CITY OF LINCOLNTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

CITY OF LINCOLNTON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2020

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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, 2020, 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, 2020, 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

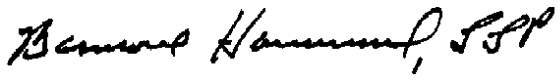
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual - General Fund by Object, the combining and individual nonmajor governmental fund financial statements, Schedule of 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 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 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 22, 2021 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 22, 2021

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BASIC FINANCIAL STATEMENTS

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,076,761	$ 51,334	$ 1,128,095
Restricted cash and cash equivalents	-	359,224	359,224
Receivables			
Taxes-net	32,490	-	32,490
Accounts-net	-	133,129	133,129
Interest	19	3,040	3,059
Intergovernmental	70,139	2,741	72,880
Prepaids	-	4,267	4,267
Internal balances	189,351	(189,351)	-
Capital assets net of accumulated depreciation			
Land	158,526	105,454	263,980
Buildings and improvements	327,866	15,162	343,028
Machinery and equipment	150,060	13,783,957	13,934,017
Infrastructure	1,769,836	-	1,769,836
Total assets	3,775,048	14,268,957	18,044,005
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	71,496	42,400	113,896
LIABILITIES			
Accounts payable	19,193	22,948	42,141
Accrued liabilities	7,065	3,811	10,876
Customer deposits	-	63,085	63,085
Intergovermental	2,587	33,307	35,894
Accrued interest payable	-	5,140	5,140
Noncurrent liabilities			
Due within one year	18,976	225,245	244,221
Due in more than one year	20,896	5,825,792	5,846,688
Net pension liability	125,970	72,845	198,815
Total liabilities	194,687	6,252,173	6,446,860
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	6,432	1,510	7,942
NET POSITION			
Net investment in capital assets	2,366,416	7,853,536	10,219,952
Restricted for:			
Public works	888,473	32,933	921,406
Housing and development	10,901	-	10,901
Debt service	-	326,291	326,291
Unrestricted	379,635	(155,086)	224,549
Total net position	$ 3,645,425	$ 8,057,674	$ 11,703,099

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, 2020

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	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Business-type Activities	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 391,789	$ -	$ -	$ -	$ (391,789)	$ -	$ (391,789)
Judicial	6,424	84,673	-	-	78,249	-	78,249
Public safety	475,047	6,850	23,604	-	(444,593)	-	(444,593)
Public works	276,950	169,263	730	375,573	268,616	-	268,616
Housing and development	14,743	8,215	-	-	(6,528)	-	(6,528)
Community services	5,204	3,044	-	-	(2,160)	-	(2,160)
Interest on long-term debt	2,253	-	-	-	(2,253)	-	(2,253)
Total governmental activities	1,172,410	272,045	24,334	375,573	(500,458)	-	(500,458)
Business-type activities:							
Water Sewer Utility Fund	1,374,691	1,107,218	-	440,047	-	172,574	172,574
Total business-type activities	1,374,691	1,107,218	-	440,047	-	172,574	172,574
Total primary government	$ 2,547,101	$ 1,379,263	$ 24,334	$ 815,620	(500,458)	172,574	(327,884)
General revenues							
Property taxes					253,639	-	253,639
Motor vehicle title advalorem taxes					42,315	-	42,315
Mobile home taxes					623	-	623
Payment in lieu of taxes					2,618	-	2,618
Sales taxes					216,094	-	216,094
Franchise taxes					105,785	-	105,785
Insurance premium taxes					125,447	-	125,447
Hotel Motel taxes					12,740	-	12,740
Alcoholic beverage taxes					40,805	-	40,805
Occupation taxes					16,360	-	16,360
Intangible taxes					4,372	-	4,372
Transfer taxes					1,271	-	1,271
Interest income					329	3,932	4,261
Other revenues					4,192	-	4,192
Transfers					286,662	(286,662)	-
Total general revenues and transfers					1,113,252	(282,730)	830,522
Change in net position					612,794	(110,156)	502,638
Net position, beginning of year					3,032,631	8,167,830	11,200,461
Net position, end of year					$ 3,645,425	$ 8,057,674	$ 11,703,099

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

CITY OF LINCOLNTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 209,575	$ 725,850	$ 141,336	$ 1,076,761
Receivables (net of allowance for uncollectibles)				
Taxes	32,490	-	-	32,490
Interest	19	-	-	19
Intergovernmental receivables	24,749	11,031	5,426	41,206
Interfund receivables	189,351	-	-	189,351
Total assets	$ 456,184	$ 736,881	$ 146,762	$ 1,339,827
LIABILITIES				
Accounts payable	$ 19,193	$ -	$ -	$ 19,193
Accrued liabilities	7,065	-	-	7,065
Intergovernmental payables	2,587	-	-	2,587
Total liabilities	28,845	-	-	28,845
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	12,991	-	-	12,991
Total deferred inflows of resources	12,991	-	-	12,991
FUND BALANCES				
Restricted for:				
Public works	-	736,881	135,861	872,742
Housing and development	-	-	10,901	10,901
Unassigned	414,348	-	-	414,348
Total fund balances	414,348	736,881	146,762	1,297,991
Total liabilities, deferred inflows of resources, and fund balances	$ 456,184	$ 736,881	$ 146,762	$ 1,339,827

