

**City of Graham, North Carolina
Audited Financial Statements
Year Ended June 30, 2025**



City of Graham, North Carolina

Year Ended June 30, 2025

City Council Members

Chelsea Dickey - Mayor

Ricky Hall - Mayor Pro Tem

Bobby Chin

Bonnie Whitaker

Jim Young

Administrative and Financial Staff

Megan M. Garner – City Manager

Aaron Holland – Finance Officer

Sandy Callahan – Tax Collector

City of Graham, North Carolina
June 30, 2025
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**STOUT
STUART
MCGOWEN
& KING LLP**

*Certified
Public
Accountants*

*Advisors to
Management*

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and
Members of the City Council
City of Graham
Graham, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graham (the "City"), North Carolina as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graham, North Carolina as of June 30, 2025, and the respective changes in financial position, and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 Graham 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 provide a basis for our audit opinions.

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Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 raises substantial doubt about the City of Graham's ability to continue as a going concern for the 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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect 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 GAAS and *Governmental Auditing Standards* we

- exercised professional judgement and maintained 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 Graham'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 Graham'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 on pages 5 through 13, and the Other Post Employment Benefit on page 63, Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 61 and 62, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 58 and 59, respectively, and the Firefighter' and Rescue Squad Worker's Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 60 be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 the 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 consist 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 Graham's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards 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* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state 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 in the annual report. The other information comprises the introductory information and the statistical sections 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 March 23, 2026 on our consideration of the City of Graham'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 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 City of Graham'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 Graham's internal control over financial reporting and compliance.

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina
March 23, 2026

Management’s Discussion and Analysis

As management of the City of Graham, we offer readers of the City of Graham’s financial statements this narrative overview and analysis of the financial activities of the City of Graham for the fiscal year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City’s financial statements, which follow this narrative.

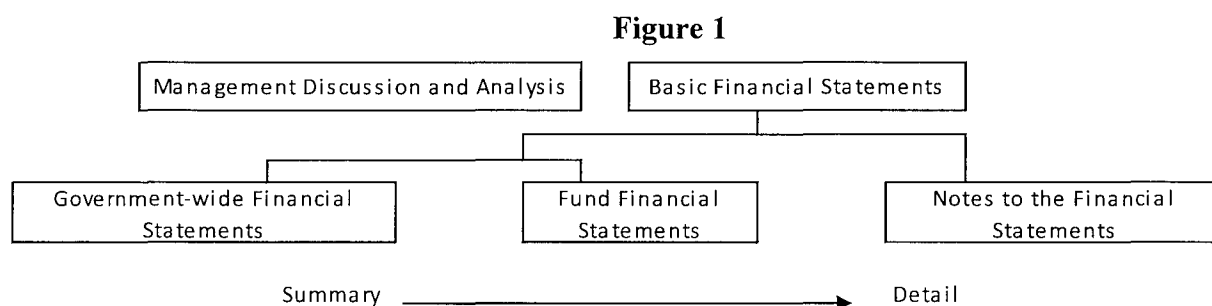
Financial Highlights

- The assets and deferred outflows of resources of the City of Graham exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$169,006,297 (*net position*).
- The government’s total net position increased by \$30,368,581, due to an increase in the business type activities’ net position of \$31,642,713 and an decrease in the government type activities’ net position of \$1,274,132.
- As of the close of the current fiscal year, the City of Graham’s governmental funds reported combined ending fund balances of \$22,053,028 a decrease of \$558,527. Approximately 34% of this total amount, or \$7,563,246, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$13,240,480 or 62% of total general fund expenditures for the fiscal year.
- The City of Graham’s total debt decreased by \$638,658 or 10% during the current fiscal year due to payments of \$1,063,658 and offset by a new lease of \$425,000.
- The water and sewer fund produced an excess of revenue over expenditures in the amount of \$5,290,094 under budgetary reporting.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Graham’s basic financial statements. The city’s basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the City of Graham.

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City’s financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the city government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements for major governmental funds; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is

provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property, sales and utility taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Graham.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. 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 Graham, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Graham can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Graham adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by

Management Discussion and Analysis
City of Graham

the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Graham has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Graham. The City uses an internal service fund to account for one activity – its central garage operations. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

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. The notes to the financial statements begin on page 26 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Graham’s progress in funding its obligation to provide pension benefits and Other Post Employment Benefits (OPEB) to its employees. Required supplementary information can be found beginning on page 56 of this report.

Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**The City of Graham’s Net Position
Figure 2**

	Governmental Activities			Business-Type Activities			Total		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Current and other assets	\$ 23,734,495	\$ 24,218,873	\$ 24,783,332	\$ 30,566,248	\$ 22,125,116	\$ 18,858,439	\$ 54,300,743	\$ 46,343,989	\$ 43,641,771
Capital assets	26,983,896	26,320,100	19,491,654	126,362,272	99,930,111	58,781,412	153,346,168	126,250,211	78,273,066
Deferred outflows of resources	4,315,541	5,138,099	5,439,112	933,480	1,169,141	1,260,610	5,249,021	6,307,240	6,699,722
Total assets	55,033,932	55,677,072	49,714,098	157,862,000	123,224,368	78,900,461	212,895,932	178,901,440	128,614,559
Long-term liabilities outstanding	7,739,057	2,468,235	577,044	5,292,348	4,441,171	4,764,082	13,031,405	6,909,406	5,341,126
Other liabilities	18,610,423	17,864,277	21,944,873	9,840,487	6,264,394	5,812,844	28,450,910	24,128,671	27,757,717
Deferred inflows of resources	1,962,323	2,848,759	3,872,370	444,997	682,490	966,153	2,407,320	3,531,249	4,838,523
Total liabilities	28,311,803	23,181,271	26,394,287	15,577,832	11,388,055	11,543,079	43,889,635	34,569,326	37,937,366
Net Position:									
Net invested in capital assets	25,022,913	24,515,908	19,491,654	122,434,230	95,336,766	53,973,604	147,457,143	119,852,674	73,465,258
Restricted	7,563,246	6,718,228	5,361,054	789,776	789,776	789,776	8,353,022	7,508,004	6,150,830
Unrestricted	(5,864,030)	1,261,665	(1,532,897)	19,060,162	15,709,771	12,594,002	13,196,132	16,971,436	11,061,105
Total net position	\$ 26,722,129	\$ 32,495,801	\$ 23,319,811	\$ 142,284,168	\$ 111,836,313	\$ 67,357,382	\$ 169,006,297	\$ 144,332,114	\$ 90,677,193

Management Discussion and Analysis
City of Graham

As noted earlier, the net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the City of Graham exceeded liabilities and deferred inflows by \$169,006,297 as of June 30, 2025. The City’s net position increased by \$30,368,581 in the fiscal year ended June 30, 2025. However, the largest portion (87%) reflects the City’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Graham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Graham’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Graham’s net position, 5% represents resources that are subject to external restrictions on how they may be used. The remaining balance is (\$5,864,030).

Several aspects of the City’s financial operations influenced the total unrestricted governmental net position:

- There were increases in the Ad valorem taxes due to continued collection diligence and also an increase in the Local Option Sales Taxes.
- There was an increase in water and sewer charges.
- There were also major grants and construction loans received during the year supporting the capital projects.
- There was an increase in the accrued sick leave that is now recorded following the implementation of GASB 101.

City of Graham’s Change in Net Position
Figure 3

	Governmental Activities			Business-type Activities			Total		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Revenues:									
Program revenues:									
Charges for services	\$ 3,185,441	\$ 2,914,618	\$ 2,479,455	\$ 14,590,918	\$ 12,591,079	\$ 11,021,540	\$ 17,776,359	\$ 15,505,697	\$ 13,500,995
Grants and contributions									
Operating	1,818,011	1,808,943	1,519,437	-	-	-	1,818,011	1,808,943	1,519,437
Capital	721,863	9,592,369	451,092	25,001,212	40,138,657	9,838,011	25,723,075	49,731,026	10,289,103
General revenues:									
Property taxes	7,389,408	6,868,139	6,480,601	-	-	-	7,389,408	6,868,139	6,480,601
Other taxes	8,413,836	7,703,730	7,406,228	-	-	-	8,413,836	7,703,730	7,406,228
Grants and contributions not restricted to specific progra	389,257	285,934	258,933	-	-	-	389,257	285,934	258,933
Unrestricted investment earnings	483,822	510,499	290,816	354,667	370,292	208,342	838,489	880,791	499,158
Transfers	(1,831,557)	(773,106)	(113,764)	1,831,557	773,106	113,764	-	-	-
Other	42,455	(48,140)	134,935	(7,420)	-	-	35,035	(48,140)	134,935
Total revenues	20,612,536	28,862,986	18,907,733	41,770,934	53,873,134	21,181,657	62,383,470	82,736,120	40,089,390
Expenses:									
General government	5,087,451	4,654,952	3,551,368	-	-	-	5,087,451	4,654,952	3,551,368
Public safety	10,093,010	9,292,393	7,971,465	-	-	-	10,093,010	9,292,393	7,971,465
Transportation	2,098,880	1,689,474	1,646,999	-	-	-	2,098,880	1,689,474	1,646,999
Economic protection	1,782,052	1,543,871	1,457,118	-	-	-	1,782,052	1,543,871	1,457,118
Culture and recreation	2,744,525	2,361,578	2,298,465	-	-	-	2,744,525	2,361,578	2,298,465
Interest	80,749	79,128	-	-	-	-	80,749	79,128	-
Water and sewer	-	-	-	10,128,221	9,394,203	8,797,059	10,128,221	9,394,203	8,797,059
Total expenses	21,886,667	19,621,396	16,925,415	10,128,221	9,394,203	8,797,059	32,014,888	29,015,599	25,722,474
Increase (decrease) in net position	(1,274,132)	9,241,590	1,982,318	31,642,713	44,478,931	12,384,598	30,368,581	53,720,521	14,366,916
Net position, July 1	32,495,801	23,319,811	21,337,493	111,836,313	67,357,382	54,972,784	144,332,114	90,677,193	76,310,277
Net position-July 1-Restated	27,996,261	23,254,211	21,337,493	110,641,455	67,357,382	54,972,784	138,637,716	90,611,593	76,310,277
Net position, June 30	\$ 26,722,129	\$ 32,495,801	\$ 23,319,811	\$ 142,284,168	\$ 111,836,313	\$ 67,357,382	\$ 169,006,297	\$ 144,332,114	\$ 90,677,193

Governmental activities: Governmental activities decreased the City's net position by \$1,274,132, accounting for (4%) of the total increase in the net position of the City of Graham. Key elements of this change in net position are as follows:

- There was an increase in the Ad valorem taxes in the amount of \$521,269.
- Local Occupancy Tax was implemented and resulted in collection of \$59,485 for the year.
- There was also an increase in the Local Option Sales Tax of \$648,608.
- There was an increase in the Sick liability of \$787,429.
- A new Sanitation Truck was leased for \$425,000.

Business-type activities: Business-type activities increased the City of Graham's net position by \$31,642,713 accounting for 104% of the total growth in the government's net position. Key elements of this increase are as follows:

- There were increases in charges for services of \$2,089,290.
- There was an increase in the sick leave liability of \$397,313.
- CWSRF and ASADRA construction loan advances were received in the amount of \$24,768,664 which was a decrease from the prior year.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Graham's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Graham's financing requirements.

The general fund is the chief operating fund of the City of Graham. At the end of the current fiscal year, the City of Graham's fund balance available in the General Funds was \$13,240,480 while total fund balance reached \$17,254,116. The Governing Body of the City of Graham has determined that the City should maintain an available fund balance of 30% of general fund budgeted expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the City. The City currently has an available fund balance of 62% of general fund expenditures, while total fund balance represents 81% of the same amount.

At June 30, 2025, the governmental funds of the City of Graham reported a combined fund balance of \$22,053,028, with a net decrease in fund balance of \$558,527. Included in this change in fund balance is an increase of \$1,131,991 in the general fund, a decrease in the ARPA enabled special revenue fund of \$2,198,342 and an increase in the non-major funds of \$507,824.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues received were more than the original budgeted amounts during the year, keeping pace with expenditures resulting in revenue over expenditures of \$1,131,991.

Proprietary Funds. The City’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$19,060,162. The total increase in unrestricted net position was \$3,350,391.

Capital Asset and Debt Administration

Capital assets. The City of Graham’s investment in capital assets for its governmental and business-type activities as of June 30, 2025, totals \$153,346,168 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

- Several infrastructure projects were completed in addition to new vehicles, trucks and equipment.
- There are several very large water and sewer capital projects included in construction in progress.

City of Graham’s Capital Assets (net of depreciation)

Figure 4

	Governmental Activities			Business-type Activities			Total		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Land	\$ 2,956,005	\$ 2,956,005	\$ 2,956,005	\$ 1,281,547	\$ 1,281,547	\$ 1,281,547	\$ 4,237,552	\$ 4,237,552	\$ 4,237,552
Art Collection	\$ 62,100	62,100	62,100	-	-	-	62,100	62,100	62,100
Building and systems	\$ 2,040,165	1,492,898	1,547,577	\$ 12,234,528	9,037,527	9,272,727	14,274,693	10,530,425	10,820,304
Water and sewer systems	\$ -	-	-	\$ 14,284,394	13,632,777	13,981,238	14,284,394	13,632,777	13,981,238
Improvements other than buildings	\$ 3,414,334	3,650,675	3,519,111	\$ 11,344,265	11,678,894	11,939,468	14,758,599	15,329,569	15,458,579
Infrastructure	\$ 12,323,620	12,233,376	7,153,195	\$ -	-	-	12,323,620	12,233,376	7,153,195
Vehicles and equipment	\$ 5,529,382	5,742,047	4,243,701	\$ 2,171,360	2,121,264	2,289,930	7,700,742	7,863,311	6,533,631
Right to use assets	\$ 340,000	4,983	9,965	\$ 85,885	128,827	-	425,885	133,810	9,965
Construction in progress	\$ 318,290	178,016	-	\$ 84,960,293	62,049,275	20,016,502	85,278,583	62,227,291	20,016,502
Total Capital Assets	\$ 26,983,896	\$ 26,320,100	\$ 19,491,654	\$ 126,362,272	\$ 99,930,111	\$ 58,781,412	\$ 153,346,168	\$ 126,250,211	\$ 78,273,066

Additional information on the city’s capital assets can be found in note III.A.4. of the Basic Financial Statements.

Long-term Debt

As of June 30, 2025, the City of Graham had no bonded debt outstanding.

City of Graham’s Outstanding Debt

The City of Graham’s total debt decreased by 10% during the past fiscal year, this decrease is due payments on the debt and leases which totaled \$1,063,658. The Town also took on a new lease of \$425,000 for a new Sanitation Truck. North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for City of Graham is \$200,477,825. Additional information regarding the City of Graham’s long-term debt can be found in note III.B.5.

Economic Factors and Next Year’s Budgets and Rates

The City’s General Fund revenues are most susceptible to fluctuations in the economy. The sales and use tax, the City’s second largest revenue, is particularly volatile as it is impacted by the economy and consumer consumption. The chart below shows a summary of the current year General Fund revenues as originally adopted and the proposed revenues for the upcoming fiscal year.

Summary of General Fund Revenues			
	FY 2024-2025 (Adopted)	FY 2025-2026 (Recommended)	Difference
Ad Valorem Taxes	\$ 7,030,000	\$ 7,964,500	\$ 934,500
Investment Earnings	\$ 215,000	\$ 230,000	\$ 15,000
Miscellaneous	\$ 727,900	\$ 705,100	\$ (22,800)
Other Taxes/License	\$ 500	\$ 500	\$ -
Occupancy Tax	\$ 79,000	\$ 79,000	\$ -
Permits/Fees	\$ 590,000	\$ 878,000	\$ 288,000
Restricted Governmental	\$ 1,026,000	\$ 1,062,000	\$ 36,000
Sales/Services	\$ 2,078,668	\$ 1,991,400	\$ (87,268)
Unrestricted Governmental	\$ 7,745,000	\$ 8,432,000	\$ 687,000
Fund Balance	\$ 1,159,282	\$ 1,408,062	\$ 248,780
	\$ 20,651,250	\$ 22,750,562	\$ 2,099,212

Despite experiencing growing pains, the City works to invest in our infrastructure and employees while remaining dedicated to exploring all funding that become available from state and federal sources. We have continued to experience significant inflation in goods, services, and labor prices with no signs of relief.

Budget Highlights for the Fiscal Year Ending June 30, 2026

The annual budget for the General Fund totals \$22,750,562, an increase of \$2,099,212 above FY 2024- 2025 total of \$20,651,250 as originally adopted. For the Water and Sewer Fund, the adopted budget totaled \$13,093,600 for an increase of \$843,700 over FY 2024-2025 as originally adopted at \$12,249,900.

