
CITY OF SKY VALLEY, GEORGIA
ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2020

**CITY OF SKY VALLEY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020**

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Independent Auditor's Report

Honorable Mayor, Members of the
City Council and City Manager
Of the City of Sky Valley, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Sky Valley, Georgia (the "City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Sky Valley, Georgia as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Net Pension Liability and Related Ratios on page 34, the Schedule of City Contributions on page 35, and the notes to the required supplementary information on pages 36-37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sky Valley, Georgia's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (as required by the Official Code of Georgia Annotated 48-8-121) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2021 on our consideration of City of Sky Valley, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mixon, Mixon, Brown & Tench, CPAs

Mixon, Mixon, Brown & Tench, CPAs
Cornelia, Georgia
September 29, 2021

BASIC FINANCIAL STATEMENTS

CITY OF SKY VALLEY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,516,327	\$ 1,235,853	\$ 2,752,180
Receivables, net			
Accounts	-	33,695	33,695
Taxes	644,645	-	644,645
Internal Balances	-	-	-
Capital Assets:			
Land, Improvements, and Construction in Progress	251,739	2,222	253,961
Other Capital Assets, net of Depreciation	1,561,381	2,788,849	4,350,230
Total Assets	3,974,092	4,060,619	8,034,711
Deferred Outflows of Resources			
Pension Related Items	122,786	36,676	159,462
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,096,878	\$ 4,097,295	\$ 8,194,173
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities			
Accounts Payable	\$ 29,051	\$ 2,149	\$ 31,200
Accrued Liabilities	-	-	-
Unearned Property Tax Revenue	923,139	-	923,139
Customer Deposits Payable	-	10,996	10,996
Compensated Absences:			
Due Within One Year	12,561	5,007	17,568
Due Beyond One Year	11,155	153	11,308
Capital Leases:			
Due Within One Year	6,926	-	6,926
Due Beyond One Year	14,874	-	14,874
Notes Payable:			
Due Within One Year	-	104,086	104,086
Due Beyond One Year	-	1,172,802	1,172,802
Net Pension Liability, Due Beyond One Year	236,122	70,530	306,652
Total Liabilities	1,233,828	1,365,723	2,599,551
Deferred Inflows of Resources			
Pension Related Items	19,732	5,894	25,626
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,253,560	1,371,617	2,625,177
NET POSITION			
Net Invested in Capital Assets	1,791,320	1,514,183	3,305,503
Restricted for:			
Capital Projects	161,306	-	161,306
Tourism	16,798	-	16,798
Unrestricted Net Position	873,894	1,211,495	2,085,389
Total Net Position	2,843,318	2,725,678	5,568,996
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 4,096,878	\$ 4,097,295	\$ 8,194,173

The accompanying notes are an integral part of these financial statements.

CITY OF SKY VALLEY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General Government	\$ 373,112	\$ 2,788	\$ 91,656	\$ 390,266	\$ 111,598	\$ -	\$ 111,598
Public Safety:							
Fire	88,167	-	-	-	(88,167)	-	(88,167)
Police and Courts	433,269	20,700	-	-	(412,569)	-	(412,569)
Public Works/Streets	316,416	-	-	-	(316,416)	-	(316,416)
Community Development:							
Parks	6,489	-	-	-	(6,489)	-	(6,489)
Promotions & Tourism	18,832	-	-	-	(18,832)	-	(18,832)
Economic Development	13,652	-	17,540	-	3,888	-	3,888
Housing & Development	28,231	26,552	-	-	(1,679)	-	(1,679)
Interest on Long-Term Debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>1,278,168</u>	<u>50,040</u>	<u>109,196</u>	<u>390,266</u>	<u>(728,666)</u>	<u>-</u>	<u>(728,666)</u>
Business-Type Activities							
Water	383,355	438,719	-	-	-	55,364	55,364
Sanitation	216,097	216,343	-	-	-	246	246
Total Business-Type Activities	<u>599,452</u>	<u>655,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,610</u>	<u>55,610</u>
Total Primary Government	<u>\$ 1,877,620</u>	<u>\$ 705,102</u>	<u>\$ 109,196</u>	<u>\$ 390,266</u>	<u>(728,666)</u>	<u>55,610</u>	<u>(673,056)</u>
General Revenues							
Taxes:							
Property					941,066	-	941,066
Intangible and Transfer					18,120	-	18,120
Franchise					53,531	-	53,531
Beer and Wine					899	-	899
Insurance Premium					21,684	-	21,684
Business Taxes					756	-	756
Hotel/Motel Taxes					27,975	-	27,975
Unrestricted Investment Earnings					1,532	1,191	2,723
Miscellaneous					16,776	-	16,776
Gain on Sale of Assets					29,054	-	29,054
Transfers					-	-	-
Total General Revenues and Transfers					<u>1,111,393</u>	<u>1,191</u>	<u>1,112,584</u>
Change in Net Position					<u>382,727</u>	<u>56,801</u>	<u>439,528</u>
Net Position - Beginning					<u>2,460,591</u>	<u>2,668,877</u>	<u>5,129,468</u>
Net Position - Ending					<u>\$ 2,843,318</u>	<u>\$ 2,725,678</u>	<u>\$ 5,568,996</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SKY VALLEY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	<u>Major Governmental Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>Nonmajor Governmental Fund</u>	
ASSETS				
Cash and Cash Equivalents	\$ 1,312,881	\$ 175,458	\$ 27,988	\$ 1,516,327
Receivables, net	644,645	-	-	644,645
Due From Other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ 1,957,526</u>	<u>\$ 175,458</u>	<u>\$ 27,988</u>	<u>\$ 2,160,972</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 3,709	\$ 14,152	\$ 11,190	\$ 29,051
Accrued Liabilities	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Property Tax Revenue	923,139	-	-	923,139
TOTAL LIABILITIES	<u>926,848</u>	<u>14,152</u>	<u>11,190</u>	<u>952,190</u>
FUND BALANCES				
Non-Spendable	-	-	-	-
Restricted for Capital Projects	-	161,306	-	161,306
Assigned to:				
Hotel/Motel	-	-	16,798	16,798
Unassigned Reported in:				
General Fund	1,030,678	-	-	1,030,678
TOTAL FUND BALANCES	<u>1,030,678</u>	<u>161,306</u>	<u>16,798</u>	<u>1,208,782</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,957,526</u>	<u>\$ 175,458</u>	<u>\$ 27,988</u>	

