



FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED
DECEMBER 31, 2021

CITY OF HOSCHTON
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Hoschton, Georgia

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hoschton, Georgia, as of and for the year ended December 31, 2021, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hoschton, Georgia, as of December 31, 2021, 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 (GAAS). 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 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.

Auditor's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement 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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 controls 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'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 judgement, 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 planning scope and timing for 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 on pages 4-11 and budgetary comparison information on page 35, and the notes the required supplementary information on page 36 be presented to supplement the basis financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required before 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 operationally 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, GA's basic financial statements. The schedule of functional allocations – proprietary fund on pages 37-38 and the combining non-major funds financial statements on pages 39-40 are presented for purposes 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 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 schedules of functional allocations – proprietary fund and combining non-major funds financial statements is fairly stated, in all material respects, in relation tot the basic financial statements as a whole.

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 financed 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 financed with special sales tax proceeds on page 43 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2022, 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 the City of Hoschton, Georgia's internal control over financial reporting and compliance.



Alexander, Almand & Bangs, LLP
Gainesville, Georgia
June 21, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS, December 31, 2021

As management of the City of Hoschton, Georgia, we offer readers of the financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2021. This information should be read and considered in conjunction with the basic financial statements and accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- The City of Hoschton's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 18,901,232 (net position). Of this, \$ 6,702,178 (35%) represents an unrestricted net position that may be used to meet the City's ongoing obligations.
- At the close of the fiscal year, the net position of the City's governmental activities was \$ 6,697,089. This represents an increase of \$ 2,382,108 (55%) over the prior year's net position balance for governmental activities.
- At the close of the fiscal year, the net position of the business-type activities was \$ 12,204,143. This represents an increase of \$ 3,163,877 (35%) over the prior year's net position balance for business-type activities.
- At the close of the fiscal year, the City's net investment in capital assets, increased \$ 6,811,304 or 82%. The increase is due to investments in expanding the recreational and public safety facilities, infrastructure and continued water and sewer service improvements. In addition, the City reduced the debt owed for water and sewer projects by \$ 2,578,200 (46%).
- The City's total government-wide expenditures were \$ 3,361,809, an increase of 4.9% above the prior fiscal year. In addition, total government-wide revenues increased to \$ 8,907,794, an increase of 48% over the prior fiscal year. During the current fiscal year, revenues were greatly impacted by tap fees resulting from development.

More detailed information regarding activities and funds begins on page 5.

Overview of the Financial Statements

This City of Hoschton's management discussion and analysis is intended to serve as an introduction to the basic financial statements. The City's basic financial statements include three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the basic financial statements

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Hoschton's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the City's total assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net position combines and consolidates the governmental funds current financial resources with capital assets and long-term obligations.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All change in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hoschton include general government, public safety, public works, culture/ recreation, and housing and development. The major business-type activity of the City includes the Utility Fund which serves as a host for the water and sewer system, solid waste (garbage) collections, and storm-water systems.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. All the funds of the City of Hoschton can be divided into two categories: governmental funds and proprietary funds. In addition to these statements, this report also presents a budgetary comparison schedule. This section is presented on accounting principles generally accepted in the United States of America. This schedule is intended to demonstrate the government's compliance with legally adopted and amended budgets.

Governmental Funds

The majority of the City's basic services are reported in the governmental funds, which focus on how cash and other financial assets flow in and out of those funds and the balances left at year-end that are available for spending. Therefore, governmental funds provide information for a detailed short-term view that helps determine whether there are more or less financial resources that can be spent in the near future to fund the City's activities. Readers can compare the information presented with governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison may help to communicate the long-term impact of the government's near-term financing decisions.

Reconciliations between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are provided following the governmental fund financial statements.

The City has two major and four non-major governmental funds. The City's major governmental funds are the General and SPLOST funds. The City's non-major governmental funds are the American Rescue Plan Act: Local Fiscal Recovery Fund (ARPA), Grants Fund, Downtown Development Authority Fund, and the Impact Fees Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances as well as the combining balance sheet for non-major funds and combining schedule of revenues, expenditures, and changes in fund balance for non-major funds.

Proprietary Funds

The City of Hoschton maintains one of two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer system operations, its solid waste collection operations, and storm-water systems operations. The water and sewer, solid waste and storm-water are considered functions of the Utility Fund. Information is presented as the Utility Fund in the Proprietary Statement of Net Position and the Proprietary Statement of Revenues, Expense, and Changes in Net Position, and by functional allocations in the Schedules of Functional Allocations on pages 37-38 of this report.

Notes to the Financial Statements

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in government-wide and the fund financial statements. The notes can be found immediately following the fund financial statements.

Other Information

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. Combining and individual statements and schedules can be found on pages 39-40.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's fiscal year 2021 began strongly with a growing national, state, and local economy. City government revenues and expenditures for operating and capital budgets were healthy. With the reopening and non-closure of the state, tourism, retail consumption, and the job markets flourished, even with the lingering impacts of the global pandemic adversely impacting other areas of the country.

Hoschton is located in Jackson County, which is considered the 10th fastest growing county and area in the United States. Due to the tenacity of the Mayor and Council, the City is able to manage the intensive growth and demands that the additional growth brings by maintaining a consistent budget and spending process, additions and renovations to City properties for use, as well as continuing to provide and the maintain necessary utilities.

The City's increases in net position as described on page 4 for the government-wide, governmental and business type activities represents a varied allocation of efforts, additions, and increases in revenues for the year. At the close of the fiscal year, the City's unrestricted net position increased to \$ 2,965,577 (17%) for governmental activities and decreased to \$ 3,193,096 (-41%) for business-type activities. The increase for governmental activities is a result of the consistent spending of budgeted operating expenditures and increase in revenues primarily from state and local taxes. The decrease for business-type activities is the reduction of reserve expansion funds that were utilized to decrease the balance of obligations to better position the City financially for future expansion projects. Conversely, the payment of obligations combined with the addition of capital assets increased the business-type net investment in capital assets by \$ 5,432,063 (215%) for the fiscal year. The City continues to maintain a large amount of its net position in cash and investments to allow funds for emergencies and avoid short-term borrowing.

Significant receipts of cash increased from the prior year primarily from three sources: funding impact fees and the American Rescue Plan Act (ARPA) within the governmental funds; and water and sewer tap fees in the water and sewer system fund. Fees received from development impact are recorded as revenues when received. Receipt of funds under ARPA are not recorded as revenues until the City has determined and expends the funds in accordance with the United States Treasury regulations; therefore, they are considered unearned revenues. Water and sewer tap fees collected in the enterprise funds are dependent on the amount of development and house sites that require taps for utility services. The revenues and receipt of funds may fluctuate from year to year depending on the demand for new homes or utility services.

