	-	88,306
Intergovernmental	42,920	195,016	237,936
Licenses and permits	193,154	-	193,154
Interest earned	1,132	494	1,626
Total Revenues	773,067	195,510	968,577
EXPENDITURES			
Current operating:			
General government	155,857	-	155,857
Public works	123,777	-	123,777
Culture/recreation	27,281	-	27,281
Housing and business development	121,839	-	121,839
Capital outlay	-	123,015	123,015
Debt service:	-	-	-
Total Expenditures	428,754	123,015	551,769
EXCESS REVENUES (EXPENDITURES)	344,313	72,495	416,808
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(200,000)	-	(200,000)
NET CHANGE IN FUND BALANCES	144,313	72,495	216,808
FUND BALANCES - beginning of year	984,377	551,523	1,535,900
FUND BALANCES - end of year	$ 1,128,690	$ 624,018	$ 1,752,708

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, 2016

	2016	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 216,808
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.		
Depreciation expense	$ (61,016)	
Capital outlay reported in general government function	110,170	
		49,154
Governmental funds do not include the expense of compensated absences liabilites, which are reflected in the Statement of Net Position.		
Current year liability - compensated absences	(2,705)	
Prior year liability - compensated absences	-	
		(2,705)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 263,257

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
December 31, 2016

	Total Water Sewer & Garbage Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,083,209
Receivables (net of allowance for uncollectible):	
Accounts	131,313
Due from general fund	25,687
Prepaid expense	3,042
Restricted assets:	
Cash and cash equivalents	726,777
Total current assets	1,970,028
Non-current assets:	
Capital assets:	
Nondepreciable capital assets	17,000
Depreciable capital assets, net	5,754,219
Total non-current assets	5,771,219
TOTAL ASSETS	$ 7,741,247

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
December 31, 2016

	Total Water Sewer & Garbage Fund
LIABILITIES	
Current liabilities:	
Accounts payable	$ 13,238
Accrued expenses	2,836
Current portion of long-term debt	214,960
Current portion, compensated absences	11,316
Customer deposits - payable from restricted assets	73,752
Total current liabilities	316,102
Long-term liabilities:	
Long-term portion, compensated absences	3,772
Long-term debt (net of current portion)	5,081,770
Total long-term liabilities	5,085,542
TOTAL LIABILITIES	5,401,644
NET POSITION	
Net investment in capital assets	474,489
Restricted	726,777
Unrestricted	1,138,337
TOTAL NET POSITION	2,339,603
TOTAL LIABILITIES AND NET POSITION	$ 7,741,247

CITY OF HOSCHTON, GEORGIA
STATEMENT OF REVENUES,
EXPENSES AND CHANGE IN NET POSITION
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
For the Year Ended December 31, 2016

	Total Water Sewer & Garbage Fund
OPERATING REVENUES	
Charges for services	$ 1,004,276
Miscellaneous	37,563
Total operating revenues	1,041,839
OPERATING EXPENSES	
Personnel services and benefits	187,428
Purchased and contractual services	383,352
Supplies	184,451
Depreciation	289,266
Total operating expenses	1,044,497
OPERATING INCOME (LOSS)	(2,658)
NON-OPERATING INCOME (LOSS)	
Interest and other fiscal charges	(2,750)
Interest earned	1,211
Total non-operating income (loss)	(1,539)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(4,197)
Transfers In (Out)	200,000
Capital contributions - tap fees and other	386,480
Total transfers in (out) and capital contributions	586,480
CHANGE IN NET POSITION	582,283
NET POSITION - beginning of year, as restated	1,757,320
NET POSITION - end of year	$ 2,339,603

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF CASH FLOWS
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
For the Year Ended December 31, 2016

