CITY OF LINCOLNTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2024

CITY OF LINCOLNTON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

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MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
City of Lincolnton, Georgia
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** (the "City"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, 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 accordance 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 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'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 for 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used 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'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 and Schedule of Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB") 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 ("MD&A") that accounting principles generally accepted in the United States of America requires 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 GASB 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's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund by Object, and Schedule of Water and Sewer Utility Fund Activities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Special Purpose Local Option Sales Tax ("SPLOST") Proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated ("O.C.G.A.") §48-8-121 and is 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 the underlying accounting and other records used to prepare the basic 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 accompanying combining and individual nonmajor fund financial statements and schedules, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund by Object, and Schedule of Water and Sewer Utility Fund Activities, and Schedule of Expenditures of Special Purpose Local Option Sales Tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lincolnton, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
June 9, 2026

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,577,490	$ 68,519	$ 1,646,009
Investments	7,146	-	7,146
Restricted cash and cash equivalents	-	85,631	85,631
Restricted investments	-	289,225	289,225
Receivables			
Taxes-net	40,128	-	40,128
Accounts-net	-	197,372	197,372
Interest	23	-	23
Intergovernmental	164,000	14,168	178,168
Internal balances	110,975	(110,975)	-
Capital assets net of accumulated depreciation			
Land	158,526	105,454	263,980
Buildings and improvements	270,466	11,952	282,418
Machinery and equipment	150,220	14,063,880	14,214,100
Infrastructure	997,479	-	997,479
Construction in progress	-	491,374	491,374
Total assets	3,476,453	15,216,600	18,693,053
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	42,538	28,427	70,965
LIABILITIES			
Accounts payable	224,251	51,050	275,301
Accrued liabilities	13,661	9,862	23,523
Customer deposits	-	78,175	78,175
Intergovermental	342	-	342
Accrued interest payable	-	5,571	5,571
Unearned revenue	322,358	-	322,358
Noncurrent liabilities			
Due within one year	10,382	287,594	297,976
Due in more than one year	20,421	5,702,933	5,723,354
Net pension liability	97,686	57,127	154,813
Total liabilities	689,101	6,192,312	6,881,413
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	27,589	21,622	49,211
NET POSITION			
Net investment in capital assets	1,545,888	8,682,133	10,228,021
Restricted for:			
Public works	916,529	74,534	991,063
Debt service	-	300,322	300,322
Unrestricted	339,884	(25,896)	313,988
Total net position	$ 2,802,301	$ 9,031,093	$ 11,833,394

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, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Governmental Activities	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Business-type Activities	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 381,191	$ -	$ 68,871	$ -	$ (312,320)	$ -	$ (312,320)
Judicial	4,652	38,344	-	-	33,692	-	33,692
Public safety	609,503	3,500	-	-	(606,003)	-	(606,003)
Public works	596,699	301,532	-	495,883	200,716	-	200,716
Housing and development	31,902	21,076	-	-	(10,826)	-	(10,826)
Community services	7,770	19,225	-	-	11,455	-	11,455
Total governmental activities	1,631,717	383,677	68,871	495,883	(683,286)	-	(683,286)
Business-type activities:							
Water Sewer Utility Fund	1,510,864	1,497,233	154,800	-	-	141,169	141,169
Total business-type activities	1,510,864	1,497,233	154,800	-	-	141,169	141,169
Total primary government	$ 3,142,581	$ 1,880,910	$ 223,671	$ 495,883	(683,286)	141,169	(542,117)
General revenues							
Property taxes					337,155	-	337,155
Motor vehicle title advalorem taxes					54,758	-	54,758
Mobile home taxes					491	-	491
Payment in lieu of taxes					2,618	-	2,618
Sales taxes					303,504	-	303,504
Franchise taxes					109,222	-	109,222
Insurance premium taxes					141,585	-	141,585
Hotel Motel taxes					17,554	-	17,554
Alcoholic beverage taxes					36,665	-	36,665
Occupation taxes					18,098	-	18,098
Intangible taxes					2,120	-	2,120
Transfer taxes					997	-	997
Interest income					695	12,943	13,638
Insurance claims					19,675	11,400	31,075
Other revenues					11,235	-	11,235
Transfers					(393,600)	393,600	-
Total general revenues and transfers					662,772	417,943	1,080,715
Change in net position					(20,514)	559,112	538,598
Net position, beginning of year, as originally reported					3,451,578	8,471,981	11,923,559
Effect of intergovernmental receivables, capital asset, and lease restatements					(628,763)	-	(628,763)
Net position, beginning of year, as restated					2,822,815	8,471,981	11,294,796
Net position, end of year					$ 2,802,301	$ 9,031,093	$ 11,833,394

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

CITY OF LINCOLNTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General Fund	ARPA Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 305,695	$ 374,487	$ 779,422	$ 117,886	$ 1,577,490
Investments	7,146	-	-	-	7,146
Receivables (net of allowance for uncollectibles)					
Taxes	40,128	-	-	-	40,128
Interest	23	-	-	-	23
Intergovernmental receivables	26,468	112,671	17,954	6,907	164,000
Interfund receivables	110,975	-	-	-	110,975
Total assets	$ 490,435	$ 487,158	$ 797,376	$ 124,793	$ 1,899,762
LIABILITIES					
Accounts payable	$ 53,811	$ 164,800	$ -	$ 5,640	$ 224,251
Accrued liabilities	13,661	-	-	-	13,661
Intergovernmental payables	342	-	-	-	342
Unearned grant revenue	-	322,358	-	-	322,358
Total liabilities	67,814	487,158	-	5,640	560,612
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	27,848	-	-	-	27,848
Total deferred inflows of resources	27,848	-	-	-	27,848
FUND BALANCES					
Restricted for:					
Public works	-	-	797,376	119,153	916,529
Unassigned	394,773	-	-	-	394,773
Total fund balances	394,773	-	797,376	119,153	1,311,302
Total liabilities, deferred inflows of resources, and fund balances	$ 490,435	$ 487,158	$ 797,376	$ 124,793	$ 1,899,762

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, 2024

Total fund balances - governmental funds	$ 1,311,302
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	1,028,769
Machinery and equipment	736,354
Infrastructure	2,443,535
Accumulated depreciation	(2,790,493)
Total capital assets - governmental activities	1,576,691
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:	
Property taxes	27,848
Total unavailable revenues	27,848
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	42,538
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	(30,803)
Net pension liability	(97,686)
Total liabilities	(128,489)
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	(27,589)
Net position of governmental activities	$ 2,802,301

