

**MANDAN AIRPORT AUTHORITY
MANDAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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MANDAN AIRPORT AUTHORITY
GOVERNING BOARD AND APPOINTED OFFICIALS
DECEMBER 31, 2022

Governing Board

Chairman
Board Member
Board Member
Board Member
Board Member

Marc Taylor
Chris Brown
Justin Reisenauer
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 Audit of the Financial Statements

Opinion

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, 2022, 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.

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, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mandan Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022, 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.

As discussed in Note 1 to the financial statements, the Airport Authority changed its method of accounting for leases in 2022 due to the adoption of GASB Statement No. 87, *Leases*.

Our opinion is not modified with respect to these matters.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mandan Airport Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mandan Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mandan Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Information

The other information comprises the listing of governing board and appointed officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2023 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**

August 2, 2023

MANDAN AIRPORT AUTHORITY
STATEMENT OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 843,539
Restricted cash and cash equivalents	122,933
Taxes receivable	7,065
Accounts receivable	588
Intergovernmental receivable	21,096
Lease receivable - current portion	25,955
Lease interest receivable	4,411
Inventories	58,269
Prepaid expenses	9,206
Total current assets	<u>1,093,062</u>
Non-current assets:	
Lease receivable - noncurrent portion	269,310
Capital assets not being depreciated	
Land	856,771
Construction work in progress	282,840
Capital assets (net of depreciation)	
Buildings and infrastructure	12,846,875
Machinery and equipment	67,255
Total capital assets	<u>14,053,741</u>
Total noncurrent assets	<u>14,323,051</u>
Total assets	<u>15,416,113</u>

LIABILITIES

Current liabilities	
Accounts payable	22,717
Compensated absences	3,578
Due to City of Mandan	7,844
Interest payable	2,925
Prepaid revenues	75,361
Revenue bonds payable	112,171
Total current liabilities	<u>224,596</u>
Noncurrent liabilities	
Compensated absences	5,237
Revenue bonds payable, net of discount	422,703
Total noncurrent liabilities	<u>427,940</u>
Total liabilities	<u>652,536</u>

DEFERRED INFLOWS

Leases	<u>295,030</u>
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NET POSITION

Net investment in capital assets	13,518,867
Restricted for:	
Debt service	120,008
Unrestricted	829,672
Total net position	<u>\$ 14,468,547</u>

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

Operating revenues	
Charges for services	\$ 346,961
Lease revenue	23,020
Lease interest revenue	<u>5,553</u>
Total operating revenues	<u>375,534</u>
Operating expenses	
Salaries and benefits	97,078
Professional fees and services	13,192
Insurance	9,895
Travel and training	1,948
Utilities	25,073
Publishing and printing	4,485
Dues and memberships	1,386
Supplies and maintenance	235,357
Repairs and maintenance	11,001
Depreciation	607,278
Possessory leasehold tax	<u>16,878</u>
Total operating expenses	<u>1,023,571</u>
Operating income (loss)	<u>(648,037)</u>
Nonoperating revenues (expenses)	
Taxes	400,860
Intergovernmental	278,986
Interest income	359
Miscellaneous	2,246
Gain (loss) on disposal of capital assets	502
Debt service:	
Interest expense	<u>(14,483)</u>
Total nonoperating revenues (expenses)	<u>668,470</u>
Change in net position	<u>20,433</u>
Net position - January 1	<u>14,448,114</u>
Net position - December 31	<u><u>\$ 14,468,547</u></u>

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 366,798
Payments to employees	(92,666)
Payments to suppliers	<u>(343,804)</u>
Net cash provided (used) by operating activities	<u>(69,672)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes	399,625
Intergovernmental	123,975
Miscellaneous receipts	<u>2,748</u>
Net cash provided (used) by noncapital financing activities	<u>526,348</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal and state grants	254,684
Purchases of capital assets	(199,419)
Sale of capital assets	5,780
Payments on retainage payable	(94,012)
Principal paid on capital debt	(109,719)
Interest paid on capital debt	<u>(14,254)</u>
Net cash provided (used) by capital and related financing activities	<u>(156,940)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>359</u>
Net cash provided (used) by investing activities	<u>359</u>
Net increase (decrease) in cash and cash equivalents	<u>300,095</u>
Cash and cash equivalents - January 1	<u>666,377</u>
Cash and cash equivalents - December 31	<u><u>\$ 966,472</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	\$ 843,539
Restricted cash and cash equivalents	<u>122,933</u>
	<u><u>\$ 966,472</u></u>

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Reconciliation of operating loss to net cash used by operating activities

Operating income (loss)	\$ (648,037)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	607,278
(Gain)loss on disposal of assets	(502)
Effect on cash flows due to changes in:	
Accounts receivable	(3,632)
Inventories	(19,156)
Prepaid expenses	235
Compensated absences	4,412
Accounts payable	(5,166)
Prepaid revenues	(5,104)
Total adjustments	578,365
Net cash provided (used) by operating activities	\$ (69,672)

See Notes to Financial Statements

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

The City of Mandan operates under a city council form of government. The Airport Commission is appointed by the City Council. The Airport Authority is accounted for as a special purpose government engaged in a business-type activity.

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. Component units may also include organizations that are fiscally dependent on the government.

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

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

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.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

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.

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

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.

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 the 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.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

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

Leases – Lessor

The Authority is a lessor for several noncancellable leases of land. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases. The Authority has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

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. For 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. For 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.

Change in Accounting Principles

The Airport implemented GASB Statement No. 87, *Leases* in the fiscal year ended December 31, 2022. GASB Statement No. 87 establishes a single model for lease accounting based on the foundation principal that leases are financings of the right to use an underlying asset.

