

COMPLIANCE CERTIFICATE

This Certificate is delivered pursuant to that certain Loan Agreements (the "**Agreement**"), dated 12-01-2011 and 01-01-2013, by and between the City of Sky Valley, a Georgia public body corporate and politic (the "**Borrower**"), and Georgia Environmental Finance Authority, a Georgia public corporation (the "**Lender**"). All capitalized terms used in this Certificate that are defined in the Agreement are used in this Certificate with the same meanings given such terms in the Agreement. Unless otherwise defined in the Agreement, all accounting terms used herein shall have the meaning given such terms under generally accepted accounting principles ("**GAAP**").

I hereby certify, to the best of my knowledge and belief and in my representative capacity on behalf of the Borrower, to the Lender as follows:

1. I am the duly qualified and acting City Manager of the Borrower.
2. I have prepared or reviewed the financial statements of the Borrower as of and for the period ended December 31, 2015, true, complete, and correct copies of which are attached hereto as Exhibit 1 (collectively the "**Financial Statements**").
3. The Financial Statements were prepared in accordance with generally accepted accounting principles consistently applied and present fairly the financial position of the Borrower as of the date thereof and the results of its operations and the cash flows of its proprietary fund types for the period covered thereby.
4. I further certify that as of, and for the period ended on, the date of the Financial Statements, and except as may be disclosed in Exhibit 2 attached hereto (all of the following being calculated in accordance with GAAP and the Agreement):
 - (a) the Income Available for Fixed Charges was \$271,508 for such period;
 - (b) the Fixed Charges were \$120,527 for such period; and
 - (c) the Fixed Charges Coverage Ratio was 2.26 for such period.

Attached hereto as Exhibit 3 are the calculations that are summarized in items (a) through (c) above.

As of the date of this Certificate, no Event of Default has occurred and is continuing and the Borrower is not in default under any provisions of the Credit Documents and has fully complied with all of the provisions thereof, other than as described in Exhibit 2 attached hereto.

I represent the foregoing information to be true and correct to the best of my knowledge and belief, and I execute this Certificate in my representative capacity on behalf of the Borrower as of this 15th day of December, 2016.

City of Sky Valley

By: 
Name: Linda Lapeyrouse
Title: City Manager

Exhibit 1

**CITY OF SKY VALLEY
SKY VALLEY, GEORGIA**

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2015**

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Jack P. Green, Jr.

CERTIFIED PUBLIC ACCOUNTANT

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December 9, 2016

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S OPINION

To the Mayor and City Council
City of Sky Valley
Sky Valley, Georgia

Report on the Financial Statement

I have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the remaining fund information of the City of Sky Valley, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Sky Valley, Georgia as of December 31, 2015, and the

respective changes in financial position and where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Pension Funding Progress and the Budgetary Comparison Schedule-General Fund listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 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 I obtained during my audit of the basic financial statements. I 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.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be present to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sky Valley, Georgia's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Jack P. Sheen, Jr." The signature is written in a cursive style with a large, stylized "J" and "S".

BASIC FINANCIAL STATEMENTS

**CITY OF SKY VALLEY
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

EXHIBIT 1

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash	\$ 1,584,560	\$ 827,999	\$ 2,412,559
Accounts Receivable - Net	75,683	45,879	121,562
Internal Balances	159,870	(159,870)	-
Prepaid Items	4,457	-	4,457
Capital Assets:			
Land	251,739	2,222	253,961
Capital Assets being Depreciated	680,257	5,366,916	6,047,173
Less: Accumulated Depreciation	(395,270)	(1,862,956)	(2,258,226)
TOTAL ASSETS	\$ 2,361,296	\$ 4,220,190	\$ 6,581,486
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Related Items	\$ 19,227	\$ 5,743	\$ 24,970
 <u>LIABILITIES</u>			
Accounts Payable	\$ 20,911	\$ -	\$ 20,911
Other Accrued Items	9,323	4,660	13,983
Customer Deposits	-	1,500	1,500
Noncurrent Liabilities			
Due Within One Year			
Compensated Absences Payable	7,786	-	7,786
Notes Payable	-	98,596	98,596
Due in More Than One Year			
Compensated Absences Payable	13,844	-	13,844
Notes Payable	-	1,681,924	1,681,924
Net Pension Liability	113,562	33,921	147,483
TOTAL LIABILITIES	\$ 165,426	\$ 1,820,601	\$ 1,986,027
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Property Taxes for Next Fiscal Year	\$ 945,100	\$ -	\$ 945,100
Pension Related Items	12,908	3,856	16,764
Total Deferred Inflows of Resources	\$ 958,008	\$ 3,856	\$ 961,864
 <u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 536,726	\$ 1,725,663	\$ 2,262,389
Restricted For:			
Capital Outlay Projects	3,442	-	3,442
Housing and Development	(51)	-	(51)
Unrestricted	716,972	675,813	1,392,785
TOTAL NET POSITION	\$ 1,257,089	\$ 2,401,476	\$ 3,658,565

