

**MANDAN AIRPORT AUTHORITY
MANDAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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MANDAN AIRPORT AUTHORITY
GOVERNING BOARD AND APPOINTED OFFICIALS
DECEMBER 31, 2020

Governing Board

Chairman
Vice Chairman
Treasurer/Secretary
Board Member
Board Member

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

Appointed Official

Manager

Lindsay Gerhardt

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Mandan Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota, as of December 31, 2020, and the respective changes in financial position and cash flows for the year ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the City of Mandan that is attributable to the transactions of the Mandan Airport Authority. They do not purport to, and do not, present fairly the financial position of the City of Mandan, North Dakota as of December 31, 2020, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021 on our consideration of the Mandan Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mandan Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal controls over financial reporting and compliance.



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

September 17, 2021

MANDAN AIRPORT AUTHORITY
STATEMENT OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2020

ASSETS

Current assets	
Cash and cash equivalents	\$ 420,812
Restricted cash and cash equivalents	125,013
Taxes receivable	9,578
Accounts receivable	358
Intergovernmental receivable	225,724
Inventories	33,697
Prepaid expenses	<u>7,655</u>
Total current assets	<u>822,837</u>
Capital assets not being depreciated	
Land	856,771
Construction work in progress	216,145
Capital assets (net of depreciation)	
Buildings and infrastructure	13,430,111
Machinery and equipment	<u>71,137</u>
Total capital assets	<u>14,574,164</u>
Total noncurrent assets	<u>14,574,164</u>
Total assets	<u>15,397,001</u>

LIABILITIES

Current liabilities	
Accounts payable	6,390
Construction and retainage payable	446,741
Compensated absences	531
Due to City of Mandan	9,784
Interest payable	4,525
Prepaid revenues	90,260
Revenue bonds payable	<u>107,394</u>
Total current liabilities	<u>665,625</u>
Noncurrent liabilities	
Compensated absences	7
Revenue bonds payable, net of discount	<u>642,507</u>
Total noncurrent liabilities	<u>642,514</u>
Total liabilities	<u>1,308,139</u>

NET POSITION

Net investment in capital assets	13,377,522
Restricted for:	
Debt service	125,013
Unrestricted	<u>586,327</u>
Total net position	<u>\$ 14,088,862</u>

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating revenues		
Charges for services		\$ 291,918
Total operating revenues		291,918
Operating expenses		
Salaries and benefits		99,712
Professional fees and services		8,992
Insurance		11,602
Travel and training		2,241
Utilities		24,764
Publishing and printing		589
Dues and memberships		1,793
Supplies and maintenance		120,858
Repairs and maintenance		28,419
Depreciation		644,977
Possessory leasehold tax		12,326
Total operating expenses		956,273
Operating income (loss)		(664,355)
Nonoperating revenues (expenses)		
Taxes		382,045
Intergovernmental		1,848,330
Interest income		1,222
Miscellaneous		4,035
Gain (loss) on disposal of capital assets		(507)
Debt service:		
Interest expense		(22,717)
Total nonoperating revenues (expenses)		2,212,408
Change in net position		1,548,053
Net position - January 1		12,540,809
Net position - December 31		\$ 14,088,862

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 359,169
Payments to employees	(133,898)
Payments to suppliers	<u>(296,088)</u>
Net cash provided (used) by operating activities	<u>(70,817)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes	389,015
Intergovernmental	549,836
Miscellaneous receipts	<u>3,528</u>
Net cash provided (used) by noncapital financing activities	<u>942,379</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal and state grants	1,073,662
Purchases of capital assets	(2,730,334)
Principal paid on capital debt	(169,113)
Interest paid on capital debt	<u>(20,887)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,846,672)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,222</u>
Net cash provided (used) by investing activities	<u>1,222</u>
Net increase (decrease) in cash and cash equivalents	<u>(973,888)</u>
Cash and cash equivalents - January 1	<u>1,519,713</u>
Cash and cash equivalents - December 31	<u>\$ 545,825</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	\$ 420,812
Restricted cash and cash equivalents	<u>125,013</u>
	<u>\$ 545,825</u>

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating income (loss)	\$ (664,355)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	644,977
Effect on cash flows due to changes in:	
Accounts receivable	38,135
Inventories	(8,994)
Prepaid expenses	528
Salaries and benefits payable	(2,290)
Compensated absences	(31,896)
Accounts payable	(76,038)
Prepaid revenues	29,116
Total adjustments	<u>593,538</u>
 Net cash provided (used) by operating activities	 <u><u>\$ (70,817)</u></u>

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash consists of certain resources set aside as required by debt service agreements and unspent bond proceeds.

Investments

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

Taxes Receivable

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

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

Accounts Receivable

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Intergovernmental Receivable

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

Inventories and Prepaid Expenses

Inventories consist of fuel for internal use and not held for re-sale. Inventories are valued at lower of cost or market using the first-in/first-out method.

