

**CITY OF GRAFTON  
GRAFTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## TABLE OF CONTENTS

	Page
<b>OFFICIAL DIRECTORY</b>	<b>1</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>2</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>6</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of the Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23
Fiduciary Funds	
Statement of Assets and Liabilities	24
Statement of Changes in Net Position	25
Notes to the Financial Statements	26
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedules	
General Fund	55
Grafton Community Development Sales Tax Fund	56
Note to the Budgetary Comparison Schedules	57

Schedule of Employers Share of Net Pension Liability	58
Schedule of Employer Pension Contributions	59
Schedule of Share of the OPEB Liability	60
Schedule of Contributions to OPEB Plan	61
Notes to the Required Supplementary Information	62

## **OTHER SUPPLEMENTARY INFORMATION**

### Combining Financial Statements

Balance Sheet - Non-Major Governmental Funds	63
Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds	64
Balance Sheet - Non-Major Special Revenue Funds	65
Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Special Revenue Funds	66
Balance Sheet - Non-Major Debt Service Funds	67
Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Debt Service Funds	68
Balance Sheet - Non-Major Capital Projects Funds	69
Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Capital Projects Funds	70
Balance Sheet - Component Units	71
Statement of Revenues, Expenditures, and Changes in Fund Balance - Component Units	72

<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	<b>73</b>
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<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>75</b>
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**CITY OF GRAFTON, NORTH DAKOTA**  
**OFFICIAL DIRECTORY**  
**AS OF DECEMBER 31, 2021**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Donavon McMillian	Council Member – At Large	2026
Chris Lipsh	Council Member – At Large	2026
Loree Osowski	Council Member – At Large	2026
Brian Sieben	Council Member - At Large	2026
Vacant	Council Member – First Ward	2024
Greg Young	Council Member - Second Ward	2024
Phil Ray	Council Member - Third Ward	2024
Don Hutson	Council Member - Fourth Ward	2024

OFFICERS AND MAYOR

Greg Young	President
Phil Ray	Vice-President
Chris West	Mayor

## INDEPENDENT AUDITOR'S REPORT

Mayor and Council Members of  
the City Council  
Grafton, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grafton, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Grafton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grafton's basic financial statements. The accompanying combining financial statements as listed in the table of contents 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 combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Official Directory but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2022, on our consideration of the City of Grafton'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 Grafton'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 City of Grafton's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

August 2, 2022



**CITY OF GRAFTON, NORTH DAKOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

As management of the City of Grafton, we are pleased to offer readers of the City of Grafton's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2021. We encourage readers to consider it in conjunction with the additional information presented in the basic financial statements and the notes to the financial statements.

Using This Annual Report:

This annual report presents the following three components of the financial statements:

1. The Government-wide financial statements provide information for the City as a whole.
2. Fund financial statements provide detailed information for the City's major funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements:**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Grafton's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on the entire City's governmental and business-type assets, deferred inflows/outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information on how the City's net position changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave). Both the Statement of Net Position and the Statement of Activities present information as follows:

- Governmental activities – this includes most of the City's basic services, which are primarily supported by property taxes, interest income, user fees and intergovernmental revenues.
- Business-type activities - this includes those services which are intended to recover all or a significant part of their costs through user fees.
- The governmental-wide financial statements begin on page 15.

**CITY OF GRAFTON, NORTH DAKOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Fund Financial Statements:**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Grafton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the City's significant funds – not the City as a whole. The City's funds can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

*Governmental Funds* - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental fund statements provide a detailed short-term view of the government's operations and the basic services it provides. These funds are reported on the modified accrual basis of accounting which focuses on available spendable resources. This allows the reader to evaluate the City's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the government-wide financial statements.

The City of Grafton maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, and the following major funds: Grafton Community Development Sales Tax Fund, Flood Control Fund, and Sales Tax 2008-A Fund. Data from the other special revenue, debt service and capital project funds are combined into a single, aggregated presentation.

The City of Grafton adopts an annual budget for all funds. Budgeting comparison statements have been provided to demonstrate compliance for the general fund and the sales tax fund.

*Proprietary Funds* – The City of Grafton maintains two types of proprietary funds:

- *Enterprise funds* are used to report activities that charge for services they provide to outside customers. The City of Grafton uses enterprise funds to account for its electric, water, wastewater, sanitation and pest control operations.
- *Internal service funds* are used to report activities that provide supplies and services to other City programs and activities. The City of Grafton uses an internal service fund to account for its Maintenance Department activities. Because these services predominantly benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

**CITY OF GRAFTON, NORTH DAKOTA**  
**MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

*Fiduciary Funds* – The City of Grafton is also responsible for assets that are held on behalf of others. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in a separate Statement of Assets and Liabilities.

The fiduciary fund activities have been excluded from the City's other financial statements since the City cannot use these assets to finance its operations.

**Notes to the Financial Statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the City as a whole:

The City's net position for the years ended December 31, 2021 and 2020 is summarized below; see the statement of net position in the financial statements for more detail.

	Governmental Activities		Business-Type Activities	
	12/31/21	12/31/20	12/31/21	12/31/20
<b>ASSETS</b>				
Current assets	\$ 11,531,998	\$ 11,804,945	\$ 5,912,830	\$ 5,655,045
Capital assets				
Property, plant and equipment	55,260,022	16,447,361	36,795,413	36,463,523
Construction in progress	14,877	36,761,665	228,615	35,061
Less accumulated depreciation	(5,570,307)	(5,180,827)	(21,508,527)	(20,845,438)
Other non-current assets	-	1,755,000	-	-
<b>TOTAL ASSETS</b>	<b>61,236,590</b>	<b>61,588,144</b>	<b>21,428,331</b>	<b>21,308,191</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,264,343</b>	<b>1,970,770</b>	<b>621,632</b>	<b>888,355</b>
<b>LIABILITIES</b>				
Current Liabilities	590,899	636,974	844,397	741,467
Long-term Liabilities				
Bonds and notes payable-Due within one year	647,147	701,478	232,000	227,760
Bonds and notes payable-Noncurrent portion	14,436,075	16,719,271	1,855,000	2,087,000
Net pension liability	1,059,719	3,283,343	521,024	1,480,017
Net OPEB Liability	53,424	83,195	26,267	37,502
<b>TOTAL LIABILITIES</b>	<b>16,787,264</b>	<b>21,424,261</b>	<b>3,478,688</b>	<b>4,573,746</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,067,084</b>	<b>485,290</b>	<b>1,016,308</b>	<b>218,749</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	34,678,492	30,675,916	13,428,501	13,338,386
Restricted	7,736,574	8,202,559	377,738	145,297
Unrestricted	1,231,519	2,770,888	3,748,728	3,920,368
<b>TOTAL NET POSITION</b>	<b>\$ 43,646,585</b>	<b>\$ 41,649,363</b>	<b>\$ 17,554,967</b>	<b>\$ 17,404,051</b>

As noted earlier, net position may serve over time as a useful indicator of the City's financial position.

**CITY OF GRAFTON, NORTH DAKOTA**  
**MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Governmental Activities:**

The City of Grafton's governmental activities net position increased \$1,997,222 for the year ended December 31, 2021. Key elements and a detailed summary of this increase are shown below.

**Business-type Activities:**

Business-type activities increased the City of Grafton's net position by \$150,916. Comparisons of net position can be seen on page 8 of this report with a detailed change in the City's business-type activities by function shown below.

	Governmental Activities		Business-Type Activities	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
<b>REVENUES</b>				
Program Revenues:				
Charges for services	\$ 322,323	\$ 326,659	\$ 8,619,955	\$ 8,761,619
Grants and contributions	2,047,369	3,083,910	1,039	30,049
Total program revenues	2,369,692	3,410,569	8,620,994	8,791,668
General Revenues:				
Taxes	2,056,993	2,220,357	-	-
Special assessments	-	-	-	-
Intergovernmental	431,079	1,751,867	-	-
Other	132,875	455,215	28,272	58,969
Total general revenues	2,620,947	4,427,439	28,272	58,969
Total revenues	4,990,639	7,838,008	8,649,266	8,850,637
<b>EXPENSES</b>				
Governmental:				
General government	820,283	1,153,137	-	-
Public safety	1,099,403	1,387,575	-	-
Highways and streets	926,787	945,620	-	-
Health and welfare	140,341	501,792	-	-
Public works	-	-	-	-
Other	316,582	240,526	-	-
Interest	515,021	610,198	-	-
Loss on Sale of Capital Assets	-	20,751	-	-
Business type activities operating expenses:				
Electric	-	-	5,583,757	5,673,865
Water	-	-	1,084,234	1,076,129
Wastewater	-	-	546,029	584,968
Sanitation	-	-	396,343	397,508
Pest control	-	-	62,987	105,160
Total expenses	3,818,417	4,859,599	7,673,350	7,837,630
Change in net position before transfers	1,172,222	2,978,409	975,916	1,013,007
Transfers in (out)	825,000	822,250	(825,000)	(822,250)
Change in net position	1,997,222	3,800,659	150,916	190,757
Net position beginning of year	41,649,363	37,848,704	17,404,051	17,213,294
Net position end of year	\$ 43,646,585	\$ 41,649,363	\$ 17,554,967	\$ 17,404,051

**CITY OF GRAFTON, NORTH DAKOTA**  
**MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Financial Analysis of the Government's Funds:

As noted earlier, the City of Grafton uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds:**

The focus of the City of Grafton's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Grafton's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As of the end of the fiscal year, the City of Grafton's governmental funds reported combined ending fund balances of \$10,578,667.

The General Fund is the chief operating fund of the City of Grafton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,405,835 while the total fund balance was \$3,113,870. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total expenditures. Unassigned fund balance represents 45% of the total general fund balance and 60% of total general fund expenditures.

The following fund balances in the other funds that comprise the total Governmental Funds are listed below:

Development Sales Tax	\$ 2,776,808
Flood Control	2,980,501
Other Governmental Funds	1,707,488

Development Sales Tax – This reserve has resulted from a combination of excess sales tax receipts and equity transfers. This surplus is largely dedicated to future commitments in existing development agreements.

Flood Control – This reserve is for future costs associated with the flood control project.

Other Governmental Funds – This fund balance is the total fund balance in the remaining non-major governmental funds.

**CITY OF GRAFTON, NORTH DAKOTA**  
**MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Proprietary Funds**

City of Grafton's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the City of Grafton's proprietary funds at the end of the year amounted to \$3,748,728. This balance consisted of \$1,938,657 in the Electric fund, \$1,006,699 in the Water fund, \$113,786 in the Wastewater fund, and \$295,083 and \$394,503 in the Sanitation and Pest Control funds, respectively.

**Governmental Fund Budgetary Highlights**

The State issues a Fire Insurance Tax payment annually which is forwarded to the Grafton Volunteer Fire Corp. upon receipt. The amount is unpredictable to budget, so the policy is to wait until the amount is known and amend the budget at that time. In 2021, the amount of the **General Fund** amendment was \$36,167.61 for revenues and for expenditures.

In 2020, the City of Grafton received \$615,000 from the CARES Act in response to the coronavirus pandemic. In 2021, the City Council designated \$300,000 of the funds for budget stabilization, \$100,000 was assigned for Armory improvements and \$165,000 was assigned for street resurfacing. \$50,000 was transferred to the Sales Tax Fund for marketing, therefore the **Sales Tax Fund** revenues and expenditures were amended.

Assigned funds are appropriations from previous budgets reserved by the City Council to be spent at a later date. The amounts were transferred from the assigned fund balance and the 2021 budget was increased as expenditures were made.

The **Cemetery Fund** expenditures were amended \$100,000 to pay for a columbarium. The General Fund will contribute \$36,000 to the project over a two-year period and Cemetery Fund cash reserves will fund the balance.

The **2008-A Sales Tax Revenue Bond Fund** was called and paid in full in 2021. Unity Medical Center (UMC) contributed the \$1,703,567.50 necessary to make the final bond payment, therefore revenues were amended accordingly. The expenditures were also amended to make the final bond payment and to forward excess sales tax funds to UMC. As a result of the Bond paid in full, the Bond Reserve held by the City in accordance with loan documents was returned to the Unity Medical Center Foundation, therefore the **Hospital Foundation Fund** expenditure was amended. Finally, a trust and agency fund, **Hospital Sales Tax Fund**, was set up to collect the ½% city sales tax per city ordinance and to forward the collections to Unity Medical Center. Budget amendments were made to account for the actual amounts of revenues and expenditures.