The accompanying notes are an integral part of this statement.

CITY OF SKY VALLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Government Activities						
General Government	\$ 28,743	\$ -	\$ -	\$ (265,702)	\$ -	\$ (265,702)
Judicial	1,064	-	-	(1,064)	-	(1,064)
Public Safety	5,591	-	-	(353,176)	-	(353,176)
Public Works	-	24,697	-	(670,176)	-	(670,176)
Housing and Development	-	-	1,350	(15,879)	-	(15,879)
Promotional and Tourism	-	-	-	(98,043)	-	(98,043)
Total Government Activities	\$ 34,334	\$ 24,697	\$ 1,350	\$ (1,404,040)	\$ -	\$ (1,404,040)
Business-Type Activities						
Water and Garbage	\$ 579,070	\$ -	\$ -	\$ -	\$ 62,875	\$ 62,875
Total Primary Government	\$ 613,404	\$ 24,697	\$ 1,350	\$ (1,404,040)	\$ 62,875	\$ (1,341,165)

General Revenues	\$ 982,200	\$ -	\$ -	\$ 982,200
Taxes:				
Property	44,041	-	-	44,041
Vehicle	8,346	-	-	8,346
Intangible and Transfer	55,235	-	-	55,235
Franchise	13,431	-	-	13,431
Accommodations	1,123	-	-	1,123
Beer and Wine	15,673	-	-	15,673
Insurance Premium	8,745	-	1,183	9,928
Unrestricted Investment Earnings	58,021	-	-	58,021
Miscellaneous	1,186,815	-	-	1,186,815
Total General Revenues	\$ 2,172,225	\$ -	\$ 1,183	\$ 2,173,408
Change in Position				
Net Position - Beginning	1,591,422	2,372,399		3,963,821
Prior Period Adjustment	(117,108)	(34,981)		(152,089)
Net Position - End	\$ 1,257,089	\$ 2,401,476		\$ 3,658,565

The accompanying notes are an integral part of this statement.

CITY OF SKY VALLEY
BALANCE SHEET
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT 3

	General Fund	SPLOST	Other Government Fund	Total Government Fund
<u>ASSETS</u>				
Cash	\$ 1,581,169	\$ 3,442	\$ (51)	\$ 1,584,560
Accounts Receivable - Net	75,683	-	-	75,683
Interfund Receivable	159,870	-	-	159,870
Prepaid Expense	4,447	-	-	4,447
TOTAL ASSETS	\$ 1,821,169	\$ 3,442	\$ (51)	\$ 1,824,560
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	\$ 20,911	\$ -	\$ -	\$ 20,911
Other Accrued Items	9,323	-	-	9,323
Deferred Revenue	-	-	-	-
TOTAL LIABILITIES	\$ 30,234	\$ -	\$ -	\$ 30,234
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	\$ 945,100	\$ -	\$ -	\$ 945,100
<u>FUND BALANCES</u>				
Nonspendable Prepaid Expenditures	\$ 4,447	\$ -	\$ -	\$ 4,447
Restricted:				
Capital Outlay Projects	-	3,442	-	3,442
Promotion and Tourism	-	-	(51)	(51)
Public Works Program	11,903	-	-	11,903
Assigned:				
General Government Program	49,962	-	-	49,962
Public Works Program	19,900	-	-	19,900
Unassigned	759,623	-	-	759,623
TOTAL FUND BALANCES	\$ 845,835	\$ 3,442	\$ (51)	\$ 849,226
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,821,169	\$ 3,442	\$ (102)	\$ 1,824,560

The accompanying notes are an integral part of this statement.

