

**CITY OF GRAFTON
GRAFTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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CITY OF GRAFTON, NORTH DAKOTA
OFFICIAL DIRECTORY
AS OF DECEMBER 31, 2024

<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
Kylen Kostrzewski	Council Member – First Ward	2024
Greg Young	Council Member - Second Ward	2024
Phil Ray	Council Member - Third Ward	2024
Darrin Wollitz	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, 2024, 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, 2024, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, the City has adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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. The schedule of expenditures of federal awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also 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 and schedule of expenditures of federal awards 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 2, 2025, 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 2, 2025

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024. 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, 2024

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, 2024 Street Projects, 2022 Definitive Warrant Fund, and 2023 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, 2024

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, 2024 and 2023 is summarized below; see the statement of net position in the financial statements for more detail.

	Governmental Activities		Business-Type Activities	
	12/31/24	12/31/23	12/31/24	12/31/23
ASSETS				
Current assets	\$ 13,779,039	\$ 10,748,175	\$ 5,294,026	\$ 5,500,039
Capital assets				
Property, plant and equipment	61,453,305	60,831,548	39,413,052	38,539,680
Construction in progress	2,658,928	352,653	1,654,522	1,732,942
Less accumulated depreciation	(9,081,504)	(7,571,828)	(23,541,923)	(22,834,756)
TOTAL ASSETS	68,809,768	64,360,548	22,819,677	22,937,905
DEFERRED OUTFLOWS OF RESOURCES	1,079,169	1,704,794	203,103	401,701
LIABILITIES				
Current Liabilities	1,500,526	1,348,906	794,985	811,535
Long-term Liabilities				
Bonds and notes payable-Due within one year	818,878	646,979	261,262	254,495
Bonds and notes payable-Noncurrent portion	15,891,903	14,516,630	1,984,340	2,246,463
Compensated absences	203,414	64,602	123,826	-
Net pension liability	1,797,246	2,001,916	577,262	583,550
Net OPEB Liability	99,408	126,618	30,612	34,946
TOTAL LIABILITIES	20,311,375	18,705,651	3,772,287	3,930,989
DEFERRED INFLOWS OF RESOURCES	1,296,304	2,069,691	386,624	577,100
NET POSITION				
Net Investment in Capital Assets	38,319,948	38,448,764	15,280,049	14,936,908
Restricted	9,324,500	6,461,527	242,956	248,459
Unrestricted	636,810	379,709	3,340,864	3,646,150
TOTAL NET POSITION	\$ 48,281,258	\$ 45,290,000	\$ 18,863,869	\$ 18,831,517

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, 2024

Governmental Activities:

The City of Grafton's governmental activities net position increased \$2,991,258 for the year ended December 31, 2024. 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 \$32,352. 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	
	12/31/2024	12/31/2023	12/31/2024	12/31/2023
REVENUES				
Program Revenues:				
Charges for services	\$ 326,870	\$ 372,063	\$ 8,620,617	\$ 8,636,061
Grants and contributions	3,466,001	1,707,736	-	-
Total program revenues	3,792,871	2,079,799	8,620,617	8,636,061
General Revenues:				
Taxes	974,152	957,123	-	-
Special assessments	1,209,257	1,175,685	-	-
Intergovernmental	424,859	487,966	-	-
Other	462,807	526,339	189,369	144,791
Total general revenues	3,071,075	3,147,113	189,369	144,791
Total revenues	6,863,946	5,226,912	8,809,986	8,780,852
EXPENSES				
Governmental:				
General government	1,457,385	1,515,276	-	-
Public safety	1,331,757	1,362,960	-	-
Highways and streets	811,148	1,226,715	-	-
Health and welfare	45,957	61,246	-	-
Other	603,016	332,903	-	-
Interest	373,425	374,546	-	-
Business type activities operating expenses:				
Electric	-	-	5,667,297	5,576,653
Water	-	-	1,209,046	1,014,113
Wastewater	-	-	616,481	552,788
Sanitation	-	-	405,371	404,332
Pest control	-	-	129,439	98,161
Total expenses	4,622,688	4,873,646	8,027,634	7,646,047
Change in net position before transfers	2,241,258	353,266	782,352	1,134,805
Transfers in (out)	750,000	254,542	(750,000)	(254,542)
Change in net position	2,991,258	607,808	32,352	880,263
Net position beginning of year	45,290,000	44,682,192	18,831,517	17,951,254
Net position end of year	\$ 48,281,258	\$ 45,290,000	\$ 18,863,869	\$ 18,831,517

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

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 \$8,469,321.

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 \$1,183,157 while the total fund balance was \$3,034,256. 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 39% of the total general fund balance and 45% 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)	\$3,098,967
Municipal Infrastructure	644,656
2024 Street Projects	(312,291)
2022 Definitive Warrant	264,785
2023 Definitive Warrant	179,238
Other Governmental Funds	1,559,710

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.

2024 Street Projects – This fund is used to account for financial resources/expenses to be used for the acquisition or construction of the 2024 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.

2023 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 2023 Definitive Warrant.

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

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

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 \$3,340,864. This balance consisted of \$2,756,605 in the Electric fund, \$(220,690) in the Water fund, \$(60,563) in the Wastewater fund, and \$363,134 and \$502,378 in the Sanitation and Pest Control funds, respectively.

Governmental Fund Budgetary Highlights

The City of Grafton continued its Automated Metering Infrastructure (AMI) project in 2024. 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 2024, an additional \$500,000 of Municipal Infrastructure aka Prairie Dog bill funds was received from the State. The funds will help to finance annual chip seal projects, in addition to other street projects and a water tower project.

The Grafton Municipal Airport Authority completed construction on a row hangar which will allow space for three more planes.

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, 2024

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, 2024 amounted to \$72,556,380 (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 \$2,956,832 in the governmental activities and an increase of \$1,400,192 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 4 for details.

Debt

At year-end, the City had outstanding long-term debt of \$21,788,151 an increase of \$1,288,069 compared to last year. Additional information on the City of Grafton's debt can be found in Note 5 beginning on page 40 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 \$6,207,963, 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, 2024:

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%	\$ 2,240,000	\$ -	\$ (175,000)	\$ -	\$ 2,065,000	\$ 180,000	\$ 5,202
Bond Premium		24,240	-	-	(2,020)	22,220	-	-
\$10,000,000 of 2018	3.50% - 4.0%	6,450,000	-	(230,000)	-	6,220,000	235,000	37,172
Bond Premium		101,349	-	-	(4,054)	97,295	-	-
Bond Discount		(113,835)	-	-	4,553	(109,282)	-	-
Definitive Improvement 2017	1.50%	2,745,293	-	(105,727)	-	2,639,566	106,120	6,671
Definitive Improvement 2022	2.00%	1,276,561	-	(136,657)	-	1,139,904	137,816	3,800
Definitive Improvement 2023	2.00%	2,440,001	115,526	(2,562)	-	2,552,965	158,785	8,510
Definitive Improvement 2024	2.00%	-	2,083,897	(784)	-	2,083,113	1,157	6,944
Compensated Absences		64,602	-	-	138,812	203,414	-	-
Other Debt:								
Net Pension Liability		2,001,916	-	-	(204,670)	1,797,246	-	-
Net OPEB Liability		126,618	-	-	(27,210)	99,408	-	-
		<u>\$ 17,356,745</u>	<u>\$ 2,199,423</u>	<u>\$ (650,730)</u>	<u>\$ (94,589)</u>	<u>\$ 18,810,849</u>	<u>\$ 818,878</u>	<u>\$ 68,299</u>

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

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	2.00%	\$ 1,275,000	\$ -	\$ (100,000)	\$ -	\$ 1,175,000	\$ 105,000	\$ 7,833
Compensated Absences		8,953	-	-	33,210	42,163	-	-
Net Pension Liability		182,553	-	-	9,489	192,042	-	-
Net OPEB Liability		10,932	-	-	(748)	10,184	-	-
		<u>\$ 1,477,438</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 41,951</u>	<u>\$ 1,419,389</u>	<u>\$ 105,000</u>	<u>\$ 7,833</u>
<u>Wastewater</u>								
ND Public Finance-Clean Water Loan	2.00%	\$ 355,000	\$ -	\$ (50,000)	\$ -	\$ 305,000	\$ 50,000	\$ 2,033
Compensated Absences		4,773	-	-	11,578	16,351	-	-
Net Pension Liability		97,056	-	-	(2,217)	94,839	-	-
Net OPEB Liability		5,812	-	-	(783)	5,029	-	-
		<u>\$ 462,641</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 8,578</u>	<u>\$ 421,219</u>	<u>\$ 50,000</u>	<u>\$ 2,033</u>
<u>Electric</u>								
ND Public Finance Utility Revenue Bonds	2.00%	\$ 870,958	\$ -	\$ (105,356)	\$ -	\$ 765,602	\$ 106,262	\$ 2,552
Compensated Absences		10,158	-	-	55,154	65,312	-	-
Net Pension Liability		303,940	-	-	(13,559)	290,381	-	-
Net OPEB Liability		18,202	-	-	(2,803)	15,399	-	-
		<u>\$ 1,203,258</u>	<u>\$ -</u>	<u>\$ (105,356)</u>	<u>\$ 38,792</u>	<u>\$ 1,136,694</u>	<u>\$ 106,262</u>	<u>\$ 2,552</u>

Economic Factors and Next Year's Budgets and Rates

City sales tax collections continue to exceed projections. In 2024 collections increased 11.18% over 2023. 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 adjusted to 2.75% as voters approved a ¼% dedicated to the Grafton Parks & Recreation Foundation for a swimming pool.

Two 36-unit apartment complexes with garages are under construction with an estimated completion date of October 2025. 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 opened in February 2025 and is currently serving 52 kids. The center is leased to an operator and can accommodate 55-65 kids. The Grafton Economic Development Committee committed \$100,000 to the project. In addition, the Committee provided a \$300,000 no interest construction loan with \$100,000 forgiven if a fund-raising goal is met.

The Economic Development Committee approved construction of two single family homes and a twin home. The Sparks program, in partnership with Red River CHDO using State HIF Funds will begin construction of the single family and twin home in late 2025 with the second single family home in 2026.

