CITY OF LINCOLNTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

CITY OF LINCOLNTON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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BARMORE HAMMOND
CERTIFIED PUBLIC ACCOUNTANTS
LIMITED LIABILITY PARTNERSHIP

Benjamin B. Barmore, CPA, PC
W. Lee Hammond, CPA, PC

W. G. Bullock Building
132 Railroad Street, Third Floor
Thomson, Georgia 30824

Phone: 706.595.7764
Fax: 706.595.7288
www.barmorehammond.com

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, 2019, 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, 2019, 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 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 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, and the Schedule of Water Sewer Utility Fund Activities 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 September 3, 2020 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
September 3, 2020

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BASIC FINANCIAL STATEMENTS

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 603,527	$ 23,444	$ 626,971
Restricted cash and cash equivalents	-	275,707	275,707
Receivables			
Taxes-net	31,554	-	31,554
Accounts-net	-	135,306	135,306
Interest	27	479	506
Capital lease	1,295	-	1,295
Intergovernmental	163,218	9,378	172,596
Prepaids	-	6,078	6,078
Internal balances	147,168	(147,168)	-
Capital assets net of accumulated depreciation			
Land	146,960	105,454	252,414
Buildings and improvements	347,706	15,965	363,671
Machinery and equipment	183,145	7,052,648	7,235,793
Infrastructure	1,358,989	-	1,358,989
Construction in progress	195,322	7,102,612	7,297,934
Total assets	3,178,911	14,579,903	17,758,814
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	26,625	14,270	40,895
LIABILITIES			
Accounts payable	25,125	25,444	50,569
Accrued liabilities	3,915	2,747	6,662
Customer deposits	-	60,051	60,051
Intergovermental	2,237	22,874	25,111
Accrued interest payable	-	5,341	5,341
Noncurrent liabilities			
Due within one year	30,635	230,739	261,374
Due in more than one year	39,872	6,040,919	6,080,791
Net pension liability	56,990	32,180	89,170
Total liabilities	158,774	6,420,295	6,579,069
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	14,131	6,048	20,179
NET POSITION			
Net investment in capital assets	2,161,615	8,000,524	10,162,139
Restricted for:			
Public works	560,636	-	560,636
Housing and development	10,900	-	10,900
Debt service	-	275,707	275,707
Unrestricted	299,480	(108,401)	191,079
Total net position	$ 3,032,631	$ 8,167,830	$ 11,200,461

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, 2019

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	$ 382,318	$ -	$ -	$ -	$ (382,318)	$ -	$ (382,318)
Judicial	6,806	103,122	-	-	96,316	-	96,316
Public safety	447,085	3,600	-	-	(443,485)	-	(443,485)
Public works	304,120	169,614	852	290,981	157,327	-	157,327
Housing and development	17,829	9,114	-	-	(8,715)	-	(8,715)
Community services	6,883	11,410	-	-	4,527	-	4,527
Interest on long-term debt	1,924	-	-	-	(1,924)	-	(1,924)
Total governmental activities	1,166,965	296,860	852	290,981	(578,272)	-	(578,272)
Business-type activities:							
Water Sewer Utility Fund	1,100,182	1,019,869	-	114,327	-	34,014	34,014
Total business-type activities	1,100,182	1,019,869	-	114,327	-	34,014	34,014
Total primary government	$ 2,267,147	$ 1,316,729	$ 852	$ 405,308	(578,272)	34,014	(544,258)
General revenues							
Property taxes					234,303	-	234,303
Motor vehicle taxes					15,242	-	15,242
Motor vehicle title advalorem taxes					44,659	-	44,659
Mobile home taxes					943	-	943
Payment in lieu of taxes					2,618	-	2,618
Sales taxes					186,160	-	186,160
Franchise taxes					109,440	-	109,440
Insurance premium taxes					119,227	-	119,227
Hotel Motel taxes					13,492	-	13,492
Alcoholic beverage taxes					38,570	-	38,570
Occupation taxes					17,385	-	17,385
Intangible taxes					3,040	-	3,040
Transfer taxes					959	-	959
Interest income					409	4,655	5,064
Other revenues					6,823	-	6,823
Transfers					(31,553)	31,553	-
Total general revenues and transfers					761,717	36,208	797,925
Change in net position					183,445	70,222	253,667
Net position, beginning of year					2,849,186	8,097,608	10,946,794
Net position, end of year					$ 3,032,631	$ 8,167,830	$ 11,200,461

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

CITY OF LINCOLNTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 162,858	$ 262,915	$ 177,754	$ 603,527
Receivables (net of allowance for uncollectibles)				
Taxes	31,554	-	-	31,554
Interest	27	-	-	27
Capital lease-current	1,295	-	-	1,295
Intergovernmental receivables	21,897	113,420	4,608	139,925
Interfund receivables	147,168	-	-	147,168
Total assets	$ 364,799	$ 376,335	$ 182,362	$ 923,496
LIABILITIES				
Accounts payable	$ 25,125	$ -	$ -	$ 25,125
Accrued liabilities	3,915	-	-	3,915
Intergovernmental payables	2,237	-	-	2,237
Total liabilities	31,277	-	-	31,277
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	20,315	-	-	20,315
Unavailable revenue-capital lease	1,295	-	-	1,295
Total deferred inflows of resources	21,610	-	-	21,610
FUND BALANCES				
Restricted for:				
Public works	-	376,335	171,462	547,797
Housing and development	-	-	10,900	10,900
Unassigned	311,912	-	-	311,912
Total fund balances	311,912	376,335	182,362	870,609
Total liabilities, deferred inflows of resources, and fund balances	$ 364,799	$ 376,335	$ 182,362	$ 923,496