CITY OF SKY VALLEY
 BALANCE SHEET
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT 3

Reconciliation to Statement of Net Position

Fund Balances	\$	849,226
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		536,726
Some liabilities are not due and payable in the current period and therefore are not reported in the funds		(21,620)
	Compensated Absences	
The deferred outflows of resources, deferred inflows of resources and the net pension liability related to the City's pension plans are not expected to be liquidated with expendable available financial resources and therefore are not reported in the funds		(107,243)
		<hr style="border-top: 1px solid black;"/>
Changes in Net Position of Government Activities	\$	<u><u>1,257,089</u></u>

The accompanying notes are an integral part of this statement.

CITY OF SKY VALLEY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT 4

	General Fund	SPLOST	Other Governmental Fund	Total Government Funds
REVENUES				
Taxes	\$ 1,114,414	\$ -	\$ 13,431	\$ 1,127,845
Licenses and Permits	28,743	-	-	28,743
Intergovernmental Revenues	24,697	-	-	24,697
Fines and Forfeitures	5,591	-	-	5,591
Miscellaneous	58,961	1,350	9	60,320
TOTAL REVENUES	\$ 1,232,406	\$ 1,350	\$ 13,440	\$ 1,247,196
EXPENDITURES				
CURRENT:				
General Government	\$ 283,632	\$ -	\$ -	\$ 283,632
Judicial	1,064	-	-	1,064
Public Safety	359,544	-	-	359,544
Public Works	211,764	-	-	211,764
Housing and Development	17,229	-	-	17,229
Promotions and Tourism	88,930	-	5,580	94,510
Capital Outlay	118,223	350,000	-	468,223
TOTAL EXPENDITURES	\$ 1,080,386	\$ 350,000	\$ 5,580	\$ 1,435,966
EXCESS REVENUES OVER EXPENDITURES	\$ 152,020	\$ (348,650)	\$ 7,860	\$ (188,770)
OTHER FINANCING SOURCES (USES)				
Transfers	8,370	-	(8,370)	-
NET CHANGE IN FUND BALANCE	\$ 160,390	\$ (348,650)	\$ (510)	\$ (188,770)
FUND BALANCE, JANUARY 1, 2015	685,445	352,092	459	1,037,996
FUND BALANCE, DECEMBER 31, 2015	\$ 845,835	\$ 3,442	\$ (51)	\$ 849,226

The accompanying notes are an integral part of this statement.

**CITY OF SKY VALLEY
 STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 GOVERNMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015**

EXHIBIT 4

Adjustments to the statement of Activities

Net Change in Fund Balance	\$ (188,770)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost those assets allocated over their estimated useful lives are reported as depreciation expense. This is the amount by which Depreciation (\$ 33,882) exceeded Capital Outlay (\$ -0-).	(33,882)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>5,427</u>
Change in net position - governmental activities	<u><u>\$ (217,225)</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF SKY VALLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

EXHIBIT 5

ASSETS	<u>Water and Garbage Fund</u>
CURRENT ASSETS	
Cash on Hand and in Bank	\$ 827,999
Accounts Receivable - Net	<u>45,879</u>
Total Current Assets	<u>\$ 873,878</u>
NONCURRENT ASSETS	
Land	\$ 2,222
Depreciable Assets - Net Accumulated Depreciation	<u>3,503,960</u>
Total Assets	<u>\$ 3,506,182</u>
TOTAL ASSETS	<u><u>\$ 4,380,060</u></u>
DEFERRED OUTFLOWS OF RESOURCES -PENSIONS	<u>\$ 5,743</u>
CURRENT LIABILITIES	
Accrued Wages	\$ 4,660
Customer Deposits	1,500
Interfund Payable	159,870
Current Portion of Long-Term Debt	<u>98,596</u>
Total Current Liabilities	<u>\$ 264,626</u>
NONCURRENT LIABILITIES	
Net Pension Liability	\$ 33,921
Notes Payable	<u>1,681,924</u>
Total NonCurrent Liabilities	<u>\$ 1,715,845</u>
TOTAL LIABILITIES	<u>\$ 1,980,471</u>
DEFERRED INFLOWS OF RESOURCES - PENSIONS	<u>\$ 3,856</u>
NET POSITION	
Net Investment in Capital Assets	\$ 1,725,663
Unrestricted	<u>675,813</u>
Total Net Position	<u><u>\$ 2,401,476</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF SKY VALLEY
STATEMENT OF REVENUES, EXPENSE AND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

