CITY OF LINCOLNTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

CITY OF LINCOLNTON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Lincolnton
Lincolnton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Lincolnton, Georgia (the "City") as of and for the year ended December 31, 2018, 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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in 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 Changes in the Net Pension Liability and Related Ratios - Retirement Plan and Schedule of Contributions - Retirement Plan, as 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual - General Fund by Object, the combining and individual nonmajor governmental fund financial statements, Schedule of Community Development Block Grants Project Costs and Source and Applications of Funds (Cash Basis), Schedule of USDA Loan/Grant Project Costs and Source and Application of Funds (Cash Basis), Schedule of Special Purpose Local Option Sales Tax, and the Schedule of Water Sewer Utility Fund Activities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual - General Fund by Object, the combining and individual nonmajor governmental fund financial statements, Schedule of Community Development Block Grants Project Costs and Source and Applications of Funds (Cash Basis), Schedule of USDA Loan/Grant Project Costs and Source and Application of Funds (Cash Basis), Schedule of Special Purpose Local Option Sales Tax, Schedule of Water Sewer Utility Fund Activities and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual - General Fund by Object, the combining and individual nonmajor governmental fund financial statements, Schedule of Community Development Block Grants Project Costs and Source and Applications of Funds (Cash Basis), Schedule of USDA Loan/Grant Project Costs and Source and Application of Funds (Cash Basis), Schedule of Special Purpose Local Option Sales Tax, Schedule of Water Sewer Utility Fund Activities, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Thomson, Georgia
June 21, 2019

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BASIC FINANCIAL STATEMENTS

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 571,758	$ 69,527	$ 641,285
Restricted cash and cash equivalents	-	270,599	270,599
Receivables			
Taxes-net	89,413	-	89,413
Accounts-net	-	125,462	125,462
Interest	37	972	1,009
Capital lease	8,078	-	8,078
Intergovernmental	113,956	11,794	125,750
Internal balances	104,370	(104,370)	-
Capital assets net of accumulated depreciation			
Land	146,960	105,454	252,414
Buildings and improvements	367,546	16,767	384,313
Machinery and equipment	161,214	7,260,301	7,421,515
Infrastructure	1,397,557	-	1,397,557
Construction in progress	63,482	7,014,285	7,077,767
Total assets	3,024,371	14,770,791	17,795,162
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	26,606	16,596	43,202
LIABILITIES			
Accounts payable	72,042	90,021	162,063
Accrued liabilities	1,401	944	2,345
Customer deposits	-	55,573	55,573
Intergovermental	865	1,724	2,589
Accrued interest payable	-	5,551	5,551
Noncurrent liabilities			
Due within one year	25,041	223,381	248,422
Due in more than one year	32,503	6,273,157	6,305,660
Net pension liability	35,554	20,873	56,427
Total liabilities	167,406	6,671,224	6,838,630
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	34,385	18,555	52,940
NET POSITION			
Net investment in capital assets	2,033,515	7,862,069	9,895,584
Restricted for:			
Public works	463,514	-	463,514
Housing and development	10,894	-	10,894
Debt service	-	270,599	270,599
Unrestricted	341,263	(35,060)	306,203
Total net position	$ 2,849,186	$ 8,097,608	$ 10,946,794

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 359,004	$ -	$ -	$ -	$ (359,004)	$ -	$ (359,004)
Judicial	6,783	55,563	-	-	48,780	-	48,780
Public safety	403,930	7,200	-	-	(396,730)	-	(396,730)
Public works	282,684	169,521	-	470,010	356,847	-	356,847
Housing and development	22,180	7,509	-	-	(14,671)	-	(14,671)
Community services	6,555	34,189	-	-	27,634	-	27,634
Interest on long-term debt	2,351	-	-	-	(2,351)	-	(2,351)
Total governmental activities	1,083,487	273,982	-	470,010	(339,495)	-	(339,495)
Business-type activities:							
Water Sewer Utility Fund	1,106,902	986,940	-	1,791,074	-	1,671,112	1,671,112
Total business-type activities	1,106,902	986,940	-	1,791,074	-	1,671,112	1,671,112
Total primary government	$ 2,190,389	$ 1,260,922	$ -	$ 2,261,084	(339,495)	1,671,112	1,331,617
General revenues							
Property taxes					254,656	-	254,656
Motor vehicle taxes					7,695	-	7,695
Motor vehicle title advalorem taxes					38,359	-	38,359
Mobile home taxes					445	-	445
Payment in lieu of taxes					2,618	-	2,618
Sales taxes					176,861	-	176,861
Franchise taxes					99,818	-	99,818
Insurance premium taxes					112,243	-	112,243
Hotel Motel taxes					12,601	-	12,601
Alcoholic beverage taxes					42,081	-	42,081
Occupation taxes					15,205	-	15,205
Intangible taxes					1,217	-	1,217
Transfer taxes					700	-	700
Interest income					829	1,142	1,971
Other revenues					5,035	2,359	7,394
Transfers					(304,029)	304,029	-
Total general revenues and transfers					466,334	307,530	773,864
Change in net position					126,839	1,978,642	2,105,481
Net position, beginning of year					2,722,347	6,118,966	8,841,313
Net position, end of year					$ 2,849,186	$ 8,097,608	$ 10,946,794

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLNTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	2016 CDBG Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 127,642	$ -	$ 444,116	$ 571,758
Receivables (net of allowance for uncollectibles)				
Taxes	89,413	-	-	89,413
Interest	37	-	-	37
Capital lease-current	6,783	-	-	6,783
Capital lease-long-term	1,295	-	-	1,295
Intergovernmental receivables	31,449	45,700	13,216	90,365
Interfund receivables	104,370	-	3,837	108,207
Total assets	$ 360,989	$ 45,700	$ 461,169	$ 867,858
LIABILITIES				
Accounts payable	$ 30,179	$ 41,863	$ -	$ 72,042
Accrued liabilities	1,401	-	-	1,401
Intergovernmental payables	865	-	-	865
Interfund payables	-	3,837	-	3,837
Total liabilities	32,445	45,700	-	78,145
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	23,321	-	-	23,321
Unavailable revenue-capital lease	8,078	-	-	8,078
Total deferred inflows of resources	31,399	-	-	31,399
FUND BALANCES				
Nonspendable:				
Capital lease-long-term	1,295	-	-	1,295
Restricted for:				
Public works	-	-	450,275	450,275
Housing and development	-	-	10,894	10,894
Unassigned	295,850	-	-	295,850
Total fund balances	297,145	-	461,169	758,314
Total liabilities, deferred inflows of resources, and fund balances	$ 360,989	$ 45,700	$ 461,169	$ 867,858

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLNTON, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total fund balances - governmental funds	$	758,314
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land		146,960
Building and improvements		1,001,976
Machinery and equipment		627,360
Infrastructure		2,602,470
Construction in progress		63,482
Accumulated depreciation		(2,305,489)
Total capital assets - governmental activities		2,136,759
Some revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavialable in the funds. These revenues consist of:		
Intergovernmental receivables		23,591
Property taxes		23,321
Capital lease		8,078
Total unavailable revenues		54,990
Deferred outflows of resources are not current assets or financial resources and, therefore, are not reported in the funds. Deferred outflows of resources consist of:		
Deferred outflows related to pension plan		26,606
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:		
Long-term debt		(57,544)
Net pension liability		(35,554)
Total liabilities		(93,098)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. Deferred inflows of resources consist of:		
Deferred inflows related to pension plan		(34,385)
Net position of governmental activities	$	2,849,186

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	2016 CDBG Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 681,706	$ -	$ 59,258	$ 740,964
Licenses and permits	29,914	-	-	29,914
Intergovernmental	2,618	368,442	101,569	472,629
Charges for services	169,521	-	-	169,521
Fines and forfeitures	55,563	-	-	55,563
Interest income	185	-	645	830
Rents	40,972	-	-	40,972
Other	5,034	-	-	5,034
Total revenues	985,513	368,442	161,472	1,515,427
EXPENDITURES				
Current				
General government	253,003	-	-	253,003
Judicial	6,783	-	-	6,783
Public safety	428,007	-	-	428,007
Public works	312,354	-	-	312,354
Community services	6,555	-	-	6,555
Housing and development	14,740	-	7,440	22,180
Debt service				
Principal	31,082	-	-	31,082
Interest	2,351	-	-	2,351
Capital outlay				
Public works	-	368,442	38,750	407,192
Total expenditures	1,054,875	368,442	46,190	1,469,507
Excess (deficiency) of revenues over (under) expenditures	(69,362)	-	115,282	45,920
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	30,544	-	-	30,544
Transfers in	21,704	-	88,781	110,485
Transfers out	-	-	(9,237)	(9,237)
Total other financing sources (uses)	52,248	-	79,544	131,792
Net change in fund balances	(17,114)	-	194,826	177,712
Fund balances, beginning of year	314,259	-	266,343	580,602
Fund balances, end of year	$ 297,145	$ -	$ 461,169	$ 758,314

The notes to the financial statements are an integral part of this statement.