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, 2019

Total fund balances - governmental funds	$	870,609
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		693,138
Infrastructure		2,659,934
Construction in progress		195,322
Accumulated depreciation		(2,465,208)
Total capital assets - governmental activities		2,232,122
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		23,293
Property taxes		20,315
Capital lease		1,295
Total unavailable revenues		44,903
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		26,625
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		(70,507)
Net pension liability		(56,990)
Total liabilities		(127,497)
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		(14,131)
Net position of governmental activities	$	3,032,631

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, 2019

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 705,509	$ -	$ 63,830	$ 769,339
Licenses and permits	30,099	-	-	30,099
Intergovernmental	50,959	211,793	30,847	293,599
Charges for services	170,291	-	-	170,291
Fines and forfeitures	103,122	-	-	103,122
Interest income	167	852	242	1,261
Rents	18,193	-	-	18,193
Other	6,146	-	-	6,146
Total revenues	1,084,486	212,645	94,919	1,392,050
EXPENDITURES				
Current				
General government	263,478	-	-	263,478
Judicial	6,806	-	-	6,806
Public safety	471,757	-	-	471,757
Public works	340,919	-	13,131	354,050
Community services	6,883	-	-	6,883
Housing and development	12,432	-	5,397	17,829
Debt service				
Principal	26,507	-	-	26,507
Interest	1,924	-	-	1,924
Capital outlay				
Public works	-	142,131	37,445	179,576
Total expenditures	1,130,706	142,131	55,973	1,328,810
Excess (deficiency) of revenues over (under) expenditures	(46,220)	70,514	38,946	63,240
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	39,470	-	-	39,470
Transfers in	21,517	-	-	21,517
Transfers out	-	(3,837)	(8,095)	(11,932)
Total other financing sources (uses)	60,987	(3,837)	(8,095)	49,055
Net change in fund balances	14,767	66,677	30,851	112,295
Fund balances, beginning of year	297,145	309,658	151,511	758,314
Fund balances, end of year	$ 311,912	$ 376,335	$ 182,362	$ 870,609

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, 2019

Net change in fund balances - total governmental funds	$	112,295
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		255,082
Depreciation expense		(159,719)
Excess of capital outlay over depreciation expense		95,363
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 decreased by this amount in 2019		(298)
Unearned property tax revenues decreased by this amount in 2019		(3,006)
Unearned capital lease revenues decreased by this amount in 2019		(6,783)
Net change in revenues not providing current financial resources		(10,087)
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		(39,470)
Principal payments on long-term debt		26,507
Net decrease in long-term debt		(12,963)
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 increased by this amount in 2019		(1,163)
Net change in expenses not requiring the use of current financial resources		(1,163)
Change in net position of governmental activities	$	183,445

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, 2019

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 730,127	$ 800,960	$ 791,951	$ (9,009)
Licenses and permits	12,500	12,714	12,714	-
Intergovernmental	27,341	49,341	49,341	-
Charges for services	167,000	126,816	126,816	-
Fines and forfeitures	43,707	103,122	103,122	-
Use of money and property	4,685	10,993	11,087	94
Other	1,765	4,016	3,210	(806)
Total revenues	987,125	1,107,962	1,098,241	(9,721)
EXPENDITURES				
Current				
General government	317,833	288,631	262,096	(26,535)
Judicial	7,908	6,806	6,806	-
Public safety	450,143	467,578	456,119	(11,459)
Public works	299,237	345,232	340,455	(4,777)
Community services	8,900	7,056	7,036	(20)
Housing and development	14,961	12,432	12,432	-
Total expenditures	1,098,982	1,127,735	1,084,944	(42,791)
Excess (deficiency) of revenues over (under) expenditures	(111,857)	(19,773)	13,297	33,070
OTHER FINANCING SOURCES				
Prior year unassigned fund balance	-	(143,774)	-	143,774
Transfers in	111,857	163,547	21,517	(142,030)
Total other financing sources	111,857	19,773	21,517	1,744
Change in fund balance	$ -	$ -	34,814	$ 34,814
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(31,406)	
Payables and other liabilities			11,359	
Total reconciliation to GAAP basis			(20,047)	
Fund balance, beginning of year			297,145	
Fund balance, end of year			$ 311,912	