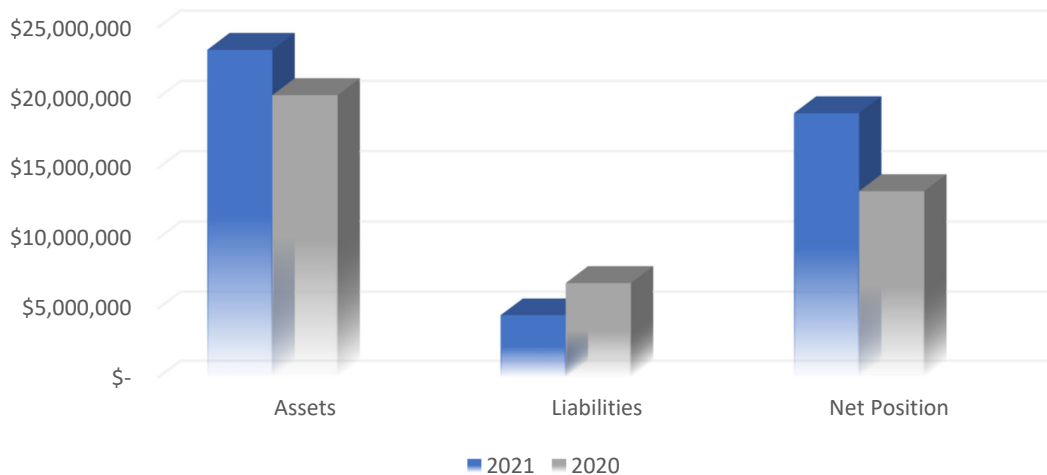
Out of the City's total governmental revenues of \$ 3,795,161, approximately 26% came from sales and other taxes. The remaining governmental revenues primarily came from charges for services, which were concentrated for housing and business development related building and licenses/permit fees (36%).

Out of the City's total business-type revenues of \$ 5,079,988, approximately 45% came from utility services charged. The remaining revenues primarily came from grants and capital contributions (tap fees), which will be reinvested to provide utility services. Expenses in the business type-activities increased by \$ 374,877 (2%) from the prior year. The limited increase is primarily due to the analysis of contracts/services being purchased by the City, and better utilization of financial resources.

The following is a summary of the City's Statement of Net Position as found on page 12 of this report:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 4,584,634	\$ 3,285,522	\$ 5,272,867	\$ 7,579,373	\$ 9,857,501	\$ 10,864,895
Capital assets	2,619,760	1,240,519	10,928,956	8,075,093	13,548,716	9,315,612
Total assets	7,204,394	4,526,041	16,201,823	15,654,466	23,406,217	20,180,507
Current liabilities	490,026	203,162	1,173,838	1,345,327	1,663,864	1,548,489
Long-term obligations	17,279	7,898	2,823,842	5,268,870	2,841,121	5,276,768
Total liabilities	507,305	211,060	3,997,680	6,614,197	4,504,985	6,825,257
Net position:						
Net investment in capital assets	2,619,760	1,240,519	7,949,515	2,517,452	10,569,275	3,757,971
Restricted	1,111,752	545,720	1,061,532	1,131,206	2,173,284	1,676,926
Unrestricted	2,965,577	2,528,742	3,193,096	5,391,608	6,158,673	7,920,350
Total net position	\$ 6,697,089	\$ 4,314,981	\$ 12,204,143	\$ 9,040,266	\$ 18,901,232	\$ 13,355,247

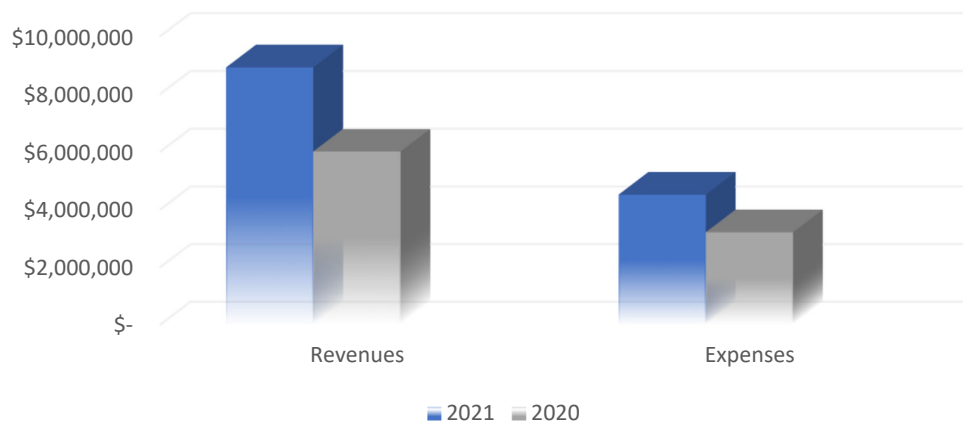
GOVERNMENT-WIDE STATEMENT OF NET POSITION TOTALS, BY YEAR



The following is a summary of the City's statement of activities as found on page 13 of this report:

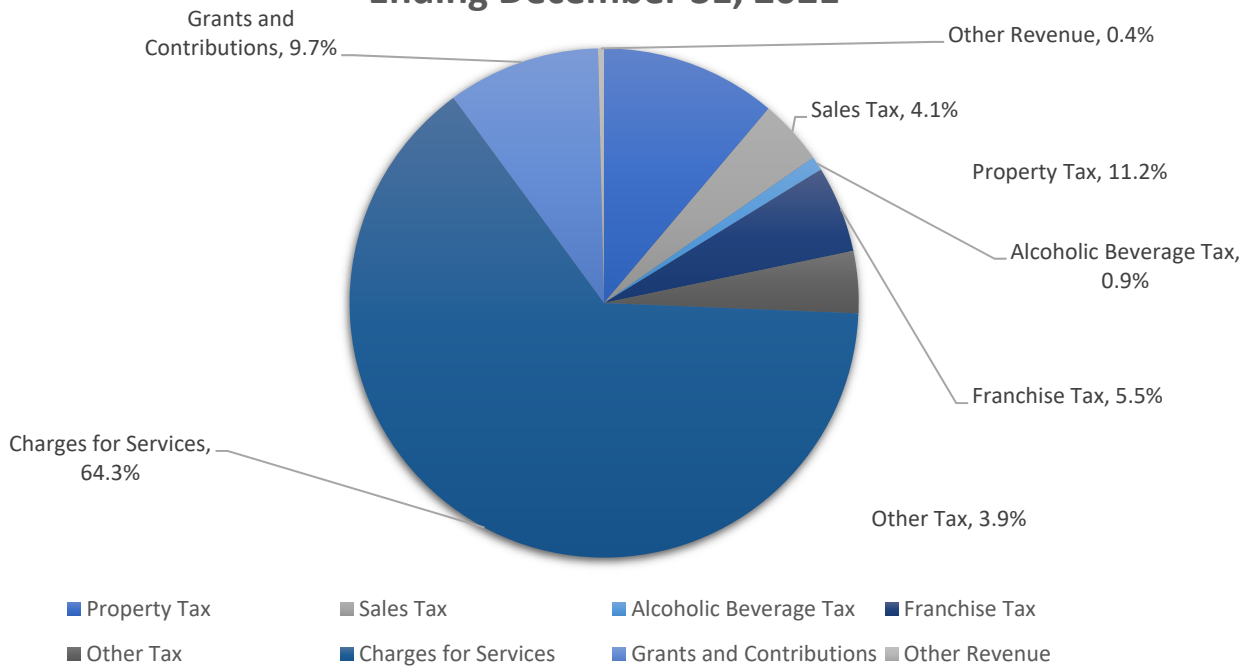
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 2,438,704	\$ 1,188,433	\$ 2,297,637	\$ 1,905,077	\$ 4,736,341	\$ 3,093,510
Capital grants & contributions	368,229	479,437	2,782,351	1,614,267	3,150,580	2,093,704
General revenues:						
Taxes	973,681	774,419	-	-	973,681	774,419
Interest	14,547	7,346	32,645	29,603	47,192	36,949
Total Revenues	3,795,161	2,449,635	5,112,633	3,548,947	8,907,794	5,998,582
Expenses:						
General government	608,977	594,592	-	-	608,977	594,592
Public works	303,193	373,272	-	-	303,193	373,272
Public safety	92,728	-	-	-	92,728	-
Culture/recreation	101,741	47,366	-	-	101,741	47,366
Housing and development	306,414	612,888	-	-	306,414	612,888
Water and sewer	-	-	1,702,760	1,573,879	1,702,760	1,573,879
Solid waste	-	-	203,318	-	203,318	-
Storm-water	-	-	42,678	-	42,678	-
Total Expense	1,413,053	1,628,118	1,948,756	1,573,879	3,361,809	3,201,997
Increase in net position before transfers	2,382,108	821,517	3,163,877	1,975,068	5,545,985	2,796,585
Transfers	-	(35,000)	-	35,000	-	-
Change in net position	2,382,108	786,517	3,163,877	2,010,068	5,545,985	2,796,585
Net position - beginning	4,314,981	3,528,464	9,040,266	7,030,198	13,355,247	10,558,662
Net position - ending	\$ 6,697,089	\$ 4,314,981	\$ 12,204,143	\$ 9,040,266	\$ 18,901,232	\$ 13,355,247

