

**TIOGA MUNICIPAL AIRPORT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF  
TIOGA, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tioga Municipal Airport Authority  
Tioga, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Tioga Municipal Airport Authority, a component unit of the City of Tioga, 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 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 cash basis financial position of Tioga Municipal Airport Authority as of December 31, 2020, and the changes in the modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Emphasis of a Matter**

As discussed in Note 1, the financial statements of Tioga Municipal Airport Authority, are intended to present the financial position and the changes in financial position, of only that portion of the business-type activities of the City of Tioga that is attributable to the transactions of the Airport Authority. They do not purport to, and do not present fairly the financial position of the City of Tioga as of December 31, 2020, or the changes in its financial position for the year then ended in accordance with the cash basis of accounting. Our opinion is not modified with respect to this matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2023 on our consideration of Tioga Municipal 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 Tioga Municipal 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 Tioga Municipal Airport Authority's internal control over financial reporting and compliance.



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

December 26, 2023

**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
DECEMBER 31, 2020

ASSETS

Current assets	
Cash and cash equivalents	\$ 108,944
Capital assets (net of accumulated depreciation)	<u>4,108,452</u>
Total Assets	<u>4,217,396</u>

LIABILITIES

Note payable	<u>25,829</u>
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NET POSITION

Net investment in capital assets	4,082,623
Unrestricted	<u>108,944</u>
Total net position	<u>\$ 4,191,567</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
**STATEMENT OF REVENUES AND EXPENSES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Operating cash revenues	
Hanger & lot rents	\$ 6,729
Other rental income	13,800
Total operating revenue	<u>20,529</u>
Operating cash expenses	
Contract labor & wages	30,472
Repairs	9,738
Utilities	16,247
Supplies	9,971
Professional fees	24,122
Insurance	5,138
Depreciation	104,425
Other	6,312
Total operating expenses	<u>206,425</u>
Net operating income (loss)	<u>(185,896)</u>
Non-operating revenues (expenses)	
Tax revenue	331,286
Interest expense	(3,184)
Other miscellaneous income	14,435
Grant income	603,101
Total nonoperating revenues (expenses)	<u>945,638</u>
CHANGE IN NET POSITION	<u>759,742</u>
BEGINNING NET POSITION - JANUARY 1	<u>3,431,825</u>
ENDING NET POSITION - DECEMBER 31	<u>\$ 4,191,567</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Cash flows from operating activities:	
Receipts from customers	\$ 20,529
Payments to suppliers for goods and services	<u>(102,000)</u>
Net cash provided (used) by operating activities	<u>(81,471)</u>
Cash flows from capital and related financing activities:	
Taxes	331,286
Capital grants	603,101
Miscellaneous receipts	14,435
Principal payments on long term debt	(24,308)
Interest payments on long term debt	(3,184)
Purchase of capital assets	<u>(1,116,484)</u>
Net cash provided (used) by capital and related financing activities	<u>(195,154)</u>
Net increase (decrease) in cash and cash equivalents	(276,625)
Cash and cash equivalents - beginning of year	<u>385,569</u>
Cash and cash equivalents - end of year	<u><u>\$ 108,944</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>	
<b>    Provided (Used) by Operating Activities:</b>	
Net operating income (loss)	\$ (185,896)
Adjustments to Reconcile Operating Income (Loss) to Net	
Cash Provided by Operating Activities:	
Depreciation	<u>104,425</u>
Net cash provided (used) by operating activities	<u><u>\$ (81,471)</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Tioga Municipal Airport Authority is presented to assist in understanding the Authority's basic financial statements.

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.

**Nature of Operations and History**

Tioga Municipal Airport Authority manages the operations of the Tioga airport facility and is included in the reporting entity of the City of Tioga. The Authority is accounted for as a special purpose government engaged in a business-type activity. Business-type activities are used to account for operations that are financed or operated in a manner similar to the private sector, where the intent is that the cost of providing services to the general public on a continuous basis be financed or recovered primarily through user charges.

**Reporting Entity**

Component units are legally separate organizations for which the entity is financially accountable. As required by the modified cash basis of accounting, the Authority is included as a component unit in a separate report of the City of Tioga (the primary government) because of the significance of the operational and financial relationship with the City.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the primary government 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 primary government. Component units may also include organizations that are fiscally dependent on the primary government.