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, 2024

	General Fund	ARPA Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 942,562	$ -	$ -	$ 88,192	$ 1,030,754
Licenses and permits	42,674	-	-	-	42,674
Intergovernmental	71,489	312,603	197,569	-	581,661
Charges for services	301,532	-	-	-	301,532
Fines and forfeitures	38,344	-	-	-	38,344
Interest income	307	-	360	388	1,055
Rents	19,225	-	-	-	19,225
Other	11,235	-	-	-	11,235
Total revenues	1,427,368	312,603	197,929	88,580	2,026,480
EXPENDITURES					
Current					
General government	292,336	-	-	-	292,336
Judicial	4,652	-	-	-	4,652
Public safety	544,538	-	-	-	544,538
Public works	538,783	-	-	54,821	593,604
Community services	7,770	-	-	-	7,770
Housing and development	24,880	-	-	7,022	31,902
Debt service					
Principal	9,846	-	-	-	9,846
Interest	1,856	-	-	-	1,856
Capital outlay					
Public works	-	312,603	103,830	-	416,433
Total expenditures	1,424,661	312,603	103,830	61,843	1,902,937
Excess of revenues over expenditures	2,707	-	94,099	26,737	123,543
OTHER FINANCING SOURCES (USES)					
Insurance claims	19,675	-	-	-	19,675
Transfers in	33,365	-	-	-	33,365
Transfers out	-	-	-	(10,532)	(10,532)
Total other financing sources (uses)	53,040	-	-	(10,532)	42,508
Net change in fund balances	55,747	-	94,099	16,205	166,051
Fund balances, beginning of year	339,026	-	703,277	102,948	1,145,251
Fund balances, end of year	$ 394,773	$ -	$ 797,376	$ 119,153	$ 1,311,302

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, 2024

Net change in fund balances - total governmental funds	$	166,051
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		447,001
Depreciation expense		(182,956)
Capital assets transferred to Water Sewer Utility Fund		(416,433)
Excess of depreciation expense and capital asset transfers over capital outlay		(152,388)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Changes in these amounts are as follows:		
Intergovernmental receivables decreased by this amount in 2024		(14,649)
Unearned property tax revenues decreased by this amount in 2024		(26,703)
Net change in revenues not providing current financial resources		(41,352)
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		9,846
Net decrease in long-term debt		9,846
Some expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net pension liability, deferred inflows and outflows related to pension increased by this amount in 2024		(2,671)
Net change in expenses not requiring the use of current financial resources		(2,671)
Change in net position of governmental activities	$	(20,514)

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, 2024

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 833,349	$ 953,147	$ 953,853	$ 706
Licenses and permits	16,000	24,576	24,576	-
Intergovernmental	30,767	68,872	68,872	-
Charges for services	369,050	365,347	365,347	-
Fines and forfeitures	49,631	38,344	38,344	-
Use of money and property	6,151	19,433	19,531	98
Other	1,950	10,988	11,235	247
Total revenues	1,306,898	1,480,707	1,481,758	1,051
EXPENDITURES				
Current				
General government	329,349	288,089	288,043	(46)
Judicial	7,276	4,652	4,652	-
Public safety	545,197	553,013	553,013	-
Public works	455,198	506,464	506,464	-
Community services	9,385	7,673	7,673	-
Housing and development	21,200	24,713	24,713	-
Total expenditures	1,367,605	1,384,604	1,384,558	(46)
Excess (deficiency) of revenues over (under) expenditures	(60,707)	96,103	97,200	1,097
OTHER FINANCING SOURCES (USES)				
Insurance claims	-	19,675	19,675	-
Contingency	-	(204,839)	-	204,839
Transfers in	60,707	89,061	33,365	(55,696)
Total other financing sources (uses)	60,707	(96,103)	53,040	149,143
Change in fund balance	$ -	$ -	150,240	$ 150,240
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(115,588)	
Payables and other liabilities			21,095	
Total reconciliation to GAAP basis			(94,493)	
Fund balance, beginning of year			339,026	
Fund balance, end of year			$ 394,773	

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, 2024

	Business-type Activities-Enterprise Fund
	Water Sewer Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 68,519
Restricted cash and cash equivalents	85,631
Restricted investments	289,225
Accounts receivable-net	197,372
Intergovernmental receivables	14,168
Total current assets	654,915
Noncurrent assets	
Capital assets	
Land	105,454
Buildings and improvements	40,135
Machinery and equipment	20,782,207
Construction in progress	491,374
Less accumulated depreciation	(6,746,510)
Total capital assets (net of accumulated depreciation)	14,672,660
Total noncurrent assets	14,672,660
Total assets	15,327,575
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension plan	28,427
Total assets and deferred outflows of resources	15,356,002
LIABILITIES	
Current liabilities	
Accounts payable	51,050
Accrued liabilities	9,862
Customer deposits	78,175
Interfund payables	110,975
Current portion of notes payable	60,094
Current liabilities payable from restricted assets	
Accrued interest payable	5,571
Current portion of revenue bonds payable	227,500
Total current liabilities	543,227
Noncurrent liabilities	
Notes payable	895,994
Revenue bonds payable	4,806,939
Net pension liability	57,127
Total noncurrent liabilities	5,760,060
Total liabilities	6,303,287
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	21,622
Total liabilities and deferred inflows of resources	6,324,909
NET POSITION	
Net investment in capital assets	8,682,133
Restricted for public works	74,534
Restricted for debt service	300,322
Unrestricted	(25,896)
Total net position	$ 9,031,093

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, 2024

	Business-type Activities- Enterprise Fund Water Sewer Utility Fund
OPERATING REVENUES	
Charges for services	$ 1,466,461
Penalties	28,608
Other revenues	2,164
Total operating revenues	1,497,233
OPERATING EXPENSES	
Personnel services and benefits	386,594
Professional and technical services	38,402
Repairs and maintenance	75,284
Other purchased services	269,863
Supplies	180,220
Depreciation	402,622
Bad debt expense	5,575
Total operating expenses	1,358,560
Operating income	138,673
NON-OPERATING REVENUES (EXPENSES)	
Intergovermental	154,800
Interest income	12,943
Insurance claims	11,400
Interest expense	(152,304)
Total non-operating revenues (expenses)	26,839
Income before transfers out and capital contributions	165,512
TRANSFERS OUT	(22,833)
CAPITAL CONTRIBUTIONS	416,433
Change in net position	559,112
Net position, beginning of year	8,471,981
Net position, end of year	$ 9,031,093

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, 2024

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,447,745
Payments to suppliers and others	(555,201)
Payments to employees	(381,134)
Net cash provided by operating activities	511,410
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(22,833)
Net cash used by noncapital financing activities	(22,833)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from insurance claim	11,400
Purchase and construction of capital assets	(26,081)
Principal payments on notes payable and bonds payable	(277,295)
Interest paid	(152,521)
Net cash used by capital and related financiang activities	(444,497)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	246
Net cash provided by investing activities	246
Net increase in cash and cash equivalents	44,326
Cash and cash equivalents, beginning of year	109,824
Cash and cash equivalents, end of year	$ 154,150
CASH PER STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 68,519
Restricted cash and cash equivalents	85,631
	$ 154,150

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, 2024

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 138,673
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	402,622
Other pension related charges	1,907
(Increase) decrease in current assets	
Accounts receivable	(32,262)
Prepaid items	8,862
Intergovernmental receivables	48,162
Increase (decrease) in current liabilities	
Accounts payable	24,724
Accrued liabilities	3,553
Customer deposits	4,002
Interfund payables	(88,833)
Total adjustments	372,737
Net cash provided by operating activities	$ 511,410
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Construction loan advances converted to amortizable note payable	$ 1,061,237
Principal forgiven on long-term debt upon loan conversion	154,800
Capital asset purchases funded with ARPA proceeds	312,603
Capital asset purchases funded with SPLOST proceeds	103,830
	$ 1,632,470

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, 2024.

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.

ARPA Fund - The ARPA Fund is used to account for proceeds from the American Rescue Plan Act used for construction and acquisition of capital assets.

(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 2024 budgets were approved by the City Council on December 5, 2023.

The budgets are prepared on 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 paid. A reconciliation from the budgetary basis to GAAP basis is presented in the applicable financial statements.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and character (personnel services, maintenance and operations, capital outlay, debt service) which constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Major revisions to the 2024 budgets were approved and made on February 5, 2025.

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

F. Encumbrance Accounting

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Investments

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

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The City uses the allowance method for recording bad debts. The allowance for bad debt reserves for amounts owed from customers that have purchased services from the City and is determined by analysis of the year-end receivable balances for those accounts 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 amounts are based on billings for the month of February following the close of the fiscal year which represents services rendered for December 16th through January 15th.

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, 2024.

Interfund Receivables and Payables

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets, which include land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are valued at their acquisition value at the date of donation. 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

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 assets 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 assets 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.

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.

(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 revenues and other financing sources (budgetary basis) were $ 54,645 less than budgeted amounts and total expenditures and other financing uses (budgetary basis) were $ 204,885 less than amounts appropriated resulting in a net budgeted increase in fund balance of $ 150,240.

Water Sewer Utility Fund

The vast majority of Water Sewer Utility Fund net position is comprised of its net investment in capital assets and restricted funds held for debt service and maintaining the System. These components of net position have resulted in the reporting of deficit balances in unrestricted net position. For the year ended December 31, 2024, the Water Sewer Utility Fund is reporting a deficit balance in unrestricted net position of $ 25,896.

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, including its investment in certificates of deposit, with financial institutions was $ 2,028,011 and the bank balance was $ 2,122,208 at December 31, 2024. 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, 2024 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		1,622,208
Total bank balance	$	2,122,208

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 fair market value of the City's investments in certificates of deposit, totaling $ 7,146 and $ 289,225 at December 31, 2024, are based on Level 2 inputs.

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.

(Continued)

NOTE 3 - CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

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 has invested in two certificates of deposit, one with a principal balance of $ 7,146 and a stated interest rate of 1.40% that matures on October 6, 2027 and one with a principal balance of $ 289,225 and a stated interest rate of 5.00% that matures on February 28, 2025.

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, 2024, the City had one single-issue investment representing 98% of total investments.

NOTE 4 - PROPERTY TAXES

Property taxes were levied on October 1, 2024 and were due on December 20, 2024. 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 2024 tax levy follows:

2024 millage rate		6.624
Taxable digest	$	49,161,460
Gross tax levy	$	542,251
Less sales tax rollback		(216,605)
Net property taxes	$	325,646
Property taxes receivable	$	47,826
Less allowance for uncollectible amounts		(7,698)
Net property taxes receivable	$	40,128
Unavailable property tax revenue	$	27,848

NOTE 5 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2024, was as follows:

	Balance 12/31/23 (As Restated)	Additions	Deletions	Transfers In (Out)	Balance 12/31/24
Governmental Activities					
Capital assets not being depreciated					
Land	$ 158,526	$ -	$ -	$ -	$ 158,526
Construction in progress	-	373,510	-	(373,510)	-
Total capital assets not being depreciated	158,526	373,510	-	(373,510)	158,526
Capital assets being depreciated					
Buildings and improvements	1,028,769	-	-	-	1,028,769
Machinery and equipment	705,786	73,491	-	(42,923)	736,354
Infrastructure	2,443,535	-	-	-	2,443,535
Total capital assets being depreciated	4,178,090	73,491	-	(42,923)	4,208,658
Less accumulated depreciation					
Buildings and improvements	(736,613)	(21,690)	-	-	(758,303)
Machinery and equipment	(522,609)	(63,525)	-	-	(586,134)
Infrastructure	(1,348,315)	(97,741)	-	-	(1,446,056)
Total accumulated depreciation	(2,607,537)	(182,956)	-	-	(2,790,493)
Net capital assets being depreciated	1,570,553	(109,465)	-	(42,923)	1,418,165
Governmental activities capital assets-net	$ 1,729,079	$ 264,045	$ -	$ (416,433)	$ 1,576,691

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, 2024 was charged to governmental functions as follows:

	12/31/24
General government	$ 118,660
Public safety	61,201
Public works	3,095
Current year depreciation expense	$ 182,956

(Continued)

NOTE 5 - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended December 31, 2024, was as follows:

	Balance 12/31/23	Additions	Deletions	Transfers In (Out)	Balance 12/31/24
Business-type Activities					
Capital assets not being depreciated					
Land	$ 105,454	$ -	$ -	$ -	$ 105,454
Construction in progress	1,179,101	-	-	(687,727)	491,374
Total capital assets not being depreciated	1,284,555	-	-	(687,727)	596,828
Capital assets being depreciated					
Buildings and improvements	40,135	-	-	-	40,135
Machinery and equipment	19,664,566	13,481	-	1,104,160	20,782,207
Total capital assets being depreciated	19,704,701	13,481	-	1,104,160	20,822,342
Less accumulated depreciation					
Buildings and improvements	(27,381)	(802)	-	-	(28,183)
Machinery and equipment	(6,316,507)	(401,820)	-	-	(6,718,327)
Total accumulated depreciation	(6,343,888)	(402,622)	-	-	(6,746,510)
Net capital assets being depreciated	13,360,813	(389,141)	-	1,104,160	14,075,832
Business-type activities capital assets-net	$ 14,645,368	$ (389,141)	$ -	$ 416,433	$ 14,672,660

Depreciation expense on capital assets of the business-type activities was $ 402,622 for the year ended December 31, 2024.

NOTE 6 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2024:

	Balance 12/31/23	Increases	Decreases	Balance 12/31/24	Due within One Year
Governmental Activities					
Direct borrowings and direct placements					
Notes payable	$ 40,649	$ -	$ (9,846)	$ 30,803	$ 10,382
Total direct borrowings and direct placements	40,649	-	(9,846)	30,803	10,382
Other long-term liabilities					
Net pension liability	150,970	-	(53,284)	97,686	-
Total other long-term liabilities	150,970	-	(53,284)	97,686	-
Governmental activities long-term liabilities	$ 191,619	$ -	$ (63,130)	$ 128,489	$ 10,382

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

	Balance 12/31/23	Increases	Decreases	Balance 12/31/24	Due within One Year
Business-type Activities					
Direct borrowings and direct placements					
Notes payable	$ 105,917	$ 906,437	$ (56,266)	$ 956,088	$ 60,094
Construction loan advance	1,061,237	-	(1,061,237)	-	-
Revenue bonds payable	5,255,468	-	(221,029)	5,034,439	227,500
Total direct borrowings and direct placements and revenue bonds payable	6,422,622	906,437	(1,338,532)	5,990,527	287,594
Other long-term liabilities					
Net pension liability	95,189	-	(38,062)	57,127	-
Total other long-term liabilities	95,189	-	(38,062)	57,127	-
Business type activities long-term liabilities	$ 6,517,811	$ 906,437	$ (1,376,594)	$ 6,047,654	$ 287,594

There was no short-term borrowing during the year ended December 31, 2024.

The following summarizes long-term debt outstanding at December 31, 2024:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Direct borrowings and placemnets					
Note payable, FS Bank	$ 51,540	4.700%	2027	$ 30,803	$ 10,382
Total direct borrowings and placements	51,540			30,803	10,382
Total-governmental activities	$ 51,540			$ 30,803	$ 10,382
Business-type Activities					
Direct borrowings and placemnets					
Note payable, GEFA DWSRF 05-005	$ 410,000	0.000%	2028	$ 85,417	$ 20,500
Note payable, GEFA DW2019015	906,437	1.530%	2044	870,671	39,594
Revenue bonds payable					
Bonds payable, USDA Series 2017A	3,840,000	3.200%	2037	2,721,168	175,681
Bonds payable, USDA Series 2017B	1,724,000	2.125%	2057	1,511,296	32,340
Bonds payable, USDA Series 2017C	934,000	1.375%	2057	801,975	19,479
Total-business-type activities	$ 7,814,437			$ 5,990,527	$ 287,594

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

Debt service requirements on long-term debt as of December 31, 2024 are as follows:

Annual Requirements for Direct Borrowings and Placements	Governmental Activities		Business-type Activities			
	Direct Borrowings and Placements		Direct Borrowings and Placements			
	Notes Payable		Notes Payable		Revenue Bonds	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 10,382	$ 1,242	$ 60,094	$ 13,044	$ 227,500	$ 124,221
2026	10,887	737	60,704	12,434	234,168	120,553
2027	9,534	210	61,323	11,815	241,040	113,680
2028			61,952	11,186	248,012	106,709
2029	-	-	45,508	10,547	255,421	99,400
2030 thru 2034	-	-	220,383	42,806	1,394,571	379,032
2035 thru 2039	-	-	237,893	25,296	1,007,565	180,596
2040 thru 2044	-	-	208,231	6,706	354,965	117,655
2045 thru 2049	-	-	-	-	389,786	82,834
2050 thru 2054	-	-	-	-	428,072	44,548
2055 thru 2057	-	-	-	-	253,339	6,786
	$ 30,803	$ 2,189	$ 956,088	$ 133,834	$ 5,034,439	$ 1,376,014

Notes Payable

FS Bank - On October 19, 2022 the City issued a note payable to FS Bank totaling $ 51,540 for the purchase of a police cruiser. Repayment terms require 60 monthly payments of $ 968, including principal and interest at 4.70%. The initial payment was due November 1, 2022 with the final payment being due October 1, 2027. The note payable is collateralized with the vehicle.

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.

GEFA DW2019015 - On January 1, 2024, the City converted its construction loan held by the Drinking Water State Revolving Fund (DWSRF) administered by the Georgia Environmental Facilities Authority (GEFA) to a permanent amortizable loan. The loan was used to finance the costs of upgrading the water treatment plant, refurbish an elevated water tank, and replace existing meters with automatic reading (AMR) system. The total outstanding principal balance at conversion was $ 1,061,237, of which $ 154,800 was forgiven in accordance with the terms of the agreement. The remaining amortizable principal balance at conversion was $ 906,437 and is to be repaid in 239 monthly payments of $ 4,386 including principal and interest at 1.53% 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 February 2024 and the final payment will be January 2044.

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

Covenants contained in the GEFA agreements 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, 2024 is as follows:

				Fixed Charges Coverage Ratio
Income available for fixed charges	$	565,638	=	1.32
Fixed charges	$	429,599		

Revenue Bonds Payable

Advance Refunding of Bonds Payable

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

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

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

The reacquisition price of the Refunded Bonds totaled $ 3,739,024, inclusive of accrued interest thereon totaling $ 6,425. The net carrying amount of the Refunded Bonds as restated pursuant to GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* was $ 3,739,024; accordingly, there were no unamortized charges on the debt refunding.

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

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

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

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

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

Bond Covenants

The 2017 Bond Ordinance (the 'Ordinance") requires several funds and accounts to facilitate the operation of the system and provide for servicing the bond obligation. The Revenue Fund is used as the depository for all revenues derived from the ownership and operation of the system. Costs of operating, maintaining and repairing the system are paid from the Revenue Fund. A Sinking Fund consisting of two accounts designated the "Debt Service Account" and "Reserve Account" is maintained to provide for payment of the principal and interest of the bonds. A monthly deposit is made to the Debt Service Account in amounts sufficient to fully fund the next ensuing payment of principal and interest. As of December 31, 2024, 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, 2024, the required balance to be deposited into the Reserve Account was $ 256,132, whereas the actual deposits held in the Reserve Account totaled $ 300,322.

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, 2024, the required balance to be deposited into the Short-Lived Asset Account was $ 74,533, whereas the actual deposits held in the Short-Lived Asset Account totaled $ 74,534.

Compliance With Bond Covenants

As of December 31, 2024, total sinking fund requirements, for all bonds issued, was $ 330,665, whereas cash deposits held in accounts restricted by the Ordinance totaled $ 374,856. As of December 31, 2024, the City's debt service sinking funds were overfunded by $ 44,191.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, TRANSFERS, AND CONTRIBUTIONS TO CAPITAL

Interfund Receivables and Payables

Interfund receivables and payables as of December 31, 2024 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water Sewer Utility Fund	$ 110,975

The Water Sewer Utility Fund bills and collects charges for sanitation services, which are accounted for in the City's General Fund. $ 110,975 due from the Water Sewer Utility Fund represents collections on 2024 sanitation fees and unbilled service revenues that have not been remitted to the General Fund as of December 31, 2024.

Interfund Transfers

Interfund transfers made during the year ended December 31, 2024 were as follows:

	Transfers In
Transfers Out	General Fund
Water Sewer Utility Fund	$ 22,833
Hotel Motel Tax Fund	10,532
	$ 33,365

The Water Sewer Utility Fund reimburses the General Fund for administrative and grounds maintenance costs. The Water Sewer Utility Fund's allocated portion of these costs totaled $ 22,833 for the year ended December 31, 2024.

The Hotel Motel Tax Fund transferred $ 10,532 to the General Fund that was used by the General Fund for operating expenses.

Contributions to Capital

Contributions to capital for the year ended December 31, 2024 were as follows:

	Contributions to Capital
	Water Sewer
Capital Outlay	Utility Fund
ARPA Fund	$ 312,603
SPLOST Fund	103,830
	$ 416,433

The ARPA Fund and SPLOST Fund expended $ 312,603 and $ 60,907, respectively to fund construction projects of the Water Sewer Utility Fund. In addition, the SPLOST Fund expended $ 42,923 to purchase machinery and equipment for the Water Sewer Utility Fund. These amounts are reported as capital outlay on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and as capital contributions on the proprietary funds Statement of Revenues, Expenses, and Changes in Fund Net Position.

NOTE 8 - 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, 2024 are as follows:

	Governmental Activities	Business-type Activities
Net investment in capital assets		
Primary government	$ 1,576,691	$ 14,672,660
Less notes payable	(30,803)	(956,088)
Less revenue bonds payable	-	(5,034,439)
Total net investment in capital assets	$ 1,545,888	$ 8,682,133
Restricted for:		
Public works		
SPLOST Fund	$ 797,376	$ -
TSPLOST Fund	119,153	-
Water Sewer Utility Fund	-	74,534
Total public works	$ 916,529	$ 74,534
Debt service		$ 300,322
Total debt service		$ 300,322

NOTE 9 - 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, 2023, the City paid $ 1,680 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
3626 Walton Way Ext #300
Augusta, GA 30909

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 10 - 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, 2024, the City was not involved in any pending or threatened litigation.

NOTE 11 - 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 12 - 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, 2024, the last valuation date, there were 24 participants consisting of the following:

Retired participants and beneficiaries currently receiving benefits	8
Terminated vested participants entitled to but not yet receiving benefits	5
Active participants-vested	4
Active participants-not vested	7
Total number of participants	24

Contributions

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

(Continued)

NOTE 12 - RETIREMENT PLAN (Continued)

For 2024, the City's contribution to the Plan totaled $ 47,941, or 9.07 % of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2023 actuarial valuation.

Net Pension Liability

The City's net pension liability was measured as of March 31, 2024.

Actuarial Assumptions. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024 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	N/A

The methods and assumptions used in the July 1, 2024 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, 2024 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.91%
International equity	20.00%	7.21%
Domestic fixed income	20.00%	1.61%
Real estate	10.00%	3.61%
Global fixed income	5.00%	1.67%
Cash	0.00%	0.00%
Total	100.00%	

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

(Continued)

NOTE 12 - 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, 2024 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at March 31, 2023	$ 803,129	$ 556,970	$ 246,159
Changes for the year:			
Service cost	17,738	-	17,738
Interest	58,269	-	58,269
Differences between expected and actual experience	(37,304)	-	(37,304)
Contributions-employer	-	41,829	(41,829)
Contributions-employee	-	-	-
Net investment income	-	91,408	(91,408)
Benefit payments, including refunds of employee contributions	(61,545)	(61,545)	-
Administrative expense	-	(3,188)	3,188
Other	-	-	-
Net changes	(22,842)	68,504	(91,346)
Balances at March 31, 2024	$ 780,287	$ 625,474	$ 154,813

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	$ 256,872	$ 154,813	$ 71,511

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, 2024 and the current sharing pattern of costs between employer and employee.

(Continued)

NOTE 12 - RETIREMENT PLAN (Continued)

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, 2024, the City recognized pension expense of $ 52,519. The City reported the following deferred outflows of resources related to pensions as of December 31, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 35,955	$ -
Difference between expected and actual experience	35,010	29,844
Net difference between projected and actual earnings on pension plan investments	-	19,367
Total	$ 70,965	$ 49,211

Contributions made subsequent to the measurement date totaling $ 35,955 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, 2025. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,				
	2025	2026	2027	2028	Total
Fiscal Year Outflows					
Demographic	$ 23,840	$ 11,170	$ -	$ -	$ 35,010
Total	$ 23,840	$ 11,170	$ -	$ -	$ 35,010
Fiscal Year Inflows					
Demographic	$ 7,461	$ 7,461	$ 7,461	$ 7,461	$ 29,844
Investment	25,228	(8,711)	(7,385)	10,235	19,367
Total	$ 32,689	$ (1,250)	$ 76	$ 17,696	$ 49,211

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 13 - 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 $ 7,022 or 40%, of the lodging taxes collected for the year ended December 31, 2024 were expended for such purposes. A summary of Hotel/Motel transactions for the year ended December 31, 2024 follows:

	12/31/24	Percentage Expended
Tax percentage rate formally adopted by City	5.00%	
Hotel/Motel taxes collected	$ 17,554	
Expended for promoting tourism, conventions, and trade shows	$ 7,022	40.00%

NOTE 14 - RESTATEMENT OF GOVERNMENTAL ACTIVITIES BEGINNING NET POSITION

Management determined that prior year intergovernmental receivables, related to LOST and TSPLOST, were overstated. In addition, the City reviewed its investments in capital assets and its policy for accounting for leases. The City determined that capital assets no longer in service needed to be removed, certain infrastructure assets previously capitalized should have been expensed, and that application of the provisions of GASB 87 to its leases was immaterial to the government-wide financial statements. Net position of the City's governmental activities was restated as of January 1, 2024 to reflect the overstatement of intergovernmental receivables, the removal of capital assets no longer in service, those that should have been expensed when incurred, and forgoing the application of GASB 87 to its leases based on materiality to the government-wide statements. The City's beginning net position of its governmental activities was restated as follows:

	Governmental Activities
Decrease in net position related to the overstatement of intergovernmental receivables	$ (22,521)
Infrastructure assets deemed to be noncapital	(1,047,872)
Machinery and equipment no longer in service	(187,145)
Accumulated depreciation	628,220
Decrease in net position related to capital assets	(606,797)
Right of use assets-leases	(23,449)
Accumulated amortization	9,533
Leases payable	14,471
Increase in net positon related to GASB 87 leases	555
Net decrease in net position from restatement	$ (628,763)

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 and on July 20, 2022, the City received an additional $ 280,638 from the State of Georgia Governor's Office of Planning and Budget.

