CITY OF LINCOLNTON, GEORGIA

ANNUAL FINANCIAL REPORT

For the year ended DECEMBER 31, 2012

City of Lincolnton, Georgia
Annual Financial Report
December 31, 2012

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Steven G. Albertson, CPA, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Lincolnton, Georgia

I have audited the accompanying financial statements of governmental activities, business activities, and each major fund of City of Lincolnton, Georgia, as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lincolnton, Georgia's, management. My responsibility is to express opinions on 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business activities, and each major fund of City of Lincolnton, Georgia, as of December 31, 2012, and the respective changes in financial position and cash flows, where appropriate, for the required funds for the year then ended in conformity with accounting principles generally accepted in the United State of America.

There is no accompanying management's discussion and analysis. Budgetary comparison information on page 30 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The information is the responsibility of the City's management. I have applied certain limited procedures, which consist primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and accordingly, do not express an opinion on it.

My audit was performed for the purpose of forming an opinion on the respective financial statements that collectively comprise the City of Lincolnton's basic financial statements. The supplementary information in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. It has been subjected to auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated July 20, 2013, on my consideration of City of Lincolnton's internal control over financial reporting and my tests of its compliance with laws regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Steven G Albertson

Steven G. Albertson, CPA
Washington, Georgia
July 20, 2013

BASIC FINANCIAL STATEMENT

Government Wide Financial Statements

City of Lincolnton, Georgia
Statement of Net Assets
December 31, 2012

	2012 Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Current Assets			
Cash and Cash equivalents	647,113	2,746	649,859
Bond Reserves		181,880	181,880
Receivables:			
Accounts		63,708	63,708
Property taxes	16,785		16,785
Intergovernmental	282,580		282,580
Other			
Internal balances			
Component units			
Inventory			
Bond premium net of amortization		68,846	68,846
Capital Assets			
Nondepreciable capital assets	178,507	97,579	276,086
Depreciable capital assets, net	1,515,120	7,576,024	9,091,144
Total Assets	2,640,105	7,990,783	10,630,888
Liabilities			
Current Liabilities			
Pooled cash payable			
Accounts payable	0	15,033	15,033
Net Pension Obligation	71,704		71,704
Customer deposits		28,859	28,859
Due to primary governments			
Construction Loan Short Term			
Unearned revenue	282,580		282,580
Compensated absences payable			
Revenue Bonds Payable (current portion)		104,584	104,584
Long Term Liabilities			
Capital Leases	15,440		15,440
Revenue bonds Payable (less current portion)		4,403,576	4,403,576
Total Liabilities	369,724	4,552,052	4,921,776
Net Assets			
Invested in capital assets, net of related debt	1,678,187	3,165,443	4,843,630
Restricted for:			
Debt service		181,880	181,880
Capital projects	268,901		268,901
Program purposes	150,541		150,541
Unrestricted	172,752	91,408	264,160
Total Net Assets	2,270,381	3,438,731	5,709,112

See accompanying notes to the basic financial statements

City of Lincolnton, Georgia
Statement of Activities
For the Year Ended December 31, 2012

Functions	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Capital Grants, Contributions and Interest	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Total
Primary Government						
Governmental Activities						
General government	228,653			(228,653)		(228,653)
Judicial				0		0
Health and Welfare	19,148			(19,148)		(19,148)
Public safety	329,905	32,541	233,305	(64,059)		(64,059)
Public works	504,425	170,572	217,420	(116,433)		(116,433)
Industrial Development	7,525	23,404		15,879		15,879
Interest	0		0	0		
Total Governmental Activities	1,089,656	226,517	450,725	(412,414)	0	(412,414)
Business-Type Activities						
Water & Sewer	893,879	895,005	0		1,126	1,126
Total Business-Type Activities	893,879	895,005	0		1,126	1,126
General Revenues						
Property taxes levied for:						
General purposes				547,617		547,617
Intergovernmental				0		0
Sales taxes				0		0
Hotel/motel taxes				13,665		13,665
Business taxes				0		0
Investment earnings				4,941	299	5,240
Other revenues				0		0
Total General Revenues				566,223	299	566,522
Transfers				(4,500)	4,500	
Total General Revenues and Transfers				561,723	4,799	566,522
Change in Net Assets				149,309	5,925	155,234
Net Assets beginning of year				2,121,072	3,432,806	5,553,878
Net Assets End of Year				2,270,381	3,438,731	5,709,112

See accompanying notes to the basic financial statements

Fund Financial Statements

City of Lincolnton, Georgia
Balance Sheet
Governmental Funds
December 31, 2012

	2012				
	General	SPLOST	CDBG	Hotel-Motel Tax Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	227,672	268,901		17,556	514,128
Receivables:					0
Accounts					0
Taxes	16,785				16,785
Intergovernmental			282,580		282,580
Other					0
Interfund					0
Restricted Cash/ Bond Reserves	132,985				132,985
Inventories					0
Prepaid items					0
Total Assets	377,442	268,901	282,580	17,556	946,478
Liabilities					
Accounts payable		0			0
Accrued liabilities					0
Unearned revenue			282,580		282,580
Total Liabilities	0	0	282,580	0	282,580
Fund Balances					
Restricted		268,901	0		268,901
Assigned for debt/projects	132,985			17,556	150,541
Unassigned	244,457				244,457
Unassigned (deficit)					0
Total Fund Balances	377,442	268,901	0	17,556	663,898
Total Liabilities and Fund Balances	377,442	268,901	282,580	17,556	946,478

See accompanying notes to the basic financial statements

City of Lincolnton, Georgia
Schedule of reconciling items from total governmental fund statements to net assets of governmental activities
December 31, 2012

Amounts Reported for governmental activities in the statement of net assets are different because:

Total Fund balance on Balance Sheet		663,898
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (capital assets net of depreciation on 12/31/12)		1,693,627
Land	145,507	
Construction in progress	33,000	
Fixed assets at cost	3,222,770	
less Accumulated Deprec prior years	-1,707,650	
	1,693,627 to record balance	
Adjustment to Net pension obligaton		-71,704
Capital assets transferred to water fund upon completion via GA water grant and CDBG		
Capital Assets transferred this period SPLOST		0
Taxes receivable reported in an earlier period still receivable		0
Deferred revenues for the CDBG grants yet to be received/expended		0
Deferred revenues for the CDBG grants expended		0
Long-term Liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Leases payable		-15,440
Net assets of governmental activities		2,270,381