GOVERNMENT-WIDE REVENUE AND EXPENSE TOTALS, BY YEAR



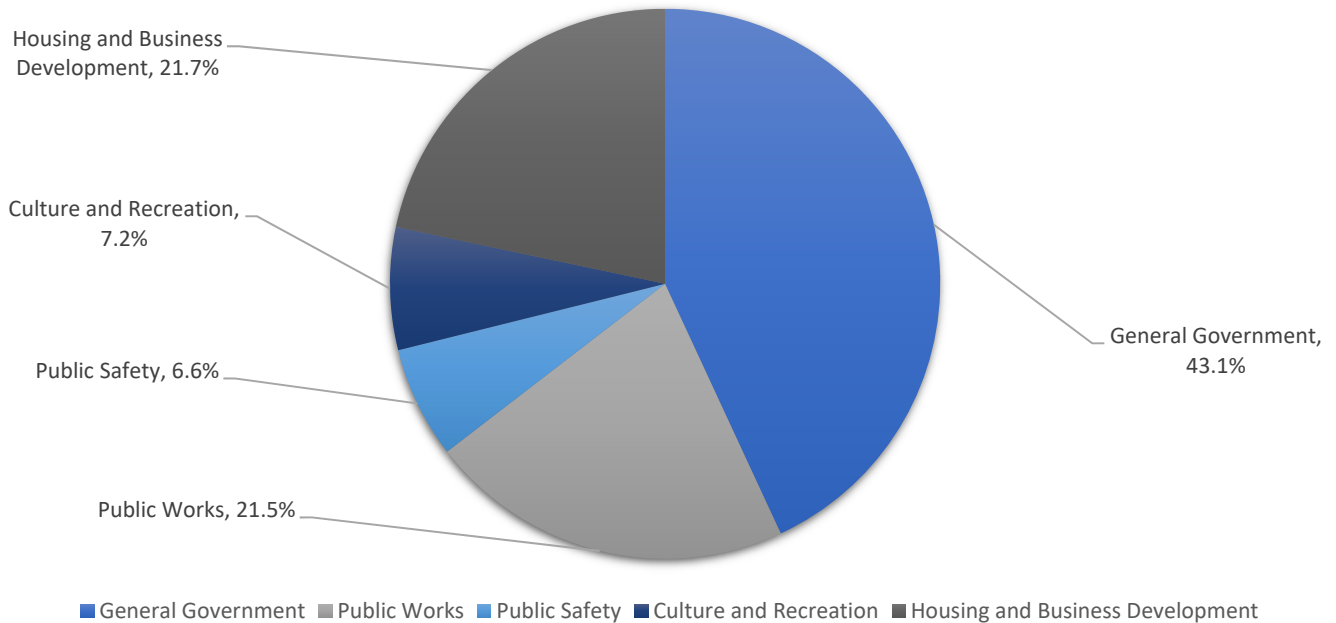
The following chart illustrates revenues of the governmental activities for the fiscal year:

Revenues by Source - Governmental Activities For the Year Ending December 31, 2021



The following chart illustrates expenses of the governmental activities for the fiscal year:

Expenses - Governmental Activities For the Year Ending December 31, 2021



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows and outflows and the balance of resources available for spending. Such information is useful in assessing and measuring the City's financing requirements as well as net resources available for spending at the end of the fiscal year.

As of the close of the year, the City's governmental funds reported a combined ending fund balance of \$ 4,094,608, with \$ 20,120 reported as non-spendable, \$ 1,111,752 reported as restricted, \$ 150,270 reported as assigned, and the remaining \$ 2,812,466 reported as unassigned.

The General Fund is the operating fund of the City. The net change in the General Fund's balance for the year ended December 31, 2021, was an increase of \$ 334,738 from \$ 2,660,118 to \$ 2,994,856. The significant increase in the balance for the year is attributable to taxes (primarily sales) and charges for services (primarily licenses and permits) for general fund revenue increase of 31% over the prior year. The City has also incurred more revenue sources during the year, such as rental income. Expenditures of the general fund increased 66%. These expenditures include nearly \$ 900,000 in capital outlay improvements for facilities, infrastructure and equipment purchases for the various general functions of the government. Unassigned fund balance at the close of the fiscal year represents 1.25 times more than the total general fund expenditures.

The SPLOST Fund is required by Georgia Law to account for the collection and expending of proceeds of a one percent Special Purpose Local Option Sales Tax collected on goods sold within Jackson County. The City of Hoschton collects 2.03% of the SPLOST VI proceeds from the County. The SPLOST fund generated revenues of \$ 337,515 which includes \$ 542 of interest, expended \$ 67,486 for infrastructure roads, leaving a remaining fund balance on December 31, 2021 of \$ 556,122 to be spent on the remaining water and sewer systems, infrastructure and recreation projects of the City. The remaining SPLOST V funds were expended in the current fiscal year and is 100% complete as indicated on page 43 of this report.

The ARPA Fund is a new fund to the City due to the receipt of the Local Fiscal Recovery monies allocated to local governments to assist in recovery from impacts of the COVID-19 Pandemic. The City currently has cash and investments on hand of \$ 407,171, unearned revenues of \$ 407,046 and fund balance of \$ 125.

The Impact Fee Fund is a fund created by City Ordinance to collect fees and charges from the impacts of area development and growth on the public safety, recreational facilities, and general government. The net change in the Impact Fee Fund balance for the year ended December 31, 2021, was an increase of \$ 429,200 from \$ 113,652 to \$ 542,852. The primary increase is due to a full year of fee collections and an increase in volume of incoming development to the City.

The Enterprise Fund is comprised of the Utility Fund: water and sewer system and services, the solid waste (garbage) collections and storm-water systems. The net change in total Enterprise Fund net position for the year ended December 31, 2021, was an increase of \$ 3,163,877. The total net position for the Enterprise Fund at the beginning of the fiscal year was \$ 9,040,266 and the net position at the end of the fiscal year was \$ 12,204,143.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City revises the General Fund budget at various times throughout the year and at the end of the fiscal year to reflect changes in estimated revenues and expenditures. Total amendments to the General Fund budget increased revenues and other financing sources by \$ 1,359,395 and increased expenditures and other financing uses by \$ 1,384,700. The final budget reflected use of transfer in from other funds for projects, but the City did not utilize in the current fiscal year due to project timing. No prior fund balances were used, as the City underspent its budgeted revenues and expenditures by \$ 822,298.