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.	1,813,120
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:	
Compensated Absences	(23,716)
Capital Leases	(21,800)
Net Pension Liability	(236,122)
The deferred outflows of resources and deferred inflows of resources related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds:	
Deferred Outflows of Resources	122,786
Deferred Inflows of Resources	(19,732)
Net Position of Governmental Activities	<u>\$ 2,843,318</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SKY VALLEY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Major Governmental Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>Nonmajor Governmental Fund</u>	
REVENUES				
Taxes:				
Property	\$ 941,066	\$ -	\$ -	\$ 941,066
Intangible and Transfer	18,120	-	-	18,120
Franchise	53,531	-	-	53,531
Beer and Wine	899	-	-	899
Insurance Premiums	21,684	-	-	21,684
Business Taxes	756	-	-	756
Hotel/Motel Taxes	-	-	27,975	27,975
Licenses and Permits	29,340	-	-	29,340
Intergovernmental	109,196	390,000	-	499,196
Charges for Services	-	-	-	-
Fines and Forfeitures	20,700	-	-	20,700
Investment Earnings	1,518	266	14	1,798
Miscellaneous	16,776	-	-	16,776
TOTAL REVENUES	<u>1,213,586</u>	<u>390,266</u>	<u>27,989</u>	<u>1,631,841</u>
EXPENDITURES				
Current:				
General Government	354,947	-	-	354,947
Police and Courts	447,870	-	-	447,870
Fire	88,167	-	-	88,167
Public Works/Streets	314,391	232,416	-	546,807
Parks	1,295	-	-	1,295
Promotions & Tourism	7,642	-	11,190	18,832
Economic Development	13,652	-	-	13,652
Housing & Development	21,298	-	-	21,298
Debt Service:				
Principal	7,171	-	-	7,171
Interest	811	-	-	811
TOTAL EXPENDITURES	<u>1,257,244</u>	<u>232,416</u>	<u>11,190</u>	<u>1,500,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(43,658)</u>	<u>157,850</u>	<u>16,799</u>	<u>130,991</u>
OTHER FINANCING SOURCES AND USES				
Proceeds From Sale of Assets	4,354	-	-	4,354
Transfers In	11,556	-	-	11,556
Transfers Out	-	-	(11,556)	(11,556)
TOTAL OTHER FINANCING SOURCES AND USES	<u>15,910</u>	<u>-</u>	<u>(11,556)</u>	<u>4,354</u>
NET CHANGES IN FUND BALANCES	<u>(27,748)</u>	<u>157,850</u>	<u>5,243</u>	<u>135,345</u>
FUND BALANCES - BEGINNING	<u>1,058,426</u>	<u>3,456</u>	<u>11,555</u>	<u>1,073,437</u>
FUND BALANCES - ENDING	<u>\$ 1,030,678</u>	<u>\$ 161,306</u>	<u>\$ 16,798</u>	<u>\$ 1,208,782</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SKY VALLEY, 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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 135,345

Amounts reported for governmental activities in the Statement of Activities are different because:

Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$ 385,792	
Depreciation Expense	<u>(116,359)</u>	269,433

The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. This is the amount of net book value of assets sold and/or traded in during the current period. (10,309)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which debt proceeds exceeds principal payments.

Proceeds from Capital Leases	-	
Principal Payments on Capital Leases	<u>7,171</u>	7,171

In the Statement of Activities, operating expenses are measured by the amounts incurred during the year. However, compensated absences are included in the governmental funds only to the extent that they require the expenditure of current financial resources.

Change in Compensated Absences		(1,435)
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Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions is reported as pension expense. This is the amount by which cost of benefits earned, net of employee contributions exceeded pension contributions.