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, 2019

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 23,444
Restricted cash and cash equivalents	275,707
Accounts receivable-net	135,306
Interest receivable	479
Prepaid items	6,078
Intergovernmental receivables	9,378
Total current assets	450,392
Noncurrent assets	
Capital assets	
Land	105,454
Buildings and improvements	40,135
Machinery and equipment	11,813,886
Construction in progress	7,102,612
Less accumulated depreciation	(4,785,408)
Total capital assets (net of accumulated depreciation)	14,276,679
Total noncurrent assets	14,276,679
Total assets	14,727,071
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension plan	14,270
LIABILITIES	
Current liabilities	
Accounts payable	25,444
Accrued liabilities	2,747
Customer deposits	60,051
Interfund payables	147,168
Intergovermental payable	22,874
Current portion of notes payable	33,866
Current liabilities payable from restricted assets	
Accrued interest payable	5,341
Current portion of revenue bonds payable	196,873
Total current liabilities	494,364
Noncurrent liabilities	
Notes payable	159,168
Revenue bonds payable	5,881,751
Net pension liability	32,180
Total noncurrent liabilities	6,073,099
Total liabilities	6,567,463
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	6,048
NET POSITION	
Net investment in capital assets	8,000,524
Restricted for debt service	275,707
Unrestricted	(108,401)
Total net position	$ 8,167,830

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, 2019

	Business-type Activities- Enterprise Fund Water Sewer Utility Fund
OPERATING REVENUES	
Charges for services	$ 985,687
Penalties	19,366
Other revenues	14,816
Total operating revenues	1,019,869
OPERATING EXPENSES	
Personnel services and benefits	215,857
Professional and technical services	107,430
Repairs and maintenance	35,261
Other purchased services	222,364
Supplies	80,022
Depreciation	249,593
Bad debts	2,992
Intergovernmental repayments	22,873
Total operating expenses	936,392
Operating income	83,477
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	114,327
Interest income	4,655
Interest expense	(163,790)
Total non-operating revenues (expenses)	(44,808)
Income before transfers in and out	38,669
TRANSFERS IN (OUT)	
Transfer in	3,837
Transfers out	(13,422)
Transfer in (out)-net	(9,585)
CAPITAL CONTRIBUTIONS	41,138
Change in net position	70,222
Net position, beginning of year	8,097,608
Net position, end of year	$ 8,167,830

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, 2019

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,056,247
Payments to suppliers and others	(474,294)
Payments to employees	(214,731)
Net cash provided by operating activities	367,222
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(13,422)
Net cash used by noncapital financing activities	(13,422)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers from other funds	3,837
Proceeds from capital grants	114,805
Purchase and construction of capital assets	(129,530)
Principal payments on long-term debt	(224,880)
Interest paid	(164,154)
Net cash used by capital and related financiang activities	(399,922)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	5,147
Net cash provided by investing activities	5,147
Net decrease in cash and cash equivalents	(40,975)
Cash and cash equivalents, beginning of year	340,126
Cash and cash equivalents, end of year	$ 299,151
CASH PER STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 23,444
Restricted cash and cash equivalents	275,707
	$ 299,151

(Continued)

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities- Enterprise Fund Water Sewer Utility Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 83,477
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	249,593
Other pension related charges	1,126
(Increase) decrease in current assets	
Accounts receivable	(9,843)
Prepaid items	(6,078)
Intergovernmental receivables	1,938
Increase (decrease) in current liabilities	
Accounts payable	(23,373)
Accrued liabilities	1,957
Customer deposits	4,478
Intergovernmental payables	21,150
Interfund payables	42,797
Total adjustments	283,745
Net cash provided by operating activities	$ 367,222
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Transfer of capital assets from completed CDBG capital project	$ 41,138

The notes to the financial statements are 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, 2019.

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)

SPLOST Fund – The SPLOST Fund is used to account for proceeds from 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 funds.

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 2019 annual appropriated budgets were approved on January 8, 2019. 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 2019 budgets were made and approved on February 4, 2020.

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. New Accounting Pronouncements

During June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this Statement are effective for financial statement periods beginning after June 15, 2021. Earlier application is encouraged. Management is currently evaluating the potential effects of this Statement on the City's financial statements.

During April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date, the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for financial statement periods beginning after June 15, 2019. Earlier application is encouraged. Management is currently evaluating the potential effects of this Statement on the City's financial statements.

During June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. 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. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2020. Earlier application is encouraged. Management implemented the provisions of this Statement in its financial statements as of and for the year ended December 31, 2018. These provisions had no effect on these financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2019. Earlier application is encouraged. The City will implement the requirements of this Statement when it becomes effective. Management is currently evaluating the potential effects of this Statement on the City's financial statements.

During May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. It defines a conduit debt obligation and specifies that all conduit debt obligations involve the issuer making a limited commitment and that some issuers extend additional commitments or voluntary commitments to support debt service in the event the third-party is, or will be, unable to do so. An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually, whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement also addresses arrangements, often characterized as leases that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. Additional provisions apply based on 1) if title passes to the third-party obligor at the end of the arrangement, 2) if title does not pass to the third-party obligor and they have exclusive use of the entire capital asset during the arrangement, and 3) if title does not pass to the third-party obligor and they have exclusive use of only portions of the capital asset during the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2021. Earlier application is encouraged. The City will implement the requirements of this Statement when it becomes effective. Management is currently evaluating the potential effects of this Statement on the City's financial statements.

H. 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 that 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019.

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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Actual revenues and other financing sources (budgetary basis) were $ 7,977 less than budgeted amounts, whereas actual expenditures (budgetary basis) were $ 42,791 less than appropriated amounts resulting in an increase (budgetary basis) in fund balance of $ 34,814. No expenditures exceeded the legal level of control for the year ended December 31, 2019.