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

Capital Assets

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

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

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

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

Land and construction work in progress are not depreciated.

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

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

Prepaid Revenues

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Compensated Absences

Annual Leave

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

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

Sick Leave

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Revenues and Expenditures/Expenses

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

Use of Estimates

The preparation of financial statements in conformity with the economic resources measurement focus and the accrual basis of accounting used by the Airport Authority requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS

The Airport minimizes custodial credit risk by restrictions set forth in state statute. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the Airport would not be able to recover its deposits or collateralized securities that are in the possession of outside parties. The Airport does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the Airport's board requires that all Airport funds be deposited at financial institutions that are covered by federal deposit insurance. State statutes also require that the

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

deposits be protected by insurance, collateral or a surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. The only exception is for funds that are deposited with the Bank of North Dakota, which is owned and backed by the full faith and credit of the State of North Dakota.

At December 31, 2020, the carrying amount of the Airport's deposits was \$545,825 and the bank balance was \$558,094. The bank balance was covered by Federal Depository Insurance and securities held by the pledging financial institutions' agents in the government's names.

NOTE 3 INVESTMENTS

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 4 CAPITAL ASSETS

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

	Balance #NAME?	Additions	Deletions	Transfers	Balance #NAME?
Capital assets not being depreciated:					
Land	\$ 856,771	\$ -	\$ -	\$ -	\$ 856,771
Construction work in progress	1,324,063	3,073,114	-	(4,181,032)	216,145
Total capital assets not being depreciated	<u>2,180,834</u>	<u>3,073,114</u>	<u>-</u>	<u>(4,181,032)</u>	<u>1,072,916</u>
Capital assets being depreciated:					
Buildings and infrastructure	15,481,086	-	-	4,172,237	19,653,323
Machinery and equipment	709,929	-	(7,800)	8,795	710,924
Total capital assets being depreciated:	<u>16,191,015</u>	<u>-</u>	<u>(7,800)</u>	<u>4,181,032</u>	<u>20,364,247</u>
Less accumulated depreciation for:					
Buildings and infrastructure	5,650,039	573,173	-	-	6,223,212
Machinery and equipment	575,783	71,804	(7,800)	-	639,787
Total accumulated depreciation	<u>6,225,822</u>	<u>644,977</u>	<u>(7,800)</u>	<u>-</u>	<u>6,862,999</u>
Total capital assets being depreciated, net	<u>9,965,193</u>	<u>(644,977)</u>	<u>-</u>	<u>4,181,032</u>	<u>13,501,248</u>
Total capital assets, net	<u>\$ 12,146,027</u>	<u>\$ 2,428,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,574,164</u>

Contract Commitments

The Airport has active contract project commitments of \$157,404 as of December 31, 2020.

NOTE 5 LONG-TERM DEBT

Revenue Bonds Payable

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

The Airport Improvement Revenue Bonds were issued to finance improvements for the Mandan Airport Facility. The Bonds are payable solely from charges for services received from the Mandan Airport Authority and are payable through October 2023. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$827,979. Principal and interest paid for the current year and total net revenues were \$190,000 and \$291,918, respectively.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Revenue bonds outstanding:

\$500,000 Airport Improvement Revenue Bonds of 2008, due in semi-annual installments of \$24,547 through October 8, 2023, interest at 5.41%	\$ 134,283
\$695,000 Airport Improvement Revenue Bonds of 2019, due in annual installments of \$65,000 to \$75,000 through April 1, 2029, interest at 1.6% to 2%	<u>625,000</u>
Total	<u><u>\$ 759,283</u></u>

Debt service requirements on long-term debt at December 31, 2020 are as follows:

Year Ending December 31	Revenue Bonds of 2008		Revenue Bonds of 2019		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 42,394	\$ 6,699	\$ 65,000	\$ 10,920	\$ 107,394	\$ 17,619
2022	44,719	4,374	65,000	9,880	109,719	14,254
2023	47,170	1,922	65,000	8,840	112,170	10,762
2024	-	-	70,000	7,760	70,000	7,760
2025	-	-	70,000	6,500	70,000	6,500
Thereafter	-	-	290,000	11,800	290,000	11,800
Total	<u>\$ 134,283</u>	<u>\$ 12,995</u>	<u>\$ 625,000</u>	<u>\$ 55,700</u>	<u>\$ 759,283</u>	<u>\$ 68,695</u>

Changes in Long-term Liabilities

Changes in Long-term Liabilities for the year ended December 31, 2020, are summarized as follows:

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due within one year
Compensated absences	\$ 32,434	\$ 8,677	\$ (40,573)	\$ 538	\$ 531
Revenue bonds payable	928,396	-	(169,113)	759,283	107,394
Less unamortized discount	(10,425)	-	1,043	(9,382)	(1,043)
Total	<u>\$ 950,405</u>	<u>\$ 8,677</u>	<u>\$ (208,643)</u>	<u>\$ 750,439</u>	<u>\$ 106,882</u>

NOTE 6 LAND LEASES

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 7 EMPLOYEE PENSION PLAN

Defined Contribution Plan

The City of Mandan Employee Retirement Plan and Trust is a Defined Contribution Plan that covers eligible Airport employees. The Defined Contribution Plan had 1 participant as of December 31, 2020.