The members of the governing board of the Authority are appointed by the City Council. Although the City does not have the authority to approve or modify the Authority's operational and capital budgets, the tax rates established by the Authority and bonded debt must be approved by the City Council. Complete financial statements of the primary government can be obtained from the City of Tioga auditor.

Based on the above criteria, the Authority has no component units included in its report.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The accompanying financial statements have been presented using the modified cash basis of accounting. This basis recognizes assets, net position, revenues, and expenses when they result from cash transactions with the exception of recording capital assets and long-term debt. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2020**

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for good or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Authority utilized the basis of accounting recognized as generally accepted, the statements would be prepared on the accrual basis of accounting.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus with the limitations of the cash basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets, net position, revenues and expenses are accounted for through a single business-type activity. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Equity is classified as net position.

Business-type activities distinguish operating from non-operating revenues and expenses. Operating revenues and expenses are those that generally result from providing service and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Revenue from fuel sales and hanger rent are included in operating revenue. Tax revenue is reported as non-operating revenue. All expenses related to operating the Authority are reported as operating expenses.

### **Cash and Cash Equivalents**

The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for certificates of deposits which are considered cash equivalents regardless of their term since there is no loss of principal for early withdrawal, and reserve funds which are considered noncash equivalents regardless of the maturity terms.

### **Investment policy**

The Authority does not have a formal investment policy. State statutes authorize local governments to invest in:

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) 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.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2020**

**Capital Assets**

Capital assets include building, equipment, vehicles and other assets. All major capital assets are capitalized. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method and estimated useful life as follows:

<u>Assets</u>	<u>Useful Life in Years</u>
Building and Improvements	10 – 50
Equipment	7
Vehicles	5
Other Assets	10

**Long-Term Obligations and Costs**

Long-term obligations are reported at face value, net of applicable premiums and discounts. Premiums and discounts and gains or losses on advance refunding and defeasances are deferred and amortized over the life of the bonds. Bond issue costs are expensed in the period incurred.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of remaining un-depreciated cost of the asset less outstanding debt associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on the Authority. External restrictions may be imposed through state or local laws, and grant or contract provision. Unrestricted net position is all other assets that do not meet the definition of restricted net position.

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

**Use of Estimates**

The preparation of financial statements in conformity with the cash basis of accounting used by the Authority requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2020

**NOTE 2 CUSTODIAL CREDIT RISK**

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 Authority would not be able to recover its deposits or collateralized securities that are in the possession of outside parties. The Authority does not have a formal policy regarding deposits. 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 Authority maintains cash on deposit at a financial institution. The amount on deposit is insured by the FDIC up to \$250,000. At December 31, 2020, all of the Authority's deposits were covered by FDIC insurance or through pledged collateral at the Authority's financial institution.

**NOTE 3 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2020.

	1/1/20 Balance	Additions	Decreases	12/31/20 Balance
Capital assets, not being depreciated				
Land	\$ 1,280,000	\$ -	\$ -	\$ 1,280,000
Construction in Progress	-	1,113,769	-	1,113,769
Total capital assets, being depreciated	<u>1,280,000</u>	<u>1,113,769</u>	<u>-</u>	<u>2,393,769</u>
Capital assets, being depreciated				
Building and improvements	1,347,538	2,715	-	1,350,253
Equipment	341,617	-	-	341,617
Vehicles	4,000	-	-	4,000
Other assets	290,960	-	-	290,960
Total capital assets, being depreciated	<u>1,984,115</u>	<u>2,715</u>	<u>-</u>	<u>1,986,830</u>
Less accumulated depreciation for:				
Building and improvements	(36,512)	(28,084)	-	(64,596)
Equipment	(75,366)	(46,445)	-	(121,811)
Vehicles	(848)	(800)	-	(1,648)
Other assets	(54,996)	(29,096)	-	(84,092)
Total accumulated depreciation	<u>(167,722)</u>	<u>(104,425)</u>	<u>-</u>	<u>(272,147)</u>
Capital assets, net	<u>\$ 3,096,393</u>	<u>\$ 1,012,059</u>	<u>\$ -</u>	<u>\$ 4,108,452</u>

**NOTE 4 LEASES**

The Airport Authority entered into a lease agreement to rent out agricultural land. The Authority received revenue of \$13,800 during the year ended December 31, 2020.

**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2020

**NOTE 5 LONG-TERM DEBT**

Changes in long-term debt during the year ended December 31, 2020 was as follows:

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Note payable	\$ 50,137	\$ -	\$ (24,308)	\$ 25,829	\$ 25,829

The obligations under long-term debt are as follows:

**Note Payable**

\$75,040 loan dated September 20, 2018 in three annual payments of \$27,492, including interest on May 1 each year. Loan is secured by 2018 Case tractor. Interest rate of 6.0% with maturity on May 1, 2021. Balance as of December 31, 2020 is \$25,829.

Annual requirements for payment of outstanding debt at December 31, 2020, as are follows:

	Note Payable	
	Principal	Interest
2021	\$ 25,829	\$ 1,577

**NOTE 6 RISK MANAGEMENT**

The Tioga Municipal Airport Authority is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The Authority also participates in the North Dakota Fire and Tornado Fund. The 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 estimated 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 \$1,000,000 per 12-month period.

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

**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 7 RELATED PARTY TRANSACTIONS**

The Authority pays board members for additional services performed including mowing, snowplowing, and fueling of aircraft. Payments to board members for services provided to Tioga Municipal Airport Authority for the year ended December 31, 2020 are as follows:

	Amounts Paid During 2020 Fiscal Year for <u>Contract Labor</u>
Chris Norgaard	\$ 898
Steve Jensen	1,121
Curt Vande Sandt	2,892

**NOTE 8 CONTINGENCIES**

The Authority receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Authority at December 31, 2020.

**NOTE 9 COMMITMENT**

In 2020, the Authority entered into a contract for rehabilitation of the east hangar taxi lines and east GA apron. The total cost of the project is \$1,242,544 with \$1,113,769 paid for in 2020 leaving a remaining commitment of \$128,775.

**NOTE 10 SUBSEQUENT EVENTS**

In February 2022, the Authority signed a purchase agreement to purchase a broom attachment for its payloaders for \$50,000. In March 2022, the Authority signed a contract for a taxi-way lighting project. The architect fees on this contract are approximately \$66,500. In 2023, the Authority signed a contract for new taxi-way lights, electrical in the vault building and new lighting controls for approximately \$627,500. Subsequent events have been evaluated through December 26, 2023, 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  
Tioga Municipal Airport Authority  
Tioga, North Dakota

We have audited, 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 of the United States, the financial statements of Tioga Municipal Airport Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Tioga Municipal Airport Authority's basic financial statements, and have issued our report thereon dated December 26, 2023. Our report disclosed that, as described in Note 1 to the financial statements, the Tioga Municipal Airport Authority prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Tioga Municipal Airport 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tioga Municipal Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tioga Municipal Airport Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Tioga Municipal Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### **Tioga Municipal Airport Authority's Responses to Findings**

Tioga Municipal Airport Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Tioga Municipal Airport 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.

### **Purposes 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 Authority'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**

December 26, 2023

**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**2020-001: Proposition of Journal Entries – Material Weakness**

Criteria

The Authority is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition

During our audit, a material adjusting journal entry was proposed to record capital assets in accordance with the modified cash basis of accounting.

Cause

The Authority's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on the modified cash basis of accounting.

Effect

An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with the modified cash basis of accounting prior to the audit.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Actions

Due to the financial, efficiency and time constraints, it has been determined by Tioga Municipal Airport Authority's management that it is in the best interest of Tioga Municipal Airport Authority and all interested parties to have the general ledger accounts adjusted at year-end to properly reflect the modified cash basis of accounting by the auditing firm at the time of the audit.



**TIOGA MUNICIPAL AIRPORT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**2020-002: Financial Statement Preparation – Significant Deficiency**

Criteria:

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

Condition/Context:

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

Cause:

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

Effect:

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

Recommendation:

We recommend the Authority considers 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 to review a financial statement disclosure checklist.

View of Responsible Officials and Corrective Actions:

Due to the small size of the Authority, it is not cost effective for the Authority to properly address this significant control deficiency.