Water Sewer Utility Fund

The Water Sewer Utility Fund is reporting a deficit balance of $ 108,401 in unrestricted net position. This deficit is expected to be restored with future revenues of the System.

Hotel Motel Tax Fund

Actual revenues and expenditures (budgetary basis) equaled the final and amended budget. No expenditures exceeded the legal level of control for the year ended December 31, 2019.

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.

(Continued)

NOTE 3 - CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

The carrying amount of the City's deposits with financial institutions was $ 902,678 and the bank balance was $ 926,534 at December 31, 2019. 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.

Collateralization of the City's deposits as of December 31, 2019 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		426,534
Total bank balance	$	926,534

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, 2019.

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, 2019, no single-issue investment exceeded 5% of total investments.

NOTE 4 - PROPERTY TAXES

Property taxes were levied on October 15, 2019 and were due on December 15, 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.

A summary of the 2019 tax levy follows:

2019 millage rate		7.10
Taxable digest	$	35,511,323
Gross tax levy	$	379,971
Less sales tax rollback		(127,840)
Net property taxes	$	252,131
Property taxes receivable	$	38,918
Less allowance for uncollectible amounts		(7,364)
Net property taxes receivable	$	31,554
Unavailable property tax revenue	$	20,315

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, 2019. The remaining capital lease payments, totaling $ 1,295, 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
2020	$	1,295
Present value of minimum lease payments	$	1,295

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/18	Additions	Deletions/ Transfers	Balance 12/31/19
Governmental Activities				
Capital assets not being depreciated				
Land	$ 146,960	$ -	$ -	$ 146,960
Construction in progress	63,482	131,840	-	195,322
Total capital assets not being depreciated	210,442	131,840	-	342,282
Capital assets being depreciated				
Buildings and improvements	1,001,976	-	-	1,001,976
Machinery and equipment	627,360	65,778	-	693,138
Infrastructure	2,602,470	57,464	-	2,659,934
Total capital assets being depreciated	4,231,806	123,242	-	4,355,048
Less accumulated depreciation				
Buildings and improvements	(634,430)	(19,840)	-	(654,270)
Machinery and equipment	(466,146)	(43,847)	-	(509,993)
Infrastructure	(1,204,913)	(96,032)	-	(1,300,945)
Total accumulated depreciation	(2,305,489)	(159,719)	-	(2,465,208)
Net capital assets being depreciated	1,926,317	(36,477)	-	1,889,840
Governmental activities capital assets-net	$ 2,136,759	$ 95,363	$ -	$ 2,232,122

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

Depreciation expense for the year ended December 31, 2019, was charged to governmental functions as follows:

General government	$ 118,508
Public safety	40,275
Public works	936
Current year depreciation expense	$ 159,719

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/18	Additions	Deletions/ Transfers	Balance 12/31/19
Business-type Activities				
Capital assets not being depreciated				
Land	$ 105,454	$ -	$ -	$ 105,454
Construction in progress	7,014,285	88,327	-	7,102,612
Total capital assets not being depreciated	7,119,739	88,327	-	7,208,066
Capital assets being depreciated				
Buildings and improvements	40,135	-	-	40,135
Machinery and equipment	11,772,748	41,138	-	11,813,886
Total capital assets being depreciated	11,812,883	41,138	-	11,854,021
Less accumulated depreciation				
Buildings and improvements	(23,368)	(802)	-	(24,170)
Machinery and equipment	(4,512,447)	(248,791)	-	(4,761,238)
Total accumulated depreciation	(4,535,815)	(249,593)	-	(4,785,408)
Net capital assets being depreciated	7,277,068	(208,455)	-	7,068,613
Business-type activities capital assets-net	$ 14,396,807	$ (120,128)	$ -	$ 14,276,679

Depreciation expense on capital assets of the business-type activities was $ 249,593 for the year ended December 31, 2019.

NOTE 7 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2019:

	Balance 12/31/18	Additions	Payments	Balance 12/31/19
Governmental Activities				
Capital leases	$ 1,436	$ -	$ (1,436)	$ -
Notes payable	56,108	39,470	(25,071)	70,507
Total debt-governmental activities	$ 57,544	$ 39,470	$ (26,507)	$ 70,507
Business-type Activities				
Notes payable	$ 226,476	$ -	$ (33,443)	$ 193,033
Revenue bonds payable	6,270,062	-	(191,437)	6,078,625
Total debt-business-type activities	$ 6,496,538	$ -	$ (224,880)	$ 6,271,658

There was no short-term borrowing during the year ended December 31, 2019.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

The following summarizes long-term debt outstanding at December 31, 2019:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Note payable, F&M Bank	$ 63,887	3.240%	2021	$ 14,830	$ 13,595
Note payable, FS Bank	30,544	3.720%	2022	17,698	7,724
Note payable, F&M Bank	39,470	4.200%	2023	37,979	9,316
Total-governmental activities	$ 133,901			$ 70,507	$ 30,635
Business-type Activities					
Note payable, JD Financial	$ 40,740	3.340%	2020	$ 8,685	$ 8,685
Note payable, F&M Bank	22,235	3.240%	2021	6,682	4,681
Note payable, GEFA DWSRF 05-005	410,000	0.000%	2028	177,667	20,500
Bonds payable, USDA Series 2017A	3,840,000	3.200%	2037	3,520,085	149,737
Bonds payable, USDA Series 2017B	1,724,000	2.125%	2057	1,663,083	28,984
Bonds payable, USDA Series 2017C	934,000	1.375%	2057	895,456	18,152
Total-business-type activities	$ 6,970,975			$ 6,271,658	$ 230,739

Notes Payable

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.