**CITY OF GRAFTON, NORTH DAKOTA**  
**MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Capital Assets and Debt Administration

**Capital Assets**

The City of Grafton's capital assets for its governmental and business-type activities as of December 31, 2021 amounted to \$65,220,093 (net of accumulated depreciation). The capital assets included land, buildings and improvements, transmission system, vehicles and equipment, infrastructure and work in progress. The total in the City of Grafton's investment in capital assets for the current fiscal year was an increase of \$1,676,393 in the governmental activities and a decrease of \$137,645 in the business-type activities. The significant additions in the governmental activities were costs related to the City's flood protection project and in the business type activities improvements to the utility distribution systems. See note 3 for details.

**Debt**

At year-end, the City had outstanding long-term debt of \$18,830,656, a decrease of \$5,788,914 compared to last year. Additional information on the City of Grafton's debt can be found in Note 4 beginning on page 38 of this report.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of the assessed valuation of taxable property within the City. The current debt limitation is approximately \$4,394,000, which is significantly in excess of the City of Grafton's existing general obligation debt.

Below is the debt activity for the year ended December 31, 2021:

GOVERNMENTAL ACTIVITIES	Interest Rate	Beginning Balance	New Issues	Retired	Other	Ending Balance	Due within One Year	Accrued Interest
Refunding Improvement Bonds:								
\$3,500,000 of 2015	1.25% - 3.1%	\$ 2,750,000	\$ -	\$ (165,000)	\$ -	\$ 2,585,000	\$ 170,000	\$ 6,083
Bond Premium		30,300	-	-	(2,020)	28,280	-	-
\$10,000,000 of 2018	3.50% - 4.0%	9,575,000	-	(205,000)	-	9,370,000	215,000	56,991
Bond Premium		113,511	-	-	(4,054)	109,457	-	-
Bond Discount		(127,494)	-	-	4,553	(122,941)	-	-
General Obligation Bonds 2012	.4%-1.4%	195,000	-	(95,000)	-	100,000	100,000	117
Sales Tax Revenue Bonds								
\$2,350,000 2008A*	3.5% - 5.5%	1,755,000	-	(1,755,000)	-	-	-	-
Definitive Improvement 2017	1.50%	3,060,966	-	(104,662)	-	2,956,304	105,025	7,473
Compensated Absences		68,466	-	-	(11,344)	57,122	-	-
Other Debt:								
Net Pension Liability		3,283,343	-	-	(2,223,624)	1,059,719	-	-
Net OPEB Liability		83,195	-	-	(29,771)	53,424	-	-
		<u>\$ 20,787,287</u>	<u>\$ -</u>	<u>\$ (2,324,662)</u>	<u>\$ (2,266,260)</u>	<u>\$ 16,196,365</u>	<u>\$ 590,025</u>	<u>\$ 70,664</u>



**CITY OF GRAFTON, NORTH DAKOTA**  
**MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

BUSINESS-TYPE ACTIVITIES	Interest Rate	Beginning Balance	New Issues	Retired	Other	Ending Balance	Due within One Year	Accrued Interest
<u>Water</u>								
ND Public Finance Water Revenue Bonds	2.50%	\$ 40,000	\$ -	\$ (20,000)	\$ -	\$ 20,000	\$ 20,000	\$ 167
ND Public Finance	2.50%	217,000	-	(70,000)	-	147,000	72,000	1,225
ND Public Finance	2.00%	1,565,000	-	(95,000)	-	1,470,000	95,000	9,800
Net Pension Liability		441,864	-	-	(264,813)	177,051	-	-
Net OPEB Liability		11,196	-	-	(2,270)	8,926	-	-
		<u>\$ 2,275,060</u>	<u>\$ -</u>	<u>\$ (185,000)</u>	<u>\$ (267,083)</u>	<u>\$ 1,822,977</u>	<u>\$ 187,000</u>	<u>\$ 11,192</u>
<u>Wastewater</u>								
ND Public Finance-Clean Water Loan	2.00%	\$ 492,760	\$ -	\$ (42,760)	\$ -	\$ 450,000	\$ 45,000	\$ 3,000
Net Pension Liability		259,710	-	-	(171,013)	88,697	-	-
Net OPEB Liability		6,581	-	-	(2,109)	4,472	-	-
		<u>\$ 759,051</u>	<u>\$ -</u>	<u>\$ (42,760)</u>	<u>\$ (173,122)</u>	<u>\$ 543,169</u>	<u>\$ 45,000</u>	<u>\$ 3,000</u>
<u>Electric</u>								
Net Pension Liability		\$ 778,447	\$ -	\$ -	(523,171)	\$ 255,276	\$ -	\$ -
Net OPEB Liability		19,725	-	-	(6,856)	12,869	-	-
		<u>\$ 798,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (530,027)</u>	<u>\$ 268,145</u>	<u>\$ -</u>	<u>\$ -</u>

**Economic Factors and Next Year's Budgets and Rates**

The permanent flood control project was successfully put to the test this spring with a flood event that is considered to be the 4th largest flood in Grafton. The engineers continue to work with FEMA to get the Letter of Map Revision (LOMR) approved, which is anticipated by the end of 2022. The LOMR will remove the city from the flood map, release building restrictions and discontinues the requirement for citizens to obtain flood insurance.

Amidst the coronavirus pandemic, City sales tax collections increased 18% and exceeded \$1.1 million in both 2020 and 2021 and continue to remain strong in 2022. Sales tax funds have been designated to fund the debt for the Flood Risk Reduction project. In 2014, citizens voted to increase the sales tax rate by an additional ½% dedicated to the flood project and effective through March 31, 2040.

Epic Companies has announced the construction of a 30-unit apartment building in Grafton. The apartments will be market rate and will help fill the needs of all employers including Marvin Windows & Doors, Life Skills & Transition Center and Unity Medical Center. The unit is expected to break ground this fall.

Developers are in the final stages of a \$1.637M grant for an incubator project on main street. 532 Hill Kitchen & Co-Lab will include a commercial kitchen and co-workspace and will provide mini storefronts for individual businesses. Another entrepreneur is renovating a building to be named Studio 17 and will provide four rental rooms for service-based industry.

The City has committed \$325,000 to renovate the city-owned Armory building to include an indoor play center. A private group who has initiated the project, also obtained a \$50,000 SuperGrant with a vision of a technology-free and safe multi-use space where children can play and families can connect.

Utility rates continue to remain stable. The last electric and water rate increase was in 2018 and 2017 respectively.

The value of a mill for the 2022 budget is \$8,157 and is approximately \$8,741 for 2023.



**CITY OF GRAFTON, NORTH DAKOTA**  
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

Contacting the City's Financial Management

These financial statements are designed to provide citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need further information, contact the City of Grafton Finance Department, Box 578, Grafton, ND 58237 or visit our website at [www.graftongov.com](http://www.graftongov.com).

**CITY OF GRAFTON, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Primary Government			
	Governmental Activities	Business- Type Activities	Total	Component Unit
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,642,331	\$ 2,802,989	\$ 11,445,320	\$ 86,939
Restricted cash and cash equivalents	-	377,738	377,738	-
Investments	1,965,409	1,287,189	3,252,598	75,400
Receivables:				
Taxes	53,146	-	53,146	1,649
Accounts (net of uncollectibles)	-	973,235	973,235	-
Other	199,698	17,586	217,284	82,066
Special assessments	350,219	-	350,219	-
Interest	789	1,304	2,093	127
Notes receivable	165,769	24,634	190,403	-
Due from other governments	28,786	-	28,786	151
Prepaid expense	40,790	31,615	72,405	838
Inventory	85,061	396,540	481,601	-
Capital Assets-not being depreciated				
Land	2,284,361	964,472	3,248,833	-
Construction in progress	14,877	228,615	243,492	-
Capital Assets				
Property, plant and equipment	52,975,661	35,830,941	88,806,602	2,917,335
Less accumulated depreciation	(5,570,307)	(21,508,527)	(27,078,834)	(940,690)
<b>TOTAL ASSETS</b>	<b>61,236,590</b>	<b>21,428,331</b>	<b>82,664,921</b>	<b>2,223,815</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Cost sharing defined benefit pension plan-NDPERS	1,244,743	611,994	1,856,737	-
Cost sharing defined OPEB Plan-NDPERS	19,600	9,638	29,238	-
Total deferred outflows	<u>1,264,343</u>	<u>621,632</u>	<u>1,885,975</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	88,889	522,439	611,328	4,921
Salaries payable	24,438	10,687	35,125	-
Vacation payable	3,488	23,884	27,372	-
Interest payable	70,664	14,192	84,856	-
Unearned revenue	326,342	-	326,342	-
Due to other governments	77,078	-	77,078	-
Customer deposits	-	273,195	273,195	-
Bonds and notes payable-due within one year	590,025	232,000	822,025	-
Noncurrent liabilities				
Compensated absences	57,122	-	57,122	-
Bonds and notes payable-due in more than one year	14,436,075	1,855,000	16,291,075	-
Net pension liability	1,059,719	521,024	1,580,743	-
Net OPEB liability	53,424	26,267	79,691	-
<b>TOTAL LIABILITIES</b>	<b>16,787,264</b>	<b>3,478,688</b>	<b>20,265,952</b>	<b>4,921</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Cost sharing defined benefit pension plan-NDPERS	2,046,475	1,006,176	3,052,651	-
Cost sharing defined benefit OPEB Plan-NDPERS	20,609	10,132	30,741	-
Total deferred inflows	<u>2,067,084</u>	<u>1,016,308</u>	<u>3,083,392</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	34,678,492	13,428,501	48,106,993	1,976,645
Restricted-Debt service	251,674	377,738	629,412	-
Restricted-Flood control	2,980,501	-	2,980,501	-
Restricted-Economic development	3,092,038	-	3,092,038	-
Restricted-other	1,412,361	-	1,412,361	242,249
Unrestricted	1,231,519	3,748,728	4,980,247	-
<b>TOTAL NET POSITION</b>	<b>\$ 43,646,585</b>	<b>\$ 17,554,967</b>	<b>\$ 61,201,552</b>	<b>\$ 2,218,894</b>

See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Governmental Activities</b>								
Current								
General government	\$ 820,283	\$ 293,112	\$ 3,424	\$ -	\$ (523,747)	\$ -	\$ (523,747)	\$ -
Public safety	1,099,403	22,418	384,327	152,948	(539,710)	-	(539,710)	-
Highways and streets	926,787	6,793	241,560	-	(678,434)	-	(678,434)	-
Health and welfare	140,341	-	14,146	-	(126,195)	-	(126,195)	-
Public Works	-	-	-	1,250,672	1,250,672	-	1,250,672	-
Other	316,582	-	292	-	(316,290)	-	(316,290)	-
Debt service								
Interest	515,021	-	-	-	(515,021)	-	(515,021)	-
Total Governmental Activities	<u>3,818,417</u>	<u>322,323</u>	<u>643,749</u>	<u>1,403,620</u>	<u>(1,448,725)</u>	<u>-</u>	<u>(1,448,725)</u>	<u>-</u>
<b>Business-Type Activities</b>								
Electric	5,583,757	6,368,607	-	-	-	784,850	784,850	-
Water	1,084,234	1,143,048	-	-	-	58,814	58,814	-
Wastewater	546,029	550,571	-	1,039	-	5,581	5,581	-
Sanitation	396,343	420,429	-	-	-	24,086	24,086	-
Pest control	62,987	137,300	-	-	-	74,313	74,313	-
Total Business-Type Activities	<u>7,673,350</u>	<u>8,619,955</u>	<u>-</u>	<u>1,039</u>	<u>-</u>	<u>947,644</u>	<u>947,644</u>	<u>-</u>
Total Primary Government	<u>\$ 11,491,767</u>	<u>\$ 8,942,278</u>	<u>\$ 643,749</u>	<u>\$ 1,404,659</u>	<u>(1,448,725)</u>	<u>947,644</u>	<u>(501,081)</u>	<u>-</u>
<b>Component Unit</b>								
Airport Authority	\$ 200,599	\$ -	\$ -	\$ 54,169	-	-	-	(146,430)
Total Component Units	<u>\$ 200,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,430)</u>
General Receipts:								
Taxes					2,056,993	-	2,056,993	26,601
Intergovernmental (not restricted for specific program)								
State and federal					431,079	-	431,079	-
Interest earnings					-	12,403	12,403	-
Other general revenues					131,497	15,869	147,366	25,847
Gain on sale of capital assets					1,378	-	1,378	-
Transfers					825,000	(825,000)	-	-
Total General Receipts, Transfers and Sale of Capital Assets					<u>3,445,947</u>	<u>(796,728)</u>	<u>2,649,219</u>	<u>52,448</u>
Changes in Net Position					1,997,222	150,916	2,148,138	(93,982)
Net Position, January 1					<u>41,649,363</u>	<u>17,404,051</u>	<u>59,053,414</u>	<u>2,312,876</u>
Net Position, December 31					<u>\$ 43,646,585</u>	<u>\$ 17,554,967</u>	<u>\$ 61,201,552</u>	<u>\$ 2,218,894</u>