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, 2018

Net change in fund balances - total governmental funds	$	177,712
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts were:		
Capital outlay		509,940
Depreciation expense		(155,882)
Capital assets funded through CDBG capital project transferred to Water-Sewer Fund		(405,277)
Excess of depreciation expense and transfers over capital outlay		(51,219)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Changes in these amounts are as follows:		
Intergovernmental receivables increased by this amount in 2018		1,881
Unearned property tax revenues increased by this amount in 2018		3,830
Unearned capital lease revenues decreased by this amount in 2018		(6,783)
Net change in revenues not providing current financial resources		(1,072)
The issuance of long-term debt (e.g., notes payable, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Transactions related to long-term debt during the year were as follows:		
Loan proceeds on long-term debt		(30,544)
Principal payments on long-term debt		31,082
Net decrease in long-term debt		538
Some expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net pension liability, deferred inflows and outflows related to pension decreased by this amount in 2018		880
Net change in expenses not requiring the use of current financial resources		880
Change in net position of governmental activities	$	126,839

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLNTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 683,730	$ 588,759	$ 625,047	$ 36,288
Licenses and permits	11,000	14,709	14,709	-
Intergovernmental	27,002	-	-	-
Charges for services	167,000	111,820	168,841	57,021
Fines and forfeitures	43,707	55,563	55,563	-
Use of money and property	22,125	33,769	33,864	95
Other	1,765	8,098	8,000	(98)
Total revenues	956,329	812,718	906,024	93,306
EXPENDITURES				
Current				
General government	286,629	275,517	249,774	(25,743)
Judicial	7,806	6,437	6,783	346
Public safety	439,443	442,790	466,521	23,731
Public works	310,127	322,524	322,028	(496)
Community services	10,285	6,511	6,517	6
Housing and development	13,895	14,905	14,905	-
Total expenditures	1,068,185	1,068,684	1,066,528	(2,156)
Excess (deficiency) of revenues over (under) expenditures	(111,856)	(255,966)	(160,504)	95,462
OTHER FINANCING SOURCES				
Prior year unassigned fund balance	-	139,484	-	(139,484)
Proceeds from loan	-	-	30,544	30,544
Transfers in	111,856	116,482	41,023	(75,459)
Total other financing sources	111,856	255,966	71,567	(184,399)
Change in fund balance	$ -	$ -	(88,937)	$ (88,937)
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			67,352	
Payables and other liabilities			4,471	
Total reconciliation to GAAP basis			71,823	
Fund balance, beginning of year			314,259	
Fund balance, end of year			$ 297,145	

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 69,527
Restricted cash and cash equivalents	270,599
Accounts receivable-net	125,462
Interest receivable	972
Intergovernmental receivables	11,794
Total current assets	478,354
Noncurrent assets	
Capital assets	
Land	105,454
Buildings and improvements	40,135
Machinery and equipment	11,772,748
Construction in progress	7,014,285
Less accumulated depreciation	(4,535,815)
Total capital assets (net of accumulated depreciation)	14,396,807
Total noncurrent assets	14,396,807
Total assets	14,875,161
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension plan	16,596
LIABILITIES	
Current liabilities	
Accounts payable	90,021
Accrued liabilities	944
Customer deposits	55,573
Interfund payables	104,370
Intergovermental payable	1,724
Current portion of notes payable	33,442
Current liabilities payable from restricted assets	
Accrued interest payable	5,551
Current portion of revenue bonds payable	189,939
Total current liabilities	481,564
Noncurrent liabilities	
Notes payable	193,034
Revenue bonds payable	6,080,123
Net pension liability	20,873
Total noncurrent liabilities	6,294,030
Total liabilities	6,775,594
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	18,555
NET POSITION	
Net investment in capital assets	7,862,069
Restricted for debt service	270,599
Unrestricted	(35,060)
Total net position	$ 8,097,608

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities- Enterprise Fund
	Water Sewer Utility Fund
OPERATING REVENUES	
Charges for services	$ 960,021
Penalties	26,919
Other revenues	2,359
Total operating revenues	989,299
OPERATING EXPENSES	
Personnel services and benefits	211,215
Professional and technical services	127,932
Repairs and maintenance	49,036
Other purchased services	213,108
Supplies	81,663
Depreciation	241,345
Intergovernmental refunds	1,724
Bad debts	11,327
Total operating expenses	937,350
Operating income	51,949
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	1,791,074
Interest income	1,142
Interest expense	(169,552)
Total non-operating revenues (expenses)	1,622,664
Income before transfers in and out	1,674,613
TRANSFERS OUT	(101,248)
CAPITAL CONTRIBUTIONS	405,277
Change in net position	1,978,642
Net position, beginning of year	6,118,966
Net position, end of year	$ 8,097,608

The notes to the financial statements are an integral part of this statement.

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities- Enterprise Fund Water Sewer Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,057,452
Payments to suppliers and others	(452,347)
Payments to employees	(211,252)
Net cash provided by operating activities	393,853
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(12,467)
Net cash used by noncapital financing activities	(12,467)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers to other funds	(88,781)
Proceeds from capital grants	3,106,954
Purchase and construction of capital assets	(3,122,314)
Principal payments on long-term debt	(221,582)
Interest paid	(169,985)
Net cash used by capital and related financiang activities	(495,708)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	312
Net cash provided by investing activities	312
Net decrease in cash and cash equivalents	(114,010)
Cash and cash equivalents, beginning of year	454,136
Cash and cash equivalents, end of year	$ 340,126
CASH PER STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 69,527
Restricted cash and cash equivalents	270,599
	$ 340,126

(Continued)

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 51,949
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	241,345
Other pension related charges	(37)
(Increase) decrease in current assets	
Accounts receivable	19,664
Prepaid items	11,524
Increase (decrease) in current liabilities	
Accounts payable	13,864
Accrued liabilities	(140)
Customer deposits	4,023
Intergovernmental payables	(4,132)
Interfund payables	55,793
Total adjustments	341,904
Net cash provided by operating activities	$ 393,853
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Transfer of capital assets from completed CDBG capital project	$ 405,277

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The financial statements of the City of Lincolnton, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

The accompanying summary of the City's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report.

B. The Financial Reporting Entity

The City was incorporated on December 19, 1817 and is governed by a Mayor and five Council members. The City provides the following services: judicial, public safety, public works, housing and development, community services, water and sewer utility, and general and administrative services.

As required by generally accepted accounting principles, these financial statements present the City (the primary government), its component units, and other organizations. A component unit is a legally separate organization for which the City is financially accountable. The City is deemed to be financially accountable for an organization if the City appoints a voting majority of the organization's board and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The City was not financially accountable for, nor did the City exercise significant influence over any other organizations. Accordingly, there are no component units included in the financial statements for the year ended December 31, 2018.

C. Basic Financial Statements

The basic financial statements consist of the following:

Government-wide financial statements
Fund financial statements
Notes to the basic financial statements

Government-wide financial statements - 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. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with the program or function of the City's governmental activities. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund financial statements - The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues, except property taxes, available if they are collected within 30 days after year-end. Property taxes collected within 60 days after year-end are considered available. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

When 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.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, fines and forfeitures, and various other taxes and charges. The primary expenditures are for general administration, judicial, public safety, public works, community services, and housing and development.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2016 CDBG Grant Capital Project Fund - Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. This fund was established to account for proceeds from a Community Development Block Grant (CDBG) to be used for improvements to the water-sewer system.

The City reports the following major enterprise fund:

Water Sewer Utility Fund - The Water Sewer Utility Fund is used to account for the operations of the City's water sewer utility.

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

Additionally, the City reports the following other fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Capital Project Funds - Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

E. Budgets and Budgetary Data

Annual appropriated budgets are adopted by the Mayor and City Council for the General Fund and Hotel Motel Tax Fund on a total revenues and total expenditures basis.

The 2018 annual appropriated budgets were adopted on October 3, 2017. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Under Georgia law, appropriations lapse at year end.

The budgets are prepared on the cash basis, rather than in accordance with generally accepted accounting principles (GAAP). Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenditure is to be paid. A reconciliation from the budgetary basis to GAAP basis is presented in the applicable financial statements.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and character (personnel services, maintenance and operations, capital outlay, debt service) which constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Major revisions to the 2018 budgets were made and approved on February 5, 2019.