The Life Skills & Transition Center (LSTC) is undergoing a redevelopment study to determine the efficiency and opportunity for land use and consolidation of buildings while maintaining services for their existing clients.

The 532 Hill Incubator project is starting construction and will include a commercial kitchen and co-worker space.

CITY OF GRAFTON, NORTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

The City will bond a Municipal Industrial Development Act (MIDA) to finance the construction of the Grafton Athletic Training Center addition to the Centennial Center. The facility will include an ice to turf, walking track, training center and potential wrestling space along with the ability to host tournaments. The Grafton Blue Line Club will serve as the developer/builder and will pay the bond payment.

The City of Grafton has begun a master planning project to guide the vision for the next 20 years in Grafton. A 16 member advisory committee was appointed with representation from EDC, City Council, Zoning, County, Parks, School, major employers and small business.

Most of the city's watermain consist of asbestos-cement (AC) pipe and planning is underway to replace the watermain over a number of years. In preparation, water rates were adjusted from \$6.60/1000 gallons to \$8.60/1000 gallons in May, 2025 along with a \$2.50 base charge increase. In January 2026 rates will be \$11.00/1000 gallons.

The value of a mill for the 2025 budget is \$10,285 and is approximately \$11,505 for 2026.

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, 2024

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 3,405,040	\$ 1,193,541	\$ 4,598,581	\$ 111,451
Restricted cash and cash equivalents	-	107,756	107,756	-
Investments	6,027,537	2,181,639	8,209,176	156,639
Restricted Investments	-	135,200	135,200	-
Receivables:				
Taxes	67,411	-	67,411	2,071
Accounts (net of uncollectibles)	-	954,834	954,834	-
Other	18,450	26,989	45,439	514,443
Special assessments	3,690,876	-	3,690,876	-
Interest	150,138	64,106	214,244	1,877
Lease receivable	23,024	6,663	29,687	-
Notes receivable	181,403	30,793	212,196	-
Internal Balances	81,293	(81,293)	-	-
Due from other governments	9,166	-	9,166	1,038
Prepaid items	40,647	29,598	70,245	838
Inventory	84,054	644,200	728,254	-
Capital Assets-not being depreciated				
Land	2,284,361	964,472	3,248,833	-
Construction in progress	2,658,928	1,654,522	4,313,450	1,050,765
Capital Assets				
Property, plant and equipment	59,168,944	38,448,580	97,617,524	3,004,247
Less accumulated depreciation	(9,081,504)	(23,541,923)	(32,623,427)	(1,304,599)
TOTAL ASSETS	68,809,768	22,819,677	91,629,445	3,538,770
DEFERRED OUTFLOWS OF RESOURCES				
Cost sharing defined benefit pension plan-NDPERS	1,049,151	193,857	1,243,008	-
Cost sharing defined OPEB Plan-NDPERS	30,018	9,246	39,264	-
Total deferred outflows	<u>1,079,169</u>	<u>203,103</u>	<u>1,282,272</u>	<u>-</u>
LIABILITIES				
Accounts payable	334,355	468,282	802,637	200,233
Salaries payable	24,474	10,687	35,161	-
Interest payable	68,299	12,421	80,720	1,553
Unearned revenue	996,320	-	996,320	-
Due to other governments	77,078	-	77,078	-
Customer deposits	-	303,595	303,595	-
Bonds and notes payable-due within one year	818,878	261,262	1,080,140	-
Noncurrent liabilities				
Compensated absences	203,414	123,826	327,240	-
Bonds and notes payable-due in more than one year	15,891,903	1,984,340	17,876,243	400,093
Net pension liability	1,797,246	577,262	2,374,508	-
Net OPEB liability	99,408	30,612	130,020	-
TOTAL LIABILITIES	20,311,375	3,772,287	24,083,662	601,879
DEFERRED INFLOWS OF RESOURCES				
Cost sharing defined benefit pension plan-NDPERS	1,259,853	376,338	1,636,191	-
Cost sharing defined benefit OPEB Plan-NDPERS	16,249	5,004	21,253	-
Leases	20,202	5,282	25,484	-
Total deferred inflows	<u>1,296,304</u>	<u>386,624</u>	<u>1,682,928</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	38,319,948	15,280,049	53,599,997	2,750,413
Restricted-Debt service	3,815,413	242,956	4,058,369	-
Restricted-Flood control	229,967	-	229,967	-
Restricted-Economic development	3,313,717	-	3,313,717	-
Restricted-Infrastructure	644,656	-	644,656	-
Restrictcd-Volunteer Fire	1,137,888	-	1,137,888	-
Restricted-Other	182,859	-	182,859	186,478
Unrestricted	636,810	3,340,864	3,977,674	-
TOTAL NET POSITION	\$ 48,281,258	\$ 18,863,869	\$ 67,145,127	\$ 2,936,891

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

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	\$ 1,457,385	\$ 275,363	\$ -	\$ -	\$ (1,182,022)	\$ -	\$ (1,182,022)	\$ -
Public safety	1,331,757	27,409	490,878	-	(813,470)	-	(813,470)	-
Highways and streets	811,148	24,098	249,657	2,725,466	2,188,073	-	2,188,073	-
Health and welfare	45,957	-	-	-	(45,957)	-	(45,957)	-
Other	603,016	-	-	-	(603,016)	-	(603,016)	-
Debt service								
Interest	373,425	-	-	-	(373,425)	-	(373,425)	-
Total Governmental Activities	4,622,688	326,870	740,535	2,725,466	(829,817)	-	(829,817)	-
Business-Type Activities								
Electric	5,667,297	6,463,223	-	-	-	795,926	795,926	-
Water	1,209,046	1,080,678	-	-	-	(128,368)	(128,368)	-
Wastewater	616,481	521,662	-	-	-	(94,819)	(94,819)	-
Sanitation	405,371	418,302	-	-	-	12,931	12,931	-
Pest control	129,439	136,752	-	-	-	7,313	7,313	-
Total Business-Type Activities	8,027,634	8,620,617	-	-	-	592,983	592,983	-
Total Primary Government	\$ 12,650,322	\$ 8,947,487	\$ 740,535	\$ 2,725,466	(829,817)	592,983	(236,834)	-
Component Unit								
Airport Authority	\$ 163,186	\$ -	\$ -	\$ 930,522	-	-	-	767,336
Total Component Units	\$ 163,186	\$ -	\$ -	\$ 930,522	-	-	-	767,336
General Receipts:								
Property taxes levied for general purposes					877,480	-	877,480	27,974
Property taxes levied for debt service					-	-	-	-
Property Taxes - other					96,672	-	96,672	-
Sales Taxes					1,209,257	-	1,209,257	-
Intergovernmental (not restricted for specific program)								
State and federal					424,859	-	424,859	-
Interest earnings					333,989	149,127	483,116	-
Other general revenues					99,247	40,037	139,284	26,299
Gain on sale of capital assets					29,571	205	29,776	-
Transfers					750,000	(750,000)	-	-
Total General Receipts, Transfers and Sale of Capital Assets					3,821,075	(560,631)	3,260,444	54,273
Changes in Net Position					2,991,258	32,352	3,023,610	821,609
Net Position, January 1					45,290,000	18,831,517	64,121,517	2,115,282
Net Position, December 31					\$ 48,281,258	\$ 18,863,869	\$ 67,145,127	\$ 2,936,891

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General	Special Revenue Grafton Community Development Sales Tax	Special Revenue Municipal Infrastructure	Capital Projects 2024 Street Projects	Debt Service 2022 Definitive Warrant	Debt Service 2023 Definitive Warrant	Other Governmental Funds	Total
ASSETS								
Cash and cash equivalents	\$ 1,122,679	\$ 884,321	\$ 106,295	\$ -	\$ 7,400	\$ 179,238	\$ 1,064,826	\$ 3,364,759
Investments	1,678,320	2,066,598	1,500,000	-	250,000	-	532,619	6,027,537
Receivables:								
Taxes	62,846	-	-	-	-	-	4,565	67,411
Other	18,450	-	-	-	-	-	-	18,450
Special assessments	36,437	214,750	-	-	994,613	2,445,076	-	3,690,876
Interest	50,718	55,929	34,681	-	7,385	-	1,425	150,138
Lease receivable	-	23,024	-	-	-	-	-	23,024
Notes receivable	-	181,403	-	-	-	-	-	181,403
Due from other funds	142,729	-	-	-	-	-	-	142,729
Due from other governments	8,548	-	-	-	-	-	618	9,166
Prepaid items	39,909	-	-	-	-	-	-	39,909
Total Assets	\$ 3,160,636	\$ 3,426,025	\$ 1,640,976	\$ -	\$ 1,259,398	\$ 2,624,314	\$ 1,604,053	\$ 13,715,402
LIABILITIES								
Accounts payable	\$ 24,731	\$ 15,028	\$ -	\$ 256,054	\$ -	\$ -	\$ 34,578	\$ 330,391
Salaries payable	24,474	-	-	-	-	-	-	24,474
Due to other funds	-	-	-	56,237	-	-	5,200	61,437
Due to other governments	-	77,078	-	-	-	-	-	77,078
Unearned revenue	-	-	996,320	-	-	-	-	996,320
Total Liabilities	49,205	92,106	996,320	312,291	-	-	39,778	1,489,700
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue- property taxes	62,846	-	-	-	-	-	4,565	67,411
Uncertified special assessments	14,329	214,750	-	-	994,613	2,445,076	-	3,668,768
Leases	-	20,202	-	-	-	-	-	20,202
Total Deferred Inflows of Resources	77,175	234,952	-	-	994,613	2,445,076	4,565	3,756,381
FUND BALANCE								
Nonspendable	39,909	-	-	-	-	-	-	39,909
Restricted	-	3,098,967	644,656	-	264,785	179,238	1,546,149	5,733,795
Unrestricted								
Committed	-	-	-	-	-	-	30,261	30,261
Assigned	1,811,190	-	-	-	-	-	-	1,811,190
Unassigned	1,183,157	-	-	(312,291)	-	-	(16,700)	854,166
Total Fund Balance	3,034,256	3,098,967	644,656	(312,291)	264,785	179,238	1,559,710	8,469,321
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,160,636	\$ 3,426,025	\$ 1,640,976	\$ -	\$ 1,259,398	\$ 2,624,314	\$ 1,604,053	\$ 13,715,402

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, 2024

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

Total fund balance-governmental funds	\$ 8,469,321
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	63,370,419	
Accumulated Depreciation	<u>(8,510,593)</u>	
Net		54,859,826

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		(210,701)
NDPERS OPEB		13,769

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		67,411
Uncertified special assessments		3,668,768

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.