City of Lincolnton, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2012

	2012				
	General	SPLOST	CDBG	Hotel Motel Tax Fund	Total Governmental Funds
Revenues					
Taxes	547,617	0		13,665	561,282
Licenses and permits	23,404	0			23,404
Intergovernmental	122,558	110,747	217,420	0	450,725
Charges for services	170,572	0			170,572
Impact fees	0	0			0
Fines and forfeitures	32,541	0			32,541
Investment earnings	4,411	504		26	4,941
Contributions	0	0			0
Miscellaneous	0	0	0		0
Total Revenues	901,103	111,251	217,420	13,690	1,243,465
Expenditures					
Current:					
General government	240,202	0			240,202
Judicial	0	0			0
Health and Welfare	19,148	0			19,148
Planning and zoning	0	0			0
Public safety	318,851			0	318,851
Public works	306,958	0			306,958
Economic Development	460	0		7,065	7,525
Total Current Expenditures	885,619	0	0	7,065	892,684
Capital Outlay	0	30,290	250,420		280,710
Total Expenditures	885,619	30,290	250,420	7,065	1,173,394
(Deficiency) of Revenues (Under) Expenditures	15,484	80,961	(33,000)	6,626	70,071
Transfers					
Transfers out (Enterprise Fund)	(4,500)	(33,000)			(37,500)
Transfers in			33,000		33,000
Total Transfers	(4,500)	(33,000)	33,000		(4,500)
Net Change in Fund Balance	10,984	47,961	0	6,626	65,571
Fund Balances Beginning of Year	366,457	220,940	0	10,930	598,327
Fund Balance End of Year	377,441	268,901	0	17,556	663,898

See accompanying notes to the basic financial statements

City of Lincolnton, 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, 2012

		General	SPLOST	CDBG	Hotel	Total
Amounts reported for governmental activities in the statement of activities are different because:						
Net change in Fund Balance - governmental funds		10,984	47,961	0	6,626	65,571
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of these assets is allocted over their useful lives and reported as depreciation expense.						
Fixed assets at cost added during the period		0	30,290	250,420	0	280,710
Fixed Assets transferred to Lincoln County BOE		0	0	0		0
Fixed Assets transferred to Enterprise Fund (WIP)			0	(128,861)		(128,861)
Depreciation by Function						
General Government	18,351					
Public Safety	19,479					
Public Works	68,606	(106,436)	0	0	0	(106,436)
	106,436					
Capital leases are recorded as liabilities at net present value on the statement of net assets, but expensed as the payments are made in the fund level statements.						
Principal payments on capital lease		8,425	0	0	0	8,425
Revenues in the statement of activities that do not provide current financial resources						
reduction in taxes receivable		0	0	0	0	0
Previously accrued revenues in the SPLOST/CDBG grant.						
Previously accrued revenues that were deferred until earned		0	0	0	0	0
Expenses in the statement of activities that do not use current financial resources						
Accounts payable decreased by this amount in 2012		27,254				27,254
Net pension obligation decreased by this amount in 2012		2,646	0	0	0	2,646
Change in net assets of governmental activities		(57,127)	78,251	121,559	6,626	149,309

The accompanying notes are an integral part of the basic fiancial statements.

City of Lincolnton, Georgia

Balance Sheet - Enterprise Fund

December 31, 2012

ASSETS		
Current Assets		
Cash	$	2,746
Accounts Receivable	$	63,708
Less Allowance for Doubtful Act.		
Bond Reserves	$	167,580
WW Maint. Reserve	$	14,300
Total Current Assets	$	248,334
Fixed Assets		
Land	$	97,579
Buildings	$	32,217
Accm. Depreciation	$	(19,343)
Water System	$	6,119,492
Accm. Depreciation	$	(1,409,568)
Sewer System	$	4,265,057
Accm. Depreciation	$	(1,576,113)
Machinery & Equipment	$	189,407
Accm. Depr M&E	$	(153,986)
Construction in Progress	$	128,861
Net Fixed Assets	$	7,673,603
Bond Premium net of Amortization	$	68,846
Total Assets	$	7,990,783
LIABILITIES		
Accounts Payable	$	15,033
Customer Deposits	$	28,859
Construction Loans (Short-term)	$	-
Revenue Bonds - Current Portion	$	104,584
Rev. Bonds - Long Term	$	4,403,576
Total Liabilities	$	4,552,052
Net Assets		
Invested in Capital Assets net of related debt	$	3,165,443
Restricted for Bond Covenants	$	181,880
Unrestricted net assets	$	91,408
Total Net Assets	$	3,438,731
Total Liabilities and Net Assets	$	7,990,783

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

City of Lincolnton, Georgia
Statement of Revenues, Expenses, and Changes in Retained Earnings - Enterprise Fund
For the year ended December 31, 2012

	Total
OperatingRevenues	
Metered Sales	$ 776,998
Other Income	$ 118,007
Total Operating Revenue	$ 895,005
Expenses	
Personal Services	
Salaries & Wages	$ 145,502
Payroll Taxes	$ 10,984
Retirement Contributions	$ 10,176
Group Insurance	$ 25,926
Employee other Benefits	$ 17
Workers' Compensation	$ 1,942
Total Personal Services	$ 194,547
Supplies and Materials	
Office and Postage	$ 7,659
Fuel	$ 18,593
Chemicals and other	$ 37,059
Total Supplies & Materials	$ 63,311
Other Services and Charges	
Water Source Fees / Lab Fees	$ 18,430
Engineering and major repairs	$ 14
Utilities	$ 91,377
Telephone	$ 3,752
Insurance	$ 17,606
Repairs and Maint.	$ 47,914
Other Expenses	$ 19,196
Total other Services & Charges	$ 198,289
Depreciation	$ 212,123
Amortization	$ 2,086
Total Operating Expenses	$ 670,356
Operating Income (Loss)	$ 224,649
Non-Operating Income & Expenses	
Interest Income	$ 299
Interest Expense	$ (223,523)
Net Income (Loss) before Transfers	$ 1,425
Transfered from (to) General Fund	$ 4,500
Transfered from (to) Restricted Assets	$ -
Net Income (Loss) after Transfers	$ 5,925
Capital Contributions	
Capital Grants Received	$ -
Net Income (Loss) after Capital Grants	$ -
Net Income (Loss)	$ 5,925
Net Assets Beginning	$ 3,432,806
Net Assets Ending	$ 3,438,731