Governmental Activities: Some of the highlights for the FY 2025-2026 General Fund Budget are:

- The Ad Valorem tax rate is recommended to increase to \$0.3099.
- One penny on the tax rate is estimated to generate \$270,215 in the upcoming year based on a 97% collection rate.
- Refuse fees (garbage and recycling) are recommended to increase from \$13.50 per unit per month total to \$14.50 per unit per month total.
- Re-inspection fees are recommended to increase from \$60 to \$100.
- Parking Fees are recommended to increase from \$10 to \$20
- Lake-Boat Rental Fees are slated for a \$15 flat fee.
- Water and sewer charges are proposed to increase 4%.
- The employee Cost of Living Adjustment (COLA) is proposed at 3.8%, which mirrors the Consumer Price Index 12-month average as of January 2025.
- Staffing levels are proposed to increase with the addition of one Public Relations Specialist position, one Sanitation Collector, one Building Maintenance Technician and one entry level firefighter.
- Employee Health Insurance premiums are budgeted to increase by 4.00%.
- Mandatory employer contribution increases of an additional 0.75% and 1.00% to the Local Government Employees' Retirement System (LGERS) is included for general and LEO employees respectively.
- No interfund transfers are included.

Management Discussion and Analysis
 City of Graham

- There are no appropriations requested for the Cemeteries Perpetual Care Funds.
- Expenditures for public safety (\$9,426,110) are expected to exceed all of the ad valorem tax levy (\$7,964,500) by over \$1,461,610.
- Funding for Street Resurfacing is proposed to increase for the 12th consecutive year. Local funds are typically paired with Powell Bill to maximize paving efforts.

Business-Type Activities: Ensuring the efficient delivery of services to citizens has required a commitment to making necessary investments in the system’s operations and critical water and sewer infrastructure. This enterprise operation is capital-intensive, requiring constant maintenance, replacement, and upgrading. Coupling those aspects with significant regulatory oversight compounds our challenges. The City continued to appropriate funds to cover the debt service for recent projects, including the costly wastewater treatment plant expansion, which is the largest financial undertaking by the City.

Expenditures (Fund 31)

The City is at a critical point in funding much needed upgrades and projects throughout our utility system, which operates as an enterprise fund. These investments not only allow for the efficient delivery of service to our citizens, but also improve capacity throughout our system. This enterprise fund operation is capital intensive, requiring constant maintenance, replacement, and upgrading. The enterprise fund is also subject to significant regulatory oversight that often comes with a substantial cost to meet. In FY 2020-2021, the City began to appropriate funds to cover the debt service for recent projects and look ahead towards major projects that have a significant financial impact. Continuing this practice is recommended for FY 2024-2025. The most notable capital project on the immediate horizon is the upgrade of our wastewater treatment plant, which began construction in the prior fiscal year and is estimated to be complete in February 2026.

Water Rates: Based on expenditures, water rates are proposed for an increase for all tiers of the usage as well as the base rate by 4%.

Sewer Rates: Sewer charges must generate enough revenue to cover expenditures including debt service for the Boyd Creek Pump station and the anticipated debt service for Waste Water Treatment Plant Improvements and Expansion. To cover these expenditures, sewer rates are proposed for an increase for all tiers of the usage as well as the base rate by 4%.

Examples: The charts below show the existing rate structure for water and sewer customers using 1,000 gallons per month and 5,000 gallons per month.

	1,000 gallons		5,000 gallons
Current water	\$9.95	Current water	\$27.33
Proposed water	\$10.35	Proposed water	\$28.42
Current sewer	\$12.91	Current sewer	\$57.42
Proposed sewer	\$13.43	Proposed sewer	\$59.72

Below are highlights from the various departments:

Other Funds

The City operates numerous capital project funds, a perpetual care fund, and other non-major funds. Some may or may not require budgets due to the type of fund, but are nevertheless subject to our internal controls, and placeholder entries are made, at a minimum. Below is a brief description of each and any changes necessary.

- **Cemeteries Perpetual Care Fund:** Established in 2015, the fund ensures the perpetual care and beautification of the City's cemeteries. As with 2023-2024, no appropriations are requested for 2024-2025.
- **Water & Sewer Capital Reserve Fund:** This serves as less of an independent fund and more of a sub-fund of the Water and Sewer Fund. This capital reserve fund accounts for receipts from the levy of System Development Fees. In 2021, the City of Graham completed investigation on growth projects for the water and wastewater systems as well as for both plants. These growth plans outlined a series of projects that were needed to support growth within the City and include projects that are within the 10-year planning window and beyond.
- **Asset Forfeiture Funds:** The City operates both a State and Federal asset forfeiture fund that accounts for assets seized from certain law enforcement activities. Revenues are highly unpredictable as is the timing of their receipt. Expenditures are regulated by the terms of the agreement with the associated agencies/programs and generally cannot be used to subsidize any operating budgets. Therefore, only nominal placeholder entries are included in the budget ordinance to ensure against it.
- **Old Fields Outfall Capital Project Fund:** The Old Fields Subdivision along Cherry Lane has an approved development plan that includes 755 dwelling units and various pods for nonresidential uses. To date, less than 100 of the dwelling units are constructed and further development was restricted due to the lack of collection system capacity. Currently, the extension of the outfall is underway following the completion of the initial phase of the project.

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or request for additional information should be directed to:

Megan M. Garner, City Manager
City of Graham
201 South Main Street
Graham, NC 27253

City of Graham, North Carolina
Statement of Net Position
June 30, 2025

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,240,129	\$ 18,454,605	\$ 35,694,734
Taxes receivables (net)	294,476	-	294,476
Accrued interest receivable on taxes	69,729	-	69,729
Accounts receivable (net)	616,419	1,918,953	2,535,372
Lease receivable	-	3,126	3,126
Prepaid expenses	34,427	-	34,427
Due from other governments	3,485,782	5,069,939	8,555,721
Restricted cash and cash equivalents	1,993,533	2,740,524	4,734,057
Non-current assets			
Notes receivable	-	2,379,101	2,379,101
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	3,336,395	86,241,839	89,578,234
Other capital assets, net of depreciation	23,307,501	40,034,548	63,342,049
Right to use lease assets, net of amortization	340,000	85,885	425,885
Total capital assets	<u>26,983,896</u>	<u>126,362,272</u>	<u>153,346,168</u>
Total assets	<u>50,718,391</u>	<u>156,928,520</u>	<u>207,646,911</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	3,605,266	781,217	4,386,483
OPEB deferrals	710,275	152,263	862,538
Total deferred outflows of resources	<u>4,315,541</u>	<u>933,480</u>	<u>5,249,021</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,184,353	4,874,503	6,058,856
Accrued interest payable	1,220	25,559	26,779
Payable from restricted assets	-	134,310	134,310
Long-term liabilities:			
Net pension liability - LGERS	5,572,683	1,457,188	7,029,871
Net pension liability - LEO	2,335,352	-	2,335,352
Net OPEB liability	8,854,800	2,814,636	11,669,436
Due within one year	662,015	534,291	1,196,306
Due in more than one year	7,739,057	5,292,348	13,031,405
Total liabilities	<u>26,349,480</u>	<u>15,132,835</u>	<u>41,482,315</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	132,909	-	132,909
Leases	-	8,559	8,559
Pension deferrals	313,914	13,547	327,461
OPEB deferrals	1,515,500	422,891	1,938,391
Total deferred inflows of resources	<u>1,962,323</u>	<u>444,997</u>	<u>2,407,320</u>
NET POSITION			
Net investment in capital assets	25,022,913	122,434,230	147,457,143
Restricted for:			
Cemetary Perpetual Care	2,962,336	-	2,962,336
Stabilization by State Statute	4,013,636	-	4,013,636
Downtown and park improvements	587,274	-	587,274
Capital Reserve Fund	-	789,776	789,776
Unrestricted	(5,864,030)	19,060,162	13,196,132
Total net position	<u>\$ 26,722,129</u>	<u>\$ 142,284,168</u>	<u>\$ 169,006,297</u>

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

City of Graham, North Carolina
Statement of Activities
For the Year Ended June 30, 2025

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 5,087,451	\$ 776,137	\$ 280,837	\$ 719,437	\$ (3,311,041)	\$ -	\$ (3,311,041)
Public safety	10,093,010	984,078	784,215	-	(8,324,717)	-	(8,324,717)
Transportation	2,098,880	-	695,887	-	(1,402,993)	-	(1,402,993)
Environmental protection	1,782,052	1,090,194	-	-	(691,858)	-	(691,858)
Human services	-	-	43,456	-	43,456	-	43,456
Cultural and recreation	2,744,525	335,032	13,616	2,426	(2,393,451)	-	(2,393,451)
Interest on Long Term Debt	80,749	-	-	-	(80,749)	-	(80,749)
Total governmental activities	21,886,667	3,185,441	1,818,011	721,863	(16,161,353)	-	(16,161,353)
Business-type activities:							
Water and sewer	10,128,221	14,590,918	-	25,001,212	-	29,463,909	29,463,909
Total business-type activities	10,128,221	14,590,918	-	25,001,212	-	29,463,909	29,463,909
Total primary government	\$ 32,014,888	\$ 17,776,359	\$ 1,818,011	\$ 25,723,075	(16,161,353)	29,463,909	13,302,556
General revenues:							
Taxes:							
Property taxes, levied for general purpose					7,389,408	-	7,389,408
Other taxes					8,413,836	-	8,413,836
Grants and contributions not restricted to specific programs					389,257	-	389,257
Unrestricted investment earnings					483,822	354,667	838,489
Miscellaneous					42,455	(7,420)	35,035
Total general revenues excluding special items, transfers					16,718,778	347,247	17,066,025
Transfers					(1,831,557)	1,831,557	-
Total general revenues, special items, and transfers					14,887,221	2,178,804	17,066,025
Change in net position					(1,274,132)	31,642,713	30,368,581
Net position-beginning, as previously reported					32,495,801	111,836,313	144,332,114
Restatement					(4,499,540)	(1,194,858)	(5,694,398)
Net position-beginning, restated					27,996,261	110,641,455	138,637,716
Net position-ending					\$ 26,722,129	\$ 142,284,168	\$ 169,006,297

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

City of Graham, North Carolina

Balance Sheet
Governmental Funds
June 30, 2025

	Major Fund		Total Non- Major Funds	Total Governmental Funds
	Major Fund General	American Rescue Plan Fund		
ASSETS				
Cash and cash equivalents	\$ 13,807,038	\$ -	\$ 3,433,091	\$ 17,240,129
Restricted cash and cash equivalents	726,973	1,266,560	-	1,993,533
Accrued interest receivable	8,528	-	304	8,832
Taxes receivables, net	294,476	-	-	294,476
Accounts receivables, net	604,337	-	3,250	607,587
Due from other governments	3,366,345	-	119,437	3,485,782
Prepaid expenses	34,427	-	-	34,427
Total assets	<u>\$ 18,842,124</u>	<u>\$ 1,266,560</u>	<u>\$ 3,556,082</u>	<u>\$ 23,664,766</u>
LIABILITIES				
Accounts payable and accrued liabilities	1,160,623	17,258	6,472	1,184,353
Total liabilities	<u>1,160,623</u>	<u>17,258</u>	<u>6,472</u>	<u>1,184,353</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	294,476	-	-	294,476
Unearned revenue	132,909	-	-	132,909
Total deferred inflows of resources	<u>427,385</u>	<u>-</u>	<u>-</u>	<u>427,385</u>
FUND BALANCES				
Non Spendable				
Graham Memorial Park perpetual care	-	-	2,962,336	2,962,336
Restricted				
Stabilization by State Statute	4,013,636	-	-	4,013,636
Downtown and park improvements	-	-	587,274	587,274
Assigned				
General Government improvements	-	1,249,302	-	1,249,302
Subsequent year's expenditures	1,408,062	-	-	1,408,062
Unassigned	11,832,418	-	-	11,832,418
Total fund balances	<u>17,254,116</u>	<u>1,249,302</u>	<u>3,549,610</u>	<u>22,053,028</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,842,124</u>	<u>\$ 1,266,560</u>	<u>\$ 3,556,082</u>	

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2025

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$	22,053,028
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost		45,753,608
Accumulated depreciation		<u>(19,109,712)</u>
Total		26,643,896
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost		444,931
Accumulated amortization		<u>(104,931)</u>
		340,000
Deferred outflows of resources related to pensions are not reported in the funds		
		3,605,266
Deferred outflows of resources related to OPEB are not reported in the funds		
		710,275
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		
		69,729
Earned revenues considered deferred inflows of resources in fund statements.		
		294,476
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
		(8,402,292)
Net LEOSSA pension		(2,335,352)
Net OPEB liability		(8,854,800)
Net pension liability		(5,572,683)
Deferred inflows of resources related to pensions are not reported in the funds		
		(313,914)
Deferred inflows of resources related to OPEB are not reported in the funds		
		<u>(1,515,500)</u>
Net position of governmental activities	\$	<u><u>26,722,129</u></u>

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

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2025

Exhibit 4

	Major Fund		Total Non-Major Funds	Total Governmental Funds
	General Fund	American Rescue Plan Fndd		
REVENUES				
Ad valorem taxes	\$ 7,421,727	\$ -	\$ -	\$ 7,421,727
Other taxes and licenses	855	-	-	855
Unrestricted intergovernmental	8,757,619	-	-	8,757,619
Restricted intergovernmental	1,144,891	-	719,437	1,864,328
Permits and fees	960,106	-	-	960,106
Sales and services	2,285,785	-	-	2,285,785
Investment earnings	368,295	-	120,550	488,845
Other revenues	704,386	-	-	704,386
Total revenues	21,643,664	-	839,987	22,483,651
EXPENDITURES				
Current:				
General government	4,357,727	46,390	2,619	4,406,736
Public safety	9,119,634	-	-	9,119,634
Transportation	2,132,636	-	200,000	2,332,636
Environmental protection	1,955,647	-	-	1,955,647
Culture and recreation	3,332,954	-	-	3,332,954
Debt Service:				
Principal	268,209	-	-	268,209
Interest and Other charges	79,530	-	-	79,530
Capital Outlay	-	10,730	129,544	140,274
Total expenditures	21,246,338	57,120	332,163	21,635,621
Excess of revenues over expenditures	397,326	(57,120)	507,824	848,030
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	309,665	(2,141,222)	-	(1,831,557)
Loan proceeds	425,000	-	-	425,000
Total other financing sources (uses)	734,665	(2,141,222)	-	(1,406,557)
Net change in fund balance	1,131,991	(2,198,342)	507,824	(558,527)
Fund balances-beginning	16,122,125	3,447,644	3,041,786	22,611,555
Fund balances-ending	\$ 17,254,116	\$ 1,249,302	\$ 3,549,610	\$ 22,053,028

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

(continued)

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2025

Exhibit 4
(continued)

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

Net changes in fund balances - total governmental funds	\$	(558,527)
---	----	-----------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$	2,142,768
Depreciation expense for governmental assets		<u>(1,383,169)</u>
Book value of disposed capital asset not recorded in fund statements		(11,959)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		1,154,739
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statment of Activities		61,626
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		265,678
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Change in unavailable revenue for tax revenue		(30,624)
Change in accrued interest receivable on taxes		(1,696)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items		(425,000)
Principal payments on long-term debt		171,296
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Right to use leased asset		(932)
Compensated absences		(871,205)
Pension expense		(1,623,369)
Net pension obligation LEOSSA		(283,682)
Other postemployment benefits		<u>119,924</u>
Total changes in net position of governmental activities	\$	<u><u>(1,274,132)</u></u>

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

City of Graham, North Carolina

Exhibit 5

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2025

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 7,030,000	\$ 7,055,000	\$ 7,421,727	\$ 366,727
Other taxes and licenses	500	500	855	355
Unrestricted intergovernmental	7,824,000	7,824,000	8,757,619	933,619
Restricted intergovernmental	1,026,200	1,146,007	1,144,891	(1,116)
Permits and fees	590,000	590,000	960,106	370,106
Sales and services	2,078,668	2,078,768	2,285,785	207,017
Investment earnings	215,000	215,000	368,295	153,295
Other revenues	727,900	874,934	704,386	(170,548)
Total revenues	19,492,268	19,784,209	21,643,664	1,859,455
Expenditures:				
Current:				
General government	4,528,921	4,672,593	4,357,728	314,865
Public safety	9,302,668	9,521,695	9,119,634	402,061
Transportation	2,094,026	2,347,052	2,132,636	214,416
Environmental protection	1,558,912	2,028,857	1,955,647	73,210
Culture and recreation	2,828,558	3,611,035	3,332,954	278,081
Debt Service:				
Principal Retirement	286,890	285,528	268,209	17,319
Interest and other charges	51,575	53,937	79,530	(25,593)
Total expenditures	20,651,550	22,520,697	21,246,338	1,274,359
Revenues over (under) expenditures	(1,159,282)	(2,736,488)	397,326	3,133,814
Other financing sources (uses):				
Appropriated fund balance				
General Fund	1,159,282	2,311,488	-	(2,311,488)
Loan proceeds		425,000	425,000	-
Transfers (to) from other funds	-	-	309,665	309,665
Total other financing sources (uses)	1,159,282	2,736,488	734,665	(2,001,823)
Net change in fund balance	\$ -	\$ -	1,131,991	\$ 1,131,991
Fund balances, beginning of year			16,122,125	
Fund balances, end of year			\$ 17,254,116	