292,012

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	(203,414)	
Accrued interest payable	(68,299)	
Bonds payable	(16,700,548)	
Premium on bonds payable	(119,515)	
Discount on bonds payable	109,282	
Net pension liability	(1,797,246)	
Net OPEB liability	<u>(99,408)</u>	
		<u>(18,879,148)</u>

Total net position-governmental activities	\$ <u>48,281,258</u>
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See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General	Special Revenue Grafton Community Development Sales Tax	Special Revenue Municipal Infrastructure	Capital Projects 2024 Street Projects	Debt Service 2022 Definitive Warrant	Debt Service 2023 Definitive Warrant	Other Governmental Funds	Total
REVENUES								
Taxes	\$ 867,888	\$ 1,209,257	\$ -	\$ -	\$ -	\$ -	\$ 95,570	\$ 2,172,715
Special assessments	7,071	41,710	-	-	155,426	236,277	-	440,484
Licenses and permits	128,644	-	-	-	-	-	-	128,644
Intergovernmental	670,531	-	500,614	-	-	-	3,985	1,175,130
Charges for services	24,203	-	-	-	-	-	-	24,203
Fines and forfeits	27,304	-	-	-	-	-	-	27,304
Miscellaneous	155,653	169,947	77,039	-	11,946	269	511,160	926,014
Total Revenues	<u>1,881,294</u>	<u>1,420,914</u>	<u>577,653</u>	<u>-</u>	<u>167,372</u>	<u>236,546</u>	<u>610,715</u>	<u>4,894,494</u>
EXPENDITURES								
Current:								
General government	247,935	-	-	-	-	-	48,222	296,157
Public safety	1,102,440	-	-	-	-	-	357,278	1,459,718
Highways and streets	843,830	-	-	-	-	-	-	843,830
Health and welfare	2,383	-	-	-	-	-	-	2,383
Other	36,910	491,647	-	-	-	-	30,298	558,855
Capital outlay	415,560	-	34,540	2,618,134	-	-	13,082	3,081,316
Debt service:								
Principal retirement	-	-	-	784	136,657	2,562	510,727	650,730
Interest and fees	-	-	-	-	24,533	49,337	335,346	409,216
Total expenditures	<u>2,649,058</u>	<u>491,647</u>	<u>34,540</u>	<u>2,618,918</u>	<u>161,190</u>	<u>51,899</u>	<u>1,294,953</u>	<u>7,302,205</u>
Revenues Over (Under) Expenditures	(767,764)	929,267	543,113	(2,618,918)	6,182	184,647	(684,238)	(2,407,711)
OTHER FINANCING SOURCES (USES)								
Proceeds from issuance of debt	-	-	-	2,083,897	-	-	115,526	2,199,423
Proceeds from sale of capital assets	36,931	-	-	-	-	-	-	36,931
Operating transfers in	942,844	-	-	248,230	3,207	-	863,932	2,058,213
Operating transfers out	(13,000)	(845,524)	(466,074)	-	-	(5,409)	(3,207)	(1,333,214)
Total Other Financing Sources (Uses)	<u>966,775</u>	<u>(845,524)</u>	<u>(466,074)</u>	<u>2,332,127</u>	<u>3,207</u>	<u>(5,409)</u>	<u>976,251</u>	<u>2,961,353</u>
Net Change in Fund Balance	<u>199,011</u>	<u>83,743</u>	<u>77,039</u>	<u>(286,791)</u>	<u>9,389</u>	<u>179,238</u>	<u>292,013</u>	<u>553,642</u>
Fund Balance - January 1	<u>2,835,245</u>	<u>3,015,224</u>	<u>567,617</u>	<u>(25,500)</u>	<u>255,396</u>	<u>-</u>	<u>1,267,697</u>	<u>7,915,679</u>
Fund Balance - December 31	<u>\$ 3,034,256</u>	<u>\$ 3,098,967</u>	<u>\$ 644,656</u>	<u>\$ (312,291)</u>	<u>\$ 264,785</u>	<u>\$ 179,238</u>	<u>\$ 1,559,710</u>	<u>\$ 8,469,321</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, 2024

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

Net change in fund balance- total governmental funds	\$	553,642
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	2,956,832	
Depreciation expense	(1,510,578)	
Excess of capital outlay over depreciation expense		1,446,254

The net effect of various transactions involving capital assets is a decrease in net position.		(10,241)
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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	650,730	
Loan proceeds	(2,199,423)	
Amortization of bond premium & discounts	1,521	
		(1,547,172)

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		15,100
Net change in uncertified special assessments		2,280,576

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.

33,720

Changes in deferred outflows and inflows of resources related to net pension and OPEB liabilities		134,673
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Change in net pension and OPEB liabilities		231,880
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the government funds. These activities consist of:

Net decrease in compensated absences		(138,812)
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An internal service fund is used by the City to account for its maintenance operations. The net income of the internal service fund is reported with governmental activities.

(8,362)

Net change in net position of governmental activities	\$	2,991,258
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See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Electric	Water	Wastewater	Sanitation	Pest Control	Total	
ASSETS							
Current assets							
Cash and cash equivalents	\$ 590,978	\$ 313,191	\$ 19,208	\$ 142,890	\$ 127,274	\$ 1,193,541	\$ 40,281
Restricted cash and cash equivalents	58,080	-	49,676	-	-	107,756	-
Investments	1,350,000	200,000	106,639	175,000	350,000	2,181,639	-
Restricted investments	-	135,200	-	-	-	135,200	-
Receivables:							
Other	9,403	17,586	-	-	-	26,989	-
Accounts (net of uncollectibles)	715,707	129,248	51,922	43,658	14,299	954,834	-
Interest	37,168	11,152	1,156	3,837	10,793	64,106	-
Special Assessments - current portion	30,746	47	-	-	-	30,793	-
Lease Receivable	-	6,663	-	-	-	6,663	-
Due from other funds	727,195	-	-	-	-	727,195	-
Prepaid items	12,618	12,206	4,762	-	12	29,598	738
Inventory	487,281	150,299	6,620	-	-	644,200	84,054
Total current assets	4,019,176	975,592	239,983	365,385	502,378	6,102,514	125,073
Capital assets-not being depreciated							
Land	677,145	40,810	195,993	50,524	-	964,472	-
Construction in progress	923,677	727,395	3,450	-	-	1,654,522	-
Capital assets							
Buildings/Improvements	1,466,870	7,910,474	952,449	24,672	-	10,354,465	673,248
Transmission system	7,740,094	11,106,715	7,221,857	-	-	26,068,666	38,979
Machinery and equipment	1,377,694	197,644	407,704	6,140	36,267	2,025,449	29,587
Total capital assets	12,185,480	19,983,038	8,781,453	81,336	36,267	41,067,574	741,814
Less accumulated depreciation	(7,961,969)	(9,967,210)	(5,546,472)	(30,005)	(36,267)	(23,541,923)	(570,911)
Net capital assets	4,223,511	10,015,828	3,234,981	51,331	-	17,525,651	170,903
TOTAL ASSETS	8,242,687	10,991,420	3,474,964	416,716	502,378	23,628,165	295,976
DEFERRED OUTFLOWS OF RESOURCES							
Cost sharing defined benefit pension plan-NDPERS	97,516	64,492	31,849	-	-	193,857	-
Cost sharing defined benefit OPEB Plan-NDPERS	4,651	3,076	1,519	-	-	9,246	-
Total deferred outflows	102,167	67,568	33,368	-	-	203,103	-
LIABILITIES							
Current liabilities							
Accounts payable	432,116	13,667	20,248	2,251	-	468,282	3,964
Salaries payable	5,473	3,420	1,794	-	-	10,687	-
Interest payable	2,555	7,833	2,033	-	-	12,421	-
Due to other funds	-	727,195	81,293	-	-	808,488	-
Bonds payable-current portion	106,262	105,000	50,000	-	-	261,262	-
Customer deposits	303,595	-	-	-	-	303,595	-
Total current liabilities	850,001	857,115	155,368	2,251	-	1,864,735	3,964
Long-term liabilities							
Compensated absences	65,312	42,163	16,351	-	-	123,826	-
Bonds payable-non-current portion	659,340	1,070,000	255,000	-	-	1,984,340	-
Net pension liability	290,381	192,042	94,839	-	-	577,262	-
Net OPEB liability	15,399	10,184	5,029	-	-	30,612	-
Total non-current liabilities	1,030,432	1,314,389	371,219	-	-	2,716,040	-
TOTAL LIABILITIES	1,880,433	2,171,504	526,587	2,251	-	4,580,775	3,964
DEFERRED INFLOWS OF RESOURCES							
Cost sharing defined benefit pension plan-NDPERS	189,310	125,199	61,829	-	-	376,338	-
Cost sharing defined benefit OPEB Plan-NDPERS	2,517	1,665	822	-	-	5,004	-
Leases	-	5,282	-	-	-	5,282	-
Total deferred inflows	191,827	132,146	62,651	-	-	386,624	-
NET POSITION							
Net investment in capital assets	3,457,909	8,840,828	2,929,981	51,331	-	15,280,049	170,903
Restricted for bond covenants	58,080	135,200	49,676	-	-	242,956	-
Unrestricted	2,756,605	(220,690)	(60,563)	363,134	502,378	3,340,864	121,109
TOTAL NET POSITION	\$ 6,272,594	\$ 8,755,338	\$ 2,919,094	\$ 414,465	\$ 502,378	\$ 18,863,869	\$ 292,012