The adoption of GASB 87 resulted in the recognition of lease receivable and deferred inflow of resources of \$108,754 as of January 1, 2022. Results for period prior to January 1, 2022 continue to be reported in accordance with the Airport's historical accounting treatment. See note 5 for expanded disclosures regarding the Airport's leases.

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, 2022

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, 2022, the carrying amount of the Airport's deposits was \$966,472 and the bank balance was \$996,447. The bank balance was covered by Federal Depository Insurance and securities held by the pledging financial institutions' agents in the government's name.

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, 2022

NOTE 4 CAPITAL ASSETS

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

	Balance 1/1/2022	Additions	Deletions	Transfers	Balance 12/31/2022
Capital assets not being depreciated:					
Land	\$ 856,771	\$ -	\$ -	\$ -	\$ 856,771
Construction work in progress	158,801	169,819	-	(45,780)	282,840
Total capital assets not being depreciated	<u>1,015,572</u>	<u>169,819</u>	<u>-</u>	<u>(45,780)</u>	<u>1,139,611</u>
Capital assets being depreciated:					
Buildings and infrastructure	20,177,603	-	-	45,780	20,223,383
Machinery and equipment	699,003	29,600	(13,796)	-	714,807
Total capital assets being depreciated:	<u>20,876,606</u>	<u>29,600</u>	<u>(13,796)</u>	<u>45,780</u>	<u>20,938,190</u>
Less accumulated depreciation for:					
Buildings and infrastructure	6,799,392	577,115	-	-	7,376,507
Machinery and equipment	625,907	30,163	(8,517)	-	647,553
Total accumulated depreciation	<u>7,425,299</u>	<u>607,278</u>	<u>(8,517)</u>	<u>-</u>	<u>8,024,060</u>
Total capital assets being depreciated, net	<u>13,451,307</u>	<u>(577,678)</u>	<u>(5,279)</u>	<u>45,780</u>	<u>12,914,130</u>
Total capital assets, net	<u>\$ 14,466,879</u>	<u>\$ (407,859)</u>	<u>\$ (5,279)</u>	<u>\$ -</u>	<u>\$ 14,053,741</u>

Contract Commitments

The Airport has active contract project commitments of \$165,261 as of December 31, 2022.

NOTE 5 LEASES – LESSOR

The Authority leases tracts of land to 18 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.

Following is the total lease-related revenue for the year ended December 31, 2022:

Land	<u>\$ 23,020</u>
Total lease revenue	23,020
Interest revenue	5,553
Total	<u>\$ 28,573</u>

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

Following is a schedule by years of future minimum rental receipts required under the lease:

For the Year Ending December 31,	Principal	Interest	Total Receipts
2023	\$ 25,955	\$ 5,420	\$ 31,375
2024	24,734	6,641	31,375
2025	25,372	6,003	31,375
2026	26,028	5,347	31,375
2027	26,702	4,673	31,375
2028 - 2032	111,341	13,535	124,876
2033 - 2037	37,638	4,230	41,868
2038 - 2042	17,495	1,094	18,589
	\$ 295,265	\$ 46,943	\$ 342,208

NOTE 6 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 \$534,874. Principal and interest paid for the current year and total net revenues were \$123,973 and \$374,906, respectively.

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%	\$ 47,170
\$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%	495,000
Total	\$ 542,170

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

Debt service requirements on long-term debt at December 31, 2022 are as follows:

Year Ending December 31	Revenue Bonds of 2008		Revenue Bonds of 2019		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 47,170	\$ 1,922	\$ 65,001	\$ 8,840	\$ 112,171	\$ 10,762
2024	-	-	70,000	7,760	70,000	7,760
2025	-	-	70,000	6,500	70,000	6,500
2026	-	-	70,000	5,100	70,000	5,100
2027	-	-	70,000	3,700	70,000	3,700
Thereafter	-	-	149,999	3,000	149,999	3,000
Total	<u>\$ 47,170</u>	<u>\$ 1,922</u>	<u>\$ 495,000</u>	<u>\$ 34,900</u>	<u>\$ 542,170</u>	<u>\$ 36,822</u>

Changes in Long-term Liabilities

Changes in Long-term Liabilities for the year ended December 31, 2022, are summarized as follows:

	Balance 1/1/2022	Additions	Reductions	Balance 12/31/2022	Due within one year
Compensated absences	\$ 4,403	\$ 10,434	\$ (6,022)	\$ 8,815	\$ 3,578
Revenue bonds payable	651,889	-	(109,719)	542,170	112,171
Less unamortized discount	(8,339)	-	1,043	(7,296)	(1,043)
Total	<u>\$ 647,953</u>	<u>\$ 10,434</u>	<u>\$ (114,698)</u>	<u>\$ 543,689</u>	<u>\$ 114,706</u>

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, 2022.

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.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

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 year ended December 31, 2022 were \$5,005.

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

NOTE 8 RISK MANAGEMENT

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

General Liability

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

North Dakota Insurance Reserve Fund

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

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 2022:

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

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

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. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not

MANDAN AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022

been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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 August 2, 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
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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 2, 2023.

Report on 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 opinion 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 purposed 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 limitation, 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 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Mandan Airport Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Mandan Airport Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

August 2, 2023

MANDAN AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022

2022-001: Preparation of Financial Statements– Significant Deficiency

Criteria

An appropriate system of internal control requires the organization to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The entity's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Airport currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The Airport 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 or omission of material disclosures to the Authority's financial statements.

Recommendation

We recommend the Airport 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 organization 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.

MANDAN AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

2022-002: Segregation of Duties – Significant Deficiency

Criteria

A proper system of internal control has the proper segregation 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 keepings and reconciliation.

Cause

The Airport is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of 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

We recommend the Airport review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

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.