GRAND FORKS REGIONAL AIRPORT AUTHORITY
GRAND FORKS, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS
AT DECEMBER 31, 2017

Karl Bollingberg	Chairman
Brad Beyer	Vice-Chairman
Jeannie Mock	Commissioner
Tim Mutchler	Commissioner
Steve Kuhlman	Commissioner
Rick Meland	Commissioner
Gary Malm	Commissioner
Ryan Riesinger	Executive Director
Tanna Aasand	Director of Finance and Administration

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the the Grand Forks Regional Airport Authority, Grand Forks, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Misstatement

As described in note 17 to the financial statements, the Authority has restated the prior period financial statements to reflect expenditures that were previously capitalized. Our opinion has not been modified with respect to this matter.

Other Matters

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.

Other Information

Our audit was conducted for the purpose of forming opinions 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, and are also not a required part of the financial statements.

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 the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The board of commissioners listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2018 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 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 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

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

March 13, 2018

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, 2017 with selected comparative information for the years ended December 31, 2016 and 2015. 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 2017

Delta Air Lines and their partner Airlines along with Allegiant Air provide scheduled service to the airport. A total of 117,442 scheduled airline passengers and charter passengers embarked from Grand Forks International Airport in 2017. This represents a decrease of 14,039 passengers from 2016 (131,481).

A total of 331,881 takeoffs and landings were performed at the airport in 2017. This represents a 4.20% increase from 2016 (318,506). The bulk of operations, approximately 95%, continue to be performed by the UND aviation school.

Enplanements, Operations, and Cargo Activity for 2016

Delta Air Lines and their partner Airlines along with Allegiant Air provide scheduled service to the airport. A total of 131,481 scheduled airline passengers and charter passengers embarked from Grand Forks International Airport in 2016. This represents a decrease of 13,791 passengers from 2015 (145,272).

A total of 318,506 takeoffs and landings were performed at the airport in 2016. This represents a 6.69% increase from 2015 (298,524). The bulk of operations, approximately 95%, continue to be performed by the UND aviation school.

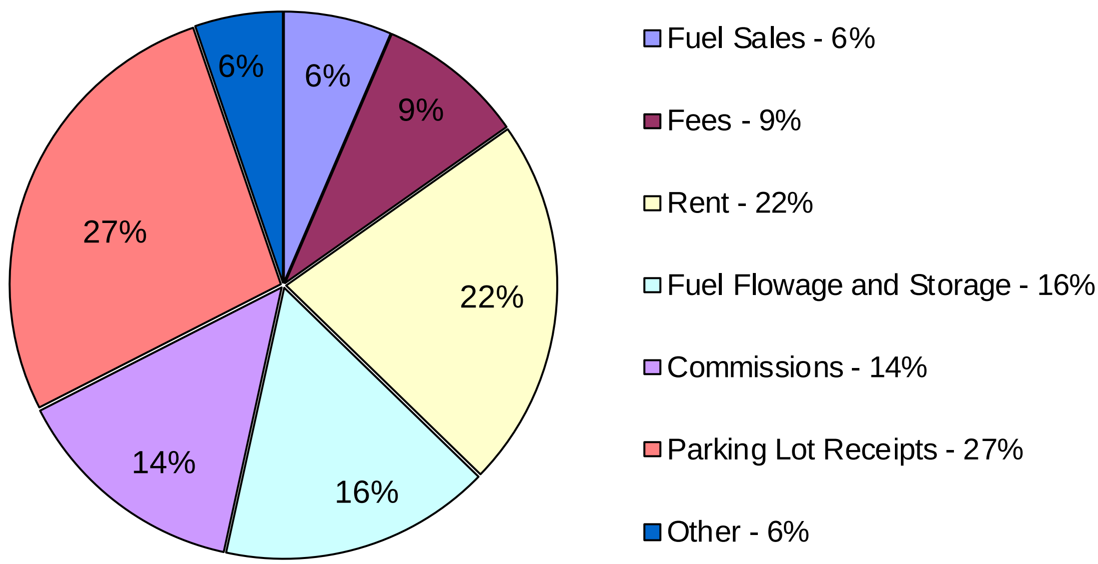
Enplaned and deplaned cargo at the airport was 10,032 tons and 15,407 tons, respectively in 2016. This represented a decrease of 0.29% in enplaned cargo and an increase of 16.40% in deplaned cargo over 2015.

Financial Highlights

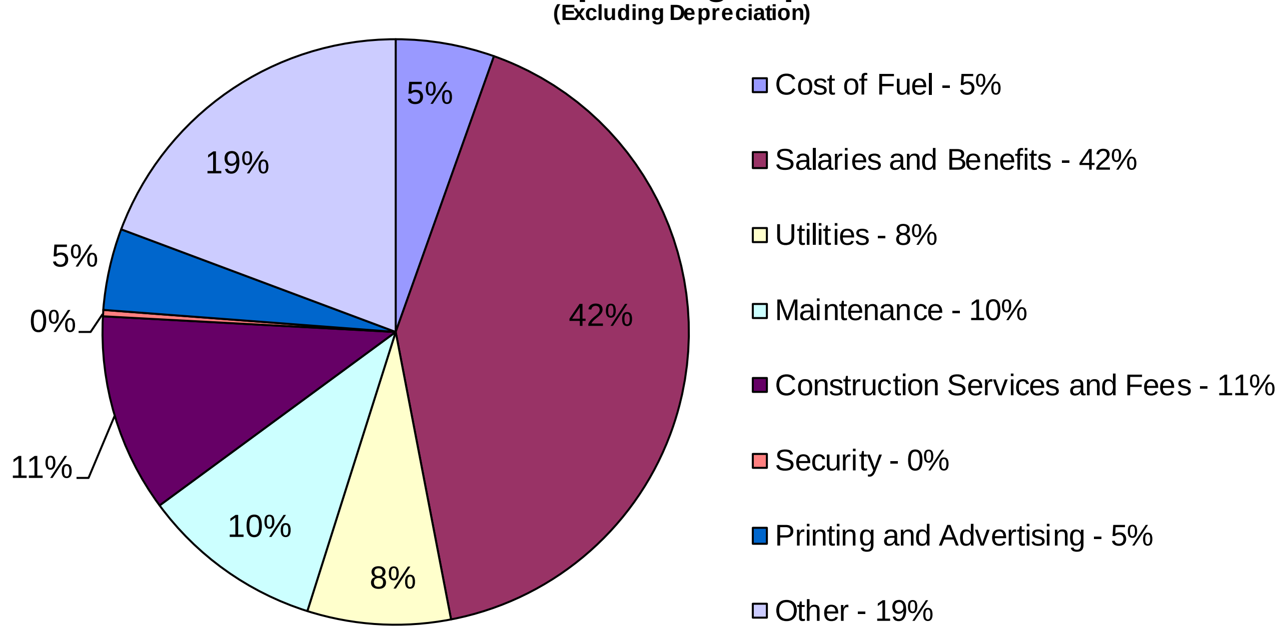
Approximately half of the operating revenues at the Airport are related to the number of passengers and aircraft operations. Operating revenues of $3,611,809 are $952,901 less than operating revenues in 2016 due to the departure of Fed Ex.

