

**MANDAN AIRPORT AUTHORITY
MANDAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

	Page
GOVERNING BOARD AND APPOINTED OFFICIAL	1
INDEPENDENT AUDITOR'S REPORT	2
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Proprietary Fund	4
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	5
Statement of Cash Flows – Proprietary Fund	6
Notes to the Financial Statements	8
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 <i>GOVERNMENT AUDITING STANDARDS</i>	19
Schedule of Finding and Responses	21

MANDAN AIRPORT AUTHORITY
GOVERNING BOARD AND APPOINTED OFFICIALS
DECEMBER 31, 2018

Governing Board

Chairman
Vice Chairman
Board Member
Treasurer
Secretary

Mike Wagner
Robert D. Reimers
Mike Braun
Marc Taylor
Chris Brown

Appointed Official

Manager

Jim Lawler

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mandan Airport Authority
Mandan, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Mandan Airport 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota, as of December 31, 2018, and the respective changes in financial position and cash flows for the year ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the City of Mandan that is attributable to the transactions of the Mandan Airport Authority. They do not purport to, and do not, present fairly the financial position of the City of Mandan, North Dakota as of December 31, 2018, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mandan Airport Authority's basic financial statements. The Governing Board and Appointed Official listing is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019 on our consideration of the Mandan Airport 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 Mandan Airport 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 controls over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

September 16, 2019

MANDAN AIRPORT AUTHORITY
STATEMENT OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2018

ASSETS

Current assets	
Cash and cash equivalents	\$ 641,880
Taxes receivable	14,864
Accounts receivable	3,240
Intergovernmental receivable	4,465
Inventories	44,688
Prepaid expenses	7,365
Total current assets	<u>716,502</u>
Noncurrent assets	
Cash and cash equivalents - restricted	110,127
Capital assets not being depreciated	
Land	441,771
Construction work in progress	652,964
Capital assets (net of depreciation)	
Buildings and infrastructure	10,302,264
Machinery and equipment	<u>132,872</u>
Total capital assets	<u>11,529,871</u>
Total noncurrent assets	<u>11,639,998</u>
Total assets	<u>12,356,500</u>

LIABILITIES

Current liabilities	
Accounts payable	55,238
Compensated absences	3,735
Due to City of Mandan	7,192
Interest payable	4,691
Prepaid revenues	64,384
Revenue bonds payable	94,316
Total current liabilities	<u>229,556</u>
Noncurrent liabilities	
Compensated absences	9,861
Revenue bonds payable	<u>233,396</u>
Total noncurrent liabilities	<u>243,257</u>
Total liabilities	<u>472,813</u>

NET POSITION

Net investment in capital assets	11,202,159
Unrestricted	<u>681,528</u>
Total net position	<u>\$ 11,883,687</u>

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating revenues		
Charges for services		\$ 376,470
		376,470
Total operating revenues		376,470
Operating expenses		
Salaries and benefits		93,800
Professional fees and services		4,126
Insurance		10,089
Travel and training		3,794
Utilities		26,983
Publishing and printing		2,906
Dues and memberships		1,865
Supplies and maintenance		229,233
Repairs and maintenance		10,675
Depreciation		511,413
Miscellaneous		15,217
		15,217
Total operating expenses		910,101
Operating income (loss)		(533,631)
Nonoperating revenues (expenses)		
Taxes		347,080
Intergovernmental		566,691
Interest income		1,337
Miscellaneous		4,886
Gain on sale of capital assets		33,800
Debt service:		
Interest expense		(18,970)
		(18,970)
Total nonoperating revenues (expenses)		934,824
Change in net position		401,193
Net position - January 1		11,482,494
Net position - December 31		\$ 11,883,687

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 386,481
Payments to employees	(92,562)
Payments to suppliers	<u>(305,848)</u>

Net cash provided (used) by operating activities (11,929)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes	334,235
Intergovernmental	13,410
Miscellaneous receipts	4,886
Due to City of Mandan	<u>(2,723)</u>

Net cash provided (used) by noncapital financing activities 349,808

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Intergovernmental	549,151
Purchases of capital assets	(719,919)
Sale of capital assets	67,600
Principal paid on capital debt	(89,752)
Interest paid on capital debt	<u>(20,375)</u>

Net cash provided (used) by capital and related financing activities (213,295)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>1,337</u>
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Net cash provided (used) by investing activities 1,337

Net increase (decrease) in cash and cash equivalents 125,921

Cash and cash equivalents - January 1 626,086

Cash and cash equivalents - December 31 \$ 752,007

MANDAN AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Reconciliation of operating loss to net cash used by operating activities

