

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**BOARD OF COMMISSIONERS**  
**AT DECEMBER 31, 2019**

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Grand Forks Regional Airport Authority, Grand Forks, North Dakota, as of and for the years ended December 31, 2019 and 2018, 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 an opinion 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 opinion.

## ***Opinion***

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, 2019 and 2018, 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.

## ***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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues and Expenses – Budget and Actual and board of commissioners listing as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic 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 20, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

March 20, 2020

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 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, 2019 with selected comparative information for the years ended December 31, 2018 and 2017. 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 2019**

Delta Air Lines and their partner Airlines along with Allegiant Air provide scheduled service to the airport. A total of 117,925 scheduled airline passengers and charter passengers embarked from Grand Forks International Airport in 2019. This represents an increase of 3,086 passengers from 2018 (114,839).

A total of 295,272 takeoffs and landings were performed at the airport in 2019. This represents a 20.00% decrease from 2018 (368,385). The bulk of operations, approximately 95%, continue to be performed by the UND aviation school.

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

**Enplanements, Operations, and Cargo Activity for 2018**

Delta Air Lines and their partner Airlines along with Allegiant Air provide scheduled service to the airport. A total of 114,839 scheduled airline passengers and charter passengers embarked from Grand Forks International Airport in 2018. This represents a decrease of 2,603 passengers from 2017 (117,442).

A total of 368,385 takeoffs and landings were performed at the airport in 2018. This represents an 11.00% increase from 2017 (331,881). The bulk of operations, approximately 95%, continue to be performed by the UND aviation school.

***Financial Highlights***

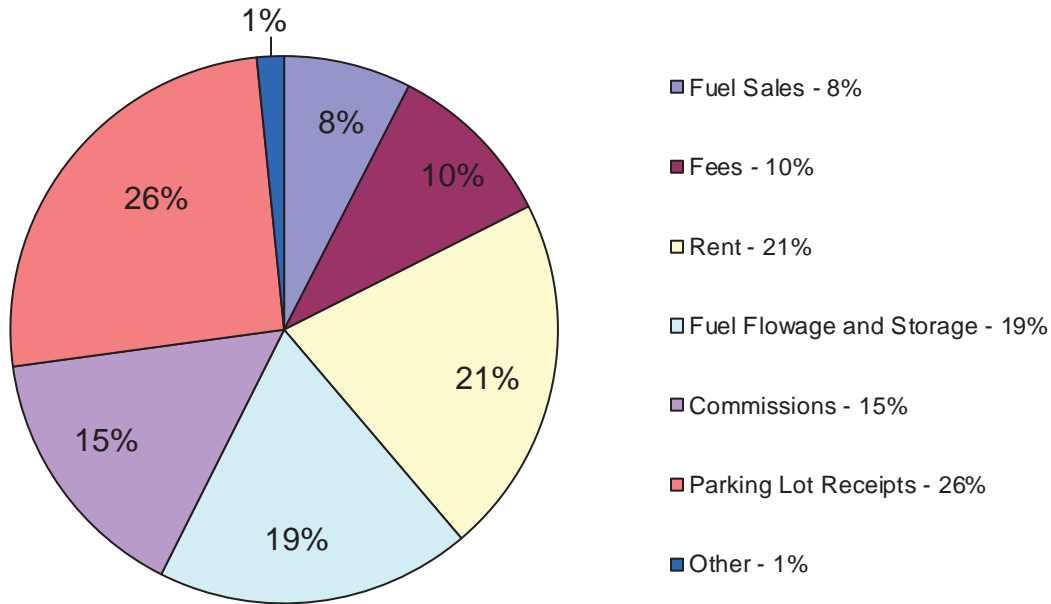
Approximately half of the operating revenues at the Airport are related to the number of passengers and aircraft operations. Operating revenues are \$3,879,236, which represents an increase of \$75,655 from operating revenues in 2018.

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

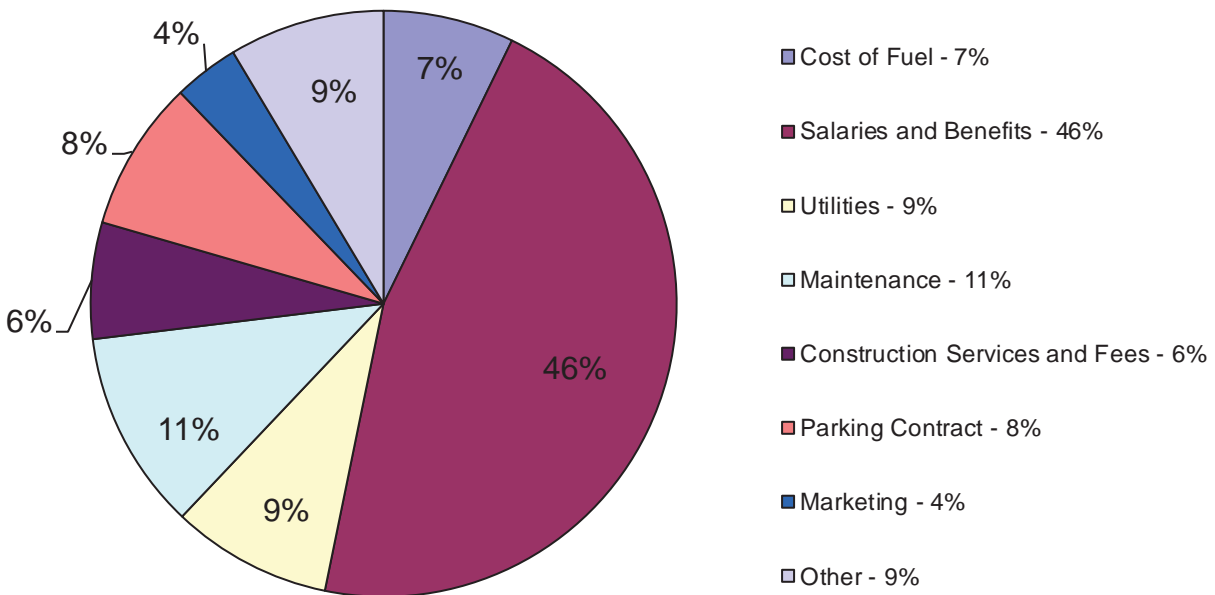


**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

### 2019 Operating Revenues



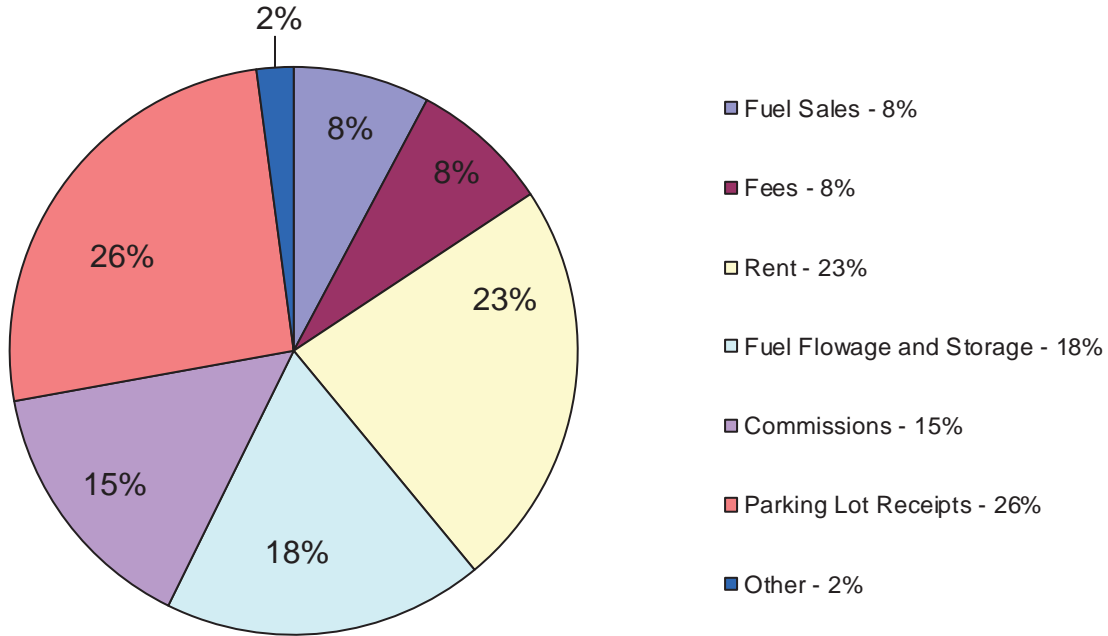
### 2019 Operating Expenses (Excluding Depreciation)