Project length budgets are adopted for all capital project funds. Major capital projects are under contract with independent contractors that are exclusively responsible for the progress of the construction projects. Accordingly, budgetary statements are not presented for the City's capital projects funds.

F. Encumbrance Accounting

The City does not utilize encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Cash and Investments

The City‘s cash and equivalents are comprised of cash on hand, demand deposits, and short-term investments purchased with maturities of three months or less.

Nonparticipating interest-earning investment contracts (investments whose value is not affected by interest rates or other market changes), including savings accounts, certificates of deposit, repurchase agreements, money market investments (short-term, highly liquid debt instruments including commercial paper, banker’s acceptances and U. S. Treasury and agency obligations) and participating interest-bearing investment contracts, that have a remaining maturity, at purchase, of one year or less are reported at cost or amortized cost assuming their fair value has not been impacted by changes in the credit worthiness of the issuer or similar factors. All other investments are reported at fair value (the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale).

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City uses the allowance method for recording bad debts. The allowance for bad debt reserves for amounts owed from customers that have purchased services from the City and is determined by analysis of the year-end receivable balances for those accounts which the City believes will not be collected based on past history.

Estimated unbilled revenues from the Water Sewer Utility Fund are recorded at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings for the month following the close of the fiscal year.

Prepayments

The City uses the purchases method to account for prepayments. Under the purchases method prepayments are recorded as expenditures when purchased.

Inventories

Inventories of supplies for all governmental funds are recorded at cost using the purchases method, whereby inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. Inventories of the proprietary funds are recorded at the lower of cost or market on a first-in, first-out basis. There were no material amounts for inventories in the City’s governmental funds and proprietary funds for December 31, 2018.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables and payables on the Balance Sheet of the fund financial statements and as “internal balances” on the Statement of Net Position in the government-wide financials statements. Internal balances are eliminated in the government-wide financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Infrastructure acquired prior to June 30, 1980 is not reported.

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

Major outlay for capital assets and improvements are capitalized as projects are constructed.

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

Buildings and improvements	50 years
Machinery and equipment	5-7 years
Fire trucks	10-15 years
Water sewer systems	50 years
Infrastructure	25 years

Compensated Absences

The City revised its policy on paid time off effective January 1, 2017. Under the revised policy, employees accrue paid time off in accordance with the City's personnel policy. Any accrued paid time off not utilized by the employee at year end, not to exceed ten (10) days, will be paid to the employee. Any accrued time off in excess of ten (10) days is forfeited. The revised policy results in no accrued compensated absences at year end.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds Statement of Net Position in the government-wide financial statements and proprietary fund financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City reports employer contributions to its pension plan made subsequent to the Plan's measurement date and other deferred inflows of resources related to its pension plan in this category on the government-wide and proprietary fund Statements of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenue-property taxes and unavailable revenue-capital lease in this category on the governmental funds Balance Sheet. In addition, the City reports deferred inflows of resources related to its pension plan in this category on the government-wide and proprietary fund Statements of Net Position.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Government-Wide Financial Statements)

The City's net position is classified as follows:

Net investment in capital assets: This represents the City's total investment in capital assets, net of debt related to those capital assets.

Restricted: This represents the net amount of assets subject to constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Unrestricted: This represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in any other category of net position.

Fund Balances (Governmental Funds Financial Statements)

The City requires the following actions to be taken for fund balance to be classified as "restricted", "committed", or "assigned":

Restricted - amounts that can be spent only for the specific purposes stipulated by external resource providers (i.e. grants, creditors), constitutionally, or through enabling legislation (i.e. legislation that creates a new revenue source and restricts its use). These restrictions may be changed or lifted only with the consent of the resource providers.

Committed - amounts that can be used only for the specific purpose determined by a formal action of City Council. Such commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally. The formal action must be taken before year-end, although the amount may not be determined until the subsequent period.

Assigned - amounts intended to be used by the City for specific purposes. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

The City also uses "non-spendable" in its fund financial statements to classify fund balance amounts that are legally or contractually required and cannot be spent, or unassigned, which represents amounts not included in the other fund balance categories.

The City's policy for the order of expenditure of funds by fund classification is as follows: Future qualifying expenditures will first reduce restricted fund balance, followed by a reduction of unrestricted fund balance starting first with "committed", then "assigned", then "unassigned" as applicable when expenditures are incurred for purposes for which amounts in any of those fund balance classifications could be used.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were recorded.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund

The General Fund is reporting a decrease in fund balance of $ 17,114 for the year ended December 31, 2018. The City elected not to fully fund interfund transfers, which are discretionary in nature. The shortfall was absorbed by available fund balance.

Actual revenues and other financing sources (budgetary basis) were $ 91,093 less than budgeted amounts whereas actual expenditures and other financing uses (budgetary basis) were $ 2,156 less than appropriated amounts resulting in a net decrease in fund balance (budgetary basis) of $ 88,937. The budgetary shortfall is primarily due to the City not fully funding interfund transfers.

Expenditures (budgetary basis) for judicial, public safety, community services exceeded appropriated amounts by $ 346, $ 23,731, and $ 6, respectively. These overages were absorbed by available fund balance.

Water Sewer Utility Fund

The Water Sewer Utility Fund is reporting an increase in net position of $ 1,978,642. This increase includes capital grant proceeds, totaling $ 1,791,074 and capital contributions from a completed CDBG capital project totaling $ 405,277. Exclusion of capital grant proceeds and capital contributions results in a decrease in net position of $ 217,709 which includes depreciation expense totaling $ 241,345, a non-cash expense.

Unrestricted net position is reporting a deficit balance of $ 35,060 which includes $22,832 in net pension obligations that are long-term in nature. Future income is expected to absorb this deficit position.

Hotel Motel Tax Fund

Expenditures exceeded revenues and transfers out by $ 4,068 for the year ended December 31, 2018. This decrease was absorbed by prior year restricted fund balance.

NOTE 3 - CASH DEPOSITS AND TEMPORARY INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

The carrying amount of the City's deposits with financial institutions was $ 911,884 and the bank balance was $ 921,863 at December 31, 2018. All of the City's deposits were insured or collateralized with securities held by the pledging financial institution's agent in the City's name.

(Continued)

NOTE 3 - CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

Collateralization of the City's deposits as of December 31, 2018 is as follows:

Amount insured by FDIC	$	500,000
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the City's name		421,863
Total bank balance	$	921,863

Investments

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The City had no investments subject to fair value measurements as of December 31, 2018.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes authorize the City to make direct investments in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivision of the State of Georgia.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not invest in certificates of deposit with maturities greater than 365 days from date of purchase.

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the fair value of its investments or collateral securities in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

Concentration of credit risk is the risk that the City will place no limit on the amount they invest in any one issuer. At December 31, 2018, no single issue investment exceeded 5% of total investments.

NOTE 4 - PROPERTY TAXES

Property taxes were levied on November 10, 2018 and were due on January 10, 2019. Property taxes became a lien on the first day of the levy year. Unpaid property taxes received within 60 days of year-end are recognized and recorded as revenue (considered measurable and available), and property taxes unpaid 60 days after year-end are recorded as unavailable revenue. An allowance is established for uncollectible amounts based on management's estimate.

(Continued)

NOTE 4 - PROPERTY TAXES (Continued)

A summary of the 2018 tax levy follows:

2018 millage rate		7.10
Taxable digest	$	34,832,482
Gross tax levy	$	344,723
Less sales tax rollback		(89,772)
Net property taxes	$	254,951
Property taxes receivable	$	98,812
Less allowance for uncollectible amounts		(9,399)
Net property taxes receivable	$	89,413
Unavailable property tax revenue	$	23,321

NOTE 5 – CAPITAL LEASE RECEIVABLE

On March 10, 2017, the City entered into an agreement with a third-party to provide streetscape and landscape services to the City. In consideration of performance of the agreement, the City leased various pieces of equipment to the contractor under a capital lease. The lease requires thirty-six (36) monthly payments of $ 565, at 0.00% interest through March 1, 2020. The contractor has the option of purchasing the identified equipment for $ 1 upon expiration of the agreement. The City accounted for the capital lease as a disposal of capital assets in the prior year.

