
CITY OF SKY VALLEY, GEORGIA

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2023

**CITY OF SKY VALLEY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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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 Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sky Valley, Georgia (the "City") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sky Valley, Georgia, as of December 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements,

the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds, and the Schedule of Expenditures of Transportation Special Purpose Local Option Sales Tax Proceeds, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued or report dated June 28, 2024 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mixon, Mixon, Brown & Tench, CPAs

Mixon, Mixon, Brown & Tench, CPAs
Cornelia, Georgia
June 28, 2024

BASIC FINANCIAL STATEMENTS

CITY OF SKY VALLEY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and Cash Equivalents	\$ 2,234,287	\$ 1,460,332	\$ 3,694,619
Receivables, net			
Accounts	-	34,104	34,104
Taxes	566,947	-	566,947
Due From Other Governments	51,839	-	51,839
Internal Balances	-	-	-
Prepaid Items	-	-	-
Capital Assets:			
Land, Improvements, and Construction in Progress	251,739	2,222	253,961
Other Capital Assets, net of Depreciation	2,306,944	2,412,002	4,718,946
Total Assets	<u>5,411,756</u>	<u>3,908,660</u>	<u>9,320,416</u>
Deferred Outflows of Resources			
Pension Related Items	62,495	18,667	81,162
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,474,251</u>	<u>\$ 3,927,327</u>	<u>\$ 9,401,578</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities			
Accounts Payable	\$ 53,223	\$ 184,101	\$ 237,324
Accrued Liabilities	-	-	-
Unearned Property Tax Revenue	984,461	-	984,461
Customer Deposits Payable	-	12,415	12,415
Compensated Absences:			
Due Within One Year	19,576	10,637	30,213
Due Beyond One Year	26,307	12,818	39,125
Financed Purchases:			
Due Within One Year	-	-	-
Due Beyond One Year	-	-	-
Notes Payable:			
Due Within One Year	-	107,798	107,798
Due Beyond One Year	-	853,194	853,194
Net Pension Liability, Due Beyond One Year	167,507	50,034	217,541
Total Liabilities	<u>1,251,074</u>	<u>1,230,997</u>	<u>2,482,071</u>
Deferred Inflows of Resources			
Pension Related Items	11,975	3,577	15,552
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,263,049</u>	<u>1,234,574</u>	<u>2,497,623</u>
NET POSITION			
Net Invested in Capital Assets	2,558,683	1,453,232	4,011,915
Restricted for:			
Capital Projects	565,154	-	565,154
Grants	-	-	-
Tourism	62,697	-	62,697
Unrestricted Net Position	1,024,668	1,239,521	2,264,189
Total Net Position	<u>4,211,202</u>	<u>2,692,753</u>	<u>6,903,955</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,474,251</u>	<u>\$ 3,927,327</u>	<u>\$ 9,401,578</u>

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, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government							
Governmental Activities							
General Government	\$ 520,589	\$ 5,597	\$ 400	\$ 646,825	\$ 132,233	\$ -	\$ 132,233
Public Safety:							
Fire	116,837	-	-	-	(116,837)	-	(116,837)
Police and Courts	487,042	47,708	6,100	-	(433,234)	-	(433,234)
Public Works/Streets	384,461	-	79,820	-	(304,641)	-	(304,641)
Community Development:							
Parks	5,194	-	-	-	(5,194)	-	(5,194)
Promotions & Tourism	73,313	2,050	-	-	(71,263)	-	(71,263)
Economic Development	23,326	-	15,000	-	(8,326)	-	(8,326)
Housing & Development	56,888	28,933	-	-	(27,955)	-	(27,955)
Interest on Long-Term Debt	369	-	-	-	(369)	-	(369)
Total Governmental Activities	<u>1,668,019</u>	<u>84,288</u>	<u>101,320</u>	<u>646,825</u>	<u>(835,586)</u>	<u>-</u>	<u>(835,586)</u>
Business-Type Activities							
Water	636,911	513,626	-	-	-	(123,285)	(123,285)
Sanitation	185,162	217,083	-	-	-	31,921	31,921
Total Business-Type Activities	<u>822,073</u>	<u>730,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,364)</u>	<u>(91,364)</u>
Total Primary Government	<u>\$ 2,490,092</u>	<u>\$ 814,997</u>	<u>\$ 101,320</u>	<u>\$ 646,825</u>	<u>(835,586)</u>	<u>(91,364)</u>	<u>(926,950)</u>

General Revenues

Taxes:

Property	1,033,941	-	1,033,941
Intangible and Transfer	17,345	-	17,345
Franchise	61,249	-	61,249
Beer and Wine	1,443	-	1,443
Insurance Premium	42,932	-	42,932
Business Taxes	800	-	800
Hotel/Motel Taxes	104,848	-	104,848
Unrestricted Investment Earnings	49,937	49,926	99,863
Miscellaneous	67,297	-	67,297
Gain on Sale of Assets	22,278	-	22,278
Insurance Refunds and Recoveries	23,330	-	23,330
Transfers	-	-	-
Total General Revenues and Transfers	<u>1,425,400</u>	<u>49,926</u>	<u>1,451,996</u>
Change in Net Position	589,814	(41,438)	548,376

