CITY OF LINCOLNTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

CITY OF LINCOLNTON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2025

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet – Governmental Funds	8
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund	12
Statement of Fund Net Position – Proprietary Funds	13
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15-16
Notes to Financial Statements	18-40
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net Pension Liability and Related Ratios – Retirement Plan	42
Schedule of Contributions – Retirement Plan	43
INDIVIDUAL AND COMBINING FUND STATEMENTS	
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund by Object	48-49
Nonmajor Governmental Funds	
Combining Balance Sheet	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	53
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (Budgetary Basis) and Actual – Hotel Motel Tax Fund	54

CITY OF LINCOLNTON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2025

TABLE OF CONTENTS

	PAGE
OTHER SUPPLEMENTARY INFORMATION	
Special Purpose Local Option Sales Tax	
Schedule of Special Purpose Local Option Sales Tax	56
Water Sewer Utility Fund Activities	
Schedule of Water Sewer Utility Fund Activities	57
COMPLIANCE SECTION	
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*	60-61
Schedule of Findings and Responses	62-63
Schedule of Prior Year Findings	64

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, 2025, 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, 2025, 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 September 3, 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
September 3, 2026

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLNTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,225,891	$ 170,712	$ 1,396,603
Investments	7,246	-	7,246
Restricted cash and cash equivalents	-	85,878	85,878
Restricted investments	-	300,208	300,208
Receivables			
Taxes-net	45,566	-	45,566
Accounts-net	-	196,463	196,463
Interest	24	-	24
Intergovernmental	56,722	35,290	92,012
Internal balances	81,719	(81,719)	-
Capital assets net of accumulated depreciation			
Land	158,526	105,454	263,980
Buildings and improvements	248,775	11,149	259,924
Machinery and equipment	580,811	14,590,640	15,171,451
Infrastructure	899,738	-	899,738
Construction in progress	-	138,199	138,199
Total assets	3,305,018	15,552,274	18,857,292
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	89,824	60,286	150,110
LIABILITIES			
Accounts payable	23,585	27,606	51,191
Accrued liabilities	975	297	1,272
Customer deposits	-	81,718	81,718
Intergovernmental	617	-	617
Accrued interest payable	-	5,112	5,112
Noncurrent liabilities			
Due within one year	23,019	294,872	317,891
Due in more than one year	51,925	5,467,729	5,519,654
Net pension liability	164,014	104,504	268,518
Total liabilities	264,135	5,981,838	6,245,973
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	13,057	9,326	22,383
NET POSITION			
Net investment in capital assets	1,812,906	9,072,103	10,885,009
Restricted for:			
Public works	841,545	84,934	926,479
Debt service	-	301,152	301,152
Unrestricted	463,199	163,207	626,406
Total net position	$ 3,117,650	$ 9,621,396	$ 12,739,046

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, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 388,968	$ -	$ 104,750	$ -	$ (284,218)	$ -	$ (284,218)
Judicial	5,872	31,457	-	-	25,585	-	25,585
Public safety	578,300	9,310	12,481	-	(556,509)	-	(556,509)
Public works	557,407	312,903	-	687,600	443,096	-	443,096
Housing and development	31,646	17,138	-	-	(14,508)	-	(14,508)
Community services	10,373	17,948	-	-	7,575	-	7,575
Interest on long-term debt	4,620	-	-	-	(4,620)	-	(4,620)
Total governmental activities	1,577,186	388,756	117,231	687,600	(383,599)	-	(383,599)
Business-type activities:							
Water Sewer Utility Fund	1,555,219	1,526,776	188,280	-	-	159,837	159,837
Total business-type activities	1,555,219	1,526,776	188,280	-	-	159,837	159,837
Total primary government	$ 3,132,405	$ 1,915,532	$ 305,511	$ 687,600	(383,599)	159,837	(223,762)
General revenues							
Property taxes					343,653	-	343,653
Motor vehicle title advalorem taxes					68,481	-	68,481
Mobile home taxes					573	-	573
Payment in lieu of taxes					2,618	-	2,618
Sales taxes					329,779	-	329,779
Franchise taxes					126,035	-	126,035
Insurance premium taxes					161,219	-	161,219
Hotel Motel taxes					19,399	-	19,399
Alcoholic beverage taxes					33,528	-	33,528
Occupation taxes					16,925	-	16,925
Intangible taxes					3,836	-	3,836
Transfer taxes					1,679	-	1,679
Interest income					1,047	11,231	12,278
Other revenues					9,411	-	9,411
Transfers					(419,235)	419,235	-
Total general revenues and transfers					698,948	430,466	1,129,414
Change in net position					315,349	590,303	905,652
Net position, beginning of year					2,802,301	9,031,093	11,833,394
Net position, end of year					$ 3,117,650	$ 9,621,396	$ 12,739,046