The City recognized rental income, totaling $ 6,783, in the governmental funds financial statements which represents the lease payments collected for the twelve months ended December 31, 2018. The remaining capital lease payments, totaling $ 8,078, are recorded as a receivable and a deferred inflow of resources on the governmental fund financial statements. Capital lease payments due under the agreement, through expiration, are as follows:

Year Ending December 31,		Governmental Activities
2019	$	6,783
2020		1,295
Present value of minimum lease payments	$	8,078

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Additions	Deletions/ Transfers	Balance 12/31/18
Governmental Activities				
Capital assets not being depreciated				
Land	$ 145,507	$ 1,453	$ -	$ 146,960
Construction in progress	69,734	399,025	(405,277)	63,482
Total capital assets not being depreciated	215,241	400,478	(405,277)	210,442
Capital assets being depreciated				
Buildings and improvements	1,001,976	-	-	1,001,976
Machinery and equipment	555,217	72,143	-	627,360
Infrastructure	2,565,151	37,319	-	2,602,470
Total capital assets being depreciated	4,122,344	109,462	-	4,231,806
Less accumulated depreciation				
Buildings and improvements	(614,893)	(19,537)	-	(634,430)
Machinery and equipment	(427,474)	(38,672)	-	(466,146)
Infrastructure	(1,107,240)	(97,673)	-	(1,204,913)
Total accumulated depreciation	(2,149,607)	(155,882)	-	(2,305,489)
Net capital assets being depreciated	1,972,737	(46,420)	-	1,926,317
Governmental activities capital assets-net	$ 2,187,978	$ 354,058	$ (405,277)	$ 2,136,759

The City records all expenditures related to capital projects as construction in progress until the project is completed and put into service.

Depreciation expense was charged to governmental functions as follows:

General government	$ 118,975
Public safety	35,971
Public works	936
Current year depreciation expense	$ 155,882

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Additions	Deletions/ Transfers	Balance 12/31/18
Business-type Activities				
Capital assets not being depreciated				
Land	$ 105,454	$ -	$ -	$ 105,454
Construction in progress	5,453,757	1,560,528	-	7,014,285
Total capital assets not being depreciated	5,559,211	1,560,528	-	7,119,739
Capital assets being depreciated				
Buildings and improvements	32,217	7,918	-	40,135
Machinery and equipment	11,358,508	414,240	-	11,772,748
Total capital assets being depreciated	11,390,725	422,158	-	11,812,883
Less accumulated depreciation				
Buildings and improvements	(22,565)	(803)	-	(23,368)
Machinery and equipment	(4,271,905)	(240,542)	-	(4,512,447)
Total accumulated depreciation	(4,294,470)	(241,345)	-	(4,535,815)
Net capital assets being depreciated	7,096,255	180,813	-	7,277,068
Business-type activities capital assets-net	$ 12,655,466	$ 1,741,341	$ -	$ 14,396,807

Depreciation expense on capital assets of the business-type activities was $ 241,345 for the year ended December 31, 2018.

In June of 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for reporting periods beginning after December 15, 2019, with early application encouraged. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The City elected to implement the provisions of GASB Statement No. 89 as of January 1, 2018. Accordingly, no interest expense was capitalized during the year ended December 31, 2018.

NOTE 7 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2018:

	Balance 12/31/17	Additions	Payments	Balance 12/31/18
Governmental Activities				
Capital leases	$ 10,052	$ -	$ (8,616)	$ 1,436
Notes payable	48,030	30,544	(22,466)	56,108
Total debt-governmental activities	$ 58,082	$ 30,544	$ (31,082)	$ 57,544
Business-type Activities				
Notes payable	$ 259,498	$ -	$ (33,022)	$ 226,476
Revenue bonds payable	6,458,622	-	(188,560)	6,270,062
Total debt-business-type activities	$ 6,718,120	$ -	$ (221,582)	$ 6,496,538

There was no short-term borrowing during the year ended December 31, 2018.

The following summarizes long-term debt outstanding at December 31, 2018:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Capital lease, GMA	$ 32,814	3.520%	2019	$ 1,436	$ 1,436
Note payable, F&M Bank	16,616	4.250%	2019	2,980	2,980
Note payable, F&M Bank	63,887	3.240%	2021	27,987	13,157
Note payable, F&M Bank	30,544	3.720%	2022	25,141	7,468
Total-governmental activities	$ 143,861			$ 57,544	$ 25,041
Business-type Activities					
Note payable, JD Financial	$ 40,740	3.340%	2020	$ 17,097	$ 8,412
Note payable, F&M Bank	22,235	3.240%	2021	11,212	4,530
Note payable, GEFA DWSRF 05-005	410,000	0.000%	2028	198,167	20,500
Bonds payable, USDA Series 2017A	3,840,000	3.200%	2037	3,665,113	145,028
Bonds payable, USDA Series 2017B	1,724,000	2.125%	2057	1,691,555	28,471
Bonds payable, USDA Series 2017C	934,000	1.375%	2057	913,394	16,440
Total-business-type activities	$ 6,970,975			$ 6,496,538	$ 223,381

Capital Lease Obligation

Georgia Municipal Authority (the "GMA") - The City entered into a capital lease with GMA, on March 2, 2015, to purchase a police cruiser. Terms of the lease require 78 monthly payments of $ 734, including principal and interest at 3.52%. The initial payment was due April 2, 2015 with the final payment being due March 2, 2019. The lease is collateralized with the vehicle.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, are as follows:

Year Ending December 31,	Governmental Activities
2019	$ 1,468
Total minimum lease payments	1,468
Less amount representing interest	(32)
Present value of minimum lease payments	$ 1,436

The total cost of capital assets acquired under capital lease as of December 31, 2018 was $ 32,814 and the related accumulated depreciation thereon totaled $ 22,970.

Notes Payable

F&M Bank - On July 27, 2015 the City issued a note payable to F&M Bank totaling $ 16,616 for the purchase of a police cruiser. Repayment terms require 48 monthly payments of $ 378, including principal and interest at 4.25%. The initial payment was due September 1, 2015 with the final payment being due August 1, 2019. The note payable is collateralized with the vehicle.

F&M Bank - On April 27, 2016 the City issued a note payable to F&M Bank totaling $ 86,122 for the refinancing of a fire truck and additional purchases of machinery and equipment for the General Fund and a service truck for the Water Sewer Utility Fund. Repayment terms require 60 monthly payments of $ 1,559, including principal and interest at 3.24%. The initial payment was due June 1, 2016 with the final payment being due May 1, 2021. The note payable is collateralized with the fire truck, equipment, and service truck.

The General Fund's proportionate share of note proceeds and monthly payment total $ 63,887 and $ 1,157, respectively. The Water Sewer Utility Fund's proportionate share of note proceeds and monthly payment total $ 22,235 and $ 402, respectively.

F&M Bank - On February 26, 2018 the City issued a note payable to F&M Bank totaling $ 30,544 for the purchase of a police cruiser. Repayment terms require 48 monthly payments of $ 688, including principal and interest at 3.72%. The initial payment was due April 12, 2018 with the final payment being due March 12, 2022. The note payable is collateralized with the vehicle.

JD Financial - On May 6, 2015 the City issued a note payable to John Deere Financial totaling $ 40,740 for the purchase of a tractor, related implements, and a utility vehicle. Repayment terms require 5 annual payments of $ 8,983, including principal and interest at 3.34%. The initial payment was due May 6, 2016 with the final payment being due May 6, 2020. The note payable is collateralized with the equipment.

GEFA DWSRF 05-005 - On November 27, 2006 the City entered into a loan agreement with the Drinking Water State Revolving Fund (DWSRF) administered by the Georgia Environmental Facilities Authority (GEFA) to borrow $ 410,000 to finance the cost of acquiring, constructing, and installing water line improvements, security fencing, emergency generators, new windows, and a chlorine system at the water treatment plant. The City is to repay the loan in 239 monthly payments of $ 1,708 including principal and interest at 0.00% and a final payment of the remaining principal balance. The agreement is secured with the City's full faith and credit and revenue-raising power (including its taxing power) for such payment and performance. The initial payment was made in September 2008 and the final payment will be December 2026.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

Covenants contained in the agreement require that the City maintain a minimum "fixed charges coverage ratio" of 1.05 for any fiscal year. The computation of the fixed charges coverage ratio for the year ended December 31, 2018 is as follows:

			Fixed Charges Coverage Ratio
Income available for fixed charges	$ 326,650	=	0.84
Fixed charges	$ 391,133		

Annual requirements to fully amortize the outstanding notes payable as of December 31, 2018 are as follows:

	Governmental Activities		
Year Ending December 31,	Principal	Interest	Total
2019	$ 25,041	$ 1,585	$ 26,626
2020	21,319	812	22,131
2021	9,251	239	9,490
2022	1,933	12	1,945
	$ 57,544	$ 2,648	$ 60,192

	Business-type Activities		
Year Ending December 31,	Principal	Interest	Total
2019	$ 33,442	$ 872	$ 34,314
2020	33,866	440	34,306
2021	22,501	17	22,518
2022	20,500	-	20,500
2023	20,500	-	20,500
2024 thru 2028	95,667	-	95,667
	$ 226,476	$ 1,329	$ 227,805

Revenue Bonds Payable

Advance Refunding of Bonds Payable

On August 23, 2017, it was resolved, by Mayor and City Council, that due to present market conditions and in order to achieve savings on annual debt service cost to the City and to shorten the maturities of its outstanding debt, it should currently refund and defease the outstanding Series 1999A Bonds, Series 1999B Bonds, and the Series 2005 Bonds (collectively, the "Refunded Bonds") by making due and legal provision for the prepayment of the Refunded Bonds and to pay all expenses necessary to accomplish the foregoing.