EXHIBIT 6

	Water and Garbage Fund
OPERATING REVENUES	
Water Fees	\$ 370,523
Garbage Fees	208,547
Total Operating Revenues	\$ 579,070
OPERATING EXPENSES	
Salaries and Benefits	\$ 119,594
Supplies	151,670
Repairs and Maintenance	29,244
Professional Fees	7,054
Depreciation	185,699
Total Operating Expenses	\$ 493,261
OPERATING INCOME (LOSS)	\$ 85,809
NON OPERATING REVENUES (EXPENSES)	
Interest Expense	\$ (22,934)
Interest Income	1,183
Other Income	-
Non Operating Revenues	\$ (21,751)
CHANGE IN NET POSITION	\$ 64,058
TOTAL NET POSITION BEGINNING RESTATED	2,337,418
TOTAL NET POSITION	\$ 2,401,476

The accompanying notes are an integral part of this statement.

**CITY OF SKY VALLEY
STATEMENT OF CASH FLOWS
DECEMBER 31, 2015**

EXHIBIT 7

	<u>Water and Garbage Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customer	\$ 569,050
Payments to Suppliers	(30,800)
Payments to Employees	(161,826)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 376,424</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earned	<u>\$ 1,183</u>
 CASH FLOWS FOR CAPITAL RELATED FINANCIAL ACTIVITIES	
Decrease in Notes Payable	\$ (97,593)
Interest Paid	(22,934)
Increase in Capital Assets	(115,972)
NET CASH FOR CAPITAL RELATED FINANCING	<u>\$ (236,499)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>\$ 141,108</u>
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>686,891</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 827,999</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	<u>\$ 85,809</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	\$ 185,699
Increase in Accounts Receivable	(8,675)
Decrease in Service Deposits	(1,345)
Increase in Accrued Items	1,746
Increase in Interfund Payables	113,190
TOTAL ADJUSTMENTS	<u>\$ 290,615</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 376,424</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF SKY VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sky Valley, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The General Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;
- Other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity.

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 GAAP. There are no component units.

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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. 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 collected within the current

**CITY OF SKY VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are considered available if they are collected within sixty days of the end of the current fiscal period for which they are imposed. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all financial resources, except those accounted for in another fund.

The City reports the following major proprietary fund:

The Water and Garbage Fund accounts for revenues and expenses related to operating and maintaining a water utility system and garbage collection system.

Private-sector standards of accounting and financial reporting issued prior to November 30, 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 the same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues 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 expense from nonoperating 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 for the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS, AND NET POSITION OR FUND BALANCE

Deposits and Investments

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

**CITY OF SKY VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

State statutes authorize the City to invest in obligations of the U.S. Treasury and its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; and certificates of deposits of banks insured by FDIC.

Investments are recorded at fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of interest income.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance of uncollectibles.

Taxes are normally levied by November for the next year. The taxes are payable January, 2016. Interest and penalties are assessed on taxes not paid by this date. Property taxes attach as an enforceable lien on property as of May 2016. The City's property taxes were levied on the assessed values of all real property with utilities including homes located in the City limits.

Inventories and Prepaid Items

Inventories, consisting of expendable supplies. Not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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. 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.

Such assets are recorded at historical cost or estimated historical cost if purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Streets, bridges, and culverts acquired prior to January 1, 2003 have not been reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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 2015.

**CITY OF SKY VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	40
Machinery and Equipment	5-20
Vehicles	3-10
Infrastructure	30

Deferred outflows/inflows of resources

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

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

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, “Accounting for Compensated Absences,” no liability is reported for unpaid accumulated sick leave because the benefits are paid upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

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

Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e, items that are not expected to be converted to cash like inventories and prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the City Council must adopt another resolution.