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

CITY OF LINCOLNTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	ARPA Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 406,621	$ -	$ 636,229	$ 183,041	$ 1,225,891
Investments	7,246	-	-	-	7,246
Receivables (net of allowance for uncollectibles)					
Taxes	45,566	-	-	-	45,566
Interest	24	-	-	-	24
Intergovernmental receivables	31,627	-	18,462	6,633	56,722
Interfund receivables	81,719	-	-	-	81,719
Total assets	$ 572,803	$ -	$ 654,691	$ 189,674	$ 1,417,168
LIABILITIES					
Accounts payable	$ 20,765	$ -	$ -	$ 2,820	$ 23,585
Accrued liabilities	975	-	-	-	975
Intergovernmental payables	617	-	-	-	617
Total liabilities	22,357	-	-	2,820	25,177
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	23,683	-	-	-	23,683
Total deferred inflows of resources	23,683	-	-	-	23,683
FUND BALANCES					
Restricted for:					
Public works	-	-	654,691	186,854	841,545
Unassigned	526,763	-	-	-	526,763
Total fund balances	526,763	-	654,691	186,854	1,368,308
Total liabilities, deferred inflows of resources, and fund balances	$ 572,803	$ -	$ 654,691	$ 189,674	$ 1,417,168

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, 2025

Total fund balances - governmental funds	$	1,368,308
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		1,239,569
Infrastructure		2,443,535
Accumulated depreciation		(2,982,549)
Total capital assets - governmental activities		1,887,850
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 unavailable in the funds. These revenues consist of:		
Property taxes		23,683
Total unavailable revenues		23,683
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		89,824
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		(74,944)
Net pension liability		(164,014)
Total liabilities		(238,958)
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		(13,057)
Net position of governmental activities	$	3,117,650

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, 2025

	General Fund	ARPA Fund	SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 999,617	$ -	$ -	$ 92,730	$ 1,092,347
Licenses and permits	43,373	-	-	-	43,373
Intergovernmental	119,849	482,188	205,154	-	807,191
Charges for services	312,903	-	-	-	312,903
Fines and forfeitures	31,457	-	-	-	31,457
Interest income	605	-	258	442	1,305
Rents	17,948	-	-	-	17,948
Other	9,411	-	-	-	9,411
Total revenues	1,535,163	482,188	205,412	93,172	2,315,935
EXPENDITURES					
Current					
General government	294,587	-	-	-	294,587
Judicial	5,872	-	-	-	5,872
Public safety	594,819	-	-	-	594,819
Public works	548,240	-	-	6,072	554,312
Community services	10,373	-	-	-	10,373
Housing and development	23,886	-	-	7,760	31,646
Debt service					
Principal	20,924	-	-	-	20,924
Interest	4,620	-	-	-	4,620
Capital outlay					
Public safety	-	-	387,606	-	387,606
Public works	-	407,444	35,235	-	442,679
Total expenditures	1,503,321	407,444	422,841	13,832	2,347,438
Excess (deficiency) of revenues over (under) expenditures	31,842	74,744	(217,429)	79,340	(31,503)
OTHER FINANCING SOURCES (USES)					
Proceeds from note payable	65,065	-	-	-	65,065
Transfers in	35,083	-	74,744	-	109,827
Transfers out	-	(74,744)	-	(11,639)	(86,383)
Total other financing sources (uses)	100,148	(74,744)	74,744	(11,639)	88,509
Net change in fund balances	131,990	-	(142,685)	67,701	57,006
Fund balances, beginning of year	394,773	-	797,376	119,153	1,311,302
Fund balances, end of year	$ 526,763	$ -	$ 654,691	$ 186,854	$ 1,368,308

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, 2025

Net change in fund balances - total governmental funds		$ 57,006
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	945,894	
Depreciation expense	(192,056)	
Capital assets transferred to Water Sewer Utility Fund	(442,679)	
Excess of capital outlay over depreciation expense and capital asset transfers		311,159
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:		
Unearned property tax revenues decreased by this amount in 2025		(4,165)
Net change in revenues not providing current financial resources		(4,165)
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:		
Proceeds from note payable	(65,065)	
Principal payments on long-term debt	20,924	
Net increase in long-term debt		(44,141)
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 2025		(4,510)
Net change in expenses not requiring the use of current financial resources		(4,510)
Change in net position of governmental activities		$ 315,349

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, 2025

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 895,050	$ 1,004,398	$ 1,004,398	$ -
Licenses and permits	17,000	26,448	26,448	-
Intergovernmental	31,253	117,231	117,231	-
Charges for services	450,047	365,602	365,602	-
Fines and forfeitures	35,631	31,457	31,457	-
Use of money and property	15,160	18,452	18,553	101
Other	1,950	9,347	9,411	64
Total revenues	1,446,091	1,572,935	1,573,100	165
EXPENDITURES				
Current				
General government	367,771	319,944	319,944	-
Judicial	7,244	5,872	5,872	-
Public safety	581,571	629,705	629,705	-
Public works	504,930	583,930	583,930	-
Community services	9,541	10,426	10,426	-
Housing and development	25,984	24,093	24,093	-
Total expenditures	1,497,041	1,573,970	1,573,970	-
Deficiency of revenues under expenditures	(50,950)	(1,035)	(870)	165
OTHER FINANCING SOURCES (USES)				
Proceeds from direct borrowing	-	65,000	65,000	-
Contingency	(5,092)	(90,604)	-	90,604
Transfers in	56,042	26,639	36,678	10,039
Total other financing sources (uses)	50,950	1,035	101,678	100,643
Change in fund balance	$ -	$ -	100,808	$ 100,808
RECONCILIATION TO GAAP BASIS				
To record effect of changes in receivables and other assets and payables and other liabilities				
Receivables and other assets			(18,658)	
Payables and other liabilities			49,840	
Total reconciliation to GAAP basis			31,182	
Fund balance, beginning of year			394,773	
Fund balance, end of year			$ 526,763	