Net Position - Beginning

Net Position - Ending

3,621,388	2,734,191	6,355,579
<u>\$ 4,211,202</u>	<u>\$ 2,692,753</u>	<u>\$ 6,903,955</u>

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

CITY OF SKY VALLEY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	Major Governmental Funds				Total Governmental Funds
	General Fund	SPLOST Capital Projects Fund	TSPLOST Capital Projects Fund	Nonmajor Governmental Funds	
ASSETS					
Cash and Cash Equivalents	\$ 1,614,422	\$ -	\$ 513,315	\$ 106,550	\$ 2,234,287
Receivables, net	566,947	-	-	-	566,947
Intergovernmental Receivables	-	-	51,839	-	51,839
Due From Other Funds	-	-	-	-	-
Prepaid Items	-	-	-	-	-
TOTAL ASSETS	<u>\$ 2,181,369</u>	<u>\$ -</u>	<u>\$ 565,154</u>	<u>\$ 106,550</u>	<u>\$ 2,853,073</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 9,370	\$ -	\$ -	\$ 43,853	\$ 53,223
Accrued Liabilities	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Unearned Property Tax Revenue	984,461	-	-	-	984,461
TOTAL LIABILITIES	<u>993,831</u>	<u>-</u>	<u>-</u>	<u>43,853</u>	<u>1,037,684</u>
FUND BALANCES					
Non-Spendable:	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Restricted for:	-	-	-	-	-
Capital Projects	-	-	565,154	-	565,154
Grant Purposes	-	-	-	-	-
Tourism	-	-	-	62,697	62,697
Unassigned Reported in:	-	-	-	-	-
General Fund	1,187,538	-	-	-	1,187,538
TOTAL FUND BALANCES	<u>1,187,538</u>	<u>-</u>	<u>565,154</u>	<u>62,697</u>	<u>1,815,389</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,181,369</u>	<u>\$ -</u>	<u>\$ 565,154</u>	<u>\$ 106,550</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.	2,558,683
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:	
Compensated Absences	(45,883)
Financed Purchases	-
Net Pension Liability	(167,507)
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	62,495
Deferred Inflows of Resources	(11,975)
Net Position of Governmental Activities	<u>\$ 4,211,202</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, 2023

	<u>Major Governmental Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>TSPLOST Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
REVENUES					
Taxes:					
Property	\$ 1,033,941	\$ -	\$ -	\$ -	\$ 1,033,941
Intangible and Transfer	17,345	-	-	-	17,345
Franchise	61,249	-	-	-	61,249
Beer and Wine	1,443	-	-	-	1,443
Insurance Premiums	42,932	-	-	-	42,932
Business Taxes	800	-	-	-	800
Hotel/Motel Taxes	-	-	-	104,848	104,848
Licenses and Permits	34,530	-	-	-	34,530
Intergovernmental	101,320	505	633,117	-	734,942
Charges for Services	-	-	-	-	-
Fines and Forfeitures	47,708	-	-	-	47,708
Event Admission Fees	2,050	-	-	-	2,050
Investment Earnings	47,667	974	12,229	2,270	63,140
Miscellaneous	67,297	-	-	-	67,297
TOTAL REVENUES	<u>1,458,282</u>	<u>1,479</u>	<u>645,346</u>	<u>107,118</u>	<u>2,212,225</u>
EXPENDITURES					
Current:					
General Government	472,987	48,851	-	-	521,838
Police and Courts	458,024	30,746	-	-	488,770
Fire	116,837	-	-	-	116,837
Public Works/Streets	256,952	-	443,300	1,506	701,758
Parks	-	-	-	-	-
Promotions & Tourism	29,460	-	-	43,853	73,313
Economic Development	23,326	-	-	-	23,326
Housing & Development	66,699	-	-	-	66,699
Debt Service:					
Principal	7,613	-	-	-	7,613
Interest	369	-	-	-	369
TOTAL EXPENDITURES	<u>1,432,267</u>	<u>79,597</u>	<u>443,300</u>	<u>45,359</u>	<u>2,000,523</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>26,015</u>	<u>(78,118)</u>	<u>202,046</u>	<u>61,759</u>	<u>211,702</u>
OTHER FINANCING SOURCES AND USES					
Proceeds From Sale of Assets	22,278	-	-	-	22,278
Insurance Refunds and Recoveries	23,330	-	-	-	23,330
Transfers In	59,853	-	-	-	59,853
Transfers Out	-	-	-	(59,853)	(59,853)
TOTAL OTHER FINANCING SOURCES AND USES	<u>105,461</u>	<u>-</u>	<u>-</u>	<u>(59,853)</u>	<u>45,608</u>
NET CHANGES IN FUND BALANCES	<u>131,476</u>	<u>(78,118)</u>	<u>202,046</u>	<u>1,906</u>	<u>257,310</u>
FUND BALANCES - BEGINNING	<u>1,056,062</u>	<u>78,118</u>	<u>363,108</u>	<u>60,791</u>	<u>1,558,079</u>
FUND BALANCES - ENDING	<u>\$ 1,187,538</u>	<u>\$ -</u>	<u>\$ 565,154</u>	<u>\$ 62,697</u>	<u>\$ 1,815,389</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 257,310