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

City of Lincolnton, Georgia
Statement of Cash Flows - Enterprise Funds
For the year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	896,369
Cash paid to suppliers and contractors	$	(266,448)
Cash paid to employees	$	(194,547)
Cash (retained) paid by general fund	$	-
Net cash provided by (used in) operating activities	$	435,374
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Proceeds from interfund transfers	$	4,500
Net cash provided by (used in) non-capital financing activities	$	4,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Water System Expansion	$	(128,861)
Construction Loans - Short Term	$	-
Interest paid on revenue bonds	$	(223,523)
Payments on long-term debt	$	(96,557)
Net cash provided by (used in) financing activities	$	(448,941)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	$	299
NET INCREASE (DECREASE) IN CASH	$	(8,768)
CASH AT BEGINNING OF YEAR	$	193,394
CASH AT END OF YEAR	$	184,626
Operating Cash	$	2,746
Restricted Cash	$	181,880

Reconciliation of operating income to net cash provided by operating activities:

Operating Income (loss)	$	224,649
Adjustments to reconcile operating income to Net cash provided by operating activities:		
Depreciation	$	212,123
Amortization	$	2,086
Change in assets and Liabilities		
Increase (Decrease) in Accounts Payable	$	(4,847)
Increase (Decrease) in customer deposits	$	1,785
Miscellaneous Change	$	-
Increase (Decrease) in Long Term Bonds	$	-
Increase (Decrease) in Short Term Loans	$	-
(Increase) Decrease in Accounts Receivable	$	(422)
(Increase) Decrease in Inventory	$	-
Total adjustments	$	210,725
Net cash provided by operating activities	$	435,374

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

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

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, and component units and other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization it the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization.

Discretely presented component units generally are reported only at the government-wide financial reporting level.

The Housing Authority of Lincolnton is related organization of the City, but not a component unit. A related organization is an organization for which the primary government is accountable, because it appoints members to the board that runs the organization, but is not financially accountable for the operation of the organization.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements – The government-wide financial statements include a statement of net assets and a statement of activities. These statements report financial information for the City as a whole. All funds other than fiduciary activities are included at the government-wide reporting level. Individual funds are not displayed at this reporting level, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statements of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions,* the determining factor is to which function the revenues are *restricted*.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds. The fiduciary finds are reported by type.

Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

Government Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. **The following are the City's major governmental funds**:

> **General Fund** – The general fund accounts for all financial resources except those required to be accounted for in other funds. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.
>
> **Special Purpose Local Option Sales Tax Fund** - SPLOST Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds, and Trust Funds).
>
> **CDBG Capital Projects Fund** – CDBG Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds, and Trust Funds).
>
> **Hotel-Motel Tax Fund** – This fund is used to account for financial resources to be used for tourism and/or fire protection from the application of a special tax on hotel/motel room stays.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise funds. The following are the City's major proprietary funds:

> **Water System Fund** – This fund is used for the operation of the City's water and sewer system which renders services to the residents and businesses located with the City. The City reports direct water and sewer sales, as well as hook-up fees and late charges as operating revenues. Non-operating revenues would be asset sales, interest earned on deposits or other income not directly related to the operation of the water system. Expenses are segregated in a similar manner. Directly related expenses are operating and financing (interest on debt) and transfers are non-operating.

1-C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation to the City are included on the statement of net assets. The statement of activities reports revenues and expenses, including depreciation.

Fund Financial Statements – All government funds are accounted for using a flow of current financial resources measurement focus in these financial statements. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurements focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transaction, in which each party gives and receives revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, phrase “available for exchange transactions” means expected to be received within twelve months of year-end.

Revenues – Exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants, and donation. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place and on the modified accrual basis, it is recognized in the year received (i.e., when considered available). Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provide to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Sales taxes collected by the State of Georgia, Department of Revenue, for the November and December sales are reported as deferred revenue at year-end. Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities and Fund Equity

1-E-1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.
Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the government or governmental agency
- Obligations of any corporation of the government
- Prime bankers' acceptances
- The State of Georgia local government pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S, obligations. Although the City does not have a separate deposit policy for custodial credit risk, it follows the state law in this regard.

1-E-2. Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

1-E-3. Interfund Balances

On the fund financial statements, receivables and payable resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the government-wide statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-E-4. Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

On the fund financial statement, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure in the governmental fund types when consumed.

1-E-5. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges, and water and sewer lines. Improvements (i.e., betterments) to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

1-E-6. Compensated Absences

The City has no formal leave policy, thus no compensated absences.

1-E-7. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid form governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Debt service expenditures are recognized as a liability in the governmental fund financial statements when due.

1-E-8. Bond Premiums, Discount and Issuance Cost

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At government fund reporting level, bond premiums and discount are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditure.

1-E-9. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations demonstrate management's intent to set aside these resources for specific services. The City has adopted a 35 percent reserve policy to retain in reserve an equivalent of 35 percent of current year budgeted revenues from the unreserved/undesignated fund balance.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The net asset amount also is adjusted by any bond issuance deferred amounts. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of governments. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1-E-11. Contributions of Capital

Contributions of capital proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-12. Interfund Activity

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

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

1-E-13. Estimates

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

1-E-14. Comparative Data
Comparative total data for the prior year have not been presented.

2-A Changes in Accounting Principles
Reserved
2-B Fund Adjustments
Reserved

3-A. Budgetary Information – The City adopts an annual operating budget for the general fund, each special revenue fund, the debt service fund and each enterprise fund. A project budget is adopted for each capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund. In fiscal year 2012 annual budgets were adopted.

The governmental funds budgets are adopted on a basis consistent with GAAP, except that outstanding encumbrances at year-end are reported as budgetary expenditures. Enterprise fund budgets are adopted on a basis consistent with GAAP, except that outstanding encumbrances at year-end are reported as budgetary expenses. All unexpended, unencumbered annual appropriations lapse at year-end. The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level with the following provisions:

- The City Mayor may transfer funds from one object or purpose to another within the same department.
- The City Council may amend the budget by motion during the fiscal year.

Formal budgetary integration is employed as a management control device during the year for all budgeted funds.

3-B. Excess of Expenditures Over Appropriations

No funds reported expenditures/expenses over appropriations.

4-A. Deposits and Investments

Deposits – The bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in its name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name. The City's deposits are classified as follows at December 31, 2012:

Category		2012
Category 1		821,785
Category 2 or 3		18,900
Total		840,685

The carrying amounts for the City for 2012 were $840,684

4-B. Receivables

Receivables at December 31, 2012, consisted of accounts (billing for user charges) and intergovernmental grants obligated.

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

4-C. Property Taxes

Normally, property tax levies are set by the City in September of each year for collection in the following December. Taxes are levied annually by the City and for the year ended December 31, 2012, the levy occurred on October 20, 2012. Real and personal property taxes were due December 20, 2012. The lien date is February 20, 2013.