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, 2020

Total fund balances - governmental funds	$ 1,297,991
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	158,526
Building and improvements	1,001,976
Machinery and equipment	707,428
Infrastructure	3,180,861
Accumulated depreciation	(2,642,503)
Total capital assets - governmental activities	2,406,288
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	28,933
Property taxes	12,991
Total unavailable revenues	41,924
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	71,496
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	(39,872)
Net pension liability	(125,970)
Total liabilities	(165,842)
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	(6,432)
Net position of governmental activities	$ 3,645,425

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, 2020

	General Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 738,847	$ -	$ 68,268	$ 807,115
Licenses and permits	31,425	-	-	31,425
Intergovernmental	155,969	243,486	-	399,455
Charges for services	169,263	-	-	169,263
Fines and forfeitures	84,673	-	-	84,673
Interest income	181	730	148	1,059
Rents	4,339	-	-	4,339
Other	4,192	-	-	4,192
Total revenues	1,188,889	244,216	68,416	1,501,521
EXPENDITURES				
Current				
General government	257,254	-	-	257,254
Judicial	6,424	-	-	6,424
Public safety	431,102	-	-	431,102
Public works	379,865	-	-	379,865
Community services	5,204	-	-	5,204
Housing and development	9,647	-	5,096	14,743
Debt service				
Principal	30,635	-	-	30,635
Interest	2,253	-	-	2,253
Capital outlay				
Public works	-	142,045	91,276	233,321
Total expenditures	1,122,384	142,045	96,372	1,360,801
Excess (deficiency) of revenues over (under) expenditures	66,505	102,171	(27,956)	140,720
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	-	-	-	-
Transfers in	35,931	258,375	-	294,306
Transfers out	-	-	(7,644)	(7,644)
Total other financing sources (uses)	35,931	258,375	(7,644)	286,662
Net change in fund balances	102,436	360,546	(35,600)	427,382
Fund balances, beginning of year	311,912	376,335	182,362	870,609
Fund balances, end of year	$ 414,348	$ 736,881	$ 146,762	$ 1,297,991

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, 2020

Net change in fund balances - total governmental funds	$	427,382
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		351,461
Depreciation expense		(177,295)
Excess of capital outlay over depreciation expense		174,166
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Changes in these amounts are as follows:		
Intergovernmental receivables increased by this amount in 2020		5,640
Unearned property tax revenues decreased by this amount in 2020		(7,324)
Unearned capital lease revenues decreased by this amount in 2020		(1,295)
Net change in revenues not providing current financial resources		(2,979)
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:		
Principal payments on long-term debt		30,635
Net decrease in long-term debt		30,635
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 2020		(16,410)
Net change in expenses not requiring the use of current financial resources		(16,410)
Change in net position of governmental activities	$	612,794

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, 2020

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 766,732	$ 745,636	$ 745,983	$ 347
Licenses and permits	12,921	15,065	15,065	-
Intergovernmental	31,850	154,351	154,351	-
Charges for services	167,000	126,468	126,468	-
Fines and forfeitures	87,164	82,613	82,613	-
Use of money and property	5,560	3,220	3,315	95
Other	2,406	3,324	5,865	2,541
Total revenues	1,073,633	1,130,677	1,133,660	2,983
EXPENDITURES				
Current				
General government	321,118	294,055	259,097	(34,958)
Judicial	7,899	6,422	6,422	-
Public safety	449,220	454,089	454,431	342
Public works	316,447	391,147	391,147	-
Community services	8,986	5,172	5,172	-
Housing and development	8,885	9,648	9,648	-
Total expenditures	1,112,555	1,160,533	1,125,917	(34,616)
Excess (deficiency) of revenues over (under) expenditures	(38,922)	(29,856)	7,743	37,599
OTHER FINANCING SOURCES				
Transfers in	38,922	29,856	35,931	6,075
Total other financing sources	38,922	29,856	35,931	6,075
Change in fund balance	$ -	$ -	43,674	$ 43,674
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			44,668	
Payables and other liabilities			14,094	
Total reconciliation to GAAP basis			58,762	
Fund balance, beginning of year			311,912	
Fund balance, end of year			$ 414,348	

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, 2020

	Business-type Activities- Enterprise Fund Water Sewer Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 51,334
Restricted cash and cash equivalents	359,224
Accounts receivable-net	133,129
Interest receivable	3,040
Prepaid items	4,267
Intergovernmental receivables	2,741
Total current assets	553,735
Noncurrent assets	
Capital assets	
Land	105,454
Buildings and improvements	40,135
Machinery and equipment	18,936,856
Less accumulated depreciation	(5,177,872)
Total capital assets (net of accumulated depreciation)	13,904,573
Total noncurrent assets	13,904,573
Total assets	14,458,308
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension plan	42,400
LIABILITIES	
Current liabilities	
Accounts payable	22,948
Accrued liabilities	3,811
Customer deposits	63,085
Interfund payables	189,351
Intergovermental payable	33,307
Current portion of notes payable	22,501
Current liabilities payable from restricted assets	
Accrued interest payable	5,140
Current portion of revenue bonds payable	202,744
Total current liabilities	542,887
Noncurrent liabilities	
Notes payable	146,917
Revenue bonds payable	5,678,875
Net pension liability	72,845
Total noncurrent liabilities	5,898,637
Total liabilities	6,441,524
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	1,510
NET POSITION	
Net investment in capital assets	7,853,536
Restricted for debt service	326,291
Restricted for public works	32,933
Unrestricted	(155,086)
Total net position	$ 8,057,674