The following is an illustration of the total operating revenues and expenses by source and use for the year ended December 31, 2017:

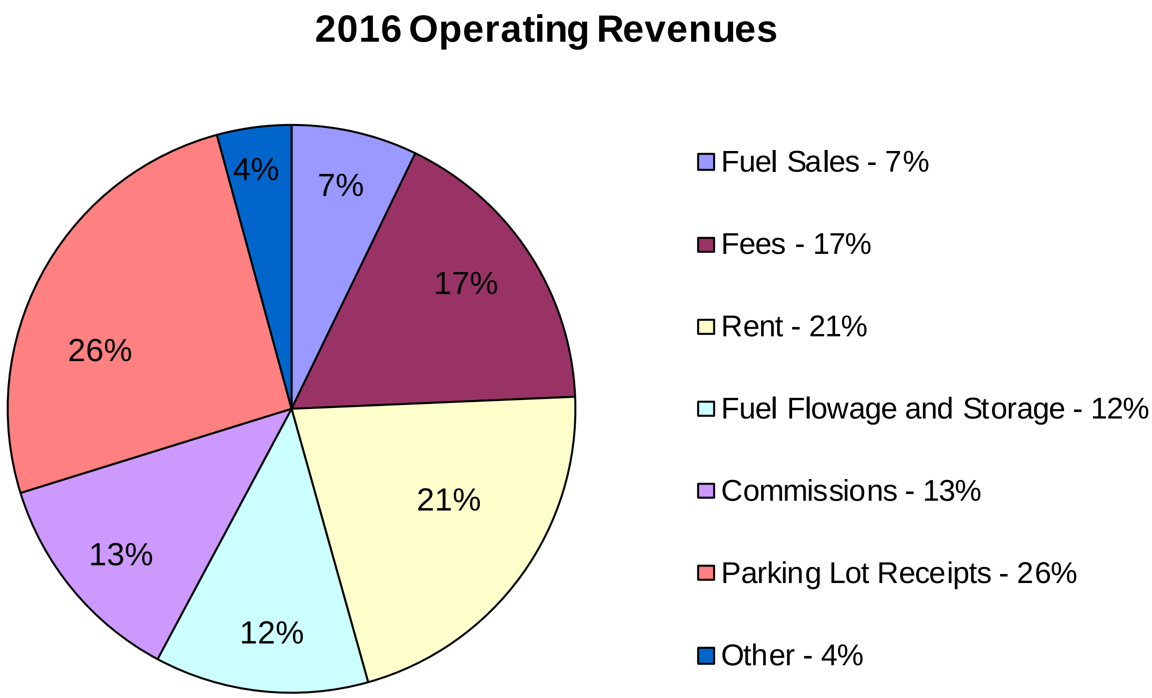
2017 Operating Revenues

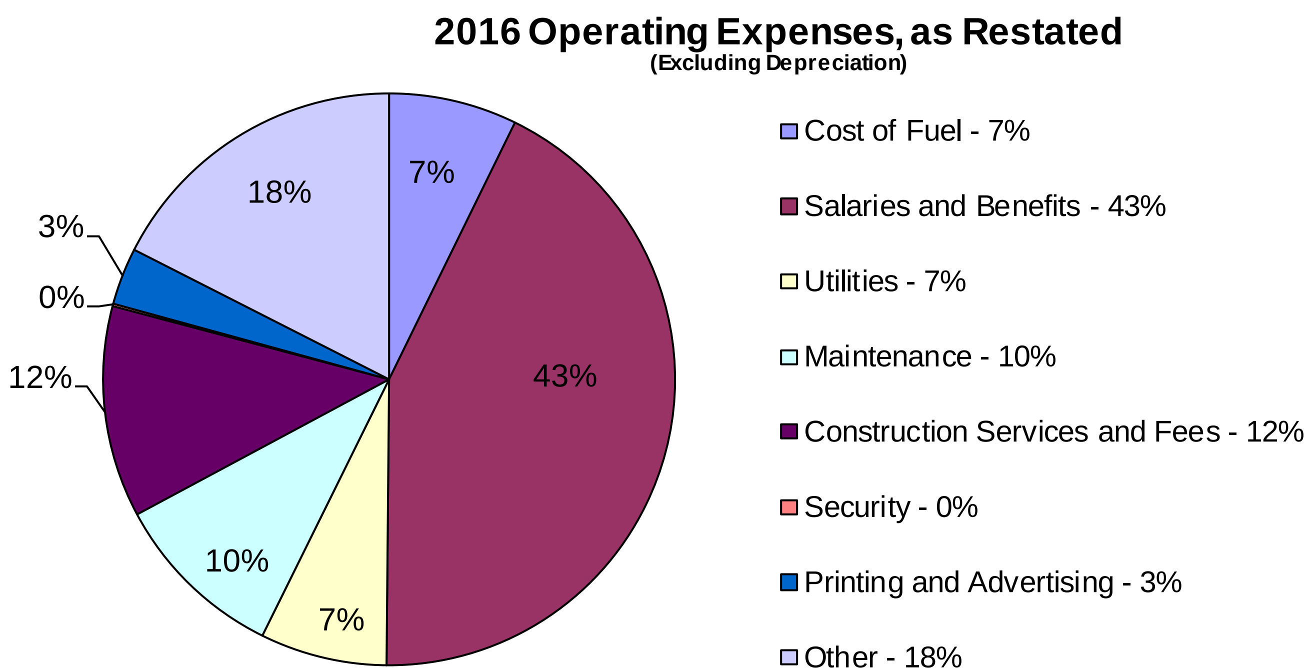


2017 Operating Expenses
(Excluding Depreciation)



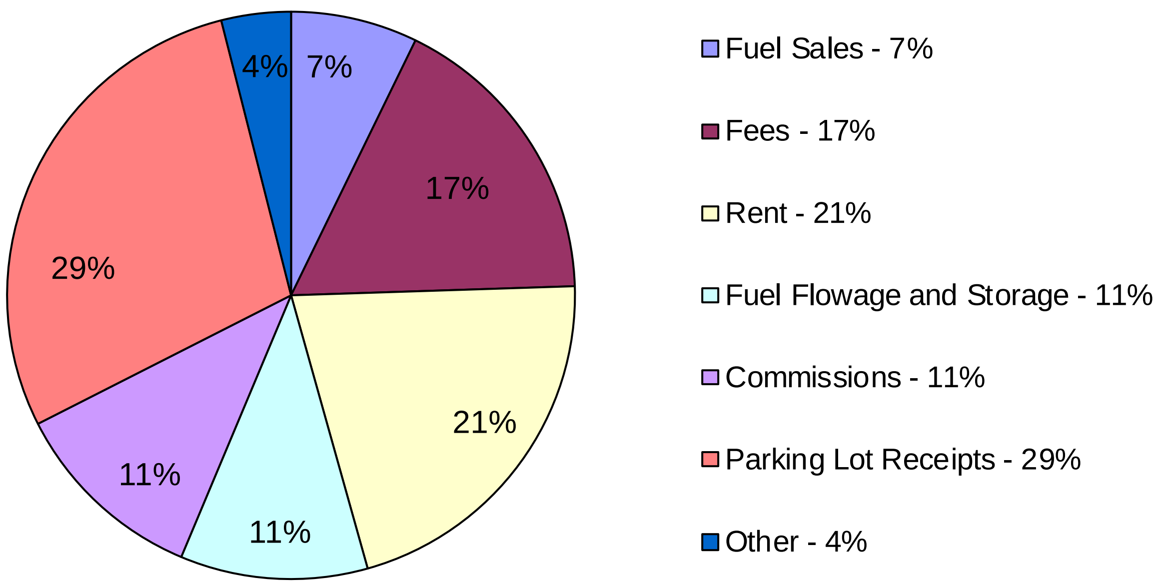
The following is an illustration of the total operating revenues and expenses by source and use for the year ended December 31, 2016:



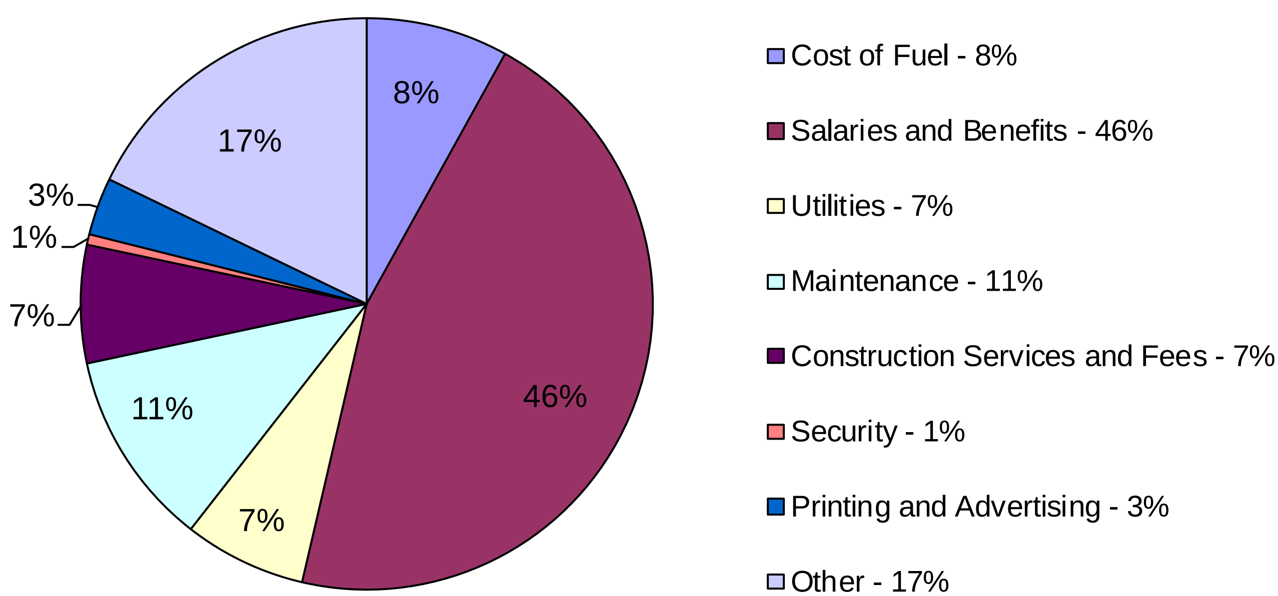


The following is an illustration of the total operating revenues and expenses by source and use for the year ended December 31, 2015:

2015 Operating Revenues



2015 Operating Expenses, as Restated
(Excluding Depreciation)



CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016 (Restated)	2015 (Restated)
Operating Revenues	$ 3,611,809	$ 4,564,710	$ 4,774,138
Operating Expenses	7,867,884	7,743,637	7,467,297
Operating Loss	(4,256,075)	(3,178,927)	(2,693,159)
Non-Operating Revenues	1,185,571	3,668,786	838,619
Income (Loss) Before Capital Contributions	(3,070,504)	489,859	(1,854,540)
Capital Contributions	3,442,117	2,034,959	9,016,627
Change in Net Position	371,613	2,524,818	7,162,087
Net Position, Beginning	58,178,477	55,653,659	48,491,572
Net Position, End of Year	$ 58,550,090	$ 58,178,477	$ 55,653,659

The net position for the year ended December 31, 2017 increased by $371,613 and increased by $2,524,818 for the year ended December 31, 2016. 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.

CONDENSED STATEMENTS OF NET POSITION
As of December 31, 2017, 2016 and 2015

	2017	2016 (Restated)	2015 (Restated)
ASSETS			
Current Assets	$ 13,305,097	$ 12,561,152	$ 7,927,887
Restricted Cash	801,000	796,000	791,000
Capital Assets	109,949,467	107,187,254	106,083,466
Accumulated Depreciation	(60,198,264)	(56,064,531)	(52,227,804)
Total Capital Assets	49,751,203	51,122,723	53,855,662
TOTAL ASSETS	63,857,300	64,479,875	62,574,549
LIABILITIES AND NET POSITION			
Current Liabilities	566,067	1,208,841	1,486,919
Long-Term Liabilities	4,741,143	5,092,557	5,433,971
TOTAL LIABILITIES	5,307,210	6,301,398	6,920,890
NET POSITION			
Net Investment in Capital Assets	44,660,060	45,048,972	47,326,109
Restricted	801,000	796,000	791,000
Unrestricted	13,089,030	12,333,505	7,536,550
TOTAL NET POSITION	$ 58,550,090	$ 58,178,477	$ 55,653,659

In its twenty-ninth full year of operations, the Authority's financial position remained strong at December 31, 2017, with assets of $63,857,300 and liabilities of $5,307,210. The Authority has $49,751,203 in capital assets (net of depreciation), a decrease of $1,371,520 from 2016. 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 $58,550,090 on December 31, 2017, an increase of $371,613 from 2016. The account "Net Investment in Capital Assets" decreased by $388,912 to $44,660,060. Debt service reserve of $801,000 is included in Restricted Net Position.

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 2017 restricted net position of $801,000 is subject to external restrictions on how they may be used under the Master Indenture of Trust (Master Indenture) and Federal regulations. The remaining unrestricted net position of $13,089,030, an increase of $755,525 from 2016, may be used to meet any of the Authority's ongoing operations subject to approval of the Authority's Board.

