



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## City of Lincoln

Lincoln, North Dakota

Audit Report for the Years Ended December 31, 2023 and 2022

*Client Code: PS8140*



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Office of the  
State Auditor

# CITY OF LINCOLN

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For the Years Ended December 31, 2023 and 2022

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**CITY OF LINCOLN**

City Officials

December 31, 2023 and 2022

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As of December 31, 2023

Gerald Wise	Mayor
Carrie Praska	Commissioner
Jamie Leingang	Commissioner
Amanda Davis	Commissioner
Ryan Glass	Commissioner
Robyn Krile	Police Chief
Lisa Aune	City Auditor

As of December 31, 2022

Gerald Wise	Mayor
Carrie Praska	Commissioner
Jamie Leingang	Commissioner
Amanda Davis	Commissioner
Ryan Glass	Commissioner
Robyn Krile	Police Chief
Lisa Aune	City Auditor

STATE AUDITOR  
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## INDEPENDENT AUDITOR'S REPORT

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City Council  
City of Lincoln  
Lincoln, North Dakota

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, North Dakota, as of and for the years ended December 31, 2023 and December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Lincoln's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, North Dakota, as of December 31, 2023 and December 31, 2022, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof, for the years then ended in accordance with modified cash basis of accounting described in Note 1.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lincoln 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.

#### **Emphasis of Matter – Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

#### **Emphasis of Matter – Restatement**

As discussed in Note 3 to the financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lincoln'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 GAAS 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 our audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lincoln'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 of Lincoln'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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lincoln's basic financial statements. The *budgetary comparison schedules and notes to the required supplementary information*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to 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 *budgetary comparison schedules and notes to the required supplementary information* is 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 March 27, 2025 on our consideration of the City of Lincoln's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lincoln'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 Lincoln's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
March 27, 2025

**CITY OF LINCOLN**

Statement of Net Position – Modified Cash Basis  
 December 31, 2023

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and Investments	\$ 6,598,442	\$ 3,460,001	\$ 10,058,444
Restricted Cash	-	52,250	52,250
Capital Assets			
Nondepreciable	12,000	1,186,899	1,198,899
Depreciable Net	3,489,788	3,163,219	6,653,008
Total Assets	<u>\$ 10,100,231</u>	<u>\$ 7,862,370</u>	<u>\$ 17,962,601</u>
<b>LIABILITIES</b>			
Grants Received in Advance	\$ 603,501	\$ -	\$ 603,501
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	-	58,992	58,992
Due After One Year			
Long-Term Debt	-	930,926	930,926
Total Liabilities	<u>\$ 603,501</u>	<u>\$ 989,918</u>	<u>\$ 1,593,419</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 3,501,788	\$ 3,360,201	\$ 6,861,989
Restricted			
Debt Service	860,059	52,250	912,309
Capital Projects	1,999,926	-	1,999,926
General Government	605,349	-	605,349
Public Safety	9,917	-	9,917
Public Works	495,326	-	495,326
Emergencies	90,000	-	90,000
Economic/Job Development	51,519	-	51,519
Conservation of Natural Resources	106,262	-	106,262
Unrestricted	<u>1,776,584</u>	<u>3,460,001</u>	<u>5,236,586</u>
Total Net Position	<u>\$ 9,496,730</u>	<u>\$ 6,872,452</u>	<u>\$ 16,369,182</u>

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

# CITY OF LINCOLN

Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
General Government	\$ 644,201	\$ 102,421	\$ -	\$ -	\$ (541,780)		\$ (541,780)
Public Safety	825,293	-	34,865	-	(790,428)		(790,428)
Public Works	335,577	-	1,286,029	55,530	1,005,981		1,005,981
Economic Development	50	-	-	-	(50)		(50)
Culture and Recreation	5,697	-	-	-	(5,697)		(5,697)
Conserv. of Natural Resources	77,516	-	-	-	(77,516)		(77,516)
Interest & Fees on Long-Term Debt	400	-	-	-	(400)		(400)
<b>Total Governmental Activities</b>	<b>\$ 1,888,734</b>	<b>\$ 102,421</b>	<b>\$ 1,320,894</b>	<b>\$ 55,530</b>	<b>\$ (409,889)</b>		<b>\$ (409,889)</b>
<b>Business-Type Activities</b>							
Water	\$ 931,862	\$ 1,252,963	\$ -	\$ 394,960		\$ 716,061	\$ 716,061
Sewer	291,904	450,755	-	-		158,851	158,851
Garbage	459,021	527,471	-	-		68,450	68,450
Non Major	41,836	59,274	-	-		17,437	17,437
<b>Total Business-Type Activities</b>	<b>\$ 1,724,624</b>	<b>\$ 2,290,464</b>	<b>\$ -</b>	<b>\$ 394,960</b>	<b>\$ -</b>	<b>\$ 960,800</b>	<b>\$ 943,362</b>
<b>Total Primary Government</b>	<b>\$ 3,613,358</b>	<b>\$ 2,392,885</b>	<b>\$ 1,320,894</b>	<b>\$ 450,490</b>	<b>\$ (409,889)</b>	<b>\$ 960,800</b>	<b>\$ 533,474</b>
<b>GENERAL REVENUES</b>							
Property Taxes					\$ 1,159,826	\$ -	\$ 1,159,826
Sales Taxes					181,949	-	181,949
Non-Restricted Grants and Contributions					441,025	-	441,025
Unrestricted Investment Earnings					211,322	-	211,322
Sale of Capital Assets					59,281	-	59,281
Miscellaneous					22,309	364	22,673
Net Cash Transfers					67,899	(67,899)	-
<b>Total General Revenues and Transfers</b>					<b>\$ 2,143,611</b>	<b>\$ (67,535)</b>	<b>\$ 2,076,076</b>
<b>Changes in Net Position</b>					<b>\$ 1,733,722</b>	<b>\$ 893,264</b>	<b>\$ 2,626,987</b>
<b>Net Position - January 1</b>					<b>\$ 7,763,007</b>	<b>\$ 5,979,188</b>	<b>\$ 13,742,195</b>
<b>Net Position - December 31</b>					<b>\$ 9,496,730</b>	<b>\$ 6,872,452</b>	<b>\$ 16,369,182</b>

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



# CITY OF LINCOLN

Balance Sheet – Governmental Funds – Modified Cash Basis  
 December 31, 2023

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 2,375,699	\$ 1,358,373	\$ 1,999,926	\$ 864,445	\$ 6,598,442
Due from Other Funds	4,386	-	-	-	4,386
<b>Total Assets</b>	<b>\$ 2,380,085</b>	<b>\$ 1,358,373</b>	<b>\$ 1,999,926</b>	<b>\$ 864,445</b>	<b>\$ 6,602,828</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Grants Received in Advance	\$ 603,501	\$ -	\$ -	\$ -	\$ 603,501
Due to Other Funds	-	-	-	4,386	4,386
<b>Total Liabilities</b>	<b>\$ 603,501</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,386</b>	<b>\$ 607,887</b>
Fund Balances					
Restricted					
Debt Service	\$ -	\$ -	\$ -	\$ 860,059	\$ 860,059
Capital Projects Funds	-	-	1,999,926	-	1,999,926
General Government	-	605,349	-	-	605,349
Public Safety	-	9,917	-	-	9,917
Public Works/Streets	-	495,326	-	-	495,326
Emergency	-	90,000	-	-	90,000
Economic Development	-	51,519	-	-	51,519
Conservation of Natural Resources	-	106,262	-	-	106,262
Unassigned					
General Fund	1,776,584	-	-	-	1,776,584
<b>Total Fund Balances</b>	<b>\$ 1,776,584</b>	<b>\$ 1,358,373</b>	<b>\$ 1,999,926</b>	<b>\$ 860,059</b>	<b>\$ 5,994,941</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,380,085</b>	<b>\$ 1,358,373</b>	<b>\$ 1,999,926</b>	<b>\$ 864,445</b>	<b>\$ 6,602,828</b>

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

**CITY OF LINCOLN**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
December 31, 2023

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**Total Fund Balances for Governmental Funds** \$ 5,994,941

Total *net position* reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,501,788

**Total Net Position of Governmental Activities** \$ 9,496,730

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

# CITY OF LINCOLN

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
For the Year Ended December 31, 2023

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 1,159,826	\$ -	\$ -	\$ -	\$ 1,159,826
Special Assessment Taxes	-	-	-	55,530	55,530
Sales Taxes	-	181,949	-	-	181,949
Licenses, Permits and Fees	32,385	-	-	-	32,385
Charges for Services	70,036	-	-	-	70,036
Intergovernmental	475,890	288,472	997,557	-	1,761,919
Interest	210,049	-	1,273	-	211,322
Miscellaneous	18,136	3,529	-	644	22,309
<b>Total Revenues</b>	<b>\$ 1,966,322</b>	<b>\$ 473,950</b>	<b>\$ 998,830</b>	<b>\$ 56,174</b>	<b>\$ 3,495,276</b>
<b>EXPENDITURES</b>					
Current					
General Government	\$ 620,043	\$ 12,250	\$ -	\$ -	\$ 632,293
Public Safety	815,207	-	-	-	815,207
Public Works	-	223,059	-	-	223,059
Economic Development	-	50	-	-	50
Culture and Recreation	-	5,697	-	-	5,697
Conserv. of Natural Resources	29,771	47,744	-	-	77,516
Debt Service					
Fees	-	-	-	400	400
<b>Total Expenditures</b>	<b>\$ 1,465,022</b>	<b>\$ 288,800</b>	<b>\$ -</b>	<b>\$ 400</b>	<b>\$ 1,754,222</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 501,300	\$ 185,150	\$ 998,830	\$ 55,774	\$ 1,741,054
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Capital Assets	\$ -	\$ 19,850	\$ -	\$ -	\$ 19,850
Transfers In	-	51,569	-	90,819	142,388
Transfers Out	(51,569)	-	-	(22,920)	(74,489)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (51,569)</b>	<b>\$ 71,419</b>	<b>\$ -</b>	<b>\$ 67,899</b>	<b>\$ 87,749</b>
<b>Net Change in Fund Balances</b>	<b>\$ 449,731</b>	<b>\$ 256,569</b>	<b>\$ 998,830</b>	<b>\$ 123,673</b>	<b>\$ 1,828,804</b>
Fund Balance - January 1	\$ 1,326,853	\$ 1,101,804	\$ 1,001,096	\$ 736,385	\$ 4,166,137
Fund Balance - December 31	\$ 1,776,584	\$ 1,358,373	\$ 1,999,926	\$ 860,059	\$ 5,994,941

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

**CITY OF LINCOLN**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2023

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**Net Change in Fund Balances - Total Governmental Funds** \$ 1,828,804

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	\$ 68,329	
Current Year Depreciation Expense	<u>(202,841)</u>	<u>(134,512)</u>

In the statement of activities, the gain and loss on sales or disposals of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Sale of Capital Assets	\$ (19,850)	
Gain on Sale of Capital Assets	<u>59,281</u>	<u>39,431</u>

**Change in Net Position of Governmental Activities** \$ 1,733,722

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

**CITY OF LINCOLN**

Statement of Net Position – Proprietary Funds – Modified Cash Basis  
 December 31, 2023

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non Major Funds	Total
<b>ASSETS</b>					
Current Assets					
Cash and Investments	\$ 2,167,343	\$ 852,235	\$ 295,086	\$ 145,338	\$ 3,460,002
Restricted Cash and Investments	52,250	-	-	-	52,250
Total Current Assets	<u>\$ 2,219,593</u>	<u>\$ 852,235</u>	<u>\$ 295,086</u>	<u>\$ 145,338</u>	<u>\$ 3,512,252</u>
Noncurrent Assets					
Capital Assets					
Nondepreciable	\$ 679,504	\$ 507,396	\$ -	\$ -	\$ 1,186,899
Depreciable Net	2,456,531	703,614	3,074	-	3,163,219
Total Noncurrent Assets	<u>\$ 3,136,035</u>	<u>\$ 1,211,010</u>	<u>\$ 3,074</u>	<u>\$ -</u>	<u>\$ 4,350,119</u>
Total Assets	<u>\$ 5,355,628</u>	<u>\$ 2,063,245</u>	<u>\$ 298,160</u>	<u>\$ 145,338</u>	<u>\$ 7,862,371</u>
<b>LIABILITIES</b>					
Current Liabilities					
Long-Term Debt	\$ 58,992	\$ -	\$ -	\$ -	\$ 58,992
Total Current Liabilities	<u>\$ 58,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,992</u>
Noncurrent Liabilities					
Long-Term Debt	\$ 930,926	\$ -	\$ -	\$ -	\$ 930,926
Total Liabilities	<u>\$ 989,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 989,918</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 2,146,117	\$ 1,211,010	\$ 3,074	\$ -	\$ 3,360,201
Restricted					
Debt Service	52,250	-	-	-	52,250
Unrestricted	2,167,343	852,235	295,086	145,338	3,460,002
Total Net Position	<u>\$ 4,365,710</u>	<u>\$ 2,063,245</u>	<u>\$ 298,160</u>	<u>\$ 145,338</u>	<u>\$ 6,872,453</u>

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

**CITY OF LINCOLN**

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis  
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non Major Funds	Total
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 1,252,963	\$ 450,755	\$ 527,471	\$ 59,274	\$ 2,290,464
Miscellaneous	198	-	-	166	364
Total Operating Revenues	\$ 1,253,161	\$ 450,755	\$ 527,471	\$ 59,440	\$ 2,290,827
<b>OPERATING EXPENSES</b>					
Salaries and wages	\$ 140,859	\$ 92,233	\$ 37,637	\$ -	\$ 270,729
Health Insurance	17,856	11,160	4,610	-	33,626
Retirement	12,126	7,898	3,279	-	23,303
Unemployment	20,000	-	-	-	20,000
Legal Fees	-	24,752	-	-	24,752
Engineering Fees	5,801	44,092	-	-	49,893
Professional Fees	6,358	-	-	-	6,358
Training/Computer Support	10,153	10,153	-	-	20,305
Utilities	23,224	9,615	-	-	32,838
Meter Parts	383	-	-	-	383
Supplies	10,645	3,247	-	-	13,892
Repair/Maintenance	13,405	19,194	1,755	-	34,354
Office Supplies	7,465	4,145	2,747	800	15,157
Gas, Oil, Diesel Fuel	2,297	2,296	2,297	-	6,890
Machinery & Equipment	1,355	9,191	26	-	10,572
Miscellaneous Expense	4,356	-	-	-	4,356
Bismarck Water	554,262	-	-	-	554,262
Water Testing	4,496	-	-	-	4,496
Garbage	-	-	406,108	-	406,108
Street Lighting	-	-	-	41,037	41,037
Depreciation	79,690	53,929	562	-	134,180
Total Operating Expenses	\$ 914,730	\$ 291,904	\$ 459,021	\$ 41,836	\$ 1,707,492
Operating Income	\$ 338,431	\$ 158,851	\$ 68,450	\$ 17,603	\$ 583,335
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental	\$ 394,960	\$ -	\$ -	\$ -	\$ 394,960
Interest Expense and Service Charges	(17,132)	-	-	-	(17,132)
Total Nonoperating Revenues (Expenses)	\$ 377,828	\$ -	\$ -	\$ -	\$ 377,828
Income (Loss) Before Contributions and Transfers	\$ 716,259	\$ 158,851	\$ 68,450	\$ 17,603	\$ 961,163
Transfers In	\$ 75,170	\$ -	\$ -	\$ -	\$ 75,170
Transfers Out	(143,069)	-	-	-	(143,069)
Change in Net Position	\$ 648,360	\$ 158,851	\$ 68,450	\$ 17,603	\$ 893,264
Net Position - January 1	\$ 3,717,350	\$ 1,904,394	\$ 229,710	\$ 127,735	\$ 5,979,189
Net Position - December 31	\$ 4,365,710	\$ 2,063,245	\$ 298,160	\$ 145,338	\$ 6,872,453

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

**CITY OF LINCOLN**

Statement of Cash Flows – Proprietary Funds – Modified Cash Basis  
 For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non Major Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 1,252,963	\$ 450,755	\$ 527,471	\$ 59,274	\$ 2,290,464
Payments to Suppliers	(644,200)	(126,683)	(412,934)	(41,836)	(1,225,654)
Payments to Employees	(190,841)	(111,292)	(45,525)	-	(347,658)
Other Receipts	198	-	-	166	364
Net Cash Provided (Used) by Operating Activities	\$ 418,121	\$ 212,780	\$ 69,012	\$ 17,603	\$ 717,516
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	\$ 75,170	\$ -	\$ -	\$ -	\$ 75,170
Transfers Out	(143,069)	-	-	-	(143,069)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (67,899)	\$ -	\$ -	\$ -	\$ (67,899)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Contributions	\$ 394,960	\$ -	\$ -	\$ -	\$ 394,960
Purchases and Construction of Capital Assets	(463,599)	(254,093)	(1,862)	-	(719,554)
Bond Proceeds	258,918	-	-	-	258,918
Principal Paid on Capital Debt	(52,000)	-	-	-	(52,000)
Interest and Fees Paid on Capital Debt	(17,132)	-	-	-	(17,132)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ 121,147	\$ (254,093)	\$ (1,862)	\$ -	\$ (134,808)
Net Increase (Decrease) in Cash & Cash Equivalents	\$ 471,369	\$ (41,313)	\$ 67,149	\$ 17,603	\$ 514,809
Cash and Cash Equivalents - January 1	\$ 1,748,224	\$ 893,548	\$ 227,936	\$ 127,735	\$ 2,997,444
Cash and Cash Equivalents - December 31	\$ 2,219,593	\$ 852,235	\$ 295,086	\$ 145,338	\$ 3,512,252
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 338,431	\$ 158,851	\$ 68,450	\$ 17,603	\$ 583,335
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	\$ 79,690	\$ 53,929	\$ 562	\$ -	\$ 134,180
Net Cash Provided (Used) by Operating Activities	\$ 418,121	\$ 212,780	\$ 69,012	\$ 17,603	\$ 717,516

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

**CITY OF LINCOLN**Statement of Net Position – Modified Cash Basis  
December 31, 2022

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and Investments	\$ 4,769,639	\$ 2,945,193	\$ 7,714,832
Restricted Cash	-	52,250	52,250
Capital Assets			
Nondepreciable	12,000	559,891	571,891
Depreciable Net	3,584,870	3,204,854	6,789,724
Total Assets	<u>\$ 8,366,509</u>	<u>\$ 6,762,188</u>	<u>\$ 15,128,697</u>
<b>LIABILITIES</b>			
Grants Received in Advance	\$ 603,501	\$ -	\$ 603,501
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	-	52,000	52,000
Due After One Year			
Long-Term Debt	-	731,000	731,000
Total Liabilities	<u>\$ 603,501</u>	<u>\$ 783,000</u>	<u>\$ 1,386,501</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 3,596,870	\$ 2,981,745	\$ 6,578,615
Restricted			
Debt Service	736,386	52,250	788,636
Capital Projects	1,001,096	-	1,001,096
General Government	483,394	-	483,394
Public Safety	9,917	-	9,917
Public Works	406,580	-	406,580
Emergencies	90,000	-	90,000
Conservation of Natural Resources	111,912	-	111,912
Unrestricted	<u>1,326,852</u>	<u>2,945,193</u>	<u>4,272,045</u>
Total Net Position	<u>\$ 7,763,007</u>	<u>\$ 5,979,188</u>	<u>\$ 13,742,195</u>

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



**CITY OF LINCOLN**

Statement of Activities – Modified Cash Basis  
 For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
General Government	\$ 546,940	\$ 152,440	\$ -	\$ -	\$ (394,500)		\$ (394,500)
Public Safety	814,507	-	199,304	-	(615,203)		(615,203)
Public Works	302,531	-	710,848	39,063	447,380		447,380
Culture and Recreation	4,013	-	-	-	(4,013)		(4,013)
Conserv. of Natural Resources	67,109	-	-	-	(67,109)		(67,109)
<b>Total Governmental Activities</b>	<b>\$ 1,735,100</b>	<b>\$ 152,440</b>	<b>\$ 910,152</b>	<b>\$ 39,063</b>	<b>\$ (633,445)</b>		<b>\$ (633,445)</b>
<b>Business-Type Activities</b>							
Water	\$ 933,869	\$ 1,101,983	\$ -	\$ 120,563		\$ 288,676	\$ 288,676
Sewer	204,511	378,042	-	-		173,531	173,531
Garbage	459,280	451,910	-	-		(7,370)	(7,370)
Non Major	39,614	52,628	-	-		13,014	13,014
<b>Total Business-Type Activities</b>	<b>\$ 1,637,275</b>	<b>\$ 1,984,563</b>	<b>\$ -</b>	<b>\$ 120,563</b>	<b>\$ -</b>	<b>\$ 467,851</b>	<b>\$ 454,837</b>
<b>Total Primary Government</b>	<b>\$ 3,372,375</b>	<b>\$ 2,137,002</b>	<b>\$ 910,152</b>	<b>\$ 159,626</b>	<b>\$ (633,445)</b>	<b>\$ 467,851</b>	<b>\$ (178,609)</b>
<b>GENERAL REVENUES</b>							
Property Taxes					\$ 1,135,550	\$ -	\$ 1,135,550
Sales Taxes					180,534	-	180,534
Non-Restricted Grants and Contributions					365,352	-	365,352
Unrestricted Investment Earnings					40,053	16	40,069
Sale of Capital Assets					10,417	-	10,417
Miscellaneous					25,153	75	25,228
Transfers of Capital Assets					(70,000)	70,000	-
Net Cash Transfers					638,582	(638,582)	-
<b>Total General Revenues and Transfers</b>					<b>\$ 2,325,642</b>	<b>\$ (568,492)</b>	<b>\$ 1,757,150</b>
<b>Changes in Net Position</b>					<b>\$ 1,692,197</b>	<b>\$ (100,641)</b>	<b>\$ 1,591,556</b>
<b>Net Position - January 1</b>					<b>\$ 6,083,260</b>	<b>\$ 6,084,063</b>	<b>\$ 12,167,323</b>
<b>Prior Period Adjustments</b>					<b>\$ (12,450)</b>	<b>\$ (4,234)</b>	<b>\$ (16,684)</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 6,070,811</b>	<b>\$ 6,079,829</b>	<b>\$ 12,150,639</b>
<b>Net Position - December 31</b>					<b>\$ 7,763,007</b>	<b>\$ 5,979,188</b>	<b>\$ 13,742,195</b>

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

**CITY OF LINCOLN**

Balance Sheet – Governmental Funds – Modified Cash Basis  
 December 31, 2022

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 1,925,968	\$ 1,101,804	\$ 1,001,096	\$ 740,771	\$ 4,769,639
Due from Other Funds	4,386	-	-	-	4,386
<b>Total Assets</b>	<b>\$ 1,930,354</b>	<b>\$ 1,101,804</b>	<b>\$ 1,001,096</b>	<b>\$ 740,771</b>	<b>\$ 4,774,025</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Grants Received in Advance	\$ 603,501	\$ -	\$ -	\$ -	\$ 603,501
Due to Other Funds	-	-	-	4,386	4,386
<b>Total Liabilities</b>	<b>\$ 603,501</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,386</b>	<b>\$ 607,887</b>
Fund Balances					
Restricted					
Debt Service	\$ -	\$ -	\$ -	\$ 736,385	\$ 736,385
Capital Projects Funds	-	-	1,001,096	-	1,001,096
General Government	-	483,394	-	-	483,394
Public Safety	-	9,917	-	-	9,917
Public Works/Streets	-	406,580	-	-	406,580
Emergency	-	90,000	-	-	90,000
Conservation of Natural Resources	-	111,912	-	-	111,912
Unassigned					
General Fund	1,326,853	-	-	-	1,326,853
<b>Total Fund Balances</b>	<b>\$ 1,326,853</b>	<b>\$ 1,101,804</b>	<b>\$ 1,001,096</b>	<b>\$ 736,385</b>	<b>\$ 4,166,137</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,930,354</b>	<b>\$ 1,101,804</b>	<b>\$ 1,001,096</b>	<b>\$ 740,771</b>	<b>\$ 4,774,025</b>

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

**CITY OF LINCOLN**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
December 31, 2022

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**Total Fund Balances for Governmental Funds** \$ 4,166,137

Total *net position* reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,596,870

**Total Net Position of Governmental Activities** \$ 7,763,007

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

# CITY OF LINCOLN

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
For the Year Ended December 31, 2022

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 1,101,550	\$ 34,000	\$ -	\$ -	\$ 1,135,550
Special Assessment Taxes	-	-	-	39,063	39,063
Sales Taxes	-	180,534	-	-	180,534
Licenses, Permits and Fees	100,527	-	-	-	100,527
Charges for Services	51,913	-	-	-	51,913
Intergovernmental	564,656	210,848	500,000	-	1,275,504
Interest	38,372	69	1,096	516	40,053
Miscellaneous	13,203	11,951	-	-	25,154
<b>Total Revenues</b>	<b>\$ 1,870,220</b>	<b>\$ 437,403</b>	<b>\$ 501,096</b>	<b>\$ 39,580</b>	<b>\$ 2,848,298</b>
<b>EXPENDITURES</b>					
Current					
General Government	\$ 509,782	\$ 24,484	\$ -	\$ -	\$ 534,266
Public Safety	800,572	-	-	-	800,572
Public Works	-	151,944	-	-	151,944
Culture and Recreation	-	4,013	-	-	4,013
Conserv. of Natural Resources	25,760	41,349	-	-	67,109
<b>Total Expenditures</b>	<b>\$ 1,336,114</b>	<b>\$ 221,789</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,557,904</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 534,106	\$ 215,613	\$ 501,096	\$ 39,580	\$ 1,290,394
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Capital Assets	\$ -	\$ 10,417	\$ -	\$ -	\$ 10,417
Transfers In	-	984,481	-	-	984,481
Transfers Out	(345,899)	-	-	-	(345,899)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (345,899)</b>	<b>\$ 994,898</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 648,999</b>
<b>Net Change in Fund Balances</b>	<b>\$ 188,207</b>	<b>\$ 1,210,512</b>	<b>\$ 501,096</b>	<b>\$ 39,580</b>	<b>\$ 1,939,394</b>
Fund Balance - January 1	\$ 1,151,096	\$ 391,292	\$ -	\$ 696,806	\$ 2,239,194
Prior Period Adjustment	\$ (12,450)	\$ (500,000)	\$ 500,000	\$ -	\$ (12,450)
Fund Balance - January 1, as restated	\$ 1,138,646	\$ (108,708)	\$ 500,000	\$ 696,806	\$ 2,226,744
Fund Balance - December 31	\$ 1,326,853	\$ 1,101,804	\$ 1,001,096	\$ 736,385	\$ 4,166,137

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

**CITY OF LINCOLN**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
to the Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2022

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**Total Fund Balances for Governmental Funds** \$ 4,166,137

Total *net position* reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

3,596,870

**Total Net Position of Governmental Activities** \$ 7,763,007

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

**CITY OF LINCOLN**

Statement of Net Position – Proprietary Funds – Modified Cash Basis  
 December 31, 2022

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non Major Funds	Total
<b>ASSETS</b>					
Current Assets					
Cash and Investments	\$ 1,695,974	\$ 893,548	\$ 227,936	\$ 127,735	\$ 2,945,194
Restricted Cash and Investments	52,250	-	-	-	52,250
Total Current Assets	\$ 1,748,224	\$ 893,548	\$ 227,936	\$ 127,735	\$ 2,997,444
Noncurrent Assets					
Capital Assets					
Nondepreciable	\$ 252,747	\$ 307,145	\$ -	\$ -	\$ 559,891
Depreciable Net	2,499,379	703,702	1,773	-	3,204,854
Total Noncurrent Assets	\$ 2,752,126	\$ 1,010,846	\$ 1,773	\$ -	\$ 3,764,745
Total Assets	\$ 4,500,350	\$ 1,904,394	\$ 229,710	\$ 127,735	\$ 6,762,189
<b>LIABILITIES</b>					
Current Liabilities					
Long-Term Debt	\$ 52,000	\$ -	\$ -	\$ -	\$ 52,000
Total Current Liabilities	\$ 52,000	\$ -	\$ -	\$ -	\$ 52,000
Noncurrent Liabilities					
Long-Term Debt	\$ 731,000	\$ -	\$ -	\$ -	\$ 731,000
Total Liabilities	\$ 783,000	\$ -	\$ -	\$ -	\$ 783,000
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 1,969,126	\$ 1,010,846	\$ 1,773	\$ -	\$ 2,981,745
Restricted					
Debt Service	52,250	-	-	-	52,250
Unrestricted	1,695,974	893,548	227,936	127,735	2,945,194
Total Net Position	\$ 3,717,350	\$ 1,904,394	\$ 229,710	\$ 127,735	\$ 5,979,189

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

# CITY OF LINCOLN

## Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non Major Funds	Total
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 1,101,983	\$ 378,042	\$ 451,910	\$ 52,628	\$ 1,984,563
Miscellaneous	76	-	-	-	76
<b>Total Operating Revenues</b>	<b>\$ 1,102,059</b>	<b>\$ 378,042</b>	<b>\$ 451,910</b>	<b>\$ 52,628</b>	<b>\$ 1,984,638</b>
<b>OPERATING EXPENSES</b>					
Salaries and wages	\$ 136,576	\$ 87,669	\$ 37,128	\$ -	\$ 261,373
Health Insurance	17,115	10,826	4,457	-	32,397
Retirement	10,779	7,001	2,907	-	20,688
Unemployment	310	57	58	-	424
Legal Fees	-	7,883	-	-	7,883
Engineering Fees	-	-	250	-	250
Professional Fees	1,208	-	-	-	1,208
Training/Computer Support	8,965	9,153	-	-	18,118
Utilities	17,358	10,132	-	-	27,490
Meter Parts	45,296	-	-	-	45,296
Supplies	2,991	2,965	-	-	5,956
Repair/Maintenance	949	15,927	7,069	-	23,944
Office Supplies	6,756	3,610	2,680	958	14,003
Gas, Oil, Diesel Fuel	2,699	2,608	2,610	-	7,917
Machinery & Equipment	946	149	127	-	1,222
Miscellaneous Expense	1,401	295	148	-	1,844
Bismarck Water	586,335	-	-	-	586,335
Water Testing	3,270	-	-	-	3,270
Garbage	-	-	401,550	-	401,550
Street Lighting	-	-	-	38,656	38,656
Depreciation	74,426	46,237	296	-	120,960
<b>Total Operating Expenses</b>	<b>\$ 917,381</b>	<b>\$ 204,511</b>	<b>\$ 459,280</b>	<b>\$ 39,614</b>	<b>\$ 1,620,786</b>
<b>Operating Income</b>	<b>\$ 184,678</b>	<b>\$ 173,531</b>	<b>\$ (7,370)</b>	<b>\$ 13,014</b>	<b>\$ 363,852</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Earnings	\$ 16	\$ -	\$ -	\$ -	\$ 16
City of Bismarck Capital Contribution	120,563	-	-	-	120,563
Interest Expense and Service Charges	(16,489)	-	-	-	(16,489)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 104,090</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 104,090</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>\$ 288,768</b>	<b>\$ 173,531</b>	<b>\$ (7,370)</b>	<b>\$ 13,014</b>	<b>\$ 467,943</b>
Transfers of Capital Assets	\$ -	\$ 70,000	\$ -	\$ -	\$ 70,000
Transfers Out	(345,899)	(159,646)	(133,038)	-	(638,582)
<b>Change in Net Position</b>	<b>\$ (57,131)</b>	<b>\$ 83,885</b>	<b>\$ (140,408)</b>	<b>\$ 13,014</b>	<b>\$ (100,640)</b>
<b>Net Position - January 1</b>	<b>\$ 3,774,481</b>	<b>\$ 1,820,509</b>	<b>\$ 374,352</b>	<b>\$ 114,721</b>	<b>\$ 6,084,063</b>
<b>Prior Period Adjustment</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,234)</b>	<b>\$ -</b>	<b>\$ (4,234)</b>
<b>Net Position - January 1, As Restated</b>	<b>\$ 3,774,481</b>	<b>\$ 1,820,509</b>	<b>\$ 370,118</b>	<b>\$ 114,721</b>	<b>\$ 6,079,829</b>
<b>Net Position - December 31</b>	<b>\$ 3,717,350</b>	<b>\$ 1,904,394</b>	<b>\$ 229,710</b>	<b>\$ 127,735</b>	<b>\$ 5,979,189</b>

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

**CITY OF LINCOLN**

Statement of Cash Flows – Proprietary Funds – Modified Cash Basis  
 For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non Major Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 1,101,983	\$ 378,042	\$ 451,910	\$ 52,628	\$ 1,984,563
Payments to Suppliers	(678,174)	(52,721)	(414,434)	(39,614)	(1,184,943)
Payments to Employees	(164,780)	(105,553)	(44,550)	-	(314,883)
Other Receipts	76	-	-	-	76
Net Cash Provided (Used) by Operating Activities	\$ 259,104	\$ 219,768	\$ (7,074)	\$ 13,014	\$ 484,812
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers Out	\$ (345,899)	\$ (159,646)	\$ (133,038)	\$ -	\$ (638,582)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (345,899)	\$ (159,646)	\$ (133,038)	\$ -	\$ (638,582)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Contributions	\$ 120,563	\$ -	\$ -	\$ -	\$ 120,563
Purchases and Construction of Capital Assets	(249,731)	(329,371)	-	-	(579,101)
Bond Proceeds	41,800	-	-	-	41,800
Principal Paid on Capital Debt	(52,000)	-	-	-	(52,000)
Interest and Fees Paid on Capital Debt	(16,489)	-	-	-	(16,489)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (155,857)	\$ (329,371)	\$ -	\$ -	\$ (485,228)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income	\$ 16	\$ -	\$ -	\$ -	\$ 16
Net Increase (Decrease) in Cash & Cash Equivalents	\$ (242,636)	\$ (269,248)	\$ (140,112)	\$ 13,014	\$ (638,982)
Cash and Cash Equivalents - January 1	\$ 1,990,860	\$ 1,162,796	\$ 368,049	\$ 114,721	\$ 3,636,426
Cash and Cash Equivalents - December 31	\$ 1,748,224	\$ 893,548	\$ 227,936	\$ 127,735	\$ 2,997,444
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 184,678	\$ 173,531	\$ (7,370)	\$ 13,014	\$ 363,852
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	\$ 74,426	\$ 46,237	\$ 296	\$ -	\$ 120,960
Net Cash Provided (Used) by Operating Activities	\$ 259,104	\$ 219,768	\$ (7,074)	\$ 13,014	\$ 484,812

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



# CITY OF LINCOLN

Notes to the Financial Statements  
For the Years Ended December 31, 2023 and 2022

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lincoln (“City”) have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

### Reporting Entity

The accompanying financial statements present the activities of the City. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization’s governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

Based on these criteria, there are no component units to be included within the City as a reporting entity.

### Basis of Presentation

*Government-wide statements.* The statement of net position and the statement of activities display information about the City. These statements include the financial activities of the overall government, except for fiduciary activities. 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 each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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, interest, and non-restricted grants and contributions, are presented as general revenues.

*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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund - This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund - This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

Debt Service Fund - This fund accounts for the costs of paying off the City’s bond obligations. The major sources of revenues are special assessments and property taxes.

**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

Capital Project Fund - This fund accounts for the City’s Prairie Dog Funds. The major source of revenue is the Municipal Infrastructure Funds disbursed from the North Dakota State Treasurer.

The City reports the following major enterprise funds:

Water Fund - This fund accounts for the activity of the Water Department. The department operates the water distribution system in the City of Lincoln.

Sewer Fund - This fund accounts for the activities of the City’s sewer collection system.

Garbage Fund - This fund accounts for the activities of the City’s garbage collection system.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets with a provision for depreciation, long-term debt, and grants received in advance are recorded under the basis of accounting described above on the statement of net position. In addition, interfund loans and grants received in advance are reported in the governmental fund financial statements if applicable. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**Cash**

Cash includes amounts in demand deposits and money market accounts.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities and the business-type activities columns in the government-wide financial statements, and are reported in the water fund, sewer fund, and garbage fund in the enterprise fund statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

Buildings	50
Vehicles, Machinery & Equipment	7-15
Buildings and Land Improvements	10-25
Furniture	7-15
Infrastructure	15-50

**Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

## CITY OF LINCOLN

### Notes to the Financial Statements – Continued

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When applicable, in the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### **Fund Balance**

*Fund Balance Spending Policy.* It is the policy of the City to spend restricted resources first, followed by unrestricted resources. It is also the policy of the City to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

#### **Net Position**

When both 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.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund.

#### **Interfund Transactions**

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

#### **NOTE 2: DEPOSITS**

##### **Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the City would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The City does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit

**CITY OF LINCOLN**

## Notes to the Financial Statements – Continued

of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2023, the City's carrying amount of deposits totaled \$10,107,559, and the bank balances totaled \$10,186,955. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2022, the City's carrying amount of deposits totaled \$7,769,978, and the bank balances totaled \$7,835,915. Of the bank balances, \$367,616 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

**NOTE 3: PRIOR PERIOD ADJUSTMENTS**

Beginning fund balance and net position adjustments were necessary for restating General Fund cash, reclassifying fund types between the Special Revenue Fund and Capital Project Fund, and adjusting capital assets for the Garbage Fund. The results decreased beginning net position of the governmental activities for the City, decreased beginning fund balance for the General Fund, decreased beginning fund balance for the Special Revenue Fund, increased beginning fund balance for the Capital Project Fund, and decreased beginning net position of the Garbage Fund.

<b>Primary Government - Governmental Activities</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 6,083,260
<b>Adjustments to restate the January 1, 2022 Net Position:</b>	
Fund Balance PPA	(12,450)
Net Position January 1, as restated	\$ 6,070,811

<b>Primary Government - General Fund</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ 1,151,096
<b>Adjustments to restate the January 1, 2022 Fund Balance:</b>	
Fund Balance PPA	(12,450)
Fund Balance January 1, as restated	\$ 1,138,646

<b>Primary Government - Special Revenue Fund</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ 391,292
<b>Adjustments to restate the January 1, 2022 Fund Balance:</b>	
Fund Balance Classification Change PPA	(500,000)
Fund Balance January 1, as restated	\$ (108,708)

<b>Primary Government - Capital Project Fund</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ -
<b>Adjustments to restate the January 1, 2022 Fund Balance:</b>	
Fund Balance Classification Change PPA	500,000
Fund Balance January 1, as restated	\$ 500,000

<b>Enterprise Fund - Garbage</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 374,352
<b>Adjustments to restate the January 1, 2022 Net Position:</b>	
Capital Asset, Net PPA	(4,234)
Net Position January 1, as restated	\$ 370,118

**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

**NOTE 4: PROPERTY TAXES**

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

**NOTE 5: CONSTRUCTION COMMITMENTS**

The City had the following open engineering and construction commitments at December 31, 2023:

Project	Original Contract	Change Orders	Total Contract with Change Orders	Total Completed	Retainage	Remaining Balance includes Retainages	% Complete
LINND Lincoln Main Pump Station	\$ 858,629	\$ -	\$ 858,629	\$ 482,396	\$ -	\$ 376,233	56.18%
Water Reservoir & Water Main Improvements - Prelim Design, Final Design, & Bidding	190,500	280,000	470,500	381,968	-	88,532	81.18%
Water Reservoir & Water Main Improvements - Water Transmission Line	1,602,375	-	1,602,375	265,328	29,481	1,337,047	16.56%
Water Reservoir & Water Main Improvements - Water Storage Tank and Construction	2,450,000	50,674	2,500,674	-	-	2,500,674	0.00%
<b>Total</b>	<b>\$ 5,101,504</b>	<b>\$ 330,674</b>	<b>\$ 5,432,178</b>	<b>\$ 1,129,692</b>	<b>\$ 29,481</b>	<b>\$ 4,302,486</b>	<b>20.80%</b>

**NOTE 6: TRANSFERS**

The following is reconciliation between cash transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2023 and 2022:

	2023		2022	
	Transfers In	Transfers Out	Transfers In	Transfers Out
<b>Governmental Funds</b>				
General Fund	\$ 503,684	\$ 1,718,236	\$ -	\$ 345,899
Special Revenue Fund	51,569	-	984,481	-
Debt Service Fund	90,819	22,920	-	-
Capital Project Fund	1,666,667	503,684	-	-
<b>Business-Type Funds</b>				
Water Fund	75,170	143,069	-	345,899
Sewer Fund	-	-	-	159,646
Garbage Fund	-	-	-	133,038
<b>Total Transfers</b>	<b>\$ 2,387,909</b>	<b>\$ 2,387,909</b>	<b>\$ 984,481</b>	<b>\$ 984,481</b>

Transfers are used to move unrestricted general revenue to finance programs that the City accounts for in other funds in accordance with budget authority and to subsidize other programs.

**NOTE 7: RESTRICTED INVESTMENTS**

According to the terms of the City's bond agreements, the City must maintain \$52,250 in reserve accounts restricted for debt service. At December 31, 2023, \$52,250 was held in the required reserves.

**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

**NOTE 8: CAPITAL ASSETS**

**Governmental Activities**

The following is a summary of changes in capital assets for the years ended 2023 and 2022:

<b>Governmental Activities</b>	<b>Balance 1/1/23</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/23</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 12,000	\$ -	\$ -	\$ -	\$ 12,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 12,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,000</b>
<i>Capital assets, being depreciated</i>					
Buildings	\$ 2,120,144	\$ -	\$ -	\$ -	\$ 2,120,144
Building Improvements	13,694	-	-	-	13,694
Furniture	29,339	-	-	-	29,339
Infrastructure Improvements	2,267,863	-	-	-	2,267,863
Machinery & Equipment	1,401,557	116,329	88,588	-	1,429,298
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 5,832,597</b>	<b>\$ 116,329</b>	<b>\$ 88,588</b>	<b>\$ -</b>	<b>\$ 5,860,338</b>
<i>Less accumulated depreciation for</i>					
Buildings	\$ 298,762	\$ 42,403	\$ -	\$ -	\$ 341,165
Building Improvements	12,245	241	-	-	12,487
Furniture	26,285	610	-	-	26,896
Infrastructure Improvements	836,734	55,088	-	-	891,822
Machinery & Equipment	1,073,700	104,499	80,019	-	1,098,180
<b>Total Accumulated Depreciation</b>	<b>\$ 2,247,727</b>	<b>\$ 202,841</b>	<b>\$ 80,019</b>	<b>\$ -</b>	<b>\$ 2,370,550</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 3,584,870</b>	<b>\$ (86,512)</b>	<b>\$ 8,569</b>	<b>\$ -</b>	<b>\$ 3,489,788</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 3,596,870</b>	<b>\$ (86,512)</b>	<b>\$ 8,569</b>	<b>\$ -</b>	<b>\$ 3,501,788</b>

<b>Governmental Activities</b>	<b>Balance 1/1/22</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/22</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 70,000	\$ -	\$ -	\$ (70,000)	\$ -
Land	12,000	-	-	-	12,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 82,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (70,000)</b>	<b>\$ 12,000</b>
<i>Capital assets, being depreciated</i>					
Buildings	\$ 2,120,144	\$ -	\$ -	\$ -	\$ 2,120,144
Building Improvements	13,694	-	-	-	13,694
Furniture	29,339	-	-	-	29,339
Infrastructure Improvements	2,267,863	-	-	-	2,267,863
Machinery & Equipment	1,388,007	46,100	32,550	-	1,401,557
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 5,819,047</b>	<b>\$ 46,100</b>	<b>\$ 32,550</b>	<b>\$ -</b>	<b>\$ 5,832,597</b>
<i>Less accumulated depreciation for</i>					
Buildings	\$ 256,359	\$ 42,403	\$ -	\$ -	\$ 298,762
Building Improvements	11,238	1,007	-	-	12,245
Furniture	25,675	610	-	-	26,285
Infrastructure Improvements	781,646	55,088	-	-	836,734
Machinery & Equipment	982,063	124,187	32,550	-	1,073,700
<b>Total Accumulated Depreciation</b>	<b>\$ 2,056,981</b>	<b>\$ 223,296</b>	<b>\$ 32,550</b>	<b>\$ -</b>	<b>\$ 2,247,727</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 3,762,066</b>	<b>\$ (177,196)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,584,870</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 3,844,066</b>	<b>\$ (177,196)</b>	<b>\$ -</b>	<b>\$ (70,000)</b>	<b>\$ 3,596,870</b>

**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

Depreciation expense was charged to functions/programs of the City as follows:

<b>Governmental Activities</b>	<b>2023</b>	<b>2022</b>
General Government	\$ 11,908	\$ 12,674
Public Works	180,847	196,687
Public Safety	10,086	13,935
<b>Total Depreciation Expense</b>	<b>\$ 202,841</b>	<b>\$ 223,296</b>

**Business-Type Activities**

Water Fund

The following is a summary of changes in capital assets for the years ended 2023 and 2022:

<b>Business-Type Activity - Water Fund</b>	<b>Balance 1/1/23</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/23</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 241,981	\$ 426,757	\$ -	\$ -	\$ 668,738
Land	10,766	-	-	-	10,766
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 252,747</b>	<b>\$ 426,757</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 679,504</b>
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ 2,567,192	\$ -	\$ -	\$ -	\$ 2,567,192
Buildings	354,435	-	-	-	354,435
Machinery & Equipment	1,478,286	36,842	-	-	1,515,128
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 4,399,913</b>	<b>\$ 36,842</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,436,755</b>
<i>Less accumulated depreciation for</i>					
Infrastructure	\$ 154,032	\$ 51,344	\$ -	\$ -	\$ 205,376
Buildings	299,372	7,089	-	-	306,460
Machinery & Equipment	1,447,130	21,257	-	-	1,468,387
<b>Total Accumulated Depreciation</b>	<b>\$ 1,900,534</b>	<b>\$ 79,690</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,980,224</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 2,499,379</b>	<b>\$ (42,848)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,456,531</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 2,752,126</b>	<b>\$ 383,909</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,136,035</b>

<b>Business-Type Activity - Water Fund</b>	<b>Balance 1/1/22</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/22</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ -	\$ 241,981	\$ -	\$ -	\$ 241,981
Land	10,766	-	-	-	10,766
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 10,766</b>	<b>\$ 241,981</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 252,747</b>
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ 2,567,192	\$ -	\$ -	\$ -	\$ 2,567,192
Buildings	354,435	-	-	-	354,435
Machinery & Equipment	1,470,536	7,750	-	-	1,478,286
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 4,392,163</b>	<b>\$ 7,750</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,399,913</b>
<i>Less accumulated depreciation for</i>					
Infrastructure	\$ 102,688	\$ 51,344	\$ -	\$ -	\$ 154,032
Buildings	292,283	7,089	-	-	299,372
Machinery & Equipment	1,431,137	15,993	-	-	1,447,130
<b>Total Accumulated Depreciation</b>	<b>\$ 1,826,108</b>	<b>\$ 74,426</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,900,534</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 2,566,055</b>	<b>\$ (66,676)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,499,379</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 2,576,821</b>	<b>\$ 175,305</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,752,126</b>

Depreciation expense was charged to the Water function.

**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

Sewer Fund

The following is a summary of changes in capital assets for the years ended 2023 and 2022:

<b>Business-Type Activity - Sewer Fund</b>	<b>Balance 1/1/23</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/23</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 282,145	\$ 200,251	\$ -	\$ -	\$ 482,396
Land	25,000	-	-	-	25,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 307,145</b>	<b>\$ 200,251</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 507,396</b>
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ 849,841	\$ -	\$ -	\$ -	\$ 849,841
Machinery & Equipment	127,609	53,842	-	-	181,451
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 977,450</b>	<b>\$ 53,842</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,031,292</b>
<i>Less accumulated depreciation for</i>					
Infrastructure	\$ 180,168	\$ 32,177	\$ -	\$ -	\$ 212,344
Machinery & Equipment	93,581	21,752	-	-	115,333
<b>Total Accumulated Depreciation</b>	<b>\$ 273,748</b>	<b>\$ 53,929</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 327,677</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 703,702</b>	<b>\$ (87)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 703,614</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 1,010,846</b>	<b>\$ 200,164</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,211,010</b>

<b>Business-Type Activity - Sewer Fund</b>	<b>Balance 1/1/22</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/22</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 308,276	\$ 321,620	\$ -	\$ (347,751)	\$ 282,145
Land	25,000	-	-	-	25,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 333,276</b>	<b>\$ 321,620</b>	<b>\$ -</b>	<b>\$ (347,751)</b>	<b>\$ 307,145</b>
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ 432,090	\$ -	\$ -	\$ 417,751	\$ 849,841
Machinery & Equipment	119,859	7,750	-	-	127,609
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 551,949</b>	<b>\$ 7,750</b>	<b>\$ -</b>	<b>\$ 417,751</b>	<b>\$ 977,450</b>
<i>Less accumulated depreciation for</i>					
Infrastructure	\$ 147,991	\$ 32,177	\$ -	\$ -	\$ 180,168
Machinery & Equipment	79,520	14,061	-	-	93,581
<b>Total Accumulated Depreciation</b>	<b>\$ 227,511</b>	<b>\$ 46,237</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 273,748</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 324,438</b>	<b>\$ (38,487)</b>	<b>\$ -</b>	<b>\$ 417,751</b>	<b>\$ 703,702</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 657,714</b>	<b>\$ 283,132</b>	<b>\$ -</b>	<b>\$ 70,000</b>	<b>\$ 1,010,846</b>

Depreciation expense was charged to the Sewer function.



**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

Garbage Fund

The following is a summary of changes in capital assets for the years ended 2023 and 2022:

<b>Business-Type Activity - Garbage Fund</b>	<b>Balance 1/1/23</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/23</b>
<i>Capital assets, being depreciated</i>					
Land Improvements	\$ 7,388	\$ -	\$ -	\$ -	\$ 7,388
Machinery & Equipment	2,525	1,863	-	-	4,388
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 9,913</b>	<b>\$ 1,863</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,776</b>
<i>Less accumulated depreciation for</i>					
Land Improvements	\$ 5,615	\$ 296	\$ -	\$ -	\$ 5,910
Machinery & Equipment	2,525	266	-	-	2,791
<b>Total Accumulated Depreciation</b>	<b>\$ 8,140</b>	<b>\$ 562</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,701</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,773</b>	<b>\$ 1,301</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,074</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 1,773</b>	<b>\$ 1,301</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,074</b>

<b>Business-Type Activity - Garbage Fund</b>	<b>Restated Balance 1/1/22</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/22</b>
<i>Capital assets, being depreciated</i>					
Land Improvements	\$ 7,388	\$ -	\$ -	\$ -	\$ 7,388
Machinery & Equipment	2,525	-	-	-	2,525
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 9,913</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,913</b>
<i>Less accumulated depreciation for</i>					
Land Improvements	\$ 5,319	\$ 296	\$ -	\$ -	\$ 5,615
Machinery & Equipment	2,525	-	-	-	2,525
<b>Total Accumulated Depreciation</b>	<b>\$ 7,844</b>	<b>\$ 296</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,140</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 2,069</b>	<b>\$ (296)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,773</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 2,069</b>	<b>\$ (296)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,773</b>

Depreciation expense was charged to the Garbage function.

**NOTE 9: LONG-TERM LIABILITIES**

**Business-Type Activities**

The following changes occurred in long-term liabilities for the years ended 2023 and 2022:

	<b>Balance 1/1/2023</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/2023</b>	<b>Due Within One Year</b>
Long-Term Debt Revenue Bonds Payable	\$ 783,000	\$ 258,918	\$ 52,000	\$ 989,918	\$ 58,992

	<b>Balance 1/1/2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/2022</b>	<b>Due Within One Year</b>
Long-Term Debt Revenue Bonds Payable	\$ 793,200	\$ 41,800	\$ 52,000	\$ 783,000	\$ 52,000

The annual requirements to amortize the outstanding long-term debt at December 31, 2023 is as follows:

<b>PRIMARY GOVERNMENT</b>		
<b>Enterprise Activities</b>		
<b>Year Ending December 31</b>	<b>Revenue Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2024	\$ 58,992	\$ 15,209
2025	64,271	14,144
2026	46,968	13,000
2027	46,968	12,295
2028	46,968	11,591
2029-2033	251,929	47,130
2034-2038	275,412	23,719
2039-2043	94,593	9,814
2044-2048	49,470	6,323
2049-2053	54,348	3,871
<b>Total</b>	<b>\$ 989,918</b>	<b>\$ 157,095</b>

The City issued a new Water Storage Upgrades Revolving Revenue Bond through the Public Finance Authority in 2023 in the amount of \$1,858,000. The unused portion of the bond at the end of 2023 is \$1,599,082.

**NOTE 10: PENSION PLAN**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

**Pension Benefits**

***Main System***

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

***Law Enforcement System (With prior main system service)***

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

**Death and Disability Benefits (Main and Law Enforcement Systems)**

Death and disability benefits are set by statute. If an active member dies with less than three years of service in the Main System and Law Enforcement System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System and Law Enforcement System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

**Refunds of Member Account Balance**

***Main System***

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member

**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**Law Enforcement System**

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**Member and Employer Contributions**

**Main System**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

**Law Enforcement System**

Member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2023 and 2022, the City’s proportionate share of the net pension liability was as follows:

	<b>Net Pension Liability - 2023</b>	<b>Net Pension Liability - 2022</b>
Main System	\$ 494,577	\$ 628,661
Law Enforcement System	375,375	557,874

The net pension liability was measured as of June 30, 2023 and 2022 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of covered payroll in the main system and law enforcement system pension plan relative to the covered payroll of all participating main system and law enforcement system employers. At June 30, 2023 and 2022, the City’s proportion was as follows:

	<b>Proportion</b>	<b>Increase (Decrease) In Proportion from June 30, 2022 Measurement</b>	<b>Pension Expense</b>
<b>2023</b>			
Main System	0.025649%	0.003821%	\$ (7,915)
Law Enforcement System	0.619619%	-0.059912%	216,240

	<b>Proportion</b>	<b>Increase (Decrease) In Proportion from June 30, 2021 Measurement</b>	<b>Pension Expense</b>
<b>2022</b>			
Main System	0.021828%	0.000173%	\$ 13,120
Law Enforcement System	0.679531%	0.026537%	139,222

The Employer’s share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

**Actuarial Assumptions**

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Main and Law Enforcement System**

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

**Main and Law Enforcement System**

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

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 Fund’s target asset allocation are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.33%
Cash Equivalents	0%	0.00%

**Discount rate (Main and Law Enforcement Systems)**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

The following presents the Employer’s proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Main System	\$ 681,903	\$ 494,577	\$ 339,176
Law Enforcement System	579,624	375,375	219,164

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NDPERS financial report.

**NOTE 11: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2023 and 2022, the City's proportionate share of the net OPEB liability was as follows:

	<b>Net OPEB Liability - 2023</b>	<b>Net OPEB Liability - 2022</b>
Main System	\$ 47,943	\$ 66,657

**CITY OF LINCOLN**

Notes to the Financial Statements – Continued

The net OPEB liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2023 and 2022, the City’s proportion

		<b>Increase (Decrease) In Proportion from June 30, 2022 Measurement</b>	<b>OPEB Expense</b>
<b>2023</b>	<b>Proportion</b>		
Main System	0.047955%	-0.007578%	\$ 9,288

		<b>Increase (Decrease) In Proportion from June 30, 2021 Measurement</b>	<b>OPEB Expense</b>
<b>2022</b>	<b>Proportion</b>		
Main System	0.055533%	-0.000127%	\$ 12,341

The Employer’s share of the net OPEB liability is not reported in financial statements shown under the modified cash basis of accounting.

**Actuarial assumptions**

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	5.75%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.10%
Domestic Fixed Income	35%	2.59%
International Equities	26%	6.50%



**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the Plans as of June 30, 2023, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	<b>1% Decrease (4.75%)</b>	<b>Current Discount Rate (5.75%)</b>	<b>1% Increase (6.75%)</b>
Proportionate Share of the Net OPEB Liability	\$ 63,009	\$ 47,943	\$ 35,259

**NOTE 12: RISK MANAGEMENT**

The City is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and for automobile, and \$814,155 for public assets (mobile equipment and portable property).

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$1,449,862 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City has worker's compensation with the North Dakota Workforce Safety and Insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

**NOTE 13: CONTINGENT LIABILITIES**

The City is a defendant in various lawsuits incident to its operations. In the opinion of City Counsel and management, such claims against the City not covered by insurance would not materially affect the financial condition of the City.

**NOTE 14: SUBSEQUENT EVENTS**

Subsequent to December 31, 2023, the city drew down an additional \$1,491,553 on the \$1,858,000 Water Revenue Bonds, Series 2023.

**CITY OF LINCOLN**

Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Taxes	\$ 1,185,404	\$ 1,185,404	\$ 1,159,826	\$ (25,579)
Licenses, Permits and Fees	29,650	29,650	32,385	2,735
Charges for Services	50,000	50,000	70,036	20,036
Intergovernmental	414,854	414,854	475,890	61,035
Interest	21,500	21,500	210,049	188,549
Miscellaneous	6,500	6,500	18,136	11,636
<b>Total Revenues</b>	<b>\$ 1,707,909</b>	<b>\$ 1,707,909</b>	<b>\$ 1,966,322</b>	<b>\$ 258,413</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 810,854	\$ 810,854	\$ 620,043	\$ 190,811
Public Safety	800,070	800,070	815,207	(15,137)
Conservation of Natural Resources	20,000	20,000	29,771	(9,771)
<b>Total Expenditures</b>	<b>\$ 1,630,924</b>	<b>\$ 1,630,924</b>	<b>\$ 1,465,022</b>	<b>\$ 165,902</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 76,985	\$ 76,985	\$ 501,300	\$ 424,316
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	\$ -	\$ -	\$ (51,569)	\$ (51,569)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (51,569)</b>	<b>\$ (51,569)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 76,985</b>	<b>\$ 76,985</b>	<b>\$ 449,731</b>	<b>\$ 372,747</b>
Fund Balances - January 1	\$ 1,326,853	\$ 1,326,853	\$ 1,326,853	\$ -
Fund Balances - December 31	<b>\$ 1,403,837</b>	<b>\$ 1,403,837</b>	<b>\$ 1,776,584</b>	<b>\$ 372,747</b>

The accompanying required supplementary information notes are an integral part of this schedule.

**CITY OF LINCOLN**

Budgetary Comparison Schedule - Special Revenue Fund  
 For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Sales Tax	\$ -	\$ -	\$ 181,949	\$ 181,949
Intergovernmental	180,000	180,000	288,472	108,472
Miscellaneous	-	-	3,529	3,529
<b>Total Revenues</b>	<b>\$ 180,000</b>	<b>\$ 180,000</b>	<b>\$ 473,950</b>	<b>\$ 293,950</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 9,200	\$ 9,200	\$ 12,250	\$ (3,050)
Public Works	323,364	323,364	223,059	100,305
Economic Development	-	-	50	(50)
Culture & Recreation	5,000	5,000	5,697	(697)
Conserv. of Natural Resources	-	-	47,744	(47,744)
<b>Total Expenditures</b>	<b>\$ 337,564</b>	<b>\$ 337,564</b>	<b>\$ 288,800</b>	<b>\$ 48,764</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (157,564)	\$ (157,564)	\$ 185,150	\$ 342,714
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 327,000	\$ 327,000	\$ 51,569	\$ (275,431)
Sale of Capital Assets	-	-	19,850	19,850
<b>Total Other Financing Sources and Uses</b>	<b>\$ 327,000</b>	<b>\$ 327,000</b>	<b>\$ 71,419</b>	<b>\$ (255,581)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 169,436</b>	<b>\$ 169,436</b>	<b>\$ 256,569</b>	<b>\$ 87,133</b>
Fund Balances - January 1	\$ 1,101,804	\$ 1,101,804	\$ 1,101,804	\$ -
<b>Fund Balances - December 31</b>	<b>\$ 1,271,240</b>	<b>\$ 1,271,240</b>	<b>\$ 1,358,373</b>	<b>\$ 87,133</b>

The accompanying required supplementary information notes are an integral part of this schedule.

**CITY OF LINCOLN**

Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Taxes	\$ 1,086,203	\$ 1,086,203	\$ 1,101,550	\$ 15,347
Licenses, Permits and Fees	36,225	36,225	100,527	64,302
Charges for Services	45,650	45,650	51,913	6,263
Intergovernmental	356,874	356,874	564,656	207,781
Interest	22,000	22,000	38,372	16,372
Miscellaneous	-	-	13,203	13,203
<b>Total Revenues</b>	<b>\$ 1,546,952</b>	<b>\$ 1,546,952</b>	<b>\$ 1,870,220</b>	<b>\$ 323,268</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 637,065	\$ 637,065	\$ 509,782	\$ 127,283
Public Safety	809,731	809,731	800,572	9,159
Conservation of Natural Resources	20,295	20,295	25,760	(5,465)
<b>Total Expenditures</b>	<b>\$ 1,467,091</b>	<b>\$ 1,467,091</b>	<b>\$ 1,336,114</b>	<b>\$ 130,976</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 79,861	\$ 79,861	\$ 534,106	\$ 454,244
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	\$ -	\$ -	\$ (345,899)	\$ (345,899)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (345,899)</b>	<b>\$ (345,899)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 79,861</b>	<b>\$ 79,861</b>	<b>\$ 188,207</b>	<b>\$ 108,345</b>
Fund Balances - January 1	\$ 1,151,096	\$ 1,151,096	\$ 1,151,096	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ (12,450)	\$ (12,450)
Fund Balance - January 1, as restated	\$ 1,151,096	\$ 1,151,096	\$ 1,138,646	\$ (12,450)
<b>Fund Balances - December 31</b>	<b>\$ 1,230,957</b>	<b>\$ 1,230,957</b>	<b>\$ 1,326,853</b>	<b>\$ 95,896</b>

The accompanying required supplementary information notes are an integral part of this schedule.

**CITY OF LINCOLN**

Budgetary Comparison Schedule - Special Revenue Fund  
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Tax	\$ 20,056	\$ 20,056	\$ 34,000	\$ 13,944
Sales Tax	166,250	166,250	180,534	14,284
Intergovernmental	165,061	165,061	210,848	45,787
Interest Income	-	-	69	69
Miscellaneous	20,000	20,000	11,951	(8,049)
<b>Total Revenues</b>	<b>\$ 371,367</b>	<b>\$ 371,367</b>	<b>\$ 437,403</b>	<b>\$ 66,036</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ -	\$ -	\$ 24,484	\$ (24,484)
Public Works	250,304	250,304	151,944	98,360
Culture & Recreation	20,000	20,000	4,013	15,988
Conserv. of Natural Resources	41,563	41,563	41,349	213
<b>Total Expenditures</b>	<b>\$ 311,867</b>	<b>\$ 311,867</b>	<b>\$ 221,789</b>	<b>\$ 90,077</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 59,500	\$ 59,500	\$ 215,613	\$ 156,113
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 240,550	\$ 240,550	\$ 984,481	\$ 743,931
Sale of Capital Assets	-	-	10,417	10,417
Transfers Out	(260,257)	(260,257)	-	260,257
<b>Total Other Financing Sources and Uses</b>	<b>\$ (19,707)</b>	<b>\$ (19,707)</b>	<b>\$ 994,898</b>	<b>\$ 1,014,605</b>
<b>Net Change in Fund Balances</b>	<b>\$ 39,793</b>	<b>\$ 39,793</b>	<b>\$ 1,210,512</b>	<b>\$ 1,170,718</b>
Fund Balances - January 1	\$ 391,292	\$ 391,292	\$ 391,292	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ (500,000)	\$ (500,000)
Fund Balances - January 1 Restated	\$ 391,292	\$ 391,292	\$ (108,708)	\$ (500,000)
<b>Fund Balances - December 31</b>	<b>\$ 431,086</b>	<b>\$ 431,086</b>	<b>\$ 1,101,804</b>	<b>\$ 670,718</b>

The accompanying required supplementary information notes are an integral part of this schedule.

# CITY OF LINCOLN

Notes to the Supplementary Information  
For the Years Ended December 31, 2023 and 2022

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## NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

The governing board adopts an annual budget on a basis consistent with the modified cash basis of accounting, and state law as outlined in various sections of North Dakota Century Code (NDCC) Chapter 40-40 for the general fund, each special revenue fund and each debt service fund of the municipality. The City is required to present the adopted and final amended revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The governing body of each municipality, annually or before September tenth, shall make an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year (NDCC 40-40-04).
- The preliminary budget must include a detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund of the municipality. The revenue and expenditure items for the preceding year and estimates of the revenue and expenditures for the current year must be included for each fund to assist in determining the estimated revenues and appropriation requested for the ensuing year. The budget must also include any transfers in or out and the beginning and ending fund balance for each of the funds. The budget must be prepared on the same basis of accounting used by the municipality for its annual financial reports (NDCC 40-40-05).
- After the governing body has prepared the preliminary budget statement, the auditor of the municipality shall give notice that: the preliminary budget is on file in the office of the auditor and may be examined by anyone upon request; the governing body shall meet no later than October 7th at the time and place specified in the notice for the purpose of adopting the final budget and making the annual tax levy; and, the governing shall hold a public session at the time and place designated in the notice of the hearing at which any taxpayer may appear and discuss with the body any item of proposed expenditure or may object to any item or amount (NDCC 40-40-06).
- After the budget hearing, the final budget must be prepared on or before October 7th in accordance with provisions outlined in detail in NDCC 40-40-08.
- After completing the final budget on or before October 7th, the governing body shall proceed to make the annual tax levy in an amount sufficient to meet the expenses for the ensuing year as determined at the budget meeting (NDCC 40-40-09).
- Immediately after completion of the final budget and adoption of the annual tax levy by the governing body of a municipality in accordance with provisions, and in no case later than October 10th, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (NDCC 40-40-10).
- No municipal expenditure may be made nor liability incurred, and no bill may be paid for any purposes in excess of the appropriation made therefor in the final budget. Expenditures made liabilities incurred, or warrants issued in excess of the appropriations are a joint and several liability of the members of the governing body (NDCC 40-40-15).
- At the end of the fiscal year, the balance to credit of each annual appropriation becomes a part of the general unappropriated balance in the municipal treasury, but no special appropriation lapses until the work for which it was made has been completed, the bills paid, and the accounts closed. The governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years (NDCC 40-40-21).

## NOTE 2 LEGAL COMPLIANCE - BUDGETS

The City Council did not amend the 2023 and 2022 City budgets.

**CITY OF LINCOLN**

Notes to the Supplementary Information - Continued

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**NOTE 3      TRANSFERS OUT IN EXCESS OF BUDGET**

During fiscal years 2023 and 2022, the City of Lincoln had the following transfers out in excess of budgeted amounts:

	<b>Transfers Out</b>		
<b>2023</b>	<b>Budget</b>	<b>Actual</b>	<b>Overspent</b>
General Fund	\$ -	\$ 51,569	\$ (51,569)

	<b>Transfers Out</b>		
<b>2022</b>	<b>Budget</b>	<b>Actual</b>	<b>Overspent</b>
General Fund	\$ -	\$ 345,899	\$ (345,899)

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**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***

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Independent Auditor's Report

City Council  
City of Lincoln  
Lincoln, North Dakota

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 Lincoln as of and for the years ended December 31, 2023 and December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Lincoln's basic financial statements, and have issued our report thereon dated March 27, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Lincoln's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lincoln's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lincoln'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. We consider the deficiency described in the accompany *schedule of audit findings* as item 2023-005 to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2023-001, 2023-002, 2023-003, and 2023-004 to be material weaknesses.



**CITY OF LINCOLN**

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* - Continued

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**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lincoln'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying *Schedule of Audit Findings* as items 2023-001, 2023-002, and 2023-005.

**City of Lincoln's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lincoln's response to the findings identified in our audit and described in the accompanying *schedule of audit findings*. The City of Lincoln's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
March 27, 2025



# CITY OF LINCOLN

Schedule of Audit Findings

For the Years Ended December 31, 2023 and 2022

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## 2023-001 MUNICIPAL UTILITY FUND TRANSFERS OUT IN EXCESS OF N.D.C.C. §40-33-12 – MATERIAL NONCOMPLIANCE

### Condition

During 2022, the City of Lincoln exceeded the N.D.C.C. §40-33-12 statutory limits imposed on transfers out of municipal utilities funds to other governmental funds by the following:

	2022 Utility Revenues	20% N.D.C.C. §40-33-12 Maximum	2022 Actual Transfers Out	Total Transfers Out in Excess of N.D.C.C. §40-33-12
Water Fund	\$ 1,102,058	\$ 220,412	\$ 345,899	\$ (125,487)
Sewer Fund	378,042	75,608	159,646	(84,037)
Garbage Fund	451,910	90,382	133,038	(42,656)
Totals	\$ 1,932,009	\$ 386,402	\$ 638,582	\$ (252,181)

### Effect

The City of Lincoln violated N.D.C.C. §40-33-12 in 2022 by transferring out \$252,181 more than allowed from the utility funds.

### Cause

The City's highway distribution fund was operating at a deficit during previous fiscal years due to the fund paying for the total costs incurred for the City's Public Works Building during 2018-2020. In 2022, the transfers out of the water fund, sewer fund, and garbage fund were made to allocate a portion of the City's Public Works Building cost to those funds and to alleviate the deficit fund balance in the highway distribution fund.

### Criteria

N.D.C.C. 40-33-12 states that "the governing body may transfer from the surplus in the fund to the general fund of the municipality or to any other fund of the municipality a total sum of not more than twenty percent of the gross receipts of the municipal utilities for the fiscal year of the municipality during which the transfer or transfers are made."

### Prior Recommendation

No.

### Recommendation

We recommend that the City allocate and transfer any necessary funds for future projects as projects are ongoing in order to ensure transfers from all funds are within statutory limits.

### City of Lincoln's Response

We agree. The City will review transfers from all funds going forward to ensure that the transfers are in compliance with N.D.C.C. §40-33-12.

**2023-002 DEBT COVENANT VIOLATIONS – MATERIAL NONCOMPLIANCE**

**Condition**

As of December 31, 2023, the City of Lincoln did not create a separate debt service fund to pay principal and a separate construction fund to deposit the bond proceeds and pay for their water reservoir project costs related to their \$1,858,000 Water Revenue Bond, Series 2023. No principal and interest expenses were paid in 2023, but the bond proceeds were deposited into the City's Water Fund and Water Revenue Bond 2018 fund and construction expenses for the City's water reservoir project were paid from the Water Fund.

**Effect**

The City of Lincoln is in violation of two covenants in the Water Revenue Bond, Series 2023 bond agreement.

**Cause**

City officials were unaware that a separate debt service fund and construction fund needed to be created.

**Criteria**

The bond agreement states the following:

- "The City shall establish and maintain so long as the Bonds are outstanding a separate fund to be designated the "Bond Fund." The Council shall make the following deposits into the Bond Fund:
  - (a) Commencing on the first day of the month following the Date of Issue, and monthly thereafter the City will deposit into the Bond Fund Net Revenues in an amount equal to one-sixth (1/6) of the amount necessary to pay Bond interest and the Administrative Fee which will become due on the next interest payment date after crediting the amount of accrued interest and any earnings on the Bond Fund. Prepayment of monthly deposits will fulfill this requirement. Notwithstanding the foregoing, the City shall deposit into the Bond Fund from the Net Revenues an amount sufficient to permit all interest due on the Bonds to be paid on the date it is due.
  - (b) Commencing on the first day of the month following the Date of Issue, and monthly thereafter, the City will deposit into the Bond Fund Net Revenues in an amount equal to one-twelfth (1/12) of the amount necessary to pay any Bond principal which will become due on the next principal payment date. Prepayment of monthly deposits will fulfill this requirement. Notwithstanding the foregoing, the City will deposit into the Bond Fund from the Net Revenues an amount sufficient to permit all principal due on the Bonds to be paid on the date it is due.
  - (c) On each principal and interest payment date, from funds on deposit in the Reserve Fund, such additional amounts, if any, as may be necessary to meet principal and interest payments then due. Deposits required to be made pursuant to Sections 10(a) and 10(b) above are cumulative, and if the Net Revenues are not sufficient to credit the amount required in any month, an amount equal to the deficiency shall be credited from the next Net Revenues thereafter received. The moneys and investments in the Bond Fund are irrevocably pledged to and shall be used to the extent required for the payment of principal of and interest on the Bonds when and as the same shall become due and payable and for that purpose only."
- "The Council shall establish a Construction Fund and shall deposit to the credit of such Fund the proceeds of the Bonds as set forth in Section 9 hereof. As bond proceeds are needed for Project costs, the City shall submit requests in accordance with Section 2.02 of the Loan Agreement. Loan advances shall be recorded on the grid on the back of the Bond. Moneys in the Construction Fund from such proceeds and earnings shall be used for payment of the cost of the Project and costs of issuance of the Bond to include reimbursement to the City for advances made for such costs or to refund amounts borrowed for the Project, and for no other purpose. Moneys in the Construction Fund shall be deposited with a qualified depository and any deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation or the National Credit Union Administration shall be collateralized in accordance with Section 21-04-09 of the N.D.C.C. Moneys in the Construction Fund shall be subject to withdrawal from time to time by the Interim Mayor and City Auditor for the purposes set forth above. Moneys in the Construction Fund may be invested in such investments as are authorized by law for the City. Earnings from investment of the funds in the Construction Fund shall remain in the Construction Fund, and shall be treated and disbursed as Bond proceeds. Any proceeds of the Bonds and any interest earnings thereon

remaining in the Construction Fund after payment of all outstanding interim indebtedness, costs of the project, reimbursement of prior expenditures and issuance costs shall be transferred to the Bond Fund."

**Prior Recommendation**

No.

**Recommendation**

We recommend that the City of Lincoln set up a separate debt service fund to pay for principal and interest payments and set up a construction fund to deposit future bond proceeds and pay for construction expenses related to the water reservoir project. We also recommend that the City reviews new and existing debt agreements to ensure the City stays in compliance with all of its debt covenants.

**City of Lincoln's Response**

We agree. The City will review any existing and new debt covenants going forward to ensure that the City is compliance.

**2023-003 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

During the audit of the City of Lincoln, we proposed adjusting entries to the financial statements in accordance with the modified cash basis of accounting. The adjustments were approved by management and are reflected in the financial statements.

**Effect**

There is an increased risk of material misstatement to the City of Lincoln’s financial statements.

**Cause**

The City of Lincoln may not have procedures in place to ensure the financial statements are complete and accurate.

**Criteria**

The City of Lincoln is responsible for the preparation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend the City of Lincoln review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with the modified cash basis of accounting.

**City of Lincoln’s Response**

We agree. The adjustments have been implemented at the time of the audit.

**2023-004 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS**

**Condition**

The City of Lincoln did not prepare a fraud risk assessment of the entire entity.

**Effect**

If the City of Lincoln does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

**Cause**

The City of Lincoln may not have considered preparing a fraud risk assessment.

**Criteria**

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend the City of Lincoln prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

**City of Lincoln's Response**

We agree. The City will prepare a fraud risk assessment in the future.

**2023-005      CONFLICT OF INTEREST POLICIES & PROCEDURES – SIGNIFICANT DEFICIENCY & OTHER  
NONCOMPLIANCE**

**Condition**

The City of Lincoln does not have procedures in place to obtain potential conflict of interests from staff. Without this information, the City is unable to reasonably assure that conflicts of interest do not exist when entering into contracts or conducting business with vendors.

**Effect**

The City of Lincoln has an increased risk that conflicts of interest exist when entering into contracts or various types of transactions with vendors.

**Cause**

The City of Lincoln did not develop procedures to obtain potential conflicts of interest from staff.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is made up of five components which include Control Environment, Risk Assessment, Information and Communication, monitoring activities, and existing control activities. Existing Control Activities, for example, are the actions established through policies and procedures to help management carry out specific directives throughout an activity such as obtaining information on possible conflicts of interest to ensure compliance with City policy.

**Prior Recommendation**

No.

**Recommendation**

We recommend that the City of Lincoln develop procedures to obtain potential conflicts of interest in order to reasonably assure that conflicts of interest are absent when entering into contracts or conducting business with vendors.

**City of Lincoln’s Response**

We agree. The City will consider preparing conflict of interest policies for staff in the future.



**2023-006 IMPROPER JOURNAL ENTRIES – MATERIAL WEAKNESS**

**Condition**

The City of Lincoln recorded an excessive amount of improper revenue, expense, and transfer journal entries in its general ledger for banking transfers and fund transfers that occurred during 2023. Audit adjustments were proposed and accepted by management as presented below:

Fund	Revenue	Expense	Transfer In	Transfer Out	Bond Proceeds	Cash/Fund Balance
<b>General Fund</b>						
Fund 100	\$ (300,882)	\$ (300,882)	\$ (503,684)	\$ -	\$ -	\$ (503,684)
Fund 101	-	-	(800,000)	(800,000)	-	-
Fund 111	-	-	-	(1,666,667)	-	1,666,667
Fund 208	-	-	(350,000)	(350,000)	-	-
Fund 209	-	-	(345,000)	(345,000)	-	-
<b>Total General Fund</b>	<b>\$ (300,882)</b>	<b>\$ (300,882)</b>	<b>\$ (1,998,684)</b>	<b>\$ (3,161,667)</b>	<b>\$ -</b>	<b>\$ 1,162,983</b>
<b>Special Revenue Fund</b>						
Fund 523	\$ (18,229)	\$ (18,229)	\$ -	\$ -	\$ -	\$ -
<b>Total Special Revenue Fund</b>	<b>\$ (18,229)</b>	<b>\$ (18,229)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Capital Project Fund</b>						
Fund 110	\$ (503,684)	\$ (503,684)	\$ -	\$ (503,684)	\$ -	\$ 503,684
Fund 111	-	-	(1,666,667)	-	-	(1,666,667)
<b>Total Capital Project Fund</b>	<b>\$ (503,684)</b>	<b>\$ (503,684)</b>	<b>\$ (1,666,667)</b>	<b>\$ (503,684)</b>	<b>\$ -</b>	<b>\$ (1,162,983)</b>
<b>Debt Service Fund</b>						
Fund 213	\$ (69,906)	\$ (69,906)	\$ -	\$ -	\$ -	\$ -
Fund 521	(90,819)	(22,920)	90,819	22,920	-	-
Fund 522	(147,480)	(147,480)	-	-	-	-
Fund 524	-	(30,579)	-	-	(30,579)	-
<b>Total Debt Service Fund</b>	<b>\$ (308,205)</b>	<b>\$ (270,885)</b>	<b>\$ 90,819</b>	<b>\$ 22,920</b>	<b>\$ (30,579)</b>	<b>\$ -</b>
<b>Water Fund</b>						
Fund 501	\$ (22,920)	\$ (90,819)	\$ 22,920	\$ 90,819	\$ -	\$ -
Fund 505	-	-	(866,667)	(866,667)	-	-
Fund 506	-	-	(521,667)	(521,667)	-	-
<b>Total Water Fund</b>	<b>\$ (22,920)</b>	<b>\$ (90,819)</b>	<b>\$ (1,365,414)</b>	<b>\$ (1,297,515)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Sewer Fund</b>						
Fund 507	\$ -	\$ -	\$ (450,000)	\$ (450,000)	\$ -	\$ -
<b>Total Sewer Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (450,000)</b>	<b>\$ (450,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Adjustments</b>	<b>\$ (1,153,920)</b>	<b>\$ (1,184,499)</b>	<b>\$ (5,389,945)</b>	<b>\$ (5,389,945)</b>	<b>\$ (30,579)</b>	<b>\$ -</b>

**Effect**

The City's general ledger may have been materially misstated without proper audit adjustments.

**Cause**

During 2023, the City started to consolidate all of their bank accounts into one checking account and one CD account. The City may have been unaware of how to properly account for the banking transfers.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining

**CITY OF LINCOLN**

Schedule of Audit Findings – Continued

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to the recording of bank transfers and fund transfers, management is responsible for adequate internal controls surrounding the adjusting journal entries to ensure proper financial reporting.

**Prior Recommendation**

No.

**Recommendation**

We recommend the City of Lincoln stop using revenue and expense accounts to record banking transfers. Additionally, we recommend that all fund transfers journal entries are reviewed and approved to ensure that they are proper.

**City of Lincoln's Response**

We agree. The adjustments have been implemented at the time of the audit. The City will review any future banking transfers to ensure the entries are properly made in the general ledger.



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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