Operating income (loss)	\$ (533,631)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	511,413
Effect on cash flows due to changes in:	
Accounts receivable	384
Inventories	(11,111)
Prepaid expenses	1,584
Compensated absences	1,238
Accounts payable	8,567
Prepaid revenues	9,627
Total adjustments	<u>521,702</u>
Net cash provided (used) by operating activities	<u>\$ (11,929)</u>

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mandan Airport Authority, Mandan, North Dakota, operates under Chapter 2-06 of the North Dakota Century Code. The financial statements of the Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Airport has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Airport's accounting policies are as follows:

Reporting Entity

For financial reporting purposes, the Airport has included all funds and activities that make up its legal entity. The Airport has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Airport are such that exclusion would cause the Airport's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Airport to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Airport.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Airport's funds and activities based on these criteria since there are no component units to include in the Airport's reporting entity.

Measurement Focus and Basis of Accounting

The proprietary statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

The Airport Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

Non-exchange transactions, in which the Airport gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Airport funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, both restricted and unrestricted net position is available to finance the program, it is the Airport's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

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

Financial Statement Presentation

The Airport reports the following proprietary fund:

Operating Fund - This fund is the principal operating fund of the Airport. It is used to account for all financial resources that are not accounted for in other funds.

Cash and Cash Equivalents

Cash and cash equivalents for reporting purposes includes cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less.

Investments

State statutes authorize the Airport to invest in state and local securities, commercial paper, bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, certificates of deposit fully insured by the federal deposit insurance corporation or the state, obligations of the state.

Taxes Receivable

Taxes receivable represent the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A five percent discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed. Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the five percent discount on the property taxes.

Accounts Receivable

Accounts receivable consists of amounts owed on open accounts from private individuals or organizations for goods and services furnished by the Airport and are shown net of an allowance. Accounts receivable in excess of 90 days comprise the accounts receivable allowance.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Intergovernmental Receivable

Intergovernmental receivable consists of amounts due to the Airport from the Federal Aviation Administration and from the North Dakota Aeronautics Commission.

Inventories and Prepaid Expenses

Inventories consist of fuel. Inventories are valued at lower of cost or market using the first-in/first-out method.

Prepaid expenses reflect payments for costs applicable to future accounting periods.

Restricted Assets

Certain resources set aside as required by debt service agreements.

Capital Assets

Capital assets, which include land, buildings and infrastructure, machinery and equipment, and construction work in progress, are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at acquisition value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition.

All other capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of two years are capitalized and reported in the financial statements. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. Interest costs on self-constructed assets are not capitalized. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Infrastructure consists of runways, including those infrastructure assets acquired prior to June 30, 1980. Infrastructure is reported in the financial statements.

Capital assets, along with accumulated depreciation and depreciation expense, are reported in the financial statements.

Land and construction work in progress are not depreciated. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Infrastructure	30
Machinery and equipment	5

Due to City of Mandan

Due to City of Mandan consists of a payable to the City of Mandan at December 31, 2018.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Prepaid Revenues

Prepaid revenues are recognized when cash, receivables, or other assets are received prior to their being earned.

Compensated Absences

Annual Leave

Eligible Airport employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 240 hours as of the employee's anniversary date. The amount of annual leave earned ranges between eight and sixteen hours per month.

The financial statements present the cost of accumulated annual leave as a liability. Proprietary Funds recognize the expense and accrued liability when the annual leave is earned.

Sick Leave

Eligible Airport employees accrue sick leave at the rate of 8 hours per month without limitation on the amount that can be accumulated. Employees vesting between the ages of 62 to 64, the Airport is liable for one-third of the employee's accumulated unused sick leave up to a maximum of 60 days. Employees vesting at age 65 or older, the Airport is liable for all the employee's accumulated unused sick leave up to a maximum of 60 days. The financial statements present the estimated cost of sick leave as a liability after an employee has reached age 62.

Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Revenues and Expenditures/Expenses

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object. Operating revenues consist of sales of goods and services, rentals and leases. All other revenues that do not meet the above criteria should be classified as non-operating.

NOTE 2 DEPOSITS

The Airport minimizes custodial credit risk by restrictions set forth in state statute. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the Airport would not be able to recover its deposits or collateralized securities that are in the possession of outside parties. The Airport does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the Airport's board requires that all Airport funds be deposited at financial institutions that are covered by federal deposit insurance. State statutes also require that the deposits be protected by insurance, collateral or a surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. The only exception is for funds that are deposited with the Bank of North Dakota, which is owned and backed by the full faith and credit of the State of North Dakota.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

At December 31, 2018, the carrying amount of the Airport's deposits was \$752,007 and the bank balance was \$752,037. The bank balance was covered by Federal Depository Insurance and securities held by the pledging financial institutions' agents in the government's names.