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, 2020

	Business-type Activities-Enterprise Fund
	Water Sewer Utility Fund
OPERATING REVENUES	
Charges for services	$ 1,088,177
Penalties	19,020
Other revenues	21
Total operating revenues	1,107,218
OPERATING EXPENSES	
Personnel services and benefits	281,070
Professional and technical services	123,016
Repairs and maintenance	44,665
Other purchased services	218,853
Supplies	111,845
Depreciation	392,464
Bad debts	11,736
Intergovernmental repayments	33,307
Total operating expenses	1,216,956
Operating income (loss)	(109,738)
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	440,047
Interest income	3,932
Interest expense	(157,735)
Total non-operating revenues (expenses)	286,244
Income before transfers in and out	176,506
TRANSFERS IN (OUT)	
Transfers out	(286,662)
Transfer in (out)-net	(286,662)
Change in net position	(110,156)
Net position, beginning of year	8,167,830
Net position, end of year	$ 8,057,674

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, 2020

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,142,876
Payments to suppliers and others	(517,441)
Payments to employees	(271,799)
Net cash provided by operating activities	353,636
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(28,287)
Net cash used by noncapital financing activities	(28,287)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers to other funds	(258,375)
Proceeds from capital grants	446,684
Purchase and construction of capital assets	(24,855)
Principal payments on long-term debt	(220,621)
Interest paid	(158,146)
Net cash used by capital and related financiang activities	(215,313)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	1,371
Net cash provided by investing activities	1,371
Net increase in cash and cash equivalents	111,407
Cash and cash equivalents, beginning of year	299,151
Cash and cash equivalents, end of year	$ 410,558
CASH PER STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 51,334
Restricted cash and cash equivalents	359,224
	$ 410,558

(Continued)

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	$ (109,738)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	392,464
Other pension related charges	7,997
(Increase) decrease in current assets	
Accounts receivable	2,177
Prepaid items	1,811
Increase (decrease) in current liabilities	
Accounts payable	2,001
Accrued liabilities	1,274
Customer deposits	3,034
Intergovernmental payables	10,433
Interfund payables	42,183
Total adjustments	463,374
Net cash provided by operating activities	$ 353,636

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, 2020.

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 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 original 2020 budgets were approved by the City Council on December 3, 2019.

The budgets are prepared on essentially a 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 the expenditure is recorded as an accounts payable or when the applicable expenditure is paid, whichever is earlier. 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 2020 budgets were made and approved on February 2, 2021.

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

Pronouncements effective for the 2020 financial statements.

In May 2020 the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.*

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

1. Statement No. 83, *Certain Asset Retirement Obligations*—reporting periods beginning after June 15, 2019
2. Statement No. 84, *Fiduciary Activities* and Implementation Guide 2019-2—reporting periods beginning after December 15, 2019
3. Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*—reporting periods beginning after June 15, 2019
4. Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*—reporting periods beginning after December 15, 2020
5. Statement No. 90, *Majority Equity Interests*—reporting periods beginning after December 15, 2019
6. Statement No. 91, *Conduit Debt Obligations*—reporting periods beginning after December 15, 2021
7. Statement No. 92, *Omnibus 2020*, paragraphs 6 and 7—fiscal years beginning after June 15, 2021
8. Statement No. 92, *Omnibus 2020*, paragraphs 8, 9, and 12—reporting periods beginning after June 15, 2021
9. Statement No. 92, *Omnibus 2020*, paragraph 10—government acquisitions occurring in reporting periods beginning after June 15, 2021
10. Statement No. 93, *Replacement of Interbank Offered Rates*, paragraphs 13 and 14—fiscal years beginning after June 15, 2021, and all reporting periods thereafter
11. Implementation Guide 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)* Questions 4.484 and 4.491—the first reporting period in which the measurement date of the (collective) net OPEB liability is on or after June 15, 2019
12. Implementation Guide 2017-3, Questions 4.85, 4.103, 4.108, 4.109, 4.225, 4.239, 4.244, 4.245, and 5.1–5.4—actuarial valuations as of December 15, 2018, or later
13. Implementation Guide 2018-1, *Implementation Guidance Update—2018*—reporting periods beginning after June 15, 2019
14. Implementation Guide 2019-1, *Implementation Guidance Update—2019*—reporting periods beginning after June 15, 2020

The effective dates of certain provisions contained in the following pronouncements are postponed by eighteen months:

15. Statement No. 87, *Leases* and Implementation Guide 2019-3—fiscal years beginning after June 15, 2021, and all reporting periods thereafter

With the exception of Statement No. 88 and Statement No. 89, none of the above pronouncements have been implemented as of December 31, 2020.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

In March 2018 the GASB issued GASB Statement No. 88 to be effective for reporting periods beginning after June 15, 2018.

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 requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. Management implemented the provisions of this Statement in its financial statements as of and for the year ended December 31, 2020.

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, 2020.

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 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

Total actual revenues and other financing sources (budgetary basis) were $ 9,058 greater than budgeted amounts, whereas total actual expenditures (budgetary basis) were $ 34,616 less than appropriated amounts resulting in an increase (budgetary basis) in fund balance of $ 43,674. For the year ended December 31, 2020, no expenditures exceeded the legal level of control, except for $ 342 in the Police department due to bond refunds.