Cost of Benefits Earned, net of Contributions	(42,820)	
Pension Contributions	<u>25,342</u>	<u>(17,478)</u>

Change in Net Position of Governmental Activities \$ 382,727

CITY OF SKY VALLEY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 930,623	\$ 930,623	\$ 941,066	\$ 10,443
Intangible and Transfer	12,000	12,000	18,120	6,120
Franchise	55,200	55,200	53,531	(1,669)
Beer and Wine	1,100	1,100	899	(201)
Insurance Premium	17,000	17,000	21,684	4,684
Business Taxes	250	250	756	506
Licenses and Permits	12,761	12,761	29,340	16,579
Intergovernmental	35,000	35,000	109,196	74,196
Charges for Services	-	-	-	-
Fines and Forfeitures	14,235	14,235	20,700	6,465
Investment Earnings	6,500	6,500	1,518	(4,982)
Other Revenues	17,040	17,040	16,776	(264)
TOTAL REVENUES	<u>1,101,709</u>	<u>1,101,709</u>	<u>1,213,586</u>	<u>111,877</u>
EXPENDITURES				
Current:				
General Government	345,590	370,590	354,947	15,643
Police and Courts	385,618	465,618	447,870	17,748
Fire	88,294	88,294	88,167	127
Public Works/Streets	236,235	423,897	314,391	109,506
Parks	1,500	1,500	1,295	205
Promotions & Tourism	18,000	18,000	7,642	10,358
Economic Development	18,121	18,121	13,652	4,469
Housing & Development	23,351	23,351	21,298	2,053
Debt Service:				
Principal	-	7,171	7,171	-
Interest	-	811	811	-
TOTAL EXPENDITURES	<u>1,116,709</u>	<u>1,417,353</u>	<u>1,257,244</u>	<u>160,109</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(15,000)</u>	<u>(315,644)</u>	<u>(43,658)</u>	<u>271,986</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Assets	12,000	12,000	4,354	(7,646)
Transfers In	3,000	303,644	11,556	(292,088)
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000</u>	<u>315,644</u>	<u>15,910</u>	<u>(299,734)</u>
NET CHANGE IN FUND BALANCES	-	-	(27,748)	(27,748)
FUND BALANCES - BEGINNING	<u>744,305</u>	<u>745,905</u>	<u>1,058,426</u>	<u>312,521</u>
FUND BALANCES - ENDING	<u>\$ 744,305</u>	<u>\$ 745,905</u>	<u>\$ 1,030,678</u>	<u>\$ 284,773</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SKY VALLEY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020**

	<u>Business-Type Activities - Enterprise Funds Water & Sanitation</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,235,853
Accounts Receivable, net	33,695
Due from Other Funds	-
TOTAL CURRENT ASSETS	<u>1,269,548</u>
NONCURRENT ASSETS	
Capital Assets:	
Land and Improvement	2,222
Depreciable Assets, net of Accumulated Depreciation	2,788,849
TOTAL NONCURRENT ASSETS	<u>2,791,071</u>
TOTAL ASSETS	<u>4,060,619</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Items	36,676
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>36,676</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,097,295</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 2,149
Compensated Absences	5,007
Due to Other Funds	-
Customer Deposits Payable	10,996
Capital Leases Payable	-
Notes Payable	104,086
TOTAL CURRENT LIABILITIES	<u>122,238</u>
NONCURRENT LIABILITIES	
Compensated Absences	153
Capital Leases	-
Notes Payable	1,172,802
Net Pension Liability	70,530
TOTAL NONCURRENT LIABILITIES	<u>1,243,485</u>
TOTAL LIABILITIES	<u>1,365,723</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related Items	5,894
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,894</u>
NET POSITION	
Net Invested in Capital Assets	1,514,183
Restricted for Capital Projects	-
Unrestricted	1,211,495
TOTAL NET POSITION	<u>2,725,678</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,097,295</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SKY VALLEY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

		<u>Business-Type Activities - Enterprise Funds</u> <u>Water & Sanitation</u>
OPERATING REVENUES		
Water Fees	\$	438,719
Sanitation Fees		216,343
TOTAL OPERATING REVENUES		<u>655,062</u>
 OPERATING EXPENSES		
Water		221,065
Sanitation		200,689
Depreciation		160,092
TOTAL OPERATING EXPENSES		<u>581,846</u>
 OPERATING INCOME (LOSS)		<u>73,216</u>
 NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental Revenue		-
Interest and Investment Revenue		1,191
Miscellaneous Revenue (Expenses)		-
Interest Expense		(17,606)
TOTAL NON-OPERATING REVENUES (EXPENSES)		<u>(16,415)</u>
 INCOME (LOSS) BEFORE TRANSFERS		56,801
 Transfers In		-
Transfers Out		-
CHANGE IN NET POSITION		<u>56,801</u>
 NET POSITION - BEGINNING		<u>2,668,877</u>
 NET POSITION - ENDING	<u>\$</u>	<u>2,725,678</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SKY VALLEY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities - Enterprise Funds
	Water and Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 656,274
Payments to Suppliers	(346,574)
Payments to or on Behalf of Employees	(234,100)
NET CASH PROVIDED FOR OPERATING ACTIVITIES	75,600
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers From Other Funds	-
Transfers to Other Funds	-
Loans to Other Funds	-
Loans from Other Funds	-
NET CASH PROVIDED FOR NON-CAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers In From Other Funds	-
Proceeds from Notes Payable	-
Principal Payments on Note Payables	(102,922)
Purchases of Capital Assets	-
Interest Paid	(17,606)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(120,528)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments Redeemed	-
Interest Earned	1,191
NET CASH USED FOR INVESTING ACTIVITIES	1,191
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(43,737)
CASH AND CASH EQUIVALENTS - BEGINNING	1,279,590
CASH AND CASH EQUIVALENTS - ENDING	\$ 1,235,853
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 73,216
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	160,092
Changes in Assets and Liabilities:	
Receivables, net	(2,658)
Due from Other Funds	-
Prepaid Expenses	-
Deferred Outflows for Pension Items	(22,381)
Accounts Payables	(163,953)
Compensated Absences	3,744
Customer Deposit Payables	(62)
Net Pension Liability	31,859
Deferred Inflows for Pension Items	(4,257)
Net Cash Provided by Operating Activities	\$ 75,600

The accompanying notes are an integral part of these financial statements.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Sky Valley, Georgia (the "City") was incorporated, under the laws of the State of Georgia, in 1986 and operates under an elected Mayor-Council form of government. The City provides such services as police protection, fire services, economic development services, parks and recreation amenities, planning and building inspection, municipal court services, public works, water and sewer services, sanitation services, and general and administrative services.