4-D. Capital Assets

The City depreciates assets with an acquisition value of $5000 or more. Buildings are depreciated over a 50 year life, equipment, machinery, and vehicles over either 5 or 7 years, and infrastructure over a twenty-five year life. The following is the depreciation history and results of the year's activity for the City:

Depreciation Table	Balance 1/1/2012	Increases	Decreases	Balance 12/31/2012
Capital Assets not being depreciated				
Land	$ 145,507			$ 145,507
Construction in Progress	$ -	$ 161,861	$ 128,861	$ 33,000
Total capital assets not being depreciated	$ 145,507	$ 161,861	$ 128,861	$ 178,507
Capital assets being depreciated				
Buildings	$ 927,566			$ 927,566
Machinery, equipment and vehicles	$ 580,044		$ -	$ 580,044
Infrastructure	$ 1,596,311	$ 118,849		$ 1,715,160
Total capital assets being depreciated	$ 3,103,921	$ 118,849	$ -	$ 3,222,770
Less accumulated depreciation for				
Buildings	$ 500,352	$ 18,351		$ 518,703
Machinery, equipment and vehicles	$ 515,306	$ 19,479		$ 534,785
Infrastructure	$ 585,556	$ 68,606		$ 654,162
Total accumulated depreciation	$ 1,601,214	$ 106,436	$0	$ 1,707,650
Total capital assets being depreciated at net	$ 1,502,707	$ 12,413	$ -	$ 1,515,120
Governmental activities net capital assets	$ 1,648,214	$ 174,274	$ 128,861	$ 1,693,627

Depreciation by functional area	
General Government	$ 18,351
Public Safety	$ 19,479
Public Works	$ 68,606
	$ 106,436

The fixed assets information for the Water/Sewer Fund is as follows:

Depreciation Table	Balance 1/1/2012	Increases	Decreases	Balance 12/31/2012
Capital Assets not being depreciated				
Land	$ 97,579	$ -		$ 97,579
Construction in Progress	$ -	$ 128,861	$ -	$ 128,861
Total capital assets not being depreciated	$ 97,579	$ 128,861	$ -	$ 226,440
Capital assets being depreciated				
Buildings	$ 32,217			$ 32,217
Machinery, equipment and vehicles	$ 189,407			$ 189,407
Water system	$ 6,119,492	$ -		$ 6,119,492
Sewer system	$ 4,265,057			$ 4,265,057
Water tanks	$ -			$ -
Total capital assets being depreciated	$ 10,606,173	$ -	$ -	$ 10,606,173
Less accumulated depreciation for				
Buildings	$ 18,699	$ 644		$ 19,343
Machinery, equipment and vehicles	$ 150,198	$ 3,788	$ -	$ 153,986
Water system	$ 1,287,178	$ 122,390		$ 1,409,568
Sewer system	$ 1,490,812	$ 85,301		$ 1,576,113
Adjustments	$ -	$ -	$ -	$ -
Total accumulated depreciation	$ 2,946,887	$ 212,123	$ -	$ 3,159,010
Total capital assets being depreciated at net	$ 7,659,286	$ (212,123)	$ -	$ 7,447,163
Governmental activities net capital assets	$ 7,756,865	$ (83,262)	$ -	$ 7,673,603

New construction accumulates in the construction in progress category until complete and on-line with the system.

4-E. Interfund Balances and Transfers

Interfund balances at December 31, 2012 were at zero balances.

There were Interfund transfers for the year ended December 31, 2012.
From the General Fund to the Enterprise fund $4,500
From the SPLOST to the Capital Projects fund $33,000

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to return money to the fund from which it was originally provided, once a project is completed.

4-F. Long-Term Debt

The City of Lincolnton has retired all the general obligation bonds.

The city has leased vehicles through the Georgia Municipal Association as follows:

Police Car Lease		3.35% 36 months		
	Payment	Interest	Principal	Balance
1/22/2013	758.01	43.10	714.91	14,724.88
2/22/2013	758.01	41.11	716.90	14,007.98
3/22/2013	758.01	39.11	718.90	13,289.08
4/22/2013	758.01	37.10	720.91	12,568.17
5/22/2013	758.01	35.09	722.92	11,845.25

6/22/2013	758.01	33.07	724.94	11,120.31
7/22/2013	758.01	31.04	726.97	10,393.34
8/22/2013	758.01	29.01	729.00	9,664.34
9/22/2013	758.01	26.98	731.03	8,933.31
10/22/2013	758.01	24.94	733.07	8,200.24
11/22/2013	758.01	22.89	735.12	7,465.12
12/22/2013	758.01	20.84	737.17	6,727.95
1/22/2014	758.01	18.78	739.23	5,988.72
2/22/2014	758.01	16.72	741.29	5,247.43
3/22/2014	758.01	14.65	743.36	4,504.07
4/22/2014	758.01	12.57	745.44	3,758.63
5/22/2014	758.01	10.49	747.52	3,011.11
6/22/2014	758.01	8.41	749.60	2,261.51
7/22/2014	758.01	6.31	751.70	1,509.81
8/22/2014	758.01	4.21	753.80	756.01
9/22/2014	758.01	2.00	756.01	-
	15,918.21	478.42	15,439.79	

Bonds to finance construction of facilities utilized in the operations of the proprietary fund are being reported as long-term debt in the proprietary fund balance sheet. The following is a summary of revenue bond transactions of the City for the year ended December 31, 2012.

Change in Bonds Payable	Bonds Payable 1/1/2012	Issued	Redeemed	Bonds Payable 12/31/2012
Revenue Bonds	$ 4,604,717		$ 96,557	$ 4,508,160
Interest paid on Bonds in 2012	$ 223,523			

Bonds payable at December 31, 2012 are comprised of the following individual issues:

The balance due on an original bond issue for $600,000, Series 1975, for financing a portion of the construction of a sewerage system and retirement of bonds issued in prior years. Principal and interest at 5% is payable monthly.

The City also has two Bond/Loan type accounts with USDA, Rural Development within the Enterprise Fund. The first was originally for $1,277,500 with an interest rate of 4.75% and a term of 40 years starting on 07/08/1999. The second was originally for $280,200 with an interest rate of 4.75% and a term of 40 years starting on 07/08/1999. Payments for both are made on a monthly basis.

A third issue was done on December 28, 2005 in the amount of $3,388,100 at an interest rate of 4.25% and a term of 40 years. Payments are made on a monthly basis.

Principle and interest matures as follows:

Loan	10-090-0581284003A			
2013	20,775.92	50,672.08	71,448.00	1,055,487.76
2014	21,784.55	49,663.45	71,448.00	1,033,703.21
2015	22,842.14	48,605.86	71,448.00	1,010,861.06
2016	23,948.28	47,499.72	71,448.00	986,912.79
2017	25,113.71	46,334.29	71,448.00	961,799.07
2018	26,332.93	45,115.07	71,448.00	935,466.14
2019	27,611.34	43,836.66	71,448.00	907,854.80
2020	28,949.01	42,498.99	71,448.00	878,905.79
2021	30,357.22	41,090.78	71,448.00	848,548.58
2022	31,830.99	39,617.01	71,448.00	816,717.59
2023	33,376.32	38,071.68	71,448.00	783,341.27
2024	34,993.87	36,454.13	71,448.00	748,347.39
2025	36,695.54	34,752.46	71,448.00	711,651.85
2026	38,477.03	32,970.97	71,448.00	673,174.83

2027	40,345.00	31,103.00	71,448.00	632,829.82
2028	42,300.88	29,147.12	71,448.00	590,528.94
2029	44,357.28	27,090.72	71,448.00	546,171.67
2030	46,510.73	24,937.27	71,448.00	499,660.94
2031	48,768.72	22,679.28	71,448.00	450,892.22
2032	51,133.56	20,314.44	71,448.00	399,758.66
2033	53,618.76	17,829.24	71,448.00	346,139.90
2034	56,221.83	15,226.17	71,448.00	289,918.07
2035	58,951.28	12,496.72	71,448.00	230,966.80
2036	61,810.46	9,637.54	71,448.00	169,156.34
2037	64,813.99	6,634.01	71,448.00	104,342.34
2038	67,960.57	3,487.43	71,448.00	36,381.77
2039	36,381.77	515.85	36,897.62	0.00
Totals	1,076,263.68	896,918.61	1,965,993.62	

Loan 10-090-0581284003B

Year	Principle	Interest	Payment	Balance
2013	4,558.77	11,113.23	15,672.00	231,484.82
2014	4,780.09	10,891.91	15,672.00	226,704.73
2015	5,012.15	10,659.85	15,672.00	221,692.58
2016	5,254.87	10,417.13	15,672.00	216,437.71
2017	5,510.59	10,161.41	15,672.00	210,927.12
2018	5,778.12	9,893.88	15,672.00	205,149.00
2019	6,058.63	9,613.37	15,672.00	199,090.37
2020	6,352.15	9,319.85	15,672.00	192,738.21
2021	6,661.15	9,010.85	15,672.00	186,077.06
2022	6,984.53	8,687.47	15,672.00	179,092.53
2023	7,323.62	8,348.38	15,672.00	171,768.91
2024	7,678.55	7,993.45	15,672.00	164,090.36
2025	8,051.94	7,620.06	15,672.00	156,038.42
2026	8,442.84	7,229.16	15,672.00	147,595.57
2027	8,852.73	6,819.27	15,672.00	138,742.85
2028	9,281.90	6,390.10	15,672.00	129,460.95
2029	9,733.12	5,938.88	15,672.00	119,727.83
2030	10,205.64	5,466.36	15,672.00	109,522.18
2031	10,701.11	4,970.89	15,672.00	98,821.08
2032	11,220.01	4,451.99	15,672.00	87,601.07
2033	11,765.33	3,906.67	15,672.00	75,835.74
2034	12,336.51	3,335.49	15,672.00	63,499.23
2035	12,935.42	2,736.58	15,672.00	50,563.81
2036	13,562.80	2,109.20	15,672.00	37,001.02
2037	14,221.85	1,450.15	15,672.00	22,779.17
2038	14,912.29	759.71	15,672.00	7,866.88
2039	7,866.88	110.44	7,977.32	0.00
Totals	236,043.59	190,730.92	431,121.32	

GMACCM Account 010273601

Year	Principle	Interest	Payment	Balance
2013	35,000.00	1,000.00	36,000.00	35,000.00
2014	35,000.00	1,000.00	36,000.00	0.00
Totals	70,000.00	2,000.00	72,000.00	

USDA - Series

2005

Year	Principle	Interest	Payment	Balance
2013	44,249.06	132,210.94	176,460.00	3,081,603.68
2014	46,169.02	130,290.98	176,460.00	3,035,434.65
2015	48,173.38	128,286.62	176,460.00	2,987,261.27
2016	50,255.85	126,204.15	176,460.00	2,937,005.43
2017	52,447.51	124,012.49	176,460.00	2,884,557.92
2018	54,723.46	121,736.54	176,460.00	2,829,834.45
2019	57,099.20	119,360.80	176,460.00	2,772,735.25
2020	59,569.24	116,890.76	176,460.00	2,713,166.01
2021	62,165.08	114,294.92	176,460.00	2,651,000.93
2022	64,862.99	111,597.01	176,460.00	2,586,137.94
2023	67,678.91	108,781.09	176,460.00	2,518,459.03
2024	70,608.34	105,851.66	176,460.00	2,447,850.69
2025	73,683.26	102,776.74	176,460.00	2,374,167.43
2026	76,881.29	99,578.71	176,460.00	2,297,286.14
2027	80,218.97	96,241.03	176,460.00	2,217,067.17
2028	83,692.91	92,767.09	176,460.00	2,133,374.26
2029	87,335.67	89,124.33	176,460.00	2,046,038.60
2030	91,126.50	85,333.50	176,460.00	1,954,912.09
2031	95,082.62	81,377.38	176,460.00	1,859,829.47
2032	99,201.96	77,258.04	176,460.00	1,760,627.51
2033	103,517.77	72,942.23	176,460.00	1,657,109.74
2034	108,011.26	68,448.74	176,460.00	1,549,098.48
2035	112,700.40	63,759.60	176,460.00	1,436,398.08
2036	117,584.73	58,875.27	176,460.00	1,318,813.35
2037	122,698.31	53,761.69	176,460.00	1,196,115.04
2038	128,024.64	48,435.36	176,460.00	1,068,090.40
2039	133,582.63	42,877.37	176,460.00	934,507.77
2040	139,373.71	37,086.29	176,460.00	795,134.06
2041	145,432.88	31,027.12	176,460.00	649,701.18
2042	151,746.36	24,713.64	176,460.00	497,954.82
2043	158,334.20	18,125.80	176,460.00	339,620.62
2044	165,200.02	11,259.98	176,460.00	174,420.60
2045	174,420.60	4,080.00	178,500.60	0.00
Totals	3,125,852.73	2,833,429.48	6,001,680.60	

USDA Issue Amort

Cost to Issue	Life	Annual Amortizement
246,195	40	6154.88

4-G. Pensions

During 1989, the city established a defined benefit retirement plan covering all employees working more than 20 hours per week. Elected officials are not eligible to participate in the plan. Employees are eligible to join after one year's service. Employees do not contribute to the plan. Vesting is over a ten-year period at ten percent per year. The City council has the authority to amend or change the plan upon a majority vote of the council. The city is a member of the Georgia Municipal Employees Benefit System (GMEBS). This is an agent multiple-employer public retirement system that acts as a common investment and administrative agent for many municipalities in the State of Georgia. An annual report is available from:

Georgia Municipal Association
207 Pryor Street, SW
Atlanta, Georgia 30303

Significant actuarial assumptions:
The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices. The significant actuarial assumptions used in the current valuation are:

-rate of return on investment	7.75% per year
-projected salary increases	
-- inflation	3.50% per year
-- seniority or merit	0.0% per year

Normal cost and actuarial accrued liability are calculated by the Projected Unit Credit Method. Actuarial value of assets is calculated by rolling forward prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during the prior 10 years.