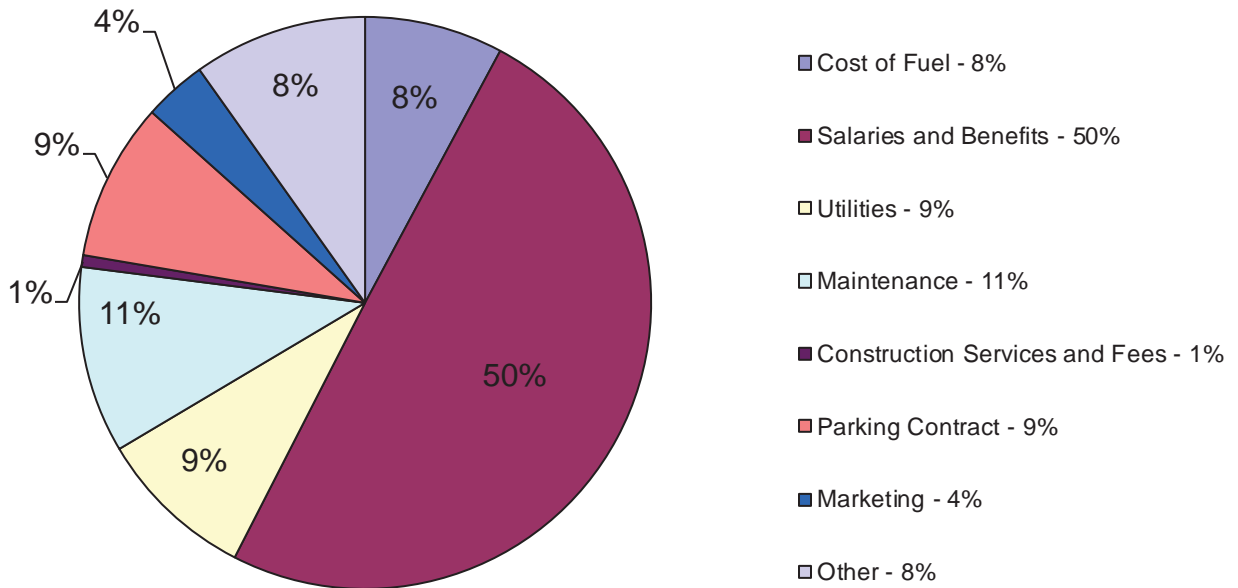
**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

The following is an illustration of the total operating revenues and expenses by source and use for the year ended December 31, 2018:

**2018 Operating Revenues**



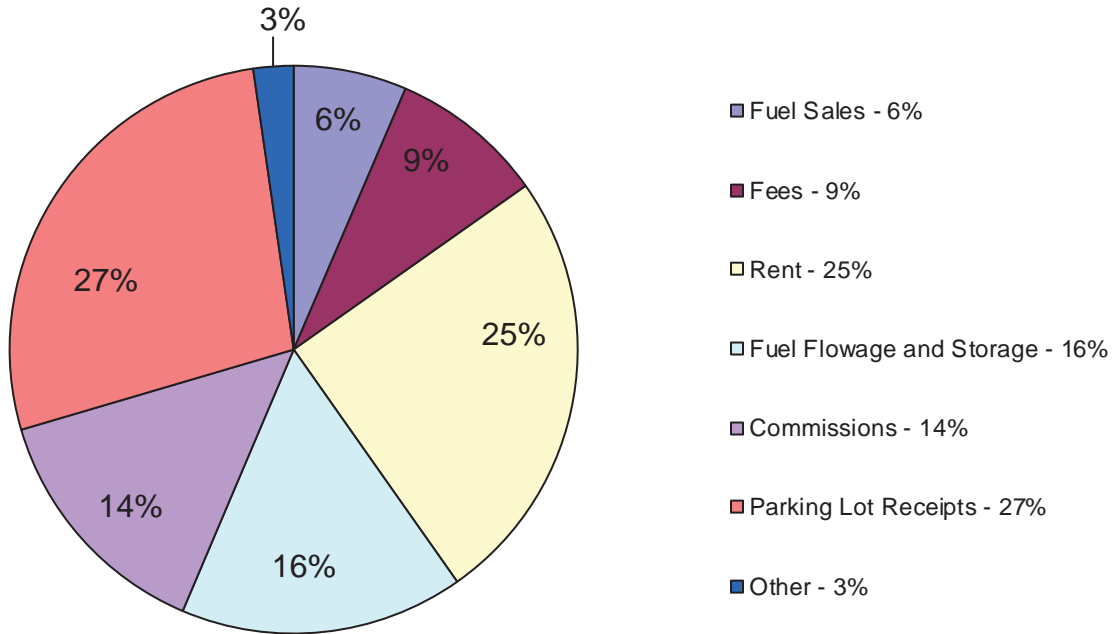
**2018 Operating Expenses**  
**(Excluding Depreciation)**



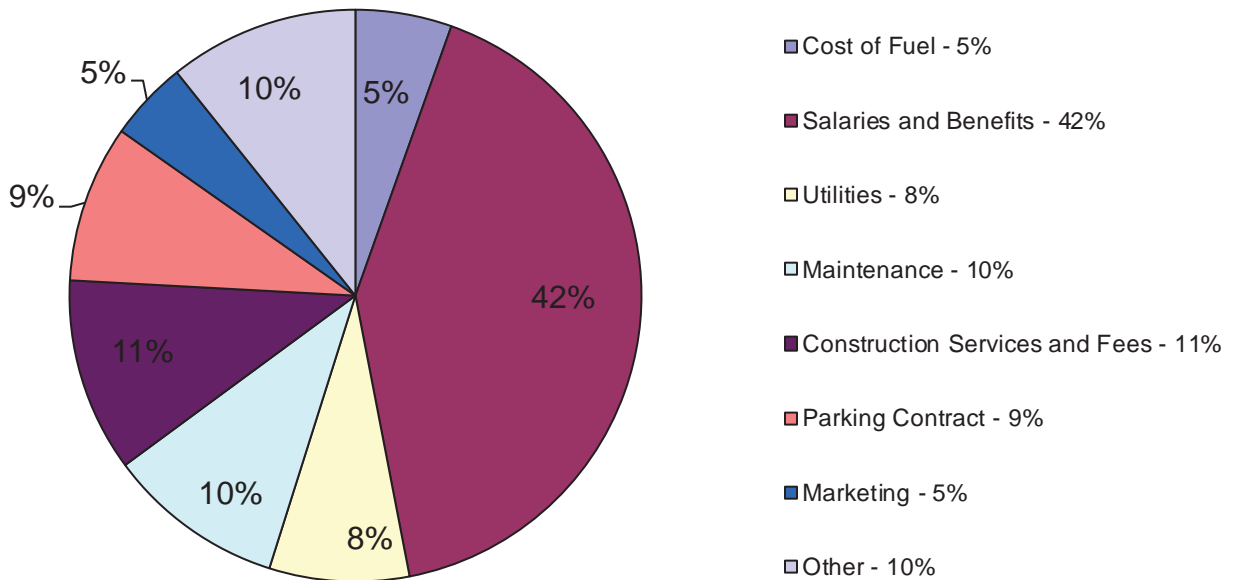
**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, as Restated**  
**(Excluding Depreciation)**