NOTE 3 INVESTMENTS

The investment policies of the Airport are governed by state statutes, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of debt security typically moves in the opposite direction of the change in interest rates. The Airport does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Airport does not have an investment policy that specifically addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Airport does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Airport does not have a formal investment policy governing foreign currency risk.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

NOTE 4 CAPITAL ASSETS

The following is a summary of capital assets during the fiscal year:

	Balance 1/1/2018	Additions	Deletions	Transfers	Balance 12/31/2018
Capital assets not being depreciated:					
Land	\$ 441,771	\$ -	\$ -	\$ -	\$ 441,771
Construction work in progress	36,302	624,516	-	(7,854)	652,964
Total capital assets not being depreciated	<u>478,073</u>	<u>624,516</u>	<u>-</u>	<u>(7,854)</u>	<u>1,094,735</u>
Capital assets being depreciated:					
Buildings and infrastructure	15,485,302	43,830	-	7,854	15,536,985
Machinery and equipment	688,116	17,773	(62,025)	-	643,864
Total capital assets being depreciated:	<u>16,173,418</u>	<u>61,603</u>	<u>(62,025)</u>	<u>7,854</u>	<u>16,180,849</u>
Less accumulated depreciation for:					
Buildings and infrastructure	4,788,099	446,622	-	-	5,234,721
Machinery and equipment	508,226	64,791	(62,025)	-	510,992
Total accumulated depreciation	<u>5,296,325</u>	<u>511,413</u>	<u>(62,025)</u>	<u>-</u>	<u>5,745,713</u>
Total capital assets being depreciated, net	<u>10,877,093</u>	<u>(449,810)</u>	<u>-</u>	<u>7,854</u>	<u>10,435,136</u>
Total capital assets, net	<u>\$ 11,355,166</u>	<u>\$ 174,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,529,871</u>

Contract Commitments

The Airport has active contract project commitments of \$667,026 as of December 31, 2018.

NOTE 5 LONG-TERM DEBT

Revenue Bonds Payable

Current state statutes empower the Airport to issues bonds as part of its activities and pledge income derived from operations to pay debt service. This debt is not backed by the full faith and credit of the Airport.

The Airport Improvement Revenue Bonds were issued to finance improvements for the Mandan Airport Facility. The Bonds are payable solely from charges for services received from the Mandan Airport Authority and are payable through October 2023. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$367,534. Principal and interest paid for the current year and total net revenues were \$110,127 and \$376,470, respectively.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Revenue bonds outstanding:

\$649,071 Airport Improvement Revenue Bonds of 2005, due in semi-annual installments of \$30,517 through August 15, 2020, interest at 4.76%	\$ 115,137
\$500,000 Airport Improvement Revenue Bonds of 2008, due in semi-annual installments of \$24,547 through October 8, 2023, interest at 5.41%	212,575
Total	<u>\$ 327,712</u>

Debt service requirements on long-term debt at December 31, 2018 are as follows:

Year Ending December 31	Revenue Bonds of 2005		Revenue Bonds of 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 56,215	\$ 4,819	\$ 38,101	\$ 10,992	\$ 94,316	\$ 15,811
2020	58,922	2,111	40,190	8,903	99,112	11,014
2021	-	-	42,394	6,699	42,394	6,699
2022	-	-	44,719	4,375	44,719	4,375
2023	-	-	47,171	1,923	47,171	1,923
Total	<u>\$ 115,137</u>	<u>\$ 6,930</u>	<u>\$ 212,575</u>	<u>\$ 32,892</u>	<u>\$ 327,712</u>	<u>\$ 39,822</u>

Changes in Long-term Liabilities

Changes in Long-term Liabilities for the year ended December 31, 2018, are summarized as follows:

	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018	Due within one year
Compensated absences	\$ 12,516	\$ 6,229	\$ (5,149)	\$ 13,596	\$ 3,735
Revenue bonds payable	417,464	-	(89,752)	327,712	94,316
Total	<u>\$ 429,980</u>	<u>\$ 6,229</u>	<u>\$ (94,901)</u>	<u>\$ 341,308</u>	<u>\$ 98,051</u>

NOTE 6 LAND LEASES

The Airport leases tracts of land to patrons who agree to use the premises solely for regular airport and aviation business purposes. These various lease agreements are typically for a period of 20 years. At which time there is an option to renew for an additional ten-year term. On each biennial review, the Airport shall not increase the rent in excess of 10% above the then existing rent. Rent is calculated based on square footage times a set fee.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

NOTE 7 EMPLOYEE PENSION PLAN

Defined Contribution Plan

The City of Mandan Employee Retirement Plan and Trust is a Defined Contribution Plan that covers eligible Airport employees. The Defined Contribution Plan had 1 participant as of December 31, 2018.

Upon the death of a participating employee or former participating employee, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the Airport is eligible to receive a distribution of the vested account balance. To qualify under this section, the employee must meet the criteria established by the Plan for being totally disabled.

Employees are entitled to their vested account balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

Upon completion of one year of service	25%
Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by City ordinance and are a percentage of salaries and wages. Employee contributions are established at 2%, and employer contributions are established at 8% of regular compensation. The employer's required contributions for the years ended December 31, 2018, 2017, and 2016, were \$5,705, \$5,875, and \$5,880, respectively.

The City, or vendors contracted by the City, has exclusive authority to invest and manage the assets of the Employee Retirement Plan and Trust. The Plan allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the City.

NOTE 8 RISK MANAGEMENT

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Airport carries commercial insurance. Settlements, resulting from these risks, have not exceeded insurance coverage in any of the past three fiscal years.

General Liability

The Airport pays an annual premium to Old Republic Insurance Company for its general liability insurance coverage. The coverage by Old Republic Insurance Company is limited to losses of \$1,000,000 per aggregate and occurrence.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

North Dakota Insurance Reserve Fund

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,500 political subdivisions. The Airport pays an annual premium to NDRIF for its auto and public asset insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per accident for automobile coverage and to \$656,178 for public assets (mobile equipment and portable property) coverage.

State Fire and Tornado Fund

The Airport participates in the State Fire and Tornado Fund. The Airport pays an annual premium for the Fund to cover damage to buildings and contents. Replacement cost is estimated in consultation with the Fund to provide replacement cost coverage. The Fund currently provides the Airport with an aggregate coverage limit of \$250,000,000 with specific special limits varying from \$500 to \$500,000.

State Bonding Fund

The Airport participates in the State Bonding Fund. The Fund currently provides the Airport with blanket fidelity bond coverage in the amount of \$2,000,000 for its public employees and public officials. The Fund does not currently charge any premium for this coverage.

Workforce Safety & Insurance

The Airport participates in the Workforce Safety & Insurance (WSI). WSI is a state insurance fund and a “no fault” insurance system, covering employers and employees. WSI is financed by premiums assessed to employers. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

PERS Uniform Group Insurance Program

The Airport participates in the PERS Uniform Group Insurance Program who contracts with Sanford Health Plan to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The Airport contributes a percentage of the monthly premium based upon an employee’s years of service.

NOTE 9 NEW PRONOUNCEMENTS

The Airport will implement the following new pronouncements for fiscal years ending after 2018:

GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued on November 2016. This statement establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. Asset retirement obligations is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The statement requires that recognition occur when the liability is both incurred and reasonably estimable. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2018.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

GASB Statement No. 84, *Fiduciary Activities* was issued on January 2017. 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 provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases* was issued on June 2017. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. IF government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. 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, 2020. Earlier application is encouraged.

Management has not yet determined the effects these statements will have on the Airport's financial statements.

NOTE 10 SUBSEQUENT EVENTS

Subsequent to year end, the Airport made a down payment of \$16,000 on a fuel truck. Subsequent events have been evaluated through September 16, 2019, which is the date these financial statements were available to be issued.

**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 Directors
Mandan Airport Authority
Mandan, 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 Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Mandan Airport Authority's basic financial statements and have issued our report thereon dated September 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mandan Airport 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 the Mandan Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mandan 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 have not been 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 a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mandan Airport 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 no tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mandan Airport Authority's Response to Finding

Mandan Airport Authority's response to the finding identified in our audit is described in the accompanying schedule of finding and response. Mandan Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

September 16, 2019

MANDAN AIRPORT AUTHORITY
SCHEDULE OF FINDING AND RESPONSE
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-001: Segregation of Duties

Condition

The Airport has a lack of segregation of duties due to a limited number of employees.

Criteria

An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an entity's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

Cause

The limited number of employees at the Airport prevents a proper segregation of accounting functions necessary to ensure effective internal control.

Effect

The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both.

Recommendation

While we recognize that your office staff may not be large enough to permit complete segregation of duties for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the Airport. It is the responsibility of management and those charged with governance to determine whether to accept the degree of risk associated with the condition because of cost or other considerations.

Response

The Airport is aware of the risk and monitors management duties.