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	\$ 517,315	
Depreciation Expense	<u>(169,413)</u>	347,902

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 Financed Purchases	-	
Principal Payments on Financed Purchases	<u>7,613</u>	7,613

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		(13,894)
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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	(46,741)	
Pension Contributions	<u>37,624</u>	<u>(9,117)</u>

Change in Net Position of Governmental Activities \$ 589,814

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, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,028,426	\$ 1,028,426	\$ 1,033,941	\$ 5,515
Intangible and Transfer	34,000	34,000	17,345	(16,655)
Franchise	50,000	50,000	61,249	11,249
Beer and Wine	1,000	1,000	1,443	443
Insurance Premium	22,300	22,300	42,932	20,632
Business Taxes	800	800	800	-
Licenses and Permits	33,010	33,010	34,530	1,520
Intergovernmental	33,918	33,918	101,320	67,402
Charges for Services	-	-	-	-
Fines and Forfeitures	42,000	42,000	47,708	5,708
Event Admission Fees	-	-	2,050	-
Investment Earnings	1,500	47,667	47,667	-
Other Revenues	12,000	46,568	67,297	20,729
TOTAL REVENUES	<u>1,258,954</u>	<u>1,339,689</u>	<u>1,458,282</u>	<u>116,543</u>
EXPENDITURES				
Current:				
General Government	404,279	472,987	472,987	-
Police and Courts	450,280	458,024	458,024	-
Fire	116,838	116,837	116,837	-
Public Works/Streets	267,847	256,952	256,952	-
Parks	-	-	-	-
Promotions & Tourism	28,048	29,460	29,460	-
Economic Development	5,000	23,326	23,326	-
Housing & Development	25,680	66,699	66,699	-
Debt Service:				
Principal	7,261	7,613	7,613	-
Interest	721	369	369	-
TOTAL EXPENDITURES	<u>1,305,954</u>	<u>1,432,267</u>	<u>1,432,267</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(47,000)</u>	<u>(92,578)</u>	<u>26,015</u>	<u>116,543</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Assets	-	22,278	22,278	-
Insurance Refunds and Recoveries	-	23,300	23,330	-
Transfers In	47,000	47,000	59,853	12,853
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>47,000</u>	<u>92,578</u>	<u>105,461</u>	<u>12,883</u>
NET CHANGE IN FUND BALANCES	-	-	131,476	131,476
FUND BALANCES - BEGINNING	<u>744,305</u>	<u>745,905</u>	<u>1,056,062</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 744,305</u>	<u>\$ 745,905</u>	<u>\$ 1,187,538</u>	<u>\$ 131,476</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, 2023

	Water Fund	Sanitation Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,176,729	\$ 283,603	\$ 1,460,332
Accounts Receivable, net	17,788	16,316	34,104
Due from Other Funds	-	-	-
Prepaid Items	-	-	-
TOTAL CURRENT ASSETS	1,194,517	299,919	1,494,436
NONCURRENT ASSETS			
Capital Assets:			
Land and Improvement	2,222	-	2,222
Depreciable Assets, net of Accumulated Depreciation	2,390,825	21,177	2,412,002
TOTAL NONCURRENT ASSETS	2,393,047	21,177	2,414,224
TOTAL ASSETS	3,587,564	321,096	3,908,660
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	10,640	8,027	18,667
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,640	8,027	18,667
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,598,204	\$ 329,123	\$ 3,927,327
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 139,359	\$ 44,742	\$ 184,101
Compensated Absences	8,018	2,619	10,637
Due to Other Funds	-	-	-
Customer Deposits Payable	10,526	1,889	12,415
Notes Payable	107,798	-	107,798
TOTAL CURRENT LIABILITIES	265,701	49,250	314,951
NONCURRENT LIABILITIES			
Compensated Absences	10,823	1,995	12,818
Notes Payable	853,194	-	853,194
Net Pension Liability	28,520	21,514	50,034
TOTAL NONCURRENT LIABILITIES	892,537	23,509	916,046
TOTAL LIABILITIES	1,158,238	72,759	1,230,997
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	2,039	1,538	3,577
TOTAL DEFERRED INFLOWS OF RESOURCES	2,039	1,538	3,577
NET POSITION			
Net Invested in Capital Assets	1,432,055	21,177	1,453,232
Restricted for Capital Projects	-	-	-
Unrestricted	1,005,872	233,649	1,239,521
TOTAL NET POSITION	2,437,927	254,826	2,692,753
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 3,598,204	\$ 329,123	\$ 3,927,327