**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2019, 2018 and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ 3,879,236	\$ 3,803,581	\$ 3,611,809
Operating Expenses	<u>7,854,144</u>	<u>7,585,485</u>	<u>7,859,932</u>
Operating Loss	<u>(3,974,908)</u>	<u>(3,781,904)</u>	<u>(4,248,123)</u>
Non-Operating Revenues	1,417,945	1,003,745	1,177,619
Income (Loss) Before Capital Contributions	<u>(2,556,963)</u>	<u>(2,778,159)</u>	<u>(3,070,504)</u>
Capital Contributions	<u>1,510,698</u>	<u>1,069,928</u>	<u>3,442,117</u>
Change in Net Position	(1,046,265)	(1,708,231)	371,613
Net Position, Beginning	<u>56,841,859</u>	<u>58,550,090</u>	<u>58,178,477</u>
Net Position, End of Year	<u>\$ 55,795,594</u>	<u>\$ 56,841,859</u>	<u>\$ 58,550,090</u>

The net position for the year ended December 31, 2019 decreased by \$1,046,265 and decreased by \$1,708,231 for the year ended December 31, 2018. The operating revenues and operating expenses are consistent with the budget and the prior year. The majority of our revenues continue to come in the form of rents and fees as well as capital contributions (federal and state grants and passenger facility charges). Excluding the depreciation of our facilities, the main operating expense is salaries and benefits.

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**CONDENSED STATEMENTS OF NET POSITION**  
**As of December 31, 2019, 2018 and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Current Assets	\$ 15,924,978	\$ 14,294,377	\$ 13,305,097
Restricted Cash	1,695,264	1,500,290	801,000
Capital Assets	111,604,861	110,572,390	109,949,467
Accumulated Depreciation	(68,372,980)	(64,331,466)	(60,198,264)
Total Capital Assets	43,231,881	46,240,924	49,751,203
<b>TOTAL ASSETS</b>	<u>60,852,123</u>	<u>62,035,591</u>	<u>63,857,300</u>
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities	1,053,214	814,003	566,067
Long-Term Liabilities	4,003,315	4,379,729	4,741,143
<b>TOTAL LIABILITIES</b>	<u>5,056,529</u>	<u>5,193,732</u>	<u>5,307,210</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	38,748,473	41,260,551	44,660,060
Restricted - Bond Covenants	1,438,325	1,500,290	801,000
Unrestricted	15,608,796	14,081,018	13,089,030
<b>TOTAL NET POSITION</b>	<u>\$ 55,795,594</u>	<u>\$ 56,841,859</u>	<u>\$ 58,550,090</u>

In its thirty-first full year of operations, the Authority's financial position remained strong at December 31, 2019, with assets of \$60,852,123 and liabilities of \$5,056,529. The Authority has \$43,231,881 in capital assets (net of depreciation), a decrease of \$3,009,043 from 2018. 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 \$55,795,594 on December 31, 2019, a decrease of \$1,046,265 from 2018. The account "Net Investment in Capital Assets" decreased by \$2,512,078 to \$38,748,473. Debt service reserve of \$1,438,325 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 2019 restricted net position of \$1,438,325 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 \$15,608,796, an increase of \$1,527,778 from 2018, may be used to meet any of the Authority's ongoing operations subject to approval of the Authority's Board.

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

***Highlights of the 2019 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.

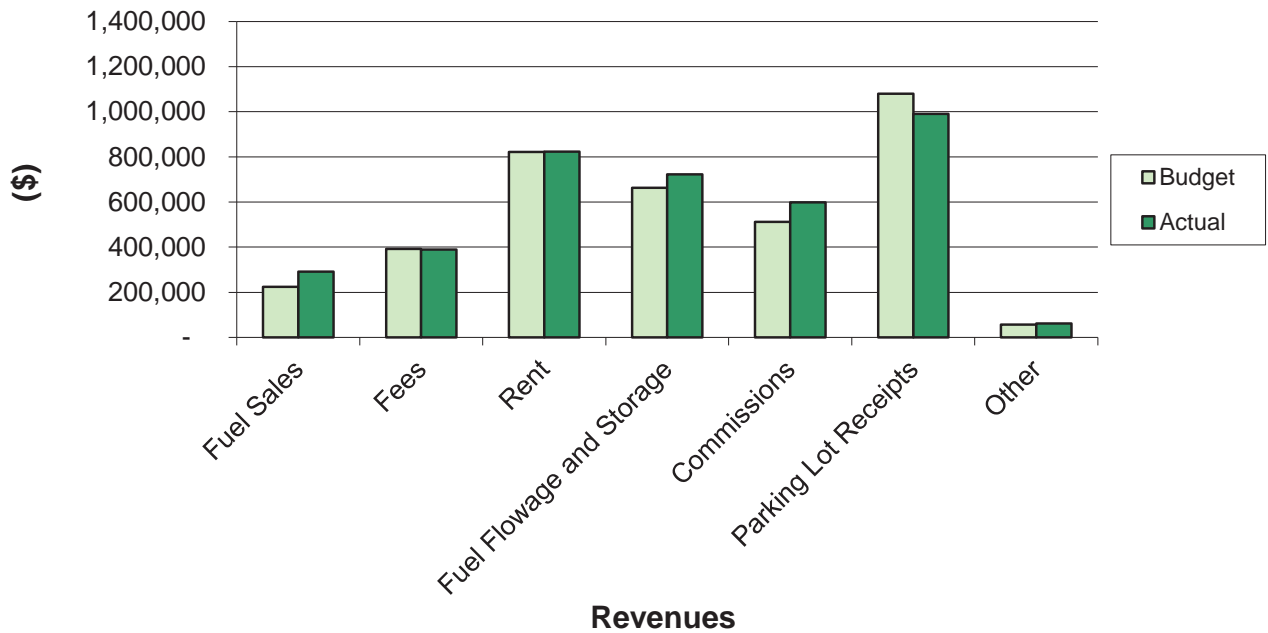
**CONDENSED SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2019**

	<u>2019 Budget</u>	<u>2019 Actual</u>	<u>Variance</u>
Operating Revenues	\$ 3,749,340	\$ 3,879,236	\$ 129,896
Operating Expenses	<u>6,494,425</u>	<u>7,854,144</u>	<u>(1,359,719)</u>
Operating Loss	<u>(2,745,085)</u>	<u>(3,974,908)</u>	<u>(1,229,823)</u>
Non-Operating Revenues	1,177,603	1,417,945	240,342
Income (Loss) Before Capital Contributions	<u>(1,567,482)</u>	<u>(2,556,963)</u>	<u>(989,481)</u>
Capital Contributions	<u>2,020,872</u>	<u>1,510,698</u>	<u>(510,174)</u>
Change in Net Position	<u>\$ 453,390</u>	<u>\$ (1,046,265)</u>	<u>\$ (1,499,655)</u>