Annual Pension Cost	2012	2011	2010	2009
Derivation of Net Pension Obligation:				
Net pension obligation as of beginning of prior year	$(74,350)	$(73,225)	$(72,178)	$(71,225)
Annual pension cost for plan year	$ 24,398	$ 29,058	$ 26,929	$ 26,100
Actual contributions to plan	$ 27,044	$ 27,933	$ 25,882	$ 25,147
Increase (decrease) in Net pension obligation	$ 2,646	$ (1,125)	$ (1,047)	$ (953)
Net pension obligation as of end of the year	$(71,704)	$(74,350)	$(73,225)	$(72,178)
Derivation of Annual Pension Cost				
Annual required contribution	$ 21,112	$ 27,933	$ 25,882	$ 25,147
Interest on net pension obligation	$ (5,848)	$(16,073)	$(14,964)	$(13,620)
Amortization of net pension obligation	$ 9,134	$ 17,198	$ 16,011	$ 14,573
Annual pension cost	$ 24,398	$ 29,058	$ 26,929	$ 26,100

Measure-ment Date	(1) ***Actuarial Value of Assets***	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Annual Covered Payroll (prior year)	(6) UAAL as a percentage of Covered Payroll (4)/(5)
05/01/00	200,392	301,755	66.4	102,408	254,780	40.2
05/01/01	224,483	317,804	70.6	93,321	246,795	37.8
05/01/02	226,452	343,796	71.7	97,344	274,003	35.5
05/01/03	263,681	351,734	75.0	88,053	286,980	30.7
05/01/04	286,207	365,159	78.4	78,952	250,879	31.5
05/01/05	307,030	397,376	77.3	90,346	309,667	29.2
05/01/06	333,182	360,603	92.4	27,421	343,240	7.99
05/01/07	361,041	390,261	92.51	29,220	339,150	8.62
05/01/08	387,496	412,856	93.86	25,360	322,194	7.87
07/01/09	289,033	444,573	65.01	155,540	291,746	53.31
07/01/10	394,477	467,577	84.37	73,100	277,531	26.34
07/01/11	428,177	534,766	85.96	69,950	308,137	22.70
07/01/12	457,853	534,766	85.62	76,913	280,886	27.38

Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of actuarial accrued liability provides one indication of funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan.

Trends in unfunded actuarial liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the Plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

Funding policy and annual contributions:

The funding policy for the plan is to contribute an amount equal to the recommended contribution of normal cost plus an amortized amount of Unfunded Actuarial Accrued Liability and Interest. The period, and related method for amortizing the initial unfunded actuarial accrued liability is 30 years from 1990 and current changes in the unfunded actuarial accrued liability over 15 years of actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The authority under which the City determines contributions to the plan is under the Public Retirement Systems Standards Law, in OCGA § 47-20-10.

Schedule of Employer Contributions

Year Ended 01/01	Annual Required Contribution	Percentage Contributed
2000	27,094	100.0%
2001	25,586	100.0%
2002	27,950	100.0%
2003	24,594	100.0%
2004	22,928	100.0%
2005	24,672	100.0%
2006	20,125	100.0%
2007	23,124	100.0%
2008	24,658	100.0%
2009	25,147	100.0%
2010	25,882	100.0%
2011	27,933	100.0%
2012	21,112	100.0%

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of July 1, 2012. The following summarizes the actuarial methods and assumptions used in that valuation:

Valuation Date:	07/01/2012
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value
Amortization Method:	Level Dollar (closed)
Remaining Amortization Period:	10 years
Actuarial assumptions:	
Assumed rate of return on assets	7.750% per year
Expected future salary increases	0% per year
Cost of Living adjustments*	3.5% per year

*includes expected inflation rate of 3.5% per year

Membership of the plan

Retirees and beneficiaries	7
Terminated plan members vested but not yet receiving benefits	1
Active plan members	11
Total	19

The following pensions also are in effect, but are not under the direct control of the City:

(1) Peace Officers' Annuity and Benefit Fund
Police personnel are covered under this fund which requires that certain sums from fines or forfeitures be remitted to the pension plan before the payment of any costs or other claims.

(2) Firemen's Retirement Fund
Fire personnel are covered under this State administered plan which requires that certain sums be contributed by the City to the plan.

4-H. Equity

Net Assets – Net assets on the government-wide statement of net assets as of December 31, 2012 are as follows:

Fund		2012
Governmental Activities Fund		2,196,618
Proprietary Fund (Water/Sewer)		3,438,830

Fund Balances – Fund balance reserves and designations at the fund reporting level as of December 31, 2012 are as follows:

Reserved Cash Balances:
Bond Reserves required by bond holders: 181,881

Unreserved, Designated and Undesignated Fund Balances:

Fund		2012
General Fund:		
Unrestricted		530,994
Project Completion		134,994

Note 5 – Other Notes

5-A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The City joined the Georgia Interlocal Risk Management Agency (GIRMA). GIRMA is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City must participate at all time in at least one fund, which is established by GIRMA. Other responsibilities of the City are as follows:

- To pay all contributions, assessments or other sums due to GIRMA at such time and in such amounts as shall be established by GIRMA.
- To select a person to serve as a Member representative.
- To allow GIRMA and its agent's reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.
- To allow attorneys appointed by GIRMA 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 Fund or Funds established by GIRMA.
- To assist and cooperate in the defense and settlement of claims against the City.
- To furnish full cooperation to GIRMA'S attorneys claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purposes of GIRMA.
- To furnish to GIRMA such budget, operating and underwriting information as may be requested.
- To report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA or any fund established by GIRMA being required to pay claim for loss of injuries to municipal property when such loss or injury is within the scope of the protection of a fund or funds in which the City participates.
- The City retains the first $1000 of each risk loss in the form of a deductible. The City files all claims with GIRMA.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers'

Compensation Law of Georgia, or on the basis or employer's liability, including suits or other proceeding alleging such injuries and demanding or compensation therefore, although such suits, other proceeding, allegations or demands be wholly groundless, false or fraudulent. The Fund is 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. The City participates in Workers Compensation through GIRMA. It uses a private company for liability and casualty insurance. The limit on liability for the policy in effect for the year ended December 31, 2012 is $1,000,000. This policy is from May to April. The City maintains sufficient insurance coverage to replace property in the event of fire, theft, and etceteras, and provides for umbrella liability insurance in the event of a catastrophic loss.