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

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) organizations for which the primary government is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The City has no component units.

GASB 14 defines the foundation of a primary government as its separately elected governing body; one that is elected by the citizens in a general population election. The primary government consists of all of the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The primary government is also financially accountable for legally separate organizations if its officials appoint a voting majority of the organizations governing body and either imposes its will on the organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

The City has no relationships with legally separate organizations that are required to be included in the reporting entity for financial statement purposes. However, fire protection services are provided by an independently organized volunteer group. The City supports this group by paying a quarterly fee for their services.

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect expenses to functions in the statement of activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It is used to account for resources traditionally associated with the City, which are not required legally or by sound financial management to be accounted for in a different fund.

The **SPLOST Capital Projects Fund** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax (SPLOST) proceeds from Rabun County.

The City reports its nonmajor governmental fund in a single column in the fund financial statements.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The City reports the following major enterprise funds:

The ***Water and Sanitation Fund*** accounts for the operation of the water utility system and the activities associated with the collection of residential and commercial garbage. Activity is rendered on a user charge basis and the fund includes all revenues from sources applicable to the system's operations and all expenses of the operation.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis* of accounting, as are the proprietary fund financial statements. 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 in the year for which they are levied. Other taxes are recognized predominately when the underlying transaction occurs. 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 government considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgements are recorded only when payments are due.

Property taxes, franchise taxes, business taxes, charges for services, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues in the current year. All other revenue items are considered to be measurable and available only when cash is received by the City.

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.

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund are charges to customers for goods and services. Operating expenses of the enterprise funds include the costs of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. BUDGETS

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds, except the capital projects funds, which adopt project-length budgets. All appropriations lapse at year end. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not employed by the City.

E. DEPOSITS AND INVESTMENTS

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of 3 months or less from the date of acquisition.

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of 3 months or less are considered to be cash equivalents. Investments are reported at fair value based on quoted market prices.

F. RECEIVABLES

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each fiscal year based on the amount of service provided prior to year-end.

G. INTERFUND RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

H. INVENTORY

The City's policy is to expense parts as they are purchased; therefore, no inventory is recorded.

I. PREPAID ITEMS

Prepaid items consist of certain payments to vendors in which the costs are applicable to future accounting periods. These items are recognized as expenditures during the benefitting period in both the government-wide and fund financial statements.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

J. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are among the largest asset classes of the City. The City reported general infrastructure assets placed into service after January 1, 2003.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two years. Depreciation is recorded on general capital assets on a government-wide basis. Capital outlays of the Proprietary Fund are recorded as capital assets and depreciation is recorded on both the fund basis and the government-wide basis. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized, but charged to operations when incurred. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during 2020.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	5 to 30
Machinery and equipment	5 to 10
Infrastructure	10 to 30
Vehicles	5

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

K. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits up to a maximum of 280 hours. Accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the government fund that will pay it. Amounts of accumulated vacation pay that are not expected to be liquidated with expendable financial resources are reported as long-term liabilities.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the propriety fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or propriety fund statement of net position.

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as expenses when incurred.

M. DEFERRED OUTFLOWS OF RESOURCES/DEFERRED INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The deferred outflow of resources relates to pensions. These amounts are described more fully below.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of deferred inflows of resources which arise under the accrual basis of accounting that relates to pensions and is described below.

The City has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net position liability are recognized as pension expense over time instead of being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members. Changes in actuarial assumption which adjust the

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual returns on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

N. FUND EQUITY AND NET POSITION

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

Fund Balance

In accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes amounts that cannot be spent because they are either (a) not spendable in form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or are (b) legally or contractually required to be maintained intact. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, laws of other governments, or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the City Manager, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds or capital project funds not otherwise classified as non-spendable, restricted, or committed shall constitute assignments of fund balance.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Additionally, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net position reported as net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the use of assets either through enabling legislation adopted by the City Council or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other amounts reported under net position are reported as unrestricted. 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.

O. MANAGEMENT ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to January 1, the department heads submit to the City Council a proposed operating budget for each department for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to December 31, the City Council approves the budget.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

4. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department must be approved by the City Council.

Expenditures may not legally exceed budgeted appropriations at the department level in the General Fund. The enterprise fund adopts a budget at the fund level for management purposes.

NOTE 3 – DEPOSITS

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The City has not formally adopted an investment policy to address interest rate risk.

Credit Risk – The City’s policy is to adhere to the State statutes as it relates to credit risk for investments. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime banker’s acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The State of Georgia requires financial institutions to pledge securities at 110% of a local government’s deposits. At December 31, 2020, all of the deposits of the City were fully collateralized in accordance with state statutes.

Concentration of Credit Risk – The City has no formal policy on the amount the City may invest in any one issuer.