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

City of Graham, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2025

Exhibit 6

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 18,454,605
Accounts receivable (net)	1,918,953
Lease receivable	3,126
Due from other governments	5,069,939
Restricted cash and cash equivalents	2,740,524
Total current assets	28,187,147
Noncurrent assets:	
Notes receivable	2,379,101
Capital assets:	
Land and other non-depreciable assets	86,241,839
Other capital assets, net of depreciation	40,034,548
Right to use leased asset	85,885
Capital assets (net)	126,362,272
Total noncurrent assets	128,741,373
Total assets	156,928,520
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan	781,217
OPEB deferrals	152,263
Total deferred outflows of resources	933,480
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	4,874,503
Accrued interest	25,559
Customer deposits	134,310
Current portion of long term debts	492,670
Current portion of lease liability	41,621
Total current liabilities	5,568,663
Noncurrent liabilities:	
Other noncurrent liabilities:	
Other postemployment benefits	2,814,636
Compensated absences	306,423
Sick Leave	1,592,171
Net pension liability	1,457,188
Non-current portion of long term debt	3,349,636
Non-current portion of lease liability	44,118
Total noncurrent liabilities	9,564,172
Total liabilities	15,132,835
DEFERRED INFLOWS OF RESOURCES	
Leases	8,559
Pension deferrals	13,547
OPEB deferrals	422,891
Total deferred inflows of resources	444,997
NET POSITION	
Net investment in capital assets	122,434,230
Restricted for:	
Capital Reserve Funds	789,776
Unrestricted	19,060,162
Total net position	\$ 142,284,168

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

City of Graham, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

Exhibit 7

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 11,852,227
Other operating revenues	2,738,691
Total operating revenues	14,590,918
OPERATING EXPENSES	
Billing and metering	639,721
Distribution and maintenance	1,893,239
Sewer mains	163,223
Water treatment plant	3,094,776
Sewer treatment plant	2,376,239
Non-departmental	578,092
Depreciation and amortization	1,328,154
Total operating expenses	10,073,444
Operating income	4,517,474
NONOPERATING REVENUES (EXPENSES)	
Interest earned on investment	354,667
Interest on long-term debt	(54,777)
Total nonoperating revenue (expenses)	299,890
Income before contributions, special item and transfers	4,817,364
Capital contributions	25,001,212
Gain (loss) on disposition	(7,420)
Transfers to / from other funds	1,831,557
Contributions, special item and transfers	26,825,349
Change in net position	31,642,713
Total net position - beginning	111,836,313
Prior period adjustment	(1,194,858)
Total net position - beginning - as restated	110,641,455
Total net position - ending	\$ 142,284,168

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025

Exhibit 8

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 12,030,191
Cash paid for goods and services	(6,770,650)
Cash paid to or on behalf of employees for services	(2,180,321)
Customer deposits	(86,462)
Other operating revenue received	2,738,691
Net cash provided by operating activities	5,731,448
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(23,414,850)
Other capital revenues	29,247,489
Payments received on notes receivable	277,403
Principal paid on bonds and notes payable	(790,304)
Interest paid on bonds and notes payable	(60,399)
Other non-operating revenue	2,756
Transfer from Special Revenue Fund	1,831,557
Net cash provided by capital and related financing activities	7,093,652
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments and assessments	346,577
Net cash provided by investing activities	346,577
Net increase in cash and cash equivalents	13,171,678
Balances-beginning of the year	8,023,451
Balances-end of the year	\$ 21,195,129

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025

Exhibit 8

	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 4,517,474
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,328,154
Changes in assets and liabilities:	
Increase in accounts receivable	37,826
Increase (decrease) in allowance for doubtful accounts	140,138
(Increase) decrease in deferred outflows of resources - pensions	93,349
(Increase) in deferred outflows of resources - OPEB	142,312
Increase (decrease) in accounts payable	(636,257)
Increase (decrease) in customer deposits	(86,462)
Increase in accrued salaries	10,613
Increase (decrease) in accrued vacation pay	396,668
Increase (decrease) in pension liability	40,545
Increase (decrease) in OPEB liability	(49,653)
Increase (decrease) in deferred inflows of resources - pensions	(15,606)
Increase (decrease) in deferred inflows of resources - OPEB	(187,652)
Total adjustments	1,213,974
Net cash provided by operating activities	\$ 5,731,448

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

City of Graham, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

I. Summary of Significant Accounting Policies

The accounting policies of the City of Graham conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City is a municipal corporation, which is governed by a five-member council, including the elected mayor. The City is located in the central part of Alamance County. As required by generally accepted accounting principles these financial statements present the primary government (i.e. City) and any component units. Component units are defined as legally separate organizations for which the elected officials of the City are financially accountable. The City of Graham has no component units as defined above.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The City of Graham has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

Notes to the Financial Statements

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety and general government.

American Rescue Plan Fund. This fund accounts for the transactions related to the American Rescue Plan Funds.

The City reports the following non-major governmental funds:

Graham Memorial Park Fund. This fund is used to account for cemetery funds that are restricted for use for a particular purpose.

Truby Drive Repairs Fund. This fund is used to account for repairs on Truby Drive.

Downtown Enhancements Grant. This fund is used to account for downtown improvements to the street lights and crosswalks.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations. One Special Revenue Fund, one Water and Sewer Capital Reserve Fund and ten Capital Project Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Special Revenue Fund, Capital Reserve Fund and the Capital Project Funds have been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Notes to the Financial Statements

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation / amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Graham because the tax is levied by Alamance County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes.

Notes to the Financial Statements

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Graham Memorial Park Fund prepares a budget when incurring expenditures.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and mutual fund shares when the mutual fund is certified by the Local Government Commission. The City's investments are generally reported at fair value.

The North Carolina Capital Management Trust (NCCMT) Government Portfolio is an SEC-registered money market mutual fund that is currently certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAAM by S&P and AAA-mf by Moody's Investors Service and reported at fair value.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

The letter of credit funds are restricted due to the possibility these funds could be paid back to developers. The unexpended bond proceeds of Water and Sewer Fund bonds issued by the City are classified as restricted assets for the enterprise fund because their use is completely restricted to fund water related projects as designated by the board. Funds have also been restricted by the City Council for capital improvements. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

City of Graham Restricted Cash

Governmental Activities		
General Fund	Federal Drug	114,728
	State Drug	11,082
	Downtown enhancement grant	594,064
	Unexpended restricted revenue	7,099
Special Revenue Fund	ARP enabled funds	1,266,560
	Total Governmental Activities	1,993,533

Notes to the Financial Statements

Business - Type Activities

Water and Sewer Fund	Customer deposits	134,310
	10" Water Line Replacement	1,724,929
	Boyd Creek Watershed Point Repair	91,509
	Unexpended capital reserve revenue	789,776
	Total Business-Type activities	2,740,524
	Total Restricted Cash	\$ 4,734,057

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2024.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City will receive lease payments that are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. Inventory and Prepaid Items

The inventories of the City's enterprise fund consist of expendable materials and supplies held for subsequent use. The cost of these inventories is expensed when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization cost are as follows: Buildings and improvements, \$20,000; infrastructure, \$100,000; equipment, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation.

Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Notes to the Financial Statements

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight -line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term. The City of Graham will have IT subscriptions that qualify under GASB 97 next fiscal year.

Capital assets are depreciated using the straight-line method over the following useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	50
Improvements	25
Vehicles	10
Furniture and equipment	10
Computer software	5
Computer equipment	3
Substations, lines and related equipment	50

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has several items that meet this criterion, pension and Other Post Employment Benefits (OPEB) deferrals for the 2024 fiscal year. In addition to liabilities, the statement of financial 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 and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category- prepaid taxes, property taxes receivable, unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), leases, and OPEB and pension deferrals.

Notes to the Financial Statements

10. Long-Term Obligations

In the government-wide financial 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 activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee or paid to an employee flex spending account) during or upon separation from employment. Based on the criteria above, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits where applicable.

The vacation policy of the City provides for paid vacation to full-time classified employees according to their length of service. The calendar year is the vacation year and all vacation days shall be taken within the year earned, unless specific approval is obtained from the City Manager. Employees at June 30 are entitled to full vacation pay for the year, except that they forfeit accrued vacation pay if they fail to give prior notice of intention to resign. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

12. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Notes to the Financial Statements

Fund Balances

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification 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.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Graham Cemetery.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute" defined as follows: "*Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.*" Per GASB guidance, RSS is considered a resource upon which a restriction is imposed by law through constitutional provisions or enabling legislation. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Assigned Fund Balance – portion of fund balance that the City of Graham intends to use for specific purposes.

Assigned for General Government Improvements – portion of fund balance that has been budgeted by the Council for the Capital Project's Funds.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Graham has adopted a minimum fund balance policy for the general fund which instructs management to conduct business of the City in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures.

Notes to the Financial Statements

13. Defined Benefit Cost-Sharing Plans

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 Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Graham's employer contributions are recognized when due and the City of Graham has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. 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.

14. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2025, the expenditures made in the City's General Fund and Water and Sewer Fund exceeded appropriations made by the governing board for the governing body and debt service in the general fund and water billing and metering in the water and sewer fund by \$2,101, \$8,274, and \$30,113, respectively. These over-expenditures occurred because of unexpected expenditures due to continued software conversion issues. Management and the Council will more closely review the trial balances and budget reports to ensure compliance in future years. Management believes most implementation issues have now been addressed and corrected.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary

Notes to the Financial Statements

capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2025, the City's deposits had a carrying amount of \$31,611,141 and a bank balance of \$32,787,320. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2025, the City's petty cash fund totaled \$2,175.

2. Investments

At June 30, 2025, the City of Graham had \$8,815,475 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The City has no policy regarding credit risk but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City also does not have a formal investment policy.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2025, are net of the following allowances for doubtful accounts:

Funds	2025
General Fund: taxes receivable	\$ 52,058
Water and Sewer Fund: accounts receivable	518,534
Total	\$ 570,592

4. Lease Receivable

In prior years, the City entered into a five year renewable lease with a mobile phone company. Under the lease, the mobile phone company pays the City rent in the amount of \$3,133 per month in exchange for antenna space on the City's water tower. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.6%, which is the City's incremental borrowing rate.

In fiscal year 2025, the City recognized \$34,235 of lease revenue and \$604 of interest revenue under the leases.

Notes to the Financial Statements

5. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2025, was as follows:

Primary Government

Governmental activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 2,956,005	\$ -	\$ -	\$ 2,956,005
Art collection	62,100	-	-	62,100
Construction in progress	178,016	140,274	-	318,290
Total capital assets not being depreciated	3,196,121	140,274	-	3,336,395
Capital assets being depreciated:			-	
Buildings	3,434,958	616,327	-	4,051,285
Other improvements	7,330,534	-	-	7,330,534
Vehicles and motorized equipment	10,444,188	212,214	-	10,656,402
Infrastructure	14,180,491	360,906	-	14,541,397
Equipment and furniture	5,513,369	394,185	69,871	5,837,683
Total capital assets being depreciated	40,903,540	1,583,632	69,871	42,417,301
Less accumulated depreciation for:				
Buildings	1,942,060	69,060	-	2,011,120
Other improvements	3,679,859	236,341	-	3,916,200
Vehicles and motorized equipment	5,974,316	540,207	-	6,514,523
Infrastructure	1,947,115	270,662	-	2,217,777
Equipment and furniture	4,241,194	266,900	57,912	4,450,182
Total accumulated depreciation	17,784,544	1,383,168	57,912	19,109,800
Total capital assets being depreciated, net	23,118,996	200,464	11,959	23,307,501
Capital assets being amortized:				
Right to use assets	19,931	425,000	-	444,931
Total capital assets being amortized	19,931	425,000	-	444,931
Less accumulated amortization for:				
Right to use assets	14,948	89,983	-	104,931
Total accumulated amortization	14,948	89,983	-	104,931
Total capital assets being amortized, net	4,983	335,017	-	340,000
Governmental activity capital assets, net	\$ 26,320,100	\$ 675,755	\$ 11,959	\$ 26,983,896

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

By Function	
Buildings	\$ 69,060
Improvements	232,165
Infrastructure	270,662
By Department	
General Government	77,765
Public Safety	442,523
Transportation	101,523
Environmental Protection	179,674
Cultural and Recreation	87,958
Graham Memorial Park	11,821
Total depreciation expense	<u>\$ 1,473,151</u>

Notes to the Financial Statements

Business-type activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 1,281,547	\$ -	\$ -	\$ 1,281,547
Construction in progress	62,049,275	22,911,018	-	84,960,293
Total capital assets not being depreciated	63,330,822	22,911,018	-	86,241,840
Capital assets being depreciated:				
Buildings	17,696,444	3,499,175	-	21,195,619
Lines	23,463,499	1,020,450	-	24,483,949
Other improvements	17,674,272	-	969	17,673,303
Equipment and furniture	4,530,394	337,091	101,285	4,766,200
Total capital assets being depreciated	63,364,609	4,856,717	102,254	68,119,072
Less accumulated depreciation for:				
Buildings	8,658,919	302,173	-	8,961,092
Lines	9,830,722	368,833	-	10,199,555
Other improvements	5,995,376	333,662	-	6,329,038
Equipment and furniture	2,409,130	280,544	94,834	2,594,840
Total accumulated depreciation	26,894,147	1,285,212	94,834	28,084,525
Total capital assets being depreciated, net	36,470,462	3,571,505	7,420	40,034,547
Capital assets being amortized:				
Right to use assets	171,769	-	-	171,769
Total capital assets being amortized	171,769	-	-	171,769
Less accumulated amortization for:				
Right to use assets	42,942	42,942	-	85,884
Total accumulated amortization	42,942	42,942	-	85,884
Total capital assets being amortized, net	128,827	(42,942)	-	85,885
Business-type activities capital assets, net	\$ 99,930,111	\$ 26,439,581	\$ 7,420	\$ 126,362,272

Construction commitments

The government has active construction projects as of June 30, 2025. At year-end, the City's commitments with contractors are as follows:

<u>Water / Sewer Fund</u>	Spent to date	Remaining Commitment
Old Fields Outfall	\$ 2,315,744	\$ 639,255
Wastewater Treatment Plant Upgrade	79,455,051	8,152,018
10" Water Line Replacement	2,450,131	16,490,019
Water Line Inventory	107,331	292,669
Harden St Waterline Replacement Project	-	490,000
Emerging contaminants Study	220,170	279,830
Home Banks & McBride Improvements	-	1,213,000
Boyd Creek Water Shed	411,866	88,133
Total Water / Sewer Fund	\$ 84,960,293	\$ 27,644,924
<u>General Fund</u>		
Public Works Building	\$ 188,746	\$ 26,254
Accessible Parks ADA expenditures	119,755	25,932
Pedestrian Crosswalk Improvements	9,789	490,211
Total General Fund	\$ 318,290	\$ 542,397
Total Construction Commitments	\$ 85,278,583	\$ 28,187,321

Notes to the Financial Statements

6. Right to Use Leased Asset

The City has recorded three right to use leased assets. The assets are right to use assets for lease equipment. The related leases are discussed in the leases subsection of the liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the General Fund for the year ended June 30, 2025 was to record a new lease balance of \$444,931 less amortization of \$104,931 for an ending balance of \$340,000. Right to use asset activity for the Water and Sewer Fund for the year ended June 30, 2025 with a beginning balance of \$128,827 less amortization of \$42,942 for an ending balance of \$85,885.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Graham is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters).

Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service

Notes to the Financial Statements

as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Graham employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Graham's contractually required contribution rate for the year ended June 30, 2025, was 15.04% of compensation for law enforcement officers and 13.60% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Graham were \$1,443,424 for the year ended June 30, 2025.

Refunds of Contributions – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2025, the City reported a liability of \$7,029,871 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At the June 30, 2024 measurement date, the City's proportion was 0.10428%, which was an increase of 0.00120% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the City recognized pension expense of \$2,037,845. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,231,900	\$ 8,283
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	955,707	-
Changes in proportion and differences between City contributions and proportionate share of contributions	92,421	37,815
City contributions subsequent to the measurement date	1,443,424	-
Total	<u>\$ 3,723,452</u>	<u>\$ 46,098</u>

Notes to the Financial Statements

\$1,443,424 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 693,835
2027	1,395,939
2028	252,219
2029	(108,063)
2030	-
Thereafter	-
	\$ 2,233,930

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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.

Notes to the Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	6.0%	2.7%
Total	100.0%	

The information above is based on 30 year expectations developed with an investing consulting firm’s 2025 long term capital market assumptions. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized figures. Source data provided in the 2024 Annual Comprehensive Financial Report published on website of the NC Office of State Controller.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the pension liability	\$ 12,457,137	\$ 7,029,871	\$ 2,565,198

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The City of Graham administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the City’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation

Notes to the Financial Statements

most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance.

At December 31, 2023, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	46
Total	48

2. Summary of Significant Accounting Policies:

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions:

The entry age actuarial cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.25 percent, including inflation and productivity factor
Investment rate of return	4.28 percent, net of pension plan investment expense, including inflation

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2023.

Mortality rates are based on the Pub-2010 Mortality tables projected to the valuation data using MP-2019.

3. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$66,686 as benefits came due for the reporting period.

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

At June 30, 2025, the City reported a total pension liability of \$2,335,352. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension

Notes to the Financial Statements

liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the City recognized pension expense of \$291,959.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 455,065	\$ 10,695
Change in assumptions	176,526	270,668
Benefit payment and plan administrative expenses made subsequent to the measurement date	31,440	-
Total	\$ 663,031	\$ 281,363

\$31,440 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 111,329
2027	100,904
2028	36,843
2029	33,353
2030	51,046
Thereafter	16,753
	\$ 350,228

Sensitivity of the City's total pension liability to changes in the discount rate. The following represents the City's total pension liability calculated using the discount rate of 4.28 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	\$ 2,544,343	\$ 2,335,352	\$ 2,144,888

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2025
Beginning balance	\$ 1,999,806
Service Cost	97,408
Interest on the total pension liability	78,659
Changes of benefit terms	-
total pension liability	282,764
Changes of assumptions or other inputs	(56,599)
Benefit payments	(66,686)
Other changes	-
Ending balance of the total pension liability	\$ 2,335,352

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

Notes to the Financial Statements

The actuarial assumptions used in December 31, 2023 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 2,037,844	\$ 291,959	\$ 2,329,803
Pension Liability	7,029,871	2,335,352	9,365,223
Proportionate share of the net pension liability	0.10428%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	1,231,900	455,065	1,686,965
Changes of assumptions	-	176,526	176,526
Net difference between projected and actual earnings on plan investments	955,707	-	955,707
Changes in proportion and differences between contributions and proportionate share of contributions	92,421	-	92,421
Benefit payments and administrative costs paid subsequent to the measurement date	1,443,424	31,440	1,474,864
Deferred Inflows of Resources			
Differences between expected and actual experience	8,283	10,695	18,978
Changes of assumptions	-	270,668	270,668
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	37,815	-	37,815

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The City made contributions of \$171,053 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan, (Plan) a defined contribution pension plan administered by a local financial institution. The Plan provides retirement benefits to non-law enforcement officers employed by the City.

Notes to the Financial Statements

Funding Policy. The City contributes an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the June 30, 2025 were \$626,537 which consisted of \$335,416 from the City and \$291,121 from the employees.

e. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Graham, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$175 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$15 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City of Graham funds the plan members required contribution of \$15 per month to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2025, the State contributed \$19,789,708 to the plan. The City of Graham's proportionate share of the State's contribution is \$12,036.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2025, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF.

Notes to the Financial Statements

The total portion of the net pension asset that was associated with the City and supported by the State was \$12,036. The net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension asset was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2025 and at June 30, 2024 was 0%.

For the year ended June 30, 2025, the City recognized pension expense of \$26,489 and revenue of \$26,489, for support provided by the State. At June 30, 2025 the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Not applicable
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

f. Other Post-employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Notes to the Financial Statements

Benefits Provided. As of June 30, 2003 the plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least fifteen years of creditable service with the City. Prior to June 30, 2003, employees qualified for similar level benefits after at least ten years of creditable service with the City. Health care and prescription drug coverage are provided by the City's health plan. The City pays the full cost of coverage for these benefits. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	47	3
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>32</u>	<u>20</u>
Total	<u>79</u>	<u>23</u>

Total OPEB Liability

The City's total OPEB liability of \$11,669,436 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
General Employees	3.25 - 8.41 percent
Firefighters	3.25 - 8.15 percent
Law Enforcement Officers	3.25 - 7.90 percent
Discount rate	3.93 percent
Healthcare cost trend rates	
Pre-Medicare - 7.00 percent for 2023 decreasing to an ultimate rate of 4.5 percent by 2033	
Medicare - 5.125 percent for 2023 decreasing to an ultimate rate of 4.5 percent by 2026	

The discount rate is based on the June average of the Bond Buyer 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Balance at June 30, 2023	\$	11,913,235
Changes for the year		
Service Cost		197,189
Interest		432,226
Changes of benefit terms		-
Differences between expected and actual experience		78,768
Changes in assumptions or other inputs		(409,913)
Benefit payments		(542,069)
Net Changes		<u>(243,799)</u>
Balance at June 30, 2024	\$	<u>11,669,436</u>

Notes to the Financial Statements

Changes in assumptions and other inputs reflect a change in the discount rate from 3.65 to 3.93%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvement using Scale MP-2019.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.93%)</u>	<u>(3.93%)</u>	<u>(4.93%)</u>
Total OPEB Liability	\$ 13,624,773	\$ 11,669,436	\$ 10,118,473

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 9,947,139	\$ 11,669,436	\$ 13,867,703

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Related to OPEB

For the year ended June 30, 2025, the City recognized OPEB expense of \$68,784. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 61,941	\$ 422,176
Changes of assumptions	466,970	1,516,215
Benefit payments and administrative costs made subsequent to the measurement date	333,627	-
	\$ 862,538	\$ 1,938,391

\$333,627 reported as deferred outflows of resources and deferred inflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year ended June 30:	
2026	\$ (637,290)
2027	(669,767)
2028	(88,922)
2029	(13,501)
Thereafter	-
	\$ (1,409,480)

Notes to the Financial Statements

2. 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 participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the City has property and liability coverage. General liability, law enforcement liability and public officials liability coverage is limited to \$1,000,000 per occurrence; public employee scheduled bond is limited to \$100,000; public employee blanket bond is limited to \$50,000, automobile liability coverage is limited to \$1,000,000, and watercraft are limited to \$1,000,000 per occurrence. Real and personal property coverage is limited to \$99,061,599 and boiler and machinery coverage is limited to \$5,000,000.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The City has not been designated as being in a flood zone and thus carries no commercial flood insurance.

In accordance with G.S. 159-29, The City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$1,000,000 and the tax collector for \$50,000. The City Manager and the remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

3. Claims, Judgments, and Contingent Liabilities

At June 30, 2025, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

4. Long-Term Obligations

a. Leases

The City has entered into an agreement to lease certain equipment. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement was executed on October 14, 2020, to lease computer equipment and required five payments of \$5,517. There are no variable components of the lease. The lease liability is measured at a discount rate of 7.2%, which is the stated rate in the lease agreement. As a result of the lease, the City has recorded as a right to use asset with a net book value of \$0 at June 30, 2025. The right to use asset is discussed in more detail in the intangibles section I.E.8 of this note.

The second lease agreement was executed on August 28, 2023, to lease a tractor and required four payments of \$46,765. There are no variable components of the lease. The lease liability is measured at a discount rate of 6.0%, which is the stated rate in the lease agreement. As a result of the lease, the City has recorded as a right to use asset with a net book value of \$85,739 at June 30, 2025. The right to use asset is discussed in more detail in the intangibles section I.E.8 of this note.

The third lease agreement was executed on December 12, 2024, to lease a sanitation truck and required one payment of \$96,000 and four payments of \$90,896. There are no variable components of the lease. The lease liability is measured at a discount rate of 4.24%, which is the stated rate in the lease agreement.

Notes to the Financial Statements

As a result of the lease, the City has recorded as a right to use asset with a net book value of \$328,087 at June 30, 2025. The right to use asset is discussed in more detail in the intangibles section I.E.8 of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 76,986	\$ 13,911	\$ 90,897	\$ 41,621	\$ 5,144	\$ 46,765
2027	80,250	10,647	90,897	44,118	2,647	46,765
2028	83,652	7,244	90,896	-	-	-
2029	87,199	3,697	90,896	-	-	-
	<u>\$ 328,087</u>	<u>\$ 35,499</u>	<u>\$ 363,586</u>	<u>\$ 85,739</u>	<u>\$ 7,791</u>	<u>\$ 93,530</u>

b. Installment Purchase

Serviced by General Fund

In March, 2023, the City entered into a loan agreement to purchase a Fire Truck. The contract requires principal payments of \$234,464 annually on the indebtedness beginning March 2, 2024. The interest rate as established under this program is 4%. The original amount of the loan was \$1,968,900, with an outstanding balance of \$1,632,896 as of June 30, 2025.

Serviced by the Water and Sewer Fund

In June, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Sewer improvements. The contract requires principal payments of \$19,795 annually on the indebtedness beginning May 1, 2011. The interest rate as established under this program is zero percent. The original amount of the loan was \$395,896, with an outstanding balance of \$98,975.

In November, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Water improvements. The contract requires principal payments of \$3,672 annually on the indebtedness beginning May 1, 2012. The interest rate as established under this program is zero percent. The original amount of the loan was \$73,430, with an outstanding balance of \$22,036.

On May 19, 2014, the City entered into a direct placement contract to finance the water treatment plant improvements and Project Swordfish Capital Project. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments in varying amounts beginning in the fiscal year 2015 with an interest rate of 2.60 percent. The original amount of the loan was \$5,925,000, with an outstanding balance of \$1,862,000.

On May 14, 2021, the City entered into a Water Pollution Control Revolving loan agreement for Sewer improvements. The contract requires principal payments of \$116,205 annually on the indebtedness beginning May 1, 2022. The interest rate as established under this program is zero percent. The total amount of the loan will be \$2,637,500, with a current outstanding balance of \$1,859,302.

Notes to the Financial Statements

Annual debt service payments of the installment purchases as of June 30, 2025 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 178,148	\$ 65,316	\$ 492,671	\$ 43,823
2027	185,274	58,190	502,671	34,515
2028	192,685	50,779	511,671	24,960
2029	200,392	43,072	521,671	15,158
2030	-	-	531,671	5,096
2031-2035	876,396	88,857	584,698	-
2036-	-	-	697,258	-
	<u>\$ 1,632,896</u>	<u>\$ 306,214</u>	<u>\$ 3,842,313</u>	<u>\$ 123,552</u>

c. General Obligation Indebtedness

There were no bonds payable at June 30, 2025.

d. Changes in Long-Term Liabilities

Compensated absences and the other postemployment benefits for governmental activities have typically been liquidated in the General Fund.

	Balance July 1, 2024 As Restated	Increases	Decreases	Balance June 30, 2025	Current Portion of Balance
Governmental activities:					
Direct placement Installment	\$ 1,804,192	\$ -	\$ 171,296	\$ 1,632,896	\$ 178,148
Compensated absences	1,051,050	198,319	96,249	1,153,120	96,249
Accrued sick leave	4,499,540	1,098,061	310,632	5,286,969	310,632
Lease liability	5,144	425,000	102,057	328,087	76,986
Total OPEB liability	9,048,946	-	194,145	8,854,801	-
Net pension liability (LGERS)	5,410,501	162,182	-	5,572,683	-
Total pension liability (LEO)	1,999,806	335,546	-	2,335,352	-
Governmental activity long-term liabilities	<u>\$ 23,819,179</u>	<u>\$ 2,219,108</u>	<u>\$ 874,379</u>	<u>\$ 25,163,908</u>	<u>\$ 662,015</u>
Business-type activities:					
Direct placement Installment purchase	\$ 4,593,343	\$ -	\$ 751,040	\$ 3,842,303	\$ 492,670
Lease liability	125,004	-	39,265	85,739	41,621
Net pension liability (LGERS)	1,416,643	40,545	-	1,457,188	-
Total OPEB liability	2,864,289	-	49,654	2,814,635	-
Compensated absences	307,069	-	646	306,423	-
Accrued sick leave	1,194,858	397,313	-	1,592,171	-
Business-type activity Long-term liabilities	<u>\$ 10,501,206</u>	<u>\$ 437,858</u>	<u>\$ 840,605</u>	<u>\$ 10,098,459</u>	<u>\$ 534,291</u>

At June 30, 2025, the City of Graham had a legal debt margin of \$200,477,825.

Notes to the Financial Statements

C. Interfund Balances and Activity

There are no amounts due to or from the City's different funds as of June 30, 2025.

Transfers to / from other funds at June 30, 2025, consist of the following:

From the American Rescue Plan Act (ARPA) Special Revenue Fund (SRF) to the:

General Fund	\$ 143,901
Capital Project Funds	1,997,321
	\$ 2,141,222

From the Water and Sewer Fund from the:

General Fund	\$ 165,763
Capital Project Funds	500,000
	\$ 665,763

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

During the 2025 fiscal year, the City made a transfer from the ARPA SRF to the following funds:

- General Fund for \$143,420 for the Graham-Mebane Lake ramp renovations and sales tax \$481.
- 10" Water Line Replacement for \$1,997,321.

During the 2025 fiscal year, the city made a transfer from the Water Sewer Fund to the following funds:

- General Fund for sales tax for \$165,763.
- Boyd Creek Watershed Point Repair for \$500,000.

D. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$14,453, for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2025. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 26,983,896	126,362,272
less: long-term debt	(1,960,983)	(3,928,042)
	\$ 25,022,913	\$ 122,434,230

F. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 17,254,116
Less: Stabilization by State Statute	(4,013,636)
Appropriated Fund Balance in 25/26 Budget	(1,408,062)
Working Capital / Fund Balance Policy	(6,825,169)
Remaining Fund Balance	\$ 5,007,249

Notes to the Financial Statements

The City of Graham has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures.

There were no outstanding encumbrances needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

G. Changes in Accounting Principles

For the year ended June 30, 2025, GASB Statement No. 101, Compensated Absences, was implemented. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This change restated and reduced beginning net position of governmental activities in the government-wide statements by \$4,499,540. This change restated and reduced beginning net position of government-wide business-type activities and proprietary funds by \$1,194,858.

For the year ended June 30, 2025, GASB No. 102, Certain Risk Disclosures, was implemented. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

III. Jointly Governed Organization

The City, in conjunction with twelve counties and sixty other municipalities, established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member, and one alternate if they so desire, to the Council's governing board. The City paid membership fees of \$4,396 and \$3,690 respectively, to the Council during the fiscal years ended June 30, 2025 and June 30, 2024.

IV. Joint Ventures

The City, in conjunction with the Cities of Burlington and Mebane, participates in the Alamance Municipal ABC Board. Each participating government appoints board members. The ABC Board is a joint venture established to facilitate control over alcoholic beverages within the Cities. The ABC Board has been in existence for over 40 years and is self-sustaining. The City has an ongoing financial responsibility for the ABC Board because it and the Cities of Burlington and Mebane are legally obligated under the intergovernmental agreement that created the ABC Board to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2025. Complete financial statements for the ABC Board can be obtained from the administrative offices at 603 W. Harden Street, Graham, North Carolina, 27253.

Notes to the Financial Statements

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2025, the City reported revenues and expenditures for the payments of \$14,453 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2025. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Related Organization

The five-member board of the City of Graham Housing Authority is appointed by the City Council of the City of Graham. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Graham is also disclosed as a related organization in the notes to the financial statements for the Graham Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 109 East Hill Street, Graham, North Carolina 27253.

VI. Joint Operation

The City of Graham and the City of Mebane are co-owners and operators of a water supply reservoir and water treatment plant per an Intergovernmental Watershed Agreement. Since June 22, 1973, the ownership of the assets and improvements of the joint undertaking remained at 66.7% interest for the City of Graham and 33.3% interest for the City of Mebane. Due to relative growths of the populations in units of government, the parties agreed as of February 3, 2014 to adjust the capacity, treatment and operational costs, improvements, upgrades, and repairs to be borne equally by the units. At this time, the City of Mebane also agreed to pay to the City of Graham an equalizing sum of \$2,548,070 for their capital interest. The amount is to be paid in twenty annual installments of \$127,403 with the first payment due July 31, 2014. No interest is included in the agreement. The receivable balance at June 30, 2025 was \$1,146,637.

VII. Interlocal Cooperation Agreement

The City of Graham and the City of Mebane entered into an interlocal cooperation agreement for the allocation of Twenty One and Forty Three One Hundredths percent (21.43%) of capacity usage of the City of Graham's wastewater treatment plant. The cost of agreed upon improvements or upgrades to the wastewater treatment plant and the Cherry Lane pump station will be shared by the City of Graham and the City of Mebane based on percentage of capacity usage, as noted above. The duration for the continuation of the agreement is 99 years. The City of Mebane has agreed to pay the City of Graham \$2,682,464 for this capacity usage. The amount is to be paid in twenty annual installments of \$200,000 (payments 1-5), \$150,000 (payments 6-10), \$100,000 (payments 11-15), and \$86,493 (payments 16-20) with the first payment due July 10, 2017. No interest is included in the agreement. The balance of the payable as of June 30, 2025 was \$1,232,464.

Notes to the Financial Statements

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Litigation

The City of Mebane filed a civil lawsuit in December, 2025 seeking judicial determination of the amount the City of Mebane is obligated to pay the City of Graham for improvements to Graham's wastewater treatment plant. The obligation arises as part of a 2017 wastewater treatment agreement between the City of Mebane and the City of Graham. As of the statement date, the court has not ruled on the amount the City of Mebane will be obligated to pay the City of Graham.

IX. Significant Effects of Subsequent Events

Subsequent Events

In accordance with ASC 855, the City evaluated subsequent events through March 23, 2026, the date the financial statements were available to be issued.

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City of Graham, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years *

Local Government Employees' Retirement System

	2025	2024	2023	2022	2021
Graham's proportion of the net pension liability (asset) (%)	0.10%	0.10%	0.10%	0.10%	0.11%
Graham's proportion of the net pension liability (asset) (\$)	\$ 7,029,871	\$ 6,827,144	\$ 5,894,164	\$ 1,558,134	\$ 3,881,098
Graham's covered-employee payroll	\$ 10,002,263	\$ 8,492,423	\$ 7,810,803	\$ 7,143,725	\$ 6,951,557
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.28%	80.39%	75.46%	21.81%	55.83%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	92.60%
	2020	2019	2018	2017	2016
Graham's proportion of the net pension liability (asset) (%)	0.11%	0.11%	0.11%	0.11%	0.11%
Graham's proportion of the net pension liability (asset) (\$)	\$ 3,025,315	\$ 2,514,920	\$ 1,679,121	\$ 2,289,787	\$ 496,232
Graham's covered-employee payroll	\$ 6,712,152	\$ 6,336,890	\$ 6,087,820	\$ 5,910,245	\$ 5,842,839
Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.07%	39.69%	27.58%	38.74%	8.49%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

City of Graham, North Carolina
Schedule of Contributions
Required Supplementary Information
Last Ten Fiscal Years

Local Government Employees' Retirement System

	2025	2024	2023	2022	2021
Contractually required contribution	\$ 1,319,308	\$ 1,070,866	\$ 871,034	\$ 736,524	\$ 637,437
Contributions in relation to the contractually required contribution	1,282,339	1,067,749	866,431	743,996	645,554
Contribution deficiency (excess)	\$ 36,969	\$ 3,117	\$ 4,603	\$ (7,472)	\$ (8,117)
Graham's covered-employee payroll	10,245,101	10,002,263	8,492,423	7,810,803	7,143,725
Contributions as a percentage of covered-employee payroll	12.52%	10.68%	10.20%	9.53%	9.04%
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 532,416	\$ 462,401	\$ 452,142	\$ 394,126	\$ 395,212
Contributions in relation to the contractually required contribution	535,383	490,017	452,142	394,126	395,212
Contribution deficiency (excess)	\$ (2,967)	\$ (27,616)	\$ -	\$ -	\$ -
Graham's covered-employee payroll	6,951,557	6,712,152	6,336,890	6,087,820	5,910,245
Contributions as a percentage of covered-employee payroll	7.70%	7.30%	7.14%	6.47%	6.69%

Notes to the Required Schedules

For 2024, the total pension liability for the December 31, 2022 actuarial valuation was determined using the following actuarial changes of assumptions:

Real Wage Growth changed	0.75% from 0.50%
Payroll Growth changed	3.25% from 3.50%

For 2023, the total pension liability for the December 31, 2021 actuarial valuation was determined using the following actuarial changes of assumptions:

Inflation and Payroll Growth	2.50% from 3.00%
Mortality Rates	RP-2010 Total Data Set for Healthy Annuitants

For 2022, the discount rate and the investment rate were changed to 6.50% from 7.00%

For 2020, the total pension liability for the December 31, 2019 actuarial valuation was determined using the following actuarial changes of assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Smoothed Fair Value
Assumptions:	
Inflation	3.00%
Discount Rate	7.00%
Real Wage Growth	0.50%
Payroll Growth	3.50%
Mortality	RP-2014 Total Data Set for Healthy Annuitants

City of Graham, North Carolina
Schedule of Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Ten Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Graham's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Graham's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Graham	(8,600)	5,164	10,208	(15,623)	20,693
Total	\$ (8,600)	\$ 5,164	\$ 10,208	\$ (15,623)	\$ 20,693
Graham's covered-employee payroll	\$ 1,034,034	\$ 994,602	\$ 791,882	\$ 766,296	\$ 638,026
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-0.83%	0.52%	1.29%	-2.04%	3.24%
Plan fiduciary net position as a percentage of the total pension liability	102.76%	89.69%	102.40%	95.80%	92.30%

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Graham's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Graham's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with City of Graham	21,264	23,012	21,716	14,435	26,974
Total	\$ 21,264	\$ 23,012	\$ 21,716	\$ 14,435	\$ 26,974
Graham's covered-employee payroll	\$ 602,227	\$ 548,192	\$ 549,785	\$ 499,649	\$ 495,512
Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll	3.53%	4.20%	3.95%	2.89%	5.44%
Plan fiduciary net position as a percentage of the total pension liability	90.50%	89.35	94.94%	91.40%	93.42%

* The amounts presented are for the prior fiscal year.

City of Graham
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Eight Fiscal Years *

	2025	2024	2023	2022	2021
Beginning balance	\$ 1,999,806	\$ 1,709,953	\$ 1,898,894	\$ 1,703,124	\$ 1,186,980
Service Cost	97,408	79,147	103,296	101,427	60,460
Interest on the total pension liability	78,659	72,600	42,114	32,346	38,126
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	282,764	138,899	78,249	174,277	(38,120)
Changes of assumptions or other inputs	(56,599)	50,213	(358,298)	(57,978)	490,637
Benefit payments	(66,686)	(51,006)	(54,302)	(54,302)	(34,959)
Other changes	-	-	-	-	-
Ending balance of the total pension	<u>\$ 2,335,352</u>	<u>\$ 1,999,806</u>	<u>\$ 1,709,953</u>	<u>\$ 1,898,894</u>	<u>\$ 1,703,124</u>

	2020	2019	2018
Beginning balance	\$ 1,050,974	\$ 986,337	\$ 849,793
Service Cost	59,890	59,277	50,189
Interest on the total pension liability	37,522	30,865	32,553
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	35,355	44,821	(3,725)
Changes of assumptions or other inputs	43,523	(51,132)	70,408
Benefit payments	(40,284)	(19,194)	(12,881)
Other changes	-	-	-
Ending balance of the total pension	<u>\$ 1,186,980</u>	<u>\$ 1,050,974</u>	<u>\$ 986,337</u>

* The amounts presented were determined as of the prior fiscal year ending December 31.

Notes to the Required Schedules

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

The City has no assets accumulated in a trust that meets the criteria for a pension trust as defined by GASB Statement 67. See Notes to the Schedule on the following schedule.

City of Graham
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Eight Fiscal Years

	2025	2024	2023	2022	2021
Total pension liability	\$ 2,335,352	\$ 1,999,806	\$ 1,709,953	\$ 1,898,894	\$ 1,703,124
Covered payroll	3,158,927	2,719,189	2,421,319	2,232,777	2,133,496
Total pension liability as a percentage of covered payroll	73.93%	73.54%	70.62%	85.05%	79.83%

	2020	2019	2018
Total pension liability	\$ 1,186,980	\$ 1,050,974	\$ 986,337
Covered payroll	\$ 2,239,931	1,995,372	1,918,587
Total pension liability as a percentage of covered payroll	52.99%	52.67%	51.41%

Notes to the Required Schedules

The City of Mebane has no assets accumulated in a trust that meets the criteria for a pension trust as defined by GASB Statement 67. The total pension liability was determined from an actuarial valuation as of December 31, 2023. Methods and assumptions used

Actuarial Cost Method Entry Age Normal
Asset Valuation Method Market Value
Pay Increase Timing Beginning of the Year

Assumptions:

Inflation 2.50%
Discount Rate 4.28%
Real Wage Growth 0.75%
Payroll Growth 3.25% -- 7.75% annually
Mortality Pub-2010 amount-weighted tables using generational improvement with scale MP-2019
Cost-of-living adjustments N/A

For December 31, 2024 Measurement Date:

The Municipal Bond Index Rate increased from 4.00% to 4.28%.

For December 31, 2023 Measurement Date:

The Municipal Bond Index Rate decreased from 4.31% to 4.00%.

For December 31, 2022 Measurement Date:

The Municipal Bond Index Rate increased from 2.25% to 4.31%.

For December 31, 2021 Measurement Date:

The Municipal Bond Index Rate increased from 1.93% to 2.25%.

For December 31, 2020 Measurement Date:

The Municipal Bond Index Rate

Based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019, the following were updated: mortality rates, salary increase rates, service retirement rates, disability retirement rates, termination rates, real wage growth, and leave conversion service.

For December 31, 2019 Measurement Date:

The Municipal Bond Index Rate decreased from 3.64% to 3.26%.

For December 31, 2018 Measurement Date:

The Municipal Bond Index Rate increased from 3.16% to 3.64%.

For December 31, 2017 Measurement Date:

The Municipal Bond Index Rate decreased from 3.86% to 3.16%.

The assumed inflation rate was reduced from 3.00% to 2.50% and assumed wage inflation was increased from 0.5% to 1.0%.

For December 31, 2016 Measurement Date:

The Municipal Bond Index Rate increased from 3.57% to 3.86%.

City of Graham, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Five Fiscal Years

Total OPEB Liability	2025	2024	2023	2022	2021
Service Cost	\$ 197,189	\$ 233,013	\$ 346,452	\$ 438,718	\$ 279,721
Interest	432,226	439,291	343,794	366,595	446,283
Changes of benefit terms		-	-	-	-
Differences between expected and actual experience	78,768	(284,277)	5,536	(1,673,372)	(17,709)
Changes of assumptions	(409,913)	21,166	(3,234,828)	668,499	3,337,587
Benefit payments	(542,069)	(1,332,973)	(385,658)	(373,993)	(360,622)
Net change in total OPEB liability	(243,799)	(923,780)	(2,924,704)	(573,553)	3,685,260
Total OPEB liability - beginning	11,913,235	12,837,015	15,761,719	16,335,272	12,650,012
Total OPEB liability - ending	<u>\$ 11,669,436</u>	<u>\$ 11,913,235</u>	<u>\$ 12,837,015</u>	<u>\$ 15,761,719</u>	<u>\$ 16,335,272</u>
Covered Payroll	\$ 3,540,644	\$ 3,540,644	\$ 3,568,349	\$ 3,568,349	\$ 3,831,598
Total OPEB Liability as a percentage of covered payroll	329.59%	336.47%	359.75%	441.71%	426.33%

Notes to Schedule

* This schedule is intended to show information for ten years.

The City has no assets accumulated in a trust that meets the criteria for an OPEB trust as defined by GASB Statement 68. Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each fiscal year:

<u>Fiscal year</u>	<u>Rate</u>
2025	3.93%
2024	3.65%
2023	3.54%
2022	2.16%

**City of Graham, North Carolina
General Fund**

**Statement 1
1 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes				
Current taxes	\$ 6,330,000	\$ 6,671,486	\$ 341,486	\$ 6,082,378
Prior year taxes	35,000	89,132	54,132	43,921
Vehicle taxes	667,000	613,447	(53,553)	640,632
Tax cost and interest	23,000	47,662	24,662	27,529
Total	7,055,000	7,421,727	366,727	6,794,460
Other taxes and licenses				
Privilege license	500	855	355	820
Total	500	855	355	820
Unrestricted intergovernmental				
Payment in lieu of taxes	33,000	87,515	54,515	46,620
Local option sales tax	6,250,000	7,060,522	810,522	6,411,914
Telecommunications sales tax	-	94,777	94,777	100,120
Piped natural gas sales tax	-	84,674	84,674	76,565
Utilities sales tax	900,000	788,873	(111,127)	731,722
Video franchise fee	-	84,762	84,762	84,440
Beer and wine tax	75,000	81,083	6,083	88,759
Occupancy tax	79,000	59,485	(19,515)	-
ABC profit distribution	205,000	96,920	(108,080)	148,555
Solid waste disposal tax	14,000	15,651	1,651	14,216
Storm water fee	268,000	303,357	35,357	189,734
Total	7,824,000	8,757,619	933,619	7,892,645
Restricted intergovernmental				
Powell Bill allocation	654,607	654,607	-	551,519
School Resource Officer	375,000	375,000	-	375,000
Federal drug monies	-	52,855	52,855	29,104
State drug monies	16,400	14,406	(1,994)	-
Miscellaneous community grants	50,000	2,426	(47,574)	-
ABC revenue for law enforcement	50,000	19,108	(30,892)	34,843
On-behalf of payments - Fire	-	26,489	26,489	26,128
Total	1,146,007	1,144,891	(1,116)	1,016,594
Permits and fees				
Development fees	40,000	27,982	(12,018)	40,423
Building permits and inspection fees	550,000	932,124	382,124	791,545
Total	590,000	960,106	370,106	831,968

**City of Graham, North Carolina
General Fund**

**Statement 1
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**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Sales and services				
Refuse collection fees	\$ 842,000	\$ 1,090,194	\$ 248,194	\$ 900,006
Brush and garbage fees	-	-	-	415
Cemetery fees	75,000	85,900	10,900	95,950
Concession income	100	192	92	234
Recreation Department fees	117,000	136,192	19,192	137,060
Recreation-Graham Mebane Lake	237,068	198,649	(38,419)	142,570
Garage fees	779,100	749,307	(29,793)	828,978
Rent on city properties	28,500	25,351	(3,149)	48,860
Total	2,078,768	2,285,785	207,017	2,154,073
Investment earnings				
Interest on investments	215,000	363,373	148,373	377,971
Federal drug monies - interest	-	4,202	4,202	4,491
State drug monies - interest	-	720	720	-
Total	215,000	368,295	153,295	382,462
Miscellaneous				
Other	50,000	41,713	(8,287)	71,742
ABC revenue	35,000	43,456	8,456	45,440
Recycling/surplus proceeds	10,600	13,037	2,437	22,897
NCCP	350,000	226,774	(123,226)	357,535
Police donations / contributions	351,000	286,610	(64,390)	200,758
Recreation donations	10,000	13,616	3,616	84,458
Court costs and fines	15,000	23,972	8,972	23,846
5k run - donations	2,000	-	(2,000)	-
Sports Hall of Fame	200	-	(200)	860
Alarms	3,000	1,145	(1,855)	2,230
Processing fees	-	3,671	3,671	2,827
Insurance proceeds	48,134	50,392	2,258	51,343
Total	874,934	704,386	(170,548)	863,936
Total revenues	19,784,209	21,643,664	1,859,455	19,936,958
Expenditures:				
General government				
Travel/Tourism				
Tourism	18,275	17,000	1,275	-
Capital outlay equipment	60,725	60,725	-	-
Total	79,000	77,725	1,275	-
Governing Body				
Salaries	34,032	33,122	910	29,530
Professional services	8,328	7,888	440	3,943
Travel	7,000	6,908	92	5,056

**City of Graham, North Carolina
General Fund**

**Statement 1
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**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget			Actual
Supplies and materials	\$ 547	\$ 547	\$ -	\$ 234
FICA	2,700	2,534	166	2,259
Dues and subscriptions	300	300	-	300
Telephone and postage	2,440	2,440	-	1,134
Miscellaneous	1,443	5,152	(3,709)	16,648
Total	56,790	58,891	(2,101)	59,104
Administration				
Salaries	627,700	601,950	25,750	490,381
Professional services	214,832	236,050	(21,218)	229,681
FICA	48,500	45,596	2,904	37,405
Group insurance	301,131	270,286	30,845	315,303
Retirement	68,200	66,792	1,408	59,966
Unemployment expense	437	-	437	-
Longevity pay	8,400	7,933	467	6,900
Telephone and postage	8,000	4,029	3,971	6,766
Vehicle tax administration fee	25,000	18,005	6,995	21,783
Travel	7,000	2,039	4,961	6,526
Maintenance and repairs-vehicles	200	-	200	-
Vehicle and equipment fuel	300	71	229	61
Advertising	600	278	322	376
Dues and subscriptions	16,633	16,633	-	15,329
Insurance and bonds	361,520	361,519	1	319,770
Miscellaneous	34,214	29,844	4,370	28,094
Animal Shelter	131,575	131,574	1	107,080
Contracted services	24,972	24,965	7	103,053
NCCP	-	-	-	132,335
Supplemental retirement	20,200	15,853	4,347	14,153
Supplies	9,850	7,419	2,431	6,738
Facade grant	15,000	12,424	2,576	12,549
Wellness	12,100	8,143	3,957	-
Economic development	20,000	20,000	-	15,000
Total	1,956,364	1,881,403	74,961	1,929,249
Information Technologies				
Salaries	124,500	104,999	19,501	89,878
FICA	7,300	7,804	(504)	6,671
Group insurance	10,200	12,949	(2,749)	9,519

City of Graham, North Carolina
General Fund

Statement 1
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Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Unemployment expense	\$ 428	\$ -	\$ 428	\$ -
Retirement	12,900	14,299	(1,399)	11,937
Longevity pay	3,400	3,187	213	2,864
Travel	2,500	431	2,069	1,020
Telephone and postage	32,800	34,260	(1,460)	48,318
Maintenance and repairs - equipment	12,000	8,151	3,849	9,752
Supplies	2,000	1,403	597	1,803
Contracted services	23,974	21,320	2,654	24,783
Dues and subscriptions	500	468	32	687
Miscellaneous	7,026	5,526	1,500	4,381
Capital outlay - equipment	158,000	80,518	77,482	66,023
Software maintenance	131,850	122,290	9,560	96,745
Small equipment purchase	72,000	137,319	(65,319)	105,156
Supplemental retirement	4,800	4,843	(43)	3,451
Total	606,178	559,767	46,411	482,988
Finance				
Salaries	172,000	164,595	7,405	204,816
FICA	13,000	12,118	882	15,018
Group insurance	21,300	24,194	(2,894)	23,589
Unemployment expense	142	-	142	-
Retirement	24,700	23,660	1,040	27,192
Longevity pay	9,078	9,057	21	8,452
Bank charges	-	5	(5)	856
Telephone and postage	3,038	2,810	228	3,582
Travel	1,500	1,152	348	2,226
Advertising	1,700	1,632	68	1,745
Supplies	4,494	4,425	69	8,167
Contracted services	33,722	33,546	176	8,078
Dues and subscriptions	700	606	94	-
Miscellaneous	4,853	4,674	179	1,234
Audit	125,800	116,561	9,239	48,563
Software maintenance	57,500	57,411	89	45,797
Small equipment purchase	-	-	-	120
Supplemental retirement	7,500	6,067	1,433	7,969
Total	481,027	462,513	18,514	407,404
Public buildings				
Telephone and postage	700	468	232	335
Utilities	56,404	58,036	(1,632)	52,809
Maintenance and repairs	63,100	62,455	645	51,978
Supplies and materials	8,000	7,586	414	8,718
Uniforms	-	-	-	294

City of Graham, North Carolina
General Fund

Statement 1
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Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Vehicle and equipment fuel	\$ 100	\$ 255	\$ (155)	\$ 1,453
Miscellaneous	500	-	500	-
Small equipment purchase	-	5,370	(5,370)	38,328
Capital outlay-other improvements	43,900	38,000	5,900	22,946
Total	172,704	172,170	534	176,861
City garage				
Salaries	292,000	273,221	18,779	155,653
FICA	22,900	21,398	1,502	11,483
Group insurance	41,000	37,991	3,009	18,889
Retirement expense	40,000	38,977	1,023	19,765
Unemployment Insurance	856	-	856	-
Longevity pay	13,600	12,910	690	5,982
Telephone and postage	2,000	1,426	574	3,065
Utilities	8,012	7,110	902	3,023
Travel and training	200	-	200	-
Maintenance and repairs - equipment	12,500	12,119	381	408
Maintenance and repairs - vehicles	1,500	271	1,229	1,024
Vehicle and equipment fuel	2,100	2,028	72	1,886
Supplies and materials	2,000	766	1,234	4,026
Uniforms	3,300	3,255	45	3,561
Dues and subscriptions	19,250	17,279	1,971	7,960
Inventory	836,700	696,413	140,287	793,068
Small equipment purchases	6,000	5,188	812	3,384
Capital outlay equipment	-	-	-	17,842
Supplemental retirement	14,600	13,241	1,359	7,393
Miscellaneous	2,000	1,653	347	3,789
Total	1,320,518	1,145,246	175,272	1,062,201
City garage and warehouse				
Salaries	-	-	-	70,838
FICA	-	-	-	5,391
Group insurance	-	-	-	9,439
Retirement	-	-	-	9,583
Longevity pay	-	-	-	3,744
Telephone and postage	-	-	-	876
Utilities	12	12	-	3,073
Maintenance and repairs-equipment	-	-	-	2,397
Supplies	-	-	-	106
Miscellaneous	-	-	-	6,633
Supplemental retirement	-	-	-	3,536
Total	12	12	-	115,616
Total general government	4,672,593	4,357,727	314,866	4,233,422

**City of Graham, North Carolina
General Fund**

**Statement 1
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**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Public safety				
Police department				
Salaries	\$ 3,940,054	\$ 3,790,650	\$ 149,404	\$ 3,748,241
Professional services	328,156	290,149	38,007	293,111
FICA	298,000	286,913	11,087	282,828
Group insurance	508,622	535,819	(27,197)	474,359
Unemployment expense	2,000	-	2,000	-
Retirement	567,000	559,454	7,546	508,366
Longevity pay	106,800	100,453	6,347	84,997
Training	25,947	18,956	6,991	11,988
Telephone and postage	53,756	46,312	7,444	57,639
Utilities	28,000	18,600	9,400	18,451
Travel	6,828	6,290	538	6,265
Vehicle and equipment fuel	100,000	88,912	11,088	117,409
Maintenance and repairs - building	11,400	3,198	8,202	18,500
Maintenance and repairs - equipment	16,600	16,185	415	18,070
Maintenance and repairs - vehicles	91,449	82,075	9,374	99,120
Radio maintenance	4,000	(51)	4,051	45,828
Supplies and materials	19,500	13,155	6,345	19,445
Crime prevention	7,000	3,757	3,243	4,782
K-9 expense	10,000	5,636	4,364	10,006
Uniforms	51,200	50,405	795	53,403
Contracted services	126,106	121,720	4,386	121,541
Dues and subscriptions	8,282	8,204	78	4,374
Small equipment purchase	50,500	26,738	23,762	138,262
Miscellaneous	4,000	2,952	1,048	4,801
Capital outlay - equipment	215,935	232,773	(16,838)	186,545
Software maintenance and changes	41,250	41,202	48	38,325
Supplemental retirement	180,000	178,309	1,691	178,697
Total	6,802,385	6,528,765	273,620	6,545,353
Fire department				
Salaries	1,062,000	1,034,034	27,966	994,602
Professional fees	195,200	195,189	11	198,439
FICA	76,000	80,224	(4,224)	77,156
Group insurance	112,000	114,602	(2,602)	99,944
Unemployment expense	2,500	-	2,500	-
Retirement	111,000	110,716	284	101,379
Longevity pay	13,000	12,216	784	9,455
Training	5,400	5,342	58	4,661
Telephone and postage	11,038	6,508	4,530	6,879
Travel	8,000	4,530	3,470	6,541
Maintenance and repairs - equipment	19,900	19,476	424	19,783

**City of Graham, North Carolina
General Fund**

**Statement 1
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**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Maintenance and repairs - vehicles	\$ 60,246	\$ 54,218	\$ 6,028	\$ 37,417
Radio maintenance	4,100	315	3,785	23,565
Firemen's fees	21,000	18,210	2,790	22,120
Firemen's pension fund	19,400	17,740	1,660	21,120
Vehicle and equipment fuel	23,000	21,579	1,421	25,864
Supplies and materials	25,763	22,839	2,924	23,438
Hazmat equipment	500	452	48	150
Uniforms	59,800	58,346	1,454	50,152
Insurance - Firemen's Fraternal Fund	3,600	2,652	948	2,534
Dues and subscriptions	4,500	2,890	1,610	4,946
Miscellaneous fire prevention	2,500	1,744	756	3,137
Health and safety	26,400	25,317	1,083	24,411
Miscellaneous	700	375	325	1,689
Small equipment purchase	1,500	20,070	(18,570)	22,870
Capital outlay - equipment	19,841	(441)	20,282	29,177
Supplemental retirement	42,000	34,087	7,913	34,438
Police reserves	3,000	-	3,000	3,000
On-behalf payments	-	26,489	(26,489)	26,128
Total	1,933,888	1,889,719	44,169	1,874,995
Inspection - planning/zoning				
Salaries	499,000	471,318	27,682	447,682
Professional services	4,220	1,436	2,784	32,015
FICA	45,600	36,125	9,475	34,088
Group insurance	61,000	59,412	1,588	47,271
Unemployment expense	1,926	-	1,926	-
Retirement	73,900	63,831	10,069	56,702
Longevity pay	15,900	14,087	1,813	12,463
Telephone and postage	7,076	6,479	597	6,104
Travel	4,000	1,406	2,594	1,282
Maintenance and repairs - vehicles	3,000	1,515	1,485	3,870
Advertising	2,000	1,437	563	1,829
Vehicle and equipment fuel	3,000	2,711	289	3,499
Dues and subscriptions	6,500	6,452	48	583
Small equipment purchases	500	2,645	(2,145)	-
Supplies and materials	3,000	2,904	96	1,620
Uniforms	1,500	603	897	1,004
Miscellaneous	2,000	(1,292)	3,292	5,546
Software maintenance and changes	24,000	7,133	16,867	18,350
Supplemental retirement	27,300	22,948	4,352	21,210
Total	785,422	701,150	84,272	695,118
Total public safety	9,521,695	9,119,634	402,061	9,115,466

City of Graham, North Carolina
General Fund

Statement 1
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Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Transportation				
Traffic engineering				
Utilities	\$ 4,300	\$ 3,869	\$ 431	\$ 3,698
Small equipment purchases	500	-	500	-
Capital outlay - equipment	162,155	162,155	-	-
Contracted services	30,000	18,000	12,000	24,000
Total	196,955	184,024	12,931	27,698
Street				
Salaries	522,000	472,256	49,744	443,455
Professional services	12,000	8,635	3,365	12,930
Storm water	111,178	112,690	(1,512)	57,717
FICA	42,000	36,598	5,402	34,368
Group insurance	92,000	73,640	18,360	70,125
Unemployment expense	1,926	-	1,926	-
Retirement	74,000	66,288	7,712	58,468
Longevity pay	15,900	14,260	1,640	11,615
Telephone and postage	6,538	6,271	267	6,833
Utilities	3,000	2,607	393	2,516
Travel	2,000	129	1,871	311
Maintenance and repairs - equipment	1,000	-	1,000	219
Maintenance and repairs - vehicles	55,000	56,116	(1,116)	61,554
Vehicle and equipment fuel	22,000	16,025	5,975	20,195
Supplies and materials	18,000	16,404	1,596	15,595
Traffic control	8,000	5,595	2,405	9,449
Uniforms	7,000	6,870	130	11,179
Road repair materials	25,000	24,263	737	22,854
Sidewalk repairs	25,000	15,492	9,508	13,644
Snow and ice removal	15,000	12,203	2,797	-
Storm sewers	25,000	4,023	20,977	26,998
Street resurfacing	708,607	487,152	221,455	508,713
Right of ways	5,000	-	5,000	-
Dues and subscriptions	6,000	4,694	1,306	20,954
Miscellaneous	2,000	601	1,399	2,466
Contracted services	1,000	745	255	-
Small equipment purchases	5,000	59,146	(54,146)	-
Capital outlay - other improvements	47,400	217,486	(170,086)	428,437

**City of Graham, North Carolina
General Fund**

**Statement 1
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**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Capital outlay - equipment	\$ 40,000	\$ -	\$ 40,000	\$ 95,691
Supplemental retirement	27,500	20,794	6,706	20,365
Street improvements	18,000	8,120	9,880	16,817
Total	1,944,049	1,749,103	194,946	1,973,468
Street lighting				
Utilities	206,048	199,509	6,539	165,455
Total	206,048	199,509	6,539	165,455
Total transportation	2,347,052	2,132,636	214,416	2,166,621
Environmental protection				
Sanitation				
Salaries	480,000	459,631	20,369	433,623
FICA	37,000	35,883	1,117	33,437
Group insurance	82,000	89,701	(7,701)	82,516
Unemployment expense	1,712	-	1,712	-
Retirement	65,000	64,337	663	58,931
Longevity pay	16,800	15,604	1,196	13,040
Telephone and postage	5,560	5,432	128	4,577
Maintenance and repairs - vehicles	78,500	77,668	832	84,027
Vehicle and equipment fuel	54,000	52,623	1,377	61,458
Supplies and materials	1,120	1,075	45	1,457
Tipping fees	275,521	234,334	41,187	220,661
Travel	-	-	-	31
Uniforms	5,500	4,309	1,191	7,117
Contracted services	418,424	415,577	2,847	383,436
Small equipment purchases	-	-	-	81
Capital outlay equipment	419,310	419,304	6	-
Miscellaneous	8,500	7,909	591	4,908
Rollout refuse	55,910	55,901	9	65,178
Supplemental retirement	24,000	16,359	7,641	14,820
Total environmental protection	2,028,857	1,955,647	73,210	1,469,298

City of Graham, North Carolina
General Fund

Statement 1
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Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Culture and recreation				
Recreation				
Salaries	\$ 552,000	\$ 504,576	\$ 47,424	\$ 511,439
Professional services	119,000	125,581	(6,581)	2,977
FICA	42,000	38,064	3,936	38,439
Group insurance	51,000	57,290	(6,290)	65,094
Unemployment expense	1,284	-	1,284	-
Retirement	53,000	52,453	547	48,558
Longevity pay	9,900	9,231	669	7,218
Telephone and postage	26,538	26,372	166	16,248
Utilities	37,653	38,582	(929)	32,368
Travel	6,000	5,954	46	6,083
Maintenance and repairs - buildings	15,000	14,851	149	16,878
Maintenance and repairs - equipment	4,100	4,022	78	1,982
Maintenance and repairs - vehicles	4,950	5,324	(374)	1,904
Contracted personnel	22,350	22,316	34	19,748
Vehicle and equipment fuel	1,500	1,410	90	2,154
Supplies and materials	10,938	10,941	(3)	4,552
Uniforms	1,500	848	652	1,467
Uniforms/Equipment from donations	375	353	22	2,745
Contracted services	24,912	22,862	2,050	32,253
Dues and subscriptions	12,400	10,970	1,430	8,654
Miscellaneous	1,950	464	1,486	1,994
Athletics programs	13,875	11,458	2,417	11,895
Hall of fame	500	-	500	9,277
Other programs	114,312	107,127	7,185	64,836
Concessions	500	467	33	869
Small equipment purchases	3,000	47,400	(44,400)	29,269
Capital outlay - other improvements	82,250	-	82,250	310,424
Advertising	7,000	5,873	1,127	7,956
Supplemental retirement	19,500	11,166	8,334	13,900
	1,239,287	1,135,955	103,332	1,271,181
Graham-Mebane Lake				
Salaries	145,000	112,143	32,857	119,703
FICA	13,300	8,787	4,513	9,304
Group insurance	10,400	10,586	(186)	9,439
Professional services	1,000	555	445	3,819
Unemployment expense	1,236	-	1,236	-

**City of Graham, North Carolina
General Fund**

**Statement 1
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**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Retirement expense	\$ 9,600	\$ 9,493	\$ 107	\$ 8,707
Longevity pay	3,550	3,239	311	3,815
Telephone and postage	3,050	2,965	85	2,114
Utilities	4,650	4,573	77	4,168
Travel	1,625	1,621	4	653
Maintenance and repairs - buildings	3,050	657	2,393	8,559
Maintenance and repairs - equipment	200	11	189	752
Maintenance and repairs - vehicles	2,300	2,245	55	1,081
Vehicle and equipment fuel	1,150	522	628	1,497
Other programs	2,500	728	1,772	532
Supplies and materials	14,289	10,260	4,029	10,733
Uniforms	500	499	1	216
Contracted services	1,575	1,350	225	1,500
Dues and subscriptions	100	-	100	76
Miscellaneous expense	375	-	375	1,000
Small equipment purchases	4,000	6,205	(2,205)	5,770
Capital outlay - other improvements	10,000	-	10,000	-
Capital outlay - equipment	157,500	152,800	4,700	-
Supplemental retirement	3,550	3,311	239	3,208
Total	394,500	332,550	61,950	196,646
Property Maintenance				
Salaries	725,500	664,273	61,227	649,348
FICA	56,500	50,449	6,051	49,181
Group insurance	113,000	112,756	244	103,162
Unemployment expense	3,088	-	3,088	-
Retirement	89,500	87,286	2,214	80,446
Longevity pay	21,200	19,959	1,241	16,701
Telephone and postage	5,140	4,387	753	4,586
Utilities	39,034	35,832	3,202	33,478
Travel	2,275	2,209	66	2,409
Contract labor	2,836	2,020	816	2,165
Equipment rentals	1,550	1,212	338	1,562
Maintenance and repairs - buildings	28,200	23,003	5,197	14,905
Maintenance and repairs - equipment	37,300	35,085	2,215	35,702
Maintenance and repairs - grounds	60,000	57,444	2,556	57,437
Maintenance and repairs - vehicles	17,500	13,367	4,133	11,361
Maintenance and repairs - lighting and fencing	2,080	970	1,110	16
Vehicle and equipment fuel	32,450	27,834	4,616	34,775
Supplies and materials	14,700	14,787	(87)	15,084
Uniforms	7,200	7,039	161	11,148

**City of Graham, North Carolina
General Fund**

**Statement 1
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**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2025**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Dues and subscriptions	\$ 9,050	\$ 8,999	\$ 51	\$ 6,184
Miscellaneous	4,125	1,952	2,173	3,463
Small equipment purchases	6,750	15,191	(8,442)	24,273
Capital outlay - other improvements	624,900	616,327	8,573	-
Capital outlay - equipment	24,870	22,847	2,023	81,040
Supplemental retirement	33,500	27,266	6,234	26,692
Business beautification grant	15,000	11,956	3,044	5,280
Total	1,977,248	1,864,449	112,799	1,270,398
Total culture and recreation	3,611,035	3,332,954	278,081	2,738,225
Debt Service				
Principal retirement	285,528	268,209	17,319	164,708
Interest and other charges	53,937	79,530	(25,593)	78,756
Total Debt Service	339,465	347,739	(8,274)	243,464
Total expenditures	22,520,697	21,246,338	1,274,359	19,966,495
Revenues over (under) expenditures	(2,736,488)	397,326	3,133,814	(29,537)
Other financing sources (uses)				
Transfers:				
Governmental capital projects	-	309,665	309,665	344,833
Loan proceeds	425,000	425,000	-	-
Appropriated fund balance	2,311,488	-	(2,311,488)	-
Total	2,736,488	734,665	(2,001,823)	344,833
Net Change in Fund Balances	\$ -	1,131,991	\$ 1,131,991	315,296
Fund balances, beginning		16,122,125		15,806,829
Fund balances, ending		\$ 17,254,116		\$ 16,122,125

City of Graham, North Carolina
Special Revenue Fund - ARPA enabled projects
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authorization	Prior Year	Current Year	Total To Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
ARPA Enabled Projects	\$ 4,986,300	\$ 4,986,300	\$ -	\$ 4,986,300	\$ -
Total revenues	<u>4,986,300</u>	<u>4,986,300</u>	<u>-</u>	<u>4,986,300</u>	<u>-</u>
Expenditures:					
Employee Dental	54,000	-	46,390	46,390	7,610
Public Works Building	215,000	178,016	10,730	188,746	26,254
	<u>269,000</u>	<u>178,016</u>	<u>57,120</u>	<u>235,136</u>	<u>33,864</u>
Other financing uses:					
Transfers to other funds:					
General Fund					
GPD Positions Equipment	(62,101)	(62,102)		(62,102)	(1)
GPD Vehicles	(204,033)	(203,210)	-	(203,210)	823
Fire Department Equipment	(33,016)	(32,005)	-	(32,005)	1,011
GM Lake-Ramp Renovation	(195,000)	-	(143,420)	(143,420)	51,580
Civic Center Repairs	(66,343)	(66,336)	-	(66,336)	7
Cameras at Parks	(11,128)	(11,128)	-	(11,128)	-
Future Project	(77,679)	-	-	-	77,679
Sales tax	-	(5,237)	(481)	(5,718)	(5,718)
Water and Sewer Fund					
Fuel Master-System Upgrade	(18,000)	(14,361)	-	(14,361)	3,639
Capital Project Funds					
Albright Water Line Replace	(550,000)	(513,451)	-	(513,451)	36,549
10" Water Line Replacement	(3,500,000)	(452,810)	(1,997,321)	(2,450,131)	1,049,869
Total other financing sources (uses)	<u>(4,717,300)</u>	<u>(1,360,640)</u>	<u>(2,141,222)</u>	<u>(3,501,862)</u>	<u>1,215,438</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 3,447,644</u>	<u>(2,198,342)</u>	<u>\$ 1,249,302</u>	<u>\$ 1,249,302</u>
Fund balance, beginning			<u>3,447,644</u>		
Fund balance, ending			<u>\$ 1,249,302</u>		

**City of Graham, North Carolina
Combining Balance Sheets
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2025**

Statement 3

	<u>Graham Memorial Park</u>	<u>Truby Drive Repair</u>	<u>Downtown Enhancement Grant</u>	<u>Accessible Parks Grant</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,958,782	\$ -	\$ 594,064	\$ (119,755)	\$ 3,433,091
Accrued interest receivable	304	-	-	-	304
Accounts receivable, net	3,250	-	-	-	3,250
Due from other governments	-	-	-	119,437	119,437
	<hr/>				
Total assets	<u>\$ 2,962,336</u>	<u>\$ -</u>	<u>\$ 594,064</u>	<u>\$ (318)</u>	<u>\$ 3,556,082</u>

LIABILITIES AND FUND BALANCES

Accounts payable and accrued liabilities	\$ -	\$ -	\$ 6,472	\$ -	\$ 6,472
Fund balances:					
Reserved for subsequent years' expenditures	2,962,336	-	587,592	(318)	3,549,610
	<hr/>				
Total liabilities and fund balances	<u>\$ 2,962,336</u>	<u>\$ -</u>	<u>\$ 594,064</u>	<u>\$ (318)</u>	<u>\$ 3,556,082</u>

City of Graham, North Carolina
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2025

Statement 4

	Graham Memorial Park	Truby Drive Repair	Downtown Enhancement Grant	Accessible Parks Grant	Total Nonmajor Governmental Funds
<u>REVENUES</u>					
Restricted intergovernmental revenues:					
Investment earnings	\$ 120,550	\$ -	\$ -	\$ -	\$ 120,550
Lot sales	-	-	-	-	-
Restricted intergovernmental	-	-	600,000	119,437	719,437
Total revenues	120,550	-	600,000	119,437	839,987
Expenditures					
Maintenance and repair	-	200,000	-	-	200,000
Capital outlay	-	-	9,789	119,755	129,544
Downtown enhancement grant improvements	-	-	2,619	-	2,619
Total expenditures	-	200,000	12,408	119,755	332,163
Other financing sources:					
Transfer (to) from General Fund	-	-	-	-	-
Revenues over expenditures and other financing sources	120,550	(200,000)	587,592	(318)	507,824
Fund balance - beginning of year	2,841,786	200,000	-	-	3,041,786
Fund balance - end of year	\$ 2,962,336	\$ -	\$ 587,592	\$ (318)	\$ 3,549,610

City of Graham, North Carolina
Special Revenue Fund - Graham Memorial Park Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2025
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2024

Statement 5

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Revenues:				
Sale of cemetery lots	\$ -	\$ -	\$ -	\$ 250
Investment earnings	-	120,550	120,550	132,528
Total revenues	-	120,550	120,550	132,778
Expenditures				
Small equipment purchases	-	-	-	-
Capital outlay improvements	-	-	-	-
Capital outlay equipment	-	-	-	-
Total expenditures	-	-	-	-
Revenues over expenditures	-	120,550	120,550	132,778
Other financing sources (uses)				
Appropriated fund balance	-	-	-	-
Revenues and other sources over (under) expenditures	-	-	-	-
	<u>\$ -</u>	120,550	<u>\$ 120,550</u>	132,778
Fund balance, beginning		2,841,786		2,709,008
Fund balance, ending		<u>\$ 2,962,336</u>		<u>\$ 2,841,786</u>

City of Graham, North Carolina
Capital Project Fund - Truby Drive Repair
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

Statement 6

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Repair project	\$ 200,000	\$ -	\$ 200,000	\$ 200,000	\$ -
Total expenditures	200,000	-	200,000	200,000	-
Other financing sources:					
Operating transfer from					
General Fund	200,000	200,000	-	200,000	-
Grant proceeds	-	-	-	-	-
Total other financing sources	200,000	200,000	-	200,000	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 200,000</u>	(200,000)	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			200,000		
Fund balance, ending			<u>\$ -</u>		

City of Graham, North Carolina
Capital Project Fund - Downtown Enhancements Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

Statement 7

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Downtown street light improvements	\$ 3,456	\$ -	\$ 2,619	\$ 2,619	\$ 837
Pedestrian crosswalk improvements	500,000	-	9,789	9,789	490,211
Tree replacement	12,500	-	-	-	12,500
Contingency	84,044	-	-	-	84,044
Total expenditures	600,000	-	12,408	12,408	587,592
Other financing sources:					
Grant proceeds	600,000	-	600,000	600,000	-
Total other financing sources	600,000	-	600,000	600,000	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	587,592	\$ 587,592	\$ 587,592
Fund balance, beginning			-		
Fund balance, ending			\$ 587,592		

City of Graham, North Carolina
 Capital Project Fund - Accessible Parks Grant
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Non-GAAP)
 From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Accessible Parks ADA expenses	\$ 145,687	\$ -	\$ 119,755	\$ 119,755	\$ 25,932
Total expenditures	145,687	-	119,755	119,755	25,932
Other financing sources:					
Accessible Parks Grant Funding	119,437	-	119,437	119,437	-
Local match	26,250	-	-	-	(26,250)
Total other financing sources	145,687	-	119,437	119,437	(26,250)
Revenues and other sources over (under) expenditures	\$ -	\$ -	(318)	\$ (318)	\$ (318)
Fund balance, beginning			-		
Fund balance, ending			\$ (318)		

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2025

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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Revenues:				
Charges for services				
Sewer surcharges	\$ 78,000	\$ 42,367	\$ (35,633)	\$ 77,018
Water charges	3,220,000	3,918,106	698,106	2,912,814
Sewer charges	5,741,000	6,527,047	786,047	5,470,794
Mebane revenue	1,700,000	1,364,706	(335,294)	1,458,834
Total	10,739,000	11,852,226	1,113,226	9,919,460
Other operating revenues				
Sewer acreage & connection fees	325,000	987,602	662,602	953,150
Water acreage & connection fees	325,000	935,176	610,176	958,520
Fire flow test fee	15,000	8,400	(6,600)	6,000
Plumbing permits and inspections	45,000	93,810	48,810	111,610
Water and sewer taps	117,000	289,017	172,017	273,636
Water and sewer assessments	100	-	(100)	-
Miscellaneous	30,000	53,434	23,434	8,721
Cut-offs	115,000	138,892	23,892	128,894
Total	972,100	2,506,331	1,534,231	2,440,531
Total operating revenues	11,711,100	14,358,557	2,647,457	12,359,991
Non-operating revenues				
Investment earnings	265,000	354,063	89,063	370,292
Lease revenue	37,500	34,235	(3,265)	13,884
Interest on lease receivable	-	604	604	1,553
Other	17,279	45,573	28,294	53,524
NCCP	100,000	152,719	52,719	121,285
Total non-operating revenues	419,779	587,194	167,415	560,538
Total revenues	12,130,879	14,945,751	2,814,872	12,920,529
Expenditures:				
Water billing and metering				
Salaries	365,914	261,967	103,947	346,826
FICA	27,800	20,395	7,405	26,129
Group insurance	35,800	29,205	6,595	42,422
Unemployment expense	1,686	-	1,686	-
Retirement	39,000	28,587	10,413	41,319
Longevity pay	9,506	9,506	-	8,189
Bank charges	-	5	(5)	28,366
Telephone and postage	51,000	49,037	1,963	38,705
Travel	341	341	-	880

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2025

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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Maintenance and repairs - vehicles	\$ 4,790	\$ 5,179	\$ (389)	\$ 1,121
Maintenance and repairs-equipment	500	-	500	-
Vehicle and equipment fuel	3,700	3,632	68	2,381
Supplies and materials	1,000	591	409	1,888
Uniforms	700	-	700	527
Contract services	27,063	23,343	3,720	17,960
Sewer treatment	-	33,773	(33,773)	0
Dues and subscriptions	12,000	11,213	787	10,537
Small equipment	2,200	668	1,532	-
Miscellaneous	300	254	46	458
Software maintenance and charges	11,000	10,935	65	27,953
Bad debt expense	-	140,138	(140,138)	41,559
Supplemental retirement	14,400	10,044	4,356	14,535
Total	608,700	638,813	(30,113)	651,755
Water distribution				
Salaries	595,986	399,335	196,651	353,683
FICA	46,000	30,855	15,145	27,180
Group insurance	111,900	78,779	33,121	72,167
Unemployment expense	1,551	-	1,551	-
Retirement	72,000	54,044	17,956	46,070
Longevity pay	8,400	6,969	1,431	5,722
Telephone and postage	6,652	3,002	3,650	3,544
Utilities	20,161	13,506	6,655	9,487
Travel	5,000	2,596	2,404	2,112
Maintenance and repairs - equipment	20,000	14,894	5,106	11,988
Maintenance and repairs - vehicles	20,000	14,927	5,073	8,450
Vehicle and equipment fuel	18,500	15,156	3,344	19,161
Supplies and materials	192,000	192,525	(525)	145,941
Uniforms	9,000	5,490	3,510	7,749
Contracted services	331,115	350,090	(18,975)	326,583
Dues and subscriptions	4,000	2,119	1,881	2,119
Miscellaneous	4,500	5,486	(986)	1,724
Meters, valves, hydrants	541,000	467,570	73,430	315,080
Small tools and equipment	15,000	227,179	(212,179)	43,322
Supplemental retirement	30,500	9,907	20,593	16,073
Total	2,053,265	1,894,429	158,836	1,418,155

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2025

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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2024

	2025			2024
	Budget	Actual	Variance Positive (Negative)	Actual
Sewer mains				
Salaries	\$ 114,500	\$ 67,272	\$ 47,228	\$ 75,113
FICA	8,800	5,305	3,495	5,827
Group insurance	10,500	5,658	4,842	178
Unemployment expense	634	-	634	-
Professional services	25,060	948	24,112	15,708
Retirement	9,950	9,399	551	8,502
Longevity pay	1,850	1,677	173	1,375
Telephone and postage	4,576	2,256	2,320	2,377
Utilities	30,697	29,670	1,027	26,289
Travel	1,200	-	1,200	85
Maintenance and repairs - buildings	1,500	-	1,500	-
Maintenance and repairs - equipment	40,500	5,875	34,625	10,500
Maintenance and repairs - vehicles	4,700	4,584	116	757
Vehicle and equipment fuel	3,500	2,005	1,495	1,967
Supplies and materials	1,800	1,344	456	1,016
Uniforms	2,000	1,023	977	1,138
Contracted services	14,570	12,816	1,754	12,714
Miscellaneous	2,500	-	2,500	-
Small equipment purchase	3,500	3,315	185	1,240
Supplemental retirement	5,000	2,043	2,957	1,950
	287,337	155,190	132,147	166,736
Water Treatment Plant				
Salaries	826,000	734,642	91,358	715,441
Professional services	182,400	74,583	107,817	261,994
FICA	64,000	56,051	7,949	53,888
Group insurance	102,000	105,054	(3,054)	93,051
Unemployment expense	2,354	-	2,354	-
Retirement	106,000	100,630	5,370	93,818
Longevity pay	29,000	23,323	5,677	22,891
Telephone and postage	11,700	10,801	899	5,637
Utilities	330,000	293,140	36,860	276,098
Travel	6,000	4,631	1,369	3,889
Maintenance and repairs - buildings and grounds	26,000	9,705	16,295	47,454
Maintenance and repairs - equipment	50,000	43,672	6,328	42,088
Maintenance and repairs - vehicles	3,500	1,720	1,780	2,604

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2025

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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Vehicle and equipment fuel	\$ 4,000	\$ 2,367	\$ 1,633	\$ 3,350
Supplies and materials	1,292,800	1,193,677	99,123	1,036,950
Uniforms	3,000	2,068	932	1,535
Lab expense	57,000	54,606	2,394	48,003
Contract services	85,000	84,815	185	69,363
Dues and subscriptions	10,500	9,872	628	10,160
Small equipment	25,000	20,780	4,220	30,742
Miscellaneous	2,000	-	2,000	286
Supplemental retirement	39,000	35,343	3,657	33,106
Total	3,257,254	2,861,480	395,774	2,852,348
Waste Water Treatment Plant				
Salaries	862,000	756,423	105,577	772,526
Professional services	12,500	9,551	2,949	1,605
FICA	67,000	58,487	8,513	58,909
Group insurance	122,000	119,616	2,384	109,175
Unemployment expense	2,782	-	2,782	-
Retirement	111,000	102,170	8,830	98,259
Longevity pay	32,500	27,154	5,346	25,764
Telephone and postage	10,500	10,175	325	4,609
Utilities	210,000	179,798	30,202	208,137
Travel	8,500	7,966	534	5,777
Maintenance and repairs - buildings	26,000	11,663	14,337	24,169
Maintenance and repairs - equipment	40,000	33,496	6,504	30,096
Maintenance and repairs - vehicles	21,500	24,599	(3,099)	11,771
Vehicle and equipment fuel	15,000	16,154	(1,154)	17,554
Supplies and materials	213,000	185,233	27,767	403,496
Uniforms	3,000	2,807	193	1,675
Lab expense	77,000	74,016	2,984	67,721
Contracted services	53,527	52,127	1,400	45,477
Sewer treatment	612,865	498,503	114,362	539,634
Dues and subscriptions	18,000	17,183	817	16,524
Miscellaneous	7,500	6,771	729	2,761
Small equipment purchase	18,000	93,081	(75,081)	60,157
Supplemental retirement	41,000	28,642	12,358	32,173
Total	2,585,174	2,315,615	269,559	2,537,969

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2025

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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2024

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Non-departmental				
Professional services	\$ 235,269	\$ 210,512	\$ 24,757	\$ 208,670
Group Insurance	64,500	64,957	(457)	103,822
Water - Burlington	5,000	-	5,000	5,000
Contracted Services	82,000	14,283	67,717	105,413
NCCP revenue sharing payment	5,000	-	5,000	144
Insurance and bonds	151,500	161,059	(9,559)	137,685
Small equipment purchase	5,000	-	5,000	1,294
Miscellaneous	16,496	13,698	2,798	8,919
Total	564,765	464,509	100,256	570,947
Debt service				
Interest	60,889	55,689	5,200	66,579
Debt principal	547,432	544,480	2,952	491,341
Total	608,321	600,169	8,152	557,920
Capital outlay - equipment & improvements				
Water distribution improvements	824,000	-	824,000	-
Water distribution equipment	227,000	43,109	183,891	7,500
Sewer mains	41,800	43,283	(1,483)	-
Water Treatment Plant improvements	-	-	-	29,375
Water Treatment Plant equipment	295,000	137,654	157,346	27,455
Waste Water Plant improvements	80,000	-	80,000	22,844
Waste Water Treatment Plant	176,779	113,045	63,734	90,516
Total	1,644,579	337,091	1,307,488	177,690
Total expenditures	11,609,395	9,267,296	2,342,099	8,933,519
Revenues over (under) expenditures	521,484	5,678,455	5,156,971	3,987,010

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2025

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With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2024

	2025			2024
	Budget	Actual	Variance Positive (Negative)	Actual
Other financing sources (uses)				
Fund balance appropriated	\$ 216,188	\$ -	\$ (216,188)	\$ -
Mebane WTP Capital Contribution	127,000	127,403	403	127,403
WWTP Equipment and Improvements	65,300	-	(65,300)	40,841
Mebane WWTP Payment	150,000	150,000	-	150,000
Transfer	(1,080,972)	(665,764)	415,208	(855,751)
Sale of surplus property	1,000	-	(1,000)	-
Total	(521,484)	(388,361)	133,123	(537,507)
Revenues and other sources (uses) over expenditures	\$ -	5,290,094	\$ 5,290,094	3,449,503
Reconciling items:				
Payment of debt principal		544,480		491,341
Principal payments received		(277,403)		(277,403)
Capital outlay		337,091		177,690
(Increase) decrease in accrued vacation pay		645		(58,544)
(Increase) decrease in accrued sick pay		(397,313)		
Increase (decrease) in deferred outflows of resources -OPEB		(142,312)		(158,514)
(Increase) decrease in deferred inflows of resources -OPEB		187,652		246,771
(Increase) decrease in accrued OPEB liability		49,653		196,318
(Increase) decrease in interest expense accrual		4,119		4,012
(Increase) decrease in lease interest expense accrual		1,503		
(Increase) decrease in net pension liability		(40,545)		(195,926)
(Increase) decrease in deferred inflows of resources -pensions		15,606		2,658
Increase (decrease) in deferred outflows of resources - pensions		(93,516)		67,045
Gain (loss) on disposal of assets		(7,420)		-
Depreciation and amortization		(1,328,154)		(1,233,533)
State AIA grant		45,487		61,844
Income from DWSRF-EC loan		187,061		-
Income from SRP loan		7,569,086		-
Income from ASADRA loan		17,199,578		40,076,813
Transfer from ARPA		1,997,321		866,859
Activity From Water and Sewer Capital Projects Fund		500,000		761,998
Total reconciling items		26,352,619		41,029,429
Change in Net Position		\$ 31,642,713		\$ 44,478,932

City of Graham, North Carolina
Capital Reserve Fund - System Development Fees
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2025
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2024

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	2025			2024
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures				
Capital outlay improvements	\$ -	\$ -	\$ -	\$ -
Capital outlay equipment	-	-	-	-
Total Expenditures	-	-	-	-
Revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfer to Capital Project Fund	-	-	-	-
Transfer to Water and Sewer Fund				
Transfer from Water and Sewer Fund	-	-	-	-
Revenues and other sources over (under) expenditures	\$ -	-	\$ -	-
Fund balance, beginning		789,776		789,776
Fund balance, ending		\$ 789,776		\$ 789,776

CITY OF GRAHAM, NORTH CAROLINA
Boyd Creek Pump Station Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

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	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 220,000	\$ 385,688	\$ -	\$ 385,688	\$ (165,688)
Construction	430,000	390,964	-	390,964	39,036
Lift station construction	3,250,000	2,660,587	-	2,660,587	589,413
Loan fees	62,000	61,938	-	61,938	62
Total expenditures	3,962,000	3,499,177	-	3,499,177	462,823
Other financing sources:					
Operating transfer from					
Water and Sewer Fund	712,000	712,000	-	712,000	-
Grant proceeds State SRP Grant	612,500	612,500	-	612,500	-
State SRP Loan	2,637,500	2,453,578	-	2,453,578	(183,922)
Total other financing sources	3,962,000	3,778,078	-	3,778,078	(183,922)
Net change in fund balance	\$ -	\$ 278,901	\$ -	\$ 278,901	\$ 278,901

CITY OF GRAHAM, NORTH CAROLINA
Old Fields Outfall Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 150,000	\$ 153,923	\$ 1,139	\$ 155,062	\$ (5,062)
Construction - Phase 1	1,585,000	1,061,073	-	1,061,073	523,927
Construction - Phase 2	1,200,000	1,088,304	-	1,088,304	111,696
Easements	20,000	11,306	-	11,306	8,694
Total expenditures	2,955,000	2,314,606	1,139	2,315,745	639,255
Other financing sources:					
Operating transfer from Water and Sewer Fund	1,355,000	791,703	-	791,703	(563,297)
Development Revenue	800,000	723,738	-	723,738	(76,262)
System Development Capital Reseve Fund	800,000	800,000	-	800,000	-
Total other financing sources	2,955,000	2,315,441	-	2,315,441	(639,559)
Net change in fund balance	\$ -	\$ 835	\$ (1,139)	\$ (304)	\$ (304)

CITY OF GRAHAM, NORTH CAROLINA
Wastewater Treatment Plant Upgrade Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services - Plan and design	\$ 2,726,845	\$ 2,726,845	\$ -	\$ 2,726,845	\$ -
Professional services - construction	3,479,228	1,898,576	841,749	2,740,325	738,903
Construction-Crowder	74,653,000	48,401,175	23,926,915	72,328,090	2,324,910
Contingencies	2,130,427	-	-	-	2,130,427
Loan fees	1,659,790	1,659,790	-	1,659,790	-
Total expenditures	84,649,290	54,686,386	24,768,664	79,455,050	5,194,240
Other financing sources:					
Operating transfer from Water and Sewer Fund	1,659,790	1,659,790	-	1,659,790	-
ASADRA State Loan	25,300,000	2,906,182	17,199,578	20,105,760	(5,194,240)
CWSRF State Loan	57,689,500	50,120,414	7,569,086	57,689,500	-
Total other financing sources	84,649,290	54,686,386	24,768,664	79,455,050	(5,194,240)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF GRAHAM, NORTH CAROLINA
10" Water Line Replacement
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Water Main Construction	\$ 15,992,075	\$ 20,000	\$ 21,457	\$ 41,457	\$ 15,950,618
Engineering & professional services	1,257,925	432,810	1,975,864	2,408,674	(1,150,749)
Total expenditures	17,250,000	452,810	1,997,321	2,450,131	14,799,869
Other financing sources:					
State ARPA Grant	13,750,000	-	-	-	(13,750,000)
Transfer from ARPA - SRF	3,500,000	452,810	1,997,321	2,450,131	(1,049,869)
Total revenues	17,250,000	452,810	1,997,321	2,450,131	(14,799,869)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF GRAHAM, NORTH CAROLINA
Water Line Inventory
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 400,000	\$ 61,844	\$ 45,487	\$ 107,331	\$ 292,669
Total expenditures	400,000	61,844	45,487	107,331	292,669
Other financing sources:					
State AIA Grant	400,000	61,844	45,487	107,331	(292,669)
Total revenues	400,000	61,844	45,487	107,331	(292,669)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF GRAHAM, NORTH CAROLINA
Long and Albright Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 904,860	\$ 506,998	\$ -	\$ 506,998	\$ 397,862
Albright Water Line	550,000	513,452	-	513,452	36,548
Total expenditures	<u>1,454,860</u>	<u>1,020,450</u>	<u>-</u>	<u>1,020,450</u>	<u>434,410</u>
Other financing sources:					
Operating transfers from:					
Water and Sewer Fund	749,340	506,998	-	506,998	(242,342)
General Fund	155,520	-	-	-	(155,520)
ARPA funding - SRF	<u>550,000</u>	<u>513,452</u>	<u>-</u>	<u>513,452</u>	<u>(36,548)</u>
Total other financing sources	<u>1,454,860</u>	<u>1,020,450</u>	<u>-</u>	<u>1,020,450</u>	<u>(434,410)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GRAHAM, NORTH CAROLINA
Boyd Creek Watershed Point Repair
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional services	\$ 500,000	\$ 14,003	\$ 397,864	\$ 411,867	\$ 88,133
Total expenditures	500,000	14,003	397,864	411,867	88,133
Other financing sources:					
Operating transfer from Water and Sewer Fund	500,000	-	500,000	500,000	-
	500,000	-	500,000	500,000	-
Net change in fund balance	\$ -	\$ (14,003)	\$ 102,136	\$ 88,133	\$ 88,133

CITY OF GRAHAM, NORTH CAROLINA
Harden Street Waterline Replacement Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional and contracted services	\$ 490,000	\$ -	\$ -	\$ -	\$ 490,000
Total expenditures	490,000	-	-	-	490,000
Other financing sources:					
Operating transfer from Water and Sewer Fund	490,000	-	-	-	(490,000)
	490,000	-	-	-	(490,000)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF GRAHAM, NORTH CAROLINA
Emerging Contaminants Study Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Engineering Services	\$ 500,000	\$ -	\$ 220,170	\$ 220,170	\$ 279,830
Total expenditures	500,000	-	220,170	220,170	279,830
Other financing sources:					
DWSRF-EC Principal Forgiveness Loan	500,000	-	187,061	187,061	(312,939)
	500,000	-	187,061	187,061	(312,939)
Net change in fund balance	\$ -	\$ -	\$ (33,109)	\$ (33,109)	\$ (33,109)

CITY OF GRAHAM, NORTH CAROLINA
Home, Banks and McBride Improvements Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2025

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
Expenditures					
Professional Services and Construction					
Phase 1	\$ 288,000	\$ -	\$ -	\$ -	\$ 288,000
Phase 2	925,000	-	-	-	925,000
Total expenditures	1,213,000	-	-	-	1,213,000
Other financing sources:					
Other financing sources:					
Operating transfers from:					
Water and Sewer Fund					
Phase 1	288,000	-	-	-	(288,000)
Phase 2	925,000	-	-	-	(925,000)
	1,213,000	-	-	-	(1,213,000)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -	\$ -

City of Graham, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2025

Statement 21

Fiscal Year	Uncollected Balance June 30, 2024	Additions	Collections and Credits	Uncollected Balance June 30, 2025
2024-2025	\$	\$ 7,400,221	\$ 7,281,387	\$ 118,834
2023-2024	140,826	-	85,833	54,993
2022-2023	88,134	-	25,225	62,909
2021-2022	39,318	-	9,718	29,600
2020-2021	30,184	-	7,809	22,375
2019-2020	23,755	-	6,477	17,278
2018-2019	17,144	-	3,631	13,513
2017-2018	9,775	-	1,340	8,435
2016-2017	10,824	-	737	10,087
2015-2016	8,923	-	413	8,510
2014-2015	7,860	-	7,860	-
	<u>\$ 376,743</u>	<u>\$ 7,400,221</u>	<u>\$ 7,430,430</u>	346,534

Less: Allowance for uncollectible accounts (General Fund)

52,058

Ad valorem taxes receivable - net

\$ 294,476

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 7,421,727

Reconciling items:

Tax cost and interest

(56,739)

Amounts written off for tax year 2014-2015

per statute of limitations

7,860

Refunds and other adjustments - net

57,582

Subtotal

8,703

Total collections and credits

\$ 7,430,430

City of Graham, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For The Fiscal Year Ended June 30, 2025

Statement 22

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,588,269,913	\$ 0.29	\$ 7,505,983	\$ 6,892,748	613,235
Penalties	-		-	-	-
Total	2,588,269,913		7,505,983	6,892,748	613,235
Discoveries	1,239,511		3,595	3,595	-
			7,509,578	6,896,343	613,235
Abatements	(37,709,223)		(109,357)	(109,357)	-
Total property valuation	<u>\$ 2,551,800,201</u>				
Net levy			7,400,221	6,786,986	613,235
Uncollected taxes at June 30, 2025			(118,834)	(106,181)	(12,653)
Current year's taxes collected			<u>\$ 7,281,387</u>	<u>\$ 6,680,805</u>	<u>\$ 600,582</u>
Current levy collection percentage			<u>98.39%</u>	<u>98.44%</u>	<u>97.94%</u>
<u>Secondary Market Disclosures:</u>					
Assessed Valuation:			Total		
Assessment Ratio ¹			100%		
Real Property			\$ 2,156,268,359	\$ 2,156,268,359	\$ -
Personal Property			361,000,163	149,539,820	211,460,343
Public Service Companies ²			34,531,678	34,531,678	-
Total Assessed Valuation			2,551,800,200	2,340,339,857	211,460,343
Tax Rate per \$100			0.290	0.290	0.290
Levy (includes discoveries, releases and abatements)			<u>\$ 7,400,221</u>	<u>\$ 6,786,986</u>	<u>\$ 613,235</u>

¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

**City of Graham, North Carolina
Ten Largest Taxpayers
For The Fiscal Year Ended June 30, 2025**

Statement 23

<u>Taxpayer</u>	<u>Type of Business</u>		<u>Percentage of Total Assessed Valuation</u>
LIDL US Operations LLC	Manufacturing	\$ 79,052,242	3.10%
SDG, Graham I LLC	Rental	46,678,204	1.83%
Truby Drive Industrial, LLC	Rental	45,446,127	1.78%
Southwood, Waterside LLC	Rental	44,345,352	1.74%
Elevate Haw River, LLC	Rental	40,663,159	1.59%
Triangle, Watercourse LLC	Warehouse	37,187,465	1.46%
Scott, Mayo Holdings, LLC	Utilities	26,827,920	1.05%
Duke Energy	Rental	20,293,842	0.80%
Pines Apartments of Graham LLC	Healthcare	17,326,690	0.68%
Peak of Graham, LLC	Manufacturing	15,612,616	0.61%
		<u>\$ 373,433,617</u>	<u>14.63%</u>



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

Independent Auditor's Report

To The Honorable Mayor and
Members of the City Council
City of Graham
Graham, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Graham, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the City of Graham's basic financial statements and have issued our report thereon dated March 23, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control,

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described in the accompanying schedule of findings and responses as item (2025-01) that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina
March 23, 2026



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*Advisors to
Management*

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; WITH OMB
UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION
ACT**

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Graham, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Graham, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Graham's major federal programs for the year ended June 30, 2025. The City of Graham'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, the City of Graham 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 June 30, 2025.

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) and the State Single Audit Implementation Act. 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 City of Graham 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 reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Graham's compliance with the compliance requirements referred to above.

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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 City of Graham 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 City of Graham'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 GAAS, *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 Graham's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 City of Graham'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 City of Graham'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 City of Graham'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.

Report on Internal Control Over Compliance

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 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.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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.

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.

STOUT STUART MCGOWEN & KINGS, LLP

Burlington, North Carolina

March 23, 2026



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REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; WITH OMB UNIFORM
GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Independent Auditor's Report

To The Honorable Mayor and
Members of the City Council
City of Graham
Graham, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited City of Graham, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Graham's major state programs for the year ended June 30, 2025. The City of Graham's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Graham 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 state programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State 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) and the State Single Audit Implementation Act. 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 City of Graham 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 provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the City of Graham'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 City of Graham State 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 City of Graham'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 GAAS, *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 Graham's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *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 City of Graham'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 City of Graham'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 City of Graham'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.

Report on Internal Control Over Compliance

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 State 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 State 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State 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.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all

deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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.

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.

STOUT STUART MCGOWEN & KINGS LLP

Burlington, North Carolina
March 23, 2026

CITY OF GRAHAM, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended June 30, 2025

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(s) identified that are not
 considered to be material weaknesses _____ X Yes _____ None Reported

Noncompliance material to financial statements noted _____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(s) identified that are not
 considered to be material weaknesses _____ Yes X None Reported

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

Any audit findings disclosed that are required to be
 reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

Federal Assistance Listing No. Names of Federal Program or Cluster

66.458 Clean Water State Revolving Fund

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 Graham

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Corrective Action Plan

For the Fiscal Year Ended June 30, 2025

Section II – Financial Statement Findings

Finding: 2025-01 Overbudget

Name of contact person: Aaron Holland, Finance Officer

Corrective Action: The finance officer will ensure that amounts are budgeted before any expenditures are incurred.

Proposed Completion Date: The Council will implement the above procedure immediately.

CITY OF GRAHAM, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2025

None