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, 2024

	Business-type Activities Enterprise Funds						Governmental Activities
	Electric	Water	Wastewater	Sanitation	Pest Control	Total	Internal Service Funds
Operating Revenues:							
Sales - Net of Discounts	\$ 6,375,151	\$ 1,061,301	\$ 521,562	\$ 418,302	\$ 136,752	\$ 8,513,068	\$ 141,719
Operating Expenses:							
Cost of goods sold	4,121,334	-	-	-	-	4,121,334	61,906
Utilities and phone	11,261	73,358	103,186	-	-	187,805	11,224
Materials and supplies	3,797	3,503	3,372	-	-	10,672	5,480
Repairs and maintenance	21,473	18,459	5,663	-	-	45,595	9,073
Gas, fuel and oil	8,710	3,367	2,690	-	14	14,781	644
Insurance	153,704	105,703	53,628	-	43	313,078	2,407
Uniforms	1,607	-	-	-	-	1,607	-
Contracted services	9,574	6,016	-	359,384	71,841	446,815	-
Technology	-	22,345	-	-	-	22,345	-
Salaries	401,653	269,346	124,138	-	-	795,137	-
Payroll taxes	25,758	17,331	8,436	-	-	51,525	-
Retirement	29,929	44,513	12,736	-	-	87,178	-
Rent	-	-	8,071	-	-	8,071	-
Miscellaneous	59,112	20,393	4,632	6,697	729	91,563	2,700
Depreciation	222,311	297,146	185,132	2,578	-	707,167	17,657
General equipment	11,177	-	343	-	3,500	15,020	-
Operating expenses	338,202	171,099	54,441	33,143	-	596,885	-
Distribution system	38,576	3,706	17,019	-	-	59,301	-
Collection fees	1,004	-	-	3,569	-	4,573	-
Donated and internal use	171,751	7,166	2,028	-	463	181,408	-
Chemicals	-	113,865	23,521	-	52,849	190,235	-
Travel and training	45	2,695	678	-	-	3,418	-
Structures and improvements	1,377	-	-	-	-	1,377	-
Total Operating Expenses	5,632,355	1,180,011	609,714	405,371	129,439	7,956,890	111,091
Operating Income (Loss)	742,796	(118,710)	(88,152)	12,931	7,313	556,178	30,628
Non-Operating Revenues (Expenses):							
Materials sold	19,500	12,334	-	-	-	31,834	139
Interest earnings	81,344	25,761	9,647	11,796	20,579	149,127	118
Minnkota lease	78,300	-	-	-	-	78,300	-
Rent	(9,728)	7,043	100	-	-	(2,585)	5,000
Miscellaneous	7,806	29,648	-	2,583	-	40,037	-
Sale of fixed assets	-	205	-	-	-	205	2,881
Cost of materials sold	(16,800)	(4,202)	-	-	-	(21,002)	(72,128)
Incentives	(3,000)	-	-	-	-	(3,000)	-
Interest expense	(15,142)	(24,833)	(6,767)	-	-	(46,742)	-
Total Non-Operating Revenues (Expense)	142,280	45,956	2,980	14,379	20,579	226,174	(63,990)
Income (Loss) Before Operating Transfers and contributions	885,076	(72,754)	(85,172)	27,310	27,892	782,352	(33,362)
Operating Transfers In	-	-	-	-	-	-	25,000
Operating Transfers (Out)	(625,000)	(125,000)	-	-	-	(750,000)	-
Net Income (Loss)	260,076	(197,754)	(85,172)	27,310	27,892	32,352	(8,362)
Net Position, January 1	6,012,518	8,953,092	3,004,266	387,155	474,486	18,831,517	300,374
Net Position, December 31	\$ 6,272,594	\$ 8,755,338	\$ 2,919,094	\$ 414,465	\$ 502,378	\$ 18,863,869	\$ 292,012

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Business-type Activities Enterprise Funds					Governmental Activities	
	Electric	Water	Wastewater	Sanitation	Pest Control	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 6,316,153	\$ 1,028,765	\$ 517,986	\$ 415,370	\$ 135,419	\$ 8,413,693	\$ 141,719
Cash payments to suppliers	(5,054,943)	(636,882)	(315,580)	(402,627)	(129,438)	(6,539,470)	(98,066)
Cash paid to employees	(358,138)	(226,157)	(113,400)	-	-	(697,695)	-
Net cash flow from (to) operating activities	903,072	165,726	89,006	12,743	5,981	1,176,528	43,653
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Due from (to) other funds	(149,502)	149,502	81,293	-	-	81,293	-
Miscellaneous revenues (expenses)	76,078	44,823	100	2,583	-	123,584	(66,989)
Transfers to (from) other funds	(625,000)	(125,000)	-	-	-	(750,000)	25,000
Net cash flow from (to) non-capital financing activities	(698,424)	69,325	81,393	2,583	-	(545,123)	(41,989)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of property and equipment	(134,385)	(358,383)	(301,985)	(200)	-	(794,953)	-
Proceeds from sale of fixed assets	-	205	-	-	-	205	2,881
Principal paid on debt	(105,356)	(100,000)	(50,000)	-	-	(255,356)	-
Interest paid on debt	(16,606)	(25,500)	(7,100)	-	-	(49,206)	-
Net cash flow from (to) capital and related financing activities	(256,347)	(483,678)	(359,085)	(200)	-	(1,099,310)	2,881
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income	70,579	18,418	9,751	11,219	18,206	128,173	118
(Purchase) Sale of certificates of deposits	(190,913)	(132,906)	(4,371)	573	(24,427)	(352,044)	-
Net cash flow from (to) investing activities	(120,334)	(114,488)	5,380	11,792	(6,221)	(223,871)	118
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(172,033)	(363,115)	(183,306)	26,918	(240)	(691,776)	4,663
CASH AND CASH EQUIVALENTS, JANUARY 1, 2024	821,091	676,306	252,190	115,972	127,514	1,993,073	35,618
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2024	\$ 649,058	\$ 313,191	\$ 68,884	\$ 142,890	\$ 127,274	\$ 1,301,297	\$ 40,281
Cash and cash equivalents are comprised of the following:							
Cash and cash equivalents	\$ 590,978	\$ 313,191	\$ 19,208	\$ 142,890	\$ 127,274	\$ 1,193,541	\$ 40,281
Restricted cash and cash equivalents	58,080	-	49,676	-	-	107,756	-
Total cash and cash equivalents on the Statement of Net Position	\$ 649,058	\$ 313,191	\$ 68,884	\$ 142,890	\$ 127,274	\$ 1,301,297	\$ 40,281
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income (loss)	\$ 742,796	\$ (118,710)	\$ (88,152)	\$ 12,931	\$ 7,313	\$ 556,178	\$ 30,628
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	222,311	297,146	185,132	2,578	-	707,167	17,657
Changes in assets and liabilities							
(Increase)/Decrease in Accounts receivable	(63,803)	(39,147)	(3,576)	(2,932)	(1,333)	(110,791)	-
(Increase)/Decrease in Lease receivable	-	6,611	-	-	-	6,611	-
(Increase)/Decrease in Inventory	(81,873)	(7,875)	1,431	-	-	(88,317)	1,586
(Increase)/Decrease in Prepaid items	(74)	(1,415)	(72)	-	1	(1,560)	(169)
(Increase)/Decrease in Deferred outflows of resources	107,058	58,097	33,443	-	-	198,598	-
Increase/(Decrease) in Accounts payable	35,395	(14,073)	(16,495)	166	-	4,993	(6,049)
Increase/(Decrease) in Compensated absences	55,154	33,210	11,578	-	-	99,942	-
Increase/(Decrease) in Customer deposits	4,805	-	-	-	-	4,805	-
Increase/(Decrease) in Deferred inflows of resources	(102,335)	(56,859)	(31,282)	-	-	(190,476)	-
Increase/(Decrease) in Net pension liability	(13,559)	9,489	(2,218)	-	-	(6,288)	-
Increase/(Decrease) in Net OPEB liability	(2,803)	(748)	(783)	-	-	(4,334)	-
Net cash provided (used) by operating activities	\$ 903,072	\$ 165,726	\$ 89,006	\$ 12,743	\$ 5,981	\$ 1,176,528	\$ 43,653

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2024

Custodial Funds

	<u>Recreation</u>	<u>Library</u>	<u>Hospital</u>
ASSETS			
Taxes receivable	\$ -	\$ 2,453	\$ -
Due from other governments	-	336	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 2,789</u>	<u>\$ -</u>
NET POSITION			
Due to other entities	\$ -	\$ 2,789	\$ -
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 2,789</u>	<u>\$ -</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, 2024

	<u>Custodial Funds</u>			
	<u>Recreation</u>	<u>Library</u>	<u>Hospital</u>	<u>Total</u>
ADDITIONS				
Property taxes collected for other entities	\$ 5,882	\$ 35,491	\$ 302,314	\$ 343,687
DEDUCTIONS				
Property taxes disbursed to other entities	5,882	35,491	302,314	343,687
CHANGE IN NET POSITION	-	-	-	-
NET POSITION - BEGINNING	-	-	-	-
NET POSITION - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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, 2024

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.

2024 Street Projects – This fund accounts for the financial resources to be used for the construction of the 2024 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.

2023 Definitive Warrant – This fund accounts for the accumulation of resources for, and the payment of, long-term debt, principal and interest on the 2023 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, 2024

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 three 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, 2024

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

Parks and Recreation – Sales taxes are collected on behalf of Parks and Recreation and submitted to the Parks and Recreation'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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

for uncollectible accounts totaling \$7,602 for business-type activities recorded at December 31, 2024.

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, 2024 and uncertified special assessments, which represent a long-term receivable

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

in the financial statements. No allowance has been established for uncollectible special assessments. As of December 31, 2024, all accounts are considered collectible.

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. Upon retirement 10% of the sick leave hours will be paid provided that management is notified by June 30 prior to retirement.

The City accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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.

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 reasonably 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.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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.

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.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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

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

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, 2024

Significant Group Concentrations of Credit Risk

As of December 31, 2024, 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 7 and 8 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, 2024

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 7 and 8 for more details.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

The City implemented GASB Statement No. 101, *Compensated Absences*, in the fiscal year ended December 31, 2024. GASB Statement No. 101 establishes uniform accounting and financial requirements for compensated absences.