Foreign Currency Risk – The City has no investments denominated in a foreign currency.

NOTE 4 – RECEIVABLES

The City receives property tax assessments from Rabun County, Georgia. Property taxes are levied on property values assessed as of January 1. Tax bills were levied on all real and personal property and mailed to taxpayers in October, and were due and payable on or before January 2020. After that date, both penalty and interest are accrued until the taxes are collected. Property taxes attach

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

an enforceable lien on property as of May 2020. Property taxes are recorded as receivables and deferred revenues when assessed.

Receivables as of December 31, 2020 for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water & Sanitation
Receivables:		
Taxes	\$ 644,645	\$ -
Accounts	-	58,683
Less allowance for		
Uncollectible	-	(24,988)
Net Total Receivables	\$ 644,645	\$ 33,695

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During normal operations, the City will occasionally pay for goods and services or transfer monies between the general and enterprise fund (water and sanitation). All interfund balances are the result of a time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. As of December 31, 2020, there were no interfund receivables and/or payables between the general fund and the water and sanitation fund.

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires them to the fund that statute or budget requires to expend them, and 2) use restricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government wide financial statements if the interfund transfer is within the governmental fund group or business-type group. As of December 31, 2020, there were no interfund transfers between the general fund and the water and sanitation fund.

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land and Improvements	\$ 251,739	\$ -	\$ -	\$ 251,739
Total assets, not being depreciated	<u>251,739</u>	<u>-</u>	<u>-</u>	<u>251,739</u>
Capital assets, being depreciated:				
Buildings	514,400	13,740	-	528,140
Infrastructure	910,833	250,720	-	1,161,553
Machinery & Equipment	297,958	-	(17,100)	280,858
Vehicles	158,166	121,332	(45,821)	233,677
Total assets, being depreciated	<u>1,881,357</u>	<u>385,792</u>	<u>(62,921)</u>	<u>2,204,228</u>
Less accumulated depreciation for:				
Buildings	(184,250)	(25,393)	-	(209,643)
Infrastructure	(90,208)	(30,361)	-	(120,569)
Machinery & Equipment	(222,911)	(23,011)	17,100	(228,822)
Vehicles	(81,731)	(37,594)	35,512	(83,813)
Total accumulated depreciation	<u>(579,100)</u>	<u>(116,359)</u>	<u>52,612</u>	<u>(642,847)</u>
Total assets, being depreciated, net	<u>1,302,257</u>	<u>269,433</u>	<u>(10,309)</u>	<u>1,561,381</u>
Governmental Activities				
Capital Assets, net	<u>\$ 1,553,996</u>	<u>\$ 269,433</u>	<u>\$ (10,309)</u>	<u>\$ 1,813,120</u>

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land and Improvements	\$ 2,222	\$ -	\$ -	\$ 2,222
Total assets, not being depreciated	<u>2,222</u>	<u>-</u>	<u>-</u>	<u>2,222</u>
Capital assets, being depreciated:				
Buildings & Improvements	17,500	-	-	17,500
Machinery & Equipment	218,795	-	-	218,795
Vehicles	85,560	-	-	85,560
Infrastructure	5,190,138	-	-	5,190,138
Total assets, being depreciated	<u>5,511,993</u>	<u>-</u>	<u>-</u>	<u>5,511,993</u>
Less accumulated depreciation for:				
Buildings & Improvements	(17,500)	-	-	(17,500)
Machinery & Equipment	(118,775)	(20,350)	-	(139,125)
Vehicles	(62,295)	(4,898)	-	(67,193)
Infrastructure	(2,364,482)	(134,844)	-	(2,499,326)
Total accumulated depreciation	<u>(2,563,052)</u>	<u>(160,092)</u>	<u>-</u>	<u>(2,723,144)</u>
Total assets, being depreciated, net	<u>2,948,941</u>	<u>(160,092)</u>	<u>-</u>	<u>2,788,849</u>
Business-Type Activities				
Capital Assets, net	<u>\$ 2,951,163</u>	<u>\$ (160,092)</u>	<u>\$ -</u>	<u>\$ 2,791,071</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 14,169
Public Safety:	
Police and Courts	28,356
Public Works/Streets	61,706
Parks	5,195
Housing & Development	6,933
Total Depreciation Expense, Governmental Activities	<u>\$ 116,359</u>

Business-type Activities:

Water	\$ 144,684
Sanitation	15,408
Total Depreciation Expense, Business-type Activities	<u>\$ 160,092</u>

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 – LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 22,281	\$ 1,435	\$ -	\$ 23,716	\$ 12,561
Capital Leases	28,971	-	(7,171)	21,800	6,926
Net Pension Liability	129,462	106,660	-	236,122	-
Governmental Activities					
Long-term Liabilities	<u>\$ 180,714</u>	<u>\$ 108,095</u>	<u>\$ (7,171)</u>	<u>\$ 281,638</u>	<u>\$ 19,487</u>
Business-Type Activities:					
Compensated Absences	\$ 1,416	\$ 3,744	\$ -	\$ 5,160	\$ 5,007
Notes Payable	1,379,810	-	(102,922)	1,276,888	104,086
Net Pension Liability	38,671	31,859	-	70,530	-
Business-Type Activities					
Long-term Liabilities	<u>\$ 1,419,897</u>	<u>\$ 35,603</u>	<u>\$ (102,922)</u>	<u>\$ 1,352,578</u>	<u>\$ 109,093</u>

The General Fund typically liquidates the capital lease obligations. The compensated absence and net pension liability obligations are liquidated by the General Fund and the Water/Sanitation Fund. The Water/Sanitation Fund typically liquidates the notes payable.

Governmental Activities

The City has entered into a lease agreement as lessee. The lease, obtained in 2019, is for financing the acquisition of a patrol car and its upgrades in the original amount of \$36,953 plus an additional \$70 which the City paid. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. Amortization expense on the capital lease is included in depreciation expense.

The assets acquired through this capital lease is as follows:

Date	Type	Rate	Amount	Less Accumulated Depreciation	Total
8/23/2019	Vehicle	4.74%	\$ 37,023	\$ (9,256)	\$ 27,767
Total			<u>\$ 37,023</u>	<u>\$ (9,256)</u>	<u>\$ 27,767</u>

The City's balance of the capital lease payable outstanding as of December 31, 2020, is shown below:

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Lease	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
Magnolia Bank	4.74%	3/1/2023	\$ 28,971	\$ -	\$ (7,171)	\$ 21,800
Total Capital Lease Payable			<u>\$ 28,971</u>	<u>\$ -</u>	<u>\$ (7,171)</u>	<u>\$ 21,800</u>

The future annual requirements to amortize this capital lease obligation as of December 31, 2020 is as follows:

Year Ending December 31	Principal	Interest	Total
2021	\$ 6,926	\$ 1,056	\$ 7,982
2022	7,261	721	7,982
2023	7,613	369	7,982
Total	<u>\$ 21,800</u>	<u>\$ 2,146</u>	<u>\$ 23,946</u>

Business-Type Activities

Note Payables

The City's water and sanitation fund has two Georgia Environmental Finance Authority (GEFA) loans to improve and renovate portions of the water system. Note payables outstanding as of December 31, 2020 are as follows:

Loan	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
GEFA DW09024	0.00%	12/1/2031	\$ 775,488	\$ -	\$ (64,624)	\$ 710,864
GEFA DW10018	3.00%	1/1/2033	604,322	-	(38,298)	566,024
Total Notes Payable			<u>\$ 1,379,810</u>	<u>\$ -</u>	<u>\$ (102,922)</u>	<u>\$ 1,276,888</u>

Annual debt service requirements to maturity for the note payables are as follows:

Year Ending December 31	Principal	Interest	Total
2021	\$ 104,086	\$ 16,441	\$ 120,527
2022	105,287	15,241	120,528
2023	106,523	14,004	120,527
2024	107,798	12,730	120,528
2025	109,111	11,416	120,527
2026-2030	566,694	35,943	602,637
2031-2033	177,389	3,702	181,091
Total	<u>\$ 1,276,888</u>	<u>\$ 109,477</u>	<u>\$ 1,386,365</u>

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 8 – PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan (The City of Sky Valley Retirement Plan), covering substantially all of the City’s employees. The City’s pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404)688-0472.

The City Council, in its role as Plan Sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. All employees, excluding elected officials, who work thirty hours or more per week are eligible to participate in the Plan immediately upon hiring, but will not be vested until 5 years of service. Benefits are provided by the Plan whereby retirees receive 1.25% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. Death benefits are calculated using an actuarial reserve.

As of July 1, 2020, the date the most recent actuarial valuation, there were 32 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	7
Terminated vested participants not yet receiving benefits	11
Active employees - Vested	7
Active employees - Non-vested	7
Total	<u>32</u>

Funding Policy

The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For fiscal year 2020, the actuarially determined contribution rate was 7.48% of covered payroll. City contributions to the Plan were \$32,913 for the year ended December 31, 2020. Employees of the City do not contribute to the plan. For fiscal year 2021, based on July 1, 2020 actuarial valuation, the recommended contribution rate will be 7.93%.

Net Pension Liability of the City

At December 31, 2020, the City reported a liability of \$306,652 for its net pension liability. The City's net pension liability was measured as of July 1, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2020 with update procedures performed by the actuary to roll forward to the total pension liability measured as of July 1, 2020.

The changes in the components of the net pension liability of the City for the year ended December 31, 2020 were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2019	\$ 750,358	\$ 582,225	\$ 168,133
Changes for the Year:			
Service Cost	15,310	-	15,310
Interest	55,992	-	55,992
Differences Between Expected and Actual Experience	57,329	-	57,329
Contributions - Employer	-	47,715	(47,715)
Net Investment Income	-	(41,694)	41,694
Benefit Payments (Including Refunds of Employee Contributions)	(38,208)	(38,208)	-
Administrative Expense	-	(4,213)	4,213
Other	11,696	-	11,696
Net Changes	<u>102,119</u>	<u>(36,400)</u>	<u>138,519</u>
Balances at December 31, 2020	<u>\$ 852,477</u>	<u>\$ 545,825</u>	<u>\$ 306,652</u>

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the City recognized pension expense of \$55,611. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 56,222	\$ (25,626)
Changes of Assumptions	11,486	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	67,070	-
City Contributions Subsequent to the Measurement Date	24,684	-
Total	\$ 159,462	\$ (25,626)

City contributions subsequent to the measurement date of \$24,684 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	
2021	\$ 32,240
2022	20,980
2023	38,820
2024	17,112
Total	\$ 109,152

Actuarial Assumptions

The total pension liability in the March 31, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation		2.25%
Salary Increases		3.00% - 8.50%, including inflation
Investment Rate of Return	7.375%, net of pension plan investment expense, including inflation	

Mortality rates were based on the Sex-distinct Pri-2012 head-count weighted mortality tables with rates multiplied by 1.25.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	45%	6.41%
International Equity	20%	6.96%
Global Fixed Income	5%	3.06%
Domestic Fixed Income	20%	1.96%
Real Estate	10%	4.76%
Cash	0%	
Total	<u>100%</u>	

* Rates shown are net of the 2.25% assumed rate of inflation

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

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.375%, as well as what the City's net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.375%) and 1 percentage point higher (8.375%) than the current rate.

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

	1% Decrease (6.375%)	Discount Rate (7.375%)	1% Increase (8.375%)
City's Net Pension Liability	\$ 425,984	\$ 306,652	\$ 207,874

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2020 and the current sharing pattern of costs between employer and employee.

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

NOTE 9 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues thereto. Membership in a GMRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of a regional commission. GMRC 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 the GMRC. Separate financial statements may be obtained from the Georgia Mountains Regional Commission, P.O. Box 1720, Gainesville, Georgia 30503.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

investigation, settlement discussions, and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are 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 worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three (3) years have not exceeded insurance coverage.

NOTE 11 - CONTINGENT LIABILITIES

Litigation

The City is involved in pending lawsuits in the normal course of the City's business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies

The City has received grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 12 - HOTEL/MOTEL OCCUPANCY TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax is assessed at 5% and, in accordance with O.C.G.A. 48-13-51, the City is required to spend at least 40% of this amount for promoting tourism, conventions, trade show and tourism product development. Revenues were \$27,975 for the year ended December 31, 2020. Of this amount, 40%, or \$11,190, was used to promote tourism.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SKY VALLEY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS
December 31, 2020
(Unaudited)

	Fiscal Year End					
	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Cost	\$ 15,310	\$ 19,698	\$ 14,295	\$ 15,174	\$ 13,871	\$ 19,223
Interest	55,992	57,259	51,003	50,703	48,377	46,961
Differences Between Expected and Actual Experience	57,329	(51,253)	48,147	(22,782)	7,131	(11,881)
Changes of Assumptions	11,696	-	-	-	-	1,464
Changes of Benefit Terms	-	-	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(38,208)	(38,208)	(39,077)	(39,367)	(39,367)	(35,634)
Other	-	-	10,854	-	-	-
Net Change in Total Pension Liability	<u>102,119</u>	<u>(12,504)</u>	<u>85,222</u>	<u>3,728</u>	<u>30,012</u>	<u>20,133</u>
Total Pension Liability, Beginning	750,358	762,862	677,640	673,912	643,900	623,767
Total Pension Liability, Ending (a)	<u>\$ 852,477</u>	<u>\$ 750,358</u>	<u>\$ 762,862</u>	<u>\$ 677,640</u>	<u>\$ 673,912</u>	<u>\$ 643,900</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 47,715	\$ 19,888	\$ 30,650	\$ 27,164	\$ 30,273	\$ 39,625
Net Investment Income	(41,694)	20,693	65,767	60,455	1,577	44,066
Benefit Payments, Including Refunds of Employee Contributions	(38,208)	(38,208)	(39,077)	(39,367)	(39,367)	(35,634)
Administrative Expense	(4,213)	(4,001)	(3,948)	(4,054)	(2,637)	(2,303)
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>(36,400)</u>	<u>(1,628)</u>	<u>53,392</u>	<u>44,198</u>	<u>(10,154)</u>	<u>45,754</u>
Plan Fiduciary Net Position, Beginning	582,225	583,853	530,461	486,263	496,417	450,663
Plan Fiduciary Net Position, Ending (b)	<u>\$ 545,825</u>	<u>\$ 582,225</u>	<u>\$ 583,853</u>	<u>\$ 530,461</u>	<u>\$ 486,263</u>	<u>\$ 496,417</u>
City's Net Pension Liability, Ending (a) - (b)	<u>\$ 306,652</u>	<u>\$ 168,133</u>	<u>\$ 179,009</u>	<u>\$ 147,179</u>	<u>\$ 187,649</u>	<u>\$ 147,483</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.03%	77.59%	76.53%	78.28%	72.16%	77.10%
Covered-Employee Payroll	\$ 554,167	\$ 419,064	\$ 520,449	\$ 381,400	\$ 460,417	\$ 430,063
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	55.34%	40.12%	34.40%	38.59%	40.76%	34.29%

Note: Fiscal year 2015 was the first year of implementation. Therefore, years prior to 2015 are not reported.

CITY OF SKY VALLEY, GEORGIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 LAST 10 FISCAL YEARS
 December 31, 2020
 (Unaudited)

	Fiscal Year End					
	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 32,913	\$ 39,487	\$ 26,517	\$ 28,825	\$ 26,832	\$ 34,401
Contributions in Relation of the Actuarially Determined Contribution	32,913	39,487	26,517	26,589	31,935	31,534
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,236</u>	<u>\$ (5,103)</u>	<u>\$ 2,867</u>
Covered-Employee Payroll	\$ 554,167	\$ 419,064	\$ 520,449	\$ 381,400	\$ 460,417	\$ 430,063
Contributions as a Percentage of Covered-Employee Payroll	5.94%	9.42%	5.10%	6.97%	6.94%	7.33%

Actual 2020 information will be determined after the fiscal year end and will be included in the July 2021 valuation report.