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, 2023

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
OPERATING REVENUES			
Water Fees	\$ 513,626	\$ -	\$ 513,626
Sanitation Fees	-	217,083	217,083
TOTAL OPERATING REVENUES	<u>513,626</u>	<u>217,083</u>	<u>730,709</u>
OPERATING EXPENSES			
Personnel Services and Benefits	191,152	96,217	287,369
Purchased and Contracted Services	108,637	57,432	166,069
Supplies and Equipment	162,138	14,935	177,073
Depreciation	160,980	16,578	177,558
TOTAL OPERATING EXPENSES	<u>622,907</u>	<u>185,162</u>	<u>808,069</u>
OPERATING INCOME (LOSS)	<u>(109,281)</u>	<u>31,921</u>	<u>(77,360)</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental Revenue	-	-	-
Interest and Investment Revenue	49,926	-	49,926
Miscellaneous Revenue (Expenses)	-	-	-
Interest Expense	(14,004)	-	(14,004)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>35,922</u>	<u>-</u>	<u>35,922</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(73,359)</u>	<u>31,921</u>	<u>(41,438)</u>
Transfers In	-	-	-
Transfers Out	-	-	-
CHANGE IN NET POSITION	<u>(73,359)</u>	<u>31,921</u>	<u>(41,438)</u>
NET POSITION - BEGINNING	<u>2,511,286</u>	<u>222,905</u>	<u>2,734,191</u>
NET POSITION - ENDING	<u>\$ 2,437,927</u>	<u>\$ 254,826</u>	<u>\$ 2,692,753</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, 2023

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 530,215	\$ 220,135	\$ 750,350
Payments to Suppliers	(260,282)	(77,804)	(338,086)
Payments to or on Behalf of Employees	(178,556)	(93,008)	(271,564)
NET CASH PROVIDED FOR OPERATING ACTIVITIES	<u>91,377</u>	<u>49,323</u>	<u>140,700</u>
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	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers In From Other Funds	-	-	-
Proceeds from Notes Payable	-	-	-
Principal Payments on Note Payables	(106,523)	-	(106,523)
Purchases of Capital Assets	(91,858)	(7,022)	(98,880)
Interest Paid	(14,004)	-	(14,004)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(212,385)</u>	<u>(7,022)</u>	<u>(219,407)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments Redeemed	-	-	-
Interest Earned	49,926	-	49,926
NET CASH USED FOR INVESTING ACTIVITIES	<u>49,926</u>	<u>-</u>	<u>49,926</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(71,082)	42,301	(28,781)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,247,811</u>	<u>241,302</u>	<u>1,489,113</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,176,729</u>	<u>\$ 283,603</u>	<u>\$ 1,460,332</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (109,281)	\$ 31,921	\$ (77,360)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation Expense	160,980	16,578	177,558
(Increase) decrease in assets and deferred outflows of resources:			
Receivables, net	11,452	1,147	12,599
Due from Other Funds	-	-	-
Prepaid Expenses	-	-	-
Deferred Outflows for Pension Items	5,577	(8,027)	(2,450)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts Payables	18,084	(5,437)	12,647
Compensated Absences	11,056	2,013	13,069
Customer Deposit Payables	(1,310)	775	(535)
Net Pension Liability	11,680	8,815	20,495
Deferred Inflows for Pension Items	(16,861)	1,538	(15,323)
Net Cash Provided by Operating Activities	<u>\$ 91,377</u>	<u>\$ 49,323</u>	<u>\$ 140,700</u>

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

CITY OF SKY VALLEY, GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2023

	<u>Municipal Court Fund</u>
ASSETS	
Cash	\$ 1,918
TOTAL ASSETS	<u>\$ 1,918</u>
LIABILITIES	
Due to Others	\$ -
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Restricted:	
Individuals, Organizations, and Other Governments	<u>1,918</u>
TOTAL NET POSITION	<u>1,918</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,918</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Municipal Court Fund</u>	
ADDITIONS		
Fines and Forfeitures	\$	27,831
Interest		373
TOTAL ADDITIONS		<u>28,204</u>
DEDUCTIONS		
Payments to Other Governments		31,845
Other Custodial Disbursements		963
TOTAL DEDUCTIONS		<u>32,808</u>
CHANGE IN FIDUCIARY NET POSITION		(4,604)
NET POSITION - BEGINNING OF YEAR		<u>6,522</u>
NET POSITION - END OF YEAR	\$	<u>1,918</u>

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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sky Valley, Georgia (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.

A. REPORTING ENTITY

The City was incorporated, under the laws of the State of Georgia, in 1978 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.

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, 2023**

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 another fund.

The **SPLOST (Special Purpose Local Option Sales Tax) Fund** is used to account for the proceeds of a sales tax levied in Rabun County, Georgia, which will be used by the City for the exclusive purpose of capital outlay projects in the voter approved referendum.

The **TSPLOST (Transportation Special Purpose Local Option Sales Tax) Fund** is used to account for the proceeds of a sales tax levied in Rabun County, Georgia, which will be used by the City for the exclusive purpose of capital outlay transportation projects in the voter approved referendum.

The City aggregates other nonmajor governmental funds in a single column in the fund financial statements.

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

The City reports the following major enterprise funds:

The **Water Fund** accounts for revenues derived from water fees charged to customers and used for the operation, development and maintenance of the City's water services.

The **Sanitation Fund** accounts for revenues derived from fees charged to customers for the collection of residential and commercial garbage.

Additionally, the City reports the following fund types:

The **Custodial Fund** is used to account for assets held by the City's Municipal Court until they can be disbursed to other parties.

Management's Discussion and Analysis

GASB Statements No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of a "management's discussion and analysis" ("MD&A"). This analysis is similar to analysis the private sector provides in their annual reports. An MD&A is not included in this report.