NOTE 3 - 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 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, 2024, 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.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

d) Obligations of the state.

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

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

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

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for governmental activities for the year ended December 31, 2024 are as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities Capital Assets:					
Land	\$ 2,284,361	\$ -	\$ -	\$ -	\$ 2,284,361
Buildings and improvements	1,765,736	-	-	334,444	2,100,180
Vehicles and equipment	4,377,528	63,153	28,800	-	4,411,881
Infrastructure	52,403,923	-	-	252,960	52,656,883
Construction in progress	352,653	2,893,679	-	(587,404)	2,658,928
Total	<u>61,184,201</u>	<u>2,956,832</u>	<u>28,800</u>	<u>-</u>	<u>64,112,233</u>
Governmental Activities Accumulated					
Depreciation:					
Buildings and improvements	1,113,817	42,819	-	-	1,156,636
Vehicles and equipment	2,367,715	246,782	18,559	-	2,595,938
Infrastructure	4,090,296	1,238,634	-	-	5,328,930
Total	<u>7,571,828</u>	<u>1,528,235</u>	<u>18,559</u>	<u>-</u>	<u>9,081,504</u>
Net Capital Assets -					
Governmental Activities	<u>\$ 53,612,373</u>	<u>\$ 1,428,597</u>	<u>\$ 10,241</u>	<u>\$ -</u>	<u>\$ 55,030,729</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Changes in capital assets for business-type activities for the year ended December 31, 2024 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	81,969	-	-	10,354,465
Transmission system	25,474,367	594,299	-	-	26,068,666
Vehicles and equipment	1,828,345	197,104	-	-	2,025,449
Construction in progress	1,732,942	526,820		(605,240)	1,654,522
Total	<u>40,272,622</u>	<u>1,400,192</u>	<u>-</u>	<u>(605,240)</u>	<u>41,067,574</u>
Business-Type Activities Accumulated Depreciation:					
Buildings and improvements	3,287,629	195,201	-	-	3,482,830
Transmission system	18,181,971	432,778	-	-	18,614,749
Vehicles and equipment	1,365,156	79,188	-	-	1,444,344
Total	<u>22,834,756</u>	<u>707,167</u>	<u>-</u>	<u>-</u>	<u>23,541,923</u>
Net Capital Assets					
Business-Type Activities	<u>\$ 17,437,866</u>	<u>\$ 693,025</u>	<u>\$ -</u>	<u>\$ (605,240)</u>	<u>\$ 17,525,651</u>

Changes in capital assets for component unit for the year ended December 31, 2024 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit Capital Assets:				
Buildings and improvements	\$ 2,959,801	\$ 8,146	\$ -	\$ 2,967,947
Vehicles and equipment	36,300	-	-	36,300
Construction in progress	83,597	967,168	-	1,050,765
Total	<u>3,079,698</u>	<u>975,314</u>	<u>-</u>	<u>4,055,012</u>
Component Unit Accumulated Depreciation:				
Buildings and improvements	1,175,549	122,943	-	1,298,492
Vehicles and equipment	3,686	2,421	-	6,107
Total	<u>1,179,235</u>	<u>125,364</u>	<u>-</u>	<u>1,304,599</u>
Net Capital Assets - Component Unit	<u>\$ 1,900,463</u>	<u>\$ 849,950</u>	<u>\$ -</u>	<u>\$ 2,750,413</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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

Governmental Activities	
General Government	\$ 813,660
Public Safety	88,860
Highways and Streets	582,158
Health and Recreation	<u>43,557</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,528,235</u>
Business-Type Activities	
Electric	\$ 222,311
Water	297,146
Wastewater	185,132
Sanitation	<u>2,578</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 707,167</u>
Total Depreciation Expense - Component Unit	<u>\$ 125,364</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 5 - 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, 2024:

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%	\$ 2,240,000	\$ -	\$ (175,000)	\$ -	\$ 2,065,000	\$ 180,000	\$ 5,202
Bond Premium		24,240	-	-	(2,020)	22,220	-	-
\$10,000,000 of 2018	3.50% - 4.0%	6,450,000	-	(230,000)	-	6,220,000	235,000	37,172
Bond Premium		101,349	-	-	(4,054)	97,295	-	-
Bond Discount		(113,835)	-	-	4,553	(109,282)	-	-
Definitive Improvement 2017	1.50%	2,745,293	-	(105,727)	-	2,639,566	106,120	6,671
Definitive Improvement 2022	2.00%	1,276,561	-	(136,657)	-	1,139,904	137,816	3,800
Definitive Improvement 2023	2.00%	2,440,001	115,526	(2,562)	-	2,552,965	158,785	8,510
Definitive Improvement 2024	2.00%	-	2,083,897	(784)	-	2,083,113	1,157	6,944
Compensated Absences		64,602	-	-	138,812	203,414	-	-
Other Debt:								
Net Pension Liability		2,001,916	-	-	(204,670)	1,797,246	-	-
Net OPEB Liability		126,618	-	-	(27,210)	99,408	-	-
		<u>\$ 17,356,745</u>	<u>\$ 2,199,423</u>	<u>\$ (650,730)</u>	<u>\$ (94,589)</u>	<u>\$ 18,810,849</u>	<u>\$ 818,878</u>	<u>\$ 68,299</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	
2025	\$ 137,816	\$ 21,456	\$ 159,272	\$ 158,785	\$ 49,523	\$ 208,308	
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	143,392	10,211	153,603	165,205	36,567	201,772	
2030-2034	436,981	13,222	450,203	851,140	132,350	983,490	
2035-2039	-	-	-	891,968	45,086	937,054	
	<u>\$ 1,139,904</u>	<u>\$ 92,530</u>	<u>\$ 1,232,434</u>	<u>\$ 2,552,965</u>	<u>\$ 392,821</u>	<u>\$ 2,945,786</u>	

\$3,500,000 Refunding Improvement 2015				2017 Definitive Warrant			
	Principal	Interest	Total	Principal	Interest	Total	
2025	\$ 180,000	\$ 62,420	\$ 242,420	\$ 106,120	\$ 39,012	\$ 145,132	
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	200,000	39,920	239,920	109,356	32,548	141,904	
2030-2034	1,115,000	104,720	1,219,720	559,206	115,792	674,998	
2035-2039	-	-	-	580,493	95,058	675,551	
2040-2044	-	-	-	602,590	50,697	653,287	
2045-2049	-	-	-	358,593	8,077	366,670	
	<u>\$ 2,065,000</u>	<u>\$ 361,320</u>	<u>\$ 2,426,320</u>	<u>\$ 2,639,566</u>	<u>\$ 448,584</u>	<u>\$ 3,088,150</u>	

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

	2018 Refunding Improvement Bonds			2024 Definitive Warrant		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 235,000	\$ 223,031	\$ 458,031	\$ 1,157	\$ 42,000	\$ 43,157
2026	245,000	214,806	459,806	254,708	79,453	334,161
2027	255,000	206,231	461,231	257,255	74,333	331,588
2028	260,000	197,306	457,306	259,827	69,162	328,989
2029	270,000	188,206	458,206	262,425	63,940	326,365
2030-2034	1,500,000	792,280	2,292,280	1,047,741	383,337	1,431,078
2035-2039	1,785,000	510,355	2,295,355	-	-	-
2040-2044	1,670,000	165,444	1,835,444	-	-	-
2045-2049	-	-	-	-	-	-
	<u>\$ 6,220,000</u>	<u>\$ 2,497,659</u>	<u>\$ 8,717,659</u>	<u>\$ 2,083,113</u>	<u>\$ 712,225</u>	<u>\$ 2,795,338</u>

	Combined Debt Payments Governmental Activities		
	Principal	Interest	Total
2025	\$ 818,878	\$ 437,442	\$ 1,256,320
2026	1,091,162	453,712	1,544,874
2027	1,112,506	426,837	1,539,343
2028	1,128,912	399,338	1,528,250
2029	1,150,378	371,392	1,521,770
2030-2034	5,510,068	1,541,701	7,051,769
2035-2039	3,257,461	650,499	3,907,960
2040-2044	2,272,590	216,141	2,488,731
2045-2049	358,593	8,077	366,670
	<u>\$ 16,700,548</u>	<u>\$ 4,505,139</u>	<u>\$ 21,205,687</u>

The following is a summary of changes in business-type activities long-term debt by individual issue for the year ended December 31, 2024:

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	2.00%	\$ 1,275,000	\$ -	\$ (100,000)	\$ -	\$ 1,175,000	\$ 105,000	\$ 7,833
Compensated Absences		8,953	-	-	33,210	42,163	-	-
Net Pension Liability		182,553	-	-	9,489	192,042	-	-
Net OPEB Liability		10,932	-	-	(748)	10,184	-	-
		<u>\$ 1,477,438</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 41,951</u>	<u>\$ 1,419,389</u>	<u>\$ 105,000</u>	<u>\$ 7,833</u>
<u>Wastewater</u>								
ND Public Finance-Clean Water Loan	2.00%	\$ 355,000	\$ -	\$ (50,000)	\$ -	\$ 305,000	\$ 50,000	\$ 2,033
Compensated Absences		4,773	-	-	11,578	16,351	-	-
Net Pension Liability		97,056	-	-	(2,217)	94,839	-	-
Net OPEB Liability		5,812	-	-	(783)	5,029	-	-
		<u>\$ 462,641</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 8,578</u>	<u>\$ 421,219</u>	<u>\$ 50,000</u>	<u>\$ 2,033</u>
<u>Electric</u>								
ND Public Finance Utility Revenue Bonds	2.00%	\$ 870,958	\$ -	\$ (105,356)	\$ -	\$ 765,602	\$ 106,262	\$ 2,552
Compensated Absences		10,158	-	-	55,154	65,312	-	-
Net Pension Liability		303,940	-	-	(13,559)	290,381	-	-
Net OPEB Liability		18,202	-	-	(2,803)	15,399	-	-
		<u>\$ 1,203,258</u>	<u>\$ -</u>	<u>\$ (105,356)</u>	<u>\$ 38,792</u>	<u>\$ 1,136,694</u>	<u>\$ 106,262</u>	<u>\$ 2,552</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Water operating income of \$178,436, net of depreciation, was sufficient to cover debt service requirements of \$125,500 for the year ended December 31, 2024.

Wastewater operating income of \$96,980, net of depreciation, was sufficient to cover debt service requirements of \$57,100 for the year ended December 31, 2024.

Electric operating income of \$965,107, net of depreciation, was sufficient to cover debt service requirements of \$121,962 for the year ended December 31, 2024.

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

North Dakota Public Finance				Combined Debt Payments Business-Type Activities-Electric			
	Principal	Interest	Total	Principal	Interest	Total	
2025	\$ 106,262	\$ 15,250	\$ 121,512	\$ 106,262	\$ 15,250	\$ 121,512	
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	339,188	13,611	352,799	339,188	13,611	352,799	
	<u>\$ 765,602</u>	<u>\$ 62,162</u>	<u>\$ 827,764</u>	<u>\$ 765,602</u>	<u>\$ 62,162</u>	<u>\$ 827,764</u>	
\$1,840,757 North Dakota Public Finance				Combined Debt Payments Business-Type Activities-Water			
	Principal	Interest	Total	Principal	Interest	Total	
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	115,000	14,800	129,800	115,000	14,800	129,800	
2030-2034	625,000	38,100	663,100	625,000	38,100	663,100	
	<u>\$ 1,175,000</u>	<u>\$ 134,200</u>	<u>\$ 1,309,200</u>	<u>\$ 1,175,000</u>	<u>\$ 134,200</u>	<u>\$ 1,309,200</u>	
\$496,760 North Dakota Public Finance				Combined Debt Payments Business-Type Activities-Wastewater			
	Principal	Interest	Total	Principal	Interest	Total	
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	50,000	2,100	52,100	50,000	2,100	52,100	
2030	55,000	1,100	56,100	55,000	1,100	56,100	
	<u>\$ 305,000</u>	<u>\$ 21,600</u>	<u>\$ 326,600</u>	<u>\$ 305,000</u>	<u>\$ 21,600</u>	<u>\$ 326,600</u>	

CITY OF GRAFTON, NORTH DAKOTA
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NOTE 6 - 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, 2024:

Lease-related Revenue	Year Ended 12/31/2024
Lease Revenue	
Land	\$ 13,090
Total Lease Revenue	13,090
Interest Revenue	104
Total	\$ 13,194

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

Maturity Analysis	Principal	Interest	Total Receipts
2025	\$ 13,139	\$ 61	\$ 13,200
2026	9,885	15	9,900
Total	<u>\$ 23,024</u>	<u>\$ 76</u>	<u>\$ 23,100</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, 2024:

Lease-related Revenue	12/31/2024
Lease Revenue	
Water Tower	\$ 7,043
Total Lease Revenue	7,043
Interest Revenue	87
Total	\$ 7,130

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

Maturity Analysis	Principal	Interest	Total Receipts
2025	\$ 6,663	\$ 52	\$ 6,715
Total	<u>\$ 6,663</u>	<u>\$ 52</u>	<u>\$ 6,715</u>

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 7 - 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, 2024

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 8.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 9.26% 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, 2024, the City reported a liability of \$1,999,055 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the City's proportion was 0.106880 percent which was a decrease of 0.007023 percent from its proportion measured at June 30, 2023.

For the year ended December 31, 2024, the City recognized pension expense of (\$104,601). At December 31, 2024, 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, 2024

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 94,914	\$ -
Changes of assumptions	481,768	(907,136)
Net difference between projected and actual earnings on pension plan investments	-	(18,278)
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,078	(377,844)
Employer contributions subsequent to the measurement date	56,565	-
Total	<u>\$ 671,325</u>	<u>\$ (1,303,258)</u>

\$56,565 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, 2025.

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

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2025	\$ (426,753)
2026	(85,339)
2027	(150,706)
2028	(25,700)

Actuarial Assumptions

The total pension liability in the July 1, 2024 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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.90%	4.10%
International Equity	19.10%	7.00%
Private Equity	7.00%	8.50%
Domestic Fixed Income	23.00%	2.88%
Global Real Assets	19.00%	6.10%

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 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	\$ 2,825,138	\$ 1,999,055	\$ 1,313,929

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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.

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

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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%	11.40%
State	6.00%	11.40%
National Guard	5.50%	11.40%
Law Enforcement without previous service	5.50%	9.16%

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, 2024, the City reported a liability of \$375,453 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

relative to the covered payroll/contributions of all participating Law Enforcement System employers. At June 30, 2024, the Employer's proportion was 0.417105 percent, which was a decrease of 0.225218 from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized pension expense of \$65,843. At December 31, 2024, 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 economic experience	\$ 339,971	\$ -
Changes of assumptions	154,085	(230,175)
Net difference between projected and actual earnings on pension plan investments	-	(3,933)
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,791	(98,826)
Employer contributions subsequent to the measurement date	27,836	-
Total	<u>\$ 571,683</u>	<u>\$ (332,934)</u>

\$27,836 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, 2025.

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

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2025	\$ 65,469
2026	46,151
2027	32,635
2028	21,044
2029	27,360
Thereafter	18,254

Actuarial Assumptions

The total pension liability in the July 1, 2024 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

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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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.90%	4.10%
International Equity	19.10%	7.00%
Private Equity	7.00%	8.50%
Domestic Fixed Income	23.00%	2.88%
Global Real Assets	19.00%	6.10%

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%.

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DECEMBER 31, 2024

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	\$ 583,414	\$ 375,453	\$ 208,118

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 8 - 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, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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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, 2024, the City reported a liability of \$130,020 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2024, the Employer's proportion was 0.150477 percent, which is a decrease of 0.011127 from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized OPEB expense of \$24,127. At December 31, 2024, 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	\$ 1,604	\$ (999)
Changes of assumptions	19,779	(8,902)
Net difference between projected and actual earnings on OPEB plan investments	-	(4,863)
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,850	(6,490)
Employer contributions subsequent to the measurement date	11,030	-
Total	<u>\$ 39,263</u>	<u>\$ (21,254)</u>

\$11,030 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, 2025.

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

CITY OF GRAFTON, NORTH DAKOTA
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Year Ending December 31:	OPEB Expense Amount
2025	\$ 6,750
2026	11,734
2027	(7,838)
2028	(3,667)

Actuarial assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad U.S Equity	39.00%	10.00%
International Equities	26.00%	7.00%
Core-Plus Fixed Income	35.00%	3.29%

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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, 2024, 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 in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Employers's proportionate share of the net OPEB liability:	4.75%	5.75%	6.75%
	\$ 177,706	\$ 130,020	\$ 89,858

NOTE 9 - 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, 2024, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Risk Management

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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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.

As of December 31, 2024, the City had outstanding construction commitments totaling \$790,033 related to various projects.

NOTE 10 - SCHEDULE OF TRANSFERS

Transfer In	Transfer Out	Amount
General	Electric	\$ 600,000
General	Water	125,000
General	Municipal Infrastructure	217,844
Nonmajor Capital Projects	Nonmajor Debt Service	5,409
2022 Definitive Warrant	Nonmajor Special Revenue	3,207
2024 Street Projects	Municipal Infrastructure	248,230
Internal Service Fund	Electric	25,000
Nonmajor Special Revenue	General Fund	13,000
Nonmajor Debt Service	Sales Tax Fund	845,524
		<u>\$ 2,083,214</u>

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

NOTE 11 - INTERFUND BALANCES

As of December 31, 2024, the Water Fund owed the Electric Fund \$727,195 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, 2024, the 2024 Street Projects fund and the 2026 Street Projects fund owed the general fund \$56,237 and \$5,200, respectively. The Wastewater Fund owed the General Fund \$81,293. The purpose of these interfund loans was to cover cash deficits at year-end.

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 12 - FUND BALANCES

Fund balance is categorized as follows:

	General	Grafton Community Development Sales Tax	Municipal Infrastructure	2024 Street Projects	2022 Definitive Warrant	2023 Definitive Warrant	Other Governmental Funds	Total
Fund Balances								
Nonspendable								
Prepays	\$ 39,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,909
Total nonspendable	39,909	-	-	-	-	-	-	39,909
Restricted								
Debt service	-	-	-	-	264,785	179,238	-	444,023
Flood control	-	-	-	-	-	-	229,967	229,967
Economic development	-	3,098,967	-	-	-	-	-	3,098,967
Community development	-	-	-	-	-	-	566	566
Cemetery	-	-	-	-	-	-	55,352	55,352
Annual special assessment	-	-	-	-	-	-	35,777	35,777
Lodging	-	-	-	-	-	-	77,225	77,225
Share of special assessment	-	-	-	-	-	-	9,206	9,206
Infrastructure	-	-	644,656	-	-	-	-	644,656
Volunteer Fire Dept	-	-	-	-	-	-	1,137,888	1,137,888
Culture and recreation	-	-	-	-	-	-	168	168
Total restricted	-	3,098,967	644,656	-	264,785	179,238	1,546,149	5,733,795
Committed								
Street resurfacing	-	-	-	-	-	-	30,261	30,261
Total committed	-	-	-	-	-	-	30,261	30,261
Assigned								
Social Security	45,562	-	-	-	-	-	-	45,562
Advertising	10,003	-	-	-	-	-	-	10,003
Planning and zoning	125,935	-	-	-	-	-	-	125,935
Armory	81,745	-	-	-	-	-	-	81,745
Building improvements	437,119	-	-	-	-	-	-	437,119
Debt Service	320,431	-	-	-	-	-	-	320,431
Streets	486,644	-	-	-	-	-	-	486,644
Public safety	253,497	-	-	-	-	-	-	253,497
General government	50,254	-	-	-	-	-	-	50,254
Total assigned	1,811,190	-	-	-	-	-	-	1,811,190
Unassigned	1,183,157	-	-	(312,291)	-	-	(16,700)	854,166
Total Fund Balance	\$ 3,034,256	\$ 3,098,967	\$ 644,656	\$ (312,291)	\$ 264,785	\$ 179,238	\$ 1,559,710	\$ 8,469,321

As of December 31, 2024, the 2024 Street Projects Fund and the 2026 Street Projects Fund had a fund deficit of \$312,291 and \$16,700, respectively, which will be replenished through a loan to be repaid with special assessments.

NOTE 13 - NEW PRONOUNCEMENTS

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

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

NOTE 14 - SUBSEQUENT EVENTS

During the March 10, 2025 meeting, the City Council approved the resolution for the issuance and sale of \$750,000 Sewer Revenue Bonds, Series 2025.

On August 1, 2025, the City closed on a Bank of North Dakota infrastructure loan for \$100,000 for the local share of the Leistikow Park Special Roads Fund project.

The city has also been approved for a Drinking Water State Revolving Fund (DWSRF) loan for \$2,569,000 for the Water System Replacement 2026 – Phase I project.

CITY OF GRAFTON, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budget Amounts</u>			Variance with Final Budget -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 963,780	\$ 963,780	\$ 867,888	\$ (95,892)
Special assessments	-	-	7,071	7,071
Licenses and permits	145,350	145,350	128,644	(16,706)
Intergovernmental	615,910	615,910	670,531	54,621
Charges for services	4,000	4,000	24,203	20,203
Fines and forfeits	39,000	39,000	27,304	(11,696)
Miscellaneous	98,020	98,020	155,653	57,633
	<u>1,866,060</u>	<u>1,866,060</u>	<u>1,881,294</u>	<u>15,234</u>
TOTAL REVENUES				
	<u>1,866,060</u>	<u>1,866,060</u>	<u>1,881,294</u>	<u>15,234</u>
EXPENDITURES				
General government	703,905	703,905	247,935	455,970
Public safety	1,188,025	1,231,483	1,102,440	129,043
Highways and streets	858,875	915,875	843,830	72,045
Health and welfare	4,550	4,550	2,383	2,167
Other	-	-	36,910	(36,910)
Capital outlay	106,000	106,000	415,560	(309,560)
	<u>2,861,355</u>	<u>2,961,813</u>	<u>2,649,058</u>	<u>312,755</u>
TOTAL EXPENDITURES				
	<u>2,861,355</u>	<u>2,961,813</u>	<u>2,649,058</u>	<u>312,755</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(995,295)	(1,095,753)	(767,764)	327,989
OTHER SOURCES (USES)				
Proceeds from sale of capital assets	-	-	36,931	36,931
Transfer from other funds	725,000	942,844	942,844	-
Transfer to other funds	-	-	(13,000)	(13,000)
	<u>725,000</u>	<u>942,844</u>	<u>966,775</u>	<u>23,931</u>
TOTAL OTHER SOURCES (USES)				
	<u>725,000</u>	<u>942,844</u>	<u>966,775</u>	<u>23,931</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (270,295)</u>	<u>\$ (152,909)</u>	<u>199,011</u>	<u>\$ 351,920</u>
FUND BALANCE - JANUARY 1			<u>2,835,245</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 3,034,256</u>	

See Note to the Budgetary Comparison Schedules

CITY OF GRAFTON, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GRAFTON COMMUNITY DEVELOPMENT SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budget Amounts</u>			Variance with Final Budget -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 900,000	\$ 900,000	\$ 1,209,257	\$ 309,257
Special assessments	41,710	41,710	41,710	-
Intergovernmental	350	350	-	(350)
Miscellaneous	127,505	127,505	169,947	42,442
	<u>1,069,565</u>	<u>1,069,565</u>	<u>1,420,914</u>	<u>351,349</u>
EXPENDITURES				
Other	301,850	751,850	491,647	260,203
TOTAL EXPENDITURES	<u>301,850</u>	<u>751,850</u>	<u>491,647</u>	<u>260,203</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	767,715	317,715	929,267	611,552
OTHER SOURCES (USES)				
Transfer to other funds	(853,280)	(853,280)	(845,524)	7,756
TOTAL OTHER SOURCES (USES)	<u>(853,280)</u>	<u>(853,280)</u>	<u>(845,524)</u>	<u>7,756</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (85,565)</u>	<u>\$ (535,565)</u>	<u>83,743</u>	<u>\$ 619,308</u>
FUND BALANCE - JANUARY 1			<u>3,015,224</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 3,098,967</u>	

See Note to the Budgetary Comparison Schedules

CITY OF GRAFTON, NORTH DAKOTA
NOTE TO THE BUDGETARY COMPARISON SCHEDULES
DECEMBER 31, 2024

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

For the Fiscal Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered- Employee Payroll	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
2024	0.10688%	\$ 1,999,055	\$ 1,436,863	139.13%	68.02%
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

For the Fiscal Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered- Employee Payroll	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
2024	0.41711%	\$ 375,453	\$ 489,119	76.76%	65.31%
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 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

Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2024	\$ 115,393	\$ (115,393)	\$ -	\$ 1,421,091	8.12%
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

Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2024	\$ 56,785	\$ (56,785)	\$ -	\$ 498,117	11.40%
2023	51,964	(51,964)	-	529,707	9.81%
2022	46,812	(46,812)	-	477,185	9.81%

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, 2024

December 31	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2024	0.150477%	\$ 130,020	\$ 1,560,011	8.33%	68.35%
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, 2024

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
2024	\$ 21,879	\$ (21,879)	\$ -	\$ 1,919,208	1.14%
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, 2024

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, 2024 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, 2023.

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, 2024 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, 2023.

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, 2024.

Changes of assumptions.

All actuarial assumptions used in the actuarial valuation as of July 1, 2024 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, 2023.

CITY OF GRAFTON, NORTH DAKOTA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Non major Governmental Funds</u>
Assets				
Cash	\$ 801,860	\$ -	\$ 262,966	\$ 1,064,826
Investments	532,619	-	-	532,619
Taxes receivable	4,565	-	-	4,565
Interest receivable	1,425	-	-	1,425
Due from other governments	<u>618</u>	<u>-</u>	<u>-</u>	<u>618</u>
Total Assets	<u>\$ 1,341,087</u>	<u>\$ -</u>	<u>\$ 262,966</u>	<u>\$ 1,604,053</u>
Liabilities				
Accounts payable	\$ 20,340	\$ -	\$ 14,238	\$ 34,578
Due to other funds	<u>-</u>	<u>-</u>	<u>5,200</u>	<u>5,200</u>
Total liabilities	<u>20,340</u>	<u>-</u>	<u>19,438</u>	<u>39,778</u>
Deferred Inflows of Resources				
Unavailable revenue- property taxes	<u>4,565</u>	<u>-</u>	<u>-</u>	<u>4,565</u>
Total deferred inflows of resources	<u>4,565</u>	<u>-</u>	<u>-</u>	<u>4,565</u>
Fund Balance				
Restricted	1,316,182	-	229,967	1,546,149
Unrestricted				
Committed	-	-	30,261	30,261
Unassigned	<u>-</u>	<u>-</u>	<u>(16,700)</u>	<u>(16,700)</u>
Total fund balance	<u>1,316,182</u>	<u>-</u>	<u>243,528</u>	<u>1,559,710</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,341,087</u>	<u>\$ -</u>	<u>\$ 262,966</u>	<u>\$ 1,604,053</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, 2024

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non major Governmental Funds
Revenues				
Taxes	\$ 95,570	\$ -	\$ -	\$ 95,570
Intergovernmental	3,985	-	-	3,985
Other	503,211	-	7,949	511,160
Total revenues	<u>602,766</u>	<u>-</u>	<u>7,949</u>	<u>610,715</u>
Expenditures				
Current				
General government	48,222	-	-	48,222
Public safety	357,278	-	-	357,278
Other	-	-	30,298	30,298
Capital Outlay	-	-	13,082	13,082
Debt Service:				
Principal	-	510,727	-	510,727
Interest and fees	-	335,346	-	335,346
Total expenditures	<u>405,500</u>	<u>846,073</u>	<u>43,380</u>	<u>1,294,953</u>
Excess Revenues Over (Under)				
Expenditures	197,266	(846,073)	(35,431)	(684,238)
Other Financing Sources (Uses)				
Loan proceeds	-	-	115,526	115,526
Operating transfers in	13,000	845,523	5,409	863,932
Operating transfers (out)	(3,207)	-	-	(3,207)
Total other financing sources (uses)	<u>9,793</u>	<u>845,523</u>	<u>120,935</u>	<u>976,251</u>
Excess Revenues Over (Under)				
Expenditures and Other				
Financing Sources (Uses)	<u>207,059</u>	<u>(550)</u>	<u>85,504</u>	<u>292,013</u>
Fund Balance - January 1	<u>1,109,123</u>	<u>550</u>	<u>158,024</u>	<u>1,267,697</u>
Fund Balance - December 31	<u>\$ 1,316,182</u>	<u>\$ -</u>	<u>\$ 243,528</u>	<u>\$ 1,559,710</u>

CITY OF GRAFTON, NORTH DAKOTA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2024

	<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	\$ 9,206	\$ 29,618	\$ 77,225	\$ 29,808	\$ 168	\$ 566	\$ 655,269	\$ 801,860
Investments	-	25,000	-	25,000	-	-	482,619	532,619
Taxes receivable	-	1,226	-	3,339	-	-	-	4,565
Interest receivable	-	566	-	859	-	-	-	1,425
Due from other governments	-	168	-	450	-	-	-	618
Total Assets	<u>\$ 9,206</u>	<u>\$ 56,578</u>	<u>\$ 77,225</u>	<u>\$ 59,456</u>	<u>\$ 168</u>	<u>\$ 566</u>	<u>\$ 1,137,888</u>	<u>\$ 1,341,087</u>
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ 20,340	\$ -	\$ -	\$ -	\$ 20,340
Deferred Inflows of Resources								
Unavailable revenue- property taxes	-	1,226	-	3,339	-	-	-	4,565
Fund Balance								
Restricted	9,206	55,352	77,225	35,777	168	566	1,137,888	1,316,182
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 9,206</u>	<u>\$ 56,578</u>	<u>\$ 77,225</u>	<u>\$ 59,456</u>	<u>\$ 168</u>	<u>\$ 566</u>	<u>\$ 1,137,888</u>	<u>\$ 1,341,087</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, 2024

	Share of Special Assessment	Cemetery	Lodging Tax	Annual Special Assessment	Band	Community Development	Volunteer Fire	Total
Revenues								
Taxes	\$ -	\$ 16,646	\$ 34,620	\$ 44,304	\$ -	\$ -	\$ -	\$ 95,570
Intergovernmental	-	1,087	-	2,898	-	-	-	3,985
Other	302	8,898	1,630	1,503	-	-	490,878	503,211
Total revenues	302	26,631	36,250	48,705	-	-	490,878	602,766
Expenditures								
Current								
General government	-	9,182	18,700	20,340	-	-	-	48,222
Public safety	-	-	-	-	-	722	356,556	357,278
Total expenditures	-	9,182	18,700	20,340	-	722	356,556	405,500
Excess Revenues Over (Under)								
Expenditures	302	17,449	17,550	28,365	-	(722)	134,322	197,266
Other Financing Sources (Uses)								
Operating Transfers In	-	-	-	-	-	-	13,000	13,000
Operating Transfers Out	-	-	-	(3,207)	-	-	-	(3,207)
Total Other Financing Sources (Uses)	-	-	-	(3,207)	-	-	13,000	9,793
Excess Revenues Over (Under)								
Expenditures and other Financing Uses	302	17,449	17,550	25,158	-	(722)	147,322	207,059
Fund Balance - January 1	8,904	37,903	59,675	10,619	168	1,288	990,566	1,109,123
Fund Balance - December 31	\$ 9,206	\$ 55,352	\$ 77,225	\$ 35,777	\$ 168	\$ 566	\$ 1,137,888	\$ 1,316,182

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, 2024

	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	105,727	175,000	230,000	510,727
Interest and fees	41,645	66,095	227,606	335,346
	<u>147,372</u>	<u>241,095</u>	<u>457,606</u>	<u>846,073</u>
Total expenditures	<u>147,372</u>	<u>241,095</u>	<u>457,606</u>	<u>846,073</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(147,372)	(241,095)	(457,606)	(846,073)
Other Financing Sources				
Operating transfer in	147,372	240,545	457,606	845,523
Total Other Financing Sources	<u>147,372</u>	<u>240,545</u>	<u>457,606</u>	<u>845,523</u>
Excess of Revenues over (under) Expenditures	-	(550)	-	(550)
Fund Balance - January 1	<u>-</u>	<u>550</u>	<u>-</u>	<u>550</u>
Fund Balance (Deficit), December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GRAFTON, NORTH DAKOTA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2024

	Urban Roads	Flood Control	2023 Street Projects	2026 Street Projects	Total
Assets:					
Cash	\$ 30,261	\$ 232,705	\$ -	\$ -	\$ 262,966
TOTAL ASSETS	<u>\$ 30,261</u>	<u>\$ 232,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,966</u>
Liabilities:					
Accounts payable	\$ -	\$ 2,738	\$ -	\$ 11,500	\$ 14,238
Due to other funds	-	-	-	5,200	5,200
Total liabilities	<u>-</u>	<u>2,738</u>	<u>-</u>	<u>16,700</u>	<u>19,438</u>
Fund Balance:					
Restricted	-	229,967	-	-	229,967
Committed	30,261	-	-	-	30,261
Unassigned	-	-	-	(16,700)	(16,700)
Total fund balance	<u>30,261</u>	<u>229,967</u>	<u>-</u>	<u>(16,700)</u>	<u>243,528</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 30,261</u>	<u>\$ 232,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,966</u>

CITY OF GRAFTON, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Urban Roads	Flood Control	2023 Street Projects	2026 Street Projects	Total
Revenues:					
Other	\$ -	\$ 7,949	\$ -	\$ -	\$ 7,949
Total revenues	-	7,949	-	-	7,949
Expenditures					
Professional fees	-	13,598	-	16,700	30,298
Capital outlay	-	7,100	5,982	-	13,082
Total expenditures	-	20,698	5,982	16,700	43,380
Revenues Over (Under)					
Expenditures	-	(12,749)	(5,982)	(16,700)	(35,431)
Other Financing Sources					
Proceeds from issuance of debt	-	-	115,526	-	115,526
Transfers in	-	-	5,409	-	5,409
Total Other Financing Sources	-	-	120,935	-	120,935
Excess Revenues and Other					
Financing Sources					
Under Expenditures	-	(12,749)	114,953	(16,700)	85,504
Fund Balance (Deficit),					
January 1	30,261	242,716	(114,953)	-	158,024
Fund Balance (Deficit),					
December 31	\$ 30,261	\$ 229,967	\$ -	\$ (16,700)	\$ 243,528

CITY OF GRAFTON, NORTH DAKOTA
COMBINING BALANCE SHEET – COMPONENT UNITS
DECEMBER 31, 2024

	<u>Airport Authority</u>	<u>GASB 34 Adjustments</u>	<u>Total per Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 111,450	\$ -	\$ 111,450
Investments	156,639	-	156,639
Receivables:			
Grants	513,693	-	513,693
Taxes	2,071	-	2,071
Interest	1,877	-	1,877
Misc Charges Receivable	750	-	750
Due from other governments	1,038	-	1,038
Prepaid insurance	838	-	838
Construction in progress	-	1,050,765	1,050,765
Capital Assets, Net	-	1,699,648	1,699,648
	<u>\$ 788,356</u>	<u>\$ 2,750,413</u>	<u>\$ 3,538,769</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 200,233	\$ -	\$ 200,233
Notes payable	400,093	-	400,093
Accrued Interest payable	1,553	-	1,553
Total liabilities	<u>601,879</u>	<u>-</u>	<u>601,879</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	<u>2,071</u>	<u>(2,071)</u>	<u>-</u>
FUND BALANCE/NET POSITION			
Net investment in capital assets	-	2,750,413	2,750,413
Restricted	184,406	2,071	186,477
Total fund balance/net position	<u>184,406</u>	<u>2,752,484</u>	<u>2,936,890</u>
TOTAL LIABILITIES AND FUND BALANCE/NET POSITION			
	<u>\$ 788,356</u>	<u>\$ 2,750,413</u>	<u>\$ 3,538,769</u>

CITY OF GRAFTON, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Airport Authority</u>	<u>GASB 34 Adjustments</u>	<u>Total per Statement of Activities</u>
Revenues			
Taxes	\$ 27,538	\$ 436	\$ 27,974
Intergovernmental	930,522	-	930,522
Other	<u>26,299</u>	<u>-</u>	<u>26,299</u>
Total revenues	<u>984,359</u>	<u>436</u>	<u>984,795</u>
Expenditures			
Current			
Other	110,819	-	110,819
Depreciation	-	125,363	125,363
Capital outlay	900,765	(975,314)	(74,549)
Debt Service:			
Interest	<u>1,553</u>	<u>-</u>	<u>1,553</u>
Total expenditures	<u>1,013,137</u>	<u>(849,951)</u>	<u>163,186</u>
Excess Revenues Over (Under)			
Expenditures	(28,778)	850,387	821,609
 Fund Balance/Net Position, January 1	 <u>213,183</u>	 <u>1,902,098</u>	 <u>2,115,282</u>
Fund Balance/Net Position, December 31	<u>\$ 184,406</u>	<u>\$ 2,752,485</u>	<u>\$ 2,936,891</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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 2, 2025.

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 and questioned costs as item 2024-001 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 and questioned costs. 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 2, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Grafton's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Grafton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Grafton's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on City of Grafton's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Grafton's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on City of Grafton's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Grafton's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

September 2, 2025

CITY OF GRAFTON, NORTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Amount
<u>U.S. Department of Transportation</u>		
Aiport Improvement Program	20.106	\$ <u>882,632</u>
Total U.S. Department of Transportation		<u>882,632</u>
 TOTAL FEDERAL AWARDS		 \$ <u><u>882,632</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF GRAFTON, NORTH DAKOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards (Schedule) are reported under generally accepted accounting principles (U.S. GAAP). Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2. INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3. BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of City of Grafton, North Dakota, under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of City of Grafton, North Dakota, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Grafton, North Dakota.

NOTE 4. SUBRECIPIENTS

During 2024, the City did not pass any federal money to subrecipients.

CITY OF GRAFTON, NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2024

Section I-Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? x yes none reported
Significant deficiency(ies) identified? yes x none

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? x yes no
Significant deficiency(ies) identified? yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of major programs:

AL Number(s) Name of Federal Program or Cluster

20.106 Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes x no

CITY OF GRAFTON, NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2024

Section II-Financial Statement Findings

2024-001 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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2024

Section III-Federal Award Findings and Questioned Costs

2024-002 FINDING

Federal Program:

Airport Improvement Program (AL 20.106)
Reporting

Criteria:

Uniform Guidance deems SF-425 reports as direct and material. Through review of grant agreements, we noted that these are required to be submitted yearly by December 31 until the grant is completed.

Condition:

Through testing, we noted that the City had not prepared and submitted 2 of the 3 required SF-425 reports by the December 31 deadline.

Questioned Costs:

None

Context:

In a population of 4, we selected 3 reports to test. We noted that 2 reports were not prepared and submitted by the due date.

Cause:

The City does not have the controls in place to ensure reports are being prepared and submitted.

Effect:

The City is in not in compliance with Uniform Guidance.

Repeat Finding:

No

Recommendation:

The City should implement procedures to ensure all required reports are prepared and submitted by their due dates.

View of Responsible Officials and Planned Corrective Actions:

The City agrees with the recommendation and will review its procedures.

CITY OF GRAFTON, NORTH DAKOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2024

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.

Corrective Action Taken:

No action taken. See current year finding 2024-001 and Corrective Action Plan.



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Corrective Action Plan

2024-001 FINDING

Contact Person – City Administrator

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

Completion Date – Ongoing

2024-002 FINDING

Contact Person – City Administrator

Corrective Action Plan – The City will implement procedures to ensure all required reports are prepared and submitted by their due dates.

Completion Date – September 30, 2025