F&M Bank - On September 26, 2019 the City issued a note payable to F&M Bank totaling $ 39,470 for the purchase of a police cruiser. Repayment terms require 48 monthly payments of $ 896, including principal and interest at 4.20%. The initial payment was due November 1, 2019 with the final payment being due October 1, 2023. 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.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

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.

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, 2019 is as follows:

			Fixed Charges Coverage Ratio
Income available for fixed charges	$ 341,562	=	0.88
Fixed charges	$ 388,669		

Annual requirements to fully amortize the outstanding notes payable as of December 31, 2019 are as follows:

	Governmental Activities		
Year Ending December 31,	Principal	Interest	Total
2020	$ 30,635	$ 2,253	$ 32,888
2021	18,976	1,272	20,248
2022	12,105	622	12,727
2023	8,791	172	8,963
	$ 70,507	$ 4,319	$ 74,826

	Business-type Activities		
Year Ending December 31,	Principal	Interest	Total
2020	$ 33,866	$ 441	$ 34,307
2021	22,501	17	22,518
2022	20,500	-	20,500
2023	20,500	-	20,500
2024	20,500	-	20,500
2025 thru 2029	75,167	-	75,167
	$ 193,034	$ 458	$ 193,492

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

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.

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.

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.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

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, 2019, 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, 2019, the required balance to be deposited into the Reserve Account was $ 78,771, whereas the actual deposits held in the Reserve Account totaled $ 265,301.

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, 2019, the required balance to be deposited into the Short-Lived Asset Account was $ 22,533, whereas the actual deposits held in the Short-Lived Asset Account totaled $ 10,406.

Compliance With Bond Covenants

As of December 31, 2019, total sinking fund requirements, for all bonds issued, was $ 101,304, whereas cash deposits held in accounts restricted by the Ordinance totaled $ 275,707. As of December 31, 2019, the City's debt service sinking funds were overfunded by $ 174,403.

Annual requirements to fully amortize the bonds outstanding as of December 31, 2019 are as follows:

	Business-type Activities		
Year Ending December 31,	Principal	Interest	Total
2020	$ 196,873	$ 157,847	$ 354,720
2021	202,741	151,979	354,720
2022	208,654	146,066	354,720
2023	214,747	139,973	354,720
2024	220,904	133,816	354,720
2025 thru 2029	1,206,115	567,488	1,773,603
2030 thru 2034	1,394,541	379,062	1,773,603
2035 thru 2039	1,007,534	180,628	1,188,162
2040 thru 2044	354,928	117,692	472,620
2045 thru 2049	389,746	82,874	472,620
2050 thru 2054	428,027	44,593	472,620
2055 thru 2058	253,814	6,812	260,626
	$ 6,078,624	$ 2,108,830	$ 8,187,454

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2019, is as follows:

Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Water Sewer Utility Fund	$ 147,168

The Water Sewer Utility Fund bills and collects charges for sanitation services, which are accounted for in the City's General Fund. The $ 147,168 due from the Water Sewer Utility Fund primarily represents collections on 2019 sanitation fees and unbilled service revenues, as of December 31, 2019, that have not been remitted to the General Fund.

Interfund Transfers

Transfers In	Transfers Out	Amount
General Fund	Hotel-Motel Tax Fund	$ 8,095
Water Sewer Utility Fund	SPLOST Fund	3,837
General Fund	Water Sewer Utility Fund	13,422
		$ 25,354

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 Water Sewer Utility Fund were reimbursed by the SPLOST 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, 2019 are as follows:

	Governmental Activities	Business-type Activities
Net investment in capital assets		
Primary government	$ 2,232,122	$ 14,276,679
Less capital leases payable	-	-
Less notes payable	(70,507)	(193,034)
Less revenue bonds payable	-	(6,078,624)
Less construction payables	-	(4,497)
Total net investment in capital assets	$ 2,161,615	$ 8,000,524
Restricted for:		
Public works		
SPLOST Fund	$ 385,396	
TSPLOST Fund	175,240	
Total public works	$ 560,636	
Housing and development		
Hotel Motel Tax Fund	$ 10,900	
Total housing and development	$ 10,900	
Debt service		$ 275,707
Total debt service		$ 275,707

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, 2019, the City paid $ 1,801 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, 2019, 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.

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.

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

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.

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, 2019, the last valuation date, there were 24 participants consisting of the following:

Retired participants and beneficiaries currently receiving benefits	11
Terminated vested participants entitled to but not yet receiving benefits	3
Active participants-vested	1
Active participants-not vested	9
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 2019, the City's contribution to the Plan totaled $ 19,772, or 5.93% of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2019 actuarial valuation.

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

Net Pension Liability

The City's net pension liability was measured as of March 31, 2019.