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 propriety and fiduciary 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.

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

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.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

E. CASH 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. For purposes of the statement of cash flows, cash and cash equivalents includes both of these categories.

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 in nonparticipating interest-earning investment contracts, certificates of deposit, are recorded at cost. The remaining investments are recorded at fair value. Increases or decreases in the fair value during the year are recognized as a component of interest income.

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

Certain payments to vendors for services that will benefit future accounting periods are recorded as prepaid items in both government-wide and governmental fund financial statements. These items are accounted for using the consumption method. Prepaid items reported by governmental funds are also

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

equally offset by fund balance classified as non-spendable, which indicates they do not constitute “available, spendable financial resources” even though they are a component of net current assets.

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 2023.

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

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

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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. CUSTOMER DEPOSITS

The City collects deposits from new customers for water services. The deposits are held until the City discontinues services to the customer and, therefore, are reported as a liability in both the fund and government-wide financial statements.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary 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 proprietary fund statement of net position.

Proprietary fund type loans payable are reported as liabilities at their outstanding value. In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources and the repayment of debt as debt service expenditures. Loan issuance costs are reported as expenses when incurred.

N. 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 net pension liability are also

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

O. 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.

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.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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.

P. 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.
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. Supplementary appropriations made during the year by the City Council were primarily the result of improvements

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

made to City Hall and additional supplies and equipment for police vehicles, economic development and the City's housing and development departments. All appropriations lapse at year end.

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, 2023, 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 1 of the following year. After that date, both penalty and interest are accrued until the taxes are collected. Property taxes attach an enforceable lien on property as of May 1 of the following year. Property taxes are recorded as receivables and deferred revenues when assessed.

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Receivables as of December 31, 2023 for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>TSPLOST</u>	<u>Water & Sanitation</u>
Receivables:			
Taxes	\$ 566,947	\$ -	\$ -
Accounts	-	-	59,092
Intergovernmental	-	51,839	-
Less allowance for Uncollectible	-	-	(24,988)
Net Total Receivables	<u>\$ 566,947</u>	<u>\$ 51,839</u>	<u>\$ 34,104</u>

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, 2023, 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, 2023, 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, 2023

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in Progress	\$ 75,000	\$ -	\$ (75,000)	\$ -
Land and Improvements	251,739	-	-	251,739
Total assets, not being depreciated	<u>326,739</u>	<u>-</u>	<u>(75,000)</u>	<u>251,739</u>
Capital assets, being depreciated:				
Buildings	550,835	97,697	-	648,532
Infrastructure	1,620,975	240,321	-	1,861,296
Machinery & Equipment	315,951	117,980	(19,825)	414,106
Vehicles	251,834	136,317	(45,821)	342,330
Total assets, being depreciated	<u>2,739,595</u>	<u>592,315</u>	<u>(65,646)</u>	<u>3,266,264</u>
Less accumulated depreciation for:				
Buildings	(252,236)	(21,326)	-	(273,562)
Infrastructure	(203,510)	(58,424)	-	(261,934)
Machinery & Equipment	(257,554)	(36,703)	19,825	(274,432)
Vehicles	(142,253)	(52,960)	45,821	(149,392)
Total accumulated depreciation	<u>(855,553)</u>	<u>(169,413)</u>	<u>65,646</u>	<u>(959,320)</u>
Total assets, being depreciated, net	<u>1,884,042</u>	<u>422,902</u>	<u>-</u>	<u>2,306,944</u>
Governmental Activities				
Capital Assets, net	<u>\$ 2,210,781</u>	<u>\$ 422,902</u>	<u>\$ (75,000)</u>	<u>\$ 2,558,683</u>

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<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	244,091	16,335	-	260,426
Vehicles	85,560	55,995	-	141,555
Infrastructure	5,190,138	26,550	-	5,216,688
Total assets, being depreciated	<u>5,537,289</u>	<u>98,880</u>	<u>-</u>	<u>5,636,169</u>
Less accumulated depreciation for:				
Buildings & Improvements	(17,500)	-	-	(17,500)
Machinery & Equipment	(184,883)	(27,976)	-	(212,859)
Vehicles	(76,989)	(15,164)	-	(92,153)
Infrastructure	(2,767,237)	(134,418)	-	(2,901,655)
Total accumulated depreciation	<u>(3,046,609)</u>	<u>(177,558)</u>	<u>-</u>	<u>(3,224,167)</u>
Total assets, being depreciated, net	<u>2,490,680</u>	<u>(78,678)</u>	<u>-</u>	<u>2,412,002</u>
Business-Type Activities				
Capital Assets, net	<u>\$ 2,492,902</u>	<u>\$ (78,678)</u>	<u>\$ -</u>	<u>\$ 2,414,224</u>

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

Governmental Activities:

General Government	\$ 12,157
Public Safety:	
Police and Courts	33,816
Public Works/Streets	111,688
Parks	5,194
Housing & Development	<u>6,558</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 169,413</u>

Business-type Activities:

Water	\$ 160,980
Sanitation	<u>16,578</u>
Total Depreciation Expense, Business-type Activities	<u>\$ 177,558</u>

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 7 – LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 31,989	\$ 13,894	\$ -	\$ 45,883	\$ 19,576
Financed Purchases	7,613	-	(7,613)	-	-
Net Pension Liability	98,892	68,615	-	167,507	-
Governmental Activities Long-term Liabilities	\$ 138,494	\$ 82,509	\$ (7,613)	\$ 213,390	\$ 19,576
Business-Type Activities:					
Compensated Absences	\$ 10,386	\$ 13,069	\$ -	\$ 23,455	\$ 10,637
Notes Payable	1,067,515	-	(106,523)	960,992	107,798
Net Pension Liability	29,535	20,499	-	50,034	-
Business-Type Activities Long-term Liabilities	\$ 1,107,436	\$ 33,568	\$ (106,523)	\$ 1,034,481	\$ 118,435

For governmental activities, the General Fund liquidates the financed purchases obligations, compensated absences and net pension liability obligations.

For business-type activities, compensated absences and net pension liability obligations are liquidated by the Water and Sanitation Funds. The Water Fund liquidates the notes payable obligation.

Governmental Activities

Financed Purchases – Direct Borrowing

In 2019, the City entered into a financed purchase agreement 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 agreement qualifies as a financed purchase for accounting purposes (title transfers at the end of the agreement). The financed agreement bears interest of 4.74% and is payable in annual installments of \$7,982. The agreement matures in March 2023. As of December 31, 2023, the financed purchase has been paid in full. Amortization expense on the financed purchase is included in depreciation expense of which, details are included below.

The asset acquired through this financed purchase is as follows:

Date	Type	Rate	Amount	Less Accumulated Depreciation	Total
8/23/2019	Vehicle	4.74%	\$ 37,023	\$ (31,469)	\$ 5,554
Total			\$ 37,023	\$ (31,469)	\$ 5,554

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Business-Type Activities

Note Payables – Direct Borrowings

The City’s water 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, 2023 are as follows:

Loan	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
GEFA DW09024	0.00%	12/1/2031	\$ 581,616	\$ -	\$ (64,624)	\$ 516,992
GEFA DW10018	3.00%	1/1/2033	485,899	-	(41,899)	444,000
Total Notes Payable			<u>\$ 1,067,515</u>	<u>\$ -</u>	<u>\$ (106,523)</u>	<u>\$ 960,992</u>

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

Year Ending December 31	Principal	Interest	Total
2024	\$ 107,798	\$ 12,730	\$ 120,528
2025	109,111	11,416	120,527
2026	110,464	10,063	120,527
2027	111,859	8,669	120,528
2028	113,295	7,232	120,527
2029-2033	408,465	13,680	422,145
Total	<u>\$ 960,992</u>	<u>\$ 63,790</u>	<u>\$ 1,024,782</u>

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

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023, the date the most recent actuarial valuation, there were 38 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	8
Terminated vested participants not yet receiving benefits	15
Active employees - Vested	6
Active employees - Non-vested	9
Total	38

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 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 2023, the actuarially determined contribution rate was 7.34% of covered payroll. City contributions to the Plan were \$48,863 for the year ended December 31, 2023. Employees of the City do not contribute to the plan. For fiscal year 2024, based on July 1, 2023 actuarial valuation, the recommended contribution rate will be 7.50%.

Net Pension Liability of the City

At December 31, 2023, the City reported a liability of \$217,541 for its net pension liability. The City's net pension liability was measured as of July 1, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2023 with update procedures performed by the actuary to roll forward to the total pension liability measured as of July 1, 2023.

The changes in the components of the net pension liability of the City for the year ended December 31, 2023 were as follows:

CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2022	\$ 963,678	\$ 835,247	\$ 128,431
Changes for the Year:			
Service Cost	22,893	-	22,893
Interest	71,263	-	71,263
Differences Between Expected and Actual Experience	(19,440)	-	(19,440)
Contributions - Employer	-	45,233	(45,233)
Net Investment Income	-	(55,510)	55,510
Benefit Payments (Including Refunds of Employee Contributions)	(40,579)	(40,579)	-
Administrative Expense	-	(4,117)	4,117
Other	-	-	-
Net Changes	<u>34,137</u>	<u>(54,973)</u>	<u>89,110</u>
Balances at December 31, 2023	<u>\$ 997,815</u>	<u>\$ 780,274</u>	<u>\$ 217,541</u>

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

For the year ended December 31, 2023, the City recognized pension expense of \$51,586. At December 31, 2023, 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	\$ 10,119	\$ (15,552)
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	34,396	-
City Contributions Subsequent to the Measurement Date	36,647	-
Total	<u>\$ 81,162</u>	<u>\$ (15,552)</u>

City contributions subsequent to the measurement date of \$36,647 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, 2023. 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:	
2024	\$ 2,341
2025	(22,298)
2026	25,494
2027	23,426
Total	<u>\$ 28,963</u>

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Actuarial Assumptions

The total pension liability in the March 31, 2023 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.

The actuarial assumptions used in the July 1, 2023 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, 2023 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%	6.40%
International Equity	20%	6.80%
Global Fixed Income	5%	0.46%
Domestic Fixed Income	20%	0.40%
Real Estate	10%	3.90%
Cash	0%	
Total	100%	

* 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.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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.