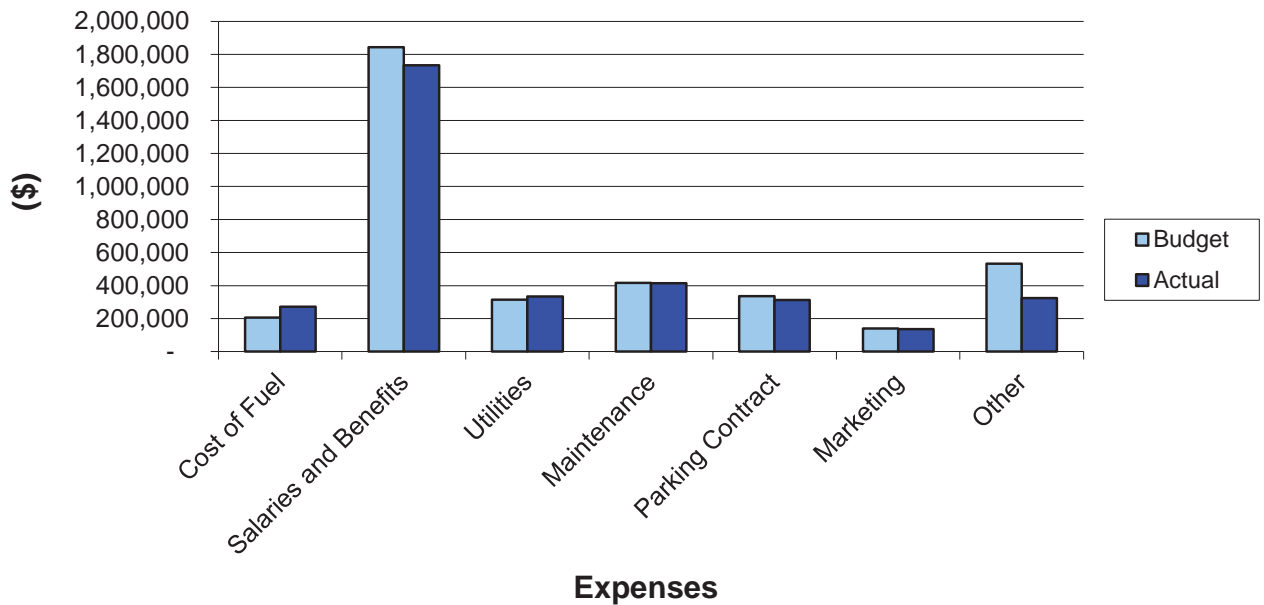
Management was successful in forecasting revenues and expenses for the year. Operating revenues were within 3% of budget. Operating expenses—excluding Construction Services and Fees and Depreciation—were under the amount budgeted by \$271,663. Depreciation expense of \$4,100,284 in the current year is not included in the annual budget, this accounts for a large variance in the operating budget.

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

### 2019 Operating Revenues - Budget and Actual

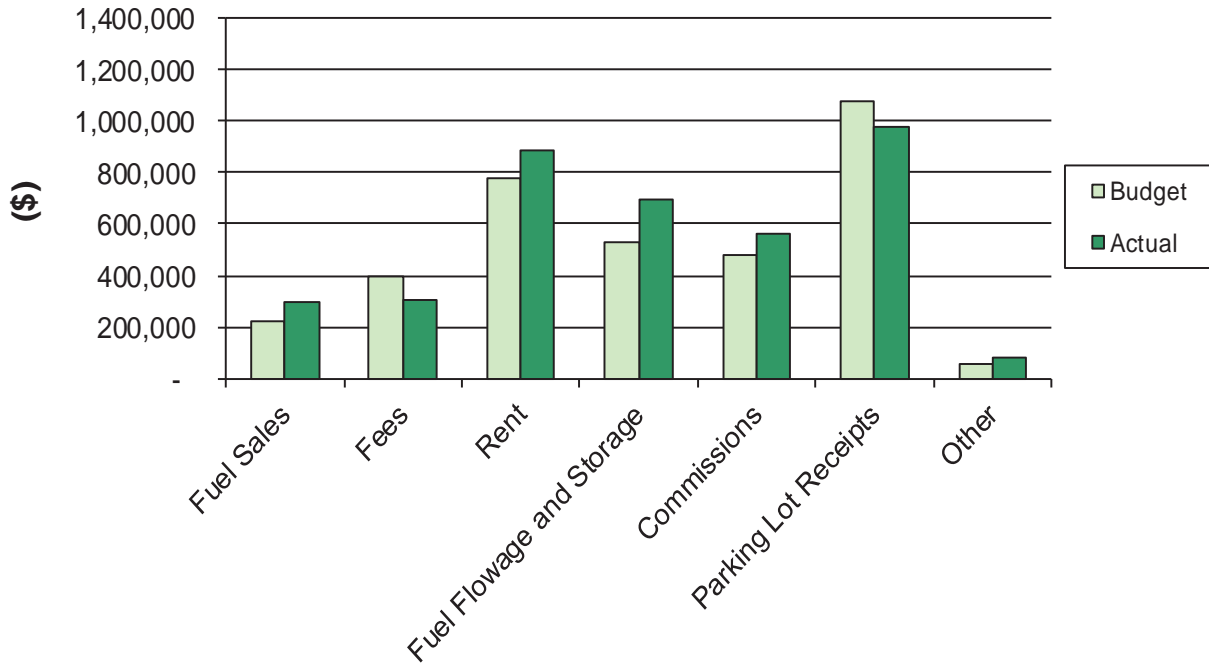


### 2019 Operating Expenses - Budget and Actual (Excluding Construction Services and Fees and Depreciation)



**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

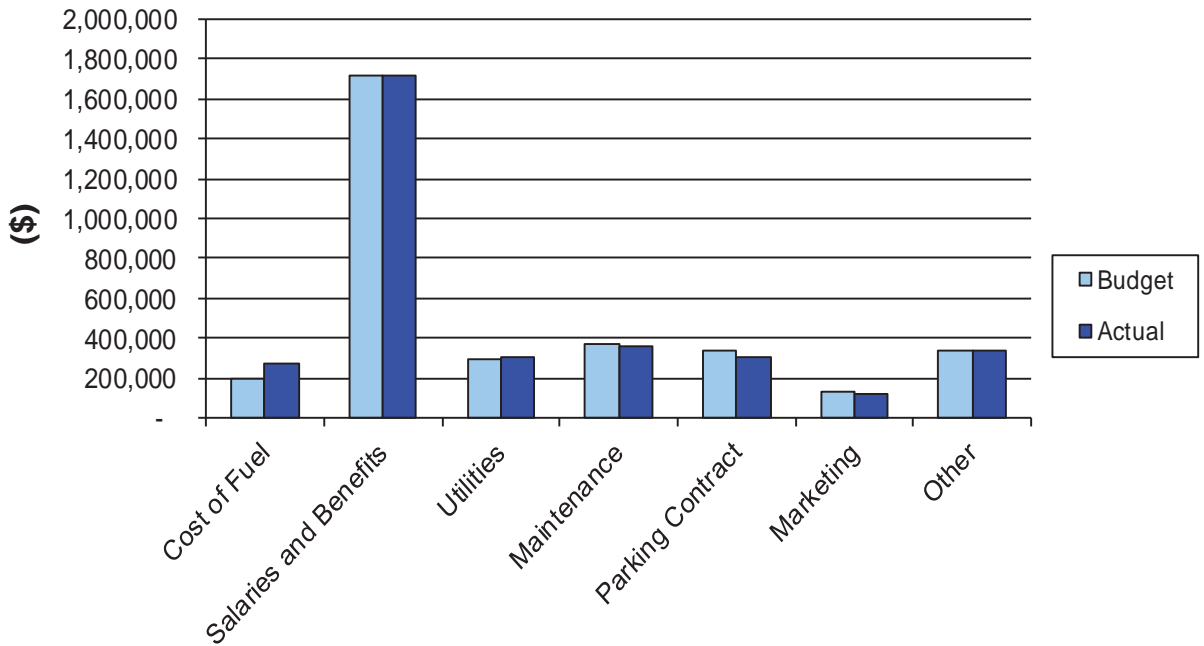
### 2018 Operating Revenues - Budget and Actual