	Total Water Sewer & Garbage Fund
Cash flows from operating activities:	
Cash receipts from customers	$ 1,041,839
Cash payments for goods and services	(595,933)
Cash payments to employees for services and benefits	(187,428)
Net cash provided by (used in) operating activities	258,478
Cash flows from non-capital financing activities:	
Transfers from other funds	200,000
Net cash provided by (used in) non-capital financing activities	200,000
Cash flows from capital and related financing activities:	
Proceeds from tap fees	386,480
Acquisition, construction and disposal of capital assets, net	(119,337)
Principal paid on debt	(10,000)
Interest paid on debt	(2,750)
Net cash provided by capital and related financing activities	254,393
Cash Flows from investing activities:	
Interest received	1,211
Net cash provided by investing activities	1,211
Net increase (decrease) in cash and cash equivalents	714,082
Cash and equivalents - beginning of year	1,095,904
Cash and equivalents - end of year	$ 1,809,986

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF CASH FLOWS (CONT'D)
WATER, SEWER AND GARBAGE
PROPRIETARY FUND
For the Year Ended December 31, 2016

	Total Water Sewer & Garbage Fund
Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities:	
Operating income	$ (2,658)
Adjustments	
Depreciation	289,266
(Increase) decrease in assets and deferred outflows of resources	
Accounts receivable	(50,372)
Prepaid expense	(757)
Due from other funds	(25,687)
Increase (decrease) in liabilities and deferred inflows of resources	
Accounts payable	4,860
Customer deposits	25,902
Accrued expenses	2,836
Compensated absences payable	15,088
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	$ 258,478
Reconciliation of cash and cash equivalents:	
Cash and cash equivalents	$ 1,083,209
Cash and cash equivalents - restricted	726,777
Total cash and cash equivalents	$ 1,809,986

See accompanying notes to the basic financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Narrative Profile

The City of Hoschton (the "City") operates under a council/mayor form of government and provides the following services: highways and streets, culture and recreation, public improvements, and general and administrative services. In addition, the City operates a public utility (water/sewer) for the incorporated and immediate surrounding areas.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounts Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its governmental and business-type activities. The more significant of these accounting policies are described below.

In June 1999, the GASB issued Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and requires implementation starting with fiscal years ending after June 15, 2004 for governments with total revenues less than $ 10 million.

B. Financial Reporting Entity

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

C. Basic Financial Statements-GASB Statement No. 34

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Fiduciary activities are not included at the government-wide reporting level. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public works, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from licenses and permits fees, service assessments, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (sales or use taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the substantiality of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The flow of economic resources measurement focus is used for both government-wide financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category

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

or fund type) are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statements should directly reconcile to the business-type activity column presented in the government-wide statements.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, reconciliation is presented either on the fund statement or on the page following each statement which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The focus of the current model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the component unit. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

D. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The model as defined in Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The City reports the following major funds.

1. Major Funds
Governmental Fund:
The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund:
This includes the SPLOST fund which is used to account for the receipt and expenditures related to capital construction projects using SPLOST.

Proprietary Funds:
The Water, Sewer and Garbage Fund is for the operation of the City's water and sewer utility and trash collection service. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases 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.

2. Non-Current Governmental Assets/Liabilities
GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Position.

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

E. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary Combining Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual—Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual—all governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The City recognizes sales tax revenue on a modified accrual basis. Intergovernmental grant revenues, entitlements and contributions are recognized in the year in which all eligibility requirements are met. In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as deferred revenue by the recipient.

Proprietary funds, which employ the economic resources measurement focus, distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the proprietary fund's ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses, transfers or capital contributions.

F. Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 1, the department heads submit to the Council, a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The current year period budget was adopted for the fiscal year January 1, 2016 to December 31, 2016.
2. The Council holds a public hearing on the budget.
3. The budget so adopted may be revised during the year "only" by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing the increase.
4. Formal budgetary integration is not employed during the year. Annual operating and project length budgets are adopted for each enterprise fund for planning, control, and evaluation purposes.
5. The level of budgetary control is at the functional and department level. Budgets for the General Fund and Water and Sewer Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Budgeted amounts are as originally adopted, or as amended by the Council. Individual amendments were not material in relation to the original appropriations, which were amended.

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

G. Assets, Liabilities, and Net Assets

1. Cash, Cash Equivalents, and Investments
For purposes of the statement of cash flows, the City considers cash and cash equivalents (including restricted cash and cash equivalents) to be currency on hand, and liquid investments with a maturity of three months or less when purchased.

Cash and cash equivalents are included in both unrestricted as well as restricted assets.

Investments include pooled investments and certificates of deposit (with maturities of three months or greater). Investments and certificates of deposit are reported at fair value.

The City does not maintain an investment policy that limits its investment choices. Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the U.S. government or by governmental agency of the United States
- Obligations of any corporation of the U.S. government
- Prime bankers' acceptances
- The State of Georgia local government investment pool
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

2. Inventories
Expendable supplies are recorded as expenditures at the time the items are purchased. The City does not record inventories of supplies at year end due to the lack of materiality.

3. Prepaid Items
Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

4. Restricted Assets
Assets are reported as restricted when limitations 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. Restricted assets in the enterprise funds represent cash, cash equivalents and certificates of deposit set aside for repayment of deposits to utility customers and cash funds required to be maintained by the bond.

5. Property Taxes
The City does not levy property taxes.

6. Capital Assets
General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise fund's statement of net position.

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

G. Assets, Liabilities, and Net Position (cont'd)

6. Capital Assets (cont'd)
All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $ 5,000. Streets, bridges and culverts acquired prior to January 1, 2003 have not been reported. The City's infrastructure consists of roads, bridges and water lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, artifacts, right-of-ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method for all real property and primarily straight line with other methods used periodically for equipment 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

7. Compensated Absences
Personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due".

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

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

G. Assets, Liabilities, and Net Position (cont'd)

9. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City restricts those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Position – Net position represent the difference between assets and liabilities. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

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

- Non-spendable – includes fund balances that cannot be spent either because it is not in spendable forms or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor and City Council.
- Unassigned – includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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

G. Assets, Liabilities, and Net Position (cont'd)

9. Fund Equity (cont'd)

Fund balances at December 31, 2016 consist of the following for the governmental funds:

	General	SPLOST	Total Governmental Funds
Fund balances:			
Non-spendable			
Prepaid items	$ 3,042	$ -	$ 3,042
Restricted:			
Capital projects	-	624,018	624,018
Unassigned:	1,125,648	-	1,125,648
Total fund balance	$ 1,128,690	$ 624,018	$ 1,752,708

10. Operating and Non-Operating Revenues and Expenses
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 expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

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

11. Program Revenues
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.

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

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

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

G. Assets, Liabilities, and Net Position (cont'd)

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

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

14. Estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits:
In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City's policy permits the City to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of December 31, 2016, all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was $ 3,608,569 and the bank balance was $ 3,688,422.

B. 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 therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances for uncollectible accounts netted with accounts receivable were $ - 0 - as of December 31, 2016.

Receivables at December 31, 2016 consist of the following:

	General Fund	SPLOST	Proprietary Water, Sewer & Garbage Fund	Total
Receivables				
Water, sewer and garbage bills	$ -	$ -	$ 131,313	$ 131,313
Taxes receivable	94,297	37,067	-	131,364
Gross receivables	$ 94,297	$ 37,067	$ 131,313	$ 262,677

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)

C. Interfund Balances and Transfers

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

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

The composition of interfund balances as of December 31, 2016 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ -	$ 25,687
Other governmental and proprietary funds:		
Water & Sewer	25,687	-
Total	$ 25,687	$ 25,687

The composition of interfund transfers as of December 31, 2016 are as follows:

Fund	Transfers In	Transfers Out	Totals
General Fund	$ -	$ 200,000	$ (200,000)
Water & Sewer	200,000	-	200,000
Totals	$ 200,000	$ 200,000	$ -

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)

D. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 12/31/2015	Additions	Deductions	Balance 12/31/2016
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 62,570	$ -	$ -	$ 62,570
Total capital assets not being depreciated	62,570	-	-	$ 62,570
Depreciable capital assets:				
Buildings and improvements	367,197	43,831	-	411,028
Machinery and equipment	81,232	-	-	81,232
Vehicles	13,695	-	-	13,695
Infastructure	793,140	66,339	-	859,479
Total depreciable capital assets	1,255,264	110,170	-	1,365,434
Accumulated depreciation:				
Buildings and improvements	212,385	8,808	-	221,193
Machinery and equipment	75,527	1,630	-	77,157
Vehicles	6,848	1,370	-	8,218
Infastructure	444,094	49,208	-	493,302
Total accumulated depreciation	738,854	61,016	-	799,870
Total depreciable capital assets - net	516,410	49,154	-	565,564
Governmental activities capital assets, net	$ 578,980	$ 49,154	$ -	$ 628,134

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)

D. Capital Assets (cont'd)

	Balance 12/31/2015	Additions	Deductions	Balance 12/31/2016
Business-type activities:				
Capital assets not being depreciated				
Land	$ 17,000	$ -	$ -	$ 17,000
Total capital assets not being depreciated	17,000	-	-	17,000
Other capital assets:				
Machinery and equipment	104,920	20,341	-	125,261
Infastructure	9,181,989	91,178	-	9,273,167
Total other capital assets	9,286,909	111,519	-	9,398,428
Accumulated depreciation				
Machinery and equipment	84,784	2,412	-	87,196
Infastructure	3,270,159	286,854	-	3,557,013
Total accumulated depreciation	3,354,943	289,266	-	3,644,209
Total depreciable capital assets - net	5,931,966	(177,747)	-	5,754,219
Business-type activities capital assets, net	$ 5,948,966	$ (177,747)	$ -	$ 5,771,219

Depreciation expense was charged to function as follows:	
General government	$ 8,841
Highways and streets	43,180
Culture and recreations	8,995
Total Governmental activities depreciation expense	$ 61,016
Business-type Activities	
Water and sewer	$ 289,266

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)

E. Risk Management

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

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

The fund is to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The fund is to pay all cost taxed against the members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City is a member of the Georgia Interlocal Risk Management Agency (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 causalty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions and any member of GIRMA against liability or loss.

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

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

During the year ended December 31, 2016 the City did not incur claims. The city has not compiled a record of the claims paid up to $ 1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the $ 1,000) which were outstanding and unpaid at December 31, 2016. No provisions have been made in the financial statements for the year ended December 31, 2016 for any estimate of potential unpaid claims.

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

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

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)

F. Retirement Plan

1. Plan Description
The City established a SIMPLE IRA plan for employees. The plan is a defined contribution plan established under section 409(p) of the Internal Revenue Code. This plan was established by the authority of the City Council and may be amended by action of the City Council. City employees make voluntary contributions and the City matches up to 3% of the employees' salary. Edward Jones Investments serves as custodian of the SIMPLE IRA and contributions cannot exceed $ 6,000 for each participant for any calendar year. The City's contribution for 2016 was $ 4,309 and employee contributions were $ 4,309.

G. Long-Term Debt

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Balance 12/31/2015	Issued	Retired	Balance 12/31/2016	Due One Year
Business-type Activities					
Notes payable	$ 5,251,730	$ -	$ -	$ 5,251,730	$204,960
Revenue bonds	55,000	-	10,000	45,000	10,000
Total Debt (Water & Sewer Fund)	$ 5,306,730	$ -	$ 10,000	$ 5,296,730	$214,960

1. Notes Payable (Water & Sewer Fund)

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

Debt-service requirements for long-term debt are as follows:

	Principal	Interest	Total
2017	204,960	123,797	328,757
2018	209,933	118,823	328,756
2019	215,027	113,729	328,756
2020	220,245	108,511	328,756
2021	225,590	103,167	328,757
2022-2026	1,213,766	431,017	1,644,783
2027-2031	1,366,224	276,558	1,642,782
2032-2036	1,541,356	102,424	1,643,780
2037-2041	54,629	164	54,793
Total	$ 5,251,730	$ 1,378,190	$ 6,629,920

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONT'D)

G. Long-Term Debt (cont'd)

2. Revenue Bonds (Water & Sewer Fund)

The Water and Sewer Revenue Bonds ($224,000 – Series 1982) bear interest at 5% per annum. The bonds were issued to finance the expansion of the water system. In general, revenues derived from the water and sewer operation are pledged for repayment of the bonds.

Debt-service requirements for long-term debt are as follows:

	Principal	Interest	Total
2017	10,000	2,250	12,250
2018	11,000	1,700	12,700
2019	11,500	1,150	12,650
2020	12,500	650	13,150
	$ 45,000	$ 5,750	$ 50,750

NOTE 3 – PRIOR-PERIOD ADJUSTMENT

The City a made prior-period adjustment summarized below. The prior-period adjustment was because of compensated absences that were not recorded in prior years.

	Governmental Activities	Business Type Activities
Net Position previously stated - 12/31/15	$ 1,752,708	$ 1,765,137
Compensated absences previously not recorded	-	(7,817)
Net Position as restated - 12/31/15	$ 1,752,708	$ 1,757,320

NOTE 4 – JOINT VENTURE

Northeast Georgia Regional Commission (NEGRC)

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Northeast Georgia Regional Commission (NEGRC) and is required to pay annual dues thereto. Membership in NEGRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organization structure of the NEGRC in Georgia. The NEGRC Board membership includes the chief elected official of each county and municipality of the area. During the year ended December 31, 2016 the City paid $ -0- in such dues.

OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a GMRC. Separate financial statements may be obtained from:

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

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 15, 2017, the date the financial statements were available to be issued.

CITY OF HOSCHTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 428,989	$ 428,989	$ 447,555	$ 18,566
Charges for services	50,724	80,724	88,306	7,582
Licenses and permits	66,600	165,434	193,154	27,720
Intergovernmental revenues	20,627	20,627	42,920	22,293
Interest earned	-	-	1,132	1,132
Total revenues	566,940	695,774	773,067	77,293
EXPENDITURES				
Current operating:				
General government	229,643	211,643	155,857	55,786
Public works	79,891	129,275	123,777	5,498
Culture/recreation	2,150	32,150	27,281	4,869
Housing and development	55,256	122,706	121,839	867
Debt service:	-	-	-	-
Total expenditures	366,940	495,774	428,754	67,020
TOTAL REVENUES OVER EXPENDITURES	200,000	200,000	344,313	144,313
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(200,000)	(200,000)	(200,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(200,000)	(200,000)	(200,000)	-
NET CHANGE IN FUND BALANCE	$ -	$ -	144,313	$ 144,313
FUND BALANCES - beginning of year			984,377	
FUND BALANCES - end of year			$ 1,128,690	

See accompanying notes to the basic financial statements.

NOTE 1 – BUDGETARY BASIS

The City prepares its annual budgets on a non-GAAP basis. The major differences between the budget and GAAP are (1) revenues (principally property taxes, accounts receivable, grants and interest) are recorded when cash is received (budget) as opposed to when susceptible to accrual (GAAP); (2) Expenditures (principally payroll, workers' compensation, and purchases) are recorded when paid (budget) as opposed to when incurred (GAAP); (4) Utilized fund balance to meet balanced budget requirements is recorded as revenue on the budgetary basis statements but not in the governmental fund statement of revenues, expenditures and changes in fund balances-governmental funds.

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

Hearings are held regarding the budget to seek comments and questions from those who reside in the City of Hoschton. All budget revisions are subject to final review and approval by the Council. The Council then examines any changes to the original proposed budget and approves a final budget. Total appropriations for any fund may be increased if, during the year, sources of revenue become available to the City in excess of original anticipations, and these amounts are anticipated and subsequently appropriated by the City Council. No supplemental appropriations were made during 2016.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

During the current year, all functions of the City operated within budgeted appropriations.

CITY OF HOSCHTON, GEORGIA
SPECIAL LOCAL OPTION SALES TAX
SCHEDULE OF PROJECTS FUNDED WITH SPECIAL SALES TAX PROCEEDS
From Inception Through December 31, 2016

Project	Original Budget	Current Project Budget	Prior Year Project to Date	Current Year	Total
SPLOST # 5					
General Fund					
Road, Streets, Bridges and Sidewalks	$ 207,249	$ 207,249	$ 186,236	$123,015	$ 309,251
Recreation	51,812	51,812	70,384	-	70,384
Water & Sewer					
Water & Sewer Projects	777,185	777,185	1,117,319	-	1,117,319
	$ 1,036,246	$ 1,036,246	$1,373,939	$123,015	$1,496,954

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hoschton, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Hoschton, Georgia's basic financial statements, and have issued our report thereon dated August 15, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Alexander, Almand & Bangs, LLP
Gainesville, Georgia
August 15, 2017