See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

		<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>		
	<u>General</u>	<u>Grafton Community Development Sales Tax</u>	<u>Flood Control</u>	<u>Sales Tax 2008-A</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,591,189	\$ 1,938,394	\$ 2,793,968	\$ -	\$ 1,356,405	\$ 8,679,956
Investments	502,412	750,882	-	-	712,115	1,965,409
Receivables:						
Taxes	46,792	-	-	-	6,354	53,146
Accounts (net of uncollectibles)	-	-	-	-	-	-
Other	-	-	199,698	-	-	199,698
Special assessments	4,991	315,230	-	-	29,998	350,219
Interest	354	328	-	-	107	789
Notes receivable	-	165,769	-	-	-	165,769
Due from other governments	28,207	-	-	-	579	28,786
Prepaid expense	38,100	-	-	-	-	38,100
Total Assets	<u>\$ 3,212,045</u>	<u>\$ 3,170,603</u>	<u>\$ 2,993,666</u>	<u>\$ -</u>	<u>\$ 2,105,558</u>	<u>\$ 11,481,872</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 22,903	\$ 1,487	\$ 13,165	\$ -	\$ 35,377	\$ 72,932
Salaries payable	23,488	-	-	-	-	23,488
Due to other governments	-	77,078	-	-	-	77,078
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	326,342	326,342
Total Liabilities	<u>46,391</u>	<u>78,565</u>	<u>13,165</u>	<u>-</u>	<u>361,719</u>	<u>499,840</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue- property taxes	46,792	-	-	-	6,354	53,146
Uncertified special assessments	4,992	315,230	-	-	29,997	350,219
Total Deferred Inflows of Resources	<u>51,784</u>	<u>315,230</u>	<u>-</u>	<u>-</u>	<u>36,351</u>	<u>403,365</u>
<b>FUND BALANCE</b>						
Nonspendable	38,100	-	-	-	-	38,100
Restricted	-	2,776,808	2,980,501	-	1,698,348	7,455,657
Unrestricted						
Committed	-	-	-	-	30,316	30,316
Assigned	1,669,935	-	-	-	-	1,669,935
Unassigned	1,405,835	-	-	-	(21,176)	1,384,659
Total Fund Balance	<u>3,113,870</u>	<u>2,776,808</u>	<u>2,980,501</u>	<u>-</u>	<u>1,707,488</u>	<u>10,578,667</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,212,045</u>	<u>\$ 3,170,603</u>	<u>\$ 2,993,666</u>	<u>\$ -</u>	<u>\$ 2,105,558</u>	<u>\$ 11,481,872</u>

See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance-governmental funds	\$ 10,578,667
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	54,534,794	
Accumulated Depreciation	(5,034,801)	
Net		49,499,993

Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.

NDPERS Pension		(765,246)
NDPERS OPEB		(963)

Some receivables will not be collected soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

These consist of:

Unavailable revenue-property taxes revenue		53,146
Uncertified special assessments		350,219

The City accounts for its internal maintenance fund as an internal service fund. The assets and liabilities of the internal service fund are included with governmental activities.

147,141

Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:

Compensated absences	(57,122)	
Accrued interest payable	(70,664)	
Bonds payable	(15,011,304)	
Premium on bonds payable	(137,737)	
Discount on bonds payable	122,941	
Net pension liability	(1,011,493)	
Net OPEB liability	(50,993)	
		(16,216,372)

Total net position-governmental activities	\$ <u>43,646,585</u>
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See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	
	<u>General</u>	<u>Grafton Community Development Sales Tax</u>	<u>Flood Control</u>	<u>Sales Tax 2008-A</u>		<u>Total</u>
<b>REVENUES</b>						
Taxes	\$ 783,300	\$ 1,100,448	\$ -	\$ 86,025	\$ 122,513	\$ 2,092,286
Special assessments	20,717	45,869	-	-	28,590	95,176
Licenses and permits	124,551	-	-	-	-	124,551
Intergovernmental	825,587	292	1,250,672	-	17,570	2,094,121
Charges for services	6,793	-	-	-	-	6,793
Fines and forfeits	22,418	-	-	-	-	22,418
Contributions	-	-	-	1,703,568	-	1,703,568
Miscellaneous	61,467	58,934	5,039	2,656	387,103	515,199
Total Revenues	<u>1,844,833</u>	<u>1,205,543</u>	<u>1,255,711</u>	<u>1,792,249</u>	<u>555,776</u>	<u>6,654,112</u>
<b>EXPENDITURES</b>						
Current:						
General government	522,879	-	-	-	26,857	549,736
Public safety	694,249	-	-	-	346,397	1,040,646
Highways and streets	657,317	-	-	-	-	657,317
Health and welfare	2,412	-	-	-	14,146	16,558
Other	23,311	102,371	8,400	146,822	35,678	316,582
Capital outlay	457,167	-	1,667,562	-	-	2,124,729
Debt service:						
Principal retirement	-	-	-	1,755,000	569,662	2,324,662
Interest	-	-	-	60,418	474,782	535,200
Total expenditures	<u>2,357,335</u>	<u>102,371</u>	<u>1,675,962</u>	<u>1,962,240</u>	<u>1,467,522</u>	<u>7,565,430</u>
Revenues Over (Under) Expenditures	(512,502)	1,103,172	(420,251)	(169,991)	(911,746)	(911,318)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	9,376	-	-	-	-	9,376
Operating transfers in	790,000	50,000	-	-	962,879	1,802,879
Operating transfers out	(66,000)	(946,879)	-	-	-	(1,012,879)
Total Other Financing Sources (Uses)	<u>733,376</u>	<u>(896,879)</u>	<u>-</u>	<u>-</u>	<u>962,879</u>	<u>799,376</u>
Net Change in Fund Balance	<u>220,874</u>	<u>206,293</u>	<u>(420,251)</u>	<u>(169,991)</u>	<u>51,133</u>	<u>(111,942)</u>
Fund Balance - January 1	<u>2,892,996</u>	<u>2,570,515</u>	<u>3,400,752</u>	<u>169,991</u>	<u>1,656,355</u>	<u>10,690,609</u>
Fund Balance - December 31	<u>\$ 3,113,870</u>	<u>\$ 2,776,808</u>	<u>\$ 2,980,501</u>	<u>\$ -</u>	<u>\$ 1,707,488</u>	<u>\$ 10,578,667</u>

See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE TO STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance- total governmental funds	\$	(111,942)
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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 as depreciation expense. In the current period, these amounts are:

Capital outlay	2,124,729		
Book value of disposed assets	(7,998)		
Depreciation expense	(465,414)		
Excess of capital outlay over depreciation expense			1,651,317

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position. Loan proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the Statement of Net Position.

Principal debt payments	2,324,662		
Amortization of bond premium & discounts	1,521		
			2,326,183

Some revenues will not be collected for several months after the City's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Net change in unavailable revenue-property taxes revenue			(4,189)
Net change in uncertified special assessments			(74,848)

Revenues in the statement of activities that do not provide current resources:

Decrease in long term receivable		(1,755,000)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest decreased.

18,658

Changes in deferred outflows and inflows of resources related to net pension and OPEB liabilities		(2,186,827)
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Change in net pension and OPEB liabilities		2,157,054
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the government funds. These activities consist of:

Net decrease in accrued vacation		11,344
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An internal service fund is used by the City to account for its maintenance operations. The net income of the internal service fund is reported with governmental activities.

(34,528)

Net change in net position of governmental activities	\$	<u>1,997,222</u>
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See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2021**

	Business-type Activities Enterprise Funds						Governmental Activities
	Electric	Water	Wastewater	Sanitation	Pest Control	Total	Internal Service Funds
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 1,501,310	\$ 750,580	\$ 223,403	\$ 74,557	\$ 253,139	\$ 2,802,989	\$ (37,625)
Restricted cash and cash equivalents	-	309,312	68,426	-	-	377,738	-
Investments	603,212	383,075	-	175,251	125,651	1,287,189	-
Receivables:							
Other	-	17,586	-	-	-	17,586	-
Accounts (net of uncollectibles)	731,780	116,555	62,213	46,937	15,750	973,235	-
Interest	494	448	-	217	145	1,304	-
Special Assessments - current portion	23,739	895	-	-	-	24,634	-
Prepaid expenses	18,556	9,128	3,923	-	8	31,615	2,690
Inventory	296,811	92,862	6,867	-	-	396,540	85,061
Total current assets	3,175,902	1,680,441	364,832	296,962	394,693	5,912,830	50,126
Capital assets-not being depreciated							
Land	677,145	40,810	195,993	50,524	-	964,472	-
Construction in progress	147,634	71,871	9,110	-	-	228,615	14,877
Capital assets							
Buildings/Improvements	1,448,351	7,796,669	952,449	24,672	-	10,222,141	648,737
Transmission system	7,466,579	10,337,695	6,091,235	-	-	23,895,509	38,979
Machinery and equipment	1,072,136	193,244	406,304	5,340	36,267	1,713,291	37,512
Total capital assets	10,811,845	18,440,289	7,655,091	80,536	36,267	37,024,028	740,105
Less accumulated depreciation	(7,306,212)	(9,117,781)	(5,026,853)	(21,414)	(36,267)	(21,508,527)	(535,506)
Net capital assets	3,505,633	9,322,508	2,628,238	59,122	-	15,515,501	204,599
<b>TOTAL ASSETS</b>	<b>6,681,535</b>	<b>11,002,949</b>	<b>2,993,070</b>	<b>356,084</b>	<b>394,693</b>	<b>21,428,331</b>	<b>254,725</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Cost sharing defined benefit pension plan-NDPERS	299,847	207,964	104,183	-	-	611,994	56,645
Cost sharing defined benefit OPEB Plan-NDPERS	4,722	3,275	1,641	-	-	9,638	892
Total deferred outflows	304,569	211,239	105,824	-	-	621,632	57,537
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	486,902	20,771	12,697	1,879	190	522,439	15,957
Salaries payable	5,473	3,420	1,794	-	-	10,687	950
Vacations payable	10,158	8,953	4,773	-	-	23,884	3,488
Interest payable	-	11,192	3,000	-	-	14,192	-
Bonds payable-current portion	-	187,000	45,000	-	-	232,000	-
Customer deposits	273,195	-	-	-	-	273,195	-
Total current liabilities	775,728	231,336	67,264	1,879	190	1,076,397	20,395
Long-term liabilities							
Non-current portion	-	1,450,000	405,000	-	-	1,855,000	-
Net pension liability	255,276	177,051	88,697	-	-	521,024	48,226
Net OPEB liability	12,869	8,926	4,472	-	-	26,267	2,431
Total non-current liabilities	268,145	1,635,977	498,169	-	-	2,402,291	50,657
<b>TOTAL LIABILITIES</b>	<b>1,043,873</b>	<b>1,867,313</b>	<b>565,433</b>	<b>1,879</b>	<b>190</b>	<b>3,478,688</b>	<b>71,052</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Cost sharing defined benefit pension plan-NDPERS	492,977	341,913	171,286	-	-	1,006,176	93,131
Cost sharing defined benefit OPEB Plan-NDPERS	4,964	3,443	1,725	-	-	10,132	938
Total deferred inflows	497,941	345,356	173,011	-	-	1,016,308	94,069
<b>NET POSITION</b>							
Net investment in capital assets	3,505,633	7,685,508	2,178,238	59,122	-	13,428,501	204,599
Restricted for bond covenants	-	309,312	68,426	-	-	377,738	-
Unrestricted	1,938,657	1,006,699	113,786	295,083	394,503	3,748,728	(57,458)
<b>TOTAL NET POSITION</b>	<b>\$ 5,444,290</b>	<b>\$ 9,001,519</b>	<b>\$ 2,360,450</b>	<b>\$ 354,205</b>	<b>\$ 394,503</b>	<b>\$ 17,554,967</b>	<b>\$ 147,141</b>