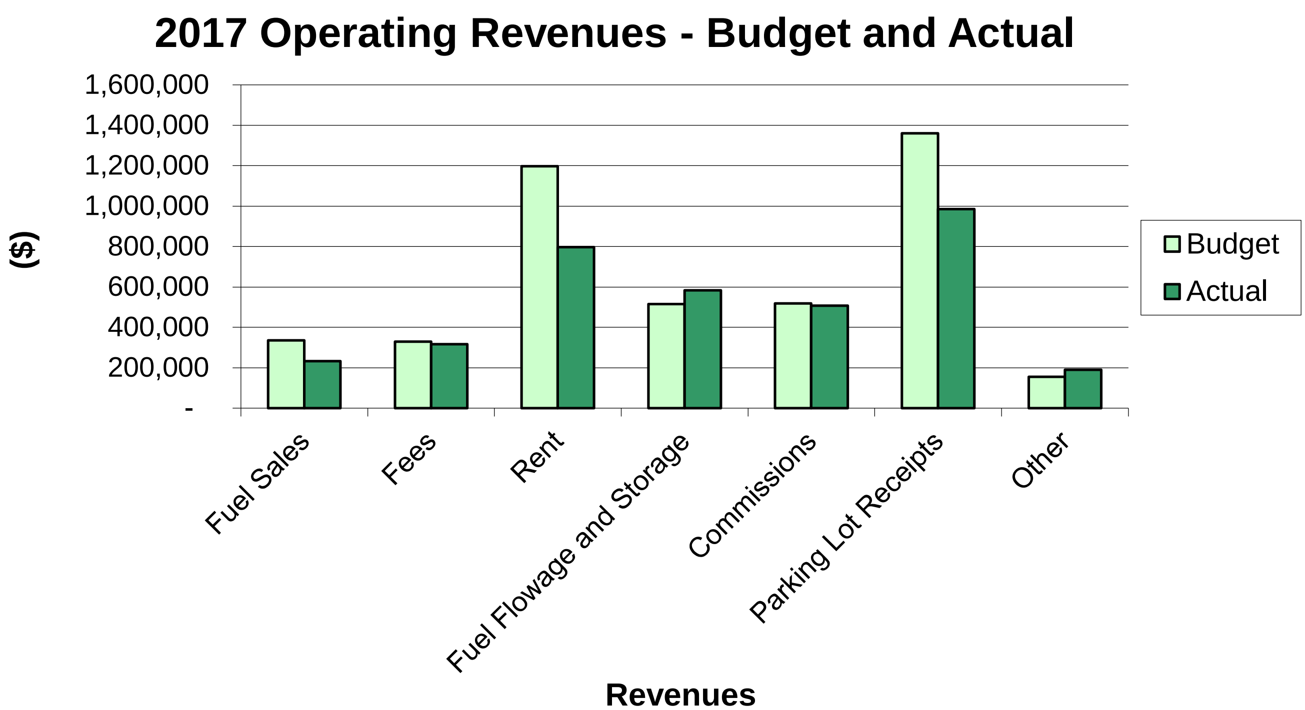
Highlights of the 2017 Budget

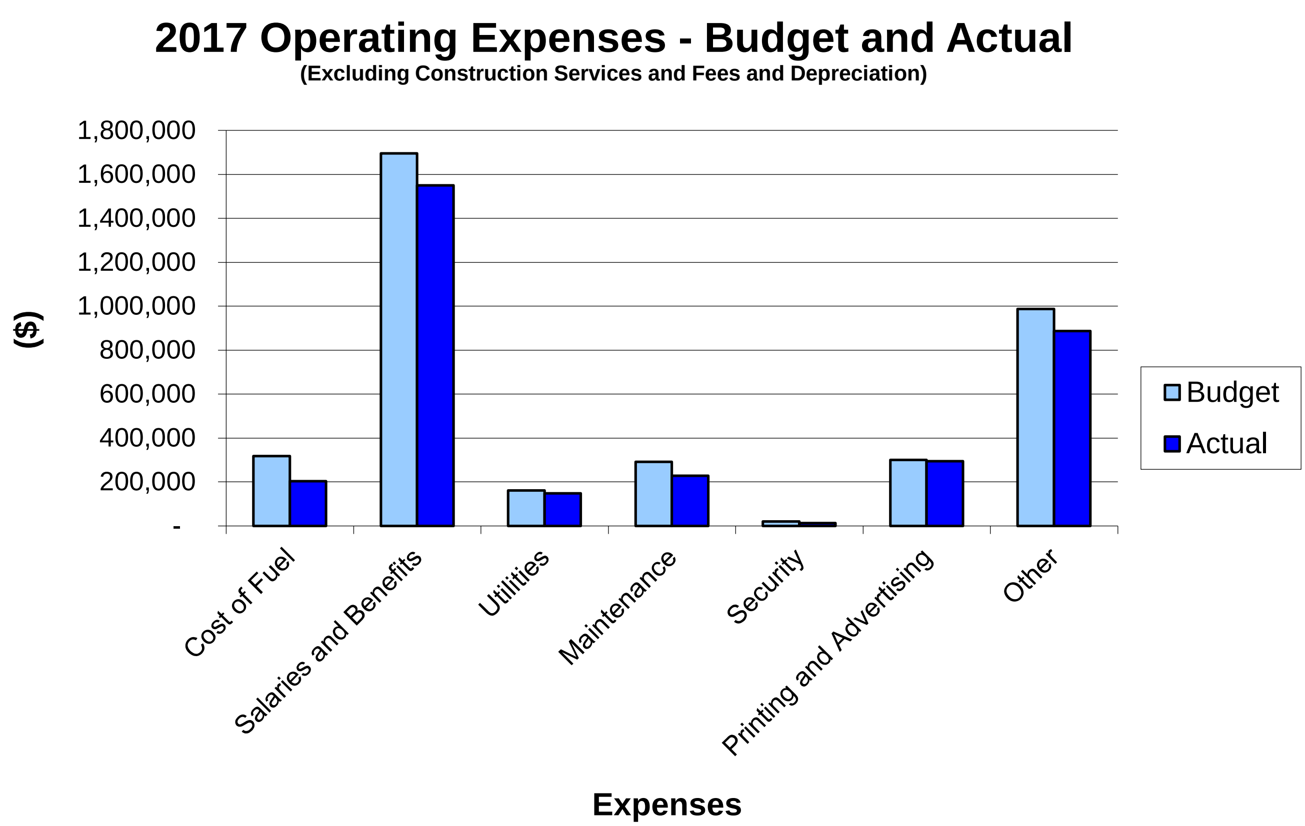
A budget is prepared each year and is a financial planning tool used to estimate revenues and expenditures. The budget is not prepared according to GAAP.

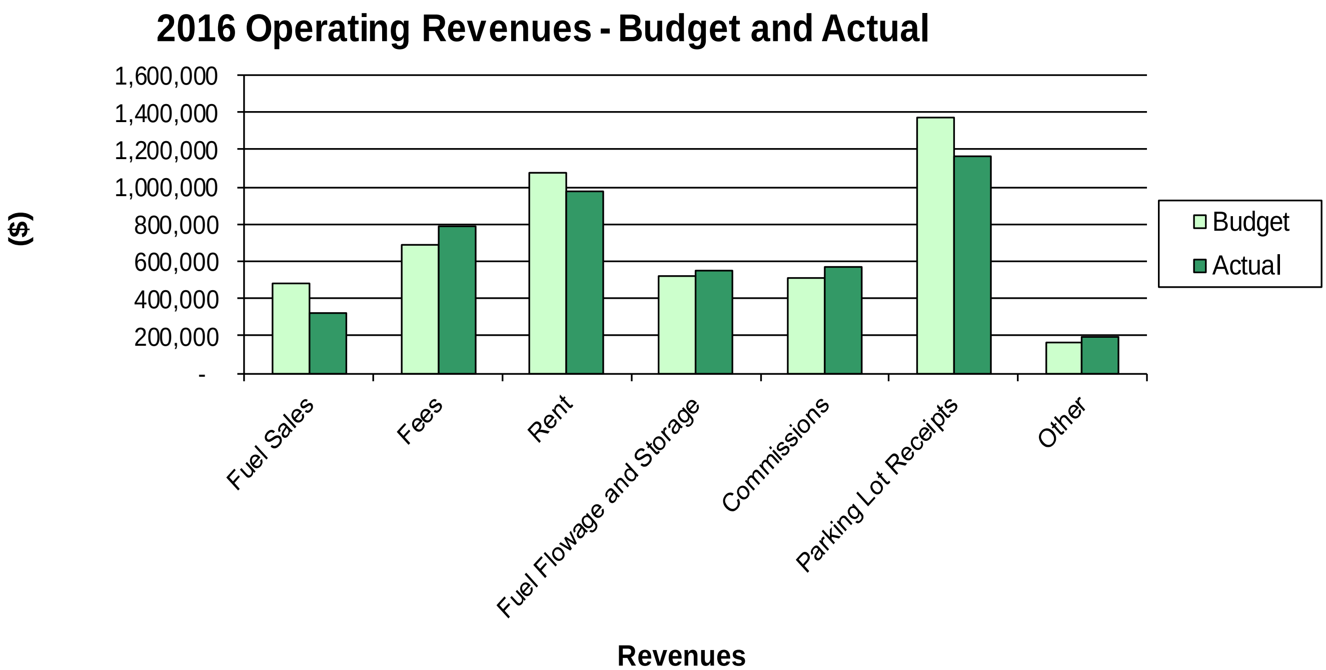
CONDENSED SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
For the Year Ended December 31, 2017

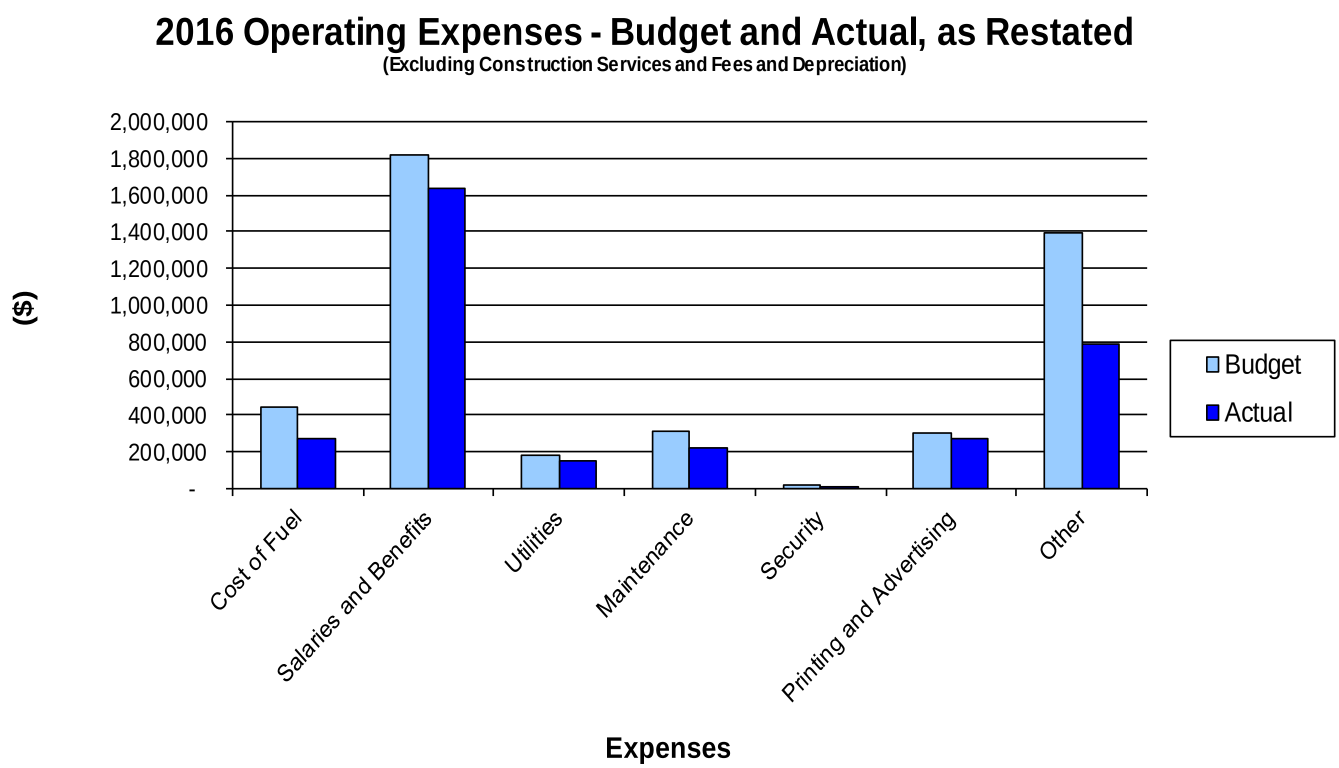
	2017 Budget	2017 Actual	Variance
Operating Revenues	$ 4,409,401	$ 3,611,809	$ (797,592)
Operating Expenses	6,901,932	7,867,884	(965,952)
Operating Loss	(2,492,531)	(4,256,075)	(1,763,544)
Non-Operating Revenues	602,560	1,185,571	583,011
Income (Loss) Before Capital Contributions	(1,889,971)	(3,070,504)	(1,180,533)
Capital Contributions	2,274,195	3,442,117	1,167,922
Change in Net Position	$ 384,224	$ 371,613	$ (12,611)