**CITY OF SKY VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the City Council must adopt another resolution.

Assigned – Fund balances are reported as assigned when amounts are constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City’s finance director to assign fund balances.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all governmental funds.

Net Position – Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net position is reported as restricted as described in the fund balance section above. All other net position is 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 committed, assigned, and unassigned (of unrestricted) resources as they are needed.

Net Investment in Capital Assets

The “net investment in capital assets” reported on the government-wide statement of net position as of December 31, 2015, are as follows:

	Governmental Activities	Business-type Activities
Net investment in capital assets		
Cost of capital assets	\$ 931,996	\$ 5,369,138
Less accumulated depreciation	(395,270)	(1,862,956)
Book value	536,726	3,506,182
Less capital related debt	-	(1,780,519)
Net investments in capital assets	\$ 536,726	\$ 1,725,663

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF SKY VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

The City Council holds a public hearing on the budget.

The budget is then revised and adopted or amended by the City Council at a public meeting.

The budget may be amended during the year only by formal action of the City council at a regular meeting.

The budget is adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund and special revenue funds. Budget amounts are as originally adopted, or as amended by the Council. Project length budgets are adopted for the capital projects fund for planning, control and evaluation purposes. Budgetary amounts are not formally integrated into proprietary fund general ledgers.

The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

In case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's policy permits the City to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of December 31, 2015, all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was \$2,412,559 and the bank balances was \$2,441,296.

State statutes require collateral pledged in the amount of 110% of deposits. Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below:

Under the dedicated method, a depository shall secure the deposits of each of its public depositors separately.

Under the pooled method, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1

The City utilized both methods to secure deposits of public funds.

**CITY OF SKY VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 – RECEIVABLES

Receivables as of year-end for the City’s individual major governmental funds in aggregate, including the applicable allowances for uncollectible accounts are a follows:

	<u>General Fund</u>	<u>Water and Garbage Fund</u>
Receivables:		
Taxes	\$ 75,683	\$ -
Water and Garbage	-	45,879
Total Gross Receivables	<u>75,683</u>	<u>45,879</u>
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>
Total Net Receivables	<u>\$ 75,683</u>	<u>\$ 45,879</u>

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in the governmental activities during the fiscal year:

	<u>Balance 1/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/15</u>
Non-Depreciable Assets-Land	<u>\$ 251,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,739</u>
Other Capital Assets				
Buildings	\$ 301,632	\$ -	\$ -	\$ 301,632
Machinery and Equipment	288,153	-	-	288,153
Vehicles	90,472	-	-	90,472
Total Depreciable Assets	<u>\$ 680,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680,257</u>
Less: Accumulated Depreciation for:				
Buildings	(91,552)	(11,580)	-	(103,132)
Machinery and Equipment	(213,297)	(12,902)	-	(226,199)
Vehicles	(56,539)	(9,400)	-	(65,939)
Net Depreciable Assets	<u>\$ 318,869</u>	<u>\$ (33,882)</u>	<u>\$ -</u>	<u>\$ 284,987</u>

Additions to governmental activities capital assets for fiscal year ending December 31, 2015 consist of the following:

Capital Outlay	<u>\$ 468,223</u>
	<u>\$ 468,223</u>

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 8,047
Police and Courts	5,200
Public Works	17,102
Housing and Development	3,533
Total	<u>\$ 33,882</u>

**CITY OF SKY VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

The following is a summary of proprietary fund-type capital assets at December 31, 2015:

	Balance 01/01/15	Additions	Deletions	Balance 12/31/15
Non-Depreciable Assets				
Land and Improvements	\$ 2,222	\$ -	\$ -	\$ 2,222
Other Capital Assets				
Building and Improvements	\$ 17,500	\$ -	\$ -	\$ 17,500
Machinery & Equipment	66,392	-	-	66,392
Vehicles	40,071	-	-	40,071
Infrastructure	5,126,982	-	-	5,126,982
Garbage Equipment	-	115,971	-	115,971
Total Depreciable Assets	\$ 5,250,945	\$ 115,971	\$ -	\$ 5,366,916
Less: Accumulated Depreciation for:				
Building and Improvements	\$ (15,167)	\$ (583)	\$ -	\$ (15,750)
Machinery & Equipment	(66,392)	-	-	(66,392)
Vehicles	(30,488)	(2,500)	-	(32,988)
Infrastructure	(1,565,210)	(172,207)	-	(1,737,417)
Garbage Equipment	-	(10,409)	-	(10,409)
Net Depreciable Assets	\$ 3,573,688	\$ (69,728)	\$ -	\$ 3,503,960