Prepayment of the Refunded Bonds was accomplished by the issuance of City of Lincolnton Water and Sewerage Refunding Revenue Bond, Series 2017A, in the principal amount of $ 3,840,000 (the "Series 2017A Bond"). The City advance refunded the existing bonds to shorten the debt repayment schedule by 3 years, resulting in debt service savings of $ 662,313 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $ 356,591.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

On September 15, 2017, the City refunded all of the outstanding Series 1999A Bonds, maturing on July 1, 2039 with an aggregate principal balance of $ 967,434, Series 1999B Bonds, maturing on July 1, 2039 with an aggregate principal balance of $ 212,330, and Series 2005 Bonds, maturing on December 28, 2040 with an aggregate principal balance of $ 2,552,835, resulting in defeasance of the Refunded Bonds.

The reacquisition price of the Refunded Bonds totaled $ 3,739,024, inclusive of accrued interest thereon totaling $ 6,425. The net carrying amount of the Refunded Bonds as restated pursuant to GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was $ 3,739,024, accordingly there were no unamortized charges on the debt refunding. Bond issuance costs related to the refunding totaled $ 100,976 and are reported as a non-operating expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds in accordance with GASB Statement No. 65.

Series 2017A Bond - On September 15, 2017 the City issued the City of Lincolnton Water and Sewerage Refunding Revenue Bond, Series 2017A. The principal issue was $ 3,840,000 with a stated interest rate of 3.20% per annum. Terms of the issue call for a maximum of 240 equal monthly payments of $ 21,683 including principal and interest beginning October 15, 2017 with the final installment being due on September 15, 2037. Proceeds from the Series 2017A Bond were used to advance refund existing debt as discussed above.

Series 2017B Bond - On October 26, 2017 the City issued the City of Lincolnton Water and Sewerage Revenue Bond, Series 2017B. The principal issue was $ 1,724,000 with a stated interest rate of 2.125% per annum. Terms of the issue call for a maximum of 480 equal monthly payments of $ 5,345 including principal and interest beginning November 26, 2017 with the final installment being due on September 26, 2057. Proceeds from the Series 2017B Bond were used to finance sewerage improvements to the System.

Series 2017C Bond - On October 26, 2017 the City issued the City of Lincolnton Water and Sewerage Revenue Bond, Series 2017C. The principal issue was $ 934,000 with a stated interest rate of 1.375% per annum. Terms of the issue call for a maximum of 480 equal monthly payments of $ 2,532 including principal and interest beginning December 26, 2017 with the final installment being due on November 26, 2057. Proceeds from the Series 2017C Bond were used to finance sewerage improvements to the System.

The Series 2017 Bonds are secured by a first pledge of and charge or lien on the revenues derived from the ownership and operation of the System, and include all funds received as grants from the Government, or an instrumentality or agency of the foregoing in aid of the System, subordinate only to the payment of the reasonable and necessary expenses of operating, maintaining and repairing the system.

Bond Covenants

The 2017 Bond Ordinance (the ‘Ordinance”) requires several funds and accounts to facilitate the operation of the system and provide for servicing the bond obligation. The Revenue Fund is used as the depository for all revenues derived from the ownership and operation of the system. Costs of operating, maintaining and repairing the system are paid from the Revenue Fund. A Sinking Fund consisting of two accounts designated the “Debt Service Account” and “Reserve Account” is maintained to provide for payment of the principal and interest of the bonds. A monthly deposit is made to the Debt Service Account in amounts sufficient to fully fund the next ensuing payment of principal and interest. As of December 31, 2018, the balance in the Debt Service Account was $ 0 after payment of December principal and interest payments totaling $ 29,560. The Ordinance stipulates that a monthly deposit equal to ten-percent (10%) of the monthly installment of principal and interest be made to the Reserve Account. These payments are to continue until there is a reserve sufficient to pay the principal and interest due on each series of Bonds in the next succeeding sinking fund year. As of December 31, 2018, the required balance to be deposited into the Reserve Account was $ 43,299, whereas the actual deposits held in the Reserve Account totaled $ 260,198.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

In addition, the Ordinance establishes a reserve account designated the "Short-Lived Assets Account". A monthly installment of $ 867, or such amount to credit $ 10,400 on an annual basis, is required to be deposited into the Short-Lived Asset Account. The Short-Lived Asset Account will be used to replace equipment for the System in the future and is not pledged to make any principal and interest on the Series 2017 Bonds or any future bonds issued on a parity therewith. As of December 31, 2018, the required balance to be deposited into the Short-Lived Asset Account was $ 12,138, whereas the actual deposits held in the Short-Lived Asset Account totaled $ 10,401.

Compliance With Bond Covenants

As of December 31, 2018, total sinking fund requirements, for all bonds issued, was $ 55,437, whereas cash deposits held in accounts restricted by the Ordinance totaled $ 270,599. As of December 31, 2018 the City's debt service sinking funds were overfunded by $ 215,162.

Annual requirements to fully amortize the bonds outstanding as of December 31, 2018 are as follows:

	Business-type Activities		
Year Ending December 31,	Principal	Interest	Total
2019	$ 189,939	$ 164,949	$ 354,888
2020	196,837	157,883	354,720
2021	202,705	152,015	354,720
2022	208,617	146,103	354,720
2023	214,711	140,010	354,721
2024 thru 2028	1,171,410	602,194	1,773,604
2029 thru 2033	1,354,338	419,265	1,773,603
2034 thru 2038	1,235,584	212,773	1,448,357
2039 thru 2043	348,195	124,425	472,620
2044 thru 2048	382,213	90,407	472,620
2049 thru 2053	419,799	52,821	472,620
2054 thru 2057	345,714	12,714	358,428
	$ 6,270,062	$ 2,275,559	$ 8,545,621

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2018, is as follows:

Due from/to other funds

Receivable Fund	Payable Fund	Amount
General Fund	Water Sewer Utility Fund	$ 104,370
SPLOST Fund	CDBG Fund	3,837
		$ 108,207

The Water Sewer Utility Fund bills and collects charges for sanitation services which are accounted for in the City's General Fund. The $ 104,370 due from the Water Sewer Utility Fund primarily represents collections on 2018 sanitation fees and unbilled service revenues, as of December 31, 2018, that have not been remitted to the General Fund.

The SPLOST Fund provided interim funding for project costs associated with the City's 2016 CDBG capital project. The $ 3,837 due from CDBG Fund represents amounts to be reimbursed in 2019.

(Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers

Transfers In	Transfers Out	Amount
General Fund	Hotel-Motel Tax Fund	$ 9,237
SPLOST Fund	Water Sewer Utility Fund	88,781
General Fund	Water Sewer Utility Fund	12,467
		$ 110,485

Hotel-Motel Tax Fund proceeds were transferred to the General Fund to provide additional funding and reimbursement for operating costs and tourism related expenditures.

Administrative services and grounds maintenance are provided to the Water Sewer Utility Fund by the General Fund. The Water Sewer Utility Fund transfers its allocated portion of these costs to the General Fund.

Prior year grant expenditures by the SPLOST Fund were reimbursed by the Water Sewer Utility Fund.

NOTE 9 - NET POSITION

Net position of the government-wide and proprietary fund financial statements represent the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Reported amounts for net investment in capital assets and restricted net position as of December 31, 2018 are as follows:

	Governmental Activities	Business-type Activities
Net investment in capital assets		
Primary government	$ 2,136,759	$ 14,396,807
Less capital leases payable	(1,436)	-
Less notes payable	(56,108)	(226,476)
Less revenue bonds payable	-	(6,270,062)
Less construction payables	(45,700)	(3,200)
Less retainage payable	-	(35,000)
Total net investment in capital assets	$ 2,033,515	$ 7,862,069
Restricted for:		
Public works		
SPLOST Fund	$ 318,625	
TSPLOST Fund	144,889	
Total public works	$ 463,514	
Housing and development		
Hotel Motel Tax Fund	$ 10,894	
Total housing and development	$ 10,894	
Debt service		$ 270,599
Total debt service		$ 270,599

NOTE 10 - RELATED ORGANIZATIONS

CSRA Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River Area Regional Commission (RC) and is required to pay annual dues thereto. During the year ended December 31, 2018, the City paid $ 1,566 in such dues. Membership in a RC is required by OCGA Section 50-8-34 that provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RC. Separate financial statements may be obtained from:

CSRA Regional Commission
3023 River Watch Parkway, Suite A
Augusta, GA 30907

Housing Authority

The Housing Authority of the City of Lincolnton, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria, the Housing Authority of the City of Lincolnton, Georgia is a related organization and not a component unit.

NOTE 11 - CONTINGENT LIABILITIES

Federal and State Grants

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Litigation

As of December 31, 2018, the City was not involved in any pending or threatened litigation.

NOTE 12 - 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.

In order to minimize the risk of loss the City has joined with other municipalities in the state as a member of the Georgia Interlocal Risk Management Agency Fund (GIRMA), and the Georgia Municipal Association (GMA) Self-Insured Workmen's Compensation Fund. The City pays an annual premium to these Funds through the GIRMA and GMA. The City retains the first $ 1,000 of each risk of loss in the form of a deductible. All claims are filed with GIRMA and GMA who bills the City for any risk of loss up to the deductible amount.

(Continued)

NOTE 12 - RISK MANAGEMENT (Continued)

As part of their agreement, the City must assist and cooperate in the defense and settlement of claims against the City. The City must furnish full cooperation to GIRMA's and GMA's attorneys, claims adjusters, and any agent or independent contractor of GIRMA and GMA. In addition, the City must report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA and GMA or any Fund established by GIRMA and GMA being required to pay claim for loss or injuries to municipal property or injuries to persons or 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 is required to use due diligence to avoid or diminish any loss covered under the agreement.

As a condition of coverage, GIRMA and GMA can request that the City assist in effecting settlements, securing and giving evidence, obtaining witnesses in the conduct of suits, and providing of written statements for the purposes of investigation, defense, and mitigation of claims. GIRMA and GMA are responsible for payment of all claims covered under the agreement. The maximum liability for any one occurrence or claim is the maximum liability as specified in the policies less the amount of stated deductibles.

For those risks covered by insurance, claims did not exceed coverage during the past three years.

NOTE 13 - RETIREMENT PLAN

Plan Description

The City of Lincolnton Retirement Plan (the "Plan"), is a defined benefit pension plan affiliated with the Georgia Municipal Employees Benefit System (the "GMEBS"), an agent multiple-employer pension plan administered by the Georgia Municipal Association (the "GMA"). Contributions made by the City are pooled with contributions made by other members of GMEBS for investment purposes; the City does not own any securities on its own. There are no employer or related party securities or loans included in plan assets. The GMA issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, The Burgess Building, 201 Pryor Street, SW, Atlanta, GA 30303, or by calling (404) 688-0472.

The City originally established the Plan January 1, 1989. On January 1, 2003 the City executed an agreement adopting the GMEBS Master Plan and Joint Trust Agreement (the "Adoption Agreement"). The Adoption Agreement establishes the types of benefits available under the Plan and the City's obligation to contribute to the Plan. The City has the right to amend any or all elections in the Adoption Agreement. The amendment must be approved by GMEBS, cannot reduce any previously accrued benefits of the participants or beneficiaries, cannot authorize or permit any part of the Trust Fund to be diverted to any purpose other than for the exclusive benefit of participants and their beneficiaries, and cannot deprive any participant or beneficiary of any rights or benefits irrevocably vested under the Plan.

GMEBS can amend the Master Plan or the elective provisions of the Adoption Agreement in its sole discretion as Trustee of the Plan. Any amendment by GMEBS must be approved by the City as the adopting employer. The City cannot amend the Master Plan or the Joint Trust Agreement.

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

Benefits Provided

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by the City Council, the Plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All full-time employees of the City, excluding elected officials, working at least twenty hours per week, are eligible to participate immediately. Benefits are fully vested after ten years of service. Normal retirement age is 65 with a minimum of five years of service, and early retirement is age 55 with a minimum of ten years total credited service. Monthly benefits are based on (a) the average annual earnings paid to a participant during any consecutive five year period preceding actual date of retirement in which the earnings were highest and (b) total years of service.

As of July 1, 2018, the last valuation date, there were 24 participants consisting of the following:

Retired participants and beneficiaries currently receiving benefits	10
Terminated vested participants entitled to but not yet receiving benefits	4
Active participants-vested	-
Active participants-not vested	10
Total number of participants	24

Contributions

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). GMEBS has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the City contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable State funding standards. Employees do not contribute to the Plan.

For 2018, the City's contribution to the Plan totaled $ 18,797, or 5.42% of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2017 actuarial valuation.

Net Pension Liability

The City's net pension liability was measured as of March 31, 2018.

Actuarial Assumptions. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.50%, on going basis, based on long-term expected rate of return on pension plan investments
Projected salary increases	2.75%, plus service based merit increases
Inflation	2.75%
Cost of living adjustments	0.00%

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

The mortality and economic actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

Mortality rates for the July 1, 2018 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.71%
International equity	20.00%	7.71%
Real estate	10.00%	5.21%
Global fixed income	5.00%	3.36%
Domestic fixed income	20.00%	2.11%
Cash	0.00%	0.00%
Total	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed the City contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2018 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at March 31, 2017	$ 584,066	$ 535,689	$ 48,377
Changes for the year:			
Service cost	15,133	-	15,133
Interest	42,821	-	42,821
Differences between expected and actual experience	24,850	-	24,850
Contributions-employer	-	23,164	(23,164)
Contributions-employee	-	-	-
Net investment income	-	65,016	(65,016)
Benefit payments, including refunds of employee contributions	(63,076)	(63,076)	-
Administrative expense	-	(3,920)	3,920
Other	9,506	-	9,506
Net changes	29,234	21,184	8,050
Balances at March 31, 2018	$ 613,300	$ 556,873	$ 56,427

The required Schedule of Changes in the Net Pension Liability and Related Ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Net Pension Liability	$ 116,809	$ 56,427	$ 5,741

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2018 and the current sharing pattern of costs between employer and employee.

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued GMEBS financial report.

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

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

For the year ended December 31, 2018, the City recognized pension expense of $ 17,880. The City reported the following deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 14,098	$ -
Difference between expected and actual experience	20,684	32,416
Changes of assumptions	8,420	-
Net difference between projected and actual earnings on pension plan investments	-	20,524
Total	$ 43,202	$ 52,940

Contributions made subsequent to the measurement date totaling $ 14,098 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,				
	2019	2020	2021	2022	Total
Fiscal Year Outflows					
Demographic	$ 8,258	$ 6,213	$ 6,213	$ -	$ 20,684
Assumption change	3,666	2,377	2,377	-	8,420
Total	$ 11,924	$ 8,590	$ 8,590	$ -	$ 29,104
Fiscal Year Inflows					
Demographic	$ 12,237	$ 12,237	$ 7,942	$ -	$ 32,416
Investment	3,862	1,809	9,813	5,040	20,524
Total	$ 16,099	$ 14,046	$ 17,755	$ 5,040	$ 52,940

Changes in Methods and Assumptions

Based on the results of an actuarial study in September 2017, the following assumptions were changed in this valuation:

- The investment return assumption was reduced from 7.75% to 7.50%.
- The inflation assumption was reduced from 3.25% to 2.75%
- The Social Security wage base increase assumption was reduced from 3.25% to 2.75% (if applicable).
- The salary increase rates were reduced by 0.50% for all years of service, consistent with reduction in the inflation assumption.

There were no other changes in methods or assumptions.

Benefit Changes

There were no changes to Plan benefits during the year ended December 31, 2018.

NOTE 14 - HOTEL/MOTEL TAX

The City has levied a 5% lodging tax. The Official Code of Georgia Annotated 48-13-51 (a) requires that 40% of lodging taxes levied at 5% be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. Management represents that $ 7,440 or 59.04%, of the lodging taxes collected for the year ended December 31, 2018 were expended for such purposes. A summary of Hotel/Motel transactions for the year ended December 31, 2018 follows:

	12/31/18	Percentage Expended
Tax percentage rate formally adopted by City	5.00%	
Hotel/Motel taxes collected	$ 12,601	
Expended for promoting tourism, conventions, and trade shows	$ 7,440	59.04%

NOTE 15 - COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

The Georgia Department of Transportation awarded the City a Transportation Enhancement Act (TEA) Grant totaling $ 480,000. This grant, along with SPLOST proceeds, will be used to continue the redevelopment of the downtown area through the installation of sidewalks and other streetscape improvements. This grant represents Phase III of a comprehensive downtown redevelopment plan. Total cost of this project is estimated to be $ 600,000. As of December 31, 2018, $ 63,482 had been expended on this project.

On October 7, 2014 the United States Department of Agriculture (USDA) awarded the City grant funds of $ 4,573,000 and loan funds (bonds) of $ 2,658,000 to fund improvements at the wastewater control plant. An additional $ 165,000 in local matching funds results in an estimated total project cost of $ 7,396,000. Construction began in 2017 and as of December 31, 2018 the City had expended $ 7,014,285 on this project.

As of December 31, 2018, construction in progress (amounts spent to date) and the estimated remaining commitment on these projects are as follows:

Project Description	Construction In Progress	Remaining Commitment
2011 TEA downtown redevelopment Phase III	$ 63,482	$ 536,518
Wastewater plant and system improvements	7,014,285	216,715
	$ 7,077,767	$ 753,233

(Continued)

NOTE 15 - COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

Subsequent Events

In preparing these financial statements, the City's management has evaluated events and transactions for potential recognition or disclosure through June 21, 2019, the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LINCOLNTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

RETIREMENT PLAN

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 15,133	$ 13,692	$ 17,593	$ 9,015
Interest	42,821	46,099	47,481	46,536
Differences between expected and actual experience	24,850	(39,709)	(21,473)	10,228
Changes of assumptions	-	-	-	6,443
Benefit payments, including refunds of employee contributions	(63,076)	(61,673)	(61,203)	(58,846)
Other	9,506	-	-	-
Net change in total pension liability	29,234	(41,591)	(17,602)	13,376
Total pension liability, beginning	584,066	625,657	643,259	629,883
Total pension liability, ending (a)	613,300	584,066	625,657	643,259
Plan Fiduciary Net Position				
Contributions-employer	23,164	27,105	23,636	21,385
Net investment income	65,016	62,068	1,143	50,598
Benefit payments, including refunds of employee contributions	(63,076)	(61,673)	(61,203)	(58,846)
Administrative expenses	(3,920)	(4,070)	(2,519)	(2,181)
Net change in fiduciary net position	21,184	23,430	(38,943)	10,956
Plan fiduciary net position, beginning	535,689	512,259	551,202	540,246
Plan fiduciary net position, ending (b)	556,873	535,689	512,259	551,202
Net pension liability, ending (a)-(b)	$ 56,427	$ 48,377	$ 113,398	$ 92,057
Plan's fiduciary net position as a percentage of the total pension liability	90.80%	91.72%	81.88%	85.69%
Covered employee payroll during the measurement period	$ 346,662	$ 346,227	$ 329,385	$ 370,768
Net pension liability as a percentage of covered payroll	16.28%	13.97%	34.43%	24.83%

Notes to the Schedule:

(1) Historical information prior to the implementation of GASB Statement Nos. 67/68 is not required. The schedule will present 10 years of information as it is accumulated.

CITY OF LINCOLNTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
RETIREMENT PLAN

	2018	2017	2016	2015
Actuarially determined contribution	$ 18,797	$ 24,619	$ 27,934	$ 22,203
Contributions in relation to the actuarially determined contribution	18,797	24,619	27,934	22,203
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll during the measurement period	$ 346,662	$ 346,227	$ 329,385	$ 370,768
Contributions as a percentage of covered employee payroll	5.42%	7.11%	8.48%	5.99%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2018
Cost Method	Projected Unit Credit
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted if necessary, to be within 20% of market value.
Assumed Rate of Return	7.50%
Projected Salary Increases	2.75%
Cost of Living Adjustments	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Varies, with a net effective amortization period of 10 years

(2) The schedule will present 10 years of information as it is accumulated.

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INDIVIDUAL AND COMBINING FUND STATEMENTS

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GENERAL FUND

The General Fund is used to account for resources traditionally associated with the City that are not required legally, or by sound financial management, to be accounted for in another fund.

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes				
Real property tax	$ 239,666	$ 180,523	$ 181,414	$ 891
Motor vehicle tax	45,243	4,311	3,361	(950)
Motor vehicle title advalorem tax	-	1,878	30,276	28,398
Mobile home tax	1,213	445	445	-
Real estate transfer tax	668	700	700	-
Franchise tax	103,907	99,817	99,817	-
Local option sales tax	124,440	127,721	127,721	-
Intangible tax	1,000	1,217	1,217	-
Alcoholic beverage tax	53,534	42,081	42,081	-
Occupation tax	13,700	15,205	15,205	-
Insurance premium tax	97,741	112,243	112,243	-
Penalties and interest	-	-	7,949	7,949
Payment in lieu of taxes	2,618	2,618	2,618	-
Total taxes	683,730	588,759	625,047	36,288
Licenses and Permits				
Alcoholic beverage licenses	3,500	7,200	7,200	-
Building permits	7,500	7,509	7,509	-
Total licenses and permits	11,000	14,709	14,709	-
Intergovernmental				
State government	27,002	-	-	-
Total intergovernmental	27,002	-	-	-
Charges for Services				
Sanitation fees	167,000	111,820	168,841	57,021
Total charges for services	167,000	111,820	168,841	57,021
Fines and Forfeitures				
Municipal court fines	43,707	55,563	55,563	-
Total fines and forfeitures	43,707	55,563	55,563	-
Use of Money and Property				
Interest income	185	79	174	95
Rents	21,940	33,690	33,690	-
Total use of money and property	22,125	33,769	33,864	95
Other				
Miscellaneous	1,765	8,098	8,000	(98)
Total other	1,765	8,098	8,000	(98)
Total revenues	956,329	812,718	906,024	93,306

(Continued)

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
EXPENDITURES				
General government				
Council	20,759	14,155	14,198	43
Mayor	12,560	8,670	8,670	-
General administration	253,310	252,692	226,906	(25,786)
Total general government	286,629	275,517	249,774	(25,743)
Judicial				
Municipal court	7,806	6,437	6,783	346
Total judicial	7,806	6,437	6,783	346
Public safety				
Police	340,925	353,322	376,794	23,472
Fire	98,518	89,468	89,727	259
Total public safety	439,443	442,790	466,521	23,731
Public works				
Streets and sanitation	310,127	322,524	322,028	(496)
Total public works	310,127	322,524	322,028	(496)
Community services				
Community center	10,285	6,511	6,517	6
Total community services	10,285	6,511	6,517	6
Housing and development				
Planning and zoning	13,895	14,905	14,905	-
Total housing and development	13,895	14,905	14,905	-
Total expenditures	1,068,185	1,068,684	1,066,528	(2,156)
Excess (deficiency) of revenues over (under) expenditures	(111,856)	(255,966)	(160,504)	95,462
OTHER FINANCING SOURCES				
Prior year unassigned budget	-	139,484	-	(139,484)
Proceeds from loan	-	-	30,544	30,544
Transfers in	111,856	116,482	41,023	(75,459)
Total other financing sources	111,856	255,966	71,567	(184,399)
Change in fund balance	$ -	$ -	$ (88,937)	$ (88,937)

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Hotel Motel Tax Fund - This fund was established to account for revenues received from the imposition of a lodging tax to be used in part for the promotion of tourism, conventions, and trade shows.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

SPLOST Fund - This fund was established to account for proceeds from the special purpose local option sales tax and other intergovernmental revenues used for construction and acquisition of capital assets that are funded in part with SPLOST proceeds.

TIA SPLOST Fund - This fund was established to account for proceeds from the Transportation Investment Act (TIA) special purpose local option sales tax to provide funding for road and street maintenance, paving, and other related costs.

CITY OF LINCOLNTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue	Capital Projects		Total Nonmajor
	Hotel Motel Tax Fund	SPLOST Fund	TSPLOST Fund	Governmental Funds
ASSETS				
Cash and cash equivalents	$ 10,894	$ 297,054	$ 136,168	$ 444,116
Intergovernmental receivable	-	8,767	4,449	13,216
Interfund receivable	-	3,837	-	3,837
Total assets	$ 10,894	$ 309,658	$ 140,617	$ 461,169
LIABILITIES				
Total liabilities	$ -	$ -	$ -	$ -
FUND BALANCES				
Restricted for:				
Public works	-	309,658	140,617	450,275
Housing and development	10,894	-	-	10,894
Total fund balances	10,894	309,658	140,617	461,169
Total liabilities and fund balances	$ 10,894	$ 309,658	$ 140,617	$ 461,169

CITY OF LINCOLNTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue	Capital Projects		Total Nonmajor
	Hotel Motel Tax Fund	SPLOST Fund	TSPLOST Fund	Governmental Funds
REVENUES				
Taxes	$ 12,601	$ -	$ 46,657	$ 59,258
Intergovernmental	-	101,569	-	101,569
Interest income	8	462	175	645
Total revenues	12,609	102,031	46,832	161,472
EXPENDITURES				
Current				
Housing and development	7,440	-	-	7,440
Capital outlay				
Public works	-	30,583	8,167	38,750
Total expenditures	7,440	30,583	8,167	46,190
Excess of revenues over expenditures	5,169	71,448	38,665	115,282
OTHER FINANCING SOURCES (USES)				
Transfers in	-	88,781	-	88,781
Transfers out	(9,237)	-	-	(9,237)
Total other financing sources (uses)	(9,237)	88,781	-	79,544
Net change in fund balances	(4,068)	160,229	38,665	194,826
Fund balances, beginning of year	14,962	149,429	101,952	266,343
Fund balances, end of year	$ 10,894	$ 309,658	$ 140,617	$ 461,169

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
HOTEL-MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 15,750	$ 12,601	$ 12,601	$ -
Interest income	-	8	8	-
Total revenues	15,750	12,609	12,609	-
EXPENDITURES				
Housing and development	6,300	7,040	7,440	400
Total expenditures	6,300	7,040	7,440	400
Excess of revenues over expenditures	9,450	5,569	5,169	(400)
OTHER FINANCING SOURCES (USES)				
Prior year fund balance	-	3,668	-	3,668
Transfers out	(9,450)	(9,237)	(9,237)	-
Total other financing sources (uses)	(9,450)	(5,569)	(9,237)	(3,668)
Net change in fund balances	$ -	$ -	(4,068)	$ (4,068)
Fund balance, beginning of year			14,962	
Fund balance, end of year			$ 10,894	

SUPPLEMENTARY SCHEDULES

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANTS
PROJECT COSTS AND SOURCE AND APPLICATION OF FUNDS (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018

Program Activity	Activity Number	Latest Approved Budget CDBG Funds	Accumulated Expenditures To Date CDBG Funds	Accumulated Expenditures To Date Other Funds	Grand Total Expenditures To Date	Questioned Costs (Explain)
Project Costs						
Grant Number 16p-x-090-2-5862						
Acquisition of property	P-001-01	$ 3,000	$ 2,049	$ -	$ 2,049	none
Contingencies	C-022-00	33,220	-	-	-	none
Engineering-water/sewer	T-03J-00	30,000	30,000	11,334	41,334	none
Sewer facilities	P-03J-02	334,280	308,557	-	308,557	none
Administration	A-21A-00	25,500	8,847	-	8,847	none
		$ 426,000	$ 349,453	$ 11,334	$ 360,787	
Source of other funds: local match						

Source and Application of Funds	
Grant Number 16p-x-090-2-5862	
Total program year 2016 funds allocated to recipient	$ 426,000
Less total program year 2016 funds drawn by recipient	349,453
Funds still available from program year 2016 resources	$ 76,547
Total program year 2016 funds drawn and received by recipient	$ 349,453
Less funds applied and expended to program year 2016 costs	349,453
Total program year 2016 funds held by recipient	$ -

Notes to the Schedule:

(1) The Schedule of Community Development Block Grants Project Costs and Source and Application of Funds is presented on the cash basis of accounting. Therefore, some amounts reported in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements and the Schedule of Expenditures of Federal Awards which are prepared on the modified accrual basis of accounting.

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF USDA LOAN/GRANT PROJECT COSTS AND
SOURCE AND APPLICATION OF FUNDS (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018

Program Activity	Latest Approved Budget USDA Funds	Accumulated Expenditures To Date USDA Funds	Accumulated Expenditures To Date Other Funds	Grand Total Expenditures To Date	Questioned Costs (Explain)
Project Costs					
Loan/Grant Number 10-090-581284003					
Development	$ 6,307,715	$ 6,255,013	$ 632	$ 6,255,645	none
Legal services	80,000	50,000	5,141	55,141	none
Architecturial engineering and planning	653,205	468,244	159,859	628,103	none
Interest	40,000	7,015	28,406	35,421	none
Contingencies	150,080				
	$ 7,231,000	$ 6,780,272	$ 194,038	$ 6,974,310	
Source of other funds: local match					

Source and Application of Funds	
Loan/Grant Number 10-090-581284003	
Total program year 2014 funds allocated to recipient	$ 7,231,000
Less total program year 2014 funds drawn by recipient	6,780,272
Funds still available from program year 2014 resources	$ 450,728
Total program year 2014 funds drawn and received by recipient	$ 6,780,272
Less funds applied and expended to program year 2014 costs	6,780,272
Total program year 2014 funds held by recipient	$ -

Notes to the Schedule:

(1) The Schedule of USDA Loan/Grant Project Costs and Source and Application of Funds is presented on the cash basis of accounting. Therefore, some amounts reported in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements and the Schedule of Expenditures of Federal Awards which are prepared on the modified accrual basis of accounting.

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

FOR THE YEAR ENDED DECEMBER 31, 2018

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
SPLOST 2011 - 2017						
Downtown Revitilization/ Water Sewer Capital	$ 634,560	$ 634,560	$ 580,902	$ 30,583	$ 611,485	96%
	$ 634,560	$ 634,560	$ 580,902	$ 30,583	$ 611,485	

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF WATER SEWER UTILITY FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Activities	Sewer Activities	Business-type Activities- Enterprise Fund Water Sewer Utility Fund
OPERATING REVENUES			
Charges for services	$ 608,783	$ 351,238	$ 960,021
Penalties	17,065	9,854	26,919
Other revenues	1,496	864	2,359
Total operating revenues	627,344	361,956	989,299
OPERATING EXPENSES			
Personnel services and benefits	112,414	98,801	211,215
Professional and technical services	96,098	31,834	127,932
Repairs and maintenance	25,995	23,041	49,036
Other purchased services	134,666	78,442	213,108
Supplies & other	54,418	27,245	81,663
Depreciation	132,477	108,868	241,345
Intergovernmental refunds	1,724	-	1,724
Bad debts	7,181	4,146	11,327
Total operating expenses	564,973	372,377	937,350
Operating income	62,371	(10,421)	51,949
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	-	1,791,074	1,791,074
Interest income	725	417	1,142
Interest expense	(119,979)	(49,573)	(169,552)
Total non-operating revenues (expenses)	(119,254)	1,741,918	1,622,664
Income (loss) before transfers out	(56,883)	1,731,497	1,674,613
TRANSFERS OUT	(7,797)	(93,451)	(101,248)
CAPITAL CONTRIBUTIONS	-	405,277	405,277
Change in net position	$ (64,680)	$ 2,043,323	$ 1,978,642

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COMPLIANCE AND SINGLE AUDIT SECTION

BARMORE HAMMOND
CERTIFIED PUBLIC ACCOUNTANTS
LIMITED LIABILITY PARTNERSHIP

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUIDT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of City Council
City of Lincolnton
Lincolnton, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Lincolnton, Georgia (the "City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Thomson, Georgia
June 21, 2019

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	10-090-581284003	$ 1,560,527
Total U.S. Department of Agriculture			1,560,527
U.S. Department of Housing and Urban Development			
Community Development and Planning			
Passed thru:			
Georgia Department of Community Affairs			
Community Development Block Grant	14.228	16p-x-090-2-5862	368,442
Total U.S. Department of Housing and Urban Development			368,442
Total expenditures of federal awards			$ 1,928,969

See accompanying notes to schedule of expenditures of federal awards.

CITY OF LINCOLNTON, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lincolnton, Georgia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - NON-CASH AWARDS

The City of Lincolnton, Georgia did not receive any non-cash awards during the year ended December 31, 2018.

NOTE 3 - INDIRECT COST RATE

The City of Lincolnton, Georgia has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:				Unmodified
Internal control over financial reporting:				
Material weakness(es) identified?	_____	Yes	X	No
Significant deficiency(ies) identified?	_____	Yes	X	No
Noncompliance material to financial statements noted?	_____	Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:				Unmodified
Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	X	No
Significant deficiency(ies) identified?	_____	Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	X	No

Identification of major program:

CFDA Number	Name of Federal Program
10.760	RUS-Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs:				$ 750,000
Auditee qualified as low-risk auditee?	_____	Yes	X	No

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported

BARMORE HAMMOND
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and City Council
City of Lincolnton, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Lincolnton, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

(Continued)

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based in the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Barmore Hammond, LLP
Certified Public Accountants

Thomson, Georgia
June 21, 2019