#### Revenues

### 2018 Operating Expenses - Budget and Actual

(Excluding Construction Services and Fees and Depreciation)

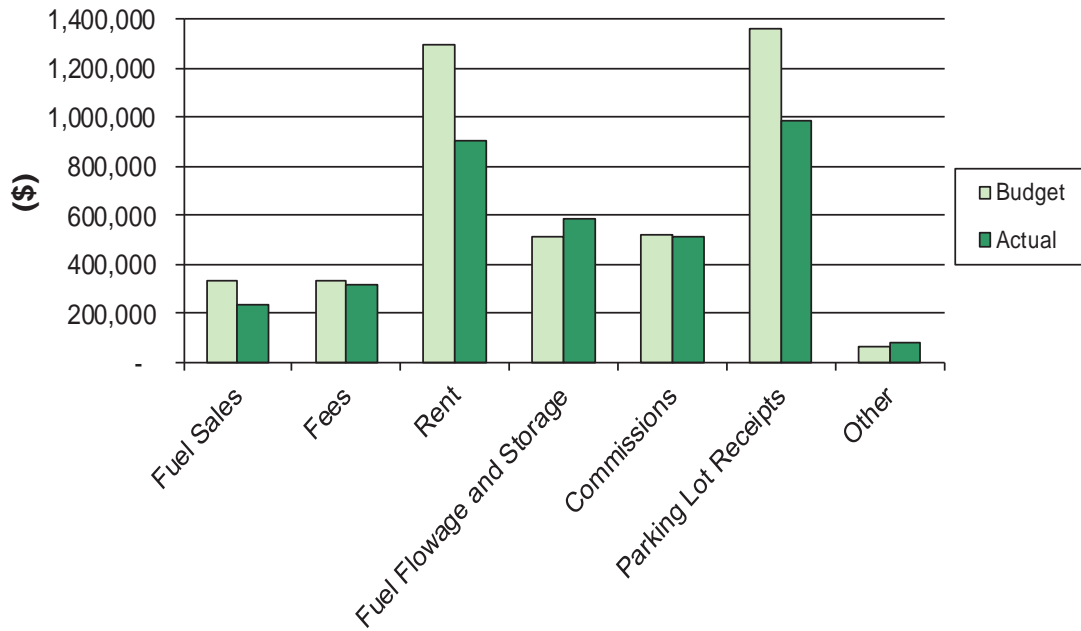


#### Expenses



**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

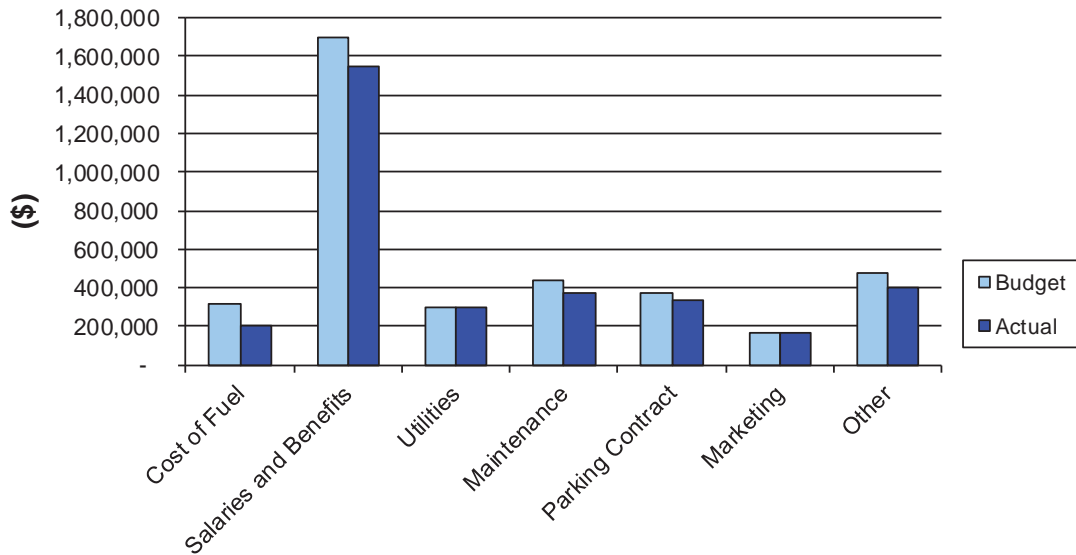
### 2017 Operating Revenues - Budget and Actual



#### Revenues

### 2017 Operating Expenses - Budget and Actual

(Excluding Construction Services and Fees and Depreciation)



#### Expenses

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

***Cash and Investment Management***

As of December 31, 2019 and 2018, 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 the intersection of Taxiway 17R and 35L, in July of 2019. The Airport Authority began construction on the West GA development, which is still in process as of December 31, 2019. The Master Plan/ALP update is proceeding on schedule.

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

***Capital Financing and Debt Management***

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

The Authority currently received approximately \$1.5 million and \$1.1 million during 2019 and 2018, respectively, in Airport Improvement Program (AIP) entitlement funds. Larger projects in the CIP rely on FAA commitments of Airport Improvement Program (AIP) discretionary funds, state funds or on long-term borrowing.

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

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

***Contacting the Authority's Financial Management***

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

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and Cash Equivalents	\$ 14,876,681	\$ 13,354,082
Investments	61,985	49,780
Accounts Receivable	301,789	242,481
Due from Federal and State Agencies	551,607	463,346
Taxes Receivable	45,468	24,169
Interest Receivable	21,245	99,564
Prepaid Expenses	33,538	29,795
Inventory	<u>32,665</u>	<u>31,160</u>
Total	<u>15,924,978</u>	<u>14,294,377</u>
<b>RESTRICTED CASH</b>		
Revenue Bond Covenants	813,416	806,000
Defeasance Escrow	624,909	694,290
Customer Facility Charges Collected	<u>256,939</u>	<u>-</u>
Total	<u>1,695,264</u>	<u>1,500,290</u>
<b>CAPITAL ASSETS</b>		
Land	1,746,081	1,746,081
Software	59,950	59,950
Buildings, Systems and Structures	101,144,826	100,458,279
Equipment and Motor Vehicles	7,689,551	7,719,195
Construction in Process	<u>964,453</u>	<u>588,885</u>
Total	111,604,861	110,572,390
Less Accumulated Depreciation	<u>(68,372,980)</u>	<u>(64,331,466)</u>
Total	<u>43,231,881</u>	<u>46,240,924</u>
<b>TOTAL ASSETS</b>	<u>60,852,123</u>	<u>62,035,591</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	175,066	103,530
Taxes Payable	12,757	3,942
Compensated Absences Payable	22,752	22,067
Construction Contracts (Including Retainage)	105,093	240,644
Salaries Payable	67,335	60,047
Pension Payable	2,500	2,057
Customer Facility Charges Collected	256,939	-
Unearned Revenue	19,306	4,098
Accrued Interest Payable	16,466	17,618
Bonds Payable	<u>375,000</u>	<u>360,000</u>
Total Current Liabilities	<u>1,053,214</u>	<u>814,003</u>

See Notes To The Financial Statements

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**STATEMENTS OF NET POSITION - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
LONG-TERM		
Bonds Payable- Net of Current Portion	\$ 4,003,315	\$ 4,379,729
Total	<u>4,003,315</u>	<u>4,379,729</u>
 TOTAL LIABILITIES	 <u>5,056,529</u>	 <u>5,193,732</u>
 NET POSITION		
Net Investment in Capital Assets	38,748,473	41,260,551
Restricted - Bond Covenants	1,438,325	1,500,290
Unrestricted	<u>15,608,796</u>	<u>14,081,018</u>
 TOTAL NET POSITION	 <u>\$ 55,795,594</u>	 <u>\$ 56,841,859</u>

See Notes To The Financial Statements

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Fuel Sales	\$ 291,954	\$ 295,781
Landing/ARFF Fees	389,562	301,069
Terminal Rent	377,447	468,199
Ground Rent	232,694	229,750
Terminal Advertising	31,365	26,337
Commissions	598,775	565,956
Parking Lot Receipts	990,877	978,900
Fuel Flowage	580,428	549,823
Tie Downs and Jet Bridge Rent	131,168	107,231
Hangar Rent	10,989	10,744
Ramp Access Fee	-	6,312
Building Rent	71,220	71,090
Fuel Storage Fees	141,733	144,751
Miscellaneous Airfield Fees	31,024	47,638
Total	<u>3,879,236</u>	<u>3,803,581</u>
<b>OPERATING EXPENSES</b>		
Cost of Fuel	272,350	269,733
Salaries and Wages	1,356,739	1,330,084
Payroll Taxes/Benefits	376,570	381,224
Supplies	136,953	102,897
Professional Fees	139,557	158,444
Security	9,336	11,506
Marketing	136,210	122,572
Electricity, Heat and Other Utilities	333,981	307,387
Maintenance of Building and Grounds	129,778	137,181
Maintenance of Equipment	147,746	123,045
Board Expenses	3,640	1,364
Dues and Subscriptions	7,402	4,109
Education and Training	12,432	12,353
Telephone and Postage	47,281	59,463
Travel Expense	15,184	13,437
Construction Services and Fees	242,098	22,845
Insurance	64,256	61,452
Bank Charges	8,929	9,355
Parking Contract	313,418	307,729
Depreciation and Amortization	4,100,284	4,149,305
Total	<u>7,854,144</u>	<u>7,585,485</u>
<b>OPERATING LOSS</b>	<u>(3,974,908)</u>	<u>(3,781,904)</u>

See Notes To The Financial Statements

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION- CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 315,111	\$ 201,210
Tax Revenue	1,220,123	993,292
Gain (Loss) on Investments	12,205	(29,742)
Bad Debt Expense	-	1,600
Other	87,879	59,036
Interest Expense	<u>(217,373)</u>	<u>(221,651)</u>
Total	<u>1,417,945</u>	<u>1,003,745</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(2,556,963)</u>	<u>(2,778,159)</u>
CAPITAL CONTRIBUTIONS		
Passenger Facility Charge	469,279	480,883
Federal and State Grants	1,041,419	589,045
Total	<u>1,510,698</u>	<u>1,069,928</u>
Change in Net Position	<u>(1,046,265)</u>	<u>(1,708,231)</u>
NET POSITION, BEGINNING	<u>56,841,859</u>	<u>58,550,090</u>
NET POSITION, END OF YEAR	<u>\$ 55,795,594</u>	<u>\$ 56,841,859</u>

See Notes To The Financial Statements

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating Cash Receipts from Customers	\$ 3,835,136	\$ 3,803,314
Cash Payments to Suppliers	(2,089,813)	(1,440,314)
Cash Payments to Employees	<u>(1,716,078)</u>	<u>(1,706,407)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>29,245</u>	<u>656,593</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal Payments on Long-Term Debt	(360,000)	(350,000)
Interest Paid on Long-Term Debt	(219,939)	(224,010)
Payments for Capital Expenditures	(1,091,242)	(639,027)
Passenger Facility Charge Receipts	465,740	484,030
Government Grants	<u>956,697</u>	<u>659,815</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(248,744)</u>	<u>(69,192)</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Tax Revenue	1,198,824	1,216,597
Customer Facility Charges Collected	256,939	-
Other Receipts	<u>87,879</u>	<u>60,636</u>
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>1,543,642</u>	<u>1,277,233</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Received on Investments	<u>393,430</u>	<u>120,968</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>393,430</u>	<u>120,968</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,717,573	1,985,602
<b>CASH AND CASH EQUIVALENTS, Beginning of Period</b>	<u>14,854,372</u>	<u>12,868,770</u>
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	<u><u>\$ 16,571,945</u></u>	<u><u>\$ 14,854,372</u></u>
<b>CASH AND CASH EQUIVALENTS RECONCILIATION:</b>		
Cash and Cash Equivalents	\$ 14,876,681	\$ 13,354,082
Cash Restricted for Revenue Bond Covenants	813,416	806,000
Defeasance Escrow	624,909	694,290
Customer Facility Charges Collected	<u>256,939</u>	<u>-</u>
<b>Total cash and cash equivalents</b>	<u><u>\$ 16,571,945</u></u>	<u><u>\$ 14,854,372</u></u>

See Notes To The Financial Statements

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	<u>2019</u>	<u>2018</u>
Operating Loss	\$ (3,974,908)	\$ (3,781,904)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	4,100,284	4,149,305
Effects on Operating Cash Flows Due to Changes in:		
Accounts Receivable	(59,308)	(4,365)
Inventory	(1,505)	802
Prepaid Assets	(3,743)	53,874
Accounts Payable/Construction Contracts	(64,014)	229,882
Accrued Expenses	8,416	6,917
Unearned Revenue	15,208	4,098
Taxes Payable	<u>8,815</u>	<u>(2,016)</u>
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><b>\$ 29,245</b></u>	<u><b>\$ 656,593</b></u>

**SCHEDULE OF NONCASH INVESTING FINANCING ACTIVITIES**

Gain (Loss) on Investments	<u><b>\$ 12,205</b></u>	<u><b>\$ (29,742)</b></u>
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See Notes To The Financial Statements



**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

Proprietary funds distinguish operating revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating.

**C. Net Position**

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

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

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

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

**D. Deferred Outflows/Inflows of Resources**

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

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

**E. Budgeting Requirements**

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

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

**F. Revenues Recognition**

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

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

**G. Cash and Cash Equivalents**

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

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

**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, 2019 and 2018.

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

**J. Inventory**

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

**K. Capital Assets**

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

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

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

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

**L. Compensated Absences**

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

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

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

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

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

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

**N. Capital Contributions – Federal and State Grants**

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

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

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

**O. Customer Facility Charges (CFC's)**

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

**P. Use of Estimates**

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

**NOTE 2 DEPOSITS**

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

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

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

At December 31, 2019 and 2018, the carrying amounts of the Authority's deposits were \$16,571,945 and \$14,854,372, respectively, and the bank balances in 2019 and 2018 were \$16,537,038 and \$14,924,979, respectively, which is covered by depository insurance or collateral held in safekeeping in the Authority's name.

**NOTE 3 INVESTMENTS**

The Authority maintains an investment in Principal Financial Group stock. The investment of \$61,985 and \$49,780 as of December 31, 2019 and 2018, 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, 2019 and 2018, a Level 1 fair value measurement.

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 4 PROPERTY TAXES**

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

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

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

**NOTE 5 CAPITAL ASSETS**

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

	Beginning Balance January 01, 2019	Additions	Deletions	Transfers	Ending Balance December 31, 2019
Capital Assets Not Being Depreciated					
Construction In Progress	\$ 588,885	\$ 1,062,115	\$ -	\$ (686,547)	\$ 964,453
Software	59,950	-	-	-	59,950
Land	1,746,081	-	-	-	1,746,081
Total Capital Assets Not Being Depreciated	2,394,916	1,062,115	-	(686,547)	2,770,484
Capital Assets Being Depreciated					
Equipment	3,433,849	20,426	-	-	3,454,275
Motor Vehicles	4,285,346	8,700	(58,770)	-	4,235,276
Buildings	27,154,080	-	-	-	27,154,080
Systems and Structures	73,304,199	-	-	686,547	73,990,746
Total Other Capital Assets	108,177,474	29,126	(58,770)	686,547	108,834,377
Less Accumulated Depreciation					
A/D Equipment	(2,933,128)	(169,736)	58,770	-	(3,044,094)
A/D Motor Vehicles	(3,374,375)	(204,934)	-	-	(3,579,309)
A/D Buildings	(7,984,909)	(949,783)	-	-	(8,934,692)
A/D Systems and Structures	(50,039,054)	(2,775,831)	-	-	(52,814,885)
Total Accumulated Depreciation	(64,331,466)	(4,100,284)	58,770	-	(68,372,980)
Totals	\$ 46,240,924	\$ (3,009,043)	\$ -	\$ -	\$ 43,231,881

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

	Beginning Balance January 01, 2018	Additions	Deletions	Transfers	Ending Balance December 31, 2018
Capital Assets Not Being Depreciated					
Construction In Progress	\$ 2,147,350	\$ 600,055	\$ -	\$ (2,158,520)	\$ 588,885
Software	59,950	-	-	-	59,950
Land	1,746,081	-	-	-	1,746,081
Total Capital Assets Not Being Depreciated	3,953,381	600,055	-	-	2,394,916
Capital Assets Being Depreciated					
Equipment	3,410,981	38,971	(16,103)	-	3,433,849
Motor Vehicles	4,285,346	-	-	-	4,285,346
Buildings	27,154,080	-	-	-	27,154,080
Systems and Structures	71,145,679	-	-	2,158,520	73,304,199
Total Other Capital Assets	105,996,086	38,971	(16,103)	-	108,177,474
Less Accumulated Depreciation					
A/D Equipment	(2,770,554)	(178,677)	16,103	-	(2,933,128)
A/D Motor Vehicles	(3,162,749)	(211,626)	-	-	(3,374,375)
A/D Buildings	(7,005,364)	(979,545)	-	-	(7,984,909)
A/D Systems and Structures	(47,259,597)	(2,779,457)	-	-	(50,039,054)
Total Accumulated Depreciation	(60,198,264)	(4,149,305)	16,103	-	(64,331,466)
Totals	\$ 49,751,203	\$ (3,510,279)	\$ -	\$ -	\$ 46,240,924

**NOTE 6 LONG-TERM DEBT**

Changes in long-term debt during the years ended December 31, 2019 and 2018 were as follows:

	Balance 1/1/2019	Issued	Retired	Balance 12/31/2019	Due Within One Year
Compensated Absences	\$ 22,067	\$ 138,490	\$ (137,805)	\$ 22,752	\$ 22,752
2009 Bonds Payable	2,990,000	-	(215,000)	2,775,000	225,000
2013 Bonds Payable	1,735,000	-	(145,000)	1,590,000	150,000
Bond Premium	14,729	-	(1,414)	13,315	-
Total	<u>\$ 4,761,796</u>	<u>\$ 138,490</u>	<u>\$ (499,219)</u>	<u>\$ 4,401,067</u>	<u>\$ 397,752</u>

	Balance 1/01/2018	Issued	Retired	Balance 12/31/2018	Due Within One Year
Compensated Absences	\$ 19,669	\$ 138,777	\$ (136,379)	\$ 22,067	\$ 22,067
2009 Bonds Payable	3,200,000	-	(210,000)	2,990,000	215,000
2013 Bonds Payable	1,875,000	-	(140,000)	1,735,000	145,000
Bond Premium	16,143	-	(1,414)	14,729	-
Total	<u>\$ 5,110,812</u>	<u>\$ 138,777</u>	<u>\$ (487,793)</u>	<u>\$ 4,761,796</u>	<u>\$ 382,067</u>



**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

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

	<u>2019</u>	<u>2018</u>
<u>Airport Revenue Bonds of 2009</u>		
\$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.	\$ 2,775,000	\$ 2,990,000
<u>Airport Revenue Bonds of 2013</u>		
\$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.	<u>1,590,000</u>	<u>1,735,000</u>
Total	<u>\$ 4,365,000</u>	<u>\$ 4,725,000</u>

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, 2019, are as follows:

Years Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 375,000	\$ 190,226	\$ 565,226
2021	390,000	174,956	564,956
2022	405,000	158,785	563,785
2023	425,000	141,590	566,590
2024	440,000	122,633	562,633
2025-2029	<u>2,330,000</u>	<u>273,700</u>	<u>2,603,700</u>
	<u>\$ 4,365,000</u>	<u>\$ 1,061,890</u>	<u>\$ 5,426,890</u>

**NOTE 7 COMMITMENTS/CONTINGENCIES**

The Authority had \$862,497 committed as of December 31, 2019. The commitments were as follows:

Master Plan	\$ 38,793
17R-35L	3,863
West GA	138,797
Environmental Assessment	71,977
High Speed Snow Broom	<u>609,067</u>
	<u>\$ 862,497</u>



**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

**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, 2019 and 2018 was \$1,108,755 and \$1,024,386, respectively. The total contributions to the plan for the years ended December 31, 2019 and 2018 were \$74,952 and \$66,184 by the employees and \$51,607 and \$45,823 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, 2019 and 2018:

Tenant	2019 Rent	2018 Rent
Aerospace Foundation	\$ 40,184	\$ 39,292
AutoCorp, LLC	18,356	17,949
AvFlight - Ground Site	88,551	86,577
AvFlight - Hanger	10,989	10,744
UND Aviation Storage and Rental- Ground Site	58,113	58,988
UND Aviation Storage and Rental- Tie Down	96,816	94,658
UND Aviation - Building Rent	2,142	3,094
UND School of Medicine - Building Rent	6,480	5,400
Rydell Chevrolet - Ground Site	2,964	2,963
Minnkota Power- Ground Site	4,595	4,493
Four Corners Real Estate - Ground	19,932	19,488
Allegiant - Jetbridge Rent	3,590	11,148
Suncountry - Jetbridge Rent	301	907
Misc - Jetbridge Rent	180	518
Delta Terminal Rents	285,501	373,495
Delta Building Rents	4,811	4,811
Allegiant Terminal Rent	68,830	42,333
FAA Airway Facilities	57,787	57,785
Transportation Safety Administration - Terminal Rent	49,170	49,170
Sun Country & Others	4,226	3,200
	<u>\$ 823,518</u>	<u>\$ 887,013</u>

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

**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 \$301,789 for 2019, and \$242,481 for 2018, 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	7.36%
AvFlight	7.06%
Avis Rent A Car	5.50%
Delta Airlines	21.49%
Enterprise/National Car Rental	10.98%
Overland West, Inc / Hertz	4.09%
UND Aerospace Foundation	0.97%
JD Odegard School of Aerospace	17.93%
Red River Valley Grill & Market	1.62%
Republic Parking	23.01%

**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 (NDRF), 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 NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses of one million dollars per occurrence.