See Notes to the Financial Statements



**CITY OF GRAFTON, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Electric	Water	Wastewater	Sanitation	Pest Control	Total	
Operating Revenues:							
Sales - Net of Discounts	\$ 6,291,430	\$ 1,127,622	\$ 550,471	\$ 420,429	\$ 137,300	\$ 8,527,252	\$ 163,561
Operating Expenses:							
Cost of goods sold	4,248,651	-	-	-	-	4,248,651	113,545
Utilities and phone	9,120	79,625	100,321	-	-	189,066	9,432
Materials and supplies	5,831	6,607	2,959	-	-	15,397	1,949
Repairs and maintenance	25,751	23,934	19,077	-	-	68,762	3,929
Gas, fuel and oil	5,451	3,402	1,746	-	45	10,644	910
Insurance	95,155	72,658	36,672	-	29	204,514	22,845
Uniforms	6,345	587	-	-	-	6,932	-
Contracted services	1,000	11,652	689	360,898	30,863	405,102	-
Technology	-	14,673	-	-	-	14,673	-
Salaries	281,517	198,076	98,180	-	-	577,773	51,958
Payroll taxes	21,136	14,502	7,275	-	-	42,913	3,668
Retirement	46,511	88,426	22,327	-	-	157,264	10,903
Rent	-	-	7,307	-	-	7,307	-
Miscellaneous	109,835	4,554	6,889	101	33	121,412	2,142
Depreciation	217,168	277,051	165,687	3,182	-	663,088	16,652
General equipment	13,005	-	1,701	-	-	14,706	781
Operating expenses	292,108	148,479	47,014	28,834	-	516,435	-
Distribution system	39,771	2,582	13,417	-	-	55,770	-
Collection fees	2,033	-	-	3,328	-	5,361	-
Other supplies	-	-	-	-	-	-	-
Donated and internal use	159,818	5,793	1,102	-	365	167,078	-
Chemicals	-	85,638	3,055	-	31,652	120,345	-
Travel and training	1,291	912	1,041	-	-	3,244	-
Structures and improvements	26	-	-	-	-	26	-
Total Operating Expenses	5,581,523	1,039,151	536,459	396,343	62,987	7,616,463	238,714
Operating Income (Loss)	709,907	88,471	14,012	24,086	74,313	910,789	(75,153)
Non-Operating Revenues (Expenses):							
Materials sold	792	8,711	-	-	-	9,503	-
Interest earnings	6,529	3,268	501	1,052	1,053	12,403	13
Minnkota lease	75,266	-	-	-	-	75,266	-
Rent	1,122	6,715	100	-	-	7,937	5,000
Miscellaneous	7,053	5,932	1,172	1,685	24	15,866	612
Grant reimbursement	-	-	1,039	-	-	1,039	-
Cost of materials sold	(134)	(8,741)	-	-	-	(8,875)	-
Incentives	(2,100)	-	-	-	-	(2,100)	-
Interest expense	-	(36,342)	(9,570)	-	-	(45,912)	-
Total Non-Operating Revenues (Expense)	88,528	(20,457)	(6,758)	2,737	1,077	65,127	5,625
Income (Loss) Before Operating Transfers and contributions	798,435	68,014	7,254	26,823	75,390	975,916	(69,528)
Operating Transfers In	-	-	-	-	-	-	35,000
Operating Transfers (Out)	(647,500)	(125,000)	(25,000)	(27,500)	-	(825,000)	-
Net Income (Loss)	150,935	(56,986)	(17,746)	(677)	75,390	150,916	(34,528)
Net Position, January 1	5,293,355	9,058,505	2,378,196	354,882	319,113	17,404,051	181,669
Net Position, December 31	\$ 5,444,290	\$ 9,001,519	\$ 2,360,450	\$ 354,205	\$ 394,503	\$ 17,554,967	\$ 147,141

See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Business-type Activities Enterprise Funds						Governmental Activities
	Electric	Water	Wastewater	Sanitation	Pest Control	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 6,359,565	\$ 1,126,863	\$ 542,653	\$ 419,688	\$ 137,031	\$ 8,585,800	\$ 163,561
Cash payments to suppliers	(5,061,736)	(570,022)	(281,831)	(393,161)	(62,985)	(6,369,735)	(176,056)
Cash paid to employees	(265,976)	(131,128)	(86,615)	-	-	(483,719)	(46,905)
Net cash flow from (to) operating activities	1,031,853	425,713	174,207	26,527	74,046	1,732,346	(59,400)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>							
Miscellaneous revenues (expenses)	81,999	12,617	1,272	1,685	26	97,599	5,615
Transfers to (from) other funds	(647,500)	(125,000)	(25,000)	(27,500)	-	(825,000)	35,000
Net cash flow from (to) non-capital financing activities	(565,501)	(112,383)	(23,728)	(25,815)	26	(727,401)	40,615
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Purchases of property and equipment	(321,901)	(129,415)	(73,728)	(399)	-	(525,443)	(41,733)
Proceeds from capital grant	-	-	1,039	-	-	1,039	-
Principal paid on debt	-	(185,000)	(42,760)	-	-	(227,760)	-
Interest paid on debt	-	(37,725)	(9,855)	-	-	(47,580)	-
Net cash flow from (to) capital and related financing activities	(321,901)	(352,140)	(125,304)	(399)	-	(799,744)	(41,733)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest income	7,215	2,820	501	1,180	1,186	12,902	13
(Purchase) Sale of certificates of deposits	(52,267)	775	-	(16)	(416)	(51,924)	-
Net cash flow from (to) investing activities	(45,052)	3,595	501	1,164	770	(39,022)	13
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	99,399	(35,215)	25,676	1,477	74,842	166,179	(60,505)
<b>CASH AND CASH EQUIVALENTS, JANUARY 1, 2021</b>	1,401,911	1,095,107	266,153	73,080	178,297	3,014,548	22,880
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31, 2021</b>	\$ 1,501,310	\$ 1,059,892	\$ 291,829	\$ 74,557	\$ 253,139	\$ 3,180,727	\$ (37,625)
Cash and cash equivalents are comprised of the following:							
Cash and cash equivalents	\$ 1,501,310	\$ 750,580	\$ 223,403	\$ 74,557	\$ 253,139	\$ 2,802,989	\$ (37,625)
Restricted cash and cash equivalents	-	309,312	68,426	-	-	377,738	-
Total cash and cash equivalents on the Statement of Net Position	\$ 1,501,310	\$ 1,059,892	\$ 291,829	\$ 74,557	\$ 253,139	\$ 3,180,727	\$ (37,625)
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Operating Income (loss)	\$ 709,907	\$ 88,471	\$ 14,012	\$ 24,086	\$ 74,313	\$ 910,789	\$ (75,153)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	217,168	277,051	165,687	3,182	-	663,088	16,652
Changes in assets and liabilities							
(Increase)/Decrease in Accounts receivable	57,515	(759)	(7,818)	(741)	(269)	47,928	-
(Increase)/Decrease in Inventory	(78,807)	(7,930)	34	-	-	(86,703)	(15,180)
(Increase)/Decrease in Prepaid expenses	(926)	(688)	204	-	2	(1,408)	37
(Increase)/Decrease in Deferred outflows of resources	162,679	53,983	50,061	-	-	266,723	28,515
Increase/(Decrease) in Accounts payable	100,835	2,620	(9,477)	-	-	93,978	9,191
Increase/(Decrease) in Accrued salaries payable	-	-	-	-	-	-	-
Increase/(Decrease) in Customer deposits	10,620	-	-	-	-	10,620	-
Increase/(Decrease) in Deferred inflows of resources	382,885	280,048	134,626	-	-	797,559	72,879
Increase/(Decrease) in Net pension liability	(523,167)	(264,813)	(171,013)	-	-	(958,993)	(95,139)
Increase/(Decrease) in Net OPEB liability	(6,856)	(2,270)	(2,109)	-	-	(11,235)	(1,202)
Net cash provided (used) by operating activities	\$ 1,031,853	\$ 425,713	\$ 174,207	\$ 26,527	\$ 74,046	\$ 1,732,346	\$ (59,400)

See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2021**

**Custodial Funds**

	<b><u>Recreation</u></b>	<b><u>Library</u></b>	<b><u>Hospital</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>				
Taxes receivable	\$ 1,376	\$ 1,959	\$ -	\$ 3,335
Due from other governments	-	178	-	178
TOTAL ASSETS	<u>\$ 1,376</u>	<u>\$ 2,137</u>	<u>\$ -</u>	<u>\$ 3,513</u>
<b>LIABILITIES</b>				
Due to other entities	\$ 1,376	\$ 2,137	\$ -	\$ 3,513
TOTAL LIABILITIES	<u>\$ 1,376</u>	<u>\$ 2,137</u>	<u>\$ -</u>	<u>\$ 3,513</u>

See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u><b>Custodial Funds</b></u>			
	<u><b>Recreation</b></u>	<u><b>Library</b></u>	<u><b>Hospital</b></u>	<u><b>Total</b></u>
<b>ADDITIONS</b>				
Property taxes collected for other entities	<u>\$ 22,974</u>	<u>\$ 32,536</u>	<u>\$ 189,087</u>	<u>\$ 244,597</u>
<b>DEDUCTIONS</b>				
Property taxes disbursed to other entities	<u>22,974</u>	<u>32,536</u>	<u>189,087</u>	<u>244,597</u>
<b>CHANGE IN NET POSITION</b>	-	-	-	-
<b>NET POSITION - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to the Financial Statements

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The financial statements of the City of Grafton have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City of Grafton is a municipality in which citizens elect the mayor at large and eight council members, one member from each of the four wards and an additional four members at large. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or financial accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The City uses the criteria established by the Governmental Accounting Standards Board in determining financial accountability. The criteria include, but are not limited to, appointing a voting majority of an organization's governing board, and 1) the ability of the entity 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 entity. The City has determined that the airport authority and the volunteer fire department meet the above criteria and, therefore, have been included as component units in the City's financial statements.

**Airport Authority**

The Airport Authority oversees the operation and maintenance of the airport and is a discretely presented component unit. Separate financial statements have not been issued by the Airport Authority.

**Volunteer Fire Department**

The volunteer fire department is funded in part by the City and provides fire protection for the City of Grafton and is presented as a blended component unit. Separate financial statements for the volunteer fire department have not been issued.

**Basis of Presentation**

***Government-Wide Financial Statements***

The Statement of Net Position and Statement of Activities display information about the reporting government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

***Fund Financial Statements***

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are typically organized into three categories: governmental, proprietary and fiduciary.

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of an individual fund are at least 10 percent of the corresponding total for all funds of that type, AND
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

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.

Grafton Community Development Sales Tax Fund - This fund accounts for the collection of city sales tax and distribution for community development.

Flood Control Fund - This fund accounts for the construction cost of diversion and levee to protect the City of Grafton from flooding.

Sales Tax 2008-A – This fund accounts for the collection of sales tax and other contributions for debt service payments on the 2008A Sales Tax Revenue Bonds.

The City reports the following major enterprise funds -

Electric Fund - This fund accounts for the electric plant production and the electric distribution system.

Water Fund - This fund accounts for the activity of the Water Department. The department operates the water treatment plant and water distribution system for the City of Grafton.

Wastewater Fund - This fund accounts for the collection and treatment of the wastewater for the City.

Sanitation Fund - This fund accounts for the collection and disposal of garbage for the City.

Pest Control Fund - This Fund accounts for the prevention and extermination of insects, rodents and weeds.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

***Governmental Funds***

General Fund

The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt, principal and interest.

Capital Projects

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

***Proprietary Funds***

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activities focuses on net income measurement similar to the private sector. The City includes all of the enterprise funds as major, which consist of the Electric, Water, Wastewater, Sanitation and Pest Control Funds.

Internal Service funds account for the financing of services provided by one department to other departments within the City on a cost reimbursement basis. These include the maintenance fund. This fund is a proprietary fund reported with governmental activities in the government-wide statements.

***Fiduciary Funds***

Custodial Funds

The City includes three custodial funds as follows:

Parks and Recreation – Property taxes are levied by the City on behalf of Parks and Recreation and submitted to the Parks and Recreation Board.

Library – Property taxes are levied by the City on behalf of the Library and submitted to the Library Board.

Unity Hospital – Sales taxes are collected on behalf of Unity Hospital and submitted to the Hospital's Board.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe the recognition of revenues and expenditures within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

*Measurement Focus*

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and claims and judgments (if any), are recorded only when payment is due.

If both restricted and unrestricted resources are available to use for the same purpose, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed.

**Cash and Investments**

Cash balances from all funds are pooled and invested to the extent available in authorized investments authorized by North Dakota statutes. Earnings from such investments are allocated to the respective funds on the basis of average cash balance participation by each fund.

In accordance with government accounting standards, the City considers cash equivalents to be temporary investments which are readily convertible to cash, such as commercial paper, and treasury bills with an original maturity of less than three months when purchased. Investments consist entirely of certificate of deposits.

**Accounts Receivable**

Accounts receivable consists of amounts open from individuals for goods and services furnished by the City. The carrying amount of accounts receivable is reduced by an amount that reflects management’s best estimates of amounts that will not be collected. The City had allowances for uncollectible accounts totaling \$7,602 for business-type activities recorded at December 31, 2021.



**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**Revenues**

The City has the following program revenues: fees, fines and charges for services, operating and capital grants or contributions that are specific to a program. All other governmental revenues and general tax levies are classified as general revenues.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, special assessments, intergovernmental revenues and investment income.

Operating revenues and expenses in the enterprise funds consist of user fees, sales, charges for services and the related income and expenses associated with providing those sales and services. Non-operating revenues and expenses consist of contributions, grants, rents, interest and other miscellaneous items not associated with the services the fund is providing.

**Revenues-Exchange and Non-Exchange Transactions**

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the City receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the City.

**Property Taxes**

Property taxes attach as an enforceable lien on January 1<sup>st</sup> of the year collectible. A 5% reduction is allowed if paid by February 15<sup>th</sup>. Penalty and interest are added March 1<sup>st</sup> unless the first half of the taxes have been paid. Additional penalties are added October 15<sup>th</sup> if taxes are not paid.

Property taxes are all considered susceptible to accrual and so have been recognized as revenues in the current fiscal period. However, delinquent taxes may not be collected soon enough in the following year to be available for current expenditures, therefore offset by deferred inflows of resources.

**Special Assessments Receivable**

Special Assessments receivable consists of uncollected special assessments due to the City at December 31, 2021 and uncertified special assessments, which represent a long-term receivable in the financial statements. No allowance has been established for uncollectible special assessments. As of December 31, 2021, all accounts are considered collectible.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**Inventories and Prepaid Expenses**

Proprietary fund inventories are stated at cost determined on a first-in, first-out basis. They are recorded as an expense at the time individual inventory items are used.

Prepaid expenses represent payments made to vendors that benefit future reporting periods. The prepaid items are recognized as an expense/expenditure in the year the services are consumed.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure (i.e. roads, bridges, sidewalks, storm sewers and similar improvements), are reported in the government-wide statements in the applicable governmental or business-type activities column and in the proprietary fund statements. Capital assets that have been purchased or constructed have been valued at historical cost or estimated historical cost. Donated assets are recorded at estimated acquisition value at the time of donation. The City has established a capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation on exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Building and improvements	20 – 85 years
Infrastructure	5 – 40 years
Vehicles and equipment	5 – 25 years

**Compensated Absences**

Employees accrue vacation leave at a rate of 3.39 hours per bi-weekly pay period from 0 - 6 years, 4.93 hours per bi-weekly pay period from 7 - 14 years, and 6.47 hours per bi-weekly pay period after fifteen plus years of service. The amount of vacation leave is to be used at the discretion of the employee and their department head. At the end of the calendar year, the employee may carry over the total sum of hours earned that year to be used the following year. Any vacation time in excess will be forfeited. All outstanding vacation is payable upon termination.

Sick leave is accrued at a rate of 3.7 hours per bi-weekly pay period for a limit of 96 hours of sick leave, which can be accumulated per year. However, liabilities are not recorded in any fund as there is no provision for vesting of unused sick leave. Upon retirement 10% of the sick leave hours will be paid provided that management is notified by June 30 prior to retirement.

**Long-Term Debt**

In the government-wide statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities and proprietary fund financial statements. In the governmental fund financial statements, long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as "Other Financing Sources" and "Expenditures", respectively, in the fund financial statements.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**Net Position**

In the government-wide financial statements, equity is classified as “net position” and displayed in three components:

1. Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.
2. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balances**

The difference between assets and liabilities is “Net Position” on the government wide financial statements and “Fund Balance” on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority which is the Council through a resolution.

Assigned fund balance represents amounts constrained by the government’s intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Council.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

The first priority is to utilize the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

**Minimum Fund Balance Policy**

The Council has not formally adopted a fund balance policy for the General Fund.

**Inter-fund Balances**

In the process of aggregating the fund information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

**Inter-fund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the City's governmental activities and its business-type activities are eliminated in the statement of activities.

**Encumbrances**

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

**Estimates**

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

**Significant Group Concentrations of Credit Risk**

As of December 31, 2021, the City's receivables consist of amounts owed from the local area businesses and individuals for utility services. The City does not require collateral or other security. The City does require a utility deposit for the utility customers.

**Unearned Revenue**

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Post Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The City has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan* which represents actuarial differences within the NDPERS pension plans and NDPERS OPEB plan as well as amounts paid to the plans after the measurement date. See Notes 5 and 6 for more details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items, *unavailable property taxes* and *uncertified special assessments* are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined OPEB plan*, which represents the actuarial differences within the NDPERS pension plans and OPEB plan. See Notes 5 and 6 for more details.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The City maintains a cash pool of which each fund's portion of the pool is displayed on their respective balance sheet as cash and cash equivalents. In addition, non-pooled investments are separately held and reflected in their respective funds balance sheet as investments. The City's investments consist of money market accounts and certificates of deposits.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

In accordance with North Dakota laws, the City maintains deposits at depositories authorized by the city council. The depositories are members of the Federal Reserve System.

**Interest Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Risk**

This is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution.

The City maintains cash deposits at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2021, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions.

**Credit Risk**

State statutes authorize local governments to invest in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
- d) Obligations of the state.

The City has implemented an investment policy that limits investing too large of a portion in one type of investment instrument. The following is the maximum percentages the City will invest in each type of investment:

U.S. Treasury (Bills, notes & bonds)	90%
U.S. Government Agencies Securities	90%
Certificates of Deposit	90%

Also, the City of Grafton has adopted a policy not to invest more than 70% of the total portfolio in any one institution.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 3 - CAPITAL ASSETS**

Changes in capital assets for governmental activities for the year ended December 31, 2021 are as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities Capital Assets:</b>					
Land	\$ 2,284,361	\$ -	\$ -	\$ -	\$ 2,284,361
Buildings and improvements	1,483,672	134,582	-	9,500	1,627,754
Vehicles and equipment	3,566,215	337,673	100,585	22,678	3,825,981
Infrastructure	9,113,114	11,763	-	38,397,049	47,521,926
Construction in progress	36,761,665	1,682,439	-	(38,429,227)	14,877
<b>Total</b>	<b>53,209,027</b>	<b>2,166,457</b>	<b>100,585</b>	<b>-</b>	<b>55,274,899</b>
<b>Governmental Activities Accumulated Depreciation:</b>					
Buildings and improvements	990,628	35,202	-	-	1,025,830
Vehicles and equipment	2,290,268	233,381	92,587	-	2,431,062
Infrastructure	1,899,931	213,484	-	-	2,113,415
<b>Total</b>	<b>5,180,827</b>	<b>482,067</b>	<b>92,587</b>	<b>-</b>	<b>5,570,307</b>
<b>Net Capital Assets - Governmental Activities</b>	<b>\$ 48,028,200</b>	<b>\$ 1,684,390</b>	<b>\$ 7,998</b>	<b>\$ -</b>	<b>\$ 49,704,592</b>

Changes in capital assets for business-type activities for the year ended December 31, 2021 are as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-Type Activities Capital Assets:</b>					
Land	\$ 964,472	\$ -	\$ -	\$ -	\$ 964,472
Buildings and improvements	10,170,193	51,948	-	-	10,222,141
Transmission system	23,705,548	189,961	-	-	23,895,509
Vehicles and equipment	1,623,310	89,981	-	-	1,713,291
Construction in progress	35,061	193,554	-	-	228,615
<b>Total</b>	<b>36,498,584</b>	<b>525,444</b>	<b>-</b>	<b>-</b>	<b>37,024,028</b>
<b>Business-Type Activities Accumulated Depreciation:</b>					
Buildings and improvements	2,705,404	192,018	-	-	2,897,422
Transmission system	17,009,614	388,980	-	-	17,398,594
Vehicles and equipment	1,130,420	82,091	-	-	1,212,511
<b>Total</b>	<b>20,845,438</b>	<b>663,089</b>	<b>-</b>	<b>-</b>	<b>21,508,527</b>
<b>Net Capital Assets Business-Type Activities</b>	<b>\$ 15,653,146</b>	<b>\$ (137,645)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,515,501</b>



**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

Changes in capital assets for component unit for the year ended December 31, 2021 are as follows:

	Restated Beginning Balance	Additions	Disposals	Ending Balance
Component Unit Capital Assets:				
Buildings and improvements	\$ 2,907,835	\$ -	\$ -	\$ 2,907,835
Vehicles and equipment	9,500	-	-	9,500
Total	<u>2,917,335</u>	<u>-</u>	<u>-</u>	<u>2,917,335</u>
Component Unit Accumulated Depreciation:				
Buildings and improvements	822,311	117,746	-	940,057
Vehicles and equipment	-	633	-	633
Total	<u>822,311</u>	<u>118,379</u>	<u>-</u>	<u>940,690</u>
Net Capital Assets - Component Unit	<u>\$ 2,095,024</u>	<u>\$ (118,379)</u>	<u>\$ -</u>	<u>\$ 1,976,645</u>

Depreciation expenses charged to functions in the Statement of Activities are as follows:

Governmental Activities	
General Government	\$ 13,404
Public Safety	58,757
Highways and Streets	269,470
Health and Recreation	123,783
Internal Service	<u>16,652</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 482,066</u>
Business-Type Activities	
Electric	\$ 217,168
Water	277,051
Wastewater	165,687
Sanitation	<u>3,182</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 663,088</u>
Total Depreciation Expense - Component Unit	<u>\$ 118,379</u>



**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 4 - CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in governmental activities long-term debt by individual issue for the year ended December 31, 2021:

GOVERNMENTAL ACTIVITIES	Interest Rate	Beginning Balance	New Issues	Retired	Other	Ending Balance	Due within One Year	Accrued Interest
Refunding Improvement Bonds:								
\$3,500,000 of 2015	1.25% - 3.1%	\$ 2,750,000	\$ -	\$ (165,000)	\$ -	\$ 2,585,000	\$ 170,000	\$ 6,083
Bond Premium		30,300	-	-	(2,020)	28,280	-	-
\$10,000,000 of 2018	3.50% - 4.0%	9,575,000	-	(205,000)	-	9,370,000	215,000	56,991
Bond Premium		113,511	-	-	(4,054)	109,457	-	-
Bond Discount		(127,494)	-	-	4,553	(122,941)	-	-
General Obligation Bonds 2012	.4%-1.4%	195,000	-	(95,000)	-	100,000	100,000	117
Sales Tax Revenue Bonds								
\$2,350,000 2008A*	3.5% - 5.5%	1,755,000	-	(1,755,000)	-	-	-	-
Definitive Improvement 2017	1.50%	3,060,966	-	(104,662)	-	2,956,304	105,025	7,473
Compensated Absences		68,466	-	-	(11,344)	57,122	-	-
Other Debt:								
Net Pension Liability		3,283,343	-	-	(2,223,624)	1,059,719	-	-
Net OPEB Liability		83,195	-	-	(29,771)	53,424	-	-
		<u>\$ 20,787,287</u>	<u>\$ -</u>	<u>\$ (2,324,662)</u>	<u>\$ (2,266,260)</u>	<u>\$ 16,196,365</u>	<u>\$ 590,025</u>	<u>\$ 70,664</u>

\*During 2021, the Series 2008A Sales Tax Revenue Bonds were called and repaid in full.

The amount of future payments on the above governmental activities long-term debt is as follows:

	\$890,000 General Obligation Bonds					
	Principal	Interest	Total			
2022	\$ 100,000	\$ 700	\$ 100,700			
	\$3,500,000 Refunding Improvement 2015			2017 Definitive Warrant		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 170,000	\$ 72,995	\$ 242,995	\$ 105,025	\$ 43,735	\$ 148,760
2023	175,000	69,595	244,595	104,562	42,172	146,734
2024	175,000	66,095	241,095	105,346	40,598	145,944
2025	180,000	62,420	242,420	106,136	39,012	145,148
2026	185,000	57,020	242,020	106,932	37,414	144,346
2027-2031	1,010,000	198,700	1,208,700	546,810	162,677	709,487
2032-2036	690,000	43,180	733,180	567,626	120,890	688,516
2037-2041	-	-	-	588,933	77,512	666,445
2042-2046	-	-	-	611,663	32,483	644,146
2047-2048	-	-	-	113,271	596	113,867
	\$ 2,585,000	\$ 570,005	\$ 3,155,005	\$ 2,956,304	\$ 597,089	\$ 3,553,393

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

	2018 Refunding Improvement Bonds			Combined Debt Payments Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 215,000	\$ 341,944	\$ 556,944	\$ 590,025	\$ 459,374	\$ 1,049,399
2023	220,000	334,332	554,332	499,562	446,099	945,661
2024	230,000	326,457	556,457	510,346	433,150	943,496
2025	235,000	318,319	553,319	521,136	419,751	940,887
2026	245,000	309,919	554,919	536,932	404,353	941,285
2027-2031	1,355,000	1,412,743	2,767,743	2,911,810	1,774,120	4,685,930
2032-2036	1,610,000	1,154,181	2,764,181	2,867,626	1,318,251	4,185,877
2037-2041	1,910,000	845,886	2,755,886	2,498,933	923,398	3,422,331
2042-2046	2,300,000	447,200	2,747,200	2,911,663	479,683	3,391,346
2047-2048	1,050,000	42,400	1,092,400	1,163,271	42,996	1,206,267
	<u>\$ 9,370,000</u>	<u>\$ 5,533,381</u>	<u>\$ 14,903,381</u>	<u>\$ 15,011,304</u>	<u>\$ 6,701,175</u>	<u>\$ 21,712,479</u>

The following is a summary of changes in business-type activities long-term debt by individual issue for the year ended December 31, 2021:

BUSINESS-TYPE ACTIVITIES	Interest Rate	Beginning Balance	New Issues	Retired	Other	Ending Balance	Due within One Year	Accrued Interest
<u>Water</u>								
ND Public Finance Water Revenue Bonds	2.50%	\$ 40,000	\$ -	\$ (20,000)	\$ -	\$ 20,000	\$ 20,000	\$ 167
ND Public Finance	2.50%	217,000	-	(70,000)	-	147,000	72,000	1,225
ND Public Finance	2.00%	1,565,000	-	(95,000)	-	1,470,000	95,000	9,800
Net Pension Liability		441,864	-	-	(264,813)	177,051	-	-
Net OPEB Liability		11,196	-	-	(2,270)	8,926	-	-
		<u>\$ 2,275,060</u>	<u>\$ -</u>	<u>\$ (185,000)</u>	<u>\$ (267,083)</u>	<u>\$ 1,822,977</u>	<u>\$ 187,000</u>	<u>\$ 11,192</u>
<u>Wastewater</u>								
ND Public Finance-Clean Water Loan	2.00%	\$ 492,760	\$ -	\$ (42,760)	\$ -	\$ 450,000	\$ 45,000	\$ 3,000
Net Pension Liability		259,710	-	-	(171,013)	88,697	-	-
Net OPEB Liability		6,581	-	-	(2,109)	4,472	-	-
		<u>\$ 759,051</u>	<u>\$ -</u>	<u>\$ (42,760)</u>	<u>\$ (173,122)</u>	<u>\$ 543,169</u>	<u>\$ 45,000</u>	<u>\$ 3,000</u>
<u>Electric</u>								
Net Pension Liability		\$ 778,447	\$ -	\$ -	(523,171)	\$ 255,276	\$ -	\$ -
Net OPEB Liability		19,725	-	-	(6,856)	12,869	-	-
		<u>\$ 798,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (530,027)</u>	<u>\$ 268,145</u>	<u>\$ -</u>	<u>\$ -</u>

Water operating income of \$365,522, net of depreciation, was sufficient to cover debt service requirements of \$222,725 for the year ending December 31, 2021.

Wastewater operating income of \$179,699, net of depreciation, was sufficient to cover debt service requirements of \$52,615 for the year ending December 31, 2021.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

The amount of future payments and the combined future payments on the above business-type activities long-term debt is as follows:

	\$285,616 North Dakota Public Finance			North Dakota Public Finance		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 20,000	\$ 500	\$ 20,500	\$ 95,000	\$ 29,400	\$ 124,400
2023	-	-	-	100,000	27,500	127,500
2024	-	-	-	100,000	25,500	125,500
2025	-	-	-	105,000	23,500	128,500
2026	-	-	-	105,000	21,400	126,400
2027-2031	-	-	-	580,000	73,800	653,800
2032-2036	-	-	-	385,000	15,500	400,500
	<u>\$ 20,000</u>	<u>\$ 500</u>	<u>\$ 20,500</u>	<u>\$ 1,470,000</u>	<u>\$ 216,600</u>	<u>\$ 1,686,600</u>

	North Dakota Public Finance			Combined Debt Payments Business-Type Activities-Water		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 72,000	\$ 3,675	\$ 75,675	\$ 187,000	\$ 33,575	\$ 220,575
2023	75,000	1,875	76,875	175,000	29,375	204,375
2024	-	-	-	100,000	25,500	125,500
2025	-	-	-	105,000	23,500	128,500
2026	-	-	-	105,000	21,400	126,400
2027-2031	-	-	-	580,000	73,800	653,800
2032-2036	-	-	-	385,000	15,500	400,500
	<u>\$ 147,000</u>	<u>\$ 5,550</u>	<u>\$ 152,550</u>	<u>\$ 1,637,000</u>	<u>\$ 222,650</u>	<u>\$ 1,859,650</u>

	North Dakota Public Finance			Combined Debt Payments Business-Type Activities-Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 45,000	\$ 9,855	\$ 54,855	\$ 45,000	\$ 9,855	\$ 54,855
2023	50,000	9,000	59,000	50,000	9,000	59,000
2024	50,000	7,100	57,100	50,000	7,100	57,100
2025	50,000	6,100	56,100	50,000	6,100	56,100
2026	50,000	5,100	55,100	50,000	5,100	55,100
2027-2031	205,000	10,400	215,400	205,000	10,400	215,400
	<u>\$ 450,000</u>	<u>\$ 47,555</u>	<u>\$ 497,555</u>	<u>\$ 450,000</u>	<u>\$ 47,555</u>	<u>\$ 497,555</u>

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 5 - PENSION PLAN**

**Summary of Significant Accounting Policies**

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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 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.

***Pension Benefits***

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.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

***Death and Disability Benefits***

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main 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, 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 for disabled is set by the NDPERS in the North Dakota Administrative Code.

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

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

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

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

At December 31, 2021, the City reported a liability of \$1,580,743 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the City's proportion was 0.151659 percent which was an increase of 0.000250 percent from its proportion measured at June 30, 2020.

For the year ended December 31, 2021, the City recognized pension expense of \$258,526. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,291	\$ (161,336)
Changes of assumptions	1,749,575	(2,281,080)
Net difference between projected and actual earnings on pension plan investments	-	(586,272)
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,249	(23,963)
Employer contributions subsequent to the measurement date	<u>58,623</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 1,856,738</u></u>	<u><u>\$ (3,052,651)</u></u>

\$58,623 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended December 31:**

2022	\$	(177,225)
2023		(281,422)
2024		(227,196)
2025		(568,694)
2026		-
Thereafter		-

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75%, including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

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.

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	30.00%	6.30%
International Equity	21.00%	6.85%
Private Equity	7.00%	9.75%
Domestic Fixed Income	23.00%	1.25%
Global Real Assets	19.00%	5.01%

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

***Discount rate***

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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 4.64 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 (3.64 percent) or 1 percentage point higher (5.64 percent) than the current rate:

	<b>1% Decrease 3.64%</b>	<b>Current Discount Rate 4.64%</b>	<b>1% Increase 5.64%</b>
Employer's proportionate share of the net pension liability	\$ 2,513,912	\$ 1,580,743	\$ 803,732

**Pension Plan Fiduciary Net Position**

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



**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS**

**Summary of Significant Accounting Policies**

*Other Post Employment Benefits (OPEB).* For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. 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.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

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, 2021, the City reported a liability of \$79,691 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Employer's proportion was 0.143285 percent, which is a decrease of 0.000197 from its proportion measured as of June 30, 2020.

For the year ended December 31, 2020, the City recognized OPEB expense of \$11,137. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,577	\$ (2,184)
Changes of assumptions	12,341	-
Net difference between projected and actual earnings on OPEB plan investments	-	(27,304)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,933	(1,252)
Employer contributions subsequent to the measurement date	9,386	-
Total	<u>\$ 29,237</u>	<u>\$ (30,740)</u>

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

\$9,386 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

**Year ended December 31:**

2022	\$	(1,403)
2023		(1,599)
2024		(2,814)
2025		(5,399)
2026		325
2027		-
Thereafter		-

**Actuarial assumptions.** The total OPEB liability in the July 1, 2020 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	6.50%, 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, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.00%
Domestic Fixed Income	40.00%	1.15%
International Equities	21.00%	6.45%

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**Discount rate.** The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. 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, 2021, calculated using the discount rate of 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability	\$ 118,192	\$ 79,691	\$ 47,114

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Grant Programs**

The City participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2021, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. The City's property insurance is through the North Dakota State Fire and Tornado Fund, the liability insurance and vehicle and inland marine insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workers' Compensation Bureau. Other risks are covered by private insurance.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

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

**Commitments**

The City, as part of its economic development program has commitments to various businesses to provide financial support or other economic assistance on an annual basis. The payment of these incentives is contingent based upon the businesses meeting or exceeding criteria established within each specific agreement.

**NOTE 8 - SCHEDULE OF TRANSFERS**

Transfers to General Fund from	
Electric Fund	\$ 612,500
Water Fund	125,000
Wastewater Fund	25,000
Sanitation Fund	27,500
	<u>\$ 790,000</u>
 Transfers to Internal Service Fund from	
Electric Fund	<u>\$ 35,000</u>
 Transfers from Sales Tax Fund to	
2015 Refunding Bond - Sales Tax	\$ 241,795
2018 Refunding Bond Series 2018A	554,794
2017 Definitive Warrant	150,290
	<u>\$ 946,879</u>
 Transfers from General Fund to	
Sales Tax Fund	\$ 50,000
Cemetery	16,000
	<u>\$ 66,000</u>

The Council has adopted a policy to transfer surplus utility funds to the general fund each year to meet the annual budget. The transfers from the sales tax fund were to fund debt service payments.

**NOTE 9 - UNITY HOSPITAL PROJECT**

The City issued bonds in 2008 to fund the construction project for the Christian Unity Hospital. The City loaned the proceeds of the bond issue to the Hospital to pay for the construction. The City has a 2.5% city sales tax and had designated 20% of this tax towards the repayment of the bonds. In addition, the Hospital has deposited with the City a reserve fund in the amount of \$161,175. This reserve fund is to be held by the City and to be applied to the bond payments in the event that sales tax collections are not sufficient to meet the debt service requirements of the bonds. Any sales tax collected in excess of debt service requirements shall be transferred to the Hospital. During 2021 this note was repaid in full and the proceeds were used to pay off the bonds.

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 10 - FUND BALANCES**

Fund balance is categorized as follows:

	General	Grafton Community Development Sales Tax	Flood Control	Other Governmental Funds	Total
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Prepays	\$ 38,100	\$ -	\$ -	\$ -	\$ 38,100
Total nonspendable	<u>38,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,100</u>
<b>Restricted</b>					
Debt service	-	-	-	289,172	289,172
Flood control	-	-	2,980,501	-	2,980,501
Economic development	-	2,776,808	-	-	2,776,808
Community development	-	-	-	2,959	2,959
Cemetery	-	-	-	104,575	104,575
Lodging	-	-	-	51,648	51,648
Annual special assessment	-	-	-	8,542	8,542
Infrastructure	-	-	-	500,165	500,165
Volunteer Fire Dept	-	-	-	741,119	741,119
Culture and recreation	-	-	-	168	168
Total restricted	<u>-</u>	<u>2,776,808</u>	<u>2,980,501</u>	<u>1,698,348</u>	<u>7,455,657</u>
<b>Committed</b>					
Street resurfacing	-	-	-	30,316	30,316
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,316</u>	<u>30,316</u>
<b>Assigned</b>					
Social Security	67,021	-	-	-	67,021
Advertising	14,275	-	-	-	14,275
Planning and zoning	101,468	-	-	-	101,468
Armory	58,071	-	-	-	58,071
Building improvements	369,375	-	-	-	369,375
Streets	718,628	-	-	-	718,628
Public safety	249,367	-	-	-	249,367
General government	91,730	-	-	-	91,730
Total assigned	<u>1,669,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,669,935</u>
<b>Unassigned</b>	<u>1,405,835</u>	<u>-</u>	<u>-</u>	<u>(21,176)</u>	<u>1,384,659</u>
<b>Total Fund Balance</b>	<u>\$ 3,113,870</u>	<u>\$ 2,776,808</u>	<u>\$ 2,980,501</u>	<u>\$ 1,707,488</u>	<u>\$ 10,578,667</u>

As of December 31, 2021, the Annual Special Assessment Fund had a fund deficit of \$12,276 which will be replenished through property taxes and/or general funds.

As of December 31, 2021, the 2022 Street Project a fund deficit of \$8,900 which will be replenished through a loan to be repaid with special assessments.



**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 11 - NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the entity's financial statements.



**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 12 - SUBSEQUENT EVENTS**

There were no significant events that occurred subsequent to the City's year end. Subsequent events have been evaluated through August 2, 2022, which is the date these financial statements were available to be issued.

**CITY OF GRAFTON, NORTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budget Amounts</u>			<b>Variance with Final Budget -</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 823,060	\$ 823,060	\$ 783,300	\$ (39,760)
Special assessments	6,500	6,500	20,717	14,217
Licenses and permits	125,350	125,350	124,551	(799)
Intergovernmental	482,075	518,243	825,587	307,344
Charges for services	4,000	4,000	6,793	2,793
Fines and forfeits	39,000	39,000	22,418	(16,582)
Miscellaneous	54,670	54,670	61,467	6,797
TOTAL REVENUES	<u>1,534,655</u>	<u>1,570,823</u>	<u>1,844,833</u>	<u>274,010</u>
<b>EXPENDITURES</b>				
General government	650,910	750,820	522,879	227,941
Public safety	944,280	987,930	694,249	293,681
Highways and streets	628,920	793,920	657,317	136,603
Health and welfare	4,560	4,560	2,412	2,148
Other	60,000	63,224	23,311	39,913
Capital outlay	225,000	453,549	457,167	(3,618)
TOTAL EXPENDITURES	<u>2,513,670</u>	<u>3,054,003</u>	<u>2,357,335</u>	<u>696,668</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(979,015)	(1,483,180)	(512,502)	970,678
<b>OTHER SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	9,376	9,376
Transfer from other funds	790,000	890,000	790,000	(100,000)
Transfer to other funds	(6,590)	(156,590)	(66,000)	90,590
TOTAL OTHER SOURCES (USES)	<u>783,410</u>	<u>733,410</u>	<u>733,376</u>	<u>(34)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (195,605)</u>	<u>\$ (749,770)</u>	<u>220,874</u>	<u>\$ 970,644</u>
FUND BALANCE - JANUARY 1			<u>2,892,996</u>	
FUND BALANCE - DECEMBER 31			<u><u>\$ 3,113,870</u></u>	

See Note to the Budgetary Comparison Schedules

**CITY OF GRAFTON, NORTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GRAFTON COMMUNITY DEVELOPMENT SALES TAX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budget Amounts</u>			<b>Variance with Final Budget -</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 850,000	\$ 850,000	\$ 1,100,448	\$ 250,448
Special assessments	45,505	45,505	45,869	364
Intergovernmental	350	350	292	(58)
Miscellaneous	29,770	29,770	58,934	29,164
	<u>925,625</u>	<u>925,625</u>	<u>1,205,543</u>	<u>279,918</u>
<b>TOTAL REVENUES</b>				
	<u>925,625</u>	<u>925,625</u>	<u>1,205,543</u>	<u>279,918</u>
<b>EXPENDITURES</b>				
Other	1,141,040	259,950	102,371	157,579
<b>TOTAL EXPENDITURES</b>	<u>1,141,040</u>	<u>259,950</u>	<u>102,371</u>	<u>157,579</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(215,415)	665,675	1,103,172	437,497
<b>OTHER SOURCES (USES)</b>				
Transfer from other funds	-	50,000	50,000	-
Transfer to other funds	-	(951,090)	(946,879)	4,211
<b>TOTAL OTHER SOURCES (USES)</b>	<u>-</u>	<u>(901,090)</u>	<u>(896,879)</u>	<u>4,211</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ (215,415)</u>	<u>\$ (235,415)</u>	<u>206,293</u>	<u>\$ 441,708</u>
<b>FUND BALANCE - JANUARY 1</b>			<u>2,570,515</u>	
<b>FUND BALANCE - DECEMBER 31</b>			<u>\$ 2,776,808</u>	

See Note to the Budgetary Comparison Schedules

**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULES**  
**DECEMBER 31, 2021**

**NOTE 1 BUDGETS**

The governing body of each municipality, annually on or before August 10, shall make, on suitable blanks prescribed by the state tax commissioner and state auditor, 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. The annual budget shall be prepared for the general fund, special revenue funds and debt service funds. The budget is prepared on the cash basis, which is not materially different from the modified accrual basis.

The preliminary budget shall set forth specifically:

- 1) Estimated expenditures of the municipality for the current fiscal year.
- 2) Estimated expenditures for the ensuing fiscal year.
- 3) Estimated cash balance standing to the debit or credit of the municipality at the end of the current year.
- 4) Estimate of probable amounts that may be received during the ensuing year from sources other than direct property taxes, and a statement of all the uncollected taxes due to the municipality.

After the preliminary budget has been prepared, the city auditor shall give notice that the preliminary budget is on file in the office of the auditor and that such budget may be examined by anyone requesting to do so. The governing body shall meet for the purpose of adopting the final budget and making the annual tax levy no later than October 7.

After completing the final budget on or before October 7, the governing body shall proceed to make the annual tax levy. Immediately after the completion of the final budget and the adoption of the tax levy by the governing body, the auditor shall send to the county auditor two certified copies of the final budget and levy no later than October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts.

The unexpended balance of the cash appropriation becomes a part of the unappropriated balance at year end.

**CITY OF GRAFTON, NORTH DAKOTA**  
**SCHEDULE OF EMPLOYERS SHARE OF NET PENSION LIABILITY**  
**LAST 10 YEARS**

<u>December 31</u>	<u>Employer's proportion of the net pension liability (asset)</u>	<u>Employer's proportionate share of the net pension liability (asset)</u>	<u>Employer's covered- employee payroll</u>	<u>Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2021	0.15166%	\$ 1,580,743	\$ 1,717,374	92.04%	78.26%
2020	0.15141%	4,763,360	1,670,227	285.19%	48.91%
2019	0.15301%	1,793,411	1,591,581	112.68%	71.66%
2018	0.15544%	2,623,203	1,596,853	164.27%	62.80%
2017	0.14897%	2,394,389	1,520,716	157.45%	61.98%
2016	0.15141%	1,475,628	1,525,846	96.71%	70.46%
2015	0.14675%	997,849	1,307,327	76.33%	77.15%

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

**CITY OF GRAFTON, NORTH DAKOTA**  
**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS**  
**LAST 10 YEARS**

<u>December 31</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered- employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2021	\$ 121,261	\$ (121,261)	\$ -	\$ 1,703,105	7.12%
2020	127,404	(127,404)	-	1,789,387	7.12%
2019	118,557	(118,557)	-	1,665,120	7.12%
2018	116,997	(116,997)	-	1,643,211	7.12%
2017	112,789	(112,789)	-	1,584,109	7.12%
2016	109,533	(109,533)	-	1,538,381	7.12%
2015	102,771	(102,771)	-	1,443,409	7.12%

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

The amounts presented for each year were determined as of the City's year end which is December 31.

See Notes to the Required Supplementary Information

**CITY OF GRAFTON, NORTH DAKOTA**  
**SCHEDULE OF SHARE OF THE OPEB LIABILITY**  
**DECEMBER 31, 2021**

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.143285%	\$ 79,691	\$ 1,562,172	5.10%	76.63%
2020	0.143482%	120,697	1,635,656	7.38%	63.38%
2019	0.142633%	114,561	1,591,581	7.20%	63.13%
2018	0.145936%	114,935	1,596,853	7.20%	61.89%

The amounts presented for each fiscal year were determined as of the measurement date of the City's other postemployment benefit liability which is June 30 of the previous fiscal year.

The City implemented GASB Statement No. 75 for its year ended December 31, 2018. Information for the prior years is not available.

See Notes to the Required Supplementary Information

**CITY OF GRAFTON, NORTH DAKOTA**  
**SCHEDULE OF CONTRIBUTIONS TO OPEB PLAN**  
**DECEMBER 31, 2021**

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 19,415	(19,415)	-	\$ 1,703,105	1.14%
2020	20,399	(20,399)	-	1,789,387	1.14%
2019	18,982	(18,982)	-	1,665,120	1.14%
2018	18,733	(18,733)	-	1,643,211	1.14%

The amounts presented for each year were determined as of the City's year end which is December 31.

The City implemented GASB Statement No. 75 for its year ended December 31, 2018. Information for the prior years is not available.

See Notes to the Required Supplementary Information



**CITY OF GRAFTON, NORTH DAKOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**NOTE 1 NDPERS PLAN**

***Changes of benefit terms.***

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

***Changes of assumptions.***

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**NOTE 2 NDPERS OPEB PLAN**

***Changes of benefit terms.***

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 have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

***Changes of assumptions.***

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Non major Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 1,016,302	\$ (16,555)	\$ 356,658	\$ 1,356,405
Investments	406,279	305,836	-	712,115
Taxes receivable	3,185	3,169	-	6,354
Special assessments receivable	-	29,998	-	29,998
Interest receivable	-	107	-	107
Due from other governments	296	283	-	579
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 1,426,062</u>	<u>\$ 322,838</u>	<u>\$ 356,658</u>	<u>\$ 2,105,558</u>
<b>Liabilities</b>				
Accounts payable	\$ 25,977	\$ 500	\$ 8,900	\$ 35,377
Unearned revenue	<u>-</u>	<u>-</u>	<u>326,342</u>	<u>326,342</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>25,977</u>	<u>500</u>	<u>335,242</u>	<u>361,719</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue- property taxes	3,185	3,169	-	6,354
Uncertified special assessments	<u>-</u>	<u>29,997</u>	<u>-</u>	<u>29,997</u>
Total deferred inflows of resources	<u>3,185</u>	<u>33,166</u>	<u>-</u>	<u>36,351</u>
<b>Fund Balance</b>				
Restricted	1,409,176	289,172	-	1,698,348
Unrestricted				
Committed	-	-	30,316	30,316
Unassigned	<u>(12,276)</u>	<u>-</u>	<u>(8,900)</u>	<u>(21,176)</u>
Total fund balance	<u>1,396,900</u>	<u>289,172</u>	<u>21,416</u>	<u>1,707,488</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,426,062</u>	<u>\$ 322,838</u>	<u>\$ 356,658</u>	<u>\$ 2,105,558</u>

**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Non major Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 72,222	\$ 50,291	\$ -	\$ 122,513
Special assessments	-	28,590	-	28,590
Intergovernmental	15,896	1,674	-	17,570
Other	386,214	834	55	387,103
Total revenues	<u>474,332</u>	<u>81,389</u>	<u>55</u>	<u>555,776</u>
<b>Expenditures</b>				
Current				
General government	26,857	-	-	26,857
Public safety	346,397	-	-	346,397
Other	26,778	-	8,900	35,678
Health & Welfare	14,146	-	-	14,146
Debt Service:				
Principal	-	569,662	-	569,662
Interest and fees	-	474,782	-	474,782
Total expenditures	<u>414,178</u>	<u>1,044,444</u>	<u>8,900</u>	<u>1,467,522</u>
Excess Revenues Over (Under) Expenditures	60,154	(963,055)	(8,845)	(911,746)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	<u>16,000</u>	<u>946,879</u>	<u>-</u>	<u>962,879</u>
Excess Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>76,154</u>	<u>(16,176)</u>	<u>(8,845)</u>	<u>51,133</u>
Fund Balance - January 1	<u>1,320,746</u>	<u>305,348</u>	<u>30,261</u>	<u>1,656,355</u>
Fund Balance - December 31	<u>\$ 1,396,900</u>	<u>\$ 289,172</u>	<u>\$ 21,416</u>	<u>\$ 1,707,488</u>

**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2021**

	<u>Share of Special Assessment</u>	<u>Cemetery</u>	<u>Lodging Tax</u>	<u>Annual Special Assessment</u>	<u>Band</u>	<u>Community Development</u>	<u>Municipal Infrastructure</u>	<u>Volunteer Fire</u>	<u>Total</u>
<b>Assets</b>									
Cash	\$ 8,542	\$ 79,240	\$ 51,648	\$ 13,489	\$ 168	\$ 2,959	\$ 500,165	\$ 360,091	\$ 1,016,302
Investments	-	25,251	-	-	-	-	-	381,028	406,279
Taxes receivable	-	887	-	2,298	-	-	-	-	3,185
Due from other governments	-	84	-	212	-	-	-	-	296
<b>Total Assets</b>	<u>\$ 8,542</u>	<u>\$ 105,462</u>	<u>\$ 51,648</u>	<u>\$ 15,999</u>	<u>\$ 168</u>	<u>\$ 2,959</u>	<u>\$ 500,165</u>	<u>\$ 741,119</u>	<u>\$ 1,426,062</u>
<b>Liabilities</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ 25,977	\$ -	\$ -	\$ -	\$ -	\$ 25,977
<b>Deferred Inflows of Resources</b>									
Unavailable revenue- property taxes	-	887	-	2,298	-	-	-	-	3,185
<b>Fund Balance</b>									
Restricted	8,542	104,575	51,648	-	168	2,959	500,165	741,119	1,409,176
Unassigned	-	-	-	(12,276)	-	-	-	-	(12,276)
Total fund balance	<u>8,542</u>	<u>104,575</u>	<u>51,648</u>	<u>(12,276)</u>	<u>168</u>	<u>2,959</u>	<u>500,165</u>	<u>741,119</u>	<u>1,396,900</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 8,542</u>	<u>\$ 105,462</u>	<u>\$ 51,648</u>	<u>\$ 15,999</u>	<u>\$ 168</u>	<u>\$ 2,959</u>	<u>\$ 500,165</u>	<u>\$ 741,119</u>	<u>\$ 1,426,062</u>

**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Share of Special Assessment</u>	<u>Cemetery</u>	<u>Lodging Tax</u>	<u>Annual Special Assessment</u>	<u>Band</u>	<u>Community Development</u>	<u>Municipal Infrastructure</u>	<u>Volunteer Fire</u>	<u>Unity Medical Generator</u>	<u>Total</u>
<b>Revenues</b>										
Taxes	\$ -	\$ 14,793	\$ 20,744	\$ 36,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,222
Intergovernmental	-	497	-	1,253	-	-	-	-	14,146	15,896
Other	<u>23</u>	<u>1,606</u>	<u>86</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>165</u>	<u>384,327</u>	<u>-</u>	<u>386,214</u>
Total revenues	<u>23</u>	<u>16,896</u>	<u>20,830</u>	<u>37,945</u>	<u>-</u>	<u>-</u>	<u>165</u>	<u>384,327</u>	<u>14,146</u>	<u>474,332</u>
<b>Expenditures</b>										
Current										
General government	-	8,857	18,000	-	-	-	-	-	-	26,857
Public safety	-	-	-	-	-	2,992	-	343,405	-	346,397
Health & welfare	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,146</u>	<u>14,146</u>
Total expenditures	<u>-</u>	<u>8,857</u>	<u>18,000</u>	<u>26,778</u>	<u>-</u>	<u>2,992</u>	<u>-</u>	<u>343,405</u>	<u>14,146</u>	<u>414,178</u>
Excess Revenues Over (Under)										
Expenditures	<u>23</u>	<u>8,039</u>	<u>2,830</u>	<u>11,167</u>	<u>-</u>	<u>(2,992)</u>	<u>165</u>	<u>40,922</u>	<u>-</u>	<u>60,154</u>
<b>Other Financing Sources (Uses)</b>										
Operating Transfers in	-	16,000	-	-	-	-	-	-	-	16,000
Excess Revenues Over (Under)										
Expenditures and other										
Financing sources (uses)	<u>23</u>	<u>24,039</u>	<u>2,830</u>	<u>11,167</u>	<u>-</u>	<u>(2,992)</u>	<u>165</u>	<u>40,922</u>	<u>-</u>	<u>76,154</u>
Fund Balance - January 1	<u>8,519</u>	<u>80,536</u>	<u>48,818</u>	<u>(23,443)</u>	<u>168</u>	<u>5,951</u>	<u>500,000</u>	<u>700,197</u>	<u>-</u>	<u>1,320,746</u>
Fund Balance - December 31	<u>\$ 8,542</u>	<u>\$ 104,575</u>	<u>\$ 51,648</u>	<u>\$ (12,276)</u>	<u>\$ 168</u>	<u>\$ 2,959</u>	<u>\$ 500,165</u>	<u>\$ 741,119</u>	<u>\$ -</u>	<u>\$ 1,396,900</u>

**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**DECEMBER 31, 2021**

	2017 Definitive Warrant	2012 General Obligation	2015 Refunding Bond Sales Tax	2018 Refunding Bond Series 2018A	Total
<b>Assets</b>					
Cash	\$ -	\$ (16,555)	\$ -	\$ -	\$ (16,555)
Investments	-	305,836	-	-	305,836
Taxes receivable	-	3,169	-	-	3,169
Special assessments receivable	-	29,998	-	-	29,998
Interest receivable	-	107	-	-	107
Due from other governments	-	283	-	-	283
Total Assets	<u>\$ -</u>	<u>\$ 322,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,838</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 500	\$ -	\$ -	\$ 500
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes		3,169	-	-	3,169
Uncertified special assessments	-	29,997	-	-	29,997
Total Deferred Inflows of Resources	-	33,166	-	-	33,166
<b>Fund Balance</b>					
Restricted	-	289,172	-	-	289,172
Total fund balance	-	289,172	-	-	289,172
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ -</u>	<u>\$ 322,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,838</u>

**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2017	2012	2015	2018	
	Definitive Warrant	General Obligation	Refunding Bond Sales Tax	Refunding Bond Series 2018A	Total
<b>Revenues:</b>					
Real estate taxes	\$ -	\$ 50,291	\$ -	\$ -	\$ 50,291
Special assessments	-	28,590	-	-	28,590
Intergovernmental	-	1,674	-	-	1,674
Other	-	834	-	-	834
Total revenues	-	81,389	-	-	81,389
<b>Expenditures:</b>					
Debt Service:					
Principal	104,662	95,000	165,000	205,000	569,662
Interest and fees	45,628	2,565	76,795	349,794	474,782
Total expenditures	150,290	97,565	241,795	554,794	1,044,444
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources	(150,290)	(16,176)	(241,795)	(554,794)	(963,055)
<b>Other Financing Sources (Uses)</b>					
Operating transfer in	150,290	-	241,795	554,794	946,879
Excess of Revenues over (under) Expenditures	-	(16,176)	-	-	(16,176)
Fund Balance - January 1	-	305,348	-	-	305,348
Fund Balance (Deficit), December 31	\$ -	\$ 289,172	\$ -	\$ -	\$ 289,172

**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**DECEMBER 31, 2021**

	<u>Urban Roads</u>	<u>ARPA</u>	<u>2022 Street Projects</u>	<u>Total</u>
<b>Assets:</b>				
Cash	\$ 30,261	\$ 326,397	\$ -	\$ 356,658
<b>TOTAL ASSETS</b>	<u>\$ 30,261</u>	<u>\$ 326,397</u>	<u>\$ -</u>	<u>\$ 356,658</u>
 <b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 8,900	\$ 8,900
Unearned revenue	-	326,342	-	326,342
Total liabilities	<u>\$ -</u>	<u>\$ 326,342</u>	<u>\$ 8,900</u>	<u>\$ 335,242</u>
 <b>Fund Balance:</b>				
Committed	30,261	55	-	30,316
Unassigned	-	-	(8,900)	(8,900)
Total fund balance	<u>30,261</u>	<u>55</u>	<u>(8,900)</u>	<u>21,416</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 30,261</u>	<u>\$ 326,397</u>	<u>\$ -</u>	<u>\$ 356,658</u>



**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Urban Roads</b>	<b>ARPA</b>	<b>2022 Street Projects</b>	<b>Total</b>
<b>Revenues:</b>				
Other	\$ -	\$ 55	\$ -	\$ 55
Total revenues	<u>-</u>	<u>55</u>	<u>-</u>	<u>55</u>
<b>Expenditures</b>				
Professional fees	-	-	8,900	8,900
Total expenditures	<u>-</u>	<u>-</u>	<u>8,900</u>	<u>8,900</u>
Revenues Over (Under)				
Expenditures Before				
Other Financing				
Sources	-	55	(8,900)	(8,845)
Fund Balance (Deficit),				
January 1	<u>30,261</u>	<u>-</u>	<u>-</u>	<u>30,261</u>
Fund Balance (Deficit),				
December 31	<u>\$ 30,261</u>	<u>\$ 55</u>	<u>\$ (8,900)</u>	<u>\$ 21,416</u>

**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING BALANCE SHEET – COMPONENT UNITS**  
**DECEMBER 31, 2021**

	<b>Airport Authority</b>	<b>GASB 34 Adjustments</b>	<b>Total per Statement of Net Position</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 86,939	\$ -	\$ 86,939
Investments	75,400	-	75,400
Receivables:			
Grants	82,066	-	82,066
Accounts	-	-	-
Taxes	1,649	-	1,649
Interest	127	-	127
Due from other governments	151	-	151
Prepaid insurance	838	-	838
Capital Assets, Net	-	1,976,645	1,976,645
<b>TOTAL ASSETS</b>	<b><u>\$ 247,170</u></b>	<b><u>\$ 1,976,645</u></b>	<b><u>\$ 2,223,815</u></b>
 <b>LIABILITIES</b>			
Liabilities			
Accounts payable	\$ 4,921	\$ -	\$ 4,921
Total liabilities	<u>4,921</u>	<u>-</u>	<u>4,921</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	<u>1,649</u>	<u>(1,649)</u>	<u>-</u>
 <b>FUND BALANCE/NET POSITION</b>			
Net investment in capital assets	-	1,976,645	1,976,645
Restricted	<u>240,600</u>	<u>1,649</u>	<u>242,249</u>
Total fund balance/net position	<u>240,600</u>	<u>1,978,294</u>	<u>2,218,894</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE/NET POSITION</b>	<b><u>\$ 247,170</u></b>	<b><u>\$ 1,976,645</u></b>	<b><u>\$ 2,223,815</u></b>

**CITY OF GRAFTON, NORTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u><b>Airport Authority</b></u>	<u><b>GASB 34 Adjustments</b></u>	<u><b>Total per Statement of Activities</b></u>
<b>Revenues</b>			
Taxes	\$ 26,799	\$ (198)	\$ 26,601
Intergovernmental	54,169	-	54,169
Other	<u>25,847</u>	<u>-</u>	<u>25,847</u>
Total revenues	<u>106,815</u>	<u>(198)</u>	<u>106,617</u>
<b>Expenditures</b>			
Current			
Public safety	-	-	-
Other	43,322	-	43,322
Depreciation	-	118,380	118,380
Capital outlay	<u>38,897</u>	<u>-</u>	<u>38,897</u>
Total expenditures	<u>82,219</u>	<u>118,380</u>	<u>200,599</u>
Excess Revenues Over (Under)			
Expenditures	24,596	(118,578)	(93,982)
Other Financing Sources			
Sale of general fixed assets	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	-	-	-
Excess Revenues and Other			
Financing Sources Over			
(Under) Expenditures	24,596	(118,578)	(93,982)
Fund Balance/Net Position, January 1	<u>216,004</u>	<u>2,096,872</u>	<u>2,312,876</u>
Fund Balance/Net Position, December :	<u>\$ 240,600</u>	<u>\$ 1,978,294</u>	<u>\$ 2,218,894</u>

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

Mayor and Council Members of  
the City Council  
City of Grafton, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grafton, North Dakota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 2, 2022.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Grafton, North Dakota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2021-001 that we consider to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grafton, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## City's Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Grafton's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Grafton'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.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

August 2, 2022

**CITY OF GRAFTON, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2021**

**Control Deficiency 2021-001 – Material Weakness**

Criteria:

An appropriate system of internal control requires the City to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition:

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the Council. However, the entity currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause:

The City elected to not allocate resources for the preparation of the financial statements.

Effect:

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

Recommendation:

We recommend the entity consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Response:

We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation.