

**GRAND FORKS REGIONAL AIRPORT AUTHORITY
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS
AT DECEMBER 31, 2021

Rick Meland	Chairman
Steve Kuhlman	Vice-Chairman
Jeannie Mock	Commissioner
Tim Mutchler	Commissioner
Cynthia Pic	Commissioner
Karl Bollingberg	Commissioner
Dane Simonson	Commissioner
Ryan Riesinger	Executive Director
Tanna Aasand	Director of Finance and Administration

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Grand Forks Regional Airport Authority
Grand Forks, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Grand Forks Regional Airport Authority, Grand Forks, North Dakota, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Grand Forks Regional Airport Authority, Grand Forks, North Dakota, as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Grand Forks Regional Airport Authority'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 Grand Forks Regional Airport Authority'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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues and Expenses – Budget and Actual as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges and Related Expenditures are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenses – Budget and Actual, Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges and Related Expenditures 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 board of commissioners listing 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 22, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

March 22, 2022

GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

The following discussion and analysis of the financial performance and activity of the Grand Forks Regional Airport Authority (the Authority) is to provide an introduction and understanding of the basic financial statements of the Authority for the year ended December 31, 2021 with selected comparative information for the years ended December 31, 2020 and 2019. This discussion has been prepared by management and is unaudited; and should be read in conjunction with the financial statements, and the notes thereto, which follow this section.

The Grand Forks Regional Airport Authority (Authority) was formed April 20, 1987. It operates under the provisions of the North Dakota Century Code, Chapter 2.06. It is governed by a Board of seven commissioners, four of whom are appointed by the Mayor of the City of Grand Forks and confirmed by the City Council and three of whom are appointed by the Grand Forks County Commission. The Authority's financial statements include only funds and departments over which the Authority officials exercise oversight responsibility. No other agencies, Boards, commissions or other organizations have been included in the Authority's financial statements. The Authority is a component unit of the City of Grand Forks.

The Authority operates an airport system that provides domestic air service for the mid-west region. The organization consists of more than 24 employees in a structure that includes central administration, airport management and operations, and public safety.

In addition to operating the airport, the Authority is responsible for capital improvements at the airport.

The Authority is self-supporting, using aircraft landing fees, fees from terminal and other rentals, and revenue from concessions to fund operating expenses. The Authority is taxpayer-funded. The Capital Construction Program (CCP) is funded by bonds issued by the Authority, federal and state grants, Passenger Facility Charges (PFCs) and the Authority revenues.

Using the Financial Statements

The Authority's financial report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) principles.

Enplanements, Operations, and Cargo Activity for 2021

Delta Air Lines and their partner Airlines along with Allegiant Air provide scheduled service to the airport. A total of 69,780 scheduled airline passengers and charter passengers embarked from Grand Forks International Airport in 2021. This represents an increase of 22,889 passengers from 2020 (46,891).

A total of 349,520 takeoffs and landings were performed at the airport in 2021. This represents a 42% increase from 2020 (246,634). The bulk of operations, approximately 95%, continue to be performed by the UND aviation school.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Enplanements, Operations, and Cargo Activity for 2020

On March 11, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event had a direct impact on the activities of the Authority as travel restrictions and stay at home orders were issued.

Delta Air Lines and their partner Airlines along with Allegiant Air provide scheduled service to the airport. A total of 46,891 scheduled airline passengers and charter passengers embarked from Grand Forks International Airport in 2020. This represents a decrease of 71,034 passengers from 2019 (117,925).

A total of 246,634 takeoffs and landings were performed at the airport in 2020. This represents a 16% decrease from 2019 (295,272). The bulk of operations, approximately 95%, continue to be performed by the UND aviation school.

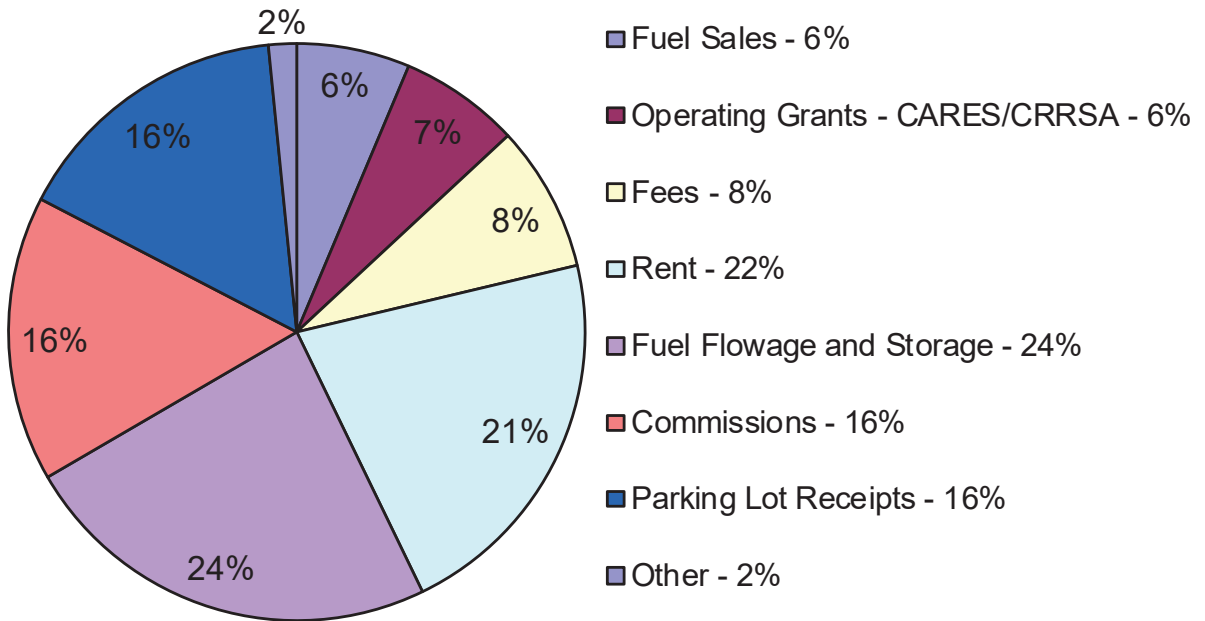
Financial Highlights

Approximately half of the operating revenues at the Airport are related to the number of passengers and aircraft operations. Operating revenues are \$3,518,315, which represents an increase of \$79,663 from operating revenues in 2020.

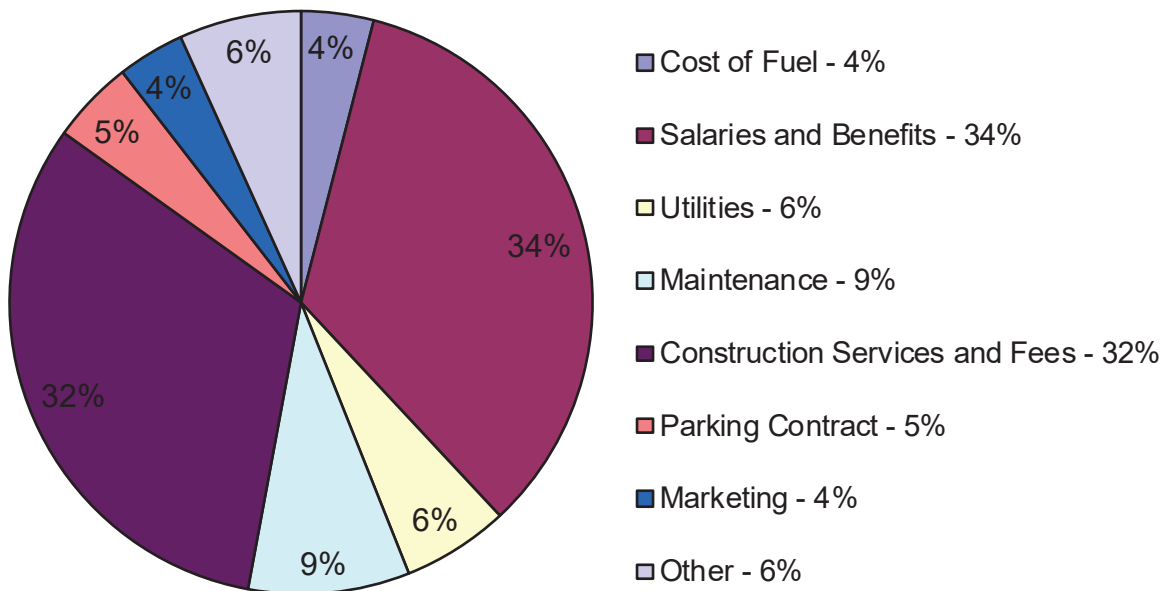
GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

The following is an illustration of the total operating revenues and expenses by source and use for the year ended December 31, 2021:

2021 Operating Revenues



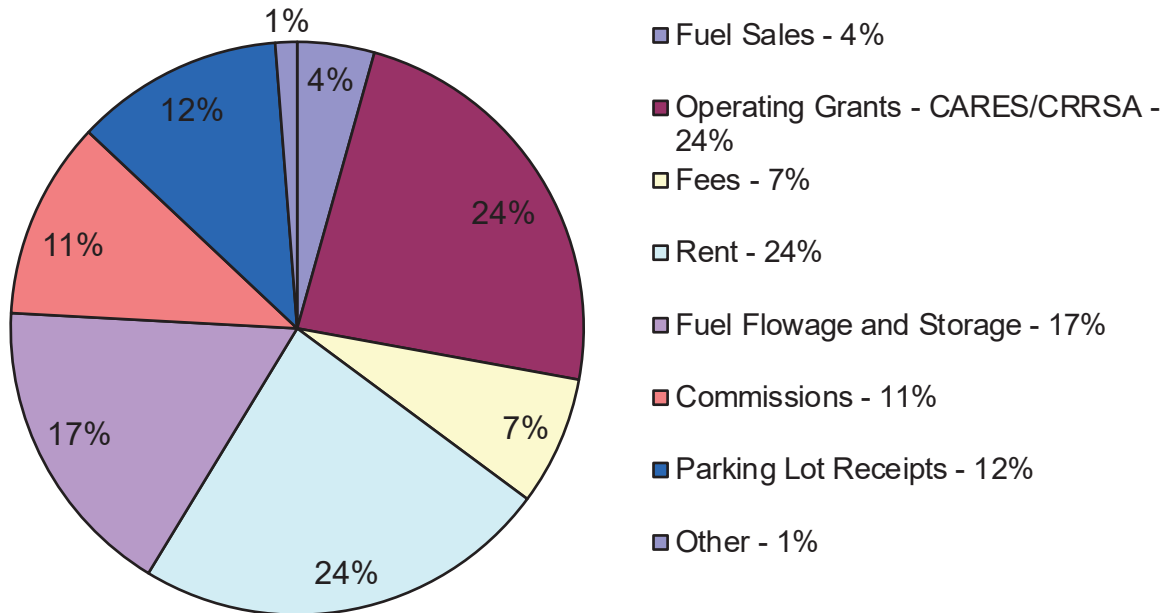
2021 Operating Expenses (Excluding Depreciation)



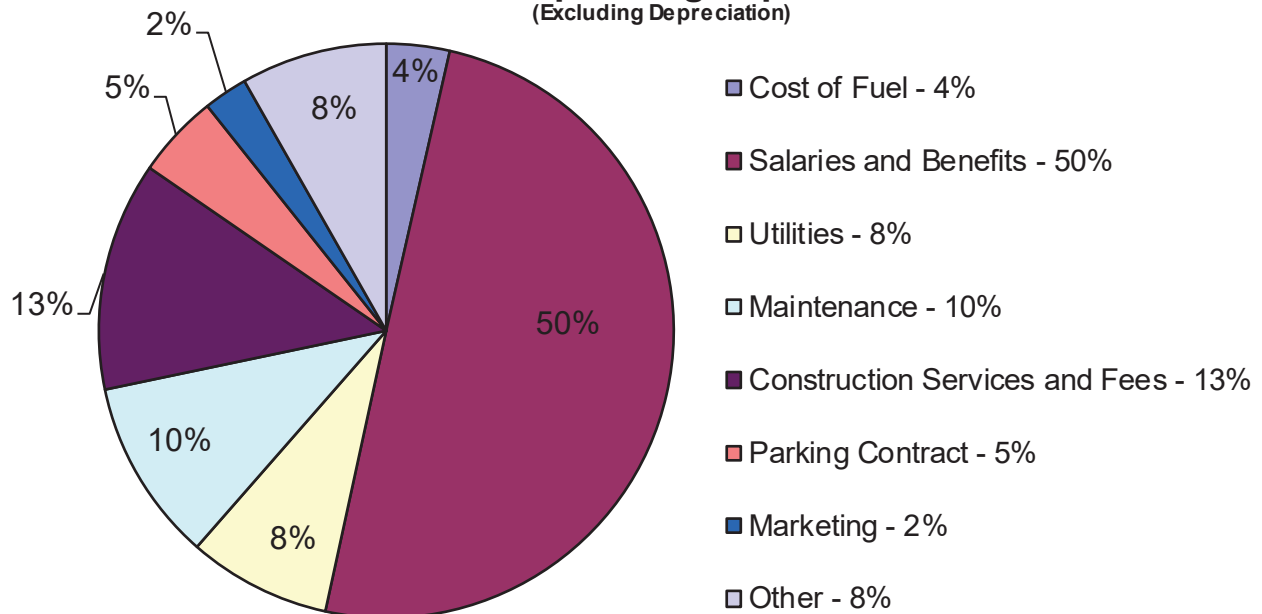
GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

The following is an illustration of the total operating revenues and expenses by source and use for the year ended December 31, 2020:

2020 Operating Revenues



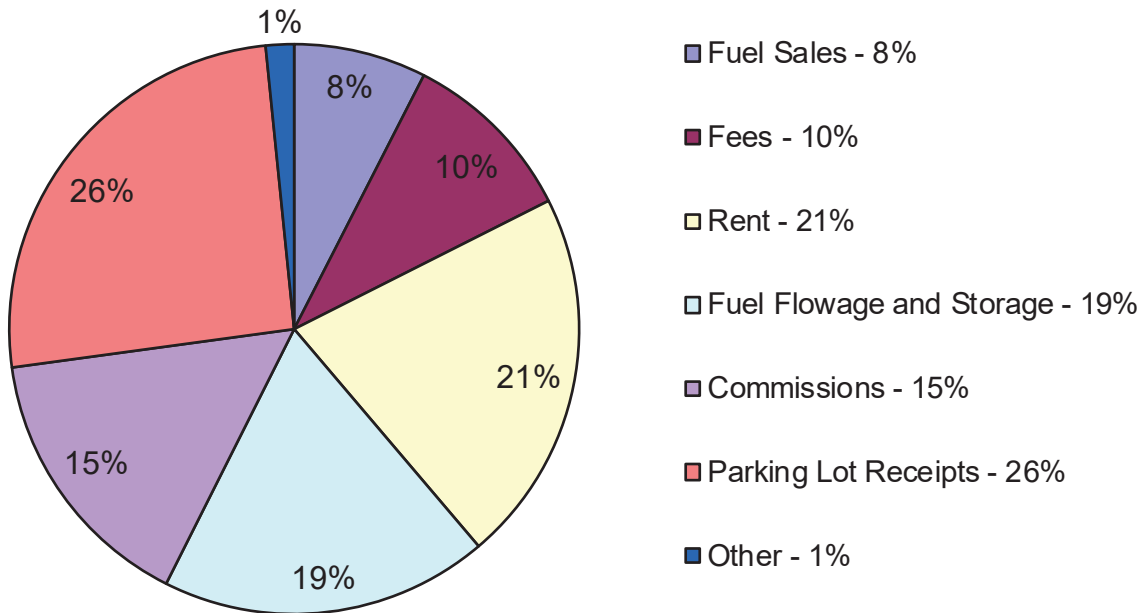
2020 Operating Expenses
(Excluding Depreciation)



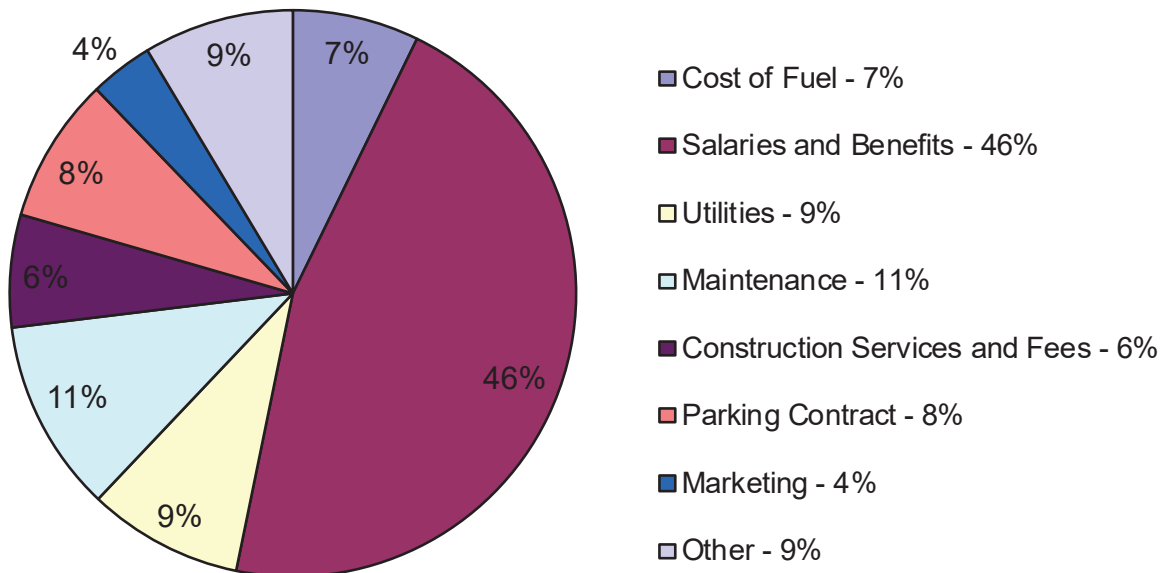
GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

The following is an illustration of the total operating revenues and expenses by source and use for the year ended December 31, 2019:

2019 Operating Revenues



2019 Operating Expenses
(Excluding Depreciation)



GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Years Ended December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 3,518,315	\$ 3,438,652	\$ 3,879,236
Operating Expenses	<u>8,690,251</u>	<u>7,492,773</u>	<u>7,854,144</u>
Operating Loss	<u>(5,171,936)</u>	<u>(4,054,121)</u>	<u>(3,974,908)</u>
Non-Operating Revenues	1,320,863	1,276,860	1,417,945
Income (Loss) Before Capital Contributions	<u>(3,851,073)</u>	<u>(2,777,261)</u>	<u>(2,556,963)</u>
Capital Contributions	<u>3,557,928</u>	<u>4,523,649</u>	<u>1,510,698</u>
Change in Net Position	(293,145)	1,746,388	(1,046,265)
Net Position, Beginning	<u>57,541,982</u>	<u>55,795,594</u>	<u>56,841,859</u>
Net Position, End of Year	<u>\$ 57,248,837</u>	<u>\$ 57,541,982</u>	<u>\$ 55,795,594</u>

The net position for the year ended December 31, 2021 decreased by \$293,145 and increased by \$1,746,388 for the year ended December 31, 2020. The operating revenues and operating expenses are consistent with the budget and the prior year. The majority of our revenues continue to come in the form of rents and fees as well as capital contributions (federal and state grants and passenger facility charges). Excluding the depreciation of our facilities, the main operating expense is salaries and benefits.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

CONDENSED STATEMENTS OF NET POSITION
As of December 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current Assets	\$ 19,452,106	\$ 17,746,238	\$ 15,924,978
Restricted Assets	408,626	322,885	1,695,264
Capital Assets	114,307,216	112,181,310	111,604,861
Accumulated Depreciation	<u>(75,980,205)</u>	<u>(72,212,744)</u>	<u>(68,372,980)</u>
Total Capital Assets	<u>38,327,011</u>	<u>39,968,566</u>	<u>43,231,881</u>
TOTAL ASSETS	<u>58,187,743</u>	<u>58,037,689</u>	<u>60,852,123</u>
LIABILITIES AND NET POSITION			
Current Liabilities	938,906	495,707	1,053,214
Long-Term Liabilities	-	-	4,003,315
TOTAL LIABILITIES	<u>938,906</u>	<u>495,707</u>	<u>5,056,529</u>
NET POSITION			
Net Investment in Capital Assets	38,251,328	39,968,566	38,748,473
Restricted - Bond Covenants	-	-	1,438,325
Unrestricted	<u>18,997,509</u>	<u>17,573,416</u>	<u>15,608,796</u>
TOTAL NET POSITION	<u>\$ 57,248,837</u>	<u>\$ 57,541,982</u>	<u>\$ 55,795,594</u>

In its thirty-third full year of operations, the Authority's financial position remained strong at December 31, 2021, with assets of \$58,187,743 and liabilities of \$938,906. The Authority has \$38,327,011 in capital assets (net of depreciation), a decrease of \$1,641,555 from 2020. The Authority's capital assets are principally built from the proceeds of revenue bonds, the Authority revenue, capital contributions from federal and state grants, and PFC's. Assets, other than capital assets, which are stated at historical cost less an allowance for depreciation, and liabilities, are measured using current value.

Net position, which represents the residual interest in the Authority's assets after liabilities are deducted, was \$57,248,837 on December 31, 2021, a decrease of \$293,145 from 2020. The account "Net Investment in Capital Assets" decreased by \$1,717,238 to \$38,251,328. Restricted Net Position decreased during 2020 due to the defeasance of debt.

The restricted and unrestricted remaining net position is derived from the Authority operations since the Authority's inception in 1987, as well as grant and PFC collections. The remaining unrestricted net position of \$18,997,509, an increase of \$1,424,093 from 2020, may be used to meet any of the Authority's ongoing operations subject to approval of the Authority's Board.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Highlights of the 2021 Budget

A budget is prepared each year and is a financial planning tool used to estimate revenues and expenditures. The budget is not prepared according to GAAP.

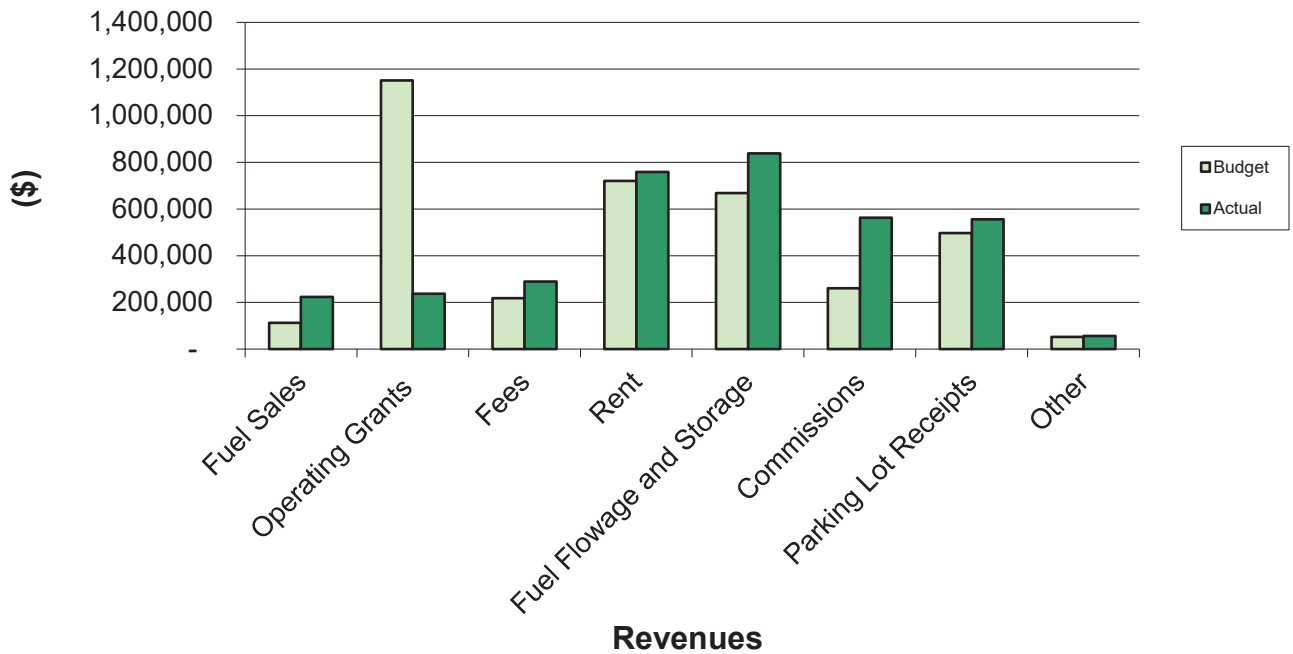
CONDENSED SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
For the Year Ended December 31, 2021

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Variance</u>
Operating Revenues	\$ 3,674,629	\$ 3,518,315	\$ (156,314)
Operating Expenses	<u>11,971,011</u>	<u>8,690,251</u>	<u>3,280,760</u>
Operating Loss	<u>(8,296,382)</u>	<u>(5,171,936)</u>	<u>3,124,446</u>
Non-Operating Revenues	1,372,100	1,320,863	(51,237)
Income (Loss) Before Capital Contributions	<u>(6,924,282)</u>	<u>(3,851,073)</u>	<u>3,073,209</u>
Capital Contributions	<u>7,375,900</u>	<u>3,557,928</u>	<u>(3,817,972)</u>
Change in Net Position	<u>\$ 451,618</u>	<u>\$ (293,145)</u>	<u>\$ (744,763)</u>

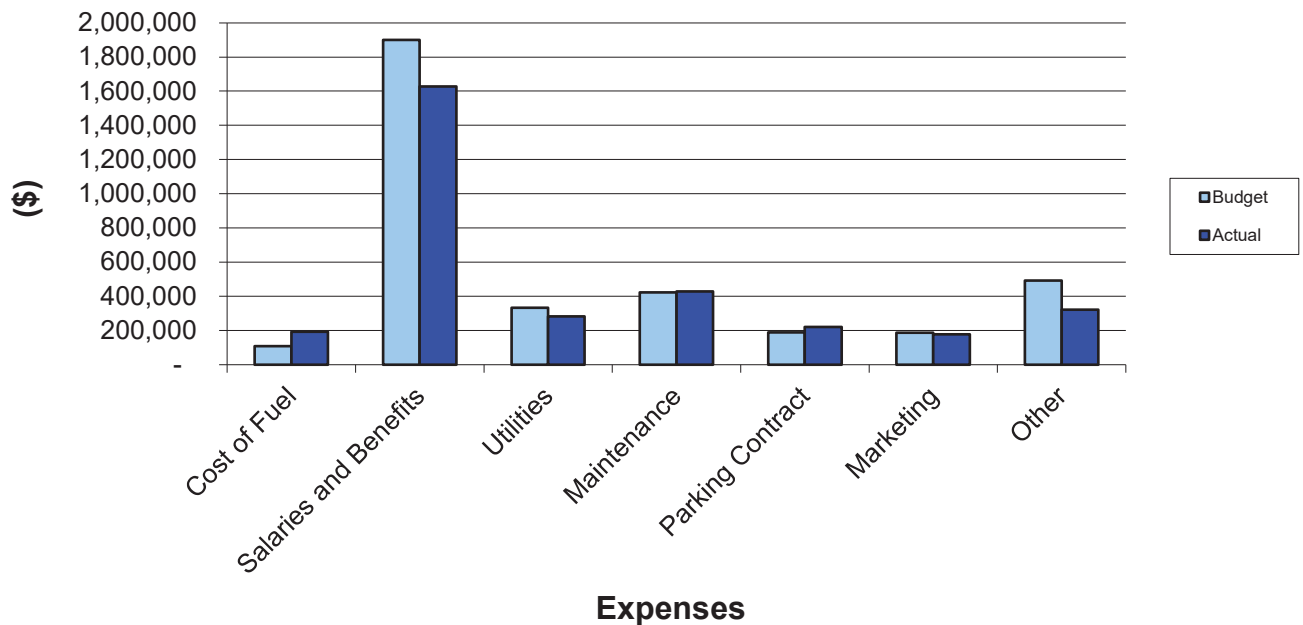
After accounting for CARES Act Operating Grants, Operating Revenues were higher than the budget as the Authority saw an increase in boardings and landings. Increased boardings also resulted in higher than anticipated commissions and parking lot receipts. Management has budgeted significant amounts relating to construction services for projects underway. Depreciation expense of \$3,912,961 was not budgeted for, factoring out depreciation expense, expenses were lower than the budget by \$7,193,721. The Authority was awarded additional federal dollars under the airport improvement program due to COVID-19.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2021 Operating Revenues - Budget and Actual

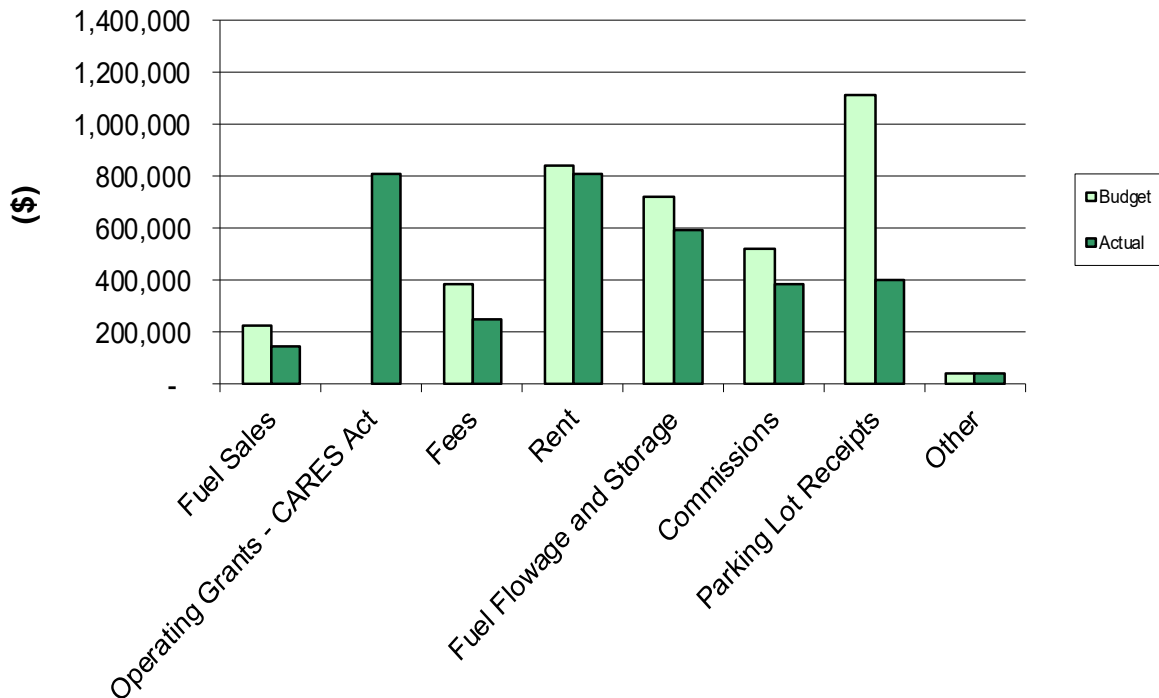


2021 Operating Expenses - Budget and Actual (Excluding Construction Services and Fees and Depreciation)



GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

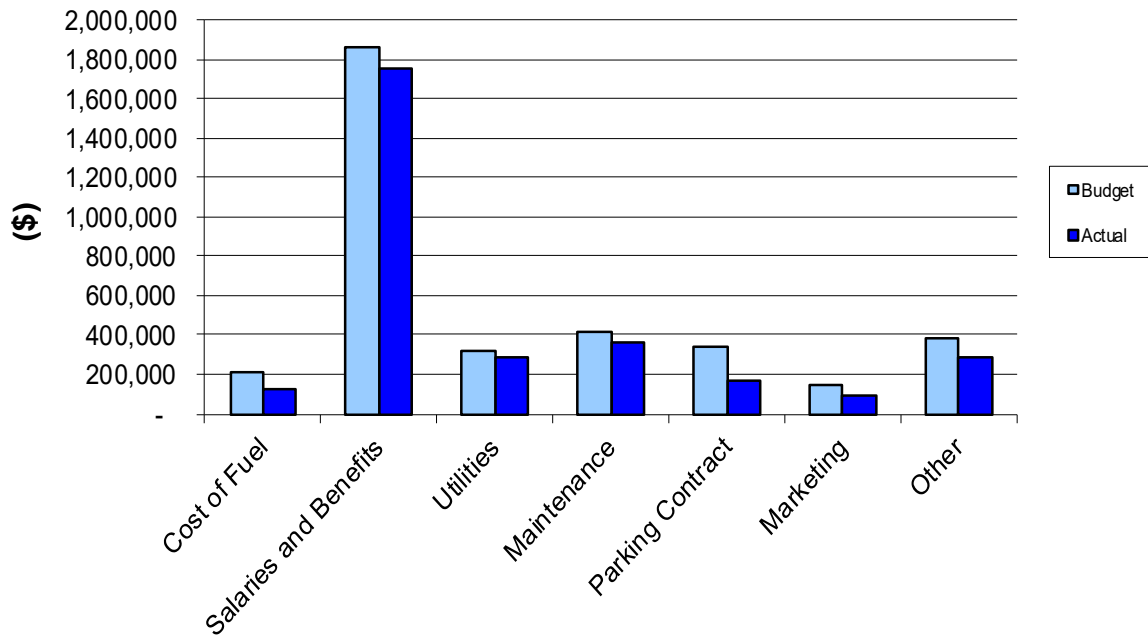
2020 Operating Revenues - Budget and Actual



Revenues

2020 Operating Expenses - Budget and Actual

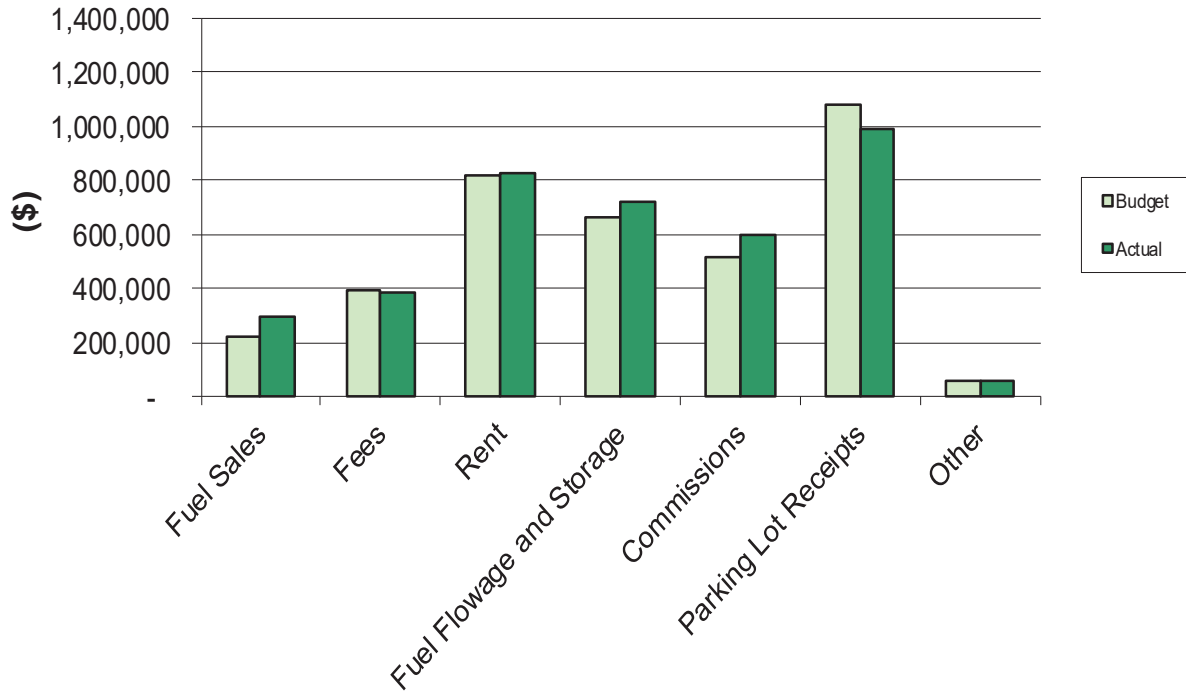
(Excluding Construction Services and Fees and Depreciation)



Expenses

GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

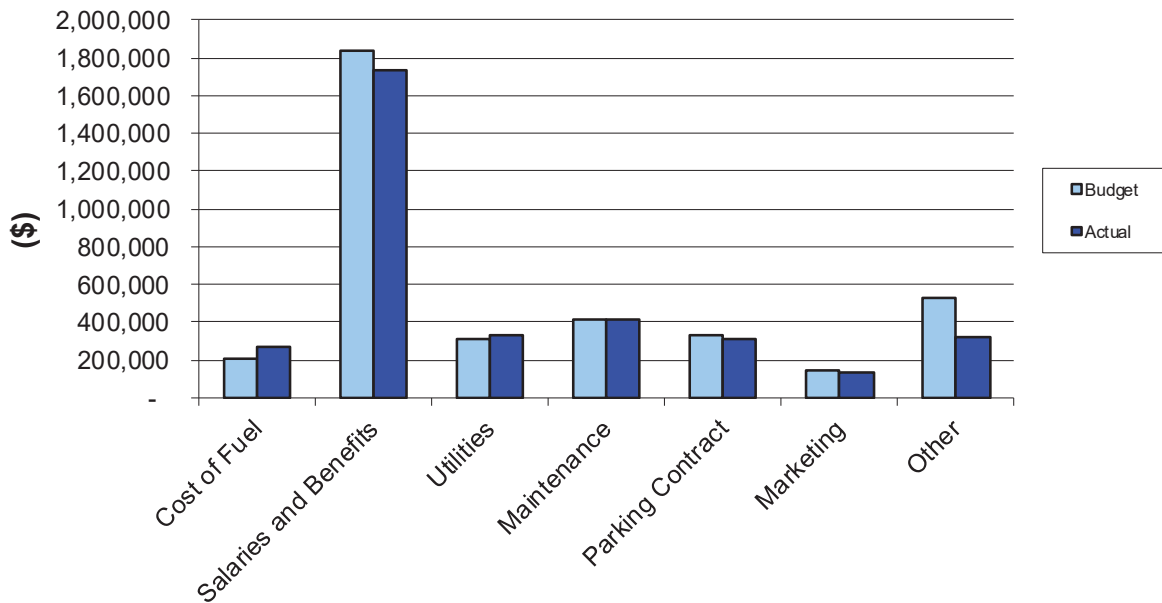
2019 Operating Revenues - Budget and Actual



Revenues

2019 Operating Expenses - Budget and Actual

(Excluding Construction Services and Fees and Depreciation)



Expenses

GRAND FORKS REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Cash and Investment Management

As of December 31, 2021 and 2020, all cash funds were held in demand deposit, savings and certificate of deposit accounts. All cash is secured with FDIC coverage and pledge pools maintained by local financial institutions. The investment maintained by the Authority consists of shares of stock and is uninsured.

Capital Construction

The Authority's Airport Master Plan and Airport Layout Plan (ALP) provide details of expected capital developments for 20 years into the future. The Authority also prepares and provides to the Federal Aviation Administration (FAA) and North Dakota Aeronautics Commission (NDAC) its three-year and ten-year capital improvement plans (CIPs).

The Airport Authority has three major projects in the development phase that include a customs building, t-hangar and an extended runway.

Airport Authority staff continues to conduct crack sealing and pavement maintenance around the airport surfaces. It is anticipated that the maintenance work will prolong the life of the assets.

Capital Financing and Debt Management

Capital construction is funded through federal and state grants, and local taxes.

The Authority currently received approximately \$3,721,755 and \$5,063,773 during 2021 and 2020, respectively, in Airport Improvement Program (AIP) entitlement funds. Larger projects rely on FAA commitments of Airport Improvement Program (AIP) discretionary funds, state funds or on long-term borrowing.

The Authority occasionally finances capital improvements from reserves or by short-term borrowing. It uses passenger facility charge (PFC) revenues to finance capital expenditures.

Notes 5 and 6 to the financial statements present the analysis of the capital asset and long-term debt transactions.

Contacting the Authority's Financial Management

The financial report is designed to provide the Authority's Board, management, investors, creditors and customers with a general view of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. For additional information about this report or for additional financial information, please contact Tanna Aasand, Director of Finance and Administration, 2301 Airport Drive, Grand Forks, ND 58201, or email taasand@gfkairport.com.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT		
Cash and Cash Equivalents	\$ 18,122,772	\$ 17,271,192
Investments	81,516	55,910
Accounts Receivable	219,100	210,757
Due from Federal and State Agencies	922,578	123,228
Taxes Receivable	21,297	47,631
Interest Receivable	-	7,027
Prepaid Expenses	64,450	12,364
Inventory	20,393	18,129
Total	<u>19,452,106</u>	<u>17,746,238</u>
RESTRICTED ASSETS		
Customer Facility Charges Collected	398,543	322,885
Customer Facility Charges Receivable	10,083	-
Total	<u>408,626</u>	<u>322,885</u>
CAPITAL ASSETS		
Land	2,775,606	1,746,081
Software	59,950	59,950
Buildings, Systems and Structures	102,057,046	102,057,046
Equipment and Motor Vehicles	8,367,743	8,318,233
Construction in Process	1,046,871	-
Total	114,307,216	112,181,310
Less Accumulated Depreciation	(75,980,205)	(72,212,744)
Total	<u>38,327,011</u>	<u>39,968,566</u>
TOTAL ASSETS	<u>58,187,743</u>	<u>58,037,689</u>
CURRENT LIABILITIES		
Accounts Payable	357,419	83,762
Taxes Payable	16,846	15,404
Compensated Absences Payable	24,048	19,669
Construction Contracts (Including Retainage)	75,683	-
Salaries Payable	26,753	20,510
Pension Payable	884	722
Customer Facility Charges Collected	408,626	331,846
Unearned Revenue	28,647	23,794
TOTAL LIABILITIES	<u>938,906</u>	<u>495,707</u>
NET POSITION		
Net Investment in Capital Assets	38,251,328	39,968,566
Unrestricted	<u>18,997,509</u>	<u>17,573,416</u>
TOTAL NET POSITION	<u>\$ 57,248,837</u>	<u>\$ 57,541,982</u>

See Notes To The Financial Statements

GRAND FORKS REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Fuel Sales	\$ 223,222	\$ 149,414
Landing/ARFF Fees	288,718	250,320
Operating Grants - CARES/CRRSA	237,001	809,057
Terminal Rent	290,001	358,253
Ground Rent	247,261	238,992
Terminal Advertising	29,325	27,020
Commissions	562,795	383,913
Parking Lot Receipts	556,020	404,259
Fuel Flowage	719,185	498,570
Tie Downs and Jet Bridge Rent	130,486	131,371
Hangar Rent	11,482	11,327
Building Rent	78,413	69,414
Fuel Storage Fees	118,060	91,527
Miscellaneous Airfield Fees	26,346	15,215
Total	<u>3,518,315</u>	<u>3,438,652</u>
OPERATING EXPENSES		
Cost of Fuel	191,972	125,407
Salaries and Wages	1,331,747	1,363,975
Payroll Taxes/Benefits	295,243	392,705
Supplies	136,267	95,607
Professional Fees	139,861	125,681
Security	7,897	4,822
Marketing	178,085	87,259
Electricity, Heat and Other Utilities	282,928	283,277
Maintenance of Building and Grounds	173,453	141,302
Maintenance of Equipment	118,084	125,443
Board Expenses	1,023	677
Dues and Subscriptions	6,407	7,007
Education and Training	17,529	11,130
Telephone and Postage	57,995	54,387
Travel Expense	4,469	4,914
Construction Services and Fees	1,528,258	454,007
Insurance	80,992	70,610
Bank Charges	4,466	10,187
Parking Contract	220,614	166,065
Depreciation and Amortization	3,912,961	3,968,311
Total	<u>8,690,251</u>	<u>7,492,773</u>
OPERATING LOSS	<u>(5,171,936)</u>	<u>(4,054,121)</u>

See Notes To The Financial Statements

GRAND FORKS REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION- CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 59,116	\$ 157,547
Tax Revenue	1,212,101	1,253,999
Gain (Loss) on Disposal of Fixed Assets	-	(13,775)
Gain (Loss) on Investments	25,605	(6,074)
Bad Debt Expense	-	(2,041)
Other	27,091	35,595
Interest Expense	<u>(3,050)</u>	<u>(148,391)</u>
Total	<u>1,320,863</u>	<u>1,276,860</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(3,851,073)</u>	<u>(2,777,261)</u>
CAPITAL CONTRIBUTIONS		
Passenger Facility Charge	265,956	181,669
CARES Act Funding - Bonds	-	3,908,452
Federal Grants	3,221,852	346,264
Local Contributions	26,399	-
State Grants	<u>43,721</u>	<u>87,264</u>
Total	<u>3,557,928</u>	<u>4,523,649</u>
Change in Net Position	<u>(293,145)</u>	<u>1,746,388</u>
NET POSITION, BEGINNING	<u>57,541,982</u>	<u>55,795,594</u>
NET POSITION, END OF YEAR	<u><u>\$ 57,248,837</u></u>	<u><u>\$ 57,541,982</u></u>

See Notes To The Financial Statements

GRAND FORKS REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Cash Receipts from Customers	\$ 3,505,864	\$ 3,543,133
Cash Payments to Suppliers	(2,855,309)	(1,928,470)
Cash Payments to Employees	<u>(1,614,764)</u>	<u>(1,805,719)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(964,209)</u>	<u>(191,056)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Payments on Long-Term Debt	-	(4,365,000)
Interest Paid on Long-Term Debt	(3,050)	(178,172)
Payments for Capital Expenditures	(2,271,408)	(718,769)
Passenger Facility Charge Receipts	265,945	185,237
Government Grants	<u>2,492,633</u>	<u>4,766,791</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>484,120</u>	<u>(309,913)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:		
Tax Revenue	1,238,435	1,251,836
Customer Facility Charges Collected	75,658	65,946
Other Receipts	<u>27,091</u>	<u>33,554</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,341,184</u>	<u>1,351,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	<u>66,143</u>	<u>171,765</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>66,143</u>	<u>171,765</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	927,238	1,022,132
CASH AND CASH EQUIVALENTS, Beginning of Period	<u>17,594,077</u>	<u>16,571,945</u>
CASH AND CASH EQUIVALENTS, End of Period	<u>\$ 18,521,315</u>	<u>\$ 17,594,077</u>
CASH AND CASH EQUIVALENTS RECONCILIATION:		
Cash and Cash Equivalents	\$ 18,122,772	\$ 17,271,192
Customer Facility Charges Collected	<u>398,543</u>	<u>322,885</u>
Total cash and cash equivalents	<u>\$ 18,521,315</u>	<u>\$ 17,594,077</u>

See Notes To The Financial Statements

GRAND FORKS REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Operating Loss	\$ (5,171,936)	\$ (4,054,121)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	3,912,961	3,968,311
Effects on Operating Cash Flows Due to Changes in:		
Accounts Receivable	(17,304)	99,993
Inventory	(2,264)	14,536
Prepaid Assets	(52,086)	21,174
Accounts Payable/Construction Contracts	349,341	(196,398)
Accrued Expenses	12,778	(51,686)
Unearned Revenue	4,853	4,488
Taxes Payable	<u>(552)</u>	<u>2,647</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (964,209)</u>	<u>\$ (191,056)</u>
SCHEDULE OF NONCASH INVESTING FINANCING ACTIVITIES		
Gain (Loss) on Investments	<u>\$ 25,605</u>	<u>\$ (6,074)</u>

See Notes To The Financial Statements

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Grand Forks Regional Airport Authority (Authority) was formed April 20, 1987. It operates under the provisions of the North Dakota Century Code, Chapter 2.06. It is governed by a Board of seven commissioners, four of which are appointed by the Mayor of the City of Grand Forks and confirmed by the City Council and three of which are appointed by the Grand Forks County Commission. The Authority's financial statements include only funds and departments over which the Authority officials exercise oversight responsibility. No other agencies, Boards, commissions or other organizations have been included in the Authority's financial statements. The Authority is a component unit of the City of Grand Forks.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis. The Authority reports as a Business Type Activity, as defined by the Governmental Accounting Standards Board (GASB). Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets.

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. Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating.

C. Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, *Elements of Financial Statements*.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Authority's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Authority does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category.

E. Budgeting Requirements

The Authority's annual budgeting process is a financial planning tool used to establish the estimated revenues and expenditures. The annual budget is developed after reviewing revenue forecasts, the impact of funding increases on landing fees, rental rates, and other rates and charges, prior year actual, our current program levels, new operating requirements, and the overall economic climate of the region and airline industry. The budget to actual results are reviewed periodically throughout the year to ensure compliance with the provisions of the Authority's entity-wide annual budget, which is approved by the Board.

In keeping with the requirements of a proprietary fund, budget comparisons have not been included in this report.

F. Revenues Recognition

Rentals and concession fees are generated from airlines, parking lots, food, rental cars, fixed base operators, and other commercial tenants. Rental revenue is recognized over the life of the respective leases, and concession revenue is recognized based on reported concession revenue. Rental revenue and concession revenue are recognized as operating revenues on the Statements of Revenues, Expenses and Changes in Net Position.

Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The scheduled airline fee structure is determined annually pursuant to an agreement between the Authority and the Airline. Landing fees are recognized as part of operating revenues when the airline related facilities are utilized.

G. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, and commercial paper. Cash equivalents also include United States Government and agency obligations, mutual funds, and repurchase agreements collateralized by United States Government or agency obligations with an original maturity of three months or less, including restricted assets.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

H. Investments

Investments are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

I. Accounts Receivable

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. There is no allowance for doubtful accounts for the years ended December 31, 2021 and 2020.

A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

J. Inventory

Inventory consists of gas and diesel fuel and is stated at the lower of cost or net realizable value, using the first-in, first-out method.

K. Capital Assets

Capital Assets contributed to the Authority from the City of Grand Forks have been recorded at acquisition value. Assets acquired subsequent to the transfer are stated at historical cost and include the expense of federal grants to construct and improve the facilities of the Authority. The costs for property and facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the completion of the capital project. Major improvements and replacements of property are capitalized. Maintenance, repairs, and minor improvements and replacements are expensed.

Provision for depreciation has been calculated using the straight-line method over the estimated useful lives of the assets using a \$5,000 capitalization threshold as follows:

Equipment	5-10 Years
Motor Vehicles	5 Years
Buildings	20-40 Years
Systems and Structures	10-40 Years

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

L. Compensated Absences

Employees accrue PTO and sick leave (compensated absences). All regular full-time employees having continuous service, as indicated below, shall accumulate PTO as follows:

Length of Service	Non-Exempt		Exempt		24 Hour Shift	
	Maximum		Maximum		Maximum	
	Hours Per Year	Hours Carry-Over	Hours Per Year	Hours Carry-Over	Hours Per Year	Hours Carry-Over
Up to 5 years	192	48	232	48	253	48
Over 5 but less than 10	240	48	256	48	320	48
Over 10	264	48	280	48	353	48

Employees shall be paid for compensated absences at the time of termination.

M. Capital Contributions – Passenger Facility Charges (PFC's)

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act that authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In May 1991, the FAA issued the regulations for the use and reporting of PFC's. PFC's may be used for airport projects that meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The Authority was granted permission to begin collecting a \$3.00 PFC effective February 1, 1993. The charges, less an administrative fee charged by the Airlines for processing, are collected by the Airlines and remitted on a monthly basis to the Authority. Due to their restricted use, PFC's are categorized as non-operating revenues and are accounted for on the cash basis. The Authority applied for and received the approval on January 26, 2001, to increase the PFC collection from \$3.00 to \$4.50, effective April 1, 2001.

N. Capital Contributions – Federal and State Grants

The Authority receives federal and state grants in support of its Capital Construction Program. The federal program provides funding for airport development, airport planning and noise compatibility programs. The State of North Dakota also provides discretionary funds for capital programs.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported in the Statements of Revenues, Expenses and Changes in Net Position, after non-operating revenues and expense as capital contributions.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

O. Customer Facility Charges (CFC's)

On August 30, 2019, the Airport Authority approved and authorized the car rental agencies to collect a CFC per transaction day. All CFCs are collected by the operator and remitted to the Airport Authority. All CFCs remitted to the Authority will be used for the following permitted uses: paying off the remaining debt on the consolidated car rental service facility; reimbursement of costs associated with construction of the ready car space and rental car counters, offices and que space constructed by the Authority; emergency repairs to the rental car facilities; and costs associated with capital improvements, financing costs, and development of future rental car facilities.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at year-end and revenues and expenses during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

NOTE 2 DEPOSITS

In accordance with North Dakota statutes, the Authority maintains deposits at those depository banks and savings and loans authorized by the Board of Commissioners. Those depository banks and savings and loans are all members of the Federal Reserve System.

Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

North Dakota statutes authorize municipalities to invest their surplus funds in bonds, treasury bills and notes or other securities which are a direct obligation of the United States or an instrumentality thereof.

At December 31, 2021 and 2020, the carrying amounts of the Authority's deposits were \$18,521,315 and \$17,594,077, respectively, and the bank balances in 2021 and 2020 were \$18,520,988 and \$17,598,910, respectively, which is covered by depository insurance or collateral held in safekeeping in the Authority's name.

NOTE 3 INVESTMENTS

The Authority maintains an investment in Principal Financial Group stock. The investment of \$81,516 and \$55,910 as of December 31, 2021 and 2020, respectively, consists of 1,127 shares of stock. The investment is carried at fair market value based on the trading value of the New York Stock Exchange as of December 31, 2021 and 2020, a Level 1 fair value measurement.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 4 PROPERTY TAXES

Property tax revenues are recognized in the year for which they are levied. Property tax levies are set in September each year and are certified to Grand Forks County for collection in the following year. In North Dakota, counties act as collection agents for all property tax.

The County spreads all levies over taxable property. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date.

A five percent reduction on the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes are not paid. Additional penalty and interest are added October 15 to those taxes, which are not paid.

NOTE 5 CAPITAL ASSETS

Changes in property, plant and equipment by major classification are as follows:

	Beginning Balance January 01, 2021	Additions	Deletions	Ending Balance December 31, 2021
Capital Assets Not Being Depreciated				
Construction In Progress	\$ -	\$ 1,046,871	\$ -	\$ 1,046,871
Software	59,950	-	-	59,950
Land	1,746,081	1,029,525	-	2,775,606
Total Capital Assets Not Being Depreciated	1,806,031	2,076,396	-	3,882,427
Capital Assets Being Depreciated				
Equipment	3,465,645	162,612	-	3,628,257
Motor Vehicles	4,852,588	32,398	(145,500)	4,739,486
Buildings	27,077,560	-	-	27,077,560
Systems and Structures	74,979,486	-	-	74,979,486
Total Other Capital Assets	110,375,279	195,010	(145,500)	110,424,789
Less Accumulated Depreciation				
A/D Equipment	(3,190,808)	(124,820)	-	(3,315,628)
A/D Motor Vehicles	(3,740,859)	(217,506)	145,500	(3,812,865)
A/D Buildings	(9,814,542)	(922,519)	-	(10,737,061)
A/D Systems and Structures	(55,466,535)	(2,648,116)	-	(58,114,651)
Total Accumulated Depreciation	(72,212,744)	(3,912,961)	145,500	(75,980,205)
Totals	\$ 39,968,566	\$ (1,641,555)	\$ -	\$ 38,327,011

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

	Beginning Balance January 01, 2020	Additions	Deletions	Transfers	Ending Balance December 31, 2020
Capital Assets Not Being Depreciated					
Construction In Progress	\$ 964,453	\$ 24,286	\$ -	\$ (988,739)	\$ -
Software	59,950	-	-	-	59,950
Land	1,746,081	-	-	-	1,746,081
Total Capital Assets Not Being Depreciated	2,770,484	24,286	-	(988,739)	1,806,031
Capital Assets Being Depreciated					
Equipment	3,454,275	11,370	-	-	3,465,645
Motor Vehicles	4,235,275	683,113	(65,800)	-	4,852,588
Buildings	27,077,560	-	-	-	27,077,560
Systems and Structures	74,067,267	-	(76,520)	988,739	74,979,486
Total Other Capital Assets	108,834,377	694,483	(142,320)	988,739	110,375,279
Less Accumulated Depreciation					
A/D Equipment	(3,044,094)	(146,714)	-	-	(3,190,808)
A/D Motor Vehicles	(3,579,309)	(227,352)	65,802	-	(3,740,859)
A/D Buildings	(8,934,692)	(942,595)	62,745	-	(9,814,542)
A/D Systems and Structures	(52,814,885)	(2,651,650)	-	-	(55,466,535)
Total Accumulated Depreciation	(68,372,980)	(3,968,311)	128,547	-	(72,212,744)
Totals	\$ 43,231,881	\$ (3,249,542)	\$ (13,773)	\$ -	\$ 39,968,566

NOTE 6 LONG-TERM DEBT

Changes in long-term debt during the years ended December 31, 2021 and 2020 were as follows:

	Balance 1/1/2021	Issued	Retired	Balance 12/31/2021	Due Within One Year
Compensated Absences	\$ 19,669	\$ 130,677	\$ (126,298)	\$ 24,048	\$ 24,048
Total	\$ 19,669	\$ 130,677	\$ (126,298)	\$ 24,048	\$ 24,048

	Balance 1/01/2020	Issued	Retired	Balance 12/31/2020	Due Within One Year
Compensated Absences	\$ 22,752	\$ 144,620	\$ (147,703)	\$ 19,669	\$ 19,669
2009 Bonds Payable	2,775,000	-	(2,775,000)	-	-
2013 Bonds Payable	1,590,000	-	(1,590,000)	-	-
Bond Premium	13,315	-	(13,315)	-	-
Total	\$ 4,401,067	\$ 144,620	\$ (4,526,018)	\$ 19,669	\$ 19,669

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

In July 2020, the Airport Revenue Bonds of 2009 were called and subsequently paid off using AIP funding related to COVID-19 which allowed for funds to be used for debt service. The Airport Revenue Bonds of 2013 were fully defeased through escrow accounts as of December 31, 2020. The Authority has no remaining payments left to be made on debt as of December 31, 2020.

The bond premium has been fully amortized as of December 31, 2020 as a result of the revenue bonds of 2009 being fully paid off.

NOTE 7 COMMITMENTS/CONTINGENCIES

The Authority had \$ committed as of December 31, 2021. The commitments were as follows:

GFK Rwy 9L/27R & Twy B	\$ 280,169
GFK 18 Unit T-Hangar D	12,186
GFK County Road Relocation	1,905,709
GFK Rwy Intersection Final Design	<u>147,167</u>
	<u>\$ 2,345,231</u>

NOTE 8 DEFINED CONTRIBUTION PENSION PLAN

The Grand Forks Regional Airport Authority adopted a defined contribution plan, named as the Grand Forks Regional Airport Authority Retirement Savings Plan, in January 1996 in which substantially all employees are covered. The Grand Forks Regional Airport Authority is the principal sponsor of the plan.

The principal sponsor reserves the power to amend this plan in any respect and either prospectively or retroactively or both in any respect by resolution of its Board.

The employees contribute 6.5 percent of their regular salary to the plan with the Authority matching another 4.5 percent. The total payroll covered by the plan for the years ended December 31, 2021 and 2020 was \$1,224,213 and \$1,081,939, respectively. The total contributions to the plan for the years ended December 31, 2021 and 2020 were \$64,180 and \$69,784 by the employees and \$44,432 and \$48,644 by the Authority, respectively.

NOTE 9 LEASES

Substantially all airport facilities are leased or charged to users under various agreements. Certain facilities are leased under lease agreements, which require the lessee to pay annual rentals equal to the debt service requirements of the debt issued to construct facility. Other facilities at the Grand Forks International Airport are charged to users under lease agreements, which provide for compensatory rental rates designed to cover costs incurred. All leases have cancellation clauses that provide either a 30 or 60-day notice of cancellation.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

The following is a summary of leases as of December 31, 2021 and 2020:

Tenant	2021 Rent	2020 Rent
Aerospace Foundation	\$ 41,432	\$ 40,871
AutoCorp, LLC	18,926	18,670
AvFlight - Ground Site	91,299	90,065
AvFlight - Hanger	11,482	11,327
UND Aviation Storage and Rental- Ground Site	62,196	61,356
UND Aviation Storage and Rental- Tie Down	99,812	98,463
UND Aviation - Building Rent	10,711	-
UND Department of Atmospheric Sciences	-	336
UND School of Medicine - Building Rent	6,480	6,480
Rydell Chevrolet - Ground Site	3,125	3,083
Minnkota Power- Ground Site	9,731	4,674
Four Corners Real Estate - Ground	20,551	20,273
Allegiant - Jetbridge Rent	3,694	2,323
Suncountry - Jetbridge Rent	20	99
Delta Terminal Rents	208,546	287,745
Delta Building Rents	3,436	4,811
Allegiant Terminal Rent	56,429	50,803
FAA Airway Facilities	57,787	57,787
Transportation Safety Administration - Terminal Rent	49,385	49,177
SkyWest Airlines	325	-
Sun Country & Others	2,276	1,014
	<u>\$ 757,643</u>	<u>\$ 809,357</u>

NOTE 10 CONCENTRATIONS

The Authority operates in a regional market consisting primarily of Eastern North Dakota and Western Minnesota. The accounting loss if customers fail to perform is \$219,100 for 2021, and \$210,757 for 2020, which is the balance of accounts receivable, respectively.

The Authority's operating revenues include the following vendors, along with their percentage of the operating revenues:

Allegiant Airlines	6.50%
AvFlight	8.26%
Avis Rent A Car	8.44%
Delta Airlines	17.97%
Enterprise/National Car Rental	8.25%
JDO School of Aerospace	27.49%
Overland West, Inc / Hertz	3.36%
Red River Valley Grill & Market	1.48%
Republic Parking	16.98%
UND Aerospace Foundation	1.26%

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 11 DEFERRED COMPENSATION PLAN AND TRUST

The Grand Forks Regional Airport Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees. Accordingly, the plan/trust assets have been excluded from the Authority's reported assets.

NOTE 12 RISK MANAGEMENT

The Grand Forks Regional Airport Authority 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.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Grand Forks Regional Airport Authority pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The Grand Forks Regional Airport Authority participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The Grand Forks Regional Airport Authority pays an annual premium to the Fire and Tornado fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period.

The Grand Forks Regional Airport Authority carries commercial insurance for workers compensation, boiler and machinery and flood insurance.

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

NOTE 13 PASSENGER FACILITY CHARGES

As described in Note 1, Passenger Facility Charges are collected in accordance with the FAA regulations allowing airports to impose a \$4.50 PFC. For the years ended December 31, 2021 and 2020, the Authority earned PFC's of \$265,956 and \$181,669, respectively.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 14 GRANT PROGRAMS

The Authority participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2021, may be impaired.

In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 15 NEW PRONOUNCEMENTS

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

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

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

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR).

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 16 RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE 17 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Authority's year end. Subsequent events have been evaluated through March 22, 2022, which is the date these financial statements were available to be issued.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance
OPERATING REVENUES			
Fuel Sales	\$ 111,798	\$ 223,222	\$ 111,424
Landing/ARFF Fees	217,373	288,718	71,345
Operating Grants - CARES/CRRSA	1,150,000	237,001	(912,999)
Terminal Rent	274,044	290,001	15,957
Ground Rent	240,290	247,261	6,971
Terminal Advertising	28,000	29,325	1,325
Commissions	259,681	562,795	303,114
Parking Lot Receipts	496,500	556,020	59,520
Fuel Flowage	576,147	719,185	143,038
Tie Downs	129,953	130,486	533
Hangar Rent	11,497	11,482	(15)
Building Rent	63,817	78,413	14,596
Fuel Storage Fees	91,529	118,060	26,531
Miscellaneous Airfield Fees	24,000	26,346	2,346
Total	<u>3,674,629</u>	<u>3,518,315</u>	<u>(156,314)</u>
OPERATING EXPENSES			
Cost of Fuel	107,609	191,972	(84,363)
Salaries and Wages	1,448,960	1,331,747	117,213
Payroll Taxes/Benefits	450,600	295,243	155,357
Supplies	130,750	136,267	(5,517)
Professional Fees	204,417	139,861	64,556
Security	15,000	7,897	7,103
Marketing	186,000	178,085	7,915
Electricity, Heat and Other Utilities	333,000	282,928	50,072
Maintenance of Building and Grounds	152,000	173,453	(21,453)
Maintenance of Equipment	139,000	118,084	20,916
Board Expenses	5,000	1,023	3,977
Dues and Subscriptions	76,292	6,407	69,885
Education and Training	27,000	17,529	9,471
Telephone and Postage	54,000	57,995	(3,995)
Travel Expense	23,000	4,469	18,531
Construction Services and Fees	8,342,800	1,528,258	6,814,542
Insurance	76,458	80,992	(4,534)
Bank Charges	10,000	4,466	5,534
Parking Contract	189,125	220,614	(31,489)
Depreciation	-	3,912,961	(3,912,961)
Total	<u>11,971,011</u>	<u>8,690,251</u>	<u>3,280,760</u>
OPERATING LOSS	<u>(8,296,382)</u>	<u>(5,171,936)</u>	<u>3,124,446</u>

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance
NON-OPERATING REVENUES			
(EXPENSES)			
Investment Income	\$ 76,324	\$ 59,116	\$ (17,208)
Tax Revenue	1,267,681	1,212,101	(55,580)
Gain on Investments	-	25,605	25,605
Other	30,895	27,091	(3,804)
Interest Expense	(2,800)	(3,050)	(250)
Total	<u>1,372,100</u>	<u>1,320,863</u>	<u>(51,237)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(6,924,282)</u>	<u>(3,851,073)</u>	<u>3,073,209</u>
CAPITAL CONTRIBUTIONS			
Passenger Facility Charge	230,000	265,956	35,956
Federal Grants	6,769,800	3,221,852	(3,547,948)
State Grants	376,100	70,120	(305,980)
Total	<u>7,375,900</u>	<u>3,557,928</u>	<u>(3,817,972)</u>
NET POSITION			
Change in Net Position	<u>\$ 451,618</u>	<u>\$ (293,145)</u>	<u>\$ (744,763)</u>

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

To the Board of Commissioners
Grand Forks Regional Airport Authority
Grand Forks, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Grand Forks Regional Airport Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Grand Forks Regional Airport Authority's basic financial statements, and have issued our report thereon dated March 22, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Grand Forks Regional Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Grand Forks Regional Airport Authority'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 to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Authority's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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



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

March 22, 2022

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

To the Board of Commissioners
Grand Forks Regional Airport Authority
Grand Forks, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Grand Forks Regional Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Grand Forks Regional Airport Authority's major federal program for the year ended December 31, 2021. The Grand Forks Regional Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Grand Forks Regional Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Grand Forks Regional Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Grand Forks Regional Airport Authority'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 Grand Forks Regional Airport Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Grand Forks Regional Airport Authority'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 Grand Forks Regional Airport Authority'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 Grand Forks Regional Airport Authority'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



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

March 22, 2022

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
<u>Department of Transportation (FAA)</u>		
Airport Improvement Program	20.106	\$ 3,197,853
COVID-19 Airport Improvement Program	20.106	<u>261,000</u>
Total Department of Transportation (FAA)		<u>3,458,853</u>
Total Expenditures of Federal Awards		<u>\$ 3,458,853</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of the Grand Forks Regional Airport Authority for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Grand Forks Regional Airport Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Grand Forks Regional Airport Authority.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 ☒ no

Significant deficiency(ies) identified

not considered to be material weaknesses?

☒ yes ☐ none reported

Non-compliance material to financial statements
noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified

not considered to be material weaknesses?

☐ yes ☒ none reported

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

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major programs:

AL Number(s)

Name of Federal Program or Cluster

20.106

Airport Improvement Program

20.106

COVID-19 Airport Improvement Program

Dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001

Criteria

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

Condition

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

Cause

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

Effect

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

Repeat Finding

Yes. Prior audit finding 2020-001.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Management recognizes the deficiency and believes it is effectively handling the reporting responsibilities with the procedures described above.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

2021-002

Criteria

Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The internal control procedures should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

Repeat Finding

Yes. Prior audit finding 2020-002.

Views of Responsible Officials and Planned Corrective Actions

The Director of Finance and Administration and Executive Director have reviewed the current procedures in place and will continually review and update to ensure the proper segregation of duties.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings required to be reported under this section.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

2020-001

The Authority does not have the internal resources to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles (GAAP).

Condition

The Authority's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Directors. However, the Authority does not have internal resources to prepare full-disclosure financial statements required by GAAP for external reporting. The Authority is aware of this significant deficiency, and obtains our assistance in the preparation of the Authority's annual financial statements.

Cause

The Authority does not have the internal resources needed to handle all aspects of the external financial reporting.

Effect

The Authority's management is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

For entities of the Authority's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Views of Responsible Officials and Planned Corrective Actions

Management recognizes the significant deficiency and believes it is effectively handling the reporting responsibilities with the procedures described above.

Corrective Action Taken

See current year finding 2021-001.

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

2020-002

Criteria

Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The internal control procedures should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

Views of Responsible Officials and Planned Corrective Actions

The Director of Finance and Administration and Executive Director have reviewed the current procedures in place and will continually review and update to ensure the proper segregation of duties.

Corrective Action Taken

See current year finding 2021-002.



Corrective Action Plan
December 31, 2021

2021-001

Contact Person – Tanna Aasand, Director of Finance and Administration, and Ryan Riesinger, Executive Director

Corrective Action Plan – Ongoing monitoring of internal financial reports.

Completion Date - Ongoing

2021-002

Contact Person – Tanna Aasand, Director of Finance and Administration, and Ryan Riesinger, Executive Director

Corrective Action Plan – Continually review and update procedures to ensure separation of duties.

Completion Date - Ongoing

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO PASSENGER FACILITY CHARGES
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *PASSENGER FACILITY CHARGE GUIDE FOR PUBLIC AGENCIES***

Board of Commissioners
Grand Forks Regional Airport Authority
Grand Forks, North Dakota

Report on Compliance for Passenger Facility Charges Program

Opinion on Passenger Facility Charges Program

We have audited the compliance of Grand Forks Regional Airport Authority (the "Authority"), with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide") for its passenger facility charge program for the year ended December 31, 2021. The Grand Forks Regional Airport Authority's passenger facility program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Grand Forks Regional Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect to the passenger facility charge program for the year ended December 31, 2021.

Basis for Opinion on Passenger Facility Charges 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 Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Passenger Facility Charges Program. Our audit does not provide a legal determination of the Authority'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 requirements of laws and regulations applicable to its passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide 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 the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority'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 Guide, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 the passenger facility program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 the passenger facility program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility 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 the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 have not been 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 *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide"). Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information of the Board of Commissioners, management, and the Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.



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

March 22, 2022

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES AND RELATED EXPENDITURES
FOR THE YEAR ENDED AND EACH QUARTER FROM
JANUARY 1, 2021 THROUGH DECEMBER 31, 2021

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
BALANCE, JANUARY 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
PASSENGER FACILITY CHARGES	46,348	75,311	71,714	76,484	269,857
INTEREST EARNINGS	-	-	-	-	-
DISBURSEMENTS	<u>(46,348)</u>	<u>(75,311)</u>	<u>(71,714)</u>	<u>(76,484)</u>	<u>(269,857)</u>
BALANCE, DECEMBER 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Passenger Facility Charges are presented above on a cash basis. Below is a reconciliation to the Statement of Revenues, Expenses and Changes in Net Position, which presents the Passenger Facility Charges on an accrual basis.

CASH BASIS (ABOVE)	\$ 269,857
ACCOUNTS RECEIVABLE PY	(30,294)
ACCOUNTS RECEIVABLE CY	<u>26,393</u>
ACCRUAL BASIS	<u>\$ 265,956</u>

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
PASSENGER FACILITY CHARGE PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2021

I. Summary of Auditor's Results

- i) An unmodified report was issued on the December 31, 2021 financial statements of the Grand Forks Regional Airport Authority (the "Authority").
 - ii) No non-compliance, which is material to the financial statements, was disclosed by the audit.
 - iii) An unmodified opinion was issued on compliance for the passenger facility charge program.
- II. There were two findings related to the financial statements, which are required to be reported in accordance with generally accepted *Government Auditing Standards* shown as 2021-001 and 2021-002 on pages 45 and 46.
- III. There were no findings related to the *Passenger Facility Charge Audit Guide for Public Agencies*, which are required to be reported.