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, the Authority earned PFC's of \$469,279 and \$480,883, 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, 2019, may be impaired.

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

**NOTE 15 NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019 AND 2018**

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. 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 effect these statements will have on the Authority's financial statements.

**NOTE 16 RECLASSIFICATIONS**

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

**NOTE 17 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Authority's year end. Subsequent events have been evaluated through March 20, 2020, 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, 2019**

	Original and Final Budget	Actual	Variance
<b>OPERATING REVENUES</b>			
Fuel Sales	\$ 223,595	\$ 291,954	\$ 68,359
Landing/ARFF Fees	392,096	389,562	(2,534)
Terminal Rent	414,037	377,447	(36,590)
Ground Rent	234,330	232,694	(1,636)
Terminal Advertising	26,000	31,365	5,365
Commissions	512,341	598,775	86,434
Parking Lot Receipts	1,080,000	990,877	(89,123)
Fuel Flowage	529,700	580,428	50,728
Tie Downs	98,464	131,168	32,704
Hangar Rent	10,958	10,989	31
Ramp Access Fee	5,002	-	(5,002)
Building Rent	63,817	71,220	7,403
Fuel Storage Fees	134,000	141,733	7,733
Miscellaneous Airfield Fees	25,000	31,024	6,024
Total	<u>3,749,340</u>	<u>3,879,236</u>	<u>129,896</u>
<b>OPERATING EXPENSES</b>			
Cost of Fuel	205,300	272,350	(67,050)
Salaries and Wages	1,411,500	1,356,739	54,761
Payroll Taxes/Benefits	431,200	376,570	54,630
Supplies	130,750	136,953	(6,203)
Professional Fees	157,200	139,557	17,643
Security	15,000	9,336	5,664
Marketing	140,100	136,210	3,890
Electricity, Heat and Other Utilities	315,000	333,981	(18,981)
Maintenance of Building and Grounds	150,000	129,778	20,222
Maintenance of Equipment	135,000	147,746	(12,746)
Board Expenses	5,000	3,640	1,360
Dues and Subscriptions	4,500	7,402	(2,902)
Education and Training	17,960	12,432	5,528
Telephone and Postage	55,340	47,281	8,059
Travel Expense	19,000	15,184	3,816
Construction Services and Fees	2,711,000	242,098	2,468,902
Insurance	68,977	64,256	4,721
Bank Charges	186,598	8,929	177,669
Parking Contract	335,000	313,418	21,582
Depreciation	-	4,100,284	(4,100,284)
Total	<u>6,494,425</u>	<u>7,854,144</u>	<u>(1,359,719)</u>
<b>OPERATING LOSS</b>	<u>(2,745,085)</u>	<u>(3,974,908)</u>	<u>(1,229,823)</u>

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual	Variance
<b>NON-OPERATING REVENUES</b>			
<b>(EXPENSES)</b>			
Investment Income	\$ 264,117	\$ 315,111	\$ 50,994
Tax Revenue	1,198,430	1,220,123	21,693
Gain on Investments	-	12,205	12,205
Other	22,556	87,879	65,323
Interest Expense	(307,500)	(217,373)	90,127
Total	<u>1,177,603</u>	<u>1,417,945</u>	<u>240,342</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(1,567,482)</u>	<u>(2,556,963)</u>	<u>(989,481)</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Passenger Facility Charge	448,372	469,279	20,907
Federal and State Grants	<u>1,572,500</u>	<u>1,041,419</u>	<u>(531,081)</u>
Total	<u>2,020,872</u>	<u>1,510,698</u>	<u>(510,174)</u>
<b>NET POSITION</b>			
Change in Net Position	<u>\$ 453,390</u>	<u>\$ (1,046,265)</u>	<u>\$ (1,499,655)</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Grand Forks Regional Airport Authority, as of and for the year ended December 31, 2019, 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 20, 2020.

### **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 2019-001 and 2019-002 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 & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

March 20, 2020



## 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, 2019. 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 for 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, 2019.

## 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 of compliance, we considered Grand Forks Regional Airport Authority's internal control over compliance with the types of 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 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 & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

March 20, 2020

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Federal Grantor/Program Title</u>	<u>CFDA/Contract Number</u>	<u>Expenditures</u>
<u>Department of Transportation (FAA)</u>		
Airport Improvement Program	20.106	\$ <u>948,237</u>
Total Department of Transportation (FAA)		<u>948,237</u>
Total Expenditures of Federal Awards		\$ <u>948,237</u>

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 INDIRECT COST RATE**

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

**NOTE 3 BASIS OF PRESENTATION**

The accompanying Schedule includes the federal award activity of the Grand Forks Regional Airport Authority for the year ended December 31, 2019. 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.

**NOTE 4 RECONCILIATION TO THE STATEMENT OF ACTIVITIES**

Total Expenditures of Federal Awards	\$ 948,237
State Grants	<u>93,182</u>
Federal and State Grants per Statement of Activities	<u>\$ 1,041,419</u>

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified

not considered to be material weaknesses?

☒ yes ☐ none reported

Non-compliance material to financial statements  
noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified

not considered to be material weaknesses?

☐ yes ☒ none reported

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

Unmodified

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

☐ yes ☒ no

Identification of major programs:

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?

☐ yes ☒ no

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

2019-001

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 2018-001.

Recommendation

We recommend the Authority review its current training system to determine if it is cost effective to obtain this knowledge internally. As a compensating control, the Authority should establish a policy to document the annual review of the financial statement and to review the financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

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

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

2019-002

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 2018-002.

Views of Responsible Officials and Planned Corrective Actions

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

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

2018-001

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

Corrective Action Taken

See current year finding 2019-001,

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

2018-002

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 2019-002.





## Corrective Action Plan

### 2019-001

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

Corrective Action Plan – Ongoing monitoring of internal financial reports.

Completion Date – Ongoing

### 2019-002

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

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

Completion Date - Ongoing

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

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

## **Report on Compliance for Passenger Facility Charges Program**

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, 2019. 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, 2019.

## 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 & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

March 20, 2020

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF PASSENGER FACILITY CHARGES AND RELATED EXPENDITURES**  
**FOR THE YEAR ENDED AND EACH QUARTER FROM**  
**JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
BALANCE, JANUARY 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
PASSENGER FACILITY CHARGES	119,348	113,817	112,511	120,064	465,740
INTEREST EARNINGS	-	-	-	-	-
DISBURSEMENTS	<u>(119,348)</u>	<u>(113,817)</u>	<u>(112,511)</u>	<u>(120,064)</u>	<u>(465,740)</u>
BALANCE, DECEMBER 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CASH BASIS (ABOVE)	\$ 465,740
ACCOUNTS RECEIVABLE PY	(30,346)
ACCOUNTS RECEIVABLE CY	<u>33,885</u>
ACCRUAL BASIS	<u>\$ 469,279</u>

**GRAND FORKS REGIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -**  
**PASSENGER FACILITY CHARGE PROGRAM**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

I. Summary of Auditor's Results

- i) An unmodified report was issued on the December 31, 2019 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 2019-001 and 2019-002 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.