# CITY OF LINCOLNTON, GEORGIA

# ANNUAL FINANCIAL REPORT

# FOR THE YEAR ENDED DECEMBER 31, 2021

**CITY OF LINCOLNTON, GEORGIA**
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2021

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DECEMBER 31, 2021

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# INDEPENDENT AUDITOR'S REPORT

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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincolnton, Georgia as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, Georgia's basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of the City of Lincolnton, Georgia as of December 31, 2021, 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.

### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lincolnton, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lincolnton, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Our responsibility is to express opinions on these financial statements based on our audit. 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.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City of Lincolnton, Georgia's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies use and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lincolnton, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lincolnton, Georgia'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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 July 15, 2022 on our consideration of the City of Lincolnton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Lincolnton, Georgia'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 of Lincolnton, Georgia's internal control over financial reporting and compliance.

Thomson, Georgia
July 15, 2022

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**BASIC FINANCIAL STATEMENTS**

**CITY OF LINCOLNTON, GEORGIA**
STATEMENT OF NET POSITION
DECEMBER 31, 2021

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 1,189,779 | $ 67,626 | $ 1,257,405 |
| Restricted cash and cash equivalents | - | 363,659 | 363,659 |
| Receivables | | | |
| Taxes-net | 88,503 | - | 88,503 |
| Accounts-net | - | 139,341 | 139,341 |
| Interest | 19 | - | 19 |
| Intergovernmental | 73,951 | 16,399 | 90,350 |
| Prepaids | - | 7,978 | 7,978 |
| Internal balances | 249,489 | (249,489) | - |
| Capital assets net of accumulated depreciation | | | |
| Land | 158,526 | 105,454 | 263,980 |
| Buildings and improvements | 318,275 | 14,359 | 332,634 |
| Machinery and equipment | 163,365 | 13,452,775 | 13,616,140 |
| Infrastructure | 1,794,396 | - | 1,794,396 |
| Construction in progress | - | 675,798 | 675,798 |
| Total assets | 4,036,303 | 14,593,900 | 18,630,203 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows related to pension plan | 40,973 | 26,309 | 67,282 |
| **LIABILITIES** | | | |
| Accounts payable | 27,066 | 32,066 | 59,132 |
| Accrued liabilities | 9,265 | 6,412 | 15,677 |
| Customer deposits | - | 66,185 | 66,185 |
| Intergovermental | 1,254 | - | 1,254 |
| Accrued interest payable | - | 4,917 | 4,917 |
| Unearned revenue | 280,637 | - | 280,637 |
| Noncurrent liabilities | | | |
| Due within one year | 12,105 | 229,154 | 241,259 |
| Due in more than one year | 8,790 | 6,272,436 | 6,281,226 |
| Net pension liability | 48,660 | 21,106 | 69,766 |
| Total liabilities | 387,777 | 6,632,276 | 7,020,053 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows related to pension plan | 51,010 | 38,352 | 89,362 |
| **NET POSITION** | | | |
| Net investment in capital assets | 2,413,667 | 7,746,796 | 10,160,463 |
| Restricted for: | | | |
| Public works | 855,584 | 43,334 | 898,918 |
| Housing and development | 10,901 | - | 10,901 |
| Debt service | - | 320,325 | 320,325 |
| Unrestricted | 358,337 | (160,874) | 197,463 |
| Total net position | $ 3,638,489 | $ 7,949,581 | $ 11,588,070 |

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, 2021

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net Revenue (Expenses) and Changes in Net Position: Primary Government: Governmental Activities | Primary Government: Business-type Activities | Primary Government: Total |
|---|---|---|---|---|---|---|---|
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | $ 410,602 | $ - | $ - | $ - | $ (410,602) | $ - | $ (410,602) |
| Judicial | 5,580 | 57,862 | - | - | 52,282 | - | 52,282 |
| Public safety | 510,180 | 4,313 | 10,873 | - | (494,994) | - | (494,994) |
| Public works | 294,688 | 171,293 | - | 143,375 | 19,980 | - | 19,980 |
| Housing and development | 27,919 | 10,930 | - | - | (16,989) | - | (16,989) |
| Community services | 45,814 | 8,225 | - | - | (37,589) | - | (37,589) |
| Total governmental activities | 1,294,783 | 252,623 | 10,873 | 143,375 | (887,912) | - | (887,912) |
| Business-type activities: | | | | | | | |
| Water Sewer Utility Fund | 1,312,563 | 1,158,271 | - | - | - | (154,292) | (154,292) |
| Total business-type activities | 1,312,563 | 1,158,271 | - | - | - | (154,292) | (154,292) |
| Total primary government | $ 2,607,346 | $ 1,410,894 | $ 10,873 | $ 143,375 | (887,912) | (154,292) | (1,042,204) |
| General revenues | | | | | | | |
| Property taxes | | | | | 281,660 | - | 281,660 |
| Motor vehicle title advalorem taxes | | | | | 48,909 | - | 48,909 |
| Mobile home taxes | | | | | 664 | - | 664 |
| Payment in lieu of taxes | | | | | 2,618 | - | 2,618 |
| Sales taxes | | | | | 242,537 | - | 242,537 |
| Franchise taxes | | | | | 99,795 | - | 99,795 |
| Insurance premium taxes | | | | | 128,641 | - | 128,641 |
| Hotel Motel taxes | | | | | 18,441 | - | 18,441 |
| Alcoholic beverage taxes | | | | | 39,271 | - | 39,271 |
| Occupation taxes | | | | | 15,235 | - | 15,235 |
| Intangible taxes | | | | | 4,858 | - | 4,858 |
| Transfer taxes | | | | | 1,569 | - | 1,569 |
| Interest income | | | | | 201 | 1,425 | 1,626 |
| Insurance claims | | | | | 41,089 | - | 41,089 |
| Other revenues | | | | | 262 | - | 262 |
| Transfers | | | | | (44,774) | 44,774 | - |
| Total general revenues and transfers | | | | | 880,976 | 46,199 | 927,175 |
| Change in net position | | | | | (6,936) | (108,093) | (115,029) |
| Net position, beginning of year | | | | | 3,645,425 | 8,057,674 | 11,703,099 |
| Net position, end of year | | | | | $ 3,638,489 | $ 7,949,581 | $ 11,588,070 |

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

**CITY OF LINCOLNTON, GEORGIA**
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

| | General Fund | SPLOST Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 360,048 | $ 749,580 | $ 80,151 | $ 1,189,779 |
| Receivables (net of allowance for uncollectibles) | | | | |
| Taxes | 88,503 | - | - | 88,503 |
| Interest | 19 | - | - | 19 |
| Intergovernmental receivables | 22,725 | 12,314 | 6,050 | 41,089 |
| Interfund receivables | 249,489 | - | - | 249,489 |
| Total assets | $ 720,784 | $ 761,894 | $ 86,201 | $ 1,568,879 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 27,066 | $ - | $ - | $ 27,066 |
| Accrued liabilities | 9,265 | - | - | 9,265 |
| Intergovernmental payables | 1,254 | - | - | 1,254 |
| Unearned revenue | 280,637 | - | - | 280,637 |
| Total liabilities | 318,222 | - | - | 318,222 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable revenue-property taxes | 20,635 | - | - | 20,635 |
| Total deferred inflows of resources | 20,635 | - | - | 20,635 |
| **FUND BALANCES** | | | | |
| Restricted for: | | | | |
| Public works | - | 761,894 | 75,300 | 837,194 |
| Housing and development | - | - | 10,901 | 10,901 |
| Unassigned | 381,927 | - | - | 381,927 |
| Total fund balances | 381,927 | 761,894 | 86,201 | 1,230,022 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 720,784 | $ 761,894 | $ 86,201 | $ 1,568,879 |

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, 2021

| | |
|---|---|
| Total fund balances - governmental funds | $ 1,230,022 |
| 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 | 1,012,328 |
| Machinery and equipment | 767,039 |
| Infrastructure | 3,327,318 |
| Accumulated depreciation | (2,830,649) |
| Total capital assets - governmental activities | 2,434,562 |
| 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 | 32,862 |
| Property taxes | 20,635 |
| Total unavailable revenues | 53,497 |
| 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 | 40,973 |
| 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 | (20,895) |
| Net pension liability | (48,660) |
| Total liabilities | (69,555) |
| 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 | (51,010) |
| Net position of governmental activities | $ 3,638,489 |

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, 2021

| | General Fund | SPLOST Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ 778,016 | $ - | $ 78,630 | $ 856,646 |
| Licenses and permits | 30,478 | - | - | 30,478 |
| Intergovernmental | 13,491 | 141,135 | - | 154,626 |
| Charges for services | 171,293 | - | - | 171,293 |
| Fines and forfeitures | 57,862 | - | - | 57,862 |
| Interest income | 191 | 366 | 10 | 567 |
| Rents | 8,225 | - | - | 8,225 |
| Other | 262 | - | - | 262 |
| Total revenues | 1,059,818 | 141,501 | 78,640 | 1,279,959 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| General government | 267,964 | - | - | 267,964 |
| Judicial | 5,580 | - | - | 5,580 |
| Public safety | 485,624 | - | - | 485,624 |
| Public works | 319,904 | - | 201 | 320,105 |
| Community services | 45,814 | - | - | 45,814 |
| Housing and development | 20,542 | - | 7,377 | 27,919 |
| Debt service | | | | |
| Principal | 18,977 | - | - | 18,977 |
| Interest | 1,306 | - | - | 1,306 |
| Capital outlay | | | | |
| General government | - | 6,852 | | 6,852 |
| Public safety | - | 40,043 | | 40,043 |
| Community services | - | 3,500 | - | 3,500 |
| Public works | - | - | 120,559 | 120,559 |
| Total expenditures | 1,165,711 | 50,395 | 128,137 | 1,344,243 |
| Excess (deficiency) of revenues over (under) expenditures | (105,893) | 91,106 | (49,497) | (64,284) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Insurance claims | 41,089 | - | - | 41,089 |
| Transfers in | 32,383 | - | - | 32,383 |
| Transfers out | - | (66,093) | (11,064) | (77,157) |
| Total other financing sources (uses) | 73,472 | (66,093) | (11,064) | (3,685) |
| Net change in fund balances | (32,421) | 25,013 | (60,561) | (67,969) |
| Fund balances, beginning of year | 414,348 | 736,881 | 146,762 | 1,297,991 |
| Fund balances, end of year | $ 381,927 | $ 761,894 | $ 86,201 | $ 1,230,022 |

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, 2021

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | (67,969) |
| 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 | | 216,420 |
| Depreciation expense | | (188,146) |
| Excess of capital outlay over depreciation expense | | 28,274 |
| 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 2021 | | 3,929 |
| Unearned property tax revenues decreased by this amount in 2021 | | 7,644 |
| Net change in revenues not providing current financial resources | | 11,573 |
| 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 | | 18,977 |
| Net decrease in long-term debt | | 18,977 |
| Some expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | |
| Net pension liability, deferred inflows and outflows related to pension decreased by this amount in 2021 | | 2,209 |
| Net change in expenses not requiring the use of current financial resources | | 2,209 |
| Change in net position of governmental activities | $ | (6,936) |

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, 2021

| | Budgetary Basis | | | Variance With |
|---|---|---|---|---|
| | Original Budget | Amended and Final Budget | Actual | Final Budget Over (Under) |
| **REVENUES** | | | | |
| Taxes | $ 745,497 | $ 732,198 | $ 749,523 | $ 17,325 |
| Licenses and permits | 12,921 | 15,243 | 15,243 | - |
| Intergovernmental | 25,898 | 291,510 | 291,510 | - |
| Charges for services | 265,000 | 111,476 | 111,476 | - |
| Fines and forfeitures | 65,274 | 57,862 | 57,862 | - |
| Use of money and property | 3,215 | 8,340 | 8,415 | 75 |
| Other | 2,479 | 57,091 | 53,864 | (3,227) |
| Total revenues | 1,120,284 | 1,273,720 | 1,287,893 | 14,173 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| General government | 336,660 | 434,534 | 296,139 | (138,395) |
| Judicial | 7,578 | 5,582 | 5,582 | - |
| Public safety | 508,342 | 550,621 | 553,125 | 2,504 |
| Public works | 309,371 | 311,598 | 312,031 | 433 |
| Community services | 9,100 | 47,893 | 47,893 | - |
| Housing and development | 14,127 | 20,453 | 20,453 | - |
| Total expenditures | 1,185,178 | 1,370,681 | 1,235,223 | (135,458) |
| Excess (deficiency) of revenues over (under) expenditures | (64,894) | (96,961) | 52,670 | 149,631 |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers in | 64,894 | 96,961 | 107,241 | 10,280 |
| Total other financing sources | 64,894 | 96,961 | 107,241 | 10,280 |
| Change in fund balance | $ - | $ - | 159,911 | $ 159,911 |
| **RECONCILIATION TO GAAP BASIS** | | | | |
| To record effect of changes in receivables and other assets and payables and other liabilities | | | | |
| Receivables and other assets | | | 113,320 | |
| Payables and other liabilities | | | (305,652) | |
| Total reconciliation to GAAP basis | | | (192,332) | |
| Fund balance, beginning of year | | | 414,348 | |
| Fund balance, end of year | | | $ 381,927 | |

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, 2021

| | Business-type Activities-Enterprise Fund Water Sewer Utility Fund |
|---|---|
| **ASSETS** | |
| Current assets | |
| Cash and cash equivalents | $ 67,626 |
| Restricted cash and cash equivalents | 363,659 |
| Accounts receivable-net | 139,341 |
| Prepaid items | 7,978 |
| Intergovernmental receivables | 16,399 |
| Total current assets | 595,003 |
| Noncurrent assets | |
| Capital assets | |
| Land | 105,454 |
| Buildings and improvements | 40,135 |
| Machinery and equipment | 18,995,085 |
| Construction in progress | 675,798 |
| Less accumulated depreciation | (5,568,086) |
| Total capital assets (net of accumulated depreciation) | 14,248,386 |
| Total noncurrent assets | 14,248,386 |
| Total assets | 14,843,389 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows related to pension plan | 26,309 |
| **LIABILITIES** | |
| Current liabilities | |
| Accounts payable | 32,066 |
| Accrued liabilities | 6,412 |
| Customer deposits | 66,185 |
| Interfund payables | 249,489 |
| Current portion of notes payable | 20,500 |
| Current liabilities payable from restricted assets | |
| Accrued interest payable | 4,917 |
| Current portion of revenue bonds payable | 208,654 |
| Total current liabilities | 588,223 |
| Noncurrent liabilities | |
| Notes payable | 126,417 |
| Revenue bonds payable | 5,470,221 |
| Construction loan advance | 675,798 |
| Net pension liability | 21,106 |
| Total noncurrent liabilities | 6,293,542 |
| Total liabilities | 6,881,765 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows related to pension plan | 38,352 |
| **NET POSITION** | |
| Net investment in capital assets | 7,746,796 |
| Restricted for debt service | 363,659 |
| Unrestricted | (160,874) |
| Total net position | $ 7,949,581 |

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, 2021

| | Business-type Activities-Enterprise Fund |
|---|---|
| | Water Sewer Utility Fund |
| **OPERATING REVENUES** | |
| Charges for services | $ 1,138,197 |
| Penalties | 20,074 |
| Total operating revenues | 1,158,271 |
| **OPERATING EXPENSES** | |
| Personnel services and benefits | 309,366 |
| Professional and technical services | 50,428 |
| Repairs and maintenance | 82,921 |
| Other purchased services | 211,276 |
| Supplies | 99,545 |
| Depreciation | 390,214 |
| Bad debts | 4,540 |
| Total operating expenses | 1,148,290 |
| Operating income (loss) | 9,981 |
| **NON-OPERATING REVENUES (EXPENSES)** | |
| Interest income | 1,425 |
| Interest expense | (164,273) |
| Total non-operating revenues (expenses) | (162,848) |
| Income before transfers in and out | (152,867) |
| **TRANSFERS IN (OUT)** | |
| Transfers in | 66,093 |
| Transfers out | (21,319) |
| Transfer in (out)-net | 44,774 |
| Change in net position | (108,093) |
| Net position, beginning of year | 8,057,674 |
| Net position, end of year | $ 7,949,581 |

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, 2021

| | Business-type Activities-Enterprise Fund Water Sewer Utility Fund |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from customers and users | $ 1,197,099 |
| Payments to suppliers and others | (469,469) |
| Payments to employees | (308,172) |
| Net cash provided by operating activities | 419,458 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Transfers to other funds | (21,318) |
| Net cash used by noncapital financing activities | (21,318) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Proceeds from construction loan | 675,798 |
| Transfers to other funds | 66,092 |
| Purchase and construction of capital assets | (734,027) |
| Principal payments on long-term debt | (225,245) |
| Interest paid | (164,496) |
| Net cash used by capital and related financiang activities | (381,878) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest received | 4,465 |
| Net cash provided by investing activities | 4,465 |
| Net increase in cash and cash equivalents | 20,727 |
| Cash and cash equivalents, beginning of year | 410,558 |
| Cash and cash equivalents, end of year | $ 431,285 |
| **CASH PER STATEMENT OF NET POSITION** | |
| Cash and cash equivalents | $ 67,626 |
| Restricted cash and cash equivalents | 363,659 |
| | $ 431,285 |

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

**CITY OF LINCOLNTON, GEORGIA**
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Business-type Activities-Enterprise Fund Water Sewer Utility Fund |
|---|---|
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | |
| Operating income (loss) | $ 9,981 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | |
| Depreciation | 390,214 |
| Other pension related charges | 1,194 |
| (Increase) decrease in current assets | |
| Accounts receivable | (6,212) |
| Prepaid items | (3,711) |
| Intergovernmental receivables | (13,658) |
| Increase (decrease) in current liabilities | |
| Accounts payable | 9,118 |
| Accrued liabilities | 2,601 |
| Customer deposits | 3,100 |
| Intergovernmental payables | (33,307) |
| Interfund payables | 60,138 |
| Total adjustments | 409,477 |
| Net cash provided by operating activities | $ 419,458 |

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, 2021.

### 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 2021 budgets were approved by the City Council on December 1, 2020.

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 2021 budgets were made and approved on March 1, 2022.

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 2021 financial statements.**

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement was effective for fiscal years beginning after June 15, 2018. There was no impact of this pronouncement to the City's financial statements.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This Statement was effective for fiscal years beginning after December 15, 2019. There was no impact of this pronouncement to the City's financial statements.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement was effective for reporting periods beginning after December 15, 2019. There was no impact of this pronouncement to the City's financial statements.

In October 2021, the GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is effective for fiscal years ending after December 15, 2021. There was no impact of this pronouncement to the City's financial statements.

**Pronouncements issued, but not yet effective, which will be adopted by the City in future years.**

In June 2017, the GASB issued Statement No. 87, Leases. This statement establishes accounting and financial reporting standards focused on certain lease liabilities that currently are not reported. Comparability of financial statements among governments will be enhanced by requiring lessees and lessors to report leases under a single model. Decision-usefulness will also be enhanced by requiring notes to financial statements related to the timing, significance, and purpose of leasing arrangements. This Statement is effective for fiscal years beginning after December 15, 2020. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2021. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pronouncements issued, but not yet effective, which will be adopted by the City in future years.**

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for fiscal years beginning after June 15, 2021. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). This Statement is effective for fiscal years beginning after June 15, 2021. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement is effective for fiscal years beginning after June 15, 2022. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and end users (governments). This Statement is effective for fiscal years beginning after June 15, 2022. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for fiscal years beginning after June 15, 2021. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In April 2022, the GASB issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement is effective for fiscal years beginning after June 15, 2022. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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, 2021.

**Interfund Receivables and Payables**

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

(Continued)

**Capital Assets and Depreciation**

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

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

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

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

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

**Compensated Absences**

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

**Long-Term Obligations**

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

**Deferred Outflows/Inflows of Resources**

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

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

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position (Government-Wide Financial Statements)**

The City's net position is classified as follows:

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

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

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

**Fund Balances (Governmental Funds Financial Statements)**

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

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

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

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

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

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

**Use of Estimates**

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

## NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund

The General Fund's total actual revenues and other financing sources (budgetary basis) exceeded budget by $ 24,453, whereas total actual expenditures (budgetary basis) were $ 135,458 less than appropriated amounts resulting in an increase (budgetary basis) in fund balance of $ 159,911. For the year ended December 31, 2021, no expenditures exceeded the legal level of control, except for $ 69 in the mayor's department, $ 5,133 in the police department, and $ 433 in the street department.

Water Sewer Utility Fund

The Water Sewer Utility Fund reported a decrease in net position of $ 108,093, including $ 390,214 of non-cash depreciation expense. The Water Sewer Utility Fund reported a deficit in unrestricted net position of $ 160,874 that is expected to be restored with future revenues of the System.

Hotel Motel Tax Fund

The Hotel Motel Tax Fund's actual revenues and expenditures (budgetary basis) equaled the amended and final budget. No expenditures exceeded the legal level of control for the year ended December 31, 2021.

TSPLOST Capital Projects Fund

TSPLOST's expenditures exceeded revenues by $ 60,561 and was funded with available fund balance.

## NOTE 3 - CASH DEPOSITS AND TEMPORARY INVESTMENTS

### Deposits

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

The carrying amount of the City's deposits with financial institutions was $ 1,621,064 and the bank balance was $ 1,731,095 at December 31, 2021. 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, 2021 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 | | 1,231,095 |
| Total bank balance | $ | 1,731,095 |

(Continued)

## NOTE 3 - CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

### 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, 2021.

*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, 2021, no single-issue investment exceeded 5% of total investments.

## NOTE 4 - PROPERTY TAXES

Property taxes were levied on November 20, 2021 and were due on January 20, 2022. 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 2021 tax levy follows:

| | | |
|---|---|---|
| 2021 millage rate | | 7.10 |
| Taxable digest | $ | 40,135,783 |
| Gross tax levy | $ | 439,085 |
| Less sales tax rollback | | (154,121) |
| Net property taxes | $ | 284,964 |
| Property taxes receivable | $ | 98,223 |
| Less allowance for uncollectible amounts | | (9,720) |
| Net property taxes receivable | $ | 88,503 |
| Unavailable property tax revenue | $ | 20,635 |

## NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2021, was as follows:

| | Balance 12/31/20 | Additions | Deletions/ Transfers | Balance 12/31/21 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 158,526 | $ - | $ - | $ 158,526 |
| Total capital assets not being depreciated | 158,526 | - | - | 158,526 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 1,001,976 | 10,352 | - | 1,012,328 |
| Machinery and equipment | 707,428 | 59,611 | - | 767,039 |
| Infrastructure | 3,180,861 | 146,457 | - | 3,327,318 |
| Total capital assets being depreciated | 4,890,265 | 216,420 | - | 5,106,685 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (674,110) | (19,943) | - | (694,053) |
| Machinery and equipment | (557,368) | (46,306) | - | (603,674) |
| Infrastructure | (1,411,025) | (121,897) | - | (1,532,922) |
| Total accumulated depreciation | (2,642,503) | (188,146) | - | (2,830,649) |
| Net capital assets being depreciated | 2,247,762 | 28,274 | - | 2,276,036 |
| Governmental activities capital assets-net | $ 2,406,288 | $ 28,274 | $ - | $ 2,434,562 |

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, 2021, was charged to governmental functions as follows:

| | |
|---|---|
| General government | $ 143,356 |
| Public safety | 44,323 |
| Public works | 467 |
| Current year depreciation expense | $ 188,146 |

(Continued)

## NOTE 6 - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended December 31, 2021, was as follows:

| | Balance 12/31/20 | Additions | Deletions/ Transfers | Balance 12/31/21 |
|---|---|---|---|---|
| Business-type Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 105,454 | $ - | $ - | $ 105,454 |
| Construction in progress | - | 675,798 | - | 675,798 |
| Total capital assets not being depreciated | 105,454 | 675,798 | - | 781,252 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 40,135 | - | - | 40,135 |
| Machinery and equipment | 18,936,856 | 58,229 | - | 18,995,085 |
| Total capital assets being depreciated | 18,976,991 | 58,229 | - | 19,035,220 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (24,973) | (803) | - | (25,776) |
| Machinery and equipment | (5,152,899) | (389,411) | - | (5,542,310) |
| Total accumulated depreciation | (5,177,872) | (390,214) | - | (5,568,086) |
| Net capital assets being depreciated | 13,799,119 | (331,985) | - | 13,467,134 |
| Business-type activities capital assets-net | $ 13,904,573 | $ 343,813 | $ - | $ 14,248,386 |

Depreciation expense on capital assets of the business-type activities was $ 390,214 for the year ended December 31, 2021.

## NOTE 7 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2021:

| | Balance 12/31/20 | Increases | Decreases | Balance 12/31/21 | Due within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Direct borrowings and direct placements | | | | | |
| Notes payable | $ 39,872 | $ - | $ (18,977) | $ 20,895 | $ 12,105 |
| Total direct borrowings and direct placements | 39,872 | - | (18,977) | 20,895 | 12,105 |
| Other long-term liabilities | | | | | |
| Net pension liability | 125,970 | - | (77,310) | 48,660 | - |
| Total other long-term liabilities | 125,970 | - | (77,310) | 48,660 | - |
| Governmental activities long-term liabilities | $ 165,842 | $ - | $ (96,287) | $ 69,555 | $ 12,105 |

(Continued)

## NOTE 7 - LONG-TERM DEBT (Continued)

| | Balance 12/31/20 | Increases | Decreases | Balance 12/31/21 | Due within One Year |
|---|---|---|---|---|---|
| Business-type Activities | | | | | |
| Direct borrowings and direct placements | | | | | |
| Notes payable | $ 169,418 | $ - | $ (22,501) | $ 146,917 | $ 20,500 |
| Construction loan advance | - | 675,798 | - | 675,798 | - |
| Revenue bonds payable | 5,881,619 | - | (202,744) | 5,678,875 | 208,654 |
| Total direct borrowings and direct placements and revenue bonds payable | 6,051,037 | 675,798 | (225,245) | 6,501,590 | 229,154 |
| Other long-term liabilities | | | | | |
| Net pension liability | 72,845 | - | (51,739) | 21,106 | - |
| Total other long-term liabilities | 72,845 | - | (51,739) | 21,106 | - |
| Business type activities long-term liabilities | $ 6,123,882 | $ 675,798 | $ (276,984) | $ 6,522,696 | $ 229,154 |

There was no short-term borrowing during the year ended December 31, 2021.

The following summarizes long-term debt outstanding at December 31, 2021:

| | Original Principal | Interest Rate | Final Maturity | Outstanding Balance | Amount Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Direct borrowings and placemnets | | | | | |
| Note payable, FS Bank | $ 30,544 | 3.720% | 2022 | $ 1,958 | $ 1,958 |
| Note payable, F&M Bank | 39,470 | 4.200% | 2023 | 18,937 | 10,147 |
| Total-governmental activities | $ 70,014 | | | $ 20,895 | $ 12,105 |
| Business-type Activities | | | | | |
| Direct borrowings and placemnets | | | | | |
| Note payable, GEFA DWSRF 05-005 | $ 410,000 | 0.000% | 2028 | $ 146,917 | $ 20,500 |
| Construction loan advance, GEFA | 675,798 | | | 675,798 | - |
| Revenue bonds payable | | | | | |
| Bonds payable, USDA Series 2017A | 3,840,000 | 3.200% | 2037 | 3,215,748 | 159,620 |
| Bonds payable, USDA Series 2017B | 1,724,000 | 2.125% | 2057 | 1,604,295 | 30,342 |
| Bonds payable, USDA Series 2017C | 934,000 | 1.375% | 2057 | 858,832 | 18,692 |
| Total-business-type activities | $ 7,583,798 | | | $ 6,501,590 | $ 229,154 |

(Continued)

**NOTE 7 - LONG-TERM DEBT (Continued)**

Debt service requirements on long-term debt as of December 31, 2021 are as follows:

| | Governmental Activities | | Business-type Activities | | | |
|---|---|---|---|---|---|---|
| | Direct Borrowings and Placements | | Direct Borrowings and Placements | | | |
| | Note Payable | | Note Payable | | Revenue Bonds | |
| Year Ending December 31, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | $ 12,105 | $ 622 | $ 20,500 | $ - | $ 208,654 | $ 146,066 |
| 2023 | 8,790 | 172 | 20,500 | - | 214,748 | 139,973 |
| 2024 | - | - | 20,500 | - | 220,904 | 133,816 |
| 2025 | - | - | 20,500 | - | 227,495 | 127,226 |
| 2026 | - | - | 20,500 | - | 234,163 | 120,557 |
| 2027 thru 2031 | - | - | 44,417 | - | 1,278,088 | 495,515 |
| 2032 thru 2036 | - | - | - | - | 1,478,163 | 295,440 |
| 2037 thru 2041 | - | - | - | - | 528,276 | 139,489 |
| 2042 thru 2046 | - | - | - | - | 368,491 | 104,129 |
| 2047 thru 2051 | - | - | - | - | 404,608 | 68,012 |
| 2052 thru 2056 | - | - | - | - | 444,396 | 28,224 |
| 2057 thru 2058 | - | - | - | - | 70,889 | 553 |
| | $ 20,895 | $ 794 | $ 146,917 | $ - | $ 5,678,875 | $ 1,799,000 |

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 2028.

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, 2021 is as follows:

| | | | | Fixed Charges Coverage Ratio |
|---|---|---|---|---|
| Income available for fixed charges | $ | 401,620 | = | 1.03 |
| Fixed charges | $ | 389,518 | | |

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.

Construction Loan Advance

On September 15, 2021 the City entered into an amended loan agreement with the Clean Water State Revolving Fund administered by Georgia Environmental Finance Authority (GEFA) to finance the costs of upgrading the water treatment, refurbish water tank and replacing existing meters with automatic reading (AMR) system. The total amended amount of the loan and the estimated cost of the project is $ 1,029,000 (an increase of $ 513,000 from the original loan).

The unpaid principal amount of this note shall bear interest at 1.53%. Accrued interest is payable monthly on the first day of each calendar month, as proceeds are drawn down, and will continue until the first day of the calendar month following the earlier of (1) the completion date, (2) December 1, 2022, or (3) the date that the loan is fully disbursed. Principal and interest payments shall me payable in 239 consecutive monthly installments equal to the installment amount, commencing on the first day of the calendar month following the amortization commencement date, and continuing to be due on the first day of each succeeding calendar month thereafter, together with a final installment equal to the entire remaining unpaid principal balance of and all accrued interest on this note, which shall be due and payable on the date that is 20 from the amortization commencement date. As of December 31, 2021, construction loan advances totaled $ 675,798 and are reported as noncurrent liabilities - construction loan advance in the Statements of Fund Net Position-Proprietary Fund. In accordance with the appropriations language, GEFA agrees to forgive $ 154,800 of this loan, if all funds are drawn.

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, 2021, 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, 2021, the required balance to be deposited into the Reserve Account was $ 149,716, whereas the actual deposits held in the Reserve Account totaled $ 320,325.

(Continued)

**NOTE 7 - LONG-TERM DEBT (Continued)**

In addition, the Ordinance establishes a reserve account designated the "Short-Lived Assets Account". A monthly installment of $ 867, or such amount to credit $ 10,400 on an annual basis, is required to be deposited into the Short-Lived Asset Account. The Short-Lived Asset Account will be used to replace equipment for the System in the future and is not pledged to make any principal and interest on the Series 2017 Bonds or any future bonds issued on a parity therewith. As of December 31, 2021, the required balance to be deposited into the Short-Lived Asset Account was $ 43,333, whereas the actual deposits held in the Short-Lived Asset Account totaled $ 43,333.

Compliance With Bond Covenants

As of December 31, 2021, total sinking fund requirements, for all bonds issued, was $ 149,716, whereas cash deposits held in accounts restricted by the Ordinance totaled $ 320,325. As of December 31, 2021, the City's debt service sinking funds were overfunded by $ 170,209.

**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2021, is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Water Sewer Utility Fund | $ 249,489 |

Due From/To Other Funds

The Water Sewer Utility Fund bills and collects charges for sanitation services, which are accounted for in the City's General Fund. The $ 249,489 due from the Water Sewer Utility Fund primarily represents collections on 2021 sanitation fees and unbilled service revenues, as of December 31, 2021, that have not been remitted to the General Fund.

Interfund Transfers

| Transfers In | Transfers Out | Amount |
|---|---|---|
| General Fund | Hotel-Motel Tax Fund | $ 11,064 |
| Water Sewer Utility Fund | SPLOST Fund | 66,093 |
| General Fund | Water Sewer Utility Fund | 21,319 |
| | | $ 98,476 |

Hotel-Motel Tax Fund proceeds were transferred to the General Fund to provide additional funding and reimbursement for operating costs and tourism related expenditures, $ 11,064.

Current year expenditures by the Water Sewer Utility Fund were reimbursed by the SPLOST Fund, $ 66,093.

Administrative services and grounds maintenance are provided to the Water Sewer Utility Fund by the General Fund. The Water Sewer Utility Fund allocated portion of these costs transferred to the General Fund totaled $ 21,319.

## 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, 2021 are as follows:

| | Governmental Activities | Business-type Activities |
|---|---|---|
| Net investment in capital assets | | |
| Primary government | $ 2,434,562 | $ 14,248,386 |
| Less notes payable | (20,895) | (146,917) |
| Less revenue bonds payable | - | (5,678,875) |
| Less construction loan advance | - | (675,798) |
| Total net investment in capital assets | $ 2,413,667 | $ 7,746,796 |
| Restricted for: | | |
| Public works | | |
| SPLOST Fund | $ 775,169 | $ - |
| TSPLOST Fund | 80,415 | - |
| Water Sewer Utility Fund | - | 43,334 |
| Total public works | $ 855,584 | $ 43,334 |
| Housing and development | | |
| Hotel Motel Tax Fund | $ 10,901 | |
| Total housing and development | $ 10,901 | |
| Debt service | | $ 320,325 |
| Total debt service | | $ 320,325 |

## 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, 2021, 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 and 39. 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, 2021, the City was not involved in any pending or threatened litigation.

### COVID-19

During 2020 and 2021 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.

## 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, 2021, the last valuation date, there were 25 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 | 2 |
| Active participants-not vested | 9 |
| Total number of participants | 25 |

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 2021, the City's contribution to the Plan totaled $ 29,193, or 6.79 % of covered-employee payroll ($ 430,133). This contribution was equal to the recommended annual contribution determined as part of the July 1, 2020 actuarial valuation.

Net Pension Liability

The City's net pension liability was measured as of March 31, 2021.

*Actuarial Assumptions.* The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 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, 2021 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% | 6.40% |
| International equity | 20.00% | 7.05% |
| Domestic fixed income | 20.00% | 1.15% |
| Real estate | 10.00% | 4.50% |
| Global fixed income | 5.00% | 1.25% |
| 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, 2021 were as follows:

| | Total Pension Liability (TPL) (a) | Fiduciary Net Position (FNP) (b) | Net Pension Liability (NPL) (a) - (b) |
|---|---|---|---|
| Balances at March 31, 2020 | $ 657,031 | $ 458,216 | $ 198,815 |
| Changes for the year: | | | |
| Service cost | 14,397 | - | 14,397 |
| Interest | 47,359 | - | 47,359 |
| Differences between expected and actual experience | 32,234 | - | 32,234 |
| Contributions-employer | - | 24,570 | (24,570) |
| Contributions-employee | - | - | - |
| Net investment income | - | 202,102 | (202,102) |
| Benefit payments, including refunds of employee contributions | (58,550) | (58,550) | - |
| Administrative expense | - | (3,633) | 3,633 |
| Other | - | - | - |
| Net changes | 35,440 | 164,489 | (129,049) |
| Balances at March 31, 2021 | $ 692,471 | $ 622,705 | $ 69,766 |

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 | $ 143,623 | $ 69,766 | $ 8,884 |

(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, 2021 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, 2021, the City recognized pension expense of $ 28,178. The City reported the following deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2021:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Contributions made subsequent to the measurement date | $ 21,894 | $ - |
| Difference between expected and actual experience | 36,298 | - |
| Changes of assumptions | 9,090 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 89,362 |
| Total | $ 67,282 | $ 89,362 |

Contributions made subsequent to the measurement date totaling $ 21,894 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, 2022. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | Year Ending December 31, | | | | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | Total |
| Fiscal Year Outflows | | | | | |
| Demographic | $ 15,213 | $ 13,026 | $ 8,059 | $ - | $ 36,298 |
| Assumption change | 4,545 | 4,545 | - | - | 9,090 |
| Total | $ 19,758 | $ 17,571 | $ 8,059 | $ - | $ 45,388 |
| Fiscal Year Inflows | | | | | |
| Investment | $ 20,435 | $ 15,395 | $ 19,593 | $ 33,939 | $ 89,362 |
| Total | $ 20,435 | $ 15,395 | $ 19,593 | $ 33,939 | $ 89,362 |

Methods and Assumptions Changes

There have been no 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 $ 7,376 or 40%, of the lodging taxes collected for the year ended December 31, 2021 were expended for such purposes. A summary of Hotel/Motel transactions for the year ended December 31, 2021 follows:

| | 12/31/21 | Percentage Expended |
|---|---|---|
| Tax percentage rate formally adopted by City | 5.00% | |
| Hotel/Motel taxes collected | $ 18,441 | |
| Expended for promoting tourism, conventions, and trade shows | $ 7,376 | 40.00% |

## NOTE 15 - COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

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). As of December 31, 2021, none of these grant funds have been expended; accordingly, this $ 280,637 grant is considered unearned revenue and is so reported in the financial statements. The performance period for this award begins with the date received and ends on December 31, 2026.

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.

SPLOST 2022 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, 2022. 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 $ 1,026,000 loan agreement, as amended on September 15, 2021 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, 2021, expenditures for this project totaled $ 686,088.

| Project Description | Total Commitment | Construction In Progress | Remaining Commitment |
|---|---|---|---|
| Wastewater plant and system improvements GEFA Project | $ 1,026,000 | $ 686,088 | $ 339,912 |

Subsequent Events

On March 1, 2022, the City Council acknowledged that the City was awarded $ 579,169 in Federal American Rescue Plan Act (ARPA) funds to be used for improvements at the wastewater and water plants and for water line expansion.

On March 1, 2022, the City Council unanimously approved the purchase of a new fire truck for $ 438,876 which is expected to be delivered in 22 months. Funding for the purchase is to be a combination of SPLOST proceeds and a USDA loan grant.

In preparing the financial statements, the City's management has evaluated events and transactions for potential recognition or disclosure through July 15, 2022 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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | |
| Service cost | $ 14,397 | $ 11,769 | $ 14,223 | $ 15,133 | $ 13,692 | $ 17,593 | $ 9,015 |
| Interest | 47,359 | 45,293 | 44,860 | 42,821 | 46,099 | 47,481 | 46,536 |
| Differences between expected and actual experience | 32,234 | 19,866 | 8,747 | 24,850 | (39,709) | (21,473) | 10,228 |
| Changes of assumptions | - | - | - | - | - | - | 6,443 |
| Benefit payments, including refunds of employee contributions | (58,550) | (60,420) | (58,785) | (63,076) | (61,673) | (61,203) | (58,846) |
| Other | - | 18,178 | - | 9,506 | - | - | - |
| Net change in total pension liability | 35,440 | 34,686 | 9,045 | 29,234 | (41,591) | (17,602) | 13,376 |
| Total pension liability, beginning | 657,031 | 622,345 | 613,300 | 584,066 | 625,657 | 643,259 | 629,883 |
| Total pension liability, ending (a) | 692,471 | 657,031 | 622,345 | 613,300 | 584,066 | 625,657 | 643,259 |
| Plan Fiduciary Net Position | | | | | | | |
| Service cost | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Differences between expected and actual experience | - | - | - | - | - | - | - |
| Contributions-employer | 24,570 | 22,782 | 19,772 | 23,164 | 27,105 | 23,636 | 21,385 |
| Net investment income | 202,102 | (33,305) | 19,168 | 65,016 | 62,068 | 1,143 | 50,598 |
| Benefit payments, including refunds of employee contributions | (58,550) | (60,420) | (58,785) | (63,076) | (61,673) | (61,203) | (58,846) |
| Administrative expenses | (3,633) | (4,016) | (3,853) | (3,920) | (4,070) | (2,519) | (2,181) |
| Net change in fiduciary net position | 164,489 | (74,959) | (23,698) | 21,184 | 23,430 | (38,943) | 10,956 |
| Plan fiduciary net position, beginning | 458,216 | 533,175 | 556,873 | 535,689 | 512,259 | 551,202 | 540,246 |
| Plan fiduciary net position, ending (b) | 622,705 | 458,216 | 533,175 | 556,873 | 535,689 | 512,259 | 551,202 |
| Net pension liability, ending (a)-(b) | $ 69,766 | $ 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 | 89.93% | 69.74% | 85.67% | 90.80% | 91.72% | 81.88% | 85.69% |
| Covered employee payroll during the measurement period | $ 430,133 | $ 424,034 | $ 333,333 | $ 346,662 | $ 346,227 | $ 329,385 | $ 370,768 |
| Net pension liability as a percentage of covered employee payroll | 16.22% | 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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 29,193 | $ 23,029 | $ 22,699 | $ 18,797 | $ 24,619 | $ 27,934 | $ 22,203 |
| Contributions in relation to the actuarially determined contribution | 29,193 | 23,029 | 22,699 | 18,797 | 24,619 | 27,934 | 22,203 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered employee payroll during the measurement period | $ 430,133 | $ 424,034 | $ 333,333 | $ 346,662 | $ 346,227 | $ 329,385 | $ 370,768 |
| Contributions as a percentage of covered employee payroll | 6.79% | 5.43% | 6.81% | 5.42% | 7.11% | 8.48% | 5.99% |

**Notes to the Schedule:**

(1) Actuarial Assumptions:

| | |
|---|---|
| Valuation Date | July 1, 2021 |
| 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, 2021

| | Budgetary Basis | | | Variance With |
|---|---|---|---|---|
| | Original Budget | Amended and Final Budget | Actual | Final Budget Over (Under) |
| **REVENUES** | | | | |
| **Taxes** | | | | |
| Real property tax | $ 263,937 | $ 208,995 | $ 223,301 | $ 14,306 |
| Motor vehicle taxes | 42,049 | 53,295 | 53,295 | - |
| Mobile home tax | 1,212 | 664 | 664 | - |
| Real estate transfer tax | 1,174 | 1,570 | 1,570 | - |
| Franchise tax | 109,037 | 99,795 | 99,795 | - |
| Local option sales tax | 128,541 | 177,930 | 177,930 | - |
| Intangible tax | 4,248 | 4,858 | 4,858 | - |
| Alcoholic beverage tax | 53,534 | 39,272 | 39,272 | - |
| Occupation tax | 13,700 | 14,560 | 15,235 | 675 |
| Insurance premium tax | 125,447 | 128,641 | 128,641 | - |
| Penalties and interest | - | - | 2,344 | 2,344 |
| Payment in lieu of taxes | 2,618 | 2,618 | 2,618 | - |
| Total taxes | 745,497 | 732,198 | 749,523 | 17,325 |
| **Licenses and Permits** | | | | |
| Alcoholic beverage licenses | 5,000 | 4,313 | 4,313 | - |
| Building permits | 7,921 | 10,930 | 10,930 | - |
| Total licenses and permits | 12,921 | 15,243 | 15,243 | - |
| **Intergovernmental** | | | | |
| Federal and State grants | 25,898 | 291,510 | 291,510 | - |
| Total intergovernmental | 25,898 | 291,510 | 291,510 | - |
| **Charges for Services** | | | | |
| Sanitation fees | 265,000 | 111,476 | 111,476 | - |
| Total charges for services | 265,000 | 111,476 | 111,476 | - |
| **Fines and Forfeitures** | | | | |
| Municipal court fines | 65,274 | 57,862 | 57,862 | - |
| Total fines and forfeitures | 65,274 | 57,862 | 57,862 | - |
| **Use of Money and Property** | | | | |
| Interest income | 90 | 115 | 190 | 75 |
| Rents | 3,125 | 8,225 | 8,225 | - |
| Total use of money and property | 3,215 | 8,340 | 8,415 | 75 |
| **Other** | | | | |
| Insurance claims | - | 54,954 | 53,115 | (1,839) |
| Miscellaneous | 2,479 | 2,137 | 749 | (1,388) |
| Total other | 2,479 | 57,091 | 53,864 | (3,227) |
| Total revenues | 1,120,284 | 1,273,720 | 1,287,893 | 14,173 |

**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, 2021

| | Budgetary Basis | | | Variance With |
|---|---|---|---|---|
| | Original Budget | Amended and Final Budget | Actual | Final Budget Over (Under) |
| **EXPENDITURES** | | | | |
| General government | | | | |
| Council | 18,163 | 16,936 | 16,936 | - |
| Mayor | 9,348 | 7,512 | 7,581 | 69 |
| General administration | 309,149 | 410,086 | 271,622 | (138,464) |
| Total general government | 336,660 | 434,534 | 296,139 | (138,395) |
| Judicial | | | | |
| Municipal court | 7,578 | 5,582 | 5,582 | - |
| Total judicial | 7,578 | 5,582 | 5,582 | - |
| Public safety | | | | |
| Police | 415,100 | 480,591 | 485,724 | 5,133 |
| Fire | 93,242 | 70,030 | 67,401 | (2,629) |
| Total public safety | 508,342 | 550,621 | 553,125 | 2,504 |
| Public works | | | | |
| Streets and sanitation | 309,371 | 311,598 | 312,031 | 433 |
| Total public works | 309,371 | 311,598 | 312,031 | 433 |
| Community services | | | | |
| Community center | 9,100 | 47,893 | 47,893 | - |
| Total community services | 9,100 | 47,893 | 47,893 | - |
| Housing and development | | | | |
| Planning and zoning | 14,127 | 20,453 | 20,453 | - |
| Total housing and development | 14,127 | 20,453 | 20,453 | - |
| Total expenditures | 1,185,178 | 1,370,681 | 1,235,223 | (135,458) |
| Excess (deficiency) of revenues over (under) expenditures | (64,894) | (96,961) | 52,670 | 149,631 |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers in | 64,894 | 96,961 | 107,241 | 10,280 |
| Total other financing sources | 64,894 | 96,961 | 107,241 | 10,280 |
| Change in fund balance | $ - | $ - | $ 159,911 | $ 159,911 |

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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, 2021

| | Special Revenue Hotel Motel Tax Fund | Capital Projects TSPLOST Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 10,901 | $ 69,250 | $ 80,151 |
| Intergovernmental receivable | - | 6,050 | 6,050 |
| Total assets | $ 10,901 | $ 75,300 | $ 86,201 |
| **LIABILITIES** | | | |
| Total liabilities | $ - | $ - | $ - |
| **FUND BALANCES** | | | |
| Restricted for: | | | |
| Public works | - | 75,300 | 75,300 |
| Housing and development | 10,901 | - | 10,901 |
| Total fund balances | 10,901 | 75,300 | 86,201 |
| Total liabilities and fund balances | $ 10,901 | $ 75,300 | $ 86,201 |

**CITY OF LINCOLNTON, GEORGIA**
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Special Revenue | Capital Projects | Total Nonmajor |
|---|---|---|---|
| | Hotel Motel Tax Fund | TSPLOST Fund | Governmental Funds |
| **REVENUES** | | | |
| Taxes | $ 18,441 | $ 60,189 | $ 78,630 |
| Interest income | - | 10 | 10 |
| Total revenues | 18,441 | 60,199 | 78,640 |
| **EXPENDITURES** | | | |
| Current | | | |
| Public works | - | 201 | 201 |
| Housing and development | 7,377 | - | 7,377 |
| Capital outlay | | | |
| Public works | - | 120,559 | 120,559 |
| Total expenditures | 7,377 | 120,760 | 128,137 |
| Excess (Deficiency) of revenues over expenditures | 11,064 | (60,561) | (49,497) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers out | (11,064) | - | (11,064) |
| Total other financing sources (uses) | (11,064) | - | (11,064) |
| Net change in fund balances | - | (60,561) | (60,561) |
| Fund balances, beginning of year | 10,901 | 135,861 | 146,762 |
| Fund balances, end of year | $ 10,901 | $ 75,300 | $ 86,201 |

**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, 2021

| | Budgetary Basis | | | Variance With |
|---|---|---|---|---|
| | Original Budget | Amended and Final Budget | Actual | Final Budget Over (Under) |
| **REVENUES** | | | | |
| Taxes | $ 15,750 | $ 18,441 | $ 18,441 | $ - |
| Interest income | - | - | - | - |
| Total revenues | 15,750 | 18,441 | 18,441 | - |
| **EXPENDITURES** | | | | |
| Housing and development | 6,300 | 7,376 | 7,376 | - |
| Total expenditures | 6,300 | 7,376 | 7,376 | - |
| Excess of revenues over expenditures | 9,450 | 11,065 | 11,065 | - |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (9,450) | (11,065) | (11,065) | - |
| Total other financing sources (uses) | (9,450) | (11,065) | (11,065) | - |
| Net change in fund balances | $ - | $ - | - | $ - |
| **RECONCILIATION TO GAAP BASIS** | | | | |
| Fund balance, beginning of year | | | 10,901 | |
| Fund balance, end of year | | | $ 10,901 | |

**SUPPLEMENTARY SCHEDULES**

**CITY OF LINCOLNTON, GEORGIA**

SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

FOR THE YEAR ENDED DECEMBER 31, 2021

| Project | Original Estimated Cost | Revised Estimated Cost | Prior Years | Current Year | Total | Estimated Percentage of Completion |
|---|---|---|---|---|---|---|
| SPLOST 2017 - 2020 | | | | | | |
| General Govt Building | $ - | $ - | $ - | $ 10,352 | $ 10,352 | N/A |
| Public Safety Buildings | - | - | - | 40,043 | 40,043 | N/A |
| Downtown Revitilization/ Water Sewer Capital | 504,575 | 504,575 | 92,631 | 66,093 | 158,724 | 31% |
| | $ 504,575 | $ 504,575 | $ 92,631 | $ 116,488 | $ 209,119 | |

**CITY OF LINCOLNTON, GEORGIA**
SCHEDULE OF WATER SEWER UTILITY FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Water Activities | Sewer Activities | Business-type Activities-Enterprise Fund Water Sewer Utility Fund |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Charges for services | $ 699,279 | $ 438,919 | $ 1,138,198 |
| Penalties | 12,369 | 7,705 | 20,074 |
| Total operating revenues | 711,648 | 446,624 | 1,158,272 |
| **OPERATING EXPENSES** | | | |
| Personnel services and benefits | 206,530 | 102,837 | 309,367 |
| Professional and technical services | 21,301 | 29,127 | 50,428 |
| Repairs and maintenance | 55,218 | 27,703 | 82,921 |
| Other purchased services | 117,449 | 93,827 | 211,276 |
| Supplies & other | 79,522 | 20,023 | 99,545 |
| Depreciation | 131,744 | 258,470 | 390,214 |
| Bad debts | - | 4,540 | 4,540 |
| Total operating expenses | 611,764 | 536,527 | 1,148,291 |
| Operating income | 99,884 | (89,903) | 9,981 |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| Intergovernmental revenues | - | - | - |
| Interest income | 878 | 547 | 1,425 |
| Interest expense | (118,534) | (45,739) | (164,273) |
| Total non-operating revenues (expenses) | (117,656) | (45,192) | (162,848) |
| Income (loss) before transfers in/out | (17,772) | (135,095) | (152,867) |
| **TRANSFERS IN (OUT)** | | | |
| Transfers in | 40,726 | 25,367 | 66,093 |
| Transfers out | (17,469) | (3,850) | (21,319) |
| Transfer in (out)-net | 23,257 | 21,517 | 44,774 |
| Change in net position | $ 5,485 | $ (113,578) | $ (108,093) |

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**COMPLIANCE SECTION**

BARMORE HAMMOND
CERTIFIED PUBLIC ACCOUNTANTS
LIMITED LIABILITY PARTNERSHIP

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincolnton, Georgia as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Lincolnton, Georgia's basic financial statements, and have issued our report thereon dated July 15, 2022.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lincolnton, Georgia's internal control over financial reporting (internal control) as a basis for designing 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 of Lincolnton, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lincolnton'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)

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lincolnton, Georgia'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 of Lincolnton, Georgia'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 of Lincolnton, Georgia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Thomson, Georgia
July 15, 2022

**CITY OF LINCOLNTON, GEORGIA**
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

## 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