Depreciation was charged to Business-type Activities:

Water	\$ 175,290
Garbage Service	10,409
Total	\$ 185,699

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During normal operations, the City generally pays all for goods and services with the General Fund and is subsequently reimbursed by the Enterprise Fund. At December 31, 2015, the Water and Garbage Fund owed the General Fund \$ 159,870 for reimbursements. There have been no eliminations between or within fund types.

The City transfers the balance not used by the Hotel Motel Tax Fund to the General Fund. This year's transfer was \$ 8,370.

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft 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 a common risk management and insurance program for member local governments.

**CITY OF SKY VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

As a part of these risk pools, the Government 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 fund, and 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 Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim against the Government within the scope of loss protection furnished by the fund.

NOTE 8 - LONG TERM DEBT

Long-term liability activity for the year ended December 31, 2015 was as follows

Government Activities	Balance	Additions	Reductions	Balance	Year	One Year
Compensated Absences	\$ 17,183	\$ 4,447	\$ -	\$ 21,630	\$ 13,844	\$ 7,786

The Enterprise Fund borrowed \$ 1,292,480 in two separate notes to improve and renovate portions of the water system. Note DW 09024 is due in monthly installments of \$ 5,385.33 beginning January 1, 2015 and bears no interest. Note DW 10018 is due in monthly installments of \$ 4,658.62 beginning January 1, 2013 and bears interest of 3.0 % per annum.

Proprietary Fund	Balance 1/1/15	Additions	Reductions	12/31/15	One Year
GEFA DW09024	\$ 1,098,608	\$ -	\$ 64,624	\$ 1,033,984	\$ 64,624
GEFA DW10018	779,505	-	32,969	746,536	33,972
Total	\$ 1,878,113	\$ -	\$ 97,593	\$ 1,780,520	\$ 98,596

Principal Amounts Due in the next five years are as follows:

2016	\$ 100,922
2017	\$ 99,629
2018	\$ 101,791
2019	\$ 101,791
2020	\$ 102,922

NOTE 9- PENSION PLAN

Plan Description

The City, as authorized by the City Commission, 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. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive between 1% and 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City of Commission, in its role as the 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 Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for the 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.

**CITY OF SKY VALLEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Plan Membership as of January 1, 2016, the date of the most recent actuarial valuation, there were 25 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	8
Terminated vested participants not yet receiving benefits	6
Active employees	<u>11</u>
Total	<u>25</u>

Contributions. 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 the plan members during the year, with an addition 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 the fiscal year ended March 31, 2015, the City's contribution rate was 6.14% of annual payroll. City contributions to the Plan were 39,625 for the fiscal year ended March 31, 2015. Employees of the City do not contribute to the Plan.

NOTE 10. PROPERTY TAX CALENDAR

The City levies property taxes for the next year in November of each year. The due date for these taxes was January 11, 2013 and the lien date is the following May 13. Taxes are collected throughout the year. Receivables are recorded as deferred income when levied and recognized as income in the next year.

The total 2011 property assessment was \$ 180,366,731 of real and personal property. The 2011 property is taxed at 13.0 mills on 40 percent of net assessment and the tax due after exemptions is \$ 937,907 which was recognized as revenue in 2015.

NOTE 11. HOTEL/MOTEL TAX

During the year ended December 31, 2015 , the City collected \$13,431 in Hotel/Motel taxes of which \$5,372 was required to be spent to promote tourism, conventions, and trade shows. For the year ended December 31, 2015, 40% of tax receipts were expended for these purposes under OCGA-48-13-51. The City complied with the requirements of this law.

NOTE 12. CONTINGENT LIABILITIES-GRANT PROGRAMS

The City participated in Federal and State Grants. These programs are subject to program compliance audits by the grantors or their representatives. The City is not aware of any adjustments or changes in these program funds.

NOTE 13. OTHER DISCLOSURES

Annual budgets were established for the General Fund, Hotel-Motel Fund, and the Water and Garbage Fund.

Government activity expenditures that exceed approved appropriations which is a violation of Georgia Law was the General Government for \$23,484.

CITY OF SKY VALLEY
 NOTES TO BASIC FINANCIAL STATEMENTS
 GENERAL FUND
 DECEMBER 31, 2015

EXHIBIT 8

NOTE 14. GEORGIA MOUNTAIN REGIONAL COMMISSION

The City of Sky Valley, in conjunction with cities and counties in the Northeast Georgia Area, is a member of the Georgia Mountains Regional Commission (RC). Membership in an RC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The RC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County Board members and municipal Board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a county. Financial statements can be obtained from Georgia Mountains Regional Commission, P.O. Box 1720; Gainesville, Georgia 30503. The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as “public agencies and instrumentalities of their members.” Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. (O.C.G.A. 50-8-39.1)

NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 9 above, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, effective July 1, 2014. This new standard significantly changed the City’s accounting pension amounts. As a result of this change in accounting principle, the City was required to restate beginning net position for governmental activities, business type activities.

	Governmental Activities	Business-Type Activities
Net Position as previously reported	\$ 1,591,422	\$ 2,372,399
Net pension liability, beginning blance	(133,290)	(39,814)
Deferred outflows of resources, contributions subsequent to the measurement date, beginning balance	16,182	4,833
	\$ 1,474,314	\$ 2,337,418

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SKY VALLEY
DECEMBER 31, 2015**

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of changes in the City's Net Pension Liability
And Related Ratios**

Other		1,464
Benefit Payments, Including Refunds of Employee Contributions		<u>(35,634)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	\$	20,133
TOTAL PENSION LIABILITY - BEGINNING		<u>623,767</u>
TOTAL PENSION LIABILITY - ENDING (a)	\$	<u><u>643,900</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$	39,625
Net Investment Income		44,066
Benefit Payments, Including Refunds of Employee Contributions		(35,634)
Administrative Expenses		(2,303)
Other		<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	\$	45,754
PLAN FIDUCIARY NET POSITION - BEGINNING		<u>450,663</u>
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$	<u><u>496,417</u></u>
CITY'S NET PENSION LIABILITY - ENDING (a-b)	\$	<u><u>147,483</u></u>
PLAN FIDUCIARY NET POSTIONS AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY		22.9%
COVERED EMPLOYEE PAYROLL	\$	430,063
CITY'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL		34.3%

NOTES TO THE SCHEDULE

The schedule will present 10 years of information once it is accumulated

**CITY OF SKY VALLEY
DECEMBER 31, 2015**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS

	2015
Actuarially Determined Contribution	\$ 39,625
Contributions in Relation to the Actuarially Determined Contribution	39,625
Contribution Deficiency (Excess)	-
Covered Employee Payroll	\$ 430,063
Contributions as a Percentage of Covered Employee Payroll	9.2%

Notes to the Schedule

Valuation Date

Cost Method

Actuarial Asset Valuation Method

Projected Unit Credit

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 amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Assumed Rate of Return on Investments

7.75%

Projected Salary Increases

3.75-8.25% (including 3.25% for inflation)

Cost-of-living Adjustment

3.25%

Amortization Method

Closed level dollar for unfunded liability

Remaining Amortization Period

None remaining

The schedule will present 10 years of information once it is accumulated.