CAPITAL ASSETS

On December 31, 2021, the City reported capital assets net of accumulated depreciation of \$ 13,548,716. This is an increase of \$ 4,233,105 or 45% over from the 2020 fiscal year.

Major capital asset additions for the current fiscal year for governmental activities included the following:

- Mixed use utility vehicle, \$ 12,695
- Office equipment, \$ 6,088
- Road maintenance equipment, \$ 8,499
- Expansion properties and building improvements, \$ 1,157,031
- Public safety vehicle, \$ 41,613

Major capital asset additions during the current fiscal year for business-type activities include the following:

- Sewer line expansions, \$ 100,990
- Water holding tank replacements, \$ 928,574
- Improvements to waste-water treatment plant and outfalls, \$ 1,961,026
- Improvements to water system and wells, \$ 180,493
- John Deere equipment, \$ 28,306

Further detail on capital assets is provided in the notes to the financial statements.

LONG-TERM OBLIGATIONS

During the current fiscal year, the City reduced debt by \$ 2,578,200 and therefore reported long-term debt of \$ 2,979,441 as of December 31, 2021, compared to \$ 5,557,640 in the prior fiscal year. Additional information about the City's long-term debt activity can be found in the notes to the financial statements.

CONCLUSION

In conclusion, the City of Hoschton completed the year with many ongoing projects, favorable net position, and increases in total position in most funds. Good fiscal management has been a contributing factor to the City's success while providing the necessary services for the citizens of the City.

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide a general overview of the City of Hoschton's finances for all of Hoschton's residents, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

City of Hoschton
City Clerk
79 City Square St.
Hoschton, Georgia 30548

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
December 31, 2021

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets			
Cash and cash equivalents	\$ 690,879	\$ 500,345	\$ 1,191,224
Accounts receivable	268,046	196,002	464,048
Investments	1,317,475	3,506,546	4,824,021
Prepaid items	20,120	8,442	28,562
Internal balance	654,504	-	654,504
Restricted assets:			
Cash and cash equivalents	1,183,460	1,061,532	2,244,992
Investments	450,150	-	450,150
Total current assets	<u>4,584,634</u>	<u>5,272,867</u>	<u>9,857,501</u>
Non-current assets			
Capital Assets			
Capital assets not being depreciated			
Land	1,253,278	401,765	1,655,043
Construction in progress	-	5,365,813	5,365,813
Depreciable assets, net of depreciation	<u>1,366,482</u>	<u>5,161,378</u>	<u>6,527,860</u>
Total capital assets, net of depreciation	<u>2,619,760</u>	<u>10,928,956</u>	<u>13,548,716</u>
TOTAL ASSETS	<u><u>\$ 7,204,394</u></u>	<u><u>\$ 16,201,823</u></u>	<u><u>\$ 23,406,217</u></u>

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 70,980	\$ 89,677	\$ 160,657
Current portion of long-term debt	-	167,043	167,043
Internal balance	-	654,504	654,504
Deposits and performance bond payable	12,000	262,614	274,614
Unearned revenues	407,046	-	407,046
Total current liabilities	<u>490,026</u>	<u>1,173,838</u>	<u>1,663,864</u>
Long-term liabilities			
Compensated absences (due within one year)	17,279	11,444	28,723
Long-term debt (net of current portion)	<u>-</u>	<u>2,812,398</u>	<u>2,812,398</u>
Total long-term liabilities	<u>17,279</u>	<u>2,823,842</u>	<u>2,841,121</u>
Total liabilities	<u>507,305</u>	<u>3,997,680</u>	<u>4,504,985</u>
NET POSITION			
Net investment in capital assets	2,619,760	7,949,515	10,569,275
Restricted for:			
General government	12,000	-	12,000
Capital projects	556,122	798,918	1,355,040
Specified functions	543,630	-	543,630
Customer deposits	-	262,614	262,614
Unrestricted	<u>2,965,577</u>	<u>3,193,096</u>	<u>6,158,673</u>
Total net position	<u>6,697,089</u>	<u>12,204,143</u>	<u>18,901,232</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 7,204,394</u></u>	<u><u>\$ 16,201,823</u></u>	<u><u>\$ 23,406,217</u></u>

CITY OF HOSCHTON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 608,977	\$ 39,895	\$ -	\$ -
Public works	310,068	-	-	351,895
Public safety	92,728	525,521	-	-
Culture/recreation	94,866	503,674	-	-
Housing and business development	306,414	1,369,614	-	16,876
Total Government Activities	<u>1,413,053</u>	<u>2,438,704</u>	<u>-</u>	<u>368,771</u>
Business-Type Activities				
Water and sewer	1,702,760	2,056,947	-	2,782,351
Solid waste	203,318	240,690	-	-
Storm-water	42,678	-	-	-
Total Business-Type Activities	<u>1,948,756</u>	<u>2,297,637</u>	<u>-</u>	<u>2,782,351</u>
Total-Primary Government	<u>\$ 3,361,809</u>	<u>\$ 4,736,341</u>	<u>\$ -</u>	<u>\$ 3,151,122</u>

GENERAL REVENUES:

Taxes: Sales
Property
Alcoholic Beverage
Franchise
Other

Interest earned

TRANSFERS:

Total general revenues and transfers

Change in net position

NET POSITION - beginning of year

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, 2021

Net (Expense) Revenue and Changes In Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (569,082)	\$ -	\$ (569,082)
41,827	-	41,827
432,793	-	432,793
408,808	-	408,808
1,080,076	-	1,080,076
<u>1,394,422</u>	<u>-</u>	<u>1,394,422</u>
-	3,136,538	3,136,538
-	37,372	37,372
-	(42,678)	(42,678)
<u>-</u>	<u>3,131,232</u>	<u>3,131,232</u>
<u>1,394,422</u>	<u>3,131,232</u>	<u>4,525,654</u>
424,249	-	424,249
157,442	-	157,442
34,122	-	34,122
208,494	-	208,494
149,374	-	149,374
14,005	32,645	46,650
<u>-</u>	<u>-</u>	<u>-</u>
<u>987,686</u>	<u>32,645</u>	<u>1,020,331</u>
2,382,108	3,163,877	5,545,985
<u>4,314,981</u>	<u>9,040,266</u>	<u>13,355,247</u>
<u>\$ 6,697,089</u>	<u>\$ 12,204,143</u>	<u>\$ 18,901,232</u>

CITY OF HOSCHTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	Major Funds		
	General	SPLOST	ARPA
ASSETS			
Cash and cash equivalents	\$ 690,879	\$ -	\$ -
Receivables (net):			
Intergovernmental receivable	56,093	35,458	-
Other receivables	176,495	-	-
Internal balance receivable	654,504	-	-
Investments	1,317,475	-	-
Prepaid items	20,120	-	-
Restricted assets:			
Cash and cash equivalents	162,270	470,664	7,021
Investments	-	50,000	400,150
	\$ 3,077,836	\$ 556,122	\$ 407,171
TOTAL ASSETS	\$ 3,077,836	\$ 556,122	\$ 407,171
LIABILITIES			
Accounts payable	67,293	-	-
Accrued expenses	3,687	-	-
Performance bond payable	12,000	-	-
Unearned revenue	-	-	407,046
	82,980	-	407,046
Total liabilities	82,980	-	407,046
FUND BALANCE			
Non-spendable:			
Prepaid items	20,120	-	-
Restricted:			
Performance bond payable	12,000	-	-
Capital outlay	-	556,122	-
Functions of impact	-	-	-
Grant projects	-	-	125
Downtown development	-	-	-
Assigned assets	150,270	-	-
Unassigned:	2,812,466	-	-
	2,994,856	556,122	125
Total Fund Balances	2,994,856	556,122	125
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,077,836	\$ 556,122	\$ 407,171