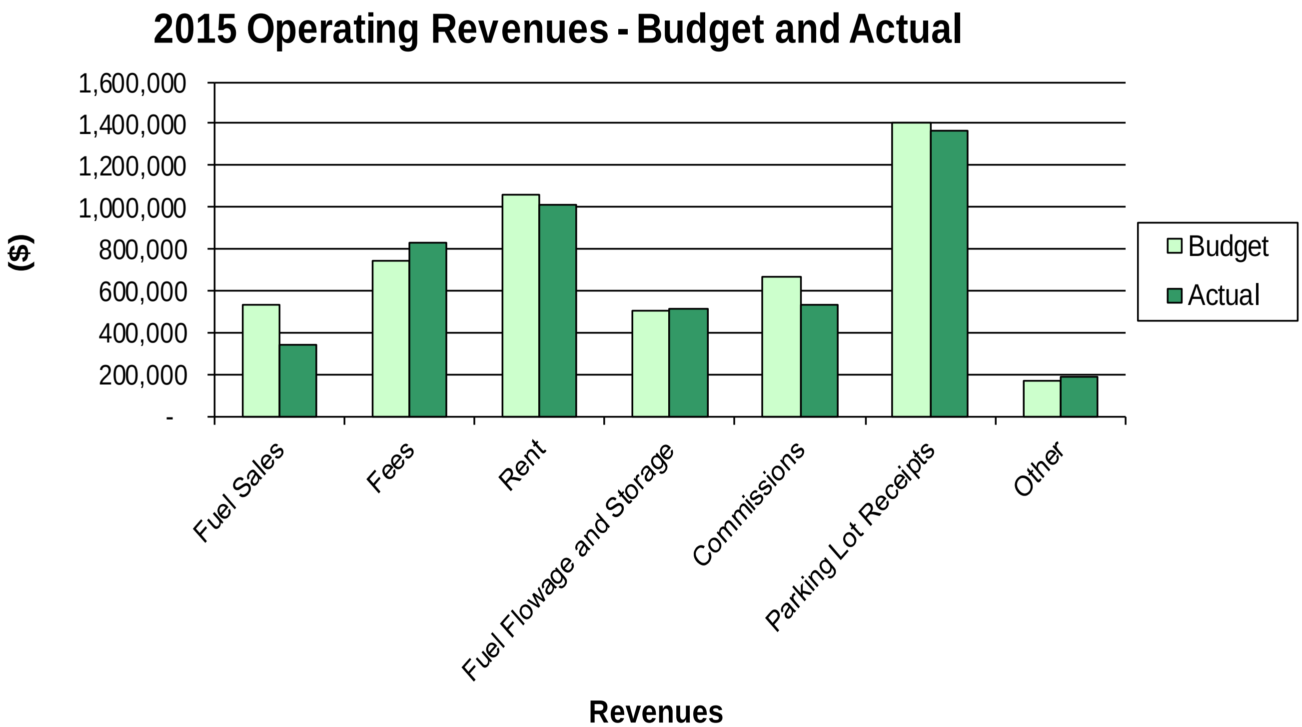
Management was successful in forecasting revenues and expenses for the year. Operating revenues were within 18% of budget. Operating expenses--excluding Construction Services and Fees and Depreciation—were under the amount budgeted by $476,974.

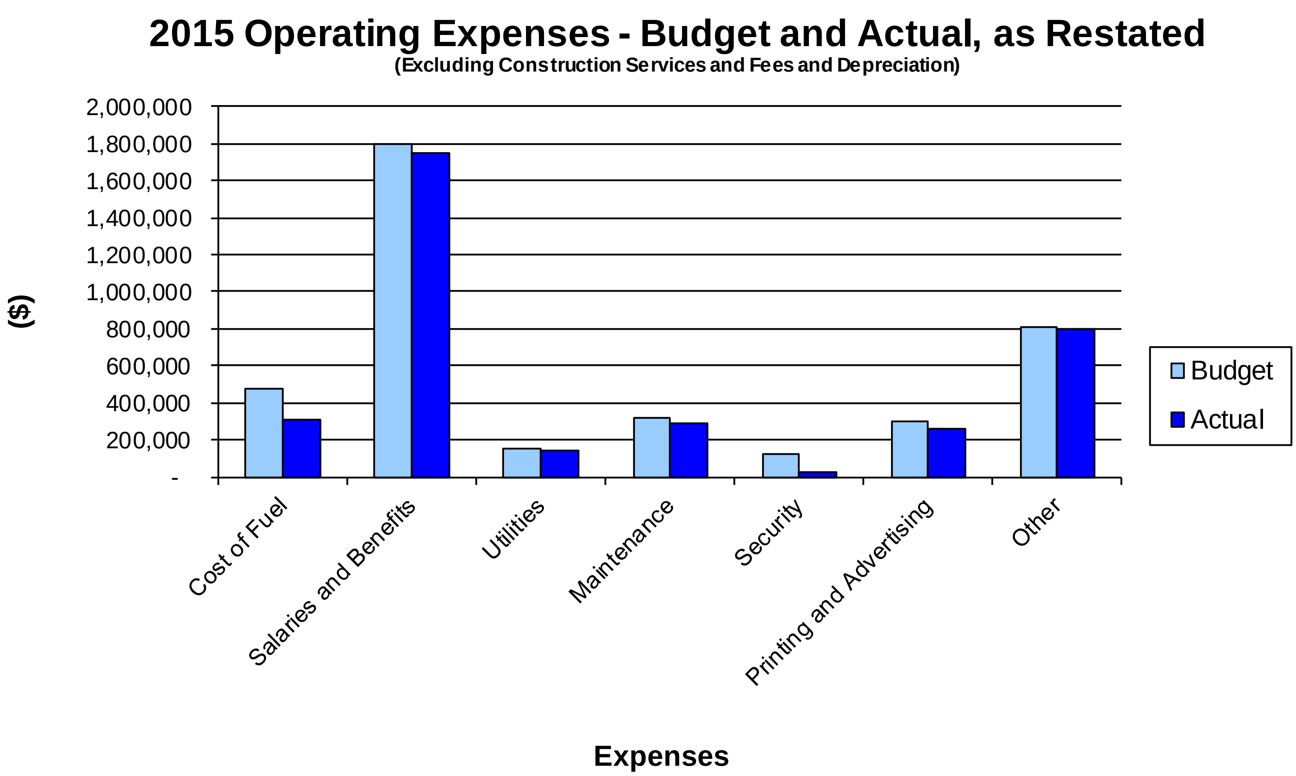

2017 Operating Revenues - Budget and Actual
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
($)
Budget
Actual
Fuel Sales
Fees
Rent
Fuel Flowage and Storage
Commissions
Parking Lot Receipts
Other
Revenues


2017 Operating Expenses - Budget and Actual
(Excluding Construction Services and Fees and Depreciation)
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
($)
Budget
Actual
Cost of Fuel
Salaries and Benefits
Utilities
Maintenance
Security
Printing and Advertising
Other
Expenses


2016 Operating Revenues - Budget and Actual
($)
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Fuel Sales
Fees
Rent
Fuel Flowage and Storage
Commissions
Parking Lot Receipts
Other
Budget
Actual
Revenues


2016 Operating Expenses - Budget and Actual, as Restated
(Excluding Construction Services and Fees and Depreciation)
($)
2,000,000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Cost of Fuel
Salaries and Benefits
Utilities
Maintenance
Security
Printing and Advertising
Other
Budget
Actual
Expenses


2015 Operating Revenues - Budget and Actual
($)
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Fuel Sales
Fees
Rent
Fuel Flowage and Storage
Commissions
Parking Lot Receipts
Other
Budget
Actual
Revenues


2015 Operating Expenses - Budget and Actual, as Restated
(Excluding Construction Services and Fees and Depreciation)
($)
2,000,000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Cost of Fuel
Salaries and Benefits
Utilities
Maintenance
Security
Printing and Advertising
Other
Budget
Actual
Expenses

Cash and Investment Management

As of December 31, 2017 and 2016, 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 completed Taxiway U in November of 2017. Construction began in 2016 establishing a new General Aviation area on the east side of Airport Drive which is still in process as of December 31, 2017. The Master Plan/ALP update is proceeding on schedule.

During 2016 the Airport Authority completed the intersection of Taxiway(s) A, B & D, and occupancy of the new Aircraft Rescue Firefighting (ARFF) building was taken by the Airport Authority on January 19, 2016.

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 borrowing federal and state grants, and state and local taxes. Debt service continues to be funded through passenger facility charges (PFC) and fuel storage fees.

The Authority currently received approximately $3.9 million and $3.5 million during 2017 and 2016, respectively, in Airport Improvement Program (AIP) entitlement funds. Larger projects in the CIP rely on FAA commitments of Airport Improvement Program (AIP) discretionary 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 debt service or to reimburse reserves.

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
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016 (Restated)
ASSETS		
CURRENT		
Cash and Cash Equivalents	$ 12,067,770	$ 10,458,333
Investments	79,521	65,208
Accounts Receivable	238,116	280,640
Due from Federal and State Agencies	537,263	1,381,561
Taxes Receivable	247,474	181,719
Interest Receivable	19,322	-
Prepaid Expenses	83,669	159,889
Inventory	31,962	33,802
Total	13,305,097	12,561,152
RESTRICTED CASH		
Revenue Bond Covenants	801,000	796,000
Total	801,000	796,000
CAPITAL ASSETS		
Land	1,746,081	1,746,081
Software	59,950	59,950
Buildings, Systems and Structures	98,299,759	96,877,512
Equipment and Motor Vehicles	7,696,327	7,652,772
Construction in Process	2,147,350	850,939
Total	109,949,467	107,187,254
Less Accumulated Depreciation	(60,198,264)	(56,064,531)
Total	49,751,203	51,122,723
TOTAL ASSETS	63,857,300	64,479,875
CURRENT LIABILITIES		
Accounts Payable	114,292	126,732
Taxes Payable	5,958	4,211
Compensated Absences Payable	19,669	21,036
Construction Contracts (Including Retainage)	-	641,194
Salaries Payable	55,824	54,605
Pension Payable	1,761	1,683
Accrued Interest Payable	18,563	19,380
Bonds Payable	350,000	340,000
Total Current Liabilities	566,067	1,208,841

See Notes To The Financial Statements

GRAND FORKS REGIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION - CONTINUED
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016 (Restated)
LONG-TERM		
Bonds Payable- Net of Current Portion	$ 4,741,143	$ 5,092,557
Total	4,741,143	5,092,557
TOTAL LIABILITIES	5,307,210	6,301,398
NET POSITION		
Net Investment in Capital Assets	44,660,060	45,048,972
Restricted	801,000	796,000
Unrestricted	13,089,030	12,333,505
TOTAL NET POSITION	$ 58,550,090	$ 58,178,477

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, 2017 AND 2016

	2017	2016 (Restated)
OPERATING REVENUES		
Fuel Sales	$ 232,675	$ 327,546
Landing/ARFF Fees	221,752	782,969
ARFF Fees	95,290	-
Terminal Rent	474,549	499,138
Ground Rent	223,241	268,206
Terminal Advertising	32,500	25,059
Commissions	507,677	565,626
Parking Lot Receipts	984,986	1,165,865
Fuel Flowage	442,292	357,027
Tie Downs	106,774	110,714
Hangar Rent	15,674	19,085
Ramp Access Fee	2,892	13,120
Building Rent	83,048	187,060
Fuel Storage Fees	141,397	198,469
Miscellaneous Airfield Fees	47,062	44,826
Total	3,611,809	4,564,710
OPERATING EXPENSES		
Cost of Fuel	203,224	276,854
Salaries and Wages	1,240,564	1,323,866
Payroll Taxes/Benefits	310,103	311,120
Supplies	102,131	85,793
Professional Fees	206,631	129,484
Security	12,779	5,432
Marketing	168,343	122,828
Electricity, Heat and Other Utilities	295,149	272,948
Maintenance of Building and Grounds	147,421	153,110
Maintenance of Equipment	124,996	139,814
Board Expenses	1,238	3,045
Dues and Subscriptions	4,036	4,167
Education and Training	29,779	9,653
Telephone and Postage	53,051	60,051
Travel Expense	13,754	14,827
Construction Services and Fees	409,007	453,151
Insurance	65,295	83,974
Bank Charges	6,613	13,500
Bond Issuance Costs	7,952	2,075
Parking Contract	332,085	346,961
Depreciation and Amortization	4,133,733	3,930,984
Total	7,867,884	7,743,637
OPERATING LOSS	(4,256,075)	(3,178,927)

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, 2017 AND 2016

	2017	2016 (Restated)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	$ 70,538	$ 17,038
Tax Revenue	1,259,820	1,100,112
Gain (Loss) on Disposal of Fixed Assets	-	(4,289)
Gain (Loss) on Investments	-	14,516
Fed Ex Termination Payment	-	2,753,775
Other	81,387	22,401
Interest Expense	(226,174)	(234,767)
Total	1,185,571	3,668,786
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(3,070,504)	489,859
CAPITAL CONTRIBUTIONS		
Passenger Facility Charge	458,042	566,711
Federal and State Grants	2,984,075	1,468,248
Total	3,442,117	2,034,959
Change in Net Position	371,613	2,524,818
NET POSITION, BEGINNING	58,178,477	55,880,300
PRIOR PERIOD ADJUSTMENT - SEE NOTE 17	-	(226,641)
NET POSITION, BEGINNING AS RESTATED	58,178,477	55,653,659
NET POSITION, END OF YEAR	$ 58,550,090	$ 58,178,477

See Notes To The Financial Statements

GRAND FORKS REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Cash Receipts from Customers	$ 3,654,333	$ 4,530,738
Cash Payments to Suppliers	(2,759,058)	(2,609,675)
Cash Payments to Employees	(1,548,990)	(1,621,574)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(653,715)	299,489
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Payments on Long-Term Debt	(340,000)	(330,000)
Interest Paid on Long-Term Debt	(228,405)	(236,905)
Payments for Capital Expenditures	(2,762,213)	(1,202,335)
Passenger Facility Charge Receipts	463,523	566,711
Government Grants	3,822,892	1,840,531
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	955,797	638,002
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:		
Tax Revenue	1,194,065	1,076,753
Fed Ex Termination Payment	-	2,753,775
Other Receipts	81,387	22,401
NET CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	1,275,452	3,852,929
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received on Investments	36,903	17,038
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	36,903	17,038
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,614,437	4,807,458
CASH AND CASH EQUIVALENTS, Beginning of Period	11,254,333	6,446,875
CASH AND CASH EQUIVALENTS, End of Period	$ 12,868,770	$ 11,254,333

See Notes To The Financial Statements

GRAND FORKS REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2017	2016 (Restated)
Operating Loss	$ (4,256,075)	$ (3,178,927)
Adjustments to Reconcile Operating Loss to		
Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	4,133,733	3,930,984
Effects on Operating Cash Flows Due to Changes in:		
Accounts Receivable	42,524	(33,972)
Inventory	1,840	(11,145)
Prepaid Assets	76,220	(120,098)
Accounts Payable/Construction Contracts	(653,634)	(300,765)
Accrued Expenses	(70)	15,640
Taxes Payable	1,747	(2,228)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (653,715)	$ 299,489
SCHEDULE OF NONCASH INVESTING FINANCING ACTIVITIES		
Gain on Investments	$ 14,313	$ 14,516

See Notes To The Financial Statements

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.

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.

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, 2017 and 2016.

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

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:

	Non-Exempt		Exempt		24 Hour Shift	
Length of Service	Hours Per Year	Maximum Hours Carry-Over	Hours Per Year	Maximum Hours Carry-Over	Hours Per Year	Maximum 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.

O. 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, 2017 and 2016, the carrying amounts of the Authority's deposits were $12,868,770 and $11,254,333, respectively, and the bank balances in 2017 and 2016 were $12,858,003 and $11,234,176, respectively, all of which was 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 $79,521 and $65,208 as of December 31, 2017 and 2016, 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, 2017 and 2016, a Level 1 fair value measurement.

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 1, 2017	Additions	Deletions	Ending Balance December 31, 2017
Capital Assets Not Being Depreciated				
Construction In Progress	$ 850,939	$ 1,296,411	$ -	$ 2,147,350
Software	59,950	-	-	59,950
Land	1,746,081	-	-	1,746,081
Total Capital Assets Not Being Depreciated	2,656,970	1,296,411	-	3,953,381
Capital Assets Being Depreciated				
Equipment	3,410,981	-	-	3,410,981
Motor Vehicles	4,241,791	43,555	-	4,285,346
Buildings	27,154,080	-	-	27,154,080
Systems and Structures	69,723,432	1,422,247	-	71,145,679
Total Other Capital Assets	104,530,284	1,465,802	-	105,996,086
Less Accumulated Depreciation				
A/D Equipment	(2,555,849)	(214,705)	-	(2,770,554)
A/D Motor Vehicles	(2,945,672)	(217,077)	-	(3,162,749)
A/D Buildings	(6,010,536)	(994,828)	-	(7,005,364)
A/D Systems and Structures	(44,552,474)	(2,707,123)	-	(47,259,597)
Total Accumulated Depreciation	(56,064,531)	(4,133,733)	-	(60,198,264)
Totals	$ 51,122,723	$ (1,371,520)	$ -	$ 49,751,203

	Beginning Balance January 1, 2016 (Restated)	Additions	Deletions	Transfers	Ending Balance December 31, 2016 (Restated)
Capital Assets Not Being Depreciated					
Construction In Progress	$ 5,481,000	$ 850,940	$ (5,481,001)	$ -	$ 850,939
Software	59,950	-	-	-	59,950
Land	1,746,081	-	-	-	1,746,081
Total Capital Assets Not Being Depreciated	7,287,031	850,940	(5,481,001)	-	2,656,970
Capital Assets Being Depreciated					
Equipment	5,669,299	15,539	(77,718)	(2,196,139)	3,410,981
Motor Vehicles	2,028,901	31,485	(14,734)	2,196,139	4,241,791
Buildings	22,473,968	4,680,112	-	-	27,154,080
Systems and Structures	68,624,267	1,105,258	(6,093)	-	69,723,432
Total Other Capital Assets	98,796,435	5,832,394	(98,545)	-	104,530,284
Less Accumulated Depreciation					
A/D Equipment	(3,187,116)	(221,653)	73,429	779,491	(2,555,849)
A/D Motor Vehicles	(1,960,304)	(220,611)	14,734	(779,491)	(2,945,672)
A/D Buildings	(5,229,238)	(781,298)	-	-	(6,010,536)
A/D Systems and Structures	(41,851,146)	(2,707,422)	6,094	-	(44,552,474)
Total Accumulated Depreciation	(52,227,804)	(3,930,984)	94,257	-	(56,064,531)
Totals	$ 53,855,662	$ 2,752,350	$ (5,485,289)	$ -	$ 51,122,723

NOTE 6 LONG-TERM DEBT

Changes in long-term debt during the years ended December 31, 2017 and 2016 were as follows:

	Balance 1/1/2017	Issued	Retired	Balance 12/31/2017	Due Within One Year
Compensated Absences	$ 21,036	$ 123,458	$ (124,825)	$ 19,669	$ 19,669
2009 Bonds Payable	3,400,000	-	(200,000)	3,200,000	210,000
2013 Bonds Payable	2,015,000	-	(140,000)	1,875,000	140,000
Bond Premium	17,557	-	(1,414)	16,143	-
Total	$ 5,453,593	$ 123,458	$ (477,909)	$ 5,110,812	$ 369,669

	Balance 01/01/16	Issued	Retired	Balance 12/31/16	Due Within One Year
Compensated Absences	$ 17,296	$ 150,235	$ (146,495)	$ 21,036	$ 21,036
2009 Bonds Payable	3,595,000	-	(195,000)	3,400,000	200,000
2013 Bonds Payable	2,150,000	-	(135,000)	2,015,000	140,000
Bond Premium	18,971	-	(1,414)	17,557	-
Total	$ 5,781,267	$ 150,235	$ (477,909)	$ 5,453,593	$ 361,036

The details of the long-term debt of the Airport Authority are detailed below:

	2017	2016
Airport Revenue Bonds of 2009		
$4,500,000 serial bonds due in annual installments of $175,000 to $340,000 through June 1, 2029; interest at 2 percent to 5 percent.	$ 3,200,000	$ 3,400,000
Airport Revenue Bonds of 2013		
$2,410,000 serial bonds due in annual installments of $125,000 to $210,000 through June 1, 2028; interest at 1.25 percent to 4.5 percent.	1,875,000	2,015,000
Total	$ 5,075,000	$ 5,415,000

The airport revenue bonds are to be repaid from authority revenue, however if the principal and interest cannot be paid from revenue, a tax can be levied on the property in the County of Grand Forks, North Dakota for debt service.

The annual requirements to amortize all bonds and notes payable as of December 31, 2017, are as follows:

Years Ending December 31,	Principal	Interest	Total
2018	$ 350,000	$ 217,085	$ 567,085
2019	360,000	204,505	564,505
2020	375,000	190,226	565,226
2021	390,000	174,956	564,956
2022	405,000	158,785	563,785
2023-2027	2,320,000	499,573	2,819,573
2028-2029	875,000	8,500	883,500
	$ 5,075,000	$ 1,453,630	$ 6,528,630

NOTE 7 COMMITMENTS/CONTINGENCIES

The Authority had $204,021 committed as of December 31, 2017. The commitments were as follows:

Master Plan	$ 123,947
GA Taxiway	40,110
Taxiway U	19,490
17R-35L	20,474
	$ 204,021

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, on 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, 2017 and 2016 was $790,649 and $965,437, respectively. The total contributions to the plan for the years ended December 31, 2017 and 2016 were $50,903 and $62,832 by the employees and $35,240 and $43,513 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.

The following is a summary of leases as of December 31, 2017 and 2016:

Tenant	2017 Rent	2016 Rent
Aerospace Foundation	$ 38,433	$ 37,878
AutoCorp, Inc	17,557	17,310
AvFlight - Ground Site	87,942	88,344
AvFlight - Hanger	15,674	19,085
UND Aviation Storage and Rental- Ground Site	57,702	56,867
UND Aviation Storage and Rental- Tie Down	92,593	91,258
IASAir - Ground Site	-	2,921
IASAir - Building Rent	-	43,918
Rydell Chevrolet - Ground Site	2,857	2,857
Federal Express- Buildings	-	98,551
Federal Express- Ground Site	-	39,152
Minnkota Power- Ground Site	-	4,396
Four Corners Real Estate - Ground	18,752	18,481
Allegiant - Jetbridge Rent	12,775	19,392
Suncountry - Jetbridge Rent	648	-
Misc - Jetbridge Rent	778	65
Delta Terminal Rents	373,495	373,495
Delta Building Rents	4,094	3,740
Allegiant Terminal Rent	48,417	73,641
FAA Airway Facilities	78,954	40,852
Transportation Safety Administration - Terminal Rent	49,170	52,002
Sun Country & Others	3,446	-
	$ 903,287	$ 1,084,205

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 $238,116 for 2017, and $280,640 for 2016, 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	7%
AvFlight	7%
Avis Rent A Car	5%
Delta Airlines	22%
Enterprise/National Car Rental	5%
Federal Aviation Administration	2%
Hertz Car Rental	3%
JD Odegard School of Aerospace	14%
Red River Valley Grill & Market	1%
Republic Parking	25%

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, 2017 and 2016, the Authority earned PFC's of $458,042 and $566,711, respectively.

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, 2017, 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 RECLASSIFICATION

Certain reclassifications have been made to the 2016 financial statements in order to conform with the 2017 presentation.

NOTE 16 NEW PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

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 December 15, 2019. Earlier application is encouraged.

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

NOTE 17 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to record expenditures for the Master Plan project as expenditures rather than construction in progress. The 2016 amounts have been restated decreasing construction in progress and increasing expenses by $338,203. The portion of the project that related to before 2016 was $226,641, this adjustment decreased construction in progress and decreased net position.

NOTE 18 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Authority's year end. Subsequent events have been evaluated through March 13, 2018, 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, 2017

	Original and Final Budget	Actual	Variance
OPERATING REVENUES			
Fuel Sales	$ 335,000	$ 232,675	$ (102,325)
Landing/ARFF Fees	328,472	221,752	(106,720)
ARFF Fees	-	95,290	95,290
Terminal Rent	513,046	474,549	(38,497)
Ground Rent	269,586	223,241	(46,345)
Terminal Advertising	20,000	32,500	12,500
Commissions	518,000	507,677	(10,323)
Parking Lot Receipts	1,360,000	984,986	(375,014)
Fuel Flowage	305,000	442,292	137,292
Tie Downs	96,149	106,774	10,625
Hangar Rent	19,467	15,674	(3,793)
Ramp Access Fee	5,100	2,892	(2,208)
Building Rent	395,081	83,048	(312,033)
Fuel Storage Fees	210,000	141,397	(68,603)
Miscellaneous Airfield Fees	34,500	47,062	12,562
Total	4,409,401	3,611,809	(797,592)
OPERATING EXPENSES			
Cost of Fuel	318,250	203,224	115,026
Salaries and Wages	1,336,800	1,240,564	96,236
Payroll Taxes/Benefits	359,208	310,103	49,105
Supplies	150,502	102,131	48,371
Professional Fees	244,750	206,631	38,119
Security	20,000	12,779	7,221
Marketing	170,000	168,343	1,657
Electricity, Heat and Other Utilities	300,800	295,149	5,651
Maintenance of Building and Grounds	160,500	147,421	13,079
Maintenance of Equipment	129,000	124,996	4,004
Board Expenses	12,000	1,238	10,762
Dues and Subscriptions	3,500	4,036	(536)
Education and Training	17,500	29,779	(12,279)
Telephone and Postage	67,600	53,051	14,549
Travel Expense	21,000	13,754	7,246
Construction Services and Fees	3,127,100	409,007	2,718,093
Insurance	63,122	65,295	(2,173)
Bank Charges	25,000	6,613	18,387
Bond Issuance Costs	5,300	7,952	(2,652)
Parking Contract	370,000	332,085	37,915
Depreciation	-	4,133,733	(4,133,733)
Total	6,901,932	7,867,884	(965,952)
OPERATING LOSS	(2,492,531)	(4,256,075)	(1,763,544)

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original and Budget	Actual	Variance
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	$ 15,000	$ 70,538	$ 55,538
Tax Revenue	1,132,415	1,259,820	127,405
Other	22,800	81,387	58,587
Interest Expense	(567,655)	(226,174)	341,481
Total	602,560	1,185,571	583,011
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,889,971)	(3,070,504)	(1,180,533)
CAPITAL CONTRIBUTIONS			
Passenger Facility Charge	590,000	458,042	(131,958)
Federal and State Grants	1,684,195	2,984,075	1,299,880
Total	2,274,195	3,442,117	1,167,922
NET POSITION			
Change in Net Position	$ 384,224	$ 371,613	$ (12,611)

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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, 2017, 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 13, 2018.

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) to determine the 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 2017-001 and 2017-002 that we consider to be significant deficiencies.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

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

March 13, 2018

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Grand Forks Regional Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Grand Forks Regional Airport Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis of our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Grand Forks Regional Airport Authority's compliance.

Opinion on Each Major Federal Program

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, 2017.

Report on Internal Control Over Compliance

Management of the Grand Forks Regional Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Grand Forks Regional Airport Authority's internal control over compliance with the type requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 may exist that have not been identified.

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

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

March 13, 2018

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Program Title	CFDA/Contract Number	Expenditures
Department of Transportation (FAA)		
Airport Improvement Program	20.106	$ 2,681,758
Total Department of Transportation (FAA)		2,681,758
Total Expenditures of Federal Awards		$ 2,681,758

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Grand Forks Regional Airport Authority for the year ended December 31, 2017. 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.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or 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. The Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Reconciliation to the Statement of Activities

Total Expenditures of Federal Awards	$ 2,681,758
State Grants	302,317
Federal and State Grants per Statement of Activities	$ 2,984,075

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	__ yes	X no
Significant deficiency(ies) identified not considered to be material weaknesses?	X yes	__ none reported
Non-compliance material to financial statements noted?	__ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	__ yes	X no
Significant deficiency(ies) identified not considered to be material weaknesses?	__ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	__ no

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001

Criteria
The Authority does not have the internal resources to identify all journal entries required to maintain a general ledger and 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 Commissioners. However, the Authority does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by GAAP for external reporting. The Authority is aware of this 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.

Repeat Finding
Yes. Prior audit finding 2016-001.

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

2017-002

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 2016-002.

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.

2016-001

Criteria
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 2017-001.

2016-002

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 2017-002.

2017-001

Contact Person – Director of Finance and Administration and Executive Director

Corrective Action Plan – Ongoing monitoring of internal financial reports

Completion Date - Ongoing

2017-002

Contact Person – Director of Finance and Administration and Executive Director

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

Completion Date - Ongoing

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit of the types of compliance requirements referred to above. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the program. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

Opinion on Passenger Facility Charges Program

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, 2017.

Report on Internal Control Over Compliance

The management of the Grand Forks Regional Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

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 first paragraph of this section 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 may exist that have not been identified.

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

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

March 13, 2018

GRAND FORKS REGIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES AND RELATED EXPENDITURES
FOR THE YEAR ENDED AND EACH QUARTER FROM
JANUARY 1, 2017 THROUGH DECEMBER 31, 2017

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
BALANCE, JANUARY 1, 2017	$ -	$ -	$ -	$ -	$ -
PASSENGER FACILITY CHARGES	125,778	123,256	102,682	111,807	463,523
INTEREST EARNINGS	-	-	-	-	-
DISBURSEMENTS	(125,778)	(123,256)	(102,682)	(111,807)	(463,523)
BALANCE, DECEMBER 31, 2017	$ -	$ -	$ -	$ -	$ -

Passenger Facility Chargres 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)	$ 463,523
ACCOUNTS RECEIVABLE PY	(39,221)
ACCOUNTS RECEIVABLE CY	33,740
ACCRUAL BASIS	$ 458,042

I. Summary of Auditor's Results

i) An unmodified report was issued on the December 31, 2017 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 2017-001 and 2017-002 on pages 43 and 44.

III. There were no findings related to the *Passenger Facility Charge Audit Guide for Public Agencies*, which are required to be reported.