	1% Decrease (6.375%)	Discount Rate (7.375%)	1% Increase (8.375%)
City's Net Pension Liability	\$ 350,253	\$ 217,541	\$ 107,215

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, 2023 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 – DEFERRED COMPENSATION PLAN

The City also provides retirement benefits for its employees through a deferred compensation, defined contribution plan. The Plan was created in accordance with the Internal Revenue Code (IRC) Section 457(b). The Plan is administered by the Georgia Municipal Association (GMA), an independent third party and plan trustee, and is available to all City employees immediately upon employment. Participants may elect to make pre-tax contributions subject to the deferral limitations of the revenue code. The City does not contribute to the Plan.

As required by Section 457(b) of the IRC, plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Investments are managed by the trustee under one of the available investment options, or a combination thereof. Accordingly, the assets and liabilities of the Plan are not included in the accompanying financial statements. During the year ending December 31, 2023, there were no participating employees who contributed to the Plan.

NOTE 10 – 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-

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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 11 – 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 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 12 – 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.

**CITY OF SKY VALLEY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 13 - 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 \$104,848 for the year ended December 31, 2023. Of this amount, 42%, or \$43,853, 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, 2023
 (Unaudited)

	Fiscal Year End								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service Cost	\$ 22,893	\$ 19,416	\$ 19,867	\$ 15,310	\$ 19,698	\$ 14,295	\$ 15,174	\$ 13,871	\$ 19,223
Interest	71,263	65,417	62,926	55,992	57,259	51,003	50,703	48,377	46,961
Differences Between Expected and Actual Experience	(19,440)	30,357	(10,367)	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	(40,579)	(38,208)	(38,207)	(38,208)	(38,208)	(39,077)	(39,367)	(39,367)	(35,634)
Other	-	-	-	-	-	10,854	-	-	-
Net Change in Total Pension Liability	<u>34,137</u>	<u>76,982</u>	<u>34,219</u>	<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	<u>963,678</u>	<u>886,696</u>	<u>852,477</u>	<u>750,358</u>	<u>762,862</u>	<u>677,640</u>	<u>673,912</u>	<u>643,900</u>	<u>623,767</u>
Total Pension Liability, Ending (a)	<u>\$ 997,815</u>	<u>\$ 963,678</u>	<u>\$ 886,696</u>	<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	\$ 45,233	\$ 55,425	\$ 24,685	\$ 47,715	\$ 19,888	\$ 30,650	\$ 27,164	\$ 30,273	\$ 39,625
Net Investment Income	(55,510)	47,286	246,178	(41,694)	20,693	65,767	60,455	1,577	44,066
Benefit Payments, Including Refunds of Employee Contributions	(40,579)	(38,208)	(38,207)	(38,208)	(38,208)	(39,077)	(39,367)	(39,367)	(35,634)
Administrative Expense	(4,117)	(3,966)	(3,771)	(4,213)	(4,001)	(3,948)	(4,054)	(2,637)	(2,303)
Other	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>(54,973)</u>	<u>60,537</u>	<u>228,885</u>	<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	<u>835,247</u>	<u>774,710</u>	<u>545,825</u>	<u>582,225</u>	<u>583,853</u>	<u>530,461</u>	<u>486,263</u>	<u>496,417</u>	<u>450,663</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 780,274</u>	<u>\$ 835,247</u>	<u>\$ 774,710</u>	<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>\$ 217,541</u>	<u>\$ 128,431</u>	<u>\$ 111,986</u>	<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	78.20%	86.67%	87.37%	64.03%	77.59%	76.53%	78.28%	72.16%	77.10%
Covered-Employee Payroll	\$ 699,012	\$ 658,075	\$ 587,989	\$ 554,167	\$ 419,064	\$ 520,449	\$ 381,400	\$ 460,417	\$ 430,063
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	31.12%	19.52%	19.05%	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, 2023
 (Unaudited)

	Fiscal Year End								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 48,863	\$ 44,023	\$ 44,419	\$ 32,913	\$ 39,487	\$ 26,517	\$ 28,825	\$ 26,832	\$ 34,401
Contributions in Relation of the Actuarially Determined Contribution	48,863	44,023	44,419	32,913	39,487	26,517	26,589	31,935	31,534
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,236</u>	<u>\$ (5,103)</u>	<u>\$ 2,867</u>
Covered-Employee Payroll	\$ 699,012	\$ 658,075	\$ 587,989	\$ 554,167	\$ 419,064	\$ 520,449	\$ 381,400	\$ 460,417	\$ 430,063
Contributions as a Percentage of Covered-Employee Payroll	6.99%	6.69%	7.55%	5.94%	9.42%	5.10%	6.97%	6.94%	7.33%

Actual 2023 information will be determined after the fiscal year end and will be included in the July 2024 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, 2023

NOTE 1

Valuation Date

The actuarially determined contribution was determined as of July 1, 2023, 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, 2024.

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 10 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.

NOTE 4

Changes of Assumptions

There were no changes in assumptions in the last two fiscal years.

SUPPLEMENTARY INFORMATION

CITY OF SKY VALLEY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2023

	ARPA - Grant Funds	Hotel/Motel	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 106,550	\$ 106,550
TOTAL ASSETS	\$ -	\$ 106,550	\$ 106,550
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ 43,853	\$ 43,853
TOTAL LIABILITIES	-	43,853	43,853
 FUND BALANCES			
Restricted for:			
Grant Funds	-	-	-
Hotel/Motel	-	62,697	62,697
TOTAL FUND BALANCES	-	62,697	62,697
 TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 106,550	\$ 106,550

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>ARPA - Grant Funds</u>	<u>Hotel/Motel</u>	<u>Total Governmental Funds</u>
REVENUES			
Hotel/Motel Occupancy Taxes	\$ -	\$ 104,848	\$ 104,848
Intergovernmental	-	-	-
Interest	29	2,241	2,270
TOTAL REVENUES	<u>29</u>	<u>107,089</u>	<u>107,118</u>
EXPENDITURES			
General Government	-	-	-
Public Works/Streets	1,506	-	1,506
Promotions & Tourism	-	43,853	43,853
TOTAL EXPENDITURES	<u>1,506</u>	<u>43,853</u>	<u>45,359</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,477)	63,236	61,759
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	-	(59,853)	(59,853)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,477)	3,383	1,906
FUND BALANCES - BEGINNING	<u>1,477</u>	<u>59,314</u>	<u>60,791</u>
FUND BALANCES - ENDING	<u>-</u>	<u>\$ 62,697</u>	<u>\$ 62,697</u>

CITY OF SKY VALLEY, GEORGIA
 SCHEDULE OF EXPENDITURES OF
 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
 FOR THE YEAR ENDED DECEMBER 31, 2023

Project	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures	Estimated Percentage of Completion
RABUN COUNTY, GEORGIA SPLOST '19						
Roads	\$ 240,000	\$ 240,027	\$ 240,027	\$ -	\$ 240,027	100%
Equipment	100,000	104,087	35,157	68,930	104,087	100%
Buildings	50,000	51,362	40,695	10,667	51,362	100%
TOTAL RABUN COUNTY, GEORGIA SPLOST	<u>\$ 390,000</u>	<u>\$ 395,476</u>	<u>\$ 315,879</u>	<u>\$ 79,597</u>	<u>\$ 395,476</u>	

CITY OF SKY VALLEY, GEORGIA
SCHEDULE OF EXPENDITURES OF
TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Project	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures	Estimated Percentage of Completion
RABUN COUNTY, GEORGIA TSPLOST						
Paving, Resurfacing and Construction of Roads	\$ 1,500,000	\$ 1,217,506	\$ 12,456	\$ 209,840	\$ 222,296	18%
Paving, Resurfacing and Renovation of Bridges/Culverts	300,000	300,000	23,400	32,001	55,401	18%
Safety Improvements & Vehicles for Public Works	167,506	450,000	22,400	201,459	223,859	50%
TOTAL RABUN COUNTY, GEORGIA TSPLOST	<u>\$ 1,967,506</u>	<u>\$ 1,967,506</u>	<u>\$ 58,256</u>	<u>\$ 443,300</u>	<u>\$ 501,556</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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sky Valley, Georgia (the "City"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-1 that we consider to be material weaknesses.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Sky Valley, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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 City'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
June 28, 2024

**CITY OF SKY VALLEY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023, due to the total amount expended being less than \$750,000.

Section II – Financial Statement Findings and Responses

Current Year Findings

Finding 2023-1 – Inadequate Monitoring and Oversight

Criteria: An effective internal control system includes establishing oversight and performing monitoring activities of financial reporting systems to ensure accuracy and completeness.

Condition: For the year ended December 31, 2023, the City's property tax receivables and property tax revenues were understated.

Effects: While payments for property taxes were being properly recorded in the property tax receivable account, the City had not recorded its total property taxes for the year in its general ledger causing both the property tax receivable and property tax revenue to be understated by \$1,011,555.

Recommendation: We recommend the City establish a reconciliation process between its property tax system and its accounting system, as well as, timely review of its financial data and reports, to ensure accuracy and completeness.

Auditee's Response: The City is aware of this finding and believe this finding is the result of using a separate accounting system for tax payments and a former employee who was not coding the tax revenues correctly into the City's main accounting system. The City has a new employee in this area who will be trained to ensure accuracy and completeness. In addition, City administration will

**CITY OF SKY VALLEY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

make sure that the tax revenues are properly coded in a timely manner so that the City's financial position is correctly stated in the general ledger.

Status of Prior Year Audit Findings

Finding 2022-1 – 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, 2022, the City did not make the appropriate budget amendments for one of the City's departments.

Auditee's Response/Status: Resolved.

Finding 2022-2 - Inadequate Monitoring and Oversight

Criteria: An effective internal control system includes establishing oversight and performing monitoring activities of financial reporting systems to ensure accuracy and completeness.

Condition: Throughout 2022, capital outlay expenditures for the General Fund were recorded incorrectly causing the expenditures in Public Works/Streets department to be understated.

Auditee's Response/Status: Partially Corrected. See current year finding 2023-1.