There were no significant reductions in insurance coverage from prior year, and there have been no settlements that exceed the City's insurance coverage during the past three years.

5-B. Contingent Liabilities

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

5-C. Joint Venture

Under Georgia law, the City, in conjunction with other municipalities and counties in the area, is a member of the Central Savannah River Area Regional Commission (CSRARC). Membership in the RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC's in Georgia. The RC's Board membership includes representation from each county and municipality of the area, as well as representatives from the private sector and other governmental entities. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements for the RC are available from:

Central Savannah River Area Regional Commission
2123 Wrightsboro Road
Augusta, Georgia 30914

5-D. Subsequent Events

No events occurred subsequently to the audit of a material nature.

6. HOTEL/MOTEL TAX

The City levies a 5% lodging tax. A summary of the transactions for the year ending December 31, 2012 follows:

Hotel/Motel Tax Receipts	13,665
Disbursed for tourism and fire protection	7,065
Balance on hand 12/31/2012	17,556

Expenditures were for the promotion of tourism and other uses IAW O.C.G.A. 48-13-51.

7. Short Term Debt

The City currently has no short term debt.

ACCOUNTANT'S REPORTS AND SUPPLEMENTAL INFORMATION

City of Lincolnton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Major Governmental Fund Types
For the year ended December 31, 2012

	Major Governmental Fund Types											
	General			SPLOST			Hotel/Motel Tax			Capital Projects		
	Actual	Amended Budget	Difference	Actual	Amended Budget	Difference	Actual	Budget	Difference	Actual	Budget	Difference
Revenues												
Taxes	$ 547,617	$ 547,617	$ -	$ 110,747	$ 110,747		$ 13,665	$ 13,665		$ -	$ -	
Licenses and Permits	$ 23,404	$ 23,404	$ -									
Fines & Forfeitures	$ 32,541	$ 32,541	$ -									
Federal Government	$ 2,618	$ 2,618	$ -									
State of Georgia	$ 119,940	$ 119,940	$ -	$ -	$ -	$ -				$ 217,420	$ 500,000	
Charges for services- Sanitation fees	$ 170,572	$ 170,572	$ -									
Miscellaneous	$ 4,411	$ 4,411	$ -	$ 504	$ 328	$ 176	$ 26	$ -	$ 26	$ -	$ 1,500	$ (1,500)
Total Revenues	$ 901,103	$ 901,103	$ -	$ 111,251	$ 111,075	$ 176	$ 13,690	$ 13,665	$ 26	$ 217,420	$ 501,500	$ (1,500)
Expenditures												
Current:												
General Government	$ 240,202	$ 240,202	$ -						$ -			$ -
Public Safety	$ 318,851	$ 318,851	$ -	$ -	$ -	$ -	$ -			$ -		
Streets & Sanitation	$ 306,058	$ 306,058	$ -	$ -	$ -	$ -			$ -	$ -	$ 1,500	$ 1,500
Health & Welfare	$ 19,148	$ 19,148	$ -									
Culture and Recreation	$ -	$ -	$ -				$ 7,065	$ 1,600		$ -	$ -	
Industrial Development	$ 460	$ 460	$ -									
Capital Outlays	$ 900	$ 900	$ -	$ 30,290	$ 30,290				$ -	$ 217,420	$ 500,000	$ 282,580
Total Expenditures	$ 885,619	$ 885,619	$ -	$ 30,290	$ 30,290	$ -	$ 7,065	$ 1,600	$ -	$ 217,420	$ 501,500	$ 284,080
Excess (deficiency) of Revenues over Expenditures	$ 15,484	$ 15,484	$ -	$ 80,961	$ 80,785	$ 176	$ 6,626	$ 12,065	$ -	$ (0)	$ -	$ -
Transfers												
transfers in	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 33,000	$ -	$ -
transfers (out)	$ (4,500)	$ -	$ -	$ (33,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Transfers	$ (4,500)	$ -	$ -	$ (33,000)	$ -	$ -	$ -	$ -	$ -	$ 33,000	$ -	$ -
Excess (Deficiency) of revenues and other financing sources over expenditures and other uses	$ 10,984	$ 15,484	$ -	$ 47,961	$ 80,785	$ 176	$ 6,626	$ 12,065	$ -	$ 33,000	$ -	$ -
Fund Balance Beginning of Year	$ 366,457	$ -	$ -	$ 220,940	$ -	$ -	$ 10,930	$ -	$ -	$ -	$ -	$ -
Fund Balance End of Year	$ 377,441	$ -	$ -	$ 268,901	$ -	$ -	$ 17,556	$ -	$ -	$ 33,000	$ -	$ -
Fund balance reserved for purp	$ 132,985											
	$ -											
Fund balance undesignated	$ 244,456											

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

City of Lincolnton, Georgia
Project Report - Special Purpose Local Option Sales Tax
For the year ended December 31, 2012

Num	2006-2012 (Six year w/County) Project	Original Estimated Cost	Amended Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Total	Estimated Percentage of Completion
	Total per Referendum						
1	Roads, Bridges, Downtown revitalization Recreation, Culture, Water/Sewer Capital	$ 1,000,000	$ 1,000,000	$ 512,369	$ 63,290	$ 575,659	57.6%
	Recap of total per Referendum Project Breakdowns as of 12/31/12						
1a	Downtown Revitalization	$ 40,000	$ 100,000	$ 33,930	$ 30,290	$ 64,220	160.5%
1b	W/S Capital	$ 960,000	$ 900,000	$ 478,439	$ 33,000	$ 511,439	53.3%
	Total by current project breakdowns.	$ 1,000,000	$ 1,000,000	$ 512,369	$ 63,290	$ 575,659	57.6%

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

City of Lincolnton, Georgia
Schedule for CDBG 11p-x-090-2-5354 - Capital Projects
As of and for the years ended December 31, 2012