Actuarial Assumptions. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 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%

The mortality and economic actuarial assumptions used in the July 1, 2019 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, 2019 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.40%
International equity	20.00%	7.40%
Real estate	10.00%	5.10%
Global fixed income	5.00%	3.03%
Domestic fixed income	20.00%	1.75%
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, 2019 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at March 31, 2018	$ 613,300	$ 556,873	$ 56,427
Changes for the year:			
Service cost	14,223	-	14,223
Interest	44,860	-	44,860
Differences between expected and actual experience	8,747	-	8,747
Contributions-employer	-	19,772	(19,772)
Contributions-employee	-	-	-
Net investment income	-	19,168	(19,168)
Benefit payments, including refunds of employee contributions	(58,785)	(58,785)	-
Administrative expense	-	(3,853)	3,853
Other	-	-	-
Net changes	9,045	(23,698)	32,743
Balances at March 31, 2019	$ 622,345	$ 533,175	$ 89,170

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	$ 148,703	$ 89,170	$ 39,287

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, 2019 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, 2019, the City recognized pension expense of $ 24,988. The City reported the following deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 17,024	$ -
Difference between expected and actual experience	18,987	(20,179)
Changes of assumptions	4,754	-
Net difference between projected and actual earnings on pension plan investments	130	-
Total	$ 40,895	$ (20,179)

Contributions made subsequent to the measurement date totaling $ 17,024 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,				
	2020	2021	2022	2023	Total
Fiscal Year Outflows					
Demographic	$ 8,400	$ 8,400	$ 2,187	$ -	$ 18,987
Assumption change	2,377	2,377	-	-	4,754
Investment	2,389	(5,615)	(842)	4,198	130
Total	$ 13,166	$ 5,162	$ 1,345	$ 4,198	$ 23,871
Fiscal Year Inflows					
Demographic	$ (12,237)	$ (7,942)	$ -	$ -	$ (20,179)
Total	$ (12,237)	$ (7,942)	$ -	$ -	$ (20,179)

Changes in Methods and Assumptions

Based on the results of an actuarial study in September 2017, the following assumption changes were made for fiscal year ending in 2018 and later years:

- The investment return assumption was decreased from 7.75% to 7.50%.
- The inflation assumption was reduced from 3.25% to 2.75%

There were no other changes in methods or assumptions.

Benefit Changes

There were no changes to Plan benefits during the year ended December 31, 2019.

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, 2019 were expended for such purposes. A summary of Hotel/Motel transactions for the year ended December 31, 2019 follows:

	12/31/19	Percentage Expended
Tax percentage rate formally adopted by City	5.00%	
Hotel/Motel taxes collected	$ 13,492	
Expended for promoting tourism, conventions, and trade shows	$ 5,397	40.00%

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, 2019, $ 195,322 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, 2019, the City had expended $ 7,102,612 on this project.

As of December 31, 2019, 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	$ 195,322	$ 404,678
Wastewater plant and system improvements	7,102,612	128,388
	$ 7,297,934	$ 533,066

Subsequent Events

On February 25, 2020, the USDA approved a request from the City for reimbursement of $ 335,923. The reimbursement included costs of $ 23,207 incurred in 2020 and $ 311,066 of cost incurred in prior years related to the USDA project that were funded by the City. Available funding for the reimbursement was not determined until the USDA project was completed in 2020. Reimbursements to the Water Sewer Fund and SPLOST Fund are expected to be $ 52,691 and $ 258,375, respectively.

In preparing these financial statements, the City's management has evaluated events and transactions for potential recognition or disclosure through September 3, 2020, 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

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 14,223	$ 15,133	$ 13,692	$ 17,593	$ 9,015
Interest	44,860	42,821	46,099	47,481	46,536
Differences between expected and actual experience	8,747	24,850	(39,709)	(21,473)	10,228
Changes of assumptions	-	-	-	-	6,443
Benefit payments, including refunds of employee contributions	(58,785)	(63,076)	(61,673)	(61,203)	(58,846)
Other	-	9,506	-	-	-
Net change in total pension liability	9,045	29,234	(41,591)	(17,602)	13,376
Total pension liability, beginning	613,300	584,066	625,657	643,259	629,883
Total pension liability, ending (a)	622,345	613,300	584,066	625,657	643,259
Plan Fiduciary Net Position					
Contributions-employer	19,772	23,164	27,105	23,636	21,385
Net investment income	19,168	65,016	62,068	1,143	50,598
Benefit payments, including refunds of employee contributions	(58,785)	(63,076)	(61,673)	(61,203)	(58,846)
Administrative expenses	(3,853)	(3,920)	(4,070)	(2,519)	(2,181)
Net change in fiduciary net position	(23,698)	21,184	23,430	(38,943)	10,956
Plan fiduciary net position, beginning	556,873	535,689	512,259	551,202	540,246
Plan fiduciary net position, ending (b)	533,175	556,873	535,689	512,259	551,202
Net pension liability, ending (a)-(b)	$ 89,170	$ 56,427	$ 48,377	$ 113,398	$ 92,057
Plan's fiduciary net position as a percentage of the total pension liability	85.67%	90.80%	91.72%	81.88%	85.69%
Covered employee payroll during the measurement period	$ 333,333	$ 346,662	$ 346,227	$ 329,385	$ 370,768
Net pension liability as a percentage of covered employee payroll	26.75%	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