Note: Fiscal year 2015 was the first year of implementation. Therefore, years prior to 2015 are not reported.

CITY OF SKY VALLEY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1

Valuation Date

The actuarially determined contribution was determined as of July 1, 2020, with an interest adjustment to the fiscal year. Contributions in relations to this actuarially determined contribution will be reported for the fiscal year ending December 31, 2021.

NOTE 2

Significant methods and assumptions used in calculating the actuarially determined calculations are as follows:

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 12 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	65
Mortality Rates	
Healthy retirees and beneficiaries	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25
Disabled participants	Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25
Active participants, terminated vested participants, and deferred beneficiaries	Sex-distinct Pri-2012 head-count weighted Employee Mortality Table
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

NOTE 3

Changes in Benefits

There were no changes in benefit provisions in the last two fiscal years.

CITY OF SKY VALLEY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4

Changes in Assumptions

Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on actuarial study conducted in November and December of 2019:

- The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.
- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previous future mortality improvements were not explicitly projected.
- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.
- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.
- Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.
- Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.
- Where normal retirement is available at age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.
- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.
- The disability rates were changed to 50% of the rates in the prior age-based table.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scaled starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.
- The investment return assumption was decreased from 7.50% to 7.375%.

SUPPLEMENTARY INFORMATION

CITY OF SKY VALLEY, GEORGIA
 SCHEDULE OF EXPENDITURES OF
 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures	Estimated Percentage of Completion
RABUN COUNTY SPLOST '19						
Roads	\$ 240,000	\$ 240,000	\$ -	\$ 232,416	\$ 232,416	97%
Equipment	100,000	100,000	-		-	0%
Buildings	50,000	50,000	-		-	0%
TOTAL RABUN COUNTY SPLOST	<u>\$ 390,000</u>	<u>\$ 390,000</u>	<u>\$ -</u>	<u>\$ 232,416</u>	<u>\$ 232,416</u>	

COMPLIANCE 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 Standards

Honorable Mayor, Members of the
City Council and City Manager
Of the City of Sky Valley, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of City of Sky Valley, Georgia (the "City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-1 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Sky Valley, Georgia's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mixon, Mixon, Brown & Tench, CPAs

Mixon, Mixon, Brown & Tench, CPAs
Cornelia, Georgia
September 29, 2021

**CITY OF SKY VALLEY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section I – Summary of Audit Results

Financial Statements

Type of Auditor's Report Issued:	Unmodified	
Internal Control over Financial Reporting:		
Material Weaknesses Identified?	<u> X </u> Yes	<u> </u> No
Significant Deficiencies Identified not considered		
Material Weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance Material to Financial Statements		
Noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

There was not an audit of major federal programs for the year ended December 31, 2020, due to the total amount expended being less than \$750,000.

Section II – Financial Statement Findings and Responses

Current Year Findings

Finding 2020-1 - Bank Reconciliations

Criteria: To ensure proper financial reporting and safeguarding of assets, transactions should be reported in the general ledger and reconciled in a timely manner.

Condition: Some transactions were not entered into the City's general ledger until after month end, and bank reconciliations for October, November, and December were not performed in a timely manner.

Cause: Due to the resignation of the City Manager, bank reconciliations were not being performed in a timely manner from October through December of 2020. The October and November reconciliations were completed in December and the December reconciliations for some accounts were not completed until May of 2021. Although the City hired external assistance with its bank reconciliations, delays in reconciling were experienced due to some transactions not having been entered into the proper period.

Effect: Failure to reconcile transactions in a timely manner exposes the City to greater risk of loss due to fraud or error and may lead to financial statements that are materially misstated.

Recommendation: While this condition is due to temporary circumstances, the City should evaluate its monitoring and oversight of this area and ensure City staff is following through with

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

daily close procedures so that transactions are entered into the general ledger in the appropriate period.

Auditee's Response: We agree with the auditor's comments, and moving forward the City of Sky Valley will make sure bank reconciliations are performed timely (by or before the 15th of the month) and with the following security protocols: Transactions shall be input into our financial software system daily. Furthermore, the ability to backdate transactions or reopen previous accounting periods shall be limited to the City Manager and/or require City Manager prior approval before staff can do so. Additionally, bank reconciliation's shall include the payroll clearing fund and the claims clearing fund.

Status of Prior Year Audit Findings

Finding 2019-1 – Budgetary Expenditures in Excess of Appropriations

Criteria: Georgia statute, O.C.G.A. 36-81-3, prohibits governmental expenditures in excess of appropriated budgets at the legal level of control.

Condition: For the year ended December 31, 2019, the City did not make the appropriate budget amendments for one of the City's departments.

Auditee's Response/Status: Resolved.

Finding 2019-2 - Inadequate Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the City's assets and ensure accurate financial reporting.

Condition: The size of the City's accounting and administrative staff preclude internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. From January – April, one individual was responsible for the cash receipts process for taxes and utility billing and one individual was responsible for payroll/cash disbursement process.

Auditee's Response/Status: Resolved.

Finding 2019-3 - Bank Reconciliations are not being performed in a timely manner.

Criteria: To ensure proper financial reporting and safeguarding of assets, transactions should be reconciled in a timely manner.

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Condition: Bank reconciliations for January – July were not performed in a timely manner.

Auditee's Response/Status: Not corrected. See current year financial audit finding 2020-1.