CDBG 11p-x-090-2-5354

	Current Year	Project to Date	Budget	Difference
Revenues				
State of Georgia	$ 217,420	$ 217,420	$ 500,000	$ (282,580)
Local Funds	$ -	$ 1,500	$ 1,500	$ -
Capital Outlays				
Acquisition of Property	$ -	$ -	$ -	$ -
Engineering	$ -	$ 1,500	$ 1,500	$ -
Street Improvements	$ 217,420	$ 217,420	$ 500,000	$ 282,580
Administrative	$ -	$ -	$ -	$ -
Contiguency Costs	$ -	$ -	$ -	$ -
Other	$ -	$ -	$ -	$ -
Total Capital Outlays	$ 217,420	$ 218,920	$ 501,500	$ 282,580
Excess (Deficiency) of Revenues over Expenditures	$ (0)	$ (0)	$ -	
Other Financing Sources (Uses)				
Financing in from General Fund	$ 33,000	$ 33,000	$ -	$ (33,000)
Excess (Deficiency) of Revenues and other Financing sources over Expenditures	$ 33,000	$ 33,000	$ -	$ (33,000)
Fund Balance beginning of year	$ -	$ -		
Fund Balance end of year	$ 33,000	$ 33,000		

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

To the Board
City of Lincolnton, Georgia

I have audited the accompanying financial statements of governmental activities, business activities, and each major fund of the City of Lincolnton, Georgia, as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated July 20, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, I considered City of Lincolnton, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements in a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters which might be material weaknesses. I noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

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

This report is intended for the information and use of the audit committee, management, others within the organization, City Commissioners, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Steven G Albertson

Steven G. Albertson, CPA
Washington, Georgia
July 20, 2013

Steven G. Albertson, CPA, PC
Certified Public Accountant
102 Court Street
Washington, Georgia 30673
(706) 678-1680

INDEPENDENT AUDITOR'S REPORT ON SPECIAL PURPOSE SALES AND USE TAX

City of Lincolnton, Georgia
Lincolnton, GA

I have audited the accompanying Project Report - Special Purpose Local Option Sales Tax of the City of Lincolnton, Georgia, as of and for the year ended December 31, 2012, as listed in the table of contents and have issued my report thereon dated June 10, 2013. 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.

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 Project Report - Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Project Report - Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion. In the conduct of my audit, I verified and tested expenditures for the uses of funds, as identified in the resolution or ordinance calling for the imposition of the special purpose sales and use tax authorized by Section 48-8-110 OCGA.

The accompanying Project Report - Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Section 48-8-121 OCGA on the modified accrual basis of accounting as described in Note 1 and is not intended to be a complete presentation of City of Lincolnton, Georgia's revenues and expenditures.

In my opinion the accompanying Project Report - Special Purpose Local Option Sales Tax, which lists each identified project and information required by Section 48-8-121 OCGA presents fairly the original estimated cost of each project, expenditures incurred and the estimated percentage of completion of each project through December 31, 2012, the end of the fiscal year covered by this audit in conformity with accounting principles generally accepted in the United States of America.

This report is intended for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Steven G Albertson

Steven G. Albertson, CPA
Washington, Georgia
July 20, 2013

Steven G. Albertson, CPA, PC
Certified Public Accountant

Independent Auditor's Report on Schedule of Source and Application of Funds and Schedule of Project Cost Applicable to Community Block Development Grants

To the Council
City of Lincolnton, Georgia

I have audited the accompanying Schedule of CDBG 11p-x-090-2-5354 of the City of Lincolnton, Georgia, as of and for the years ended December 31, 2012. This financial statement is the responsibility of the City of Lincolnton, Georgia's management. My responsibility is to express an opinion on this financial statement 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the Schedule of CDBG 11p-x-090-2-5354 presents fairly, in all material respects, the respective revenues and expenditures for the City of Lincolnton, Georgia, as of December 31, 2012, and the results thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

This report is intended for the information and use of the audit committee, management, others within the organization, City Commissioners, and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Steven G Albertson

Steven G. Albertson, CPA
Washington, Georgia
July 20, 2013

City of Lincolnton, Georgia

Statement of Revenues, Expenses, and Changes in Net Assets

Segmented by functional department

For the Year ended December 31, 2012

Revenues	**Waste/Water Dept.**	**Water Dept.**	**Total**
Metered Sales	$ 227,401	$ 549,597	$ 776,998
Other Income	$ -	$ 118,007	$ 118,007
Total Revenue	$ 227,401	$ 667,604	$ 895,005
Expenses			
Personal Services			
Salaries & Wages	$ 52,092	$ 93,410	$ 145,502
Payroll Taxes	$ 3,920	$ 7,064	$ 10,984
Retirement Contributions	$ 5,512	$ 4,664	$ 10,176
Group Insurance	$ 10,370	$ 15,556	$ 25,926
Employee other Benefits	$ 7	$ 10	$ 17
Workers' Compensation	$ 1,942	$ -	$ 1,942
Total Personal Services	$ 73,843	$ 120,704	$ 194,547
Supplies and Materials			
Office and Postage	$ 1,937	$ 5,722	$ 7,659
Fuel	$ 8,091	$ 10,502	$ 18,593
Chemicals and other	$ 12,049	$ 25,010	$ 37,059
Total Supplies & Materials	$ 22,077	$ 41,234	$ 63,311
Other Services and Charges			
Water Source Fees / Lab Fees	$ 16,223	$ 2,207	$ 18,430
Engineering and major repairs	$ -	$ 14	$ 14
Utilities	$ 34,668	$ 56,709	$ 91,377
Telephone	$ 1,509	$ 2,243	$ 3,752
Insurance	$ 7,237	$ 10,369	$ 17,606
Repairs and Maint.	$ 14,553	$ 33,361	$ 47,914
Other Expenses	$ 3,610	$ 15,586	$ 19,196
Total other Services & Charges	$ 77,800	$ 120,489	$ 198,289
Depreciation & Amortization	$ 87,517	$ 126,692	$ 214,209
Total Operating Expenses	$ 261,237	$ 409,119	$ 670,356
Operating Income (Loss)	$ (33,836)	$ 258,485	$ 224,649
Non-Operating Income & Expenses			
Interest Income	$ -	$ 299	$ 299
Interest Expense	$ -	$ (223,523)	$ (223,523)
Net Income (Loss) before Transfers	$ (33,836)	$ 35,261	$ 1,425
Transferred from (to) General Fund			$ 4,500
Transferred from (to) Restricted Assets			$ -
Net Income (Loss) after Transfers			$ 5,925
Capital Contributions			
Capital Grants Received			$ -
Net Income (Loss) after Capital Grants			$ -
Net Income (Loss)			$ 5,925
Net Assets Beginning			$ 3,432,806
Net Assets Ending			$ 3,438,731

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