**CITY OF SKY VALLEY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015**

EXHIBIT 8

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance From Amended</u>
RESOURCES (INFLOWS)				
Taxes	\$ 1,037,285	\$ 1,038,585	\$ 1,114,414	\$ 75,829
Licenses and Permits	12,000	10,600	28,743	18,143
Intergovernmental Revenues	25,550	25,550	24,697	(853)
Fines and Forfeitures	1,000	4,000	5,591	1,591
Miscellaneous	17,600	64,350	58,961	(5,389)
Total Resources (Inflows)	<u>\$ 1,093,435</u>	<u>\$ 1,143,085</u>	<u>\$ 1,232,406</u>	<u>\$ 89,321</u>
CHARGES TO APPROPRIATIONS				
General Government	\$ 267,095	\$ 264,595	\$ 283,632	\$ (19,037)
Judicial	4,810	4,810	1,064	3,746
Public Safety	408,270	408,270	359,544	48,726
Public Works	221,500	216,500	211,764	4,736
Housing and Development	36,500	36,500	17,229	19,271
Promotion and Tourism	47,850	91,000	88,930	2,070
Capital Outlay	483,150	500,650	118,223	382,427
TOTAL CHARGES TO APPROPRIATIONS	<u>\$ 1,469,175</u>	<u>\$ 1,522,325</u>	<u>\$ 1,080,386</u>	<u>\$ 441,939</u>
EXCESS REVENUES OVER EXPENSES	\$ (375,740)	\$ (379,240)	\$ 152,020	\$ 531,260
TRANSFER IN	<u>\$ 434,600</u>	<u>439,700</u>	<u>8,370</u>	<u>(431,330)</u>
CHANGES IN FUND BALANCE	\$ 58,860	\$ 60,460	\$ 160,390	\$ 99,930
FUND BALANCE BEGINNING	<u>\$ 685,445</u>	<u>\$ 685,445</u>	<u>\$ 685,445</u>	<u>\$ -</u>
FUND BALANCE AT YEAR END	<u>\$ 744,305</u>	<u>\$ 745,905</u>	<u>\$ 845,835</u>	<u>\$ 99,930</u>

**CITY OF SKY VALLEY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 – BUDGETARY DATA

The city is required by law to adopt a budget. The procedures in establishing the budgetary data reflected in the financial statements are as follows:

1. Prior to January 1, the City Clerk submits to the City Commission a proposed operating budget 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 January 1, the Commission approves the budget.
4. The City Clerk 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 Commission.
5. Formal budgetary integration is employed as a management control device during the year for all funds.

The Budgetary Comparison Schedule presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets amended.

Expenditures may not legally exceed budgeted appropriations at the departmental level in the general fund. The Enterprise Funds adopt a budget at the fund level. No eliminations have been made between funds.

The City overspent the approved budget in General Government by \$ 19,037 which is a violation of Georgia law.

Jack P. Green, Jr.

CERTIFIED PUBLIC ACCOUNTANT

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PHONE: 706-886-7143
EMAIL: jaycpa@windstream.net

December 9, 2016

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**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 *GOVERNMENTAL AUDITING STANDARDS***

To the Mayor and City Council
City of Sky Valley, Georgia

I 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 State, the financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the City of Sky Valley, Georgia as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the City of Sky Valley, Georgia's basic financial statements and have issued my report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sky Valley's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing such an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance that are required to be reported under *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Purpose of this Report

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

A handwritten signature in blue ink, appearing to read "Jack B. Green Jr.", is positioned to the right of the main text block.

Exhibit 2

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Exhibit 3

CITY OF SKY VALLEY
STATEMENT OF REVENUES, EXPENSE AND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

EXHIBIT 6

	<u>Water and Garbage Fund</u>
OPERATING REVENUES	
Water Fees	\$ 370,523
Garbage Fees	208,547
Total Operating Revenues	<u>\$ 579,070</u>
OPERATING EXPENSES	
Salaries and Benefits	\$ 119,594
Supplies	151,670
Repairs and Maintenance	29,244
Professional Fees	7,054
Depreciation	185,699
Total Operating Expenses	<u>\$ 493,261</u>
OPERATING INCOME (LOSS)	<u>\$ 85,809</u>
NON OPERATING REVENUES (EXPENSES)	
Interest Expense	\$ (22,934)
Interest Income	1,183
Other Income	-
Non Operating Revenues	<u>\$ (21,751)</u>
CHANGE IN NET POSITION	\$ 64,058
TOTAL NET POSITION BEGINNING RESTATED	<u>2,337,418</u>
TOTAL NET POSITION	<u>\$ 2,401,476</u>

CASH FLOWS FOR CAPITAL RELATED FINANCIAL ACTIVITIES

Decrease in Notes Payable	\$ (97,593)
Interest Paid	(22,934)
Increase in Capital Assets	(115,972)
NET CASH FOR CAPITAL RELATED FINANCING	<u>\$ (236,499)</u>

The accompanying notes are an integral part of this statement.