Water Sewer Utility Fund

The Water Sewer Utility Fund reported a decrease in net position of $ 110,156, including $ 392,464 of non-cash depreciation expense. The Water Sewer Utility Fund reported a deficit in unrestricted net position of $ 155,086, that 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, 2020.

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 $ 1,487,319 and the bank balance was $ 1,545,376 at December 31, 2020. 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, 2020 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		1,045,376
Total bank balance	$	1,545,376

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, 2020.

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, 2020, no single-issue investment exceeded 5% of total investments.

NOTE 4 - PROPERTY TAXES

Property taxes were levied on October 20, 2020 and were due on December 20, 2020. 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 2020 tax levy follows:

2020 millage rate	7.10
Taxable digest	$ 35,674,107
Gross tax levy	$ 389,204
Less sales tax rollback	(135,918)
Net property taxes	$ 253,286
Property taxes receivable	$ 40,583
Less allowance for uncollectible amounts	(8,093)
Net property taxes receivable	$ 32,490
Unavailable property tax revenue	$ 12,991

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/19	Additions	Deletions/ Transfers	Balance 12/31/20
Governmental Activities				
Capital assets not being depreciated				
Land	$ 146,960	$ 11,566	$ -	$ 158,526
Construction in progress	195,322	142,045	(337,367)	-
Total capital assets not being depreciated	342,282	153,611	(337,367)	158,526
Capital assets being depreciated				
Buildings and improvements	1,001,976	-	-	1,001,976
Machinery and equipment	693,138	14,290	-	707,428
Infrastructure	2,659,934	520,927	-	3,180,861
Total capital assets being depreciated	4,355,048	535,217	-	4,890,265
Less accumulated depreciation				
Buildings and improvements	(654,270)	(19,840)	-	(674,110)
Machinery and equipment	(509,993)	(47,375)	-	(557,368)
Infrastructure	(1,300,945)	(110,080)	-	(1,411,025)
Total accumulated depreciation	(2,465,208)	(177,295)	-	(2,642,503)
Net capital assets being depreciated	1,889,840	357,922	-	2,247,762
Governmental activities capital assets-net	$ 2,232,122	$ 511,533	$ (337,367)	$ 2,406,288

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

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, 2020, was charged to governmental functions as follows:

General government	$ 132,557
Public safety	43,803
Public works	935
Current year depreciation expense	$ 177,295

Business-type capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/19	Additions	Deletions/ Transfers	Balance 12/31/20
Business-type Activities				
Capital assets not being depreciated				
Land	$ 105,454	$ -	$ -	$ 105,454
Construction in progress	7,102,612	20,360	(7,122,972)	-
Total capital assets not being depreciated	7,208,066	20,360	(7,122,972)	105,454
Capital assets being depreciated				
Buildings and improvements	40,135	-	-	40,135
Machinery and equipment	11,813,884	7,122,972	-	18,936,856
Total capital assets being depreciated	11,854,019	7,122,972	-	18,976,991
Less accumulated depreciation				
Buildings and improvements	(24,170)	(803)	-	(24,973)
Machinery and equipment	(4,761,238)	(391,661)	-	(5,152,899)
Total accumulated depreciation	(4,785,408)	(392,464)	-	(5,177,872)
Net capital assets being depreciated	7,068,611	6,730,508	-	13,799,119
Business-type activities capital assets-net	$ 14,276,677	$ 6,750,868	$ (7,122,972)	$ 13,904,573

Depreciation expense on capital assets of the business-type activities was $ 392,464 for the year ended December 31, 2020.

NOTE 7 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2020:

	Balance 12/31/19	Increases	Decreases	Balance 12/31/20	Due within One Year
Governmental Activities					
Direct borrowings and direct placements	$ 70,507	$ -	$ (30,635)	$ 39,872	$ 18,976
Total debt-governmental activities	$ 70,507	$ -	$ (30,635)	$ 39,872	$ 18,976
Business-type Activities					
Direct borrowings and direct placements	$ 193,033	$ -	$ (23,615)	$ 169,418	$ 22,501
Revenue bonds payable	6,078,625	-	(197,006)	5,881,619	202,744
Total debt-business-type activities	$ 6,271,658	$ -	$ (220,621)	$ 6,051,037	$ 225,245

There was no short-term borrowing during the year ended December 31, 2020.

The following summarizes long-term debt outstanding at December 31, 2020:

	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	$ 1,235	$ 1,235
Note payable, FS Bank	30,544	3.720%	2022	9,972	8,016
Note payable, F&M Bank	39,470	4.200%	2023	28,665	9,725
Total-governmental activities	$ 133,901			$ 39,872	$ 18,976
Business-type Activities					
Note payable, F&M Bank	$ 22,235	3.240%	2021	$ 2,001	$ 2,001
Note payable, GEFA DWSRF 05-005	410,000	0.000%	2028	167,417	20,500
Bonds payable, USDA Series 2017A	3,840,000	3.200%	2037	3,370,348	154,600
Bonds payable, USDA Series 2017B	1,724,000	2.125%	2057	1,634,001	29,706
Bonds payable, USDA Series 2017C	934,000	1.375%	2057	877,270	18,438
Total-business-type activities	$ 6,930,235			$ 6,051,037	$ 225,245

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

Debt service requirements on long-term debt as of December 31, 2020 are as follows:

	Governmental Activities		Business-type Activities			
	Notes from Direct Borrowings and Direct Placements		Notes from Direct Borrowings and Direct Placements		Bonds	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 18,976	$ 1,272	$ 22,501	$ 17	$ 202,744	$ 151,976
2022	12,103	622	20,500	-	208,657	146,063
2023	8,793	172	20,500	-	214,749	139,971
2024	-	-	20,500	-	220,907	133,813
2025	-	-	20,500	-	227,498	127,222
2026 thru 2030	-	-	64,917	-	1,241,574	532,029
2031 thru 2035	-	-	-	-	1,435,778	337,825
2036 thru 2040	-	-	-	-	771,712	156,254
2041 thru 2045	-	-	-	-	361,700	110,920
2046 thru 2050	-	-	-	-	397,126	75,494
2051 thru 2055	-	-	-	-	436,161	36,459
2056 thru 2057	-	-	-	-	163,013	2,819
	$ 39,872	$ 2,066	$ 169,418	$ 17	$ 5,881,619	$ 1,950,845

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.

(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, 2020 is as follows:

				Fixed Charges Coverage Ratio
Income available for fixed charges	$	286,658	=	0.76
Fixed charges	$	378,356		

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.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

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

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

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

Bond Covenants

The 2017 Bond Ordinance (the 'Ordinance") requires several funds and accounts to facilitate the operation of the system and provide for servicing the bond obligation. The Revenue Fund is used as the depository for all revenues derived from the ownership and operation of the system. Costs of operating, maintaining and repairing the system are paid from the Revenue Fund. A Sinking Fund consisting of two accounts designated the "Debt Service Account" and "Reserve Account" is maintained to provide for payment of the principal and interest of the bonds. A monthly deposit is made to the Debt Service Account in amounts sufficient to fully fund the next ensuing payment of principal and interest. As of December 31, 2020, 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, 2020, the required balance to be deposited into the Reserve Account was $ 114,243, whereas the actual deposits held in the Reserve Account totaled $326,291.

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, 2020, the required balance to be deposited into the Short-Lived Asset Account was $ 32,933, whereas the actual deposits held in the Short-Lived Asset Account totaled $ 32,933.

Compliance With Bond Covenants

As of December 31, 2020, total sinking fund requirements, for all bonds issued, was $ 147,176, whereas cash deposits held in accounts restricted by the Ordinance totaled $ 359,224. As of December 31, 2020, the City's debt service sinking funds were overfunded by $ 212,048.

On October 19, 2020, the City received a $ 108,969 sales tax rebate from the State of Georgia for sales tax incorrectly charged on expenditures related to the City's recently completed USDA sewer project. Normally a rebate of this type would be returned to the USDA, however, the USDA allowed the City to deposit these funds into its reserve accounts. This rebate is included in intergovernmental revenues in the financial statements.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2020, is as follows:

Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Water Sewer Utility Fund	$ 189,351

The Water Sewer Utility Fund bills and collects charges for sanitation services, which are accounted for in the City's General Fund. The $ 189,351 due from the Water Sewer Utility Fund primarily represents collections on 2020 sanitation fees and unbilled service revenues, as of December 31, 2020, that have not been remitted to the General Fund.

Interfund Transfers

Transfers In	Transfers Out	Amount
General Fund	Hotel-Motel Tax Fund	$ 7,644
SPLOST Fund	Water Sewer Utility Fund	258,375
General Fund	Water Sewer Utility Fund	28,287
		$ 294,306

Hotel-Motel Tax Fund proceeds were transferred to the General Fund to provide additional funding and reimbursement for operating costs and tourism related expenditures, $ 7,644.

Prior year grant expenditures by the SPLOST Fund were reimbursed by the Water Sewer Utility Fund USDA funds, $ 258,375.

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, $ 28,287.

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, 2020 are as follows:

	Governmental Activities	Business-type Activities
Net investment in capital assets		
Primary government	$ 2,406,288	$ 13,904,573
Less notes payable	(39,872)	(169,418)
Less revenue bonds payable	-	(5,881,619)
Total net investment in capital assets	$ 2,366,416	$ 7,853,536
Restricted for:		
Public works		
SPLOST Fund	$ 748,552	$ -
TSPLOST Fund	140,191	-
Water Sewer Utility Fund	-	32,933
Total public works	$ 888,743	$ 32,933
Housing and development		
Hotel Motel Tax Fund	$ 10,901	
Total housing and development	$ 10,901	
Debt service		$ 326,291
Total debt service		$ 326,291

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, 2020, 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, 2020, the City was not involved in any pending or threatened litigation.

COVID-19

During 2020,/an outbreak of a novel strain of Coronavirus (COVID-19) emerged globally. As a result of the spread of COVID-19, and different variants continuing to emerge, economic uncertainties have arisen that could negatively impact the City's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

The City received $ 23,604 in Federal COVID-19 relief funds in 2020 to be used primarily for public safety.

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.

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, 2020, the last valuation date, there were 26 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	11
Total number of participants	26

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.

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

For 2020, the City's contribution to the Plan totaled $ 23,029, or 5.43% of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2019 actuarial valuation.

Net Pension Liability

The City's net pension liability was measured as of March 31, 2020.

Actuarial Assumptions. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.375%, on going basis, based on long-term expected rate of return on pension plan investments
Projected salary increases	2.25%, plus service based merit increases
Inflation	2.25%
Cost of living adjustments	0.00%

The methods and assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

Mortality rates for the July 1, 2020 valuation were based on the following:

Healthy Retirees and Beneficiaries-Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

Disabled Participants-Sex-distinct Pri-2012 head-count weighted Disable Retiree Mortality Table with rates multiplied by1.25.

Active Participants, Terminated Vested Participants, and Deferred Beneficiaries-Sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.41%
International equity	20.00%	6.96%
Domestic fixed income	20.00%	1.96%
Real estate	10.00%	4.76%
Global fixed income	5.00%	3.06%
Cash	0.00%	0.00%
Total	100.00%	

* Rates shown are net of the 2.25% assumed rate of inflation

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed 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.

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, 2020 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at March 31, 2019	$ 622,345	$ 533,175	$ 89,170
Changes for the year:			
Service cost	11,769	-	11,769
Interest	45,293	-	45,293
Differences between expected and actual experience	19,866	-	19,866
Contributions-employer	-	22,782	(22,782)
Contributions-employee	-	-	-
Net investment income	-	(33,305)	33,305
Benefit payments, including refunds of employee contributions	(60,420)	(60,420)	-
Administrative expense	-	(4,016)	4,016
Other	18,178	-	18,178
Net changes	34,686	(74,959)	109,645
Balances at March 31, 2020	$ 657,031	$ 458,216	$ 198,815

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 7.375 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 (6.375 percent) or 1-percentage-point higher (8.375 percent) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's Net Pension Liability	$ 265,919	$ 198,815	$ 143,182

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

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, 2020 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.

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

For the year ended December 31, 2020, the City recognized pension expense of $ 47,436. The City reported the following deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 17,271	$ -
Difference between expected and actual experience	25,488	(7,942)
Changes of assumptions	16,012	-
Net difference between projected and actual earnings on pension plan investments	55,125	-
Total	$ 113,896	$ (7,942)

Contributions made subsequent to the measurement date totaling $ 17,271 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, 2021. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,				
	2021	2022	2023	2024	Total
Fiscal Year Outflows					
Demographic	$ 13,367	$ 7,154	$ 4,967	$ -	$ 25,488
Assumption change	6,922	4,545	4,545	-	16,012
Investment	8,731	13,504	18,544	14,346	55,125
Total	$ 29,020	$ 25,203	$ 28,056	$ 14,346	$ 96,625
Fiscal Year Inflows					
Demographic	$ (7,942)	$ -	$ -	$ -	$ (7,942)
Total	$ (7,942)	$ -	$ -	$ -	$ (7,942)

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

Changes in Methods and Assumptions

The following changes in methods and assumptions were made based on an actuarial study conducted in November and December of 2019:

- The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Health Mortality Table, set forward two years in age for males and one year for females to the sex distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

- The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and on year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously, future mortality improvements were not explicitly projected.

- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.

- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.

- Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.

- Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71, and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.

- Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.

(Continued)

NOTE 13 - RETIREMENT PLAN (Continued)

- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service based rates only.
- The disability rates were changed to 50% of the rates in the prior age-based table.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.
- The investment return assumption was decreased from 7.50% to 7.375%.

There have been no other changes in methods or assumptions since the last valuation.

Benefit Changes

There have been no changes in plan benefits since the last valuation.

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 $ 5,096 or 40.00%, of the lodging taxes collected for the year ended December 31, 2020 were expended for such purposes. A summary of Hotel/Motel transactions for the year ended December 31, 2020 follows:

	12/31/20	Percentage Expended
Tax percentage rate formally adopted by City	5.00%	
Hotel/Motel taxes collected	$ 12,740	
Expended for promoting tourism, conventions, and trade shows	$ 5,096	40.00%

NOTE 15 - COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

SPLOST Projects

The City will receive approximately $ 940,000 of SPLOST revenue, or 20 percent of the Lincoln County, Georgia referendum, over the next six years, beginning January 1, 2021. These unencumbered proceeds will go towards rehabilitation of water/sewer infrastructure, public works equipment, downtown development, public safety equipment, community and recreation projects, and transportation infrastructure.

(Continued)

NOTE 15 - COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

Water Treatment Upgrades and Improvements

The City entered into a $ 516,000 loan agreement on October 15, 2020 with the Drinking Water State Revolving Fund, administered by Georgia Environmental Finance Authority (GEFA). These loan proceeds will be used to upgrade the water treatment plan, refurbish an elevated water tank, replace manual read water meters with an automatic meter reading system, and related appurtenances. To secure this loan the City will pledge its full faith and credit and revenue power (including its taxing power) for such payment and performance. As of December 31, 2020, no material expenditures had been incurred for this project nor had any loan proceeds been received.

Subsequent Events

GEFA Loan Modification

On September 15, 2021, the City approved a modification to its Promissory Note and Loan Agreement, dated October 15, 2020, with GEFA. The modifications increase the total principal available to be borrowed from $ 516,000 to $ 1,029,000, an increase of $ 513,000. In addition, the projected completion date of the project was extended from June 2022 to August 2022. As of the report date, $ 514,393 has been drawn and expended on this loan.

Coronavirus Local Fiscal Recovery Funds

On July 8, 2021, the City received $ 280,637 from the State of Georgia Governor's Office of Planning and Budget. These funds represent the City's distributive share of Coronavirus Local Fiscal Recovery Funds (LFRF) awarded to States by the U.S. Department of Treasury as part of the American Rescue Plan Act (ARPA). The four broad categories in which these funds can be used are as follows:

- To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel and hospitality.

- To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers.

- For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency.

- To make necessary investments in water, sewer, or broadband infrastructure.

These funds cannot be deposited into any pension fund or be used to, directly or indirectly, offset a reduction in the net tax revenue of the City.

In preparing these financial statements, the City's management has evaluated events and transactions for potential recognition or disclosure through September 22, 2021 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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	$ 11,769	$ 14,223	$ 15,133	$ 13,692	$ 17,593	$ 9,015
Interest	45,293	44,860	42,821	46,099	47,481	46,536
Differences between expected and actual experience	19,866	8,747	24,850	(39,709)	(21,473)	10,228
Changes of assumptions	-	-	-	-	-	6,443
Benefit payments, including refunds of employee contributions	(60,420)	(58,785)	(63,076)	(61,673)	(61,203)	(58,846)
Other	18,178	-	9,506	-	-	-
Net change in total pension liability	34,686	9,045	29,234	(41,591)	(17,602)	13,376
Total pension liability, beginning	622,345	613,300	584,066	625,657	643,259	629,883
Total pension liability, ending (a)	657,031	622,345	613,300	584,066	625,657	643,259
Plan Fiduciary Net Position						
Contributions-employer	22,782	19,772	23,164	27,105	23,636	21,385
Net investment income	(33,305)	19,168	65,016	62,068	1,143	50,598
Benefit payments, including refunds of employee contributions	(60,420)	(58,785)	(63,076)	(61,673)	(61,203)	(58,846)
Administrative expenses	(4,016)	(3,853)	(3,920)	(4,070)	(2,519)	(2,181)
Net change in fiduciary net position	(74,959)	(23,698)	21,184	23,430	(38,943)	10,956
Plan fiduciary net position, beginning	533,175	556,873	535,689	512,259	551,202	540,246
Plan fiduciary net position, ending (b)	458,216	533,175	556,873	535,689	512,259	551,202
Net pension liability, ending (a)-(b)	$ 198,815	$ 89,170	$ 56,427	$ 48,377	$ 113,398	$ 92,057
Plan's fiduciary net position as a percentage of the total pension liability	69.74%	85.67%	90.80%	91.72%	81.88%	85.69%
Covered employee payroll during the measurement period	$ 424,034	$ 333,333	$ 346,662	$ 346,227	$ 329,385	$ 370,768
Net pension liability as a percentage of covered employee payroll	46.89%	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

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 23,029	$ 22,699	$ 18,797	$ 24,619	$ 27,934	$ 22,203
Contributions in relation to the actuarially determined contribution	23,029	22,699	18,797	24,619	27,934	22,203
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll during the measurement period	$ 424,034	$ 333,333	$ 346,662	$ 346,227	$ 329,385	$ 370,768
Contributions as a percentage of covered employee payroll	5.43%	6.81%	5.42%	7.11%	8.48%	5.99%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2020
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	7.375%
Projected Salary Increases	2.25%
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, 2020

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes				
Real property tax	$ 256,739	$ 251,627	$ 243,623	$ (8,004)
Motor vehicle taxes	82,313	42,412	42,412	-
Mobile home tax	1,212	623	623	-
Real estate transfer tax	959	1,270	1,270	-
Franchise tax	108,951	105,785	105,785	-
Local option sales tax	124,440	154,316	154,316	-
Intangible tax	3,039	4,372	4,372	-
Alcoholic beverage tax	53,534	40,806	40,806	-
Occupation tax	13,700	16,360	16,360	-
Insurance premium tax	119,227	125,447	125,447	-
Penalties and interest	-	-	8,351	8,351
Payment in lieu of taxes	2,618	2,618	2,618	-
Total taxes	766,732	745,636	745,983	347
Licenses and Permits				
Alcoholic beverage licenses	5,000	6,850	6,850	-
Building permits	7,921	8,215	8,215	-
Total licenses and permits	12,921	15,065	15,065	-
Intergovernmental				
Federal and State grants	31,850	154,351	154,351	-
Total intergovernmental	31,850	154,351	154,351	-
Charges for Services				
Sanitation fees	167,000	126,468	126,468	-
Total charges for services	167,000	126,468	126,468	-
Fines and Forfeitures				
Municipal court fines	87,164	82,613	82,613	-
Total fines and forfeitures	87,164	82,613	82,613	-
Use of Money and Property				
Interest income	185	95	190	95
Rents	5,375	3,125	3,125	-
Total use of money and property	5,560	3,220	3,315	95
Other				
Miscellaneous	2,406	3,324	5,865	2,541
Total other	2,406	3,324	5,865	2,541
Total revenues	1,073,633	1,130,677	1,133,660	2,983

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, 2020

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
EXPENDITURES				
General government				
Council	15,850	15,386	15,386	-
Mayor	9,298	4,912	4,912	-
General administration	295,970	273,757	238,799	(34,958)
Total general government	321,118	294,055	259,097	(34,958)
Judicial				
Municipal court	7,899	6,422	6,422	-
Total judicial	7,899	6,422	6,422	-
Public safety				
Police	361,596	401,800	402,142	342
Fire	87,624	52,289	52,289	-
Total public safety	449,220	454,089	454,431	342
Public works				
Streets and sanitation	316,447	391,147	391,147	-
Total public works	316,447	391,147	391,147	-
Community services				
Community center	8,986	5,172	5,172	-
Total community services	8,986	5,172	5,172	-
Housing and development				
Planning and zoning	8,885	9,648	9,648	-
Total housing and development	8,885	9,648	9,648	-
Total expenditures	1,112,555	1,160,533	1,125,917	(34,616)
Excess (deficiency) of revenues over (under) expenditures	(38,922)	(29,856)	7,743	37,599
OTHER FINANCING SOURCES				
Transfers in	38,922	29,856	35,931	6,075
Total other financing sources	38,922	29,856	35,931	6,075
Change in fund balance	$ -	$ -	$ 43,674	$ 43,674

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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.

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, 2020

	Special Revenue Hotel Motel Tax Fund	Capital Projects TSPLOST Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 10,901	$ 130,435	$ 141,336
Intergovernmental receivable	-	5,426	5,426
Total assets	$ 10,901	$ 135,861	$ 146,762
LIABILITIES			
Total liabilities	$ -	$ -	$ -
FUND BALANCES			
Restricted for:			
Public works	-	135,861	135,861
Housing and development	10,901	-	10,901
Total fund balances	10,901	135,861	146,762
Total liabilities and fund balances	$ 10,901	$ 135,861	$ 146,762

CITY OF LINCOLNTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Special Revenue Hotel Motel Tax Fund	Capital Projects TSPLOST Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ 12,740	$ 55,528	$ 68,268
Interest income	1	147	148
Total revenues	12,741	55,675	68,416
EXPENDITURES			
Current			
Housing and development	5,096	-	5,096
Capital outlay			
Public works	-	91,276	91,276
Total expenditures	5,096	91,276	96,372
Excess (Deficiency) of revenues over expenditures	7,645	(35,601)	(27,956)
OTHER FINANCING SOURCES (USES)			
Transfers out	(7,644)	-	(7,644)
Total other financing sources (uses)	(7,644)	-	(7,644)
Net change in fund balances	1	(35,601)	(35,600)
Fund balances, beginning of year	10,900	171,462	182,362
Fund balances, end of year	$ 10,901	$ 135,861	$ 146,762

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, 2020

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 15,750	$ 12,740	$ 12,740	$ -
Interest income	-	-	1	1
Total revenues	15,750	12,740	12,741	1
EXPENDITURES				
Housing and development	6,300	5,096	5,096	-
Total expenditures	6,300	5,096	5,096	-
Excess of revenues over expenditures	9,450	7,644	7,645	1
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,450)	(7,644)	(7,644)	-
Total other financing sources (uses)	(9,450)	(7,644)	(7,644)	-
Net change in fund balances	$ -	$ -	1	$ 1
RECONCILIATION TO GAAP BASIS				
Fund balance, beginning of year			10,900	
Fund balance, end of year			$ 10,901	

SUPPLEMENTARY SCHEDULES

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, 2020

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	$ 6,506,173	$ -	$ 6,506,173	none
Legal services	80,000	55,141	-	55,141	none
Architecturial engineering and planning	653,205	634,266	5,640	639,906	none
Interest	40,000	35,420	-	35,420	none
Contingencies	150,080	-	-	-	none
	$ 7,231,000	$ 7,231,000	$ 5,640	$ 7,236,640	
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	7,231,000
Funds still available from program year 2014 resources	$ -
Total program year 2014 funds drawn and received by recipient	$ 7,231,000
Less funds applied and expended to program year 2014 costs	7,231,000
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, 2020

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
SPLOST 2017 - 2020						
Downtown Revitilization/ Water Sewer Capital	$ 504,575	$ 504,575	$ 71,668	$ 20,963	$ 92,631	18%
	$ 504,575	$ 504,575	$ 71,668	$ 20,963	$ 92,631	

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds-SPLOST	
Current year SPLOST expenditures reported above	$ 20,963
TEA grant proceeds accounted for in the SPLOST Fund	121,082
Total capital outlay and transfers out reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds-SPLOST	$ 142,045

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, 2020

	Water Activities	Sewer Activities	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
OPERATING REVENUES			
Charges for services	$ 674,426	$ 413,751	$ 1,088,177
Penalties	12,025	6,995	19,020
Other revenues	13	8	21
Total operating revenues	686,464	420,754	1,107,218
OPERATING EXPENSES			
Personnel services and benefits	178,963	102,107	281,070
Professional and technical services	64,865	58,151	123,016
Repairs and maintenance	17,069	27,596	44,665
Other purchased services	126,568	92,285	218,853
Supplies & other	83,406	28,439	111,845
Depreciation	132,670	259,794	392,464
Intergovernmental refunds	33,307	-	33,307
Bad debts	7,420	4,316	11,736
Total operating expenses	644,268	572,688	1,216,956
Operating income	42,196	(151,934)	(109,738)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	-	440,047	440,047
Interest income	2,486	1,446	3,932
Interest expense	(110,396)	(47,339)	(157,735)
Total non-operating revenues (expenses)	(107,910)	394,154	286,244
Income (loss) before transfers in/out	(65,714)	242,220	176,506
TRANSFERS IN/OUT			
Transfers out	(16,725)	(269,937)	(286,662)
Transfer in (out)-net	(16,725)	(269,937)	(286,662)
Change in net position	$ (82,439)	$ (27,717)	$ (110,156)

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, 2020, 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 22, 2021.

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 22, 2021

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

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 None reported	
Noncompliance material to financial statements noted?	_____ Yes	X No	

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported