

**CITY OF GRAFTON
GRAFTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE OF CONTENTS

	Page
OFFICIAL DIRECTORY	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
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 Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	59
Grafton Community Development Sales Tax Fund	60
Note to the Budgetary Comparison Schedules	61

Schedule of Employers Share of Net Pension Liability	62
Schedule of Employer Pension Contributions	63
Schedule of Share of the OPEB Liability	64
Schedule of Contributions to OPEB Plan	65
Notes to the Required Supplementary Information	66
OTHER SUPPLEMENTARY INFORMATION	
Combining Financial Statements	
Balance Sheet - Non-Major Governmental Funds	67
Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds	68
Balance Sheet - Non-Major Special Revenue Funds	69
Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Special Revenue Funds	70
Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Debt Service Funds	71
Balance Sheet - Non-Major Capital Projects Funds	72
Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Capital Projects Funds	73
Balance Sheet - Component Units	74
Statement of Revenues, Expenditures, and Changes in Fund Balance - Component Units	75
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	76
SCHEDULE OF FINDINGS	78
CORRECTIVE ACTION PLAN	79

CITY OF GRAFTON, NORTH DAKOTA
OFFICIAL DIRECTORY
AS OF DECEMBER 31, 2023

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Donavon McMillian	Council Member – At Large	2026
Brad Burianek	Council Member – At Large	2026
Loree Osowski	Council Member – At Large	2026
Brian Sieben	Council Member - At Large	2026
Dave Fellman	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, 2023, 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, 2023, 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 on page 1. 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 September 3, 2024, 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.



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

September 3, 2024

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023. 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, 2023

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, Municipal Infrastructure Fund, ARPA Fund, 2023 Street Projects, and 2022 Definitive Warrant 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'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

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 Fiduciary Net Position.

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, 2023 and 2022 is summarized below; see the statement of net position in the financial statements for more detail.

	Governmental Activities		Business-Type Activities	
	12/31/23	12/31/22	12/31/23	12/31/22
ASSETS				
Current assets	\$ 10,748,175	\$ 10,742,582	\$ 5,500,039	\$ 5,695,424
Capital assets				
Property, plant and equipment	60,832,396	55,959,723	38,539,680	37,048,948
Construction in progress	352,653	1,578,098	1,732,942	1,386,645
Less accumulated depreciation	(7,571,828)	(6,739,986)	(22,834,756)	(22,177,219)
TOTAL ASSETS	64,361,396	61,540,417	22,937,905	21,953,798
DEFERRED OUTFLOWS OF RESOURCES	1,704,794	2,224,770	401,701	580,293
LIABILITIES				
Current Liabilities	1,348,906	1,482,294	811,535	790,444
Long-term Liabilities				
Bonds and notes payable-Due within one year	646,979	637,288	254,495	320,965
Bonds and notes payable-Noncurrent portion	14,517,478	12,330,848	2,246,463	2,061,133
Compensated absences	64,602	59,928	-	-
Net pension liability	2,001,916	2,770,204	583,550	855,356
Net OPEB Liability	126,618	132,133	34,946	37,744
TOTAL LIABILITIES	18,706,499	17,412,695	3,930,989	4,065,642
DEFERRED INFLOWS OF RESOURCES	2,069,691	1,670,300	577,100	517,195
NET POSITION				
Net Investment in Capital Assets	38,448,764	37,829,699	14,936,908	13,876,276
Restricted	6,461,527	6,294,689	248,459	352,335
Unrestricted	379,709	557,804	3,646,150	3,722,643
TOTAL NET POSITION	\$ 45,290,000	\$ 44,682,192	\$ 18,831,517	\$ 17,951,254

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'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

Governmental Activities:

The City of Grafton's governmental activities net position increased \$607,808 for the year ended December 31, 2023. 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 \$880,263. 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	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
REVENUES				
Program Revenues:				
Charges for services	\$ 372,063	\$ 336,782	\$ 8,636,061	\$ 8,781,616
Grants and contributions	1,707,736	2,377,382	-	-
Total program revenues	<u>2,079,799</u>	<u>2,714,164</u>	<u>8,636,061</u>	<u>8,781,616</u>
General Revenues:				
Taxes	957,123	932,203	-	-
Special assessments	1,175,685	1,087,664	-	-
Intergovernmental	487,966	378,799	-	-
Other	526,339	157,336	144,791	57,970
Total general revenues	<u>3,147,113</u>	<u>2,556,002</u>	<u>144,791</u>	<u>57,970</u>
Total revenues	<u>5,226,912</u>	<u>5,270,166</u>	<u>8,780,852</u>	<u>8,839,586</u>
EXPENSES				
Governmental:				
General government	1,515,276	1,942,400	-	-
Public safety	1,362,960	1,123,123	-	-
Highways and streets	1,226,715	928,792	-	-
Health and welfare	61,246	229,195	-	-
Other	332,903	263,153	-	-
Interest	374,546	542,896	-	-
Business type activities operating expenses:				
Electric	-	-	5,576,653	5,614,860
Water	-	-	1,014,113	992,487
Wastewater	-	-	552,788	527,626
Sanitation	-	-	404,332	403,105
Pest control	-	-	98,161	110,221
Total expenses	<u>4,873,646</u>	<u>5,029,559</u>	<u>7,646,047</u>	<u>7,648,299</u>
Change in net position before transfers	353,266	240,607	1,134,805	1,191,287
Transfers in (out)	<u>254,542</u>	<u>795,000</u>	<u>(254,542)</u>	<u>(795,000)</u>
Change in net position	607,808	1,035,607	880,263	396,287
Net position beginning of year	<u>44,682,192</u>	<u>43,646,585</u>	<u>17,951,254</u>	<u>17,554,967</u>
Net position end of year	<u>\$ 45,290,000</u>	<u>\$ 44,682,192</u>	<u>\$ 18,831,517</u>	<u>\$ 17,951,254</u>

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

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 \$7,915,679.

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 \$1,426,942 while the total fund balance was \$2,835,245. 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 50% of the total general fund balance and 39% of total general fund expenditures.

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

Grafton Community Development (Sales Tax)	\$3,015,224
Municipal Infrastructure	567,617
2023 Street Projects	(114,953)
2022 Definitive Warrant	255,396
Other Governmental Funds	1,357,150

Grafton Community 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 including the flood diversion debt service.

Municipal Infrastructure – This fund is used to account for proceeds that are restricted for infrastructure projects within the City.

ARPA – This fund is used to account for financial resources to be used for the acquisition or construction of projects funded by the American Rescue Plan Act.

2023 Street Projects – This fund is used to account for financial resources/expenses to be used for the acquisition or construction of the 2023 Street Projects.

2022 Definitive Warrant - This fund is used to account for the accumulation of resources for, and the payment of, long-term debt, principal and interest for the 2022 Definitive Warrant.

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

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

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 \$3,646,150. This balance consisted of \$2,572,039 in the Electric fund, \$94,343 in the Water fund, \$171,837 in the Wastewater fund, and \$333,445 and \$474,486 in the Sanitation and Pest Control funds, respectively.

Governmental Fund Budgetary Highlights

The City of Grafton continued its Automated Metering Infrastructure (AMI) project in 2023. The \$1.7 million dollar project consists of replacing all electric and water meters, as well as implementing software for utility billing and accounting. All costs were paid and tracked in the Electric Department. The electric portion of the project is financed with a 2% Bank of North Dakota loan and the water portion of the project will be paid to the Electric Dept. on a payback basis of \$70,000 per year for approximately 10 years.

In 2022 and 2023 Municipal Infrastructure aka Prairie Dog bill funds were received from the State in the amount of \$1.65 million. The funds will help to finance annual chip seal projects, in addition to other street projects and a water tower project.

The Armory was renovated in 2023 at a cost of over \$350,000 that included restrooms, a refinished gym floor and "Kids Alley", an indoor playground.

Assigned funds are appropriations from previous budgets reserved by the City Council to be spent at a later date. The majority of these funds are designated for equipment purchases that require reserving an appropriation for several years to have sufficient funds available to make the purchase. The amounts were transferred from the assigned fund balance and the 2023 budget was increased as expenditures were made.

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023 amounted to \$71,051,087 (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 \$2,815,386 in the governmental activities and an increase of \$1,179,492 in the business-type activities. The significant additions in the governmental activities were costs related to the City's street improvement 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 \$20,476,198 an increase of \$1,270,600 compared to last year. Additional information on the City of Grafton's debt can be found in Note 4 beginning on page 39 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 \$5,076,912, which is in excess of the City of Grafton's existing general obligation debt.

Below is the debt activity for the year ended December 31, 2023:

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%	\$ 2,415,000	\$ -	\$ (175,000)	\$ -	\$ 2,240,000	\$ 175,000	\$ 5,508
Bond Premium		26,260	-	-	(2,020)	24,240	-	-
\$10,000,000 of 2018	3.50% - 4.0%	6,670,000	-	(220,000)	-	6,450,000	230,000	77,027
Bond Premium		105,403	-	-	(4,054)	101,349	-	-
Bond Discount		(118,388)	-	-	4,553	(113,835)	-	-
Definitive Improvement 2017	1.50%	2,851,636	-	(106,343)	-	2,745,293	104,403	7,245
Definitive Improvement 2022	2.00%	1,018,225	396,775	(138,439)	-	1,276,561	136,433	4,261
Definitive Improvement 2023	2.00%	-	2,440,849	(848)	-	2,440,001	1,143	7,978
Compensated Absences		59,928	-	-	4,674	64,602	-	-
Other Debt:								
Net Pension Liability		2,770,204	-	-	(768,288)	2,001,916	-	-
Net OPEB Liability		132,133	-	-	(5,515)	126,618	-	-
		<u>\$ 15,930,401</u>	<u>\$ 2,837,624</u>	<u>\$ (640,630)</u>	<u>\$ (770,650)</u>	<u>\$ 17,356,745</u>	<u>\$ 646,979</u>	<u>\$ 102,019</u>

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

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	2.50%	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -	\$ -	\$ -
ND Public Finance	2.00%	1,375,000	-	(100,000)	-	1,275,000	100,000	8,500
Net Pension Liability		290,371	-	-	(107,818)	182,553	-	-
Net OPEB Liability		12,813	-	-	(1,881)	10,932	-	-
		<u>\$ 1,753,184</u>	<u>\$ -</u>	<u>\$ (175,000)</u>	<u>\$ (109,699)</u>	<u>\$ 1,468,485</u>	<u>\$ 100,000</u>	<u>\$ 8,500</u>
<u>Wastewater</u>								
ND Public Finance-Clean Water Loan	2.00%	\$ 405,000	\$ -	\$ (50,000)	\$ -	\$ 355,000	\$ 50,000	\$ 2,367
Net Pension Liability		138,441	-	-	(41,385)	97,056	-	-
Net OPEB Liability		6,109	-	-	(297)	5,812	-	-
		<u>\$ 549,550</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ (41,682)</u>	<u>\$ 457,868</u>	<u>\$ 50,000</u>	<u>\$ 2,367</u>
<u>Electric</u>								
ND Public Finance Utility Revenue Bonds	2.00%	\$ 527,098	\$ 440,697	\$ (96,837)	\$ -	\$ 870,958	\$ 104,495	\$ 4,018
Net Pension Liability		426,544	-	-	(122,604)	303,940	-	-
Net OPEB Liability		18,822	-	-	(620)	18,202	-	-
		<u>\$ 972,464</u>	<u>\$ 440,697</u>	<u>\$ (96,837)</u>	<u>\$ (123,224)</u>	<u>\$ 1,193,100</u>	<u>\$ 104,495</u>	<u>\$ 4,018</u>

Economic Factors and Next Year's Budgets and Rates

City sales tax collections continue to exceed projections. In 2023 the 2.50% sales tax collection was \$1,469,606, an increase of 8% over 2022. In 2006, citizens voted to increase the sales tax rate by ½% to dedicate to the hospital. In 2014, citizens voted to increase the sales tax rate by an additional ½% dedicated to the debt service of the flood diversion project and effective through March 31, 2040. The remaining 1.50% is committed to the debt payments of the flood project and community development. On October 1, 2024, the sales tax rate will adjust to 2.75% as voters approved a ¼% dedicated to the Grafton Parks & Recreation Foundation for a swimming pool.

Land has recently been rezoned and a property tax incentive approved to accommodate two 36-unit apartment complexes with garages. Apartments, ranging from efficiency units to 3-bedroom units, 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 Walsh County Childcare Center project is currently underway. The Red River Community Housing Development Organization (CHDO) has accepted bids to renovate the building that will accommodate 55-65 kids. The center will be leased to an operator that currently employs 12 but will increase to 16 or 17 employees upon completion. The Grafton Economic Development Committee has committed \$100,000 to the project.

The City is committed to maintenance of streets with work on several blocks the last two years. Construction is underway in 2024 for another street maintenance project along with chip sealing several blocks.

Electric rates were adjusted 1.67% in April, 2024 after six years without an increase. Water rates were adjusted 10.50% after a seven-year period and Wastewater rates increased 6.7% with the last increase coming in 2021.

The value of a mill for the 2024 budget is \$9,403 and is approximately \$10,282 for 2025.

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government			
	Governmental Activities	Business- Type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 3,787,817	\$ 1,685,630	\$ 5,473,447	\$ -
Restricted cash and cash equivalents	-	307,443	307,443	-
Investments	5,062,346	1,964,795	7,027,141	253,415
Restricted Investments	-	-	-	-
Receivables:				
Taxes	52,311	-	52,311	1,635
Accounts (net of uncollectibles)	-	859,185	859,185	-
Other	25,877	17,586	43,463	20,653
Special assessments	1,382,350	-	1,382,350	-
Interest	66,719	43,140	109,859	4,300
Lease receivable	36,116	13,274	49,390	-
Notes receivable	141,735	25,055	166,790	-
Due from component unit	62,389	-	62,389	-
Due from other governments	4,397	-	4,397	14,555
Prepaid items	40,478	28,048	68,526	838
Inventory	85,640	555,883	641,523	-
Capital Assets-not being depreciated				
Land	2,284,361	964,472	3,248,833	-
Construction in progress	352,653	1,732,942	2,085,595	83,597
Capital Assets				
Property, plant and equipment	58,547,187	37,575,208	96,122,395	2,996,101
Less accumulated depreciation	(7,571,828)	(22,834,756)	(30,406,584)	(1,179,235)
TOTAL ASSETS	64,360,548	22,937,905	87,298,453	2,195,859
DEFERRED OUTFLOWS OF RESOURCES				
Cost sharing defined benefit pension plan-NDPERS	1,640,687	384,007	2,024,694	-
Cost sharing defined OPEB Plan-NDPERS	64,107	17,694	81,801	-
Total deferred outflows	1,704,794	401,701	2,106,495	-
LIABILITIES				
Accounts payable	145,010	463,289	608,299	18,188
Salaries payable	24,377	10,687	35,064	-
Vacation payable	3,488	23,884	27,372	-
Interest payable	102,019	14,885	116,904	-
Unearned revenue	996,934	-	996,934	-
Due to primary government	-	-	-	62,389
Due to other governments	77,078	-	77,078	-
Customer deposits	-	298,790	298,790	-
Bonds and notes payable-due within one year	646,979	254,495	901,474	-
Noncurrent liabilities				
Compensated absences	64,602	-	64,602	-
Bonds and notes payable-due in more than one year	14,516,630	2,246,463	16,763,093	-
Net pension liability	2,001,916	583,550	2,585,466	-
Net OPEB liability	126,618	34,946	161,564	-
TOTAL LIABILITIES	18,705,651	3,930,989	22,636,640	80,577
DEFERRED INFLOWS OF RESOURCES				
Cost sharing defined benefit pension plan-NDPERS	2,023,264	561,150	2,584,414	-
Cost sharing defined benefit OPEB Plan-NDPERS	13,135	3,625	16,760	-
Leases	33,292	12,325	45,617	-
Total deferred inflows	2,069,691	577,100	2,646,791	-
NET POSITION				
Net investment in capital assets	38,448,764	14,936,908	53,385,672	1,900,463
Restricted-Debt service	1,276,312	248,459	1,524,771	-
Restricted-Flood control	242,716	-	242,716	-
Restricted-Economic development	3,262,295	-	3,262,295	-
Restricted-Infrastructure	567,617	-	567,617	-
Restrictcd-Volunteer Fire	990,566	-	990,566	-
Restricted-Other	122,021	-	122,021	214,819
Unrestricted	379,709	3,646,150	4,025,859	-
TOTAL NET POSITION	\$ 45,290,000	\$ 18,831,517	\$ 64,121,517	\$ 2,115,282

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Governmental Activities								
Current								
General government	\$ 1,515,276	\$ 289,845	\$ 2,424	\$ -	\$ (1,223,007)	\$ -	\$ (1,223,007)	\$ -
Public safety	1,362,960	37,140	492,870	-	(832,950)	-	(832,950)	-
Highways and streets	1,226,715	45,078	329,276	224,127	(628,234)	-	(628,234)	-
Health and welfare	61,246	-	-	-	(61,246)	-	(61,246)	-
Public Works	-	-	-	657,258	657,258	-	657,258	-
Other	332,903	-	1,781	-	(331,122)	-	(331,122)	-
Debt service								
Interest	374,546	-	-	-	(374,546)	-	(374,546)	-
Total Governmental Activities	4,873,646	372,063	826,351	881,385	(2,793,847)	-	(2,793,847)	-
Business-Type Activities								
Electric	5,576,653	6,491,196	-	-	-	914,543	914,543	-
Water	1,014,113	1,072,604	-	-	-	58,491	58,491	-
Wastewater	552,788	523,760	-	-	-	(29,028)	(29,028)	-
Sanitation	404,332	413,632	-	-	-	9,300	9,300	-
Pest control	98,161	134,869	-	-	-	36,708	36,708	-
Total Business-Type Activities	7,646,047	8,636,061	-	-	-	990,014	990,014	-
Total Primary Government	\$ 12,519,693	\$ 9,008,124	\$ 826,351	\$ 881,385	(2,793,847)	990,014	(1,803,833)	-
Component Unit								
Airport Authority	\$ 190,110	\$ -	\$ -	\$ 54,081	-	-	-	(136,029)
Total Component Units	\$ 190,110	\$ -	\$ -	\$ 54,081	-	-	-	(136,029)
General Receipts:								
Property taxes levied for general purposes					876,197	-	876,197	28,855
Property Taxes - other					80,926	-	80,926	-
Sales Taxes					1,175,685	-	1,175,685	-
Intergovernmental (not restricted for specific program)								
State and federal					487,966	-	487,966	-
Interest earnings					-	113,338	113,338	-
Other general revenues					363,822	22,758	386,580	38,645
Gain on sale of capital assets					162,517	8,695	171,212	-
Transfers					254,542	(254,542)	-	-
Total General Receipts, Transfers and Sale of Capital Assets					3,401,655	(109,751)	3,291,904	67,500
Changes in Net Position					607,808	880,263	1,488,071	(68,529)
Net Position, January 1					44,682,192	17,951,254	62,633,446	2,183,811
Net Position, December 31					\$ 45,290,000	\$ 18,831,517	\$ 64,121,517	\$ 2,115,282

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General	Special Revenue Grafton Community Development Sales Tax	Special Revenue Municipal Infrastructure	Capital Projects 2023 Street Projects	Debt Service 2022 Definitive Warrant	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 959,552	\$ 1,055,295	\$ 538,471	\$ -	\$ 255,396	\$ 943,485	\$ 3,752,199
Investments	1,710,442	1,863,171	1,024,567	-	-	464,166	5,062,346
Receivables:							
Taxes	48,847	-	-	-	-	3,464	52,311
Other	25,877	-	-	-	-	-	25,877
Special assessments	12,894	247,071	-	-	1,122,385	-	1,382,350
Interest	30,404	34,235	1,513	-	-	567	66,719
Lease receivable	-	36,116	-	-	-	-	36,116
Notes receivable	-	141,735	-	-	-	-	141,735
Due from other funds	109,575	-	-	-	-	-	109,575
Due from component unit	62,389	-	-	-	-	-	62,389
Due from other governments	4,110	-	-	-	-	287	4,397
Prepaid items	39,909	-	-	-	-	-	39,909
Total Assets	\$ 3,003,999	\$ 3,377,623	\$ 1,564,551	\$ -	\$ 1,377,781	\$ 1,411,969	\$ 10,735,923
LIABILITIES							
Accounts payable	\$ 73,306	\$ 4,958	\$ -	\$ 5,828	\$ -	\$ 50,905	\$ 134,997
Salaries payable	24,377	-	-	-	-	-	24,377
Vacation payable	3,488	-	-	-	-	-	3,488
Due to other funds	-	-	-	109,125	-	450	109,575
Due to other governments	-	77,078	-	-	-	-	77,078
Unearned revenue	-	-	996,934	-	-	-	996,934
Total Liabilities	101,171	82,036	996,934	114,953	-	51,355	1,346,449
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue- property taxes	48,847	-	-	-	-	3,464	52,311
Uncertified special assessments	18,736	247,071	-	-	1,122,385	-	1,388,192
Leases	-	33,292	-	-	-	-	33,292
Total Deferred Inflows of Resources	67,583	280,363	-	-	1,122,385	3,464	1,473,795
FUND BALANCE							
Nonspendable	39,909	-	-	-	-	-	39,909
Restricted	-	3,015,224	567,617	-	255,396	1,352,389	5,190,626
Unrestricted							
Committed	-	-	-	-	-	30,261	30,261
Assigned	1,368,394	-	-	-	-	-	1,368,394
Unassigned	1,426,942	-	-	(114,953)	-	(25,500)	1,286,489
Total Fund Balance	2,835,245	3,015,224	567,617	(114,953)	255,396	1,357,150	7,915,679
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,003,999	\$ 3,377,623	\$ 1,564,551	\$ -	\$ 1,377,781	\$ 1,411,969	\$ 10,735,923

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, 2023

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

Total fund balance-governmental funds	\$ 7,915,679
---------------------------------------	--------------

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

Cost of Capital Assets	60,442,387	
Accumulated Depreciation	<u>(7,018,574)</u>	
Net		53,423,813

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		(382,577)
NDPERS OPEB		50,972

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		52,311
Uncertified special assessments		1,388,192

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.

300,374

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	(64,602)	
Accrued interest payable	(102,019)	
Bonds payable	(15,151,855)	
Premium on bonds payable	(125,589)	
Discount on bonds payable	113,835	
Net pension liability	(2,001,916)	
Net OPEB liability	<u>(126,618)</u>	
		<u>(17,458,764)</u>

Total net position-governmental activities	\$ <u>45,290,000</u>
--	----------------------

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, 2023

	General	Special Revenue Grafton Community Development Sales Tax	Special Revenue Municipal Infrastructure	Capital Projects ARPA	Capital Projects 2023 Street Projects	Debt Service 2022 Definitive Warrant	Other Governmental Funds	Total
REVENUES								
Taxes	\$ 865,911	\$ 1,175,685	\$ -	\$ -	\$ -	\$ -	\$ 80,926	\$ 2,122,522
Special assessments	9,797	43,652	-	-	-	207,422	-	260,871
Licenses and permits	141,815	-	-	-	-	-	-	141,815
Intergovernmental	817,242	1,781	150,000	657,258	-	-	2,424	1,628,705
Charges for services	45,078	-	-	-	-	-	-	45,078
Fines and forfeits	37,140	-	-	-	-	-	-	37,140
Miscellaneous	131,035	121,512	64,115	8,101	-	9,263	522,118	856,144
Total Revenues	<u>2,048,018</u>	<u>1,342,630</u>	<u>214,115</u>	<u>665,359</u>	<u>-</u>	<u>216,685</u>	<u>605,468</u>	<u>5,092,275</u>
EXPENDITURES								
Current:								
General government	282,768	-	-	-	-	-	63,749	346,517
Public safety	977,476	-	-	-	-	-	320,909	1,298,385
Highways and streets	910,823	-	-	-	-	-	-	910,823
Health and welfare	2,489	-	-	-	-	-	-	2,489
Other	56,369	232,091	-	-	-	-	44,443	332,903
Capital outlay	1,456,189	-	-	-	2,554,954	-	39,098	4,050,241
Debt service:								
Principal retirement	-	-	-	-	848	138,439	501,343	640,630
Interest and fees	-	-	-	-	-	24,048	346,732	370,780
Total expenditures	<u>3,686,114</u>	<u>232,091</u>	<u>-</u>	<u>-</u>	<u>2,555,802</u>	<u>162,487</u>	<u>1,316,274</u>	<u>7,952,768</u>
Revenues Over (Under) Expenditures	(1,638,096)	1,110,539	214,115	665,359	(2,555,802)	54,198	(710,806)	(2,860,493)
OTHER FINANCING SOURCES (USES)								
Proceeds from issuance of debt	-	-	-	-	2,440,849	-	396,775	2,837,624
Proceeds from sale of capital assets	162,517	-	-	-	-	-	-	162,517
Operating transfers in	1,015,000	-	-	-	-	3,283	1,020,065	2,038,348
Operating transfers out	-	(848,625)	(150,000)	(670,458)	-	(171,440)	(3,283)	(1,843,806)
Total Other Financing Sources (Uses)	<u>1,177,517</u>	<u>(848,625)</u>	<u>(150,000)</u>	<u>(670,458)</u>	<u>2,440,849</u>	<u>(168,157)</u>	<u>1,413,557</u>	<u>3,194,683</u>
Net Change in Fund Balance	<u>(460,579)</u>	<u>261,914</u>	<u>64,115</u>	<u>(5,099)</u>	<u>(114,953)</u>	<u>(113,959)</u>	<u>702,751</u>	<u>334,190</u>
Fund Balance - January 1	<u>3,295,824</u>	<u>2,753,310</u>	<u>503,502</u>	<u>5,099</u>	<u>-</u>	<u>369,355</u>	<u>654,399</u>	<u>7,581,489</u>
Fund Balance - December 31	<u>\$ 2,835,245</u>	<u>\$ 3,015,224</u>	<u>\$ 567,617</u>	<u>\$ -</u>	<u>\$ (114,953)</u>	<u>\$ 255,396</u>	<u>\$ 1,357,150</u>	<u>\$ 7,915,679</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, 2023

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

Net change in fund balance- total governmental funds	\$	334,190
--	----	---------

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	4,050,241	
Depreciation expense	(1,232,893)	
Excess of capital outlay over depreciation expense		2,817,348

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	640,630	
Loan proceeds	(2,837,624)	
Amortization of bond premium & discounts	1,521	
		(2,195,473)

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		10,286
Net change in uncertified special assessments		(186,744)

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.

(5,290)

Changes in deferred outflows and inflows of resources related to net pension and OPEB liabilities	(946,539)
---	-----------

Change in net pension and OPEB liabilities	773,803
--	---------

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		(4,674)
----------------------------------	--	---------

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.

10,901

Net change in net position of governmental activities	\$	607,808
---	----	---------

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-type Activities Enterprise Funds						Governmental Activities
	Electric	Water	Wastewater	Sanitation	Pest Control	Total	Internal Service Funds
ASSETS							
Current assets							
Cash and cash equivalents	\$ 762,107	\$ 497,148	\$ 182,889	\$ 115,972	\$ 127,514	\$ 1,685,630	\$ 35,618
Restricted cash and cash equivalents	58,984	179,158	69,301	-	-	307,443	-
Investments	1,159,087	202,294	102,268	175,573	325,573	1,964,795	-
Receivables:							
Other	-	17,586	-	-	-	17,586	-
Accounts (net of uncollectibles)	667,056	90,090	48,346	40,727	12,966	859,185	-
Interest	26,392	3,809	1,261	3,258	8,420	43,140	-
Special Assessments - current portion	24,997	58	-	-	-	25,055	-
Lease Receivable	-	13,274	-	-	-	13,274	-
Due from other funds	577,693	-	-	-	-	577,693	-
Prepaid items	12,554	10,791	4,690	-	13	28,048	569
Inventory	405,408	142,424	8,051	-	-	555,883	85,640
Total current assets	3,694,278	1,156,632	416,806	335,530	474,486	6,077,732	121,827
Capital assets-not being depreciated							
Land	677,145	40,810	195,993	50,524	-	964,472	-
Construction in progress	1,153,349	577,693	1,900	-	-	1,732,942	-
Capital assets							
Buildings/improvements	1,448,351	7,847,024	952,449	24,672	-	10,272,496	673,248
Transmission system	7,590,010	10,962,585	6,921,772	-	-	25,474,367	38,979
Machinery and equipment	1,182,240	196,544	407,354	5,940	36,267	1,828,345	29,587
Total capital assets	12,051,095	19,624,656	8,479,468	81,136	36,267	40,272,622	741,814
Less accumulated depreciation	(7,739,658)	(9,670,065)	(5,361,340)	(27,426)	(36,267)	(22,834,756)	(553,254)
Net capital assets	4,311,437	9,954,591	3,118,128	53,710	-	17,437,866	188,560
TOTAL ASSETS	8,005,715	11,111,223	3,534,934	389,240	474,486	23,515,598	310,387
DEFERRED OUTFLOWS OF RESOURCES							
Cost sharing defined benefit pension plan-NDPERS	200,009	120,130	63,868	-	-	384,007	-
Cost sharing defined benefit OPEB Plan-NDPERS	9,216	5,535	2,943	-	-	17,694	-
Total deferred outflows	209,225	125,665	66,811	-	-	401,701	-
LIABILITIES							
Current liabilities							
Accounts payable	396,721	27,740	36,743	2,085	-	463,289	10,013
Salaries payable	5,473	3,420	1,794	-	-	10,687	-
Vacations payable	10,158	8,953	4,773	-	-	23,884	-
Interest payable	4,018	8,500	2,367	-	-	14,885	-
Due to other funds	-	577,693	-	-	-	577,693	-
Bonds payable-current portion	104,495	100,000	50,000	-	-	254,495	-
Customer deposits	298,790	-	-	-	-	298,790	-
Total current liabilities	819,655	726,306	95,677	2,085	-	1,643,723	10,013
Long-term liabilities							
Bonds payable-non-current portion	766,463	1,175,000	305,000	-	-	2,246,463	-
Net pension liability	303,940	182,553	97,057	-	-	583,550	-
Net OPEB liability	18,202	10,932	5,812	-	-	34,946	-
Total non-current liabilities	1,088,605	1,368,485	407,869	-	-	2,864,959	-
TOTAL LIABILITIES	1,908,260	2,094,791	503,546	2,085	-	4,508,682	10,013
DEFERRED INFLOWS OF RESOURCES							
Cost sharing defined benefit pension plan-NDPERS	292,274	175,546	93,330	-	-	561,150	-
Cost sharing defined benefit OPEB Plan-NDPERS	1,888	1,134	603	-	-	3,625	-
Leases	-	12,325	-	-	-	12,325	-
Total deferred inflows	294,162	189,005	93,933	-	-	577,100	-
NET POSITION							
Net investment in capital assets	3,440,479	8,679,591	2,763,128	53,710	-	14,936,908	188,560
Restricted for bond covenants	-	179,158	69,301	-	-	248,459	-
Unrestricted	2,572,039	94,343	171,837	333,445	474,486	3,646,150	111,814
TOTAL NET POSITION	\$ 6,012,518	\$ 8,953,092	\$ 3,004,266	\$ 387,155	\$ 474,486	\$ 18,831,517	\$ 300,374

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, 2023

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Electric	Water	Wastewater	Sanitation	Pest Control	Total
Operating Revenues:						
Sales - Net of Discounts	\$ 6,414,527	\$ 1,064,900	\$ 523,660	\$ 413,632	\$ 134,869	\$ 8,551,588
Operating Expenses:						
Cost of goods sold	4,126,569	-	-	-	-	4,126,569
Utilities and phone	10,492	57,410	106,526	-	-	174,428
Materials and supplies	2,772	6,710	3,358	-	-	12,840
Repairs and maintenance	21,298	21,035	8,508	17	-	50,858
Gas, fuel and oil	7,352	3,556	3,670	-	7	14,585
Insurance	134,590	88,019	46,385	-	41	269,035
Uniforms	3,634	161	-	-	-	3,795
Contracted services	702	4,507	413	359,978	53,539	419,139
Technology	-	6,145	-	-	-	6,145
Salaries	324,473	204,802	103,523	-	-	632,798
Payroll taxes	24,173	14,967	7,790	-	-	46,930
Retirement	38,507	(9,265)	10,180	-	-	39,422
Rent	-	-	9,644	-	-	9,644
Miscellaneous	38,598	16,098	4,181	2,729	618	62,224
Depreciation	211,448	277,912	165,267	2,910	-	657,537
General equipment	14,758	281	2,095	-	898	18,032
Operating expenses	361,067	185,515	59,027	35,610	-	641,219
Distribution system	51,801	(2,291)	5,769	-	-	55,279
Collection fees	1,834	-	-	3,088	-	4,922
Donated and internal use	180,228	6,604	1,575	-	465	188,872
Chemicals	-	101,586	6,635	-	42,593	150,814
Travel and training	922	1,617	475	-	-	3,014
Structures and improvements	419	-	-	-	-	419
Total Operating Expenses	5,555,637	985,369	545,021	404,332	98,161	7,588,520
Operating Income (Loss)	858,890	79,531	(21,361)	9,300	36,708	963,068
Non-Operating Revenues (Expenses):						
Materials sold	3,830	661	-	-	-	4,491
Interest earnings	59,148	22,654	9,202	7,628	14,706	113,338
Minnkota lease	71,750	-	-	-	-	71,750
Rent	1,089	7,043	100	-	-	8,232
Miscellaneous	5,605	3,317	12,085	1,751	-	22,758
Sale of fixed assets	8,680	15	-	-	-	8,695
Cost of materials sold	(2,721)	(661)	-	-	-	(3,382)
Incentives	(4,100)	-	-	-	-	(4,100)
Interest expense	(14,195)	(28,083)	(7,767)	-	-	(50,045)
Total Non-Operating Revenues (Expense)	129,086	4,946	13,620	9,379	14,706	171,737
Income (Loss) Before Operating Transfers and contributions	987,976	84,477	(7,741)	18,679	51,414	1,134,805
Operating Transfers In	-	-	670,458	-	-	670,458
Operating Transfers (Out)	(775,000)	(125,000)	(25,000)	-	-	(925,000)
Net Income (Loss)	212,976	(40,523)	637,717	18,679	51,414	880,263
Net Position, January 1	5,799,542	8,993,615	2,366,549	368,476	423,072	17,951,254
Net Position, December 31	\$ 6,012,518	\$ 8,953,092	\$ 3,004,266	\$ 387,155	\$ 474,486	\$ 18,831,517

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Electric	Water	Wastewater	Sanitation	Pest Control	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 6,549,827	\$ 1,095,377	\$ 539,000	\$ 419,887	\$ 137,652	\$ 8,741,743	\$ 143,030
Cash payments to suppliers	(5,107,732)	(518,036)	(255,526)	(401,564)	(98,355)	(6,381,213)	(162,399)
Cash paid to employees	(321,636)	(235,491)	(104,734)	-	-	(661,861)	-
Net cash flow from (to) operating activities	1,120,459	341,850	178,740	18,323	39,297	1,698,669	(19,369)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Due from (to) other funds	(165,498)	57,379	(17,790)	-	-	(125,909)	-
Miscellaneous revenues (expenses)	61,255	10,375	12,185	1,751	-	85,566	5,525
Transfers to (from) other funds	(775,000)	(125,000)	645,458	-	-	(254,542)	60,000
Net cash flow from (to) non-capital financing activities	(879,243)	(57,246)	639,853	1,751	-	(294,885)	65,525
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of property and equipment	(571,785)	(528,259)	(736,784)	(200)	-	(1,837,028)	(14,945)
Proceeds from sale of fixed assets	8,680	-	-	-	-	8,680	-
Proceeds from long term borrowing	440,697	-	-	-	-	440,697	-
Principal paid on debt	(96,837)	(175,000)	(50,000)	-	-	(321,837)	-
Interest paid on debt	2,257	(29,858)	(8,100)	-	-	(35,701)	-
Net cash flow from (to) capital and related financing activities	(216,988)	(733,117)	(794,884)	(200)	-	(1,745,189)	(14,945)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income	37,033	21,824	7,941	5,220	6,948	78,966	26
(Purchase) Sale of certificates of deposits	(309,087)	359,781	(102,268)	(573)	(200,573)	(252,720)	-
Net cash flow from (to) investing activities	(272,054)	381,605	(94,327)	4,647	(193,625)	(173,754)	26
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(247,826)	(66,908)	(70,618)	24,521	(154,328)	(515,159)	31,237
CASH AND CASH EQUIVALENTS, JANUARY 1, 2023	1,068,917	743,214	322,808	91,451	281,842	2,508,232	4,381
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2023	\$ 821,091	\$ 676,306	\$ 252,190	\$ 115,972	\$ 127,514	\$ 1,993,073	\$ 35,618
Cash and cash equivalents are comprised of the following:							
Cash and cash equivalents	\$ 762,107	\$ 497,148	\$ 182,889	\$ 115,972	\$ 127,514	\$ 1,685,630	\$ 35,618
Restricted cash and cash equivalents	58,984	179,158	69,301	-	-	307,443	-
Total cash and cash equivalents on the Statement of Net Position	\$ 821,091	\$ 676,306	\$ 252,190	\$ 115,972	\$ 127,514	\$ 1,993,073	\$ 35,618
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income (loss)	\$ 858,890	\$ 79,531	\$ (21,361)	\$ 9,300	\$ 36,708	\$ 963,068	\$ (54,650)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	211,448	277,912	165,267	2,910	-	657,537	17,754
Changes in assets and liabilities							
(Increase)/Decrease in Accounts receivable	123,695	30,477	15,340	6,255	2,783	178,550	-
(Increase)/Decrease in Inventory	(96,990)	(2,376)	(1,116)	-	-	(100,482)	11,713
(Increase)/Decrease in Prepaid items	10,149	(1,054)	(492)	-	(4)	8,599	(75)
(Increase)/Decrease in Deferred outflows of resources	80,153	71,330	27,110	-	-	178,593	-
Increase/(Decrease) in Accounts payable	(1,175)	(11,951)	22,313	(142)	(190)	8,855	5,889
Increase/(Decrease) in Customer deposits	11,605	-	-	-	-	11,605	-
Increase/(Decrease) in Deferred inflows of resources	45,908	7,680	13,360	-	-	66,948	-
Increase/(Decrease) in Net pension liability	(122,604)	(107,818)	(41,384)	-	-	(271,806)	-
Increase/(Decrease) in Net OPEB liability	(620)	(1,881)	(297)	-	-	(2,798)	-
Net cash provided (used) by operating activities	\$ 1,120,459	\$ 341,850	\$ 178,740	\$ 18,323	\$ 39,297	\$ 1,698,669	\$ (19,369)

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2023

Custodial Funds

	<u>Library</u>	<u>Hospital</u>	<u>Total</u>
ASSETS			
Taxes receivable	\$ 1,859	\$ -	\$ 1,859
Due from other governments	156	-	156
TOTAL ASSETS	<u>\$ 2,015</u>	<u>\$ -</u>	<u>\$ 2,015</u>
 NET POSITION			
Due to other entities	\$ 2,015	\$ -	\$ 2,015
TOTAL NET POSITION	<u>\$ 2,015</u>	<u>\$ -</u>	<u>\$ 2,015</u>

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Custodial Funds

	<u>Library</u>	<u>Hospital</u>	<u>Total</u>
ADDITIONS			
Property taxes collected for other entities	\$ 33,493	\$ 293,921	\$ 327,414
DEDUCTIONS			
Property taxes disbursed to other entities	33,493	293,921	327,414
CHANGE IN NET POSITION	-	-	-
NET POSITION - BEGINNING	-	-	-
NET POSITION - ENDING	\$ -	\$ -	\$ -

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023

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.

Municipal Infrastructure – This fund is used to account for proceeds that are restricted for infrastructure projects within the City.

ARPA – This fund accounts for the financial resources to be used for construction projects to be funded by the American Rescue Plan Act.

2023 Street Projects – This fund accounts for the financial resources to be used for the construction of the 2023 Street Projects.

2022 Definitive Warrant – This fund accounts for the accumulation of resources for, and the payment of, long-term debt, principal and interest on the 2022 Definitive Warrant debt.

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.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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.

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 two custodial funds as follows:

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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

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, 2023.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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 1st of the year collectible. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes have been paid. Additional penalties are added October 15th 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, 2023 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, 2023, all accounts are considered collectible.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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 items 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.

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the City has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the City is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the City uses its incremental borrowing rate based on the information available at the lease commencement date. The City has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The City accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The City continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the City is reasonable certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The City's lease agreements do not include any material residual value guarantees or restrictive covenants.

The City is a lessor for noncancellable leases of land for a cell tower and a water tower for cable services. The City recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases. The City has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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.

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.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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.

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.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Significant Group Concentrations of Credit Risk

As of December 31, 2023, 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.

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 6 and 7 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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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 6 and 7 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.

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, 2023, 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:

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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.

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for governmental activities for the year ended December 31, 2023 are as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities Capital Assets:					
Land	\$ 2,284,361	\$ -	\$ -	\$ -	\$ 2,284,361
Buildings and improvements	1,760,606	5,130	-	-	1,765,736
Vehicles and equipment	4,042,452	753,881	418,805	-	4,377,528
Infrastructure	47,872,304	2,940,238	-	1,591,381	52,403,923
Construction in progress	1,578,098	365,936	-	(1,591,381)	352,653
Total	<u>57,537,821</u>	<u>4,065,185</u>	<u>418,805</u>	<u>-</u>	<u>61,184,201</u>
Governmental Activities Accumulated Depreciation:					
Buildings and improvements	1,069,920	43,897	-	-	1,113,817
Vehicles and equipment	2,574,050	212,470	418,805	-	2,367,715
Infrastructure	3,096,016	994,280	-	-	4,090,296
Total	<u>6,739,986</u>	<u>1,250,647</u>	<u>418,805</u>	<u>-</u>	<u>7,571,828</u>
Net Capital Assets - Governmental Activities	<u>\$ 50,797,835</u>	<u>\$ 2,814,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,612,373</u>

Changes in capital assets for business-type activities for the year ended December 31, 2023 are as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-Type Activities Capital Assets:					
Land	\$ 964,472	\$ -	\$ -	\$ -	\$ 964,472
Buildings and improvements	10,272,496	-	-	-	10,272,496
Transmission system	24,071,169	150,969	-	1,252,229	25,474,367
Vehicles and equipment	1,740,811	87,534	-	-	1,828,345
Construction in progress	1,386,645	1,598,526	-	(1,252,229)	1,732,942
Total	<u>38,435,593</u>	<u>1,837,029</u>	<u>-</u>	<u>-</u>	<u>40,272,622</u>
Business-Type Activities Accumulated Depreciation:					
Buildings and improvements	3,091,172	196,457	-	-	3,287,629
Transmission system	17,788,998	392,973	-	-	18,181,971
Vehicles and equipment	1,297,049	68,107	-	-	1,365,156
Total	<u>22,177,219</u>	<u>657,537</u>	<u>-</u>	<u>-</u>	<u>22,834,756</u>
Net Capital Assets Business-Type Activities	<u>\$ 16,258,374</u>	<u>\$ 1,179,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,437,866</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Changes in capital assets for component unit for the year ended December 31, 2023 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit Capital Assets:				
Buildings and improvements	\$ 2,907,835	\$ 51,966	\$ -	\$ 2,959,801
Vehicles and equipment	36,300	-	-	36,300
Construction in progress	-	83,597	-	83,597
Total	<u>2,944,135</u>	<u>135,563</u>	<u>-</u>	<u>3,079,698</u>
Component Unit Accumulated				
Depreciation:				
Buildings and improvements	1,057,803	117,746	-	1,175,549
Vehicles and equipment	1,266	2,420	-	3,686
Total	<u>1,059,069</u>	<u>120,166</u>	<u>-</u>	<u>1,179,235</u>
Net Capital Assets - Component Unit	<u>\$ 1,885,066</u>	<u>\$ 15,397</u>	<u>\$ -</u>	<u>\$ 1,900,463</u>

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

Governmental Activities	
General Government	\$ 811,423
Public Safety	64,575
Highways and Streets	315,892
Component Units	120,166
Health and Recreation	<u>58,757</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,370,813</u>
Business-Type Activities	
Electric	\$ 211,448
Water	277,912
Wastewater	165,267
Sanitation	<u>2,910</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 657,537</u>
Total Depreciation Expense - Component Unit	<u>\$ 120,166</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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, 2023:

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%	\$ 2,415,000	\$ -	\$ (175,000)	\$ -	\$ 2,240,000	\$ 175,000	\$ 5,508
Bond Premium		26,260	-	-	(2,020)	24,240	-	-
\$10,000,000 of 2018	3.50% - 4.0%	6,670,000	-	(220,000)	-	6,450,000	230,000	77,027
Bond Premium		105,403	-	-	(4,054)	101,349	-	-
Bond Discount		(118,388)	-	-	4,553	(113,835)	-	-
Definitive Improvement 2017	1.50%	2,851,636	-	(106,343)	-	2,745,293	104,403	7,245
Definitive Improvement 2022	2.00%	1,018,225	396,775	(138,439)	-	1,276,561	136,433	4,261
Definitive Improvement 2023	2.00%	-	2,440,849	(848)	-	2,440,001	1,143	7,978
Compensated Absences		59,928	-	-	4,674	64,602	-	-
Other Debt:								
Net Pension Liability		2,770,204	-	-	(768,288)	2,001,916	-	-
Net OPEB Liability		132,133	-	-	(5,515)	126,618	-	-
		<u>\$ 15,930,401</u>	<u>\$ 2,837,624</u>	<u>\$ (640,630)</u>	<u>\$ (770,650)</u>	<u>\$ 17,356,745</u>	<u>\$ 646,979</u>	<u>\$ 102,019</u>

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

2022 Definitive Warrant				2023 Definitive Warrant			
	Principal	Interest	Total	Principal	Interest	Total	
2024	\$ 136,433	\$ 24,199	\$ 160,632	\$ 1,143	\$ 50,768	\$ 51,911	
2025	137,797	21,456	159,253	158,759	49,523	208,282	
2026	139,175	18,687	157,862	160,347	46,332	206,679	
2027	140,567	15,890	156,457	161,950	43,109	205,059	
2028	141,973	13,064	155,037	163,570	39,854	203,424	
2029-2033	580,616	23,434	604,050	842,712	149,289	992,001	
2034-2038	-	-	-	885,700	62,889	948,589	
2039-2043	-	-	-	65,820	1,823	67,643	
	<u>\$ 1,276,561</u>	<u>\$ 116,730</u>	<u>\$ 1,393,291</u>	<u>\$ 2,440,001</u>	<u>\$ 443,587</u>	<u>\$ 2,883,588</u>	

\$3,500,000 Refunding Improvement 2015				2017 Definitive Warrant			
	Principal	Interest	Total	Principal	Interest	Total	
2024	\$ 175,000	\$ 66,095	\$ 241,095	\$ 104,403	\$ 40,598	\$ 145,001	
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	190,000	51,470	241,470	107,734	35,804	143,538	
2028	195,000	45,770	240,770	108,542	34,182	142,724	
2029-2033	1,075,000	137,200	1,212,200	555,043	146,149	701,192	
2034-2038	240,000	7,440	247,440	576,172	103,735	679,907	
2039-2043	-	-	-	598,104	59,700	657,804	
2044-2048	-	-	-	482,227	14,587	496,814	
	<u>\$ 2,240,000</u>	<u>\$ 427,415</u>	<u>\$ 2,667,415</u>	<u>\$ 2,745,293</u>	<u>\$ 511,181</u>	<u>\$ 3,256,474</u>	

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

	2018 Refunding Improvement Bonds			Combined Debt Payments Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 230,000	\$ 231,081	\$ 461,081	\$ 646,979	\$ 412,741	\$ 1,059,720
2025	235,000	223,031	458,031	817,692	395,442	1,213,134
2026	245,000	214,806	459,806	836,454	374,259	1,210,713
2027	255,000	206,231	461,231	855,251	352,504	1,207,755
2028	260,000	197,306	457,306	869,085	330,176	1,199,261
2029-2033	1,450,000	843,030	2,293,030	4,503,371	1,299,102	5,802,473
2034-2038	1,725,000	570,730	2,295,730	3,426,872	744,794	4,171,666
2039-2043	2,050,000	242,525	2,292,525	2,713,924	304,048	3,017,972
2044-2048	-	-	-	482,227	14,587	496,814
	<u>\$ 6,450,000</u>	<u>\$ 2,728,740</u>	<u>\$ 9,178,740</u>	<u>\$ 15,151,855</u>	<u>\$ 4,227,653</u>	<u>\$ 19,379,508</u>

The following is a summary of changes in business-type activities long-term debt by individual issue for the year ended December 31, 2023:

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	2.50%	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -	\$ -	\$ -
ND Public Finance	2.00%	1,375,000	-	(100,000)	-	1,275,000	100,000	8,500
Net Pension Liability		290,371	-	-	(107,818)	182,553	-	-
Net OPEB Liability		12,813	-	-	(1,881)	10,932	-	-
		<u>\$ 1,753,184</u>	<u>\$ -</u>	<u>\$ (175,000)</u>	<u>\$ (109,699)</u>	<u>\$ 1,468,485</u>	<u>\$ 100,000</u>	<u>\$ 8,500</u>
<u>Wastewater</u>								
ND Public Finance-Clean Water Loan	2.00%	\$ 405,000	\$ -	\$ (50,000)	\$ -	\$ 355,000	\$ 50,000	\$ 2,367
Net Pension Liability		138,441	-	-	(41,385)	97,056	-	-
Net OPEB Liability		6,109	-	-	(297)	5,812	-	-
		<u>\$ 549,550</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ (41,682)</u>	<u>\$ 457,868</u>	<u>\$ 50,000</u>	<u>\$ 2,367</u>
<u>Electric</u>								
ND Public Finance Utility Revenue Bonds	2.00%	\$ 527,098	\$ 440,697	\$ (96,837)	\$ -	\$ 870,958	\$ 104,495	\$ 4,018
Net Pension Liability		426,544	-	-	(122,604)	303,940	-	-
Net OPEB Liability		18,822	-	-	(620)	18,202	-	-
		<u>\$ 972,464</u>	<u>\$ 440,697</u>	<u>\$ (96,837)</u>	<u>\$ (123,224)</u>	<u>\$ 1,193,100</u>	<u>\$ 104,495</u>	<u>\$ 4,018</u>

*During 2023, ND Public Water Revenue Bonds were paid in full.

Water operating income of \$357,443 net of depreciation, was sufficient to cover debt service requirements of \$204,375 for the year ending December 31, 2023.

Wastewater operating income of \$143,906, net of depreciation, was sufficient to cover debt service requirements of \$58,100 for the year ending December 31, 2023.

Electric operating income of \$1,070,338, net of depreciation, was sufficient to cover debt service requirements of \$108,775 for the year ending December 31, 2023.

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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

	North Dakota Public Finance			Combined Debt Payments Business-Type Activities-Electric		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 104,495	\$ 9,423	\$ 113,918	\$ 104,495	\$ 9,423	\$ 113,918
2025	102,568	15,250	117,818	102,568	15,250	117,818
2026	104,619	13,199	117,818	104,619	13,199	117,818
2027	106,712	11,106	117,818	106,712	11,106	117,818
2028	108,821	8,996	117,817	108,821	8,996	117,817
2029-2031	343,743	13,611	357,354	343,743	13,611	357,354
	<u>\$ 870,958</u>	<u>\$ 71,585</u>	<u>\$ 942,543</u>	<u>\$ 870,958</u>	<u>\$ 71,585</u>	<u>\$ 942,543</u>

	\$1,840,757 North Dakota Public Finance			Combined Debt Payments Business-Type Activities-Water		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 100,000	\$ 25,500	\$ 125,500	\$ 100,000	\$ 25,500	\$ 125,500
2025	105,000	23,500	128,500	105,000	23,500	128,500
2026	105,000	21,400	126,400	105,000	21,400	126,400
2027	110,000	19,300	129,300	110,000	19,300	129,300
2028	115,000	17,100	132,100	115,000	17,100	132,100
2029-2033	610,000	50,300	660,300	610,000	50,300	660,300
2034	130,000	2,600	132,600	130,000	2,600	132,600
	<u>\$ 1,275,000</u>	<u>\$ 159,700</u>	<u>\$ 1,434,700</u>	<u>\$ 1,275,000</u>	<u>\$ 159,700</u>	<u>\$ 1,434,700</u>

	\$496,760 North Dakota Public Finance			Combined Debt Payments Business-Type Activities-Wastewater		
	Principal	Interest	Total	Principal	Interest	Total
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	50,000	4,100	54,100	50,000	4,100	54,100
2028	50,000	3,100	53,100	50,000	3,100	53,100
2029-2030	105,000	3,200	108,200	105,000	3,200	108,200
	<u>\$ 355,000</u>	<u>\$ 28,700</u>	<u>\$ 383,700</u>	<u>\$ 355,000</u>	<u>\$ 28,700</u>	<u>\$ 383,700</u>

NOTE 5 - LEASES

Governmental Lease

The City is the lessor of land for a cell tower. The following is the total lease-related revenue for the year ended December 31, 2023:

Lease-related Revenue	Year Ending 12/31/2023
Lease Revenue	
Land	\$ 13,090
Total Lease Revenue	13,090
Interest Revenue	152
Total	<u><u>\$ 13,242</u></u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

The following is a schedule by years of future receipts required under the lease:

Maturity Analysis	Principal	Interest	Total Receipts
2024	\$ 13,092	\$ 108	\$ 13,200
2025	13,139	61	13,200
2026	9,885	15	9,900
Total	<u>\$ 36,116</u>	<u>\$ 184</u>	<u>\$ 36,300</u>

Business-Type Lease

The City is the lessor of the water tower for use by Midco for cable services. The following is the total lease-related revenue for the year ended December 31, 2023:

Lease-related Revenue	Year Ending 12/31/2023
Lease Revenue	
Water Tower	<u>\$ 7,043</u>
Total Lease Revenue	7,043
Interest Revenue	138
Total	<u><u>\$ 7,181</u></u>

The following is a schedule by years of future receipts required under the lease:

Maturity Analysis	Principal	Interest	Total Receipts
2024	\$ 6,611	\$ 104	\$ 6,715
2025	6,663	52	6,715
Total	<u>\$ 13,274</u>	<u>\$ 156</u>	<u>\$ 13,430</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 6 - 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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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. The Main Plan will be closed to new employees with the passage of House Bill 1040. The closure of the plan will be effective on January 1, 2025.

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

Death and Disability Benefits

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.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

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

At December 31, 2023, the City reported a liability of \$2,196,337 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the City's proportion was 0.113903 percent which was an increase of 0.003571 percent from its proportion measured at June 30, 2022.

For the year ended December 31, 2023, the City recognized pension expense of \$26,538. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 71,498	\$ (12,113)
Changes of assumptions	1,211,086	(1,667,076)
Net difference between projected and actual earnings on pension plan investments	57,628	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,682	(432,846)
Employer contributions subsequent to the measurement date	50,413	-
Total	<u><u>\$ 1,445,307</u></u>	<u><u>\$ (2,112,034)</u></u>

\$50,413 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, 2024.

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:

2024	\$ (148,523)
2025	(403,940)
2026	(44,623)
2027	(120,054)

Actuarial Assumptions

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

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

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.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.90%	6.25%
International Equity	20.10%	6.95%
Private Equity	7.00%	9.45%
Global Fixed Income	23.00%	2.51%
Global Real Assets	19.00%	4.33%

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 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

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 6.50 percent, as well as what the Employer's proportionate share of the net

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50 percent) or 1 percentage point higher (7.50 percent) than the current rate:

	1% Decrease	Current	1% Increase
	5.50%	Discount Rate	7.50%
	5.50%	6.50%	7.50%
Employer's proportionate share of the net pension liability	\$ 3,028,221	\$ 2,196,337	\$ 1,506,225

Pension Plan Fiduciary Net Position

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

NDPERS Law Enforcement Retirement System (Law Enforcement System)

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

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

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

Pension Benefits

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

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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

At December 31, 2023, the City reported a liability of \$389,129 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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 Employer's share of covered payroll/contributions in the Law Enforcement System pension plan relative to the covered payroll/contributions of all participating Law Enforcement System employers. At June 30, 2023, the Employer's proportion was 0.642323 percent, which was a decrease of 0.096718 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized pension expense of \$230,587. At December 31, 2023, the City 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	\$ 149,077	\$ (1,340)
Changes of assumptions	342,542	(471,040)
Net difference between projected and actual earnings on pension plan investments	19,909	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,551	-
Employer contributions subsequent to the measurement date	<u>4,308</u>	<u>-</u>
Total	<u>\$ 579,387</u>	<u>\$ (472,380)</u>

\$4,308 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, 2024.

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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Year ended December 31:

2024	\$	44,146
2025		52,246
2026		22,498
2027		1,683
2028		(13,100)
Thereafter		(4,774)

Actuarial Assumptions

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

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.90%	6.25%
International Equity	20.10%	6.95%
Private Equity	7.00%	9.45%
Global Fixed Income	23.00%	2.51%
Global Real Assets	19.00%	4.33%

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,

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net pension liability	\$ 600,863	\$ 389,129	\$ 227,195

Pension Plan Fiduciary Net Position

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

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

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,

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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.

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

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

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

At December 31, 2023, the City reported a liability of \$161,564 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2023, the Employer's proportion was 0.161604 percent, which is an increase of 0.01832 from its proportion measured as of June 30, 2022.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

For the year ended December 31, 2023, the City recognized OPEB expense of \$33,946. At December 31, 2023, the Employer 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	\$ 3,040	\$ (1,849)
Changes of assumptions	34,458	(13,379)
Net difference between projected and actual earnings on OPEB plan investments	11,669	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,215	(1,532)
Employer contributions subsequent to the measurement date	22,419	-
Total	<u>\$ 81,801</u>	<u>\$ (16,760)</u>

\$22,419 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, 2024.

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

<u>Year Ending December 31:</u>	<u>OPEB Expense Amount</u>
2024	\$ 15,360
2025	12,497
2026	17,856
2027	(3,091)

Actuarial assumptions

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
S&P 500 Index	33.00%	5.50%
US Small Cap Equity	6.00%	7.65%
World Equity ex-US	26.00%	6.82%
US High Yield	3.00%	5.32%
Emerging Markets Debt	4.00%	6.25%
Core Fixed Income	28.00%	4.04%

Discount rate

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

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

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

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Employer's proportionate share of the net OPEB liability	\$ 212,334	\$ 161,564	\$ 118,821

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 8 - 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, 2023, 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.

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 9 - SCHEDULE OF TRANSFERS

Transfer In	Transfer Out	Amount
General	Electric	\$ 715,000
General	Water	125,000
General	Wastewater	25,000
General	Municipal Infrastructure	150,000
Nonmajor Capital Projects	2022 Definitive Warrant	171,440
2022 Definitive Warrant	Nonmajor Special Revenue	3,283
Wastewater	ARPA	670,458
Internal Service Fund	Electric	60,000
Nonmajor Debt Service	Sales Tax Fund	848,625
		<u>\$ 2,768,806</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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 10 - INTERFUND BALANCES

As of December 31, 2023, the Water Fund owed the Electric Fund \$577,693 for costs paid by the Electric Fund in connection with the AMI project. The balance due will be transferred once the project is complete.

As of December 31, 2023, the 2023 Street Projects fund and the 2024 Street Projects fund owed the general fund \$109,125 and \$450, respectively. The purpose of these interfund loans was to cover cash deficits at year-end.

NOTE 11 - DUE FROM COMPONENT UNIT, DUE TO PRIMARY GOVERNMENT

City of Grafton – General fund provided \$62,389 to the Airport Authority to cover cash deficits at year-end.

NOTE 12 - FUND BALANCES

Fund balance is categorized as follows:

	General	Grafton Community Development Sales Tax	Municipal Infrastructure	2023 Street Projects	2022 Definitive Warrant	Other Governmental Funds	Total
Fund Balances							
Nonspendable							
Prepays	\$ 39,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,909
Total nonspendable	<u>39,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,909</u>
Restricted							
Debt service	-	-	-	-	255,396	550	255,946
Flood control	-	-	-	-	-	242,716	242,716
Economic development	-	3,015,224	-	-	-	-	3,015,224
Community development	-	-	-	-	-	1,288	1,288
Cemetery	-	-	-	-	-	37,903	37,903
Annual special assessment	-	-	-	-	-	10,619	10,619
Lodging	-	-	-	-	-	59,675	59,675
Share of special assessment	-	-	-	-	-	8,904	8,904
Infrastructure	-	-	567,617	-	-	-	567,617
Volunteer Fire Dept	-	-	-	-	-	990,566	990,566
Culture and recreation	-	-	-	-	-	168	168
Total restricted	<u>-</u>	<u>3,015,224</u>	<u>567,617</u>	<u>-</u>	<u>255,396</u>	<u>1,352,389</u>	<u>5,190,626</u>
Committed							
Street resurfacing	-	-	-	-	-	30,261	30,261
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,261</u>	<u>30,261</u>
Assigned							
Social Security	64,864	-	-	-	-	-	64,864
Advertising	11,320	-	-	-	-	-	11,320
Planning and zoning	117,327	-	-	-	-	-	117,327
Armory	70,950	-	-	-	-	-	70,950
Building improvements	356,149	-	-	-	-	-	356,149
Streets	424,295	-	-	-	-	-	424,295
Public safety	273,296	-	-	-	-	-	273,296
General government	50,193	-	-	-	-	-	50,193
Total assigned	<u>1,368,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,368,394</u>
Unassigned	<u>1,426,942</u>	<u>-</u>	<u>-</u>	<u>(114,953)</u>	<u>-</u>	<u>(25,500)</u>	<u>1,286,489</u>
Total Fund Balance	<u>\$ 2,835,245</u>	<u>\$ 3,015,224</u>	<u>\$ 567,617</u>	<u>\$ (114,953)</u>	<u>\$ 255,396</u>	<u>\$ 1,357,150</u>	<u>\$ 7,915,679</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

As of December 31, 2023, the 2024 Street Projects Fund had a fund deficit of \$25,500 which will be replenished through a loan to be repaid with special assessments.

As of December 31, 2023, the 2023 Street Projects Fund had a fund deficit of \$114,953 which will be replenished through a loan to be repaid with special assessments.

NOTE 13 - NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

NOTE 14 - SUBSEQUENT EVENTS

On August 23, 2024, the Bank of North Dakota approved a loan to the Grafton Airport Authority (Component Unit) in the amount of \$1,300,000 to fund the hangar project. The interest rate on the note is 2.00% with a term of 30 years.

CITY OF GRAFTON, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget Amounts			Variance
	Original	Final	Actual	with Final Budget -
REVENUES				
Taxes	\$ 926,475	\$ 926,475	\$ 865,911	\$ (60,564)
Special assessments	6,500	6,500	9,797	3,297
Licenses and permits	125,350	125,350	141,815	16,465
Intergovernmental	627,550	715,012	817,242	102,230
Charges for services	4,000	4,000	45,078	41,078
Fines and forfeits	39,000	39,000	37,140	(1,860)
Miscellaneous	38,370	38,370	131,035	92,665
TOTAL REVENUES	1,767,245	1,854,707	2,048,018	193,311
EXPENDITURES				
General government	599,895	609,014	282,768	326,246
Public safety	990,180	1,002,861	977,476	25,385
Highways and streets	715,930	717,930	910,823	(192,893)
Health and welfare	4,550	4,550	2,489	2,061
Other	66,995	66,995	56,369	10,626
Capital outlay	417,000	1,375,234	1,456,189	(80,955)
TOTAL EXPENDITURES	2,794,550	3,776,584	3,686,114	90,470
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,027,305)	(1,921,877)	(1,638,096)	283,781
OTHER SOURCES (USES)				
Proceeds from sale of capital assets		119,250	162,517	43,267
Transfer from other funds	865,000	875,000	1,015,000	140,000
TOTAL OTHER SOURCES (USES)	865,000	994,250	1,177,517	183,267
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (162,305)	\$ (927,627)	(460,579)	\$ 467,048
FUND BALANCE - JANUARY 1			3,295,824	
FUND BALANCE - DECEMBER 31			\$ 2,835,245	

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, 2023

	Budget Amounts			Variance
	Original	Final	Actual	with Final Budget -
REVENUES				
Taxes	\$ 850,000	\$ 850,000	\$ 1,175,685	\$ 325,685
Special assessments	43,045	43,045	43,652	607
Intergovernmental	350	350	1,781	1,431
Miscellaneous	32,505	32,505	121,512	89,007
TOTAL REVENUES	925,900	925,900	1,342,630	416,730
EXPENDITURES				
Other	277,240	287,240	232,091	55,149
TOTAL EXPENDITURES	277,240	287,240	232,091	55,149
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	648,660	638,660	1,110,539	471,879
OTHER SOURCES (USES)				
Transfer to other funds	(950,030)	(950,030)	(848,625)	101,405
TOTAL OTHER SOURCES (USES)	(950,030)	(950,030)	(848,625)	101,405
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (301,370)	\$ (311,370)	261,914	\$ 573,284
FUND BALANCE - JANUARY 1			2,753,310	
FUND BALANCE - DECEMBER 31			\$ 3,015,224	

See Note to the Budgetary Comparison Schedules

CITY OF GRAFTON, NORTH DAKOTA
NOTE TO THE BUDGETARY COMPARISON SCHEDULES
DECEMBER 31, 2023

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.

During the year, the Municipal Infrastructure Special Revenue Fund did not have an annual budget.

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

Main System

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.11390%	\$ 2,196,337	\$ 1,392,890	157.68%	65.31%
2022	0.11033%	3,177,635	1,280,774	248.10%	54.47%
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%

Law Enforcement System

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.64232%	\$ 389,129	\$ 459,615	84.66%	65.31%
2022	0.54561%	447,925	353,258	126.80%	78.26%

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.

The City began participating in the Law Enforcement System pension plan in 2022.

See Notes to the Required Supplementary Information

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

Main System					
	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 102,305	\$ (102,305)	\$ -	\$ 1,436,863	7.12%
2022	91,860	(91,860)	-	1,290,166	7.12%
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%

Law Enforcement System					
	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 51,964	\$ (51,964)	\$ -	\$ 529,707	9.81%
2022	46,812	(46,812)	-	477,185	9.81%

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.

The City began participating in the Law Enforcement System pension plan in 2022.

See Notes to the Required Supplementary Information

CITY OF GRAFTON, NORTH DAKOTA
SCHEDULE OF SHARE OF THE OPEB LIABILITY
DECEMBER 31, 2023

<u>December 31</u>	<u>Employer's Proportion of the Net OPEB Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2023	0.161604%	\$ 161,564	\$ 1,624,416	9.95%	62.74%
2022	0.141527%	169,876	1,461,130	11.63%	56.28%
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, 2023

December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Employer's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$ 22,419	\$ (22,419)	\$ -	\$ 1,966,579	1.14%
2022	20,148	(20,148)	-	1,767,350	1.14%
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, 2023

NOTE 1 NDPERS PLAN

Changes of benefit terms

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on an actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

Changes of assumptions

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

NOTE 2 NDPERS LAW ENFORCEMENT PLAN

Changes of Benefit Terms

Legislation was passed relating to the Public Safety with Prior Service System. The Public Safety with Prior Service System was expanded to allow peace officers employed by the State to participate. The provisions are similar to the Public Safety with Prior Service System, but with a 6.00 percent employee contribution rate. The benefit multiplier and the vesting requirements for the Bureau of Criminal Investigation group were changed.

Changes of Assumptions

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

NOTE 3 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, 2022.

Changes of assumptions.

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

CITY OF GRAFTON, NORTH DAKOTA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Non major Governmental Funds</u>
Assets				
Cash	\$ 669,284	\$ 550	\$ 273,651	\$ 943,485
Investments	464,166	-	-	464,166
Taxes receivable	3,464	-	-	3,464
Interest receivable	567	-	-	567
Due from other governments	<u>287</u>	<u>-</u>	<u>-</u>	<u>287</u>
 Total Assets	 <u>\$ 1,137,768</u>	 <u>\$ 550</u>	 <u>\$ 273,651</u>	 <u>\$ 1,411,969</u>
 Liabilities				
Accounts payable	\$ 25,181	\$ -	\$ 25,724	\$ 50,905
Due to other funds	<u>-</u>	<u>-</u>	<u>450</u>	<u>450</u>
Total liabilities	<u>25,181</u>	<u>-</u>	<u>26,174</u>	<u>51,355</u>
 Deferred Inflows of Resources				
Unavailable revenue- property taxes	<u>3,464</u>	<u>-</u>	<u>-</u>	<u>3,464</u>
Total deferred inflows of resources	<u>3,464</u>	<u>-</u>	<u>-</u>	<u>3,464</u>
 Fund Balance				
Restricted	1,109,123	550	242,716	1,352,389
Unrestricted				
Committed	-	-	30,261	30,261
Unassigned	<u>-</u>	<u>-</u>	<u>(25,500)</u>	<u>(25,500)</u>
Total fund balance	<u>1,109,123</u>	<u>550</u>	<u>247,477</u>	<u>1,357,150</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 1,137,768</u>	 <u>\$ 550</u>	 <u>\$ 273,651</u>	 <u>\$ 1,411,969</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, 2023

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non major Governmental Funds
Revenues				
Taxes	\$ 80,926	\$ -	\$ -	\$ 80,926
Intergovernmental	2,424	-	-	2,424
Other	499,588	-	22,530	522,118
Total revenues	<u>582,938</u>	<u>-</u>	<u>22,530</u>	<u>605,468</u>
Expenditures				
Current				
General government	63,749	-	-	63,749
Public safety	320,909	-	-	320,909
Other	-	-	44,443	44,443
Capital Outlay	-	-	39,098	39,098
Debt Service:				
Principal	-	501,343	-	501,343
Interest and fees	-	346,732	-	346,732
Total expenditures	<u>384,658</u>	<u>848,075</u>	<u>83,541</u>	<u>1,316,274</u>
Excess Revenues Over (Under)				
Expenditures	198,280	(848,075)	(61,011)	(710,806)
Other Financing Sources (Uses)				
Loan proceeds	-	-	396,775	396,775
Operating transfers in	-	848,625	171,440	1,020,065
Operating transfers (out)	(3,283)	-	-	(3,283)
Total other financing sources (uses)	<u>(3,283)</u>	<u>848,625</u>	<u>568,215</u>	<u>1,413,557</u>
Excess Revenues Over (Under)				
Expenditures and Other				
Financing Sources (Uses)	<u>194,997</u>	<u>550</u>	<u>507,204</u>	<u>702,751</u>
Fund Balance - January 1	<u>914,126</u>	<u>-</u>	<u>(259,727)</u>	<u>654,399</u>
Fund Balance - December 31	<u>\$ 1,109,123</u>	<u>\$ 550</u>	<u>\$ 247,477</u>	<u>\$ 1,357,150</u>

CITY OF GRAFTON, NORTH DAKOTA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2023

	<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>Volunteer Fire</u>	<u>Total</u>
Assets								
Cash	\$ 8,904	\$ 12,259	\$ 59,675	\$ 35,590	\$ 168	\$ 1,288	\$ 551,400	\$ 669,284
Investments	-	25,000	-	-	-	-	439,166	464,166
Taxes receivable	-	919	-	2,545	-	-	-	3,464
Interest receivable	-	567	-	-	-	-	-	567
Due from other governments	-	77	-	210	-	-	-	287
Total Assets	<u>\$ 8,904</u>	<u>\$ 38,822</u>	<u>\$ 59,675</u>	<u>\$ 38,345</u>	<u>\$ 168</u>	<u>\$ 1,288</u>	<u>\$ 990,566</u>	<u>\$ 1,137,768</u>
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ 25,181	\$ -	\$ -	\$ -	\$ 25,181
Deferred Inflows of Resources								
Unavailable revenue- property taxes	-	919	-	2,545	-	-	-	3,464
Fund Balance								
Restricted	8,904	37,903	59,675	10,619	168	1,288	990,566	1,109,123
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 8,904</u>	<u>\$ 38,822</u>	<u>\$ 59,675</u>	<u>\$ 38,345</u>	<u>\$ 168</u>	<u>\$ 1,288</u>	<u>\$ 990,566</u>	<u>\$ 1,137,768</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, 2023

	<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>Volunteer Fire</u>	<u>Total</u>
Revenues								
Taxes	\$ -	\$ 16,093	\$ 19,053	\$ 45,780	\$ -	\$ -	\$ -	\$ 80,926
Intergovernmental	-	629	-	1,795	-	-	-	2,424
Other	289	3,840	1,534	1,055	-	-	492,870	499,588
Total revenues	289	20,562	20,587	48,630	-	-	492,870	582,938
Expenditures								
Current								
General government	-	15,090	18,000	30,659	-	-	-	63,749
Public safety	-	-	-	-	-	1,671	319,238	320,909
Total expenditures	-	15,090	18,000	30,659	-	1,671	319,238	384,658
Excess Revenues Over (Under) Expenditures	289	5,472	2,587	17,971	-	(1,671)	173,632	198,280
Other Financing Uses								
Operating Transfers (out)	-	-	-	(3,283)	-	-	-	(3,283)
Total Other Financing Uses	-	-	-	(3,283)	-	-	-	(3,283)
Excess Revenues Over (Under) Expenditures and other Financing Uses	289	5,472	2,587	14,688	-	(1,671)	173,632	194,997
Fund Balance - January 1	8,615	32,431	57,088	(4,069)	168	2,959	816,934	914,126
Fund Balance - December 31	\$ 8,904	\$ 37,903	\$ 59,675	\$ 10,619	\$ 168	\$ 1,288	\$ 990,566	\$ 1,109,123

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, 2023

	2017	2015	2018	
	Definitive Warrant	Refunding Bond Sales Tax	Refunding Bond Series 2018A	Total
Revenues:				
Real estate taxes	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Debt Service:				
Principal	106,343	175,000	220,000	501,343
Interest and fees	41,656	69,595	235,481	346,732
	<u>147,999</u>	<u>244,595</u>	<u>455,481</u>	<u>848,075</u>
Total expenditures	<u>147,999</u>	<u>244,595</u>	<u>455,481</u>	<u>848,075</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(147,999)	(244,595)	(455,481)	(848,075)
Other Financing Sources				
Operating transfer in	147,999	245,145	455,481	848,625
Total Other Financing Sources	<u>147,999</u>	<u>245,145</u>	<u>455,481</u>	<u>848,625</u>
Excess of Revenues over (under) Expenditures	-	550	-	550
Fund Balance - January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), December 31	<u>\$ -</u>	<u>\$ 550</u>	<u>\$ -</u>	<u>\$ 550</u>

CITY OF GRAFTON, NORTH DAKOTA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2023

	Urban Roads	Flood Control	2022 Street Projects	2024 Street Projects	Total
Assets:					
Cash	\$ 30,261	\$ 242,716	\$ 674	\$ -	\$ 273,651
TOTAL ASSETS	<u>\$ 30,261</u>	<u>\$ 242,716</u>	<u>\$ 674</u>	<u>\$ -</u>	<u>\$ 273,651</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 674	\$ 25,050	\$ 25,724
Due to other funds	-	-	-	450	450
Total liabilities	<u>-</u>	<u>-</u>	<u>674</u>	<u>25,500</u>	<u>26,174</u>
Fund Balance:					
Restricted	-	242,716	-	-	242,716
Committed	30,261	-	-	-	30,261
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,500)</u>	<u>(25,500)</u>
Total fund balance	<u>30,261</u>	<u>242,716</u>	<u>-</u>	<u>(25,500)</u>	<u>247,477</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 30,261</u>	<u>\$ 242,716</u>	<u>\$ 674</u>	<u>\$ -</u>	<u>\$ 273,651</u>

CITY OF GRAFTON, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE
NON-MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2023

	Urban Roads	Flood Control	2022 Street Projects	2024 Street Projects	Total
Revenues:					
Other	\$ -	\$ 8,689	\$ 13,841	\$ -	\$ 22,530
Total revenues	-	8,689	13,841	-	22,530
Expenditures					
Professional fees	-	44,443	-	-	44,443
Capital outlay	-	315	13,283	25,500	39,098
Total expenditures	-	44,758	13,283	25,500	83,541
Revenues Over (Under)					
Expenditures	-	(36,069)	558	(25,500)	(61,011)
Other Financing Sources					
Proceeds from issuance of debt	-	-	396,775	-	396,775
Transfers in	-	-	171,440	-	171,440
Total Other Financing Sources	-	-	568,215	-	568,215
Excess Revenues and Other					
Financing Sources					
Under Expenditures	-	(36,069)	568,773	(25,500)	507,204
Fund Balance (Deficit),					
January 1	30,261	278,785	(568,773)	-	(259,727)
Fund Balance (Deficit),					
December 31	\$ 30,261	\$ 242,716	\$ -	\$ (25,500)	\$ 247,477

CITY OF GRAFTON, NORTH DAKOTA
COMBINING BALANCE SHEET – COMPONENT UNITS
DECEMBER 31, 2023

	<u>Airport Authority</u>	<u>GASB 34 Adjustments</u>	<u>Total per Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	253,415	-	253,415
Receivables:			
Grants	2,903	-	2,903
Taxes	1,635	-	1,635
Interest	4,300	-	4,300
Misc Charges Receivable	17,750		17,750
Due from other governments	14,555	-	14,555
Prepaid insurance	838	-	838
Construction in progress	-	83,597	83,597
Capital Assets, Net	-	1,816,866	1,816,866
	<u>\$ 295,396</u>	<u>\$ 1,900,463</u>	<u>\$ 2,195,859</u>
TOTAL ASSETS			
 LIABILITIES			
Accounts payable	\$ 18,188	\$ -	\$ 18,188
Due to Primary Government	62,389	-	62,389
Total liabilities	<u>80,577</u>	<u>-</u>	<u>80,577</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	<u>1,635</u>	<u>(1,635)</u>	<u>-</u>
 FUND BALANCE/NET POSITION			
Net investment in capital assets	-	1,900,463	1,900,463
Restricted	213,184	1,635	214,819
Total fund balance/net position	<u>213,184</u>	<u>1,902,098</u>	<u>2,115,282</u>
 TOTAL LIABILITIES AND FUND BALANCE/NET POSITION	 <u>\$ 295,396</u>	 <u>\$ 1,900,463</u>	 <u>\$ 2,195,859</u>

CITY OF GRAFTON, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Airport Authority</u>	<u>GASB 34 Adjustments</u>	<u>Total per Statement of Activities</u>
Revenues			
Taxes	\$ 28,502	\$ 353	\$ 28,855
Intergovernmental	54,081	-	54,081
Other	<u>38,645</u>	<u>-</u>	<u>38,645</u>
Total revenues	<u>121,228</u>	<u>353</u>	<u>121,581</u>
Expenditures			
Current			
Other	53,691	-	53,691
Depreciation	-	120,166	120,166
Capital outlay	<u>151,816</u>	<u>(135,563)</u>	<u>16,253</u>
Total expenditures	<u>205,507</u>	<u>(15,397)</u>	<u>190,110</u>
Excess Revenues Over (Under)			
Expenditures	(84,279)	15,750	(68,529)
Fund Balance/Net Position, January 1	<u>297,463</u>	<u>1,886,348</u>	<u>2,183,811</u>
Fund Balance/Net Position, December 31	<u>\$ 213,184</u>	<u>\$ 1,902,098</u>	<u>\$ 2,115,282</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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 3, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or 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 as item 2023-001 that we consider to be a material weakness.

Report on 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*.

The City's Response to Finding

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

September 3, 2024

CITY OF GRAFTON, NORTH DAKOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2023

2023-001 FINDING

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.

CITY OF GRAFTON, NORTH DAKOTA
CORRECTIVE ACTION PLAN
DECEMBER 31, 2023

2023-001 FINDING

Contact Person – City Administrator

Corrective Action Plan – Will establish a policy to document review of financial statements and notes.

Completion Date – Ongoing