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, 2025

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 170,712
Restricted cash and cash equivalents	85,878
Restricted investments	300,208
Accounts receivable-net	196,463
Intergovernmental receivables	35,290
Total current assets	788,551
Noncurrent assets	
Capital assets	
Land	105,454
Buildings and improvements	40,135
Machinery and equipment	21,732,173
Construction in progress	138,199
Less accumulated depreciation	(7,170,519)
Total capital assets (net of accumulated depreciation)	14,845,442
Total noncurrent assets	14,845,442
Total assets	15,633,993
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension plan	60,286
Total assets and deferred outflows of resources	15,694,279
LIABILITIES	
Current liabilities	
Accounts payable	27,606
Accrued liabilities	297
Customer deposits	81,718
Interfund payables	81,719
Current portion of notes payable	60,704
Current liabilities payable from restricted assets	
Accrued interest payable	5,112
Current portion of revenue bonds payable	234,168
Total current liabilities	491,324
Noncurrent liabilities	
Notes payable	835,290
Revenue bonds payable	4,572,771
Construction loan advances	59,668
Net pension liability	104,504
Total noncurrent liabilities	5,572,233
Total liabilities	6,063,557
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	9,326
Total liabilities and deferred inflows of resources	6,072,883
NET POSITION	
Net investment in capital assets	9,072,103
Restricted for public works	84,934
Restricted for debt service	301,152
Unrestricted	163,207
Total net position	$ 9,621,396

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, 2025

	Business-type Activities- Enterprise Fund Water Sewer Utility Fund
OPERATING REVENUES	
Charges for services	$ 1,493,610
Penalties	24,629
Other revenues	8,537
Total operating revenues	1,526,776
OPERATING EXPENSES	
Personnel services and benefits	382,540
Professional and technical services	57,544
Repairs and maintenance	116,796
Other purchased services	310,394
Supplies	113,246
Depreciation	424,009
Bad debt expense	10,612
Total operating expenses	1,415,141
Operating income	111,635
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental	188,280
Interest income	11,231
Insurance claims	-
Interest expense	(140,078)
Total non-operating revenues net	59,433
Income before transfers out and capital contributions	171,068
TRANSFERS OUT	(23,444)
CAPITAL CONTRIBUTIONS	442,679
Change in net position	590,303
Net position, beginning of year	9,031,093
Net position, end of year	$ 9,621,396

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, 2025

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,457,530
Payments to suppliers and others	(632,160)
Payments to employees	(388,883)
Net cash provided by operating activities	436,487
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues	109,749
Net cash provided by noncapital financing activities	109,749
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from construction loan advances	127,463
Purchase and construction of capital assets	(143,376)
Principal payments on notes payable and bonds payable	(287,594)
Interest paid	(140,537)
Net cash used by capital and related financing activities	(444,044)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	248
Net cash provided by investing activities	248
Net increase in cash and cash equivalents	102,440
Cash and cash equivalents, beginning of year	154,150
Cash and cash equivalents, end of year	$ 256,590
CASH PER STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 170,712
Restricted cash and cash equivalents	85,878
	$ 256,590

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, 2025

	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 111,635
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	424,009
Other pension related charges	3,222
(Increase) decrease in current assets	
Accounts receivable	909
Intergovernmental receivables	(10,386)
Increase (decrease) in current liabilities	
Accounts payable	(34,180)
Accrued liabilities	(9,565)
Customer deposits	3,543
Interfund payables	(52,700)
Total adjustments	324,852
Net cash provided by operating activities	$ 436,487
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital asset purchases funded with ARPA proceeds	$ 407,444
Capital asset purchases funded with SPLOST proceeds	35,235
Georgia Environmental Finance Authority loan forgiveness	78,531
	$ 521,210

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, 2025.

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 2025 budgets were approved by the City Council on December 3, 2024. A budget was not adopted for the ARPA Fund.

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 2025 budgets were approved and made on March 3, 2026.

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, 2025.

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 on 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 outflows 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 $ 10,204 more than budgeted amounts and total expenditures and other financing uses (budgetary basis) were $ 90,604 less than amounts appropriated resulting in a net budgeted increase in fund balance of $ 100,808. No department exceeded its budgeted expenditures for the year ended December 31, 2025.

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 in previous years. For the year ended December 31, 2025, the Water Sewer Utility Fund is reporting a positive balance in unrestricted net position of $ 163,207.

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 $ 1,789,935 and the bank balance was $ 1,813,263 at December 31, 2025. 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, 2025 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		1,313,263
Total bank balance	$	1,813,263

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 $ 7,246 and $ 300,208 at December 31, 2025, 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 $ 7,246 and a stated interest rate of 1.40% that matures on October 6, 2027 and one with a principal balance of $ 300,208 and a stated interest rate of 3.50% that matures on February 28, 2026.

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, 2025, the City had one single-issue investment representing 98% of total investments.

NOTE 4 - PROPERTY TAXES

Property taxes were levied on October 1, 2025 and were due on December 20, 2025. 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 2025 tax levy follows:

2025 millage rate		6.624
Taxable digest	$	51,684,981
Gross tax levy	$	542,251
Less sales tax rollback		(216,605)
Net property taxes	$	325,646
Property taxes receivable	$	47,729
Less allowance for uncollectible amounts		(2,163)
Net property taxes receivable	$	45,566
Unavailable property tax revenue	$	23,683

NOTE 5 - CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2025, was as follows:

	Balance 12/31/24	Additions	Deletions	Transfers In (Out)	Balance 12/31/25
Governmental Activities					
Capital assets not being depreciated					
Land	$ 158,526	$ -	$ -	$ -	$ 158,526
Construction in progress	-	442,679	-	(442,679)	-
Total capital assets not being depreciated	158,526	442,679	-	(442,679)	158,526
Capital assets being depreciated					
Buildings and improvements	1,028,769	-	-	-	1,028,769
Machinery and equipment	736,354	503,215	-	-	1,239,569
Infrastructure	2,443,535	-	-	-	2,443,535
Total capital assets being depreciated	4,208,658	503,215	-	-	4,711,873
Less accumulated depreciation					
Buildings and improvements	(758,303)	(21,691)	-	-	(779,994)
Machinery and equipment	(586,134)	(72,624)	-	-	(658,758)
Infrastructure	(1,446,056)	(97,741)	-	-	(1,543,797)
Total accumulated depreciation	(2,790,493)	(192,056)	-	-	(2,982,549)
Net capital assets being depreciated	1,418,165	311,159	-	-	1,729,324
Governmental activities capital assets-net	$ 1,576,691	$ 753,838	$ -	$ (442,679)	$ 1,887,850

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, 2025 was charged to governmental functions as follows:

	12/31/25
General government	$ 119,901
Public safety	69,060
Public works	3,095
Current year depreciation expense	$ 192,056

(Continued)

NOTE 5 - CAPITAL ASSETS (Continued)

Business-type capital asset activity for the year ended December 31, 2025, was as follows:

	Balance 12/31/24	Additions	Deletions	Transfers In (Out)	Balance 12/31/25
Business-type Activities					
Capital assets not being depreciated					
Land	$ 105,454	$ -	$ -	$ -	$ 105,454
Construction in progress	491,374	138,199	-	(491,374)	138,199
Total capital assets not being depreciated	596,828	138,199	-	(491,374)	243,653
Capital assets being depreciated					
Buildings and improvements	40,135	-	-	-	40,135
Machinery and equipment	20,782,207	15,913	-	934,053	21,732,173
Total capital assets being depreciated	20,822,342	15,913	-	934,053	21,772,308
Less accumulated depreciation					
Buildings and improvements	(28,183)	(803)	-	-	(28,986)
Machinery and equipment	(6,718,327)	(423,206)	-	-	(7,141,533)
Total accumulated depreciation	(6,746,510)	(424,009)	-	-	(7,170,519)
Net capital assets being depreciated	14,075,832	(408,096)	-	934,053	14,601,789
Business-type activities capital assets-net	$ 14,672,660	$ (269,897)	$ -	$ 442,679	$ 14,845,442

Depreciation expense on capital assets of the business-type activities was $ 424,009 for the year ended December 31, 2025.

NOTE 6 - LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2025:

	Balance 12/31/24	Increases	Decreases	Balance 12/31/25	Due within One Year
Governmental Activities					
Direct borrowings and direct placements					
Notes payable	$ 30,803	$ 65,065	$ (20,924)	$ 74,944	$ 23,019
Total direct borrowings and direct placements	30,803	65,065	(20,924)	74,944	23,019
Other long-term liabilities					
Net pension liability	97,686	66,328	-	164,014	-
Total other long-term liabilities	97,686	66,328	-	164,014	-
Governmental activities long-term liabilities	$ 128,489	$ 131,393	$ (20,924)	$ 238,958	$ 23,019

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

	Balance 12/31/24	Increases	Decreases	Balance 12/31/25	Due within One Year
Business-type Activities					
Direct borrowings and direct placements					
Notes payable	$ 956,088	$ -	$ (60,094)	$ 895,994	$ 60,704
Construction loan advance	-	138,199	(78,531)	59,668	-
Revenue bonds payable	5,034,439	-	(227,500)	4,806,939	234,168
Total direct borrowings and direct placements and revenue bonds payable	5,990,527	138,199	(366,125)	5,762,601	294,872
Other long-term liabilities					
Net pension liability	57,127	47,377	-	104,504	-
Total other long-term liabilities	57,127	47,377	-	104,504	-
Business type activities long-term liabilities	$ 6,047,654	$ 185,576	$ (366,125)	$ 5,867,105	$ 294,872

There was no short-term borrowing during the year ended December 31, 2025.

The following summarizes long-term debt outstanding at December 31, 2025:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Direct borrowings and placements					
Note payable, FS Bank	$ 51,540	4.700%	2027	$ 20,421	$ 10,887
Note payable, F&M Bank	65,065	6.000%	2030	54,523	12,132
Total direct borrowings and placements	116,605			74,944	23,019
Total-governmental activities	$ 116,605			$ 74,944	$ 23,019
Business-type Activities					
Direct borrowings and placements					
Note payable, GEFA DWSRF 05-005	$ 410,000	0.000%	2028	$ 64,917	$ 20,500
Note payable, GEFA DW2019015	906,437	1.530%	2044	831,077	40,204
Construction loan advances, GEFA	138,199	2.780%	Interest only	59,668	-
Revenue bonds payable					
Bonds payable, USDA Series 2017A	3,840,000	3.200%	2037	2,545,488	181,386
Bonds payable, USDA Series 2017B	1,724,000	2.125%	2057	1,478,956	33,033
Bonds payable, USDA Series 2017C	934,000	1.375%	2057	782,495	19,749
Total-business-type activities	$ 7,952,636			$ 5,762,601	$ 294,872

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

Debt service requirements on long-term debt as of December 31, 2025 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
2026	$ 23,019	$ 3,719	$ 60,704	$ 12,434	$ 234,168	$ 120,553
2027	22,425	2,433	61,323	11,815	241,040	113,680
2028	13,693	1,421	61,952	11,186	248,012	106,709
2029	14,554	560	45,508	10,547	255,421	99,300
2030	1,253	6	42,739	9,899	262,945	91,776
2031 thru 2035	-	-	223,779	39,410	1,435,792	337,811
2036 thru 2040	-	-	241,558	21,631	771,725	156,239
2041 thru 2045	-	-	158,431	3,867	361,718	110,902
2046 thru 2050	-	-	-	-	397,146	75,474
2051 thru 2055	-	-	-	-	436,181	36,439
2056 thru 2057	-	-	-	-	162,791	2,809
	$ 74,944	$ 8,139	$ 895,994	$ 120,789	$ 4,806,939	$ 1,251,692

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.

F&M Bank - On January 9, 2025 the City issued a note payable to F&M Bank totaling $ 65,065 to be used as partial funding for the purchase of a fire truck. Repayment terms require 60 monthly payments of $ 1,259, including principal and interest at 6.00%. The initial payment was due February 5, 2025 with the final payment being due January 5, 2030. The note payable is collateralized with the fire truck.

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.

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

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.

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, 2025 is as follows:

				Fixed Charges Coverage Ratio
Income available for fixed charges	$	546,875	=	1.28
Fixed charges	$	427,672		

Revenue Bonds Payable

Advance Refunding of Bonds Payable

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

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

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

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

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

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

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

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

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

Bond Covenants

The 2017 Bond Ordinance (the 'Ordinance") requires several funds and accounts to facilitate the operation of the system and provide for servicing the bond obligation. The Revenue Fund is used as the depository for all revenues derived from the ownership and operation of the system. Costs of operating, maintaining and repairing the system are paid from the Revenue Fund. A Sinking Fund consisting of two accounts designated the "Debt Service Account" and "Reserve Account" is maintained to provide for payment of the principal and interest of the bonds. A monthly deposit is made to the Debt Service Account in amounts sufficient to fully fund the next ensuing payment of principal and interest. As of December 31, 2025, 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, 2025, the required balance to be deposited into the Reserve Account was $ 291,604, whereas the actual deposits held in the Reserve Account totaled $ 301,152.

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, 2025, the required balance to be deposited into the Short-Lived Asset Account was $ 84,934, whereas the actual deposits held in the Short-Lived Asset Account totaled $ 84,934.

Compliance With Bond Covenants

As of December 31, 2025, total sinking fund requirements, for all bonds issued, was $ 376,538, whereas cash deposits held in accounts restricted by the Ordinance totaled $ 386,086. As of December 31, 2025, the City's debt service sinking funds were overfunded by $ 9,548.

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

Construction Loan Advances

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 finance the costs of conducting an inventory to identify existing lead service lines in its drinking water system. The total loan amount of $ 351,472 plus local funding of $ 29,600 will fund the total estimated cost of $ 381,072. Principal advances are made as costs are incurred and the project progresses. Total advances made during the year ended December 31, 2025 totaled $ 138,199, and principal in the amount of $ 78,531 was forgiven.

The unpaid principal amount of this loan bears interest at a rate of 2.78%. Accrued interest is payable monthly on the first day of each calendar month until the first day of the calendar month following the earlier of (1) the completion date, (2) February 1, 2025, of (3) the date that the loan is fully disbursed (the "Amortization Commencement Date"). Principal and interest payments shall be made in 239 consecutive monthly installments equal to the installment amount, commencing on the first day of the calendar month following the Amortization Commencement Date, and continuing to be due on the first day of each succeeding calendar month thereafter, together with a final installment equal to the entire remaining unpaid principal balance and all accrued interest on this note, which shall be due and payable on the date that is 20 years from the Amortization Commencement Date (the "Maturity Date"). As of December 31, 2025, construction loan advances totaled $ 59,668 and are reported as noncurrent liabilities - construction loan advances in the Statements of Fund Net Position-Proprietary Fund.

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

Interfund Receivables and Payables

Interfund receivables and payables as of December 31, 2025 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water Sewer Utility Fund	$ 81,719

The Water Sewer Utility Fund bills and collects charges for sanitation services, which are accounted for in the City's General Fund. $ 58,275 due from the Water Sewer Utility Fund represents collections on 2025 sanitation fees and unbilled service revenues that have not been remitted to the General Fund as of December 31, 2025, whereas $ 23,444 represents an outstanding check for reimbursement of administrative and grounds maintenance costs.

(Continued)

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

Interfund Transfers

Interfund transfers made during the year ended December 31, 2025 were as follows:

Transfers Out	Transfers In	
	General Fund	SPLOST Fund
ARPA Fund	$ -	$ 74,744
Hotel Motel Tax Fund	11,639	-
Water Sewer Utility Fund	23,444	-
	$ 35,083	$ 74,744

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 $ 23,444 for the year ended December 31, 2025.

The Hotel Motel Tax Fund transferred $ 11,639 to the General Fund that was used by the General Fund for operating expenses.

The ARPA Fund reimbursed the SPLOST Fund $ 74,744 for costs associated with the water sewer infrastructure project. These costs were originally paid for with SPLOST proceeds in prior years.

Contributions to Capital

Contributions to capital for the year ended December 31, 2025 were as follows:

Capital Outlay	Contributions to Capital Water Sewer Utility Fund
ARPA Fund	$ 407,444
SPLOST Fund	35,235
	$ 442,679

The ARPA Fund and SPLOST Fund expended $ 407,444 and $ 35,235, respectively to fund construction projects of 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, 2025 are as follows:

	Governmental Activities	Business-type Activities
Net investment in capital assets		
Primary government	$ 1,887,850	$ 14,845,442
Less notes payable	(74,944)	(895,994)
Less revenue bonds payable	-	(4,806,939)
Less construction loan advances	-	(59,668)
Less construction payables	-	(10,738)
Total net investment in capital assets	$ 1,812,906	$ 9,072,103
Restricted for:		
Public works		
SPLOST Fund	$ 654,691	$ -
TSPLOST Fund	186,854	-
Water Sewer Utility Fund	-	84,934
Total public works	$ 841,545	$ 84,934
Debt service		$ 301,152
Total debt service		$ 301,152

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, 2025, 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, 2025, 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, 2025, 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	6
Active participants-not vested	5
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 2025, the City's contribution to the Plan totaled $ 40,507, or 6.93 % of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2024 actuarial valuation.

Net Pension Liability

The City's net pension liability was measured as of March 31, 2025.

Actuarial Assumptions. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025 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, 2025 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, 2025 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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.60%
International equity	20.00%	7.03%
Domestic fixed income	20.00%	2.70%
Real estate	10.00%	3.40%
Global fixed income	5.00%	3.70%
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, 2025 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at March 31, 2024	$ 780,287	$ 625,474	$ 154,813
Changes for the year:			
Service cost	16,559	-	16,559
Interest	56,508	-	56,508
Differences between expected and actual experience	115,340	-	115,340
Contributions-employer	-	46,083	(46,083)
Net investment income	-	32,395	(32,395)
Benefit payments, including refunds of employee contributions	(61,273)	(61,273)	-
Administrative expense	-	(3,776)	3,776
Net changes	127,134	13,429	113,705
Balances at March 31, 2025	$ 907,421	$ 638,903	$ 268,518

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	$ 386,500	$ 268,518	$ 171,953

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, 2025 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, 2025, the City recognized pension expense of $ 48,239. The City reported the following deferred outflows and inflows of resources related to pensions as of December 31, 2025:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 30,379	$ -
Difference between expected and actual experience	103,442	22,383
Net difference between projected and actual earnings on pension plan investments	16,289	-
Total	$ 150,110	$ 22,383

Contributions made subsequent to the measurement date totaling $ 30,379 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, 2026. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,				
	2026	2027	2028	2029	Total
Fiscal Year Outflows					
Demographic	$ 34,238	$ 23,068	$ 23,068	$ 23,068	$ 103,442
Investment	11,318	9,992	(7,628)	2,607	16,289
Total	$ 45,556	$ 33,060	$ 15,440	$ 25,675	$ 119,731
Fiscal Year Inflows					
Demographic	$ 7,461	$ 7,461	$ 7,461	$ -	$ 22,383
Total	$ 7,461	$ 7,461	$ 7,461	$ -	$ 22,383

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 $ 7,760 or 40%, of the lodging taxes collected for the year ended December 31, 2025 were expended for such purposes. A summary of Hotel/Motel transactions for the year ended December 31, 2025 follows:

	12/31/25	Percentage Expended
Tax percentage rate formally adopted by City	5.00%	
Hotel/Motel taxes collected	$ 19,399	
Expended for promoting tourism, conventions, and trade shows	$ 7,760	40.00%

NOTE 14 - COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

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, 2025:

Project Description	Construction In Progress	Remaining Commitment	Total Commitment
GEFA lead service line project	$ 138,199	$ 242,873	$ 381,072
	$ 138,199	$ 242,873	$ 381,072

Subsequent Events

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	$ 16,559	$ 17,738	$ 15,967	$ 15,355	$ 14,397	$ 11,769	$ 14,223	$ 15,133	$ 13,692	$ 17,593
Interest	56,508	58,269	54,214	50,043	47,359	45,293	44,860	42,821	46,099	47,481
Differences between expected and actual experience	115,340	(37,304)	44,681	50,680	32,234	19,866	8,747	24,850	(39,709)	(21,473)
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(61,273)	(61,545)	(61,732)	(58,550)	(58,550)	(60,420)	(58,785)	(63,076)	(61,673)	(61,203)
Other	-	-	-	-	-	18,178	-	9,506	-	-
Net change in total pension liability	127,134	(22,842)	53,130	57,528	35,440	34,686	9,045	29,234	(41,591)	(17,602)
Total pension liability, beginning	780,287	803,129	749,999	692,471	657,031	622,345	613,300	584,066	625,657	643,259
Total pension liability, ending (a)	907,421	780,287	803,129	749,999	692,471	657,031	622,345	613,300	584,066	625,657
Plan Fiduciary Net Position										
Contributions-employer	46,083	41,829	36,122	30,620	24,570	22,782	19,772	23,164	27,105	23,636
Net investment income	32,395	91,408	(42,786)	38,125	202,102	(33,305)	19,168	65,016	62,068	1,143
Benefit payments, including refunds of employee contributions	(61,273)	(61,545)	(61,732)	(58,550)	(58,550)	(60,420)	(58,785)	(63,076)	(61,673)	(61,203)
Administrative expenses	(3,776)	(3,188)	(3,799)	(3,735)	(3,633)	(4,016)	(3,853)	(3,920)	(4,070)	(2,519)
Net change in fiduciary net position	13,429	68,504	(72,195)	6,460	164,489	(74,959)	(23,698)	21,184	23,430	(38,943)
Plan fiduciary net position, beginning	625,474	556,970	629,165	622,705	458,216	533,175	556,873	535,689	512,259	551,202
Plan fiduciary net position, ending (b)	638,903	625,474	556,970	629,165	622,705	458,216	533,175	556,873	535,689	512,259
Net pension liability, ending (a)-(b)	$ 268,518	$ 154,813	$ 246,159	$ 120,834	$ 69,766	$ 198,815	$ 89,170	$ 56,427	$ 48,377	$ 113,398
Plan's fiduciary net position as a percentage of the total pension liability	70.41%	80.16%	69.35%	83.89%	89.93%	69.74%	85.67%	90.80%	91.72%	81.88%
Covered employee payroll during the measurement period	$ 584,264	$ 528,400	$ 534,487	$ 501,059	$ 430,133	$ 424,034	$ 333,333	$ 346,662	$ 346,227	$ 329,385
Net pension liability as a percentage of covered payroll	45.96%	29.30%	46.06%	24.12%	16.22%	46.89%	26.75%	16.28%	13.97%	34.43%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 40,507	$ 47,941	$ 39,792	$ 34,899	$ 29,193	$ 23,029	$ 22,699	$ 18,797	$ 24,619	$ 27,934
Contributions in relation to the actuarially determined contribution	40,507	47,941	39,792	34,899	29,193	23,029	22,699	18,797	24,619	27,934
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll during the measurement period	$ 584,264	$ 528,400	$ 534,487	$ 501,059	$ 430,133	$ 424,034	$ 333,333	$ 346,662	$ 346,227	$ 329,385
Contributions as a percentage of covered employee payroll	6.93%	9.07%	7.44%	6.97%	6.79%	5.43%	6.81%	5.42%	7.11%	8.48%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2025
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, 2025

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes				
Real property tax	$ 328,261	$ 338,214	$ 338,214	$ -
Motor vehicle taxes	55,421	63,958	63,958	-
Mobile home tax	1,392	573	573	-
Real estate transfer tax	1,004	1,679	1,679	-
Franchise tax	113,197	126,036	126,036	-
Local option sales tax	216,864	255,812	255,812	-
Intangible tax	3,500	3,836	3,836	-
Alcoholic beverage tax	36,651	33,528	33,528	-
Occupation tax	13,500	16,925	16,925	-
Insurance premium tax	122,642	161,219	161,219	-
Payment in lieu of taxes	2,618	2,618	2,618	-
Total taxes	895,050	1,004,398	1,004,398	-
Licenses and Permits				
Alcoholic beverage licenses	5,000	9,310	9,310	-
Building permits	12,000	17,138	17,138	-
Total licenses and permits	17,000	26,448	26,448	-
Intergovernmental				
Federal and State grants	31,253	117,231	117,231	-
Total intergovernmental	31,253	117,231	117,231	-
Charges for Services				
Sanitation fees	450,047	365,602	365,602	-
Total charges for services	450,047	365,602	365,602	-
Fines and Forfeitures				
Municipal court fines	35,631	31,457	31,457	-
Total fines and forfeitures	35,631	31,457	31,457	-
Use of Money and Property				
Interest income	160	504	605	101
Rents	15,000	17,948	17,948	-
Total use of money and property	15,160	18,452	18,553	101
Other				
Miscellaneous	1,950	9,347	9,411	64
Total other	1,950	9,347	9,411	64
Total revenues	1,446,091	1,572,935	1,573,100	165

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, 2025

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
EXPENDITURES				
General government				
Council	18,295	16,667	16,667	-
Mayor	4,600	4,000	4,000	-
General administration	344,876	299,277	299,277	-
Total general government	367,771	319,944	319,944	-
Judicial				
Municipal court	7,244	5,872	5,872	-
Total judicial	7,244	5,872	5,872	-
Public safety				
Police	487,472	481,094	481,094	-
Fire	94,099	148,611	148,611	-
Total public safety	581,571	629,705	629,705	-
Public works				
Streets and sanitation	504,930	583,930	583,930	-
Total public works	504,930	583,930	583,930	-
Community services				
Community center	9,541	10,426	10,426	-
Total community services	9,541	10,426	10,426	-
Housing and development				
Planning and zoning	25,984	24,093	24,093	-
Total housing and development	25,984	24,093	24,093	-
Total expenditures	1,497,041	1,573,970	1,573,970	-
Deficiency of revenues under expenditures	(50,950)	(1,035)	(870)	165
OTHER FINANCING SOURCES (USES)				
Proceeds from direct borrowings	-	65,000	65,000	-
Contingency	(5,092)	(90,604)	-	90,604
Transfers in	56,042	26,639	36,678	10,039
Total other financing sources (uses)	50,950	1,035	101,678	100,643
Change in fund balance	$ -	$ -	$ 100,808	$ 100,808

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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, 2025

	Special Revenue Hotel Motel Tax Fund	Capital Projects TSPLOST Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ -	$ 183,041	$ 183,041
Intergovernmental receivable	-	6,633	6,633
Total assets	$ -	$ 189,674	$ 189,674
LIABILITIES			
Accounts payable	$ -	$ 2,820	$ 2,820
Total liabilities	-	2,820	2,820
FUND BALANCES			
Restricted for:			
Public works	-	186,854	186,854
Total fund balances	-	186,854	186,854
Total liabilities and fund balances	$ -	$ 189,674	$ 189,674

CITY OF LINCOLNTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue Hotel Motel Tax Fund	Capital Projects TSPLOST Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ 19,399	$ 73,331	$ 92,730
Interest income	-	442	442
Total revenues	19,399	73,773	93,172
EXPENDITURES			
Current			
Public works	-	6,072	6,072
Housing and development	7,760	-	7,760
Total expenditures	7,760	6,072	13,832
Excess of revenues over expenditures	11,639	67,701	79,340
OTHER FINANCING USES			
Transfers out	(11,639)	-	(11,639)
Total other financing uses	(11,639)	-	(11,639)
Net change in fund balances	-	67,701	67,701
Fund balances, beginning of year	-	119,153	119,153
Fund balances, end of year	$ -	$ 186,854	$ 186,854

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, 2025

	Budgetary Basis			Variance With
	Original Budget	Amended and Final Budget	Actual	Final Budget Over (Under)
REVENUES				
Taxes	$ 14,783	$ 19,399	$ 19,399	$ -
Total revenues	14,783	19,399	19,399	-
EXPENDITURES				
Housing and development	5,913	7,760	7,760	-
Total expenditures	5,913	7,760	7,760	-
Excess of revenues over expenditures	8,870	11,639	11,639	-
OTHER FINANCING USES				
Transfers out	(8,870)	(11,639)	(11,639)	-
Total other financing uses	(8,870)	(11,639)	(11,639)	-
Net change in fund balances	$ -	$ -	-	$ -
RECONCILIATION TO GAAP BASIS				
Fund balance, beginning of year			-	
Fund balance, end of year			$ -	

OTHER SUPPLEMENTARY INFORMATION

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2025

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 revitilazation/ Water sewer capital	504,575	454,180	594,967	35,235	630,202	139%
	$ 504,575	$ 504,575	$ 645,362	$ 35,235	$ 680,597	
SPLOST 2022 - 2027						
Water sewer infrastructure,	$ -	$ -	$ -	$ -	$ -	
Public works equipment,	-	-	-	-	-	
Downtown development,	-	-	-	-	-	
Public safety equipment,	-	436,589	48,983	387,606	436,589	100%
Community and recreation projects,	-	-	-	-	-	
and transportation infrastructure	939,487	502,898	17,974	-	17,974	4%
	$ 939,487	$ 939,487	$ 66,957	$ 387,606	$ 454,563	

CITY OF LINCOLNTON, GEORGIA
SCHEDULE OF WATER SEWER UTILITY FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

	Water Activities	Sewer Activities	Business-type Activities-Enterprise Fund Water Sewer Utility Fund
OPERATING REVENUES			
Charges for services	$ 946,907	$ 546,703	$ 1,493,610
Penalties	24,629	-	24,629
Other revenues	8,537	-	8,537
Total operating revenues	980,073	546,703	1,526,776
OPERATING EXPENSES			
Personnel services and benefits	256,712	125,828	382,540
Professional and technical services	24,735	32,809	57,544
Repairs and maintenance	74,121	42,675	116,796
Other purchased services	166,555	143,839	310,394
Supplies & other	81,261	31,985	113,246
Depreciation	165,183	258,826	424,009
Bad debt expense	5,306	5,306	10,612
Total operating expenses	773,873	641,268	1,415,141
Operating income (loss)	206,200	(94,565)	111,635
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	133,406	54,874	188,280
Interest income	5,616	5,615	11,231
Interest expense	(97,386)	(42,692)	(140,078)
Total non-operating revenues (expenses)	41,636	17,797	59,433
Income (loss) before transfers and capital contributions	247,836	(76,768)	171,068
TRANSFERS OUT	(19,841)	(3,603)	(23,444)
CAPITAL CONTRIBUTIONS	347,468	95,211	442,679
Change in net position	$ 575,463	$ 14,840	$ 590,303

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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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 3, 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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
September 3, 2026

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

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?	___ Yes __X__ 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, 2025 due to the total amount expended being less than $1,000,000.

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

CITY OF LINCOLNTON, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

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.

Status: Resolved.

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.

Status: Resolved.

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.

Status: Resolved.