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

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

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

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

Contributions are set by City ordinance and are a percentage of salaries and wages. Employee contributions are established at 2%, and employer contributions are established at 8% of regular compensation. The employer's required contributions for the years ended December 31, 2020, 2019, and 2018, were \$7,767, \$6,053, and \$5,705, respectively.

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

NOTE 8 RISK MANAGEMENT

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

General Liability

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

North Dakota Insurance Reserve Fund

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,500 political subdivisions. The Airport pays an annual premium to NDIRF for its auto and public asset insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per accident for automobile coverage and to \$573,978 for public assets (mobile equipment and portable property) coverage.

State Fire and Tornado Fund

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

State Bonding Fund

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

Workforce Safety & Insurance

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

PERS Uniform Group Insurance Program

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

NOTE 9 NEW PRONOUNCEMENTS

The Airport will implement the following new pronouncements for fiscal years ending after 2020:

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 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, 2020. Earlier application is encouraged.

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

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

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

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

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 10 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Airport's year end. Subsequent events have been evaluated through September 17, 2021, which is the date these financial statements were available to be issued.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 17, 2021.

Internal Control Over Financial Reporting

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

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

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

weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mandan Airport Authority's Responses to Findings

The Airport Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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.
BISMARCK, NORTH DAKOTA

September 17, 2021

MANDAN AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-001: Preparation of Financial Statements– Significant Deficiency

Criteria

An appropriate system of internal controls requires that the Authority make a determination that financial statements and underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition

The Airport's auditors prepared the financial statements, including all note disclosures, as of December 31, 2020.

Cause

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

Effect

There is an increased risk of material misstatement or omission of material disclosures to the Authority's financial statements.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Due to the cost benefit, the Airport has elected to have the auditors prepare the financial statements. The City has two CPA's on staff who keep current with the new accounting standards. City staff currently reviews the financial statements and schedules prior to finalization of the financial statements. Additionally, the Airport has a CPA that sits on the board.

2020-002: Segregation of Duties – Significant Deficiency

Criteria

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

Condition

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

Cause

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

MANDAN AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The Airport's board has implemented some mitigating controls and also has a CPA that sits on the board that assists in the review of the financial functions of the Airport. City staff reviews the financials of the Airport throughout the year and at year end. Any concerns or discrepancies are brought to the Airport's attention.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan

For the year ended
December 31, 2020

Prepared by Management of
City of Mandan

CITY OF MANDAN - Summary Schedule of Prior Audit Findings

Finding 2020-001

Finding Summary: The Airport's auditors prepared the financial statements, including all note disclosures, as of December 31,2020.

Responsible Individuals: Lindsay Gerhardt, Airport Manager

Corrective Action Plan: Due to the cost benefit, the Airport has elected to have the auditor's prepare the financial statements. The City has two CPA's on staff who keep current with the new accounting standards. City staff currently reviews the financial statements and schedules prior to finalization of the financial statements. Additionally the Airport has a CPA that sits on the board.

Anticipated Completion Date: Ongoing. The Airport will continue to review the financial statements and schedules along with the disclosure checklist.

Finding 2020-002

Finding Summary: The Airport has a lack of segregation of duties due to a limited number of employees

Responsible Individuals: Lindsay Gerhardt, Airport Manager

Corrective Action Plan: The Airport's board has implemented some mitigating controls and also has a CPA that sits on the board that assists in the review of the financial functions of the Airport. City staff reviews the financials of the Airport throughout the year and at year end. Any concerns or discrepancies are brought to the Airport's attention.

Anticipated Completion Date: Ongoing. Accounting functions will be reviewed throughout the year to determine if additional segregation is feasible.

Finding 2019-001

Finding Summary: The Airport has a lack of segregation of duties due to a limited number of employees

Responsible Individuals: Lindsay Gerhardt, Airport Manager

Corrective Action Plan: The Airport's board has implemented some mitigating controls and also has a CPA that sits on the board that assists in the review of the financial functions of the Airport. City staff reviews the financials of the Airport throughout the year and at year end. Any concerns or discrepancies are brought to the Airport's attention.

Anticipated Completion Date: Ongoing. Accounting functions will be reviewed throughout the year to determine if additional segregation is feasible.