	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 19,772	$ 18,797	$ 24,619	$ 27,934	$ 22,203
Contributions in relation to the actuarially determined contribution	19,772	18,797	24,619	27,934	22,203
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll during the measurement period	$ 333,333	$ 346,662	$ 346,227	$ 329,385	$ 370,768
Contributions as a percentage of covered employee payroll	5.93%	5.42%	7.11%	8.48%	5.99%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2019
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, 2019

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes				
Real property tax	$ 256,739	$ 318,447	$ 303,385	$ (15,062)
Motor vehicle taxes	74,569	54,332	54,332	-
Mobile home tax	1,212	942	942	-
Real estate transfer tax	667	959	959	-
Franchise tax	103,907	109,439	109,439	-
Local option sales tax	124,440	136,001	136,001	-
Intangible tax	1,000	3,040	3,040	-
Alcoholic beverage tax	53,534	38,570	38,570	-
Occupation tax	13,700	17,385	17,385	-
Insurance premium tax	97,741	119,227	119,227	-
Penalties and interest	-	-	6,053	6,053
Payment in lieu of taxes	2,618	2,618	2,618	-
Total taxes	730,127	800,960	791,951	(9,009)
Licenses and Permits				
Alcoholic beverage licenses	5,000	3,600	3,600	-
Building permits	7,500	9,114	9,114	-
Total licenses and permits	12,500	12,714	12,714	-
Intergovernmental				
Federal and State grants	27,341	49,341	49,341	-
Total intergovernmental	27,341	49,341	49,341	-
Charges for Services				
Sanitation fees	167,000	126,816	126,816	-
Total charges for services	167,000	126,816	126,816	-
Fines and Forfeitures				
Municipal court fines	43,707	103,122	103,122	-
Total fines and forfeitures	43,707	103,122	103,122	-
Use of Money and Property				
Interest income	185	83	177	94
Rents	4,500	10,910	10,910	-
Total use of money and property	4,685	10,993	11,087	94
Other				
Miscellaneous	1,765	4,016	3,210	(806)
Total other	1,765	4,016	3,210	(806)
Total revenues	987,125	1,107,962	1,098,241	(9,721)

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, 2019

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
EXPENDITURES				
General government				
Council	15,759	16,401	16,401	-
Mayor	9,560	6,991	6,991	-
General administration	292,514	265,239	238,704	(26,535)
Total general government	317,833	288,631	262,096	(26,535)
Judicial				
Municipal court	7,908	6,806	6,806	-
Total judicial	7,908	6,806	6,806	-
Public safety				
Police	351,625	397,513	390,980	(6,533)
Fire	98,518	70,065	65,139	(4,926)
Total public safety	450,143	467,578	456,119	(11,459)
Public works				
Streets and sanitation	299,237	345,232	340,455	(4,777)
Total public works	299,237	345,232	340,455	(4,777)
Community services				
Community center	8,900	7,056	7,036	(20)
Total community services	8,900	7,056	7,036	(20)
Housing and development				
Planning and zoning	14,961	12,432	12,432	-
Total housing and development	14,961	12,432	12,432	-
Total expenditures	1,098,982	1,127,735	1,084,944	(42,791)
Excess (deficiency) of revenues over (under) expenditures	(111,857)	(19,773)	13,297	33,070
OTHER FINANCING SOURCES				
Prior year unassigned budget	-	(143,774)	-	143,774
Transfers in	111,857	163,547	21,517	(142,030)
Total other financing sources	111,857	19,773	21,517	1,744
Change in fund balance	$ -	$ -	$ 34,814	$ 34,814

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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.

CDBG Fund - This fund was established to account for proceeds from a Community Development Block Grant (CDBG) to provide funding for sewer improvements.

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, 2019

	Special Revenue	Capital Projects		Total Nonmajor Governmental Funds
	Hotel Motel Tax Fund	TSPLOST Fund	CDBG Fund	
ASSETS				
Cash and cash equivalents	$ 10,900	$ 166,854	$ -	$ 177,754
Intergovernmental receivable	-	4,608	-	4,608
Total assets	$ 10,900	$ 171,462	$ -	$ 182,362
LIABILITIES				
Total liabilities	$ -	$ -	$ -	$ -
FUND BALANCES				
Restricted for:				
Public works	-	171,462	-	171,462
Housing and development	10,900	-	-	10,900
Total fund balances	10,900	171,462	-	182,362
Total liabilities and fund balances	$ 10,900	$ 171,462	$ -	$ 182,362

CITY OF LINCOLNTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue	Capital Projects		Total Nonmajor
	Hotel Motel Tax Fund	TSPLOST Fund	CDBG Fund	Governmental Funds
REVENUES				
Taxes	$ 13,492	$ 50,338	$ -	$ 63,830
Intergovermental	-	-	30,847	30,847
Interest income	6	236	-	242
Total revenues	13,498	50,574	30,847	94,919
EXPENDITURES				
Current				
Public works	-	13,131	-	13,131
Housing and development	5,397	-	-	5,397
Capital outlay				
Public works	-	6,598	30,847	37,445
Total expenditures	5,397	19,729	30,847	55,973
Excess of revenues over expenditures	8,101	30,845	-	38,946
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,095)	-	-	(8,095)
Total other financing sources (uses)	(8,095)	-	-	(8,095)
Net change in fund balances	6	30,845	-	30,851
Fund balances, beginning of year	10,894	140,617	-	151,511
Fund balances, end of year	$ 10,900	$ 171,462	$ -	$ 182,362