(Continued)

NOTE 15 - COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

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, 2024, $ 238,917 of these grant funds had been expended and recognized as earned revenue. Unexpended amounts as of December 31, 2024 totaling $ 322,358 is reported as unearned revenue on the governmental funds Balance Sheet. The remaining funds are to be used to fund the Water Sewer Utility Fund's infrastructure project. The performance period for this award begins with the date received and ends on December 31, 2026.

Fire Truck Purchase

On March 1, 2022, the City Council unanimously approved the purchase of a new fire truck. The fire truck was delivered in January 2025 at a total cost of $ 452,606. The purchase was funded with SPLOST proceeds totaling $ 387,606 and proceeds from an installment note payable totaling $ 65,000.

Water Sewer Infrastructure Grant

On March 7, 2022, the City was awarded an American Rescue Plan Act (ARPA) State Fiscal Recovery Fund Grant, passed through the State of Georgia Governor's Office of Planning and Budget, totaling $ 637,086. Proceeds of this grant will be combined with the remaining local ARPA funds, as noted above, and other local funds to fund the costs of modifications to the City's water treatment plant, water pollution control plant, and extension of water lines on Elberton Hwy. Total cost of the projects were $ 1,234,580 including the Elberton Hwy water line extension portion of the project which was completed and capitalized in a prior year at a cost of $ 335,762. The infrastructure portion of the project was completed in 2025 at a total cost of $ 898,818.

Identification of Existing Lead Service Lines

On May 10, 2024, the City entered into a loan agreement with the Drinking Water State Revolving Fund, administered by the Georgia Environmental Finance Authority (GEFA) to borrow up to $ 351,472. Proceeds of the loan and local funds, totaling $ 29,600, will be used to conduct an inventory to identify existing lead service lines in its drinking water system through investigation activities, such as employee interviews, acquisition of tax records or engineering site plans, predictive and statistical modeling, field investigations, and/or potholing. Total estimated cost of the project is $ 381,072.

The following table summarizes the City's project commitments as of December 31, 2024:

Project Description	Construction In Progress	Remaining Commitment	Total Commitment
ARPA water sewer infrastructure project	$ 491,374	$ 407,444	$ 898,818
GEFA lead service line project	-	381,072	381,072
	$ 491,374	$ 788,516	$ 1,279,890

Subsequent Events

In preparing the financial statements, the City's management has evaluated events and transactions for potential recognition or disclosure through June 9, 2026 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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 17,738	$ 15,967	$ 15,355	$ 14,397	$ 11,769	$ 14,223	$ 15,133	$ 13,692	$ 17,593	$ 9,015
Interest	58,269	54,214	50,043	47,359	45,293	44,860	42,821	46,099	47,481	46,536
Differences between expected and actual experience	(37,304)	44,681	50,680	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	(61,545)	(61,732)	(58,550)	(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	(22,842)	53,130	57,528	35,440	34,686	9,045	29,234	(41,591)	(17,602)	13,376
Total pension liability, beginning	803,129	749,999	692,471	657,031	622,345	613,300	584,066	625,657	643,259	629,883
Total pension liability, ending (a)	780,287	803,129	749,999	692,471	657,031	622,345	613,300	584,066	625,657	643,259
Plan Fiduciary Net Position										
Contributions-employer	41,829	36,122	30,620	24,570	22,782	19,772	23,164	27,105	23,636	21,385
Net investment income	91,408	(42,786)	38,125	202,102	(33,305)	19,168	65,016	62,068	1,143	50,598
Benefit payments, including refunds of employee contributions	(61,545)	(61,732)	(58,550)	(58,550)	(60,420)	(58,785)	(63,076)	(61,673)	(61,203)	(58,846)
Administrative expenses	(3,188)	(3,799)	(3,735)	(3,633)	(4,016)	(3,853)	(3,920)	(4,070)	(2,519)	(2,181)
Net change in fiduciary net position	68,504	(72,195)	6,460	164,489	(74,959)	(23,698)	21,184	23,430	(38,943)	10,956
Plan fiduciary net position, beginning	556,970	629,165	622,705	458,216	533,175	556,873	535,689	512,259	551,202	540,246
Plan fiduciary net position, ending (b)	625,474	556,970	629,165	622,705	458,216	533,175	556,873	535,689	512,259	551,202
Net pension liability, ending (a)-(b)	$ 154,813	$ 246,159	$ 120,834	$ 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	80.16%	69.35%	83.89%	89.93%	69.74%	85.67%	90.80%	91.72%	81.88%	85.69%
Covered employee payroll during the measurement period	$ 528,400	$ 534,487	$ 501,059	$ 430,133	$ 424,034	$ 333,333	$ 346,662	$ 346,227	$ 329,385	$ 370,768
Net pension liability as a percentage of covered payroll	29.30%	46.06%	24.12%	16.22%	46.89%	26.75%	16.28%	13.97%	34.43%	24.83%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 47,941	$ 39,792	$ 34,899	$ 29,193	$ 23,029	$ 22,699	$ 18,797	$ 24,619	$ 27,934	$ 22,203
Contributions in relation to the actuarially determined contribution	47,941	39,792	34,899	29,193	23,029	22,699	18,797	24,619	27,934	22,203
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll during the measurement period	$ 528,400	$ 534,487	$ 501,059	$ 430,133	$ 424,034	$ 333,333	$ 346,662	$ 346,227	$ 329,385	$ 370,768
Contributions as a percentage of covered employee payroll	9.07%	7.44%	6.97%	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, 2024
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

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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, 2024

	Budgetary Basis			Variance With Final Budget Over (Under)
	Original Budget	Amended and Final Budget	Actual	
REVENUES				
Taxes				
Real property tax	$ 301,281	$ 356,149	$ 350,110	$ (6,039)
Motor vehicle taxes	55,420	56,467	56,467	-
Mobile home tax	1,392	491	491	-
Real estate transfer tax	1,004	997	997	-
Franchise tax	109,520	109,222	109,222	-
Local option sales tax	185,822	228,735	228,735	-
Intangible tax	3,500	2,120	2,120	-
Alcoholic beverage tax	36,651	36,665	36,665	-
Occupation tax	13,500	18,098	18,098	-
Insurance premium tax	122,641	141,585	141,585	-
Penalties and interest	-	-	6,745	6,745
Payment in lieu of taxes	2,618	2,618	2,618	-
Total taxes	833,349	953,147	953,853	706
Licenses and Permits				
Alcoholic beverage licenses	5,000	3,500	3,500	-
Building permits	11,000	21,076	21,076	-
Total licenses and permits	16,000	24,576	24,576	-
Intergovernmental				
Federal and State grants	30,767	68,872	68,872	-
Total intergovernmental	30,767	68,872	68,872	-
Charges for Services				
Sanitation fees	369,050	365,347	365,347	-
Total charges for services	369,050	365,347	365,347	-
Fines and Forfeitures				
Municipal court fines	49,631	38,344	38,344	-
Total fines and forfeitures	49,631	38,344	38,344	-
Use of Money and Property				
Interest income	151	208	306	98
Rents	6,000	19,225	19,225	-
Total use of money and property	6,151	19,433	19,531	98
Other				
Miscellaneous	1,950	10,988	11,235	247
Total other	1,950	10,988	11,235	247
Total revenues	1,306,898	1,480,707	1,481,758	1,051

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, 2024

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
EXPENDITURES				
General government				
Council	18,295	18,543	18,543	-
Mayor	4,650	4,000	4,000	-
General administration	306,404	265,546	265,500	(46)
Total general government	329,349	288,089	288,043	(46)
Judicial				
Municipal court	7,276	4,652	4,652	-
Total judicial	7,276	4,652	4,652	-
Public safety				
Police	464,208	487,979	487,979	-
Fire	80,989	65,034	65,034	-
Total public safety	545,197	553,013	553,013	-
Public works				
Streets and sanitation	455,198	506,464	506,464	-
Total public works	455,198	506,464	506,464	-
Community services				
Community center	9,385	7,673	7,673	-
Total community services	9,385	7,673	7,673	-
Housing and development				
Planning and zoning	21,200	24,713	24,713	-
Total housing and development	21,200	24,713	24,713	-
Total expenditures	1,367,605	1,384,604	1,384,558	(46)
Excess (deficiency) of revenues over (under) expenditures	(60,707)	96,103	97,200	1,097
OTHER FINANCING SOURCES (USES)				
Insurance claims	-	19,675	19,675	-
Contingency	-	(204,839)	-	204,839
Transfers in	60,707	89,061	33,365	(55,696)
Total other financing sources (uses)	60,707	(96,103)	53,040	149,143
Change in fund balance	$ -	$ -	$ 150,240	$ 150,240

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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, 2024

	Special Revenue Hotel Motel Tax Fund	Capital Projects TSPLOST Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ -	$ 117,886	$ 117,886
Intergovernmental receivable	-	6,907	6,907
Total assets	$ -	$ 124,793	$ 124,793
LIABILITIES			
Accounts payable	$ -	$ 5,640	$ 5,640
Total liabilities	-	5,640	5,640
FUND BALANCES			
Restricted for:			
Public works	-	119,153	119,153
Unassigned	-	-	-
Total fund balances	-	119,153	119,153
Total liabilities and fund balances	$ -	$ 124,793	$ 124,793

CITY OF LINCOLNTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Special Revenue Hotel Motel Tax Fund	Capital Projects TSPLOST Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ 17,554	$ 70,638	$ 88,192
Interest income	-	388	388
Total revenues	17,554	71,026	88,580
EXPENDITURES			
Current			
Public works	-	54,821	54,821
Housing and development	7,022	-	7,022
Total expenditures	7,022	54,821	61,843
Excess of revenues over expenditures	10,532	16,205	26,737
OTHER FINANCING SOURCES (USES)			
Transfers out	(10,532)	-	(10,532)
Total other financing sources (uses)	(10,532)	-	(10,532)
Net change in fund balances	-	16,205	16,205
Fund balances, beginning of year	-	102,948	102,948
Fund balances, end of year	$ -	$ 119,153	$ 119,153

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, 2024

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 17,971	$ 17,554	$ 17,554	$ -
Interest income	2	-	-	-
Total revenues	17,973	17,554	17,554	-
EXPENDITURES				
Housing and development	7,189	7,022	7,022	-
Total expenditures	7,189	7,022	7,022	-
Excess of revenues over expenditures	10,784	10,532	10,532	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,784)	(10,532)	(10,532)	-
Total other financing sources (uses)	(10,784)	(10,532)	(10,532)	-
Net change in fund balances	$ -	$ -	-	$ -
RECONCILIATION TO GAAP BASIS				
Fund balance, beginning of year			-	
Fund balance, end of year			$ -	

SUPPLEMENTARY SCHEDULES

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2024

Project	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
SPLOST 2017 - 2020						
General government buildings	$ -	$ 10,352	10,352	$ -	$ 10,352	100%
Public safety buildings	-	40,043	40,043	-	40,043	100%
Downtown revitilization/ Water sewer capital	504,575	454,180	491,137	103,830	594,967	131%
	$ 504,575	$ 504,575	$ 541,532	$ 103,830	$ 645,362	
SPLOST 2022 - 2027						
Water sewer infrastructure,	$ -	$ -	$ -	$ -	$ -	
Public works equipment,	-	-	-	-	-	
Downtown development,	-	-	-	-	-	
Public safety equipment,	-	48,983	48,983	-	48,983	100%
Community and recreation projects,	-	-	-	-	-	
and transportation infrastructure	939,487	890,504	17,974	-	17,974	2%
	$ 939,487	$ 939,487	$ 66,957	$ -	$ 66,957	

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF WATER SEWER UTILITY FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Water Activities	Sewer Activities	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
OPERATING REVENUES			
Charges for services	$ 956,503	$ 509,958	$ 1,466,461
Penalties	28,608	-	28,608
Other revenues	2,164	-	2,164
Total operating revenues	987,275	509,958	1,497,233
OPERATING EXPENSES			
Personnel services and benefits	269,405	117,189	386,594
Professional and technical services	18,427	19,975	38,402
Repairs and maintenance	28,716	46,568	75,284
Other purchased services	148,335	121,528	269,863
Supplies & other	132,917	47,303	180,220
Depreciation	147,377	255,245	402,622
Bad debt expense	2,788	2,787	5,575
Total operating expenses	747,965	610,595	1,358,560
Operating income (loss)	239,310	(100,637)	138,673
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	154,800	-	154,800
Interest income	6,472	6,471	12,943
Insurance claim	5,700	5,700	11,400
Interest expense	(108,667)	(43,637)	(152,304)
Total non-operating revenues (expenses)	58,305	(31,466)	26,839
Income (loss) before transfers and capital contributions	297,615	(132,103)	165,512
TRANSFERS OUT	(18,983)	(3,850)	(22,833)
CAPITAL CONTRIBUTIONS	197,914	218,519	416,433
Change in net position	$ 476,546	$ 82,566	$ 559,112

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COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

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

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

We have audited, in accordance with the 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, 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 (the "City"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal controls described in the accompanying Schedule of Findings and Responses as items 2024-001 through 2024-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

City of Lincolnton, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
June 9, 2026

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	_X_ Yes ____ No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes _X_ None Reported
Noncompliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

There was not an audit of major federal programs as of December 31, 2024 due to the total amount expended being less than $750,000.

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2024-001 – Restatement - Proper Recognition of Capital Assets

Criteria: Internal controls should be designed and implemented to ensure that infrastructure additions, improvements, and maintenance costs are properly reviewed, classified, and recorded in accordance with generally accepted accounting principles ("GAAP"). Under GAAP, expenditures that maintain the asset in its normally expected operating condition (repairs and maintenance) must be expensed in the period incurred, whereas expenditures that extend the useful life or increase the capacity of the asset may be capitalized.

Condition: During our audit procedures, we identified that certain routine maintenance and repair costs were improperly capitalized within the City's fixed asset system as infrastructure improvements in the government-wide financial statements. The underlying transactions consisted of basic repairs rather than capitalizable enhancements. As a result, infrastructure assets and net position were overstated.

Context: The matter was discussed with City management. Adjustments were required to correct the overstatement at the government-wide financial statement level.

Effects: A prior period restatement was necessary to correct the error in previously issued financial statements: an adjustment to decrease infrastructure by $1,047,872, decrease accumulated depreciation by $441,075, and decrease beginning net position by $606,797.

Cause: The error resulted from insufficient review and tracking procedures within the public works and accounting departments. Specifically, controls were not adequately designed to differentiate between routine infrastructure repairs and capitalizable major improvements before they were entered into the capital asset subsidiary ledger. This lack of rigorous supervisory evaluation allowed operational maintenance expenses to be mistakenly capitalized.

Recommendation: We recommend the City strengthen its capital asset review and reconciliation procedures, particularly regarding the classification of public works and infrastructure projects. Specifically, management should:

- Establish a formal, clear dollar threshold and criteria checklist to evaluate whether infrastructure expenditures represent owned capital additions or standard repairs and maintenance.
- Perform a detailed year-end reconciliation between capital outlay expense accounts and the capital asset subsidiary ledger to review the nature of all capitalized projects.
- Document supervisory review and engineering/public works sign-off on infrastructure asset additions and classifications.

These procedures will help ensure assets are recorded once, properly classified, and in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action: The City concurs with the finding. Management has corrected the error and will enhance review procedures over capital asset additions and lease accounting entries to ensure compliance with GAAP and prevent recurrence.

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2024-002 – Noncompliance and Internal Controls Over ARPA Grant Accounting (Proprietary Fund Level)

Criteria: Effective internal control over financial reporting requires that transactions be recorded in accordance with legal and regulatory mandates, as well as GAAP. Under state law, American Rescue Plan Act ("ARPA") funds must be accounted for within a separate, restricted special revenue fund to ensure transparent tracking, reporting, and statutory compliance.

Condition: During our audit procedures at the proprietary fund level (Water & Sewer Fund), we identified compliance and accounting deficiencies regarding federal grant tracking. Specifically, the City commingled ARPA grant revenues and corresponding infrastructure expenditures directly within the Water & Sewer operating fund rather than utilizing a distinct special revenue fund as required by state law.

Context: Timely compliance and proper fund segregation are fundamental to reliable financial reporting and legal accountability. The absence of separate fund accounting for restricted federal allocations resulted in a violation of state legal provisions and required material audit reclassifications to isolate the grant activity.

Effects: Failure to segregate ARPA activity into a dedicated special revenue fund increases the risk of regulatory noncompliance and material misstatement. Specifically:

- The Water & Sewer Fund's operating revenues and expenses were distorted, providing an inaccurate reflection of the fund's self-supporting operational performance.
- The City faces an increased risk of federal or state sanction, including the potential recovery of funds, due to improper tracking mechanisms under state law.
- Financial statements required complex year-end adjusting entries to extract grant activity for proper presentation.

Cause: The condition resulted from insufficient oversight and a lack of familiarity with state-mandated fund structures for federal relief programs. Formalized grant management procedures were not consistently performed to ensure that restricted ARPA allocations were assigned to a unique fund prior to execution and recording.

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2024-002 – Noncompliance and Internal Controls Over ARPA Grant Accounting (Proprietary Fund Level) (Continued)

Recommendation: We recommend the Water & Sewer Department and the City finance office strengthen grant accounting controls by implementing structured compliance procedures, including:

- Establishing a dedicated special revenue fund immediately for all current and future ARPA project allocations to comply with state law.
- Performing routine monthly reconciliations of grant-funded project expenditures back to specific, authorized grant agreements.
- Implementing a documented supervisory review of all new grant awards to ensure proper fund setup before transactions occur.

Establishing routine compliance checkpoints throughout the fiscal year will reduce the risk of regulatory violations and minimize reliance on complex audit adjustments at year-end.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the finding.

2024-003 – Restatement – Management of Intergovernmental Receivables and Revenue

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. As a part of these processes, the City should review all revenue transactions to determine reporting in the proper period.

Condition: The City did not properly adjust receivables and related balances in the various funds as of December 31, 2023.

Context: The matter was discussed with City management. Adjustments were required to correct the overstatement at the government-wide financial statement level.

Effects: A prior period restatement was necessary to correct the error in previously issued financial statements: an adjustment to decrease intergovernmental receivables and decrease beginning net position by $22,521.

Cause: Management oversight.

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2024-003 – Restatement – Management of Intergovernmental Receivables and Revenue (Continued)

Recommendation: We recommend that the City strengthen its control over its intergovernmental receivables and related balances to ensure balances are properly stated at year-end.

Views of Responsible Officials and Planned Corrective Action: The City concurs with the finding. Management has corrected the error and will enhance review procedures intergovernmental receivables and revenues to ensure compliance with GAAP and prevent recurrence.