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

<u>Impact Fee Fund</u>	<u>Other Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 690,879
-	-	91,551
-	-	176,495
-	-	654,504
-	-	1,317,475
-	-	20,120
542,852	653	1,183,460
<u>-</u>	<u>-</u>	<u>450,150</u>
<u>\$ 542,852</u>	<u>\$ 653</u>	<u>\$ 4,584,634</u>
-	-	67,293
-	-	3,687
-	-	12,000
<u>-</u>	<u>-</u>	<u>407,046</u>
<u>-</u>	<u>-</u>	<u>490,026</u>
-	-	20,120
-	-	12,000
-	-	556,122
542,852	-	542,852
-	-	125
-	653	653
-	-	150,270
<u>-</u>	<u>-</u>	<u>2,812,466</u>
542,852	653	4,094,608
<u>\$ 542,852</u>	<u>\$ 653</u>	<u>\$ 4,584,634</u>

CITY OF HOSCHTON, GEORGIA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 December 31, 2021

	2021	
TOTAL GOVERNMENTAL FUND BALANCES		\$ 4,094,608
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	\$ 3,637,753	
Accumulated depreciation	<u>(1,017,993)</u>	
Total capital assets, net depreciation		2,619,760
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences payable	<u>(17,279)</u>	
Total liabilities		<u>(17,279)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES		 <u><u>\$ 6,697,089</u></u>

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, 2021

	Major Funds		
	General	SPLOST	ARPA
REVENUES			
Taxes	\$ 816,239	\$ -	\$ -
Charges for services	546,756	-	-
Licenses and permits	979,359	-	-
Intergovernmental revenues	188,698	336,973	-
Rental and other income	33,992	-	-
Interest earned	13,775	542	181
	<u>2,578,819</u>	<u>337,515</u>	<u>181</u>
Total Revenues			
EXPENDITURES			
Current operating:			
General government	600,813	-	56
Public works	425,907	67,486	-
Public safety	574,663	-	-
Culture/recreation	340,043	-	-
Housing and business development	302,655	-	-
	<u>2,244,081</u>	<u>67,486</u>	<u>56</u>
Total Expenditures			
EXCESS REVENUES (EXPENDITURES)	334,738	270,029	125
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	334,738	270,029	125
FUND BALANCES - beginning of year	<u>2,660,118</u>	<u>286,093</u>	<u>-</u>
FUND BALANCES - end of year	<u>\$ 2,994,856</u>	<u>\$ 556,122</u>	<u>\$ 125</u>

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, 2021

<u>Impact Fee Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 816,239
874,191	4,406	1,425,353
-	-	979,359
-	-	525,671
-	-	33,992
49	-	14,547
<u>874,240</u>	<u>4,406</u>	<u>3,795,161</u>
40	-	600,909
-	22,497	515,890
195,000	-	769,663
250,000	3,753	593,796
-	-	302,655
<u>445,040</u>	<u>26,250</u>	<u>2,782,913</u>
429,200	(21,844)	1,012,248
-	-	-
429,200	(21,844)	1,012,248
<u>113,652</u>	<u>22,497</u>	<u>3,082,360</u>
<u>\$ 542,852</u>	<u>\$ 653</u>	<u>\$ 4,094,608</u>

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, 2021

	2021	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 1,012,248
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Depreciation expense	\$ (102,266)	
Capital outlay reported in general government function	1,481,507	
		1,379,241
<p>Governmental funds do not include the expense of compensated absences liabilities, which are reflected in the Statement of Net Position.</p>		
Current year liability - compensated absences	(17,279)	
Prior year liability - compensated absences	7,898	
		(9,381)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 2,382,108

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2021

	Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 500,345
Receivables (net of allowance for uncollectible):	
Accounts	196,002
Investments, current	3,506,546
Prepaid expense	8,442
Restricted assets:	
Cash and cash equivalents	1,061,532
Total current assets	\$ 5,272,867
Non-current assets:	
Capital assets:	
Capital assets not being depreciated	
Land	401,765
Construction in progress	5,365,813
Depreciable capital assets, net of depreciation	5,161,378
Total non-current assets	10,928,956
TOTAL ASSETS	\$ 16,201,823

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2021

		Utilities Fund
LIABILITIES		
Current liabilities:		
Accounts payable	\$	83,508
Accrued expenses		6,169
Current portion of long-term debt		167,043
Customer deposits payable		262,614
Internal balance		654,504
Total current liabilities		\$ 1,173,838
Long-term liabilities:		
Compensated absences (due within one year)		11,444
Long-term debt (net of current portion)		2,812,398
Total long-term liabilities		2,823,842
TOTAL LIABILITIES		3,997,680
NET POSITION		
Net investment in capital assets		7,949,515
Restricted		1,061,532
Unrestricted		3,193,096
TOTAL NET POSITION		12,204,143
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		\$ 16,201,823

CITY OF HOSCHTON, GEORGIA
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2021

		Utilities Fund
OPERATING REVENUES		
Charges for services	\$ 2,172,849	
Other service fees	124,788	
Total operating revenues		\$ 2,297,637
OPERATING EXPENSES		
Personnel services and benefits	420,174	
Purchased and contractual services	394,213	
Supplies	673,898	
Depreciation	345,526	
Total operating expenses		1,833,811
OPERATING INCOME (LOSS)		463,826
NON-OPERATING INCOME (LOSS)		
Interest and other fiscal charges	(114,945)	
Interest earned	32,645	
Total non-operating income (loss)		(82,300)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS		381,526
Capital contributions - tap fees and grants	2,782,351	
Total transfers in (out) and capital contributions		2,782,351
CHANGE IN NET POSITION		3,163,877
NET POSITION - beginning of year		9,040,266
NET POSITION - end of year		\$ 12,204,143

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2021

		Utilities Fund
Cash flows from operating activities:		
Cash receipts from customers	\$ 2,769,316	
Cash payments for goods and services	(908,612)	
Cash payments to employees for services and benefits	(425,644)	
Net cash provided by (used in) operating activities		\$ 1,435,060
Cash flows from capital and related financing activities:		
Acquisition, construction and disposal of capital assets	(3,199,390)	
Proceeds from capital contributions	2,518,748	
Proceeds from grant, net	263,603	
Principal paid on debt	(2,578,200)	
Interest paid on debt	(114,945)	
Net cash provided by capital and related financing activities		(3,110,184)
Cash Flows from investing activities:		
Use of certificates of deposit	2,019,955	
Interest received	32,645	
Net cash provided by investing activities		2,052,600
Net increase (decrease) in cash and cash equivalents		377,476
Cash and equivalents - beginning of year		1,422,327
Cash and equivalents - end of year		\$ 1,799,803

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2021

		Utilities Fund
Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities:		
Operating income	\$	463,826
Adjustments		
Depreciation		345,526
(Increase) decrease in assets and deferred outflows of resources		
Accounts receivable		424,924
Prepaid expense		1,176
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable		(559,755)
Accrued expenses		(6,794)
Compensated absences payable		1,324
Customer deposits		46,755
Internal balance payable		718,078
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		\$ 1,435,060
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$	500,345
Cash and cash equivalents - restricted		1,061,532
Total cash and cash equivalents		\$ 1,561,877

See accompanying notes to the basic financial statements.

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial Reporting Entity

The City was incorporated in 1891 and operates under the appointed City Mayor and City Council form of government. As required by GAAP, the financial statements of the financial reporting entity present the City as the primary form of government.

(b) Government Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated but shown as the internal services activities. Government-wide financial statements do not provide information by fund but distinguish between the City’s governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions, and are reported separately from business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties. During the current fiscal year, the City of Hoschton had one business-type activity: The Utilities Fund which operates the water and sewer, solid waste, and Storm-water functions.

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

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

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

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

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

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

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

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

(c) Government Fund Equity

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

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

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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.

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

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

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

Proprietary funds, which employ the economic resources measurement focus, distinguish operating revenues and expenses from non-operating items. 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.

(e) Major Funds

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

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

The 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 **Special Revenue / American Rescue Plan Act, Local Fiscal Recovery** ("ARPA") is used for grant revenues and contributions received through the Coronavirus Economic Stimulus Bill.

The Proprietary Fund (also referred to as the Utilities Fund) is for the operation of the City's water and sewer, garbage 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, garbage 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.

(f) Non-major Funds

The Special Revenue / Grants Fund is used for small grants pertaining to capital projects and specified use, such as safety and maintenance or improvement of existing infrastructures.

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

CITY OF HOSCHTON, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

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

(g) Blended Component Unit

The Hoschton Downtown Development Authority 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 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 considered a component unit to the City. 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.

(h) Cash, Cash Equivalents, and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

(i) Inventories and Prepaid Expenditures

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

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed. Prepaid expenditures include general and workers compensation insurance.

(j) 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

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

(k) 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 Fund (SPLOST); funds for grant projects (ARPA Fund); funds for development impact (Impact Fee Fund); and customer utility deposits (Proprietary Fund).

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

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

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

(m) Compensated Absences

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

(n) 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.

(o) Property Taxes

The City does not levy Property Taxes at this time.

(p) 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.

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

(q) Accrued Liabilities and Long-term Obligations (cont'd)

Capital leases are recognized as a liability in the governmental fund financial statements when due.

(r) Operating and Non-operating Transactions

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

The 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 on capital assets, and personnel services and benefits. All revenue and expenditures not meeting this definition are reported as non-operating revenue and expenditures or capital contributions and transfers.

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

(s) Interfund Transactions

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

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

NOTE 2 – ASSETS

(a) Deposits

Custodial Credit Risk

Operating Deposits: Credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy for custodial credit risk is to obtain collateral from financial institutions in accordance with state law. The City has cash and cash equivalents in a primary banking institution. Actual bank cash balances of \$ 9,857,501 are insured and adequately collateralized as of December 31, 2021.

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 – ASSETS (CONT'D)

(b) Restricted Cash

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

	General	SPLOST	ARPA	Impact Fee Fund	Non-major Governmental Funds	Utilities Fund	Total
Restricted							
Performance bonds*	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,000
Culture & recreation	150,270	-	-	-	653	-	150,923
Capital projects	-	470,664	-	-	-	798,918	1,269,582
Grant specific projects	-	-	7,021	-	-	-	7,021
Development impact	-	-	-	542,852	-	-	542,852
Customer deposits	-	-	-	-	-	262,614	262,614
Total Restricted Cash	\$ 162,270	\$ 470,664	\$ 7,021	\$ 542,852	\$ 653	\$ 1,061,532	\$ 2,244,992

(c) Receivables

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

Receivables at December 31, 2021 consist of the following:

	General	SPLOST	Utilities Fund	Total
Receivables				
Utility bills collectible	\$ -	\$ -	\$ 196,002	\$ 196,002
Intergovernmental taxes receivable	56,093	35,458	-	91,551
Other taxes receivable	176,495	-	-	176,495
Gross receivables	\$ 232,588	\$ 35,458	\$ 196,002	\$ 464,048

(d) Interfund Balances

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

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between government or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 – ASSETS (CONT'D)

(d) Interfund Balances (cont'd)

The composition of interfund balances on the Statement of Net Position for the Governmental and Proprietary Funds as of December 31, 2021 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 654,504	\$ -
Utilities Fund		
Water and sewer	-	654,504
Totals	\$ 654,504	\$ 654,504

Internal balances within the Utility Fund functions have been eliminated on the Proprietary Fund Statements and the Statement of Net Position. Internal balances eliminated between the water and sewer, solid waste, and storm-water functions were \$ 262,614 as of December 31, 2021.

All interfund balances are expected to be paid within one year of the date of the financial statements.

(e) Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance 12/31/2020	Additions	Deductions	Balance 12/31/2021
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 749,135	\$ 504,143	\$ -	\$ 1,253,278
Construction in progress	-	-	-	-
Total capital assets not being depreciated	749,135	504,143	-	1,253,278
Depreciable capital assets:				
Buildings and improvements	386,775	652,888	-	1,039,663
Machinery and equipment	44,375	27,282	-	71,657
Vehicles	36,016	41,613	-	77,629
Infrastructure	939,945	255,581	-	1,195,526
Total depreciable capital assets	1,407,111	977,364	-	2,384,475
Accumulated depreciation:				
Buildings and improvements	210,467	34,186	-	244,653
Machinery and equipment	25,117	11,423	-	36,540
Vehicles	12,019	8,624	-	20,643
Infrastructure	668,125	48,032	-	716,157
Total accumulated depreciation	915,728	102,265	-	1,017,993
Total depreciable capital assets - net	491,383	875,099	-	1,366,482
Governmental activities capital assets, net	\$ 1,240,518	\$ 1,379,242	\$ -	\$ 2,619,760

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 – ASSETS (CONT'D)

(e) Capital Assets (cont'd)

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2021</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 281,601	\$ 120,164	\$ -	\$ 401,765
Construction in progress	<u>2,372,235</u>	<u>2,993,578</u>	<u>-</u>	<u>5,365,813</u>
Total capital assets not being depreciated	<u>2,653,836</u>	<u>3,113,742</u>	<u>-</u>	<u>\$ 5,767,578</u>
Depreciable capital assets:				
Machinery and equipment	226,022	85,647	-	311,669
Infrastructure	<u>9,235,524</u>	<u>-</u>	<u>-</u>	<u>9,235,524</u>
Total depreciable capital assets	<u>9,461,546</u>	<u>85,647</u>	<u>-</u>	<u>9,547,193</u>
Accumulated depreciation:				
Machinery and equipment	89,509	45,999	-	135,508
Infrastructure	<u>3,950,780</u>	<u>299,527</u>	<u>-</u>	<u>4,250,307</u>
Total accumulated depreciation	<u>4,040,289</u>	<u>345,526</u>	<u>-</u>	<u>4,385,815</u>
Total depreciable capital assets - net	<u>5,421,257</u>	<u>(259,879)</u>	<u>-</u>	<u>5,161,378</u>
Business-type activities capital assets, net	<u>\$ 8,075,093</u>	<u>\$ 2,853,863</u>	<u>\$ -</u>	<u>\$ 10,928,956</u>
Depreciation expense was charged to function as follows:				
General government		\$ 17,294		
Highways and streets		57,841		
Public Safety		15,043		
Culture and recreation		<u>12,088</u>		
		<u>\$ 102,266</u>		
Business-type Activities				
Utility Fund		<u>\$ 345,526</u>		

NOTE 3 – LONG-TERM OBLIGATIONS AND NET POSITION

(a) Risk Management

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

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

(a) Risk Management (Cont'd)

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

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

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

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

During the year ended December 31, 2021 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 they are liable for (up to the \$ 3,000) which were outstanding and unpaid at December 31, 2021. No provisions have been made in the financial statements for the year ended December 31, 2021, 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.

The City is actively involved in two claims as of December 31, 2021, concerning the Impact Fee Ordinance and a human resource claim. The City is defending the cases vigorously and is hopeful of and expecting a favorable outcome. In the event that the City loses the case, the City's impact fee ordinance would be overturned and funds would be required to be returned to area developers.

(b) Retirement Plan

The City established a SIMPLE IRA plan for employees. The plan is a defined contribution plan established under section 409(p) of the Internal Revenue Code. This plan was established by the authority of the City Council and may be amended by action of the City Council. City employees make voluntary contributions and the City matches up to 3% of the employee's salary. Edward Jones Investments serves as custodian of the SIMPLE IRA and contributions cannot exceed \$ 6,000 for each participant for any calendar year. The City's contribution for 2021 was \$ 14,124.

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

(c) *Compensated Absences Liability*

Compensated absences consisted of the following:

	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021	Due Within One Year
General Fund	\$ 7,898	\$ 20,383	\$ 11,002	\$ 17,279	\$ 17,279
Utilities Fund	10,120	16,064	14,740	11,444	11,444
Total compensated absences	<u>\$ 18,018</u>	<u>\$ 36,447</u>	<u>\$ 25,742</u>	<u>\$ 28,723</u>	<u>\$ 28,723</u>

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

(d) *Notes Payable and Revenue Bonds Payable*

On August 1, 2006, the City entered into a contract with Georgia Environmental Facilities Authority (GEFA) to borrow funds for water and sewer improvements. The original amount of the loan was \$ 3,124,536 with an interest rate of 3.00%. Additionally, on March 3, 2011, the City entered into a second contract with GEFA, to borrow funds for the water and sewer improvements. On December 1, 2014, both contracts held with GEFA were consolidated into one note. The consolidated loan (No. 2013-L27WQ) had an original balance of \$ 5,251,730 with an interest rate of 2.40%. In addition, interest accrued on the principal balance until payments began. Principal payments began in 2017. The loan will mature on December 31, 2036.

The City entered into a clean water contract with GEFA during 2018 (CW2016024). The clean water loan was approved for \$ 315,000 with an interest rate at .65% per annum. The project is complete and the City began making payments on the loan in February 2019. The City paid the loan in full during the current fiscal year ending December 31, 2021.

On August 15, 2018, the City was approved for a drinking water loan (DW2018002) from GEFA to complete projects in subsequent years. The loan has been approved for funds in the amount of \$ 428,000, with an interest rate of 1.06% per annum. Receipt of funds and the project began in 2019. Funds were fully disbursed by GEFA as of December 31, 2020. The City paid the loan in full during the current fiscal year ending December 31, 2021.

Long-term obligation activity for the year ended December 31, 2021, was as follows:

	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021	Due One Year
Business-type Activities					
Note - 2013-L27WQ	\$ 4,829,202	\$ -	\$ 1,849,761	\$ 2,979,441	\$ 167,043
Note - CW2016024	301,642	-	301,642	-	-
Note - DW2018002	426,796	-	426,796	-	-
Total Debt (Water & Sewer Fund)	<u>\$ 5,557,640</u>	<u>\$ -</u>	<u>\$ 2,578,199</u>	<u>\$ 2,979,441</u>	<u>\$ 167,043</u>

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

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

Notes payable including interest matures as follows:

	Principal	Interest	Total
2022	167,043	69,677	236,720
2023	171,096	65,623	236,719
2024	175,248	61,472	236,720
2025	179,500	57,219	236,719
2026	183,856	52,864	236,720
2027-2031	988,406	195,192	1,183,598
2032-2036	1,114,292	69,307	1,183,599
Total	2,979,441	\$ 571,354	\$ 3,550,795
Less current portion	167,043		
Noncurrent portion of long-term obligations	\$ 2,812,398		

NOTE 4 – PERFORMANCE BONDS PAYABLE

The City has collected and retains performance bonds in the amount of \$ 12,000 as of December 31, 2021. 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.

CITY OF HOSCHTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 – COVID-19

The extent of the impact of COVID-19 on the City's operation and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the City's citizens, employees and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the net position and changes in net position and cash flows (where applicable), is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 21, 2022, 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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 662,400	\$ 779,071	816,239	\$ 37,168
Charges for services	395,600	719,094	546,756	(172,338)
Licenses and permits	748,800	1,008,800	979,359	(29,441)
State grants	-	-	31,256	31,256
Intergovernmental revenues	-	-	157,442	157,442
Rental income	17,000	17,000	28,510	11,510
Other income	-	2,000	5,482	3,482
Interest earned	12,800	12,800	13,775	975
	<u>1,836,600</u>	<u>2,538,765</u>	<u>2,578,819</u>	<u>40,054</u>
EXPENDITURES				
Current operating:				
General government	938,850	933,150	600,813	332,337
Public works	345,500	438,300	425,907	12,393
Public safety	89,250	763,250	574,663	188,587
Culture/recreation	46,100	588,500	340,043	248,457
Housing and business development	221,925	303,125	302,655	470
	<u>1,641,625</u>	<u>3,026,325</u>	<u>2,244,081</u>	<u>782,244</u>
TOTAL REVENUES OVER EXPENDITURES	<u>194,975</u>	<u>(487,560)</u>	<u>334,738</u>	<u>822,298</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	25,305	450,305	-	(450,305)
Fund balance (surplus) use	(194,975)	37,255	-	(37,255)
	<u>(169,670)</u>	<u>487,560</u>	<u>-</u>	<u>(487,560)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(169,670)</u>	<u>487,560</u>	<u>-</u>	<u>(487,560)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>334,738</u>	<u>\$ 334,738</u>
FUND BALANCES - beginning of year			<u>2,660,118</u>	
FUND BALANCES - end of year			<u>\$ 2,994,856</u>	

See accompanying notes to the required supplementary information.

CITY OF HOSCHTON, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 1 – BUDGETARY BASIS

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

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

Hearings are held regarding the budget to seek comments and questions from those who reside in the City of Hoshton. 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 2021.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Formal budgetary control is based upon major classes of expenditures known as functions. These four functions are: general government, public works, culture/recreation, and housing and business development. During the current year, no expenditures exceeded the amounts budgeted.

CITY OF HOSCHTON, GEORGIA
SCHEDULE OF FUNCTIONAL ALLOCATIONS
PROPRIETARY FUND
SCHEDULE OF NET POSITION
December 31, 2021

	<u>Water / Sewer</u>	<u>Solid Waste</u>	<u>Storm-water</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 500,345	\$ -	\$ -	\$ 500,345
Receivables (net of allowance for uncollectible):				
Accounts	196,002	-	-	196,002
Investments, current	3,506,546	-	-	3,506,546
Prepaid expense	8,442	-	-	8,442
Internal balance receivable*	42,678	195,248	-	237,926
Restricted assets:				
Cash and cash equivalents	<u>1,061,532</u>	<u>-</u>	<u>-</u>	<u>1,061,532</u>
Total current assets	<u>5,315,545</u>	<u>195,248</u>	<u>-</u>	<u>5,510,793</u>
Non-current assets:				
Capital assets:				
Capital assets not being depreciated				
Land	401,765	-	-	401,765
Construction in progress	5,365,813	-	-	5,365,813
Depreciable capital assets, net of depreciation	<u>5,161,378</u>	<u>-</u>	<u>-</u>	<u>5,161,378</u>
Total non-current assets	<u>10,928,956</u>	<u>-</u>	<u>-</u>	<u>10,928,956</u>
TOTAL ASSETS	<u><u>\$ 16,244,501</u></u>	<u><u>\$ 195,248</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,439,749</u></u>

*Internal balances receivable and payable are not eliminated on this schedule between the utility functions.

CITY OF HOSCHTON, GEORGIA
SCHEDULE OF FUNCTIONAL ALLOCATIONS
PROPRIETARY FUND
SCHEDULE OF NET POSITION
December 31, 2021

	<u>Water / Sewer</u>	<u>Solid Waste</u>	<u>Storm-water</u>	<u>Total</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 83,508	\$ -	\$ -	\$ 83,508
Accrued expenses	6,169	-	-	6,169
Current portion of long-term debt	167,043	-	-	167,043
Customer deposits payable	262,614	-	-	262,614
Internal balance payable*	<u>849,752</u>	<u>-</u>	<u>42,678</u>	<u>892,430</u>
 Total current liabilities	 <u>1,369,086</u>	 <u>-</u>	 <u>42,678</u>	 <u>1,411,764</u>
Long-term liabilities:				
Compensated absences (due within one year)	11,444	-	-	11,444
Long-term debt (net of current portion)	<u>2,812,398</u>	<u>-</u>	<u>-</u>	<u>2,812,398</u>
 Total long-term liabilities	 <u>2,823,842</u>	 <u>-</u>	 <u>-</u>	 <u>2,823,842</u>
 TOTAL LIABILITIES	 <u>4,192,928</u>	 <u>-</u>	 <u>42,678</u>	 <u>4,235,606</u>
NET POSITION				
Net investment in capital assets	7,949,515	-	-	7,949,515
Restricted	1,061,532	-	-	1,061,532
Unrestricted	<u>3,040,526</u>	<u>195,248</u>	<u>(42,678)</u>	<u>3,193,096</u>
 TOTAL NET POSITION	 <u>12,051,573</u>	 <u>195,248</u>	 <u>(42,678)</u>	 <u>12,204,143</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 <u>\$ 16,244,501</u>	 <u>\$ 195,248</u>	 <u>\$ -</u>	 <u>\$ 16,439,749</u>

CITY OF HOSCHTON, GEORGIA
SCHEDULE OF FUNCTIONAL ALLOCATIONS
PROPRIETARY FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021

	<u>Water / Sewer</u>	<u>Solid Waste</u>	<u>Storm-water</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 1,932,159	\$ 240,690	\$ -	\$ 2,172,849
Other service fees	124,788	-	-	124,788
Total operating revenues	<u>2,056,947</u>	<u>240,690</u>	<u>-</u>	<u>2,297,637</u>
OPERATING EXPENSES				
Personnel services and benefits	420,174	-	-	420,174
Purchased and contractual services	190,895	203,318	-	394,213
Supplies	631,220	-	42,678	673,898
Depreciation	345,526	-	-	345,526
Total operating expenses	<u>1,587,815</u>	<u>203,318</u>	<u>42,678</u>	<u>1,833,811</u>
OPERATING INCOME (LOSS)	<u>469,132</u>	<u>37,372</u>	<u>(42,678)</u>	<u>463,826</u>
NON-OPERATING INCOME (LOSS)				
Interest and other fiscal charges	(114,945)	-	-	(114,945)
Interest earned	32,645	-	-	32,645
Total non-operating income (loss)	<u>(82,300)</u>	<u>-</u>	<u>-</u>	<u>(82,300)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>386,832</u>	<u>37,372</u>	<u>(42,678)</u>	<u>381,526</u>
Capital grants	263,603	-	-	263,603
Capital contributions - tap fees	2,518,748	-	-	2,518,748
Total transfers in (out) and contributions	<u>2,782,351</u>	<u>-</u>	<u>-</u>	<u>2,782,351</u>
CHANGE IN NET POSITION	3,169,183	37,372	(42,678)	3,163,877
NET POSITION - beginning of year, original	<u>8,882,390</u>	<u>157,876</u>	<u>-</u>	<u>9,040,266</u>
NET POSITION - end of year	<u><u>12,051,573</u></u>	<u><u>195,248</u></u>	<u><u>(42,678)</u></u>	<u><u>12,204,143</u></u>

CITY OF HOSCHTON, GEORGIA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2021

	<u>Grants Fund</u>	<u>Downtown Development Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 653	\$ 653
Investments - short term CD	-	-	-
TOTAL ASSETS	<u>-</u>	<u>653</u>	<u>653</u>
LIABILITIES			
Unearned revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted:			
Downtown business development	-	653	653
Restricted for impact specific projects	-	-	-
Restricted for grant specific projects	-	-	-
Total fund balances	<u>-</u>	<u>653</u>	<u>653</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 653</u>	<u>\$ 653</u>

CITY OF HOSCHTON, GEORGIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2021

	Grants Fund	Downtown Development Authority	Total
REVENUES			
Charges for services	\$ -	\$ 4,406	\$ 4,406
Interest income	-	-	-
TOTAL REVENUES	<u>-</u>	<u>4,406</u>	<u>4,406</u>
EXPENDITURES			
General government	-	-	-
Public works	22,497	-	22,497
Public safety	-	-	-
Culture/recreation	-	3,753	3,753
TOTAL EXPENDITURES	<u>22,497</u>	<u>3,753</u>	<u>26,250</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(22,497)</u>	<u>653</u>	<u>(21,844)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(22,497)	653	(21,844)
FUND BALANCE, BEGINNING	<u>22,497</u>	<u>-</u>	<u>22,497</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ 653</u>	<u>\$ 653</u>

OTHER REPORTING SECTION





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 STANDARD

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hoschton, GA, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Hoschton, GA's basic financial statements, and have issued our report thereon dated June 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hoschton, GA'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 the City of Hoschton, GA's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hoschton, GA'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 the City of Hoschton, GA'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*.

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, GA 30501
June 21, 2022

CITY OF HOSCHTON, GEORGIA
SPECIAL LOCAL OPTION SALES TAX
SCHEDULE OF PROJECTS FUNDED WITH SPECIAL SALES TAX PROCEEDS
From Inception Through December 31, 2021

<u>Project</u>	<u>Original Budget</u>	<u>Current Project Budget</u>	<u>Prior Year Project to Date</u>	<u>Current Year</u>	<u>Total</u>
SPLOST # 5					
General Fund					
Road, Streets, Bridges and Sidewalks	\$ 186,414	\$ 281,804	\$ 272,452	\$ 9,352	\$ 281,804
Recreation	46,603	47,497	47,497	-	47,497
Water, Sewer & Garbage Fund					
Water & Sewer Projects	699,464	637,255	637,255	-	637,255
	<u>\$ 932,481</u>	<u>\$ 966,556</u>	<u>\$ 957,204</u>	<u>\$ 9,352</u>	<u>\$ 966,556</u>
SPLOST # 6					
General Fund					
Road, Streets, Bridges and Sidewalks	\$ 225,330	\$ 225,330	\$ 140,000	\$ 58,134	\$ 198,134
Recreation	56,332	56,332	-	-	-
Water, Sewer & Garbage Fund					
Water & Sewer Projects	844,988	844,988	525,000	-	525,000
	<u>\$ 1,126,650</u>	<u>\$ 1,126,650</u>	<u>\$ 665,000</u>	<u>\$ 58,134</u>	<u>\$ 723,134</u>