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, 2019

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 15,750	$ 13,492	$ 13,492	$ -
Interest income	-	6	6	-
Total revenues	15,750	13,498	13,498	-
EXPENDITURES				
Housing and development	6,300	5,397	5,397	-
Total expenditures	6,300	5,397	5,397	-
Excess of revenues over expenditures	9,450	8,101	8,101	-
OTHER FINANCING SOURCES (USES)				
Prior year unassigned fund balance	-	(6)	-	6
Transfers out	(9,450)	(8,095)	(8,095)	-
Total other financing sources (uses)	(9,450)	(8,101)	(8,095)	6
Net change in fund balances	$ -	$ -	6	$ 6
RECONCILIATION TO GAAP BASIS				
Fund balance, beginning of year			10,894	
Fund balance, end of year			$ 10,900	

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, 2019

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	$ -	$ -	$ -	none
Contingencies	C-022-00	33,220	-	-	-	none
Engineering-water/sewer	T-03J-00	30,000	30,000	21,625	51,625	none
Sewer facilities	P-03J-02	334,280	370,500	-	370,500	none
Administration	A-21A-00	25,500	25,500	(3,837)	21,663	none
		$ 426,000	$ 426,000	$ 17,788	$ 443,788	
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	426,000
Funds still available from program year 2016 resources	$ -
Total program year 2016 funds drawn and received by recipient	$ 426,000
Less funds applied and expended to program year 2016 costs	426,000
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, 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, 2019

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	$ 6,360,251	$ 9,632	$ 6,369,883	none
Legal services	80,000	50,000	5,141	55,141	none
Architecturial engineering and planning	653,205	477,811	159,859	637,670	none
Interest	40,000	7,015	28,406	35,421	none
Contingencies	150,080	-	-	-	
	$ 7,231,000	$ 6,895,077	$ 203,038	$ 7,098,115	
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	6,895,077
Funds still available from program year 2014 resources	$ 335,923
Total program year 2014 funds drawn and received by recipient	$ 6,895,077
Less funds applied and expended to program year 2014 costs	6,895,077
Total program year 2014 funds held by recipient	$ -

Notes to the Schedule:

(1) The Schedule of USDA Loan/Grant Project Costs, 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, 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, 2019

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	$ 611,485	$ 42,050	$ 653,535	103%
	$ 634,560	$ 634,560	$ 611,485	$ 42,050	$ 653,535	

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds-SPLOST	
Current year SPLOST expenditures reported above	$ 42,050
TEA grant proceeds accounted for in the SPLOST Fund	103,918
Total capital outlay and transfers out reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds-SPLOST	$ 145,968

Notes to the Schedule:

(1) The Schedule of Special Purpose Local Option Sales Tax only presents expenditures funded with SPLOST proceeds. The SPLOST Fund financial statements included in the basic financial statements report additional expenditures funded with other intergovernmental revenues. These additional expenditures are required to be reported in the SPLOST Fund because the project is partially funded with SPLOST proceeds. Therefore, the amounts reported in this schedule differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF WATER SEWER UTILITY FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water Activities	Sewer Activities	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
OPERATING REVENUES			
Charges for services	$ 632,203	$ 353,484	$ 985,687
Penalties	12,394	6,972	19,366
Other revenues	9,481	5,335	14,816
Total operating revenues	654,078	365,791	1,019,869
OPERATING EXPENSES			
Personnel services and benefits	133,426	82,431	215,857
Professional and technical services	72,439	34,991	107,430
Repairs and maintenance	19,510	15,751	35,261
Other purchased services	130,857	91,507	222,364
Supplies & other	52,757	27,265	80,022
Depreciation	132,670	116,923	249,593
Intergovernmental refunds	22,873	-	22,873
Bad debts	1,914	1,078	2,992
Total operating expenses	566,446	369,946	936,392
Operating income	87,632	(4,155)	83,477
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	-	114,327	114,327
Interest income	2,979	1,676	4,655
Interest expense	(115,263)	(48,527)	(163,790)
Total non-operating revenues (expenses)	(112,284)	67,476	(44,808)
Income (loss) before transfers in/out	(24,652)	63,321	38,669
TRANSFERS IN/OUT			
Transfer in	-	3,837	3,837
Transfers out	(8,590)	(4,832)	(13,422)
Transfer in (out)-net	(8,590)	(995)	(9,585)
CAPITAL CONTRIBUTIONS	-	41,138	41,138
Change in net position	$ (33,242)	$ 103,464	$ 70,222

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COMPLIANCE SECTION

BARMORE HAMMOND
CERTIFIED PUBLIC ACCOUNTANTS
LIMITED LIABILITY PARTNERSHIP

Benjamin B. Barmore, CPA, PC
W. Lee Hammond, CPA, PC

W. G. Bullock Building
132 Railroad Street, Third Floor
Thomson, Georgia 30824

Phone: 706.595.7764
Fax: 706.595.7288
www.barmorehammond.com

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 3, 2020.

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
September 3, 2020

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

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

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported