Financial Statements
December 31, 2016

City of Mandan Airport Authority (An Enterprise Fund of the City of Mandan)

MANDAN AIRPORT AUTHORITY
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FOR THE YEAR ENDED DECEMBER 31, 2016

MANDAN AIRPORT AUTHORITY
GOVERNING BOARD AND APPOINTED OFFICIAL
DECEMBER 31, 2016

Governing Board

Chairman	Mike Wagner
Vice Chairman	Lee Weinhandl
Board Member	Mike Braun
Treasurer	Marc Taylor
Secretary	Chris Brown

Appointed Official

Manager	Jim Lawler

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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, 2016, 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.

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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, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with 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, 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, 2016, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

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

The Governing Board and Appointed Official listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017 on our consideration of 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 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 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 Mandan Airport Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
October 23, 2017

MANDAN AIRPORT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2016

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	405,703
Taxes Receivable		6,576
Accounts Receivable (net of allowance)		7,039
Intergovernmental Receivable		23,411
Inventories		14,608
Prepaid Expenses		8,841
Total Current Assets	$	466,178
Noncurrent Assets:		
Capital Assets not being Depreciated:		
Land	$	441,771
Capital Assets (net of depreciation):		
Buildings and Infrastructure		11,138,958
Machinery and Equipment		229,224
Total Capital Assets	$	11,809,953
Total Noncurrent Assets	$	11,809,953
Total Assets	$	12,276,131
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	$	1,941
Accounts Payable		29,543
Compensated Absences		1,286
Interfund Payable		10,660
Interest Payable		7,434
Prepaid Revenues		57,058
Revenue Bonds Payable		85,410
Total Current Liabilities	$	193,332
Noncurrent Liabilities:		
Compensated Absences	$	9,182
Revenue Bonds Payable		417,464
Total Noncurrent Liabilities	$	426,646
Total Liabilities	$	619,978
NET POSITION		
Net investment in Capital Assets	$	11,307,079
Unrestricted		349,074
Total Net Position	$	11,656,153

The notes to the financial statements are an integral part of this statement.

MANDAN AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Operating Revenues:		
Charges for Services:	$	416,122
Total Operating Revenues	$	416,122
Operating Expenses:		
Salaries and Benefits	$	95,370
Professional Fees and Services		3,057
Insurance		5,784
Travel and Training		6,664
Utilities		20,776
Publishing and Printing		481
Dues and Memberships		1,370
Supplies and Maintenance		247,272
Repairs and Maintenance		57,360
Depreciation		512,053
Miscellaneous		11,602
Total Operating Expenses	$	961,789
Operating Loss	$	(545,667)
Nonoperating Revenues (Expenses):		
Taxes	$	269,420
Intergovernmental		278,446
Interest		668
Miscellaneous		8,486
Debt Service:		
Interest		(27,575)
Total Nonoperating Revenues (Expenses)	$	529,445
Income Before Transfers	$	(16,222)
Transfers In		5,600
Change in Net Position	$	(10,622)
Net Position - January 1	$	11,666,775
Net Position - December 31	$	11,656,153

The notes to the financial statements are an integral part of this statement.

MANDAN AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	441,651
Payments to Employees		(92,372)
Payments to Suppliers		(358,729)
Net Cash Provided (Used) by Operating Activities	$	(9,450)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	$	267,544
Intergovernmental		7,137
Miscellaneous Receipts		8,486
Transfers In		5,600
Interfund Payable		(523)
Net Cash Provided (Used) by Noncapital Financing Activities	$	288,244
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Intergovernmental	$	504,222
Purchases of Capital Assets		(536,147)
Principal Paid on Capital Debt		(81,279)
Interest Paid on Capital Debt		(28,849)
Net Cash Provided (Used) by Capital and Related Financing Activities	$	(142,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	$	668
Net Cash Provided (Used) by Investing Activities	$	668
Net Increase (Decrease) in Cash and Cash Equivalents	$	137,409
Cash and Cash Equivalents - January 1	$	268,294
Cash and Cash Equivalents - December 31	$	405,703
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(545,667)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	$	512,053
(Increase) Decrease in Accounts Receivable (net of allowance)		9,398
(Increase) Decrease in Inventories		17,799
(Increase) Decrease in Prepaid Expenses		(6,460)
Increase (Decrease) in Salaries and Benefits Payable		650
Increase (Decrease) in Compensated Absences		2,372
Increase (Decrease) in Accounts Payable		(15,726)
Increase (Decrease) in Prepaid Revenues		16,131
Total Adjustments	$	536,217
Net Cash Used by Operating Activities	$	(9,450)
Schedule of non-cash capital and related financing activities:		
Capital Assets included in Accounts Payable & Retainage Payable	$	2,160
Total non-cash capital and related financing activities	$	2,160

The notes to the financial statements are an integral part of this statement.

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:

A. 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.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PREPARATION

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 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 Authority 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 Authority 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 Authority'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 Authority's policy to use restricted resources first, then unrestricted resources, as they are needed.

FINANCIAL STATEMENT PRESENTATION

The Airport reports the following proprietary fund:

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

C. 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.

D. 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.

E. 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 5 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 5 percent discount on the property taxes.

F. 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.

G. INTERGOVERNMENTAL RECEIVABLE

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

H. INVENTORIES AND PREPAID EXPENSES

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

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

I. 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 their estimated fair market 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:

Assets	Years
Buildings	50
Infrastructure	30
Machinery and Equipment	5

J. INTERFUND PAYABLE

Interfund payable consists of a payable to the City of Mandan at December 31, 2016.

K. PREPAID REVENUES

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

L. 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 120 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.

M. LONG-TERM OBLIGATIONS

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

N. 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.

O. CHANGE IN ACCOUNTING PRINCIPLES

The following GASB Statements became effective and were implemented for the fiscal year ended December 31, 2016:

GASB Statement No. 72, "*Fair Value Measurement and Application*" was issued February 2015. This statement provides guidance on the fair value measurements reported on the financial statements. Fair value is the exit prices based on the unit of account which is the assets or liability in aggregate or disaggregate for measurement, recognition or disclosure purposes. This statement requires a government to use valuation techniques where there is significant data available to measure its fair value. One or more of these valuation techniques should be consistently used: the market approach, the cost approach, or the unobservable inputs. A hierarchy of inputs to valuation techniques is used to measure fair value which has three levels: Level 1 input are quoted prices (unadjusted) in markets with identical assets or liabilities, Level 2 exclude quoted prices that are included in Level 1 that are directly or indirectly observable and Level 3 are unobservable inputs. Investments must be valued at fair value with a few exceptions such as money market investments and 2a7-like external investment pools. This statement also requires donated assets to be measured at acquisition value. Disclosures are required to report fair value measurements, the level of fair value hierarch and valuation techniques. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*" was issued on June 2015. This statement provides information for pensions and postemployment benefits for reporting decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement provides guidance on requirements for contributing entities that are not covered under GASB 68, establishes requirements for accumulation of assets for all pensions and clarifies the application of certain provisions of GASB 67 and 68. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015.

GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*" was issued on June 2015. This statement establishes the hierarchy of generally accepted accounting principles (GAAP) used in the preparation of financial statements. The statement reduces the hierarchy to two categories of authoritative GAAP and addresses the use of literature for transactions or events not specified in GAAP. The statement raises the GASB Implementation Guides in the hierarchy and requires the consideration for consistency with the GASB Concept Statements. This statement supersedes GASB 55 and is intended to provide reporting guidance with less variation and enhance the comparability of financial statements among governments. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015 and should be applied retroactively.

GASB Statement No. 77, "*Tax Abatement Disclosures*" was issued on August 2015. This statement defines tax abatements and the disclosure requirements for financial statements. This statement establishes the information required to assess the financial and operating impacts of tax abatements. This statement provides the reporting of comprehensive and consistent information on the nature magnitude of tax abatement for the public. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2015.

GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*" was issued on December 2015. This statement amends the scope and applicability of GASB 68 for Accounting and Financial Reporting for Pensions for certain multiple-employer defined benefit plans. The amendments exclude multiple-employer defined benefit plans from GASB 68 that are not state or local plans, provide pension to both state or local and non-state or local employees and have no predominant state or local employer. The statement further establishes the requirements for pension expenses, expenditures and liabilities, note disclosures and required supplementary information for reporting of those types of pensions. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2015.

GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*" was issued on December 2015. This statement establishes the qualification criteria for reporting all investments at amortized costs. The statement clarifies that if the external pool does not meet the criteria, the pool should apply provision 16 of GASB 31 and measure the investment at fair value as provided in paragraph 11 of GASB 31. The statement also establishes the additional note disclosures for qualifying external investment pols that use the measurement of amortized costs to report investments. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015.

NOTE 2 – DETAILED NOTES ON ACCOUNT BALANCES

A. DEPOSITS

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

At December 31, 2016, the carrying amount of the Airport's deposits was $405,703 and the bank balance was $402,352. Of these bank balances, the Airport was under collateralized by $75,978 to have pledges of securities equal to 110% of the deposits not covered by insurance or bonds. The remaining bank balances were covered by Federal Depository Insurance and securities held by the pledging financial institutions' agents in the government's names.

B. 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.

C. TRANSFERS

Transfers for the fiscal year ended December 31, 2016 were from the City of Mandan.

D. CAPITAL ASSETS

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

	Balance 1-1-16	Increases	Decreases	Transfers	Balance 12-31-16
Capital Assets, not being depreciated:					
Land	$ 441,771	$	$	$	$ 441,771
Construction Work in Progress	249,423			(249,423)	-
Total Capital Assets, not being depreciated	691,194	-	-	(249,423)	441,771
Capital Assets, being depreciated:					
Buildings and Infrastructure	15,223,643	9,092		249,423	15,482,158
Machinery and Equipment	423,484	263,280	(10,550)		676,214
Total Capital Assets, being depreciated	15,647,127	272,372	(10,550)	249,423	16,158,372
Less Accumulated Depreciation for:					
Buildings and Infrastructure	3,898,405	444,795			4,343,200
Machinery and Equipment	390,282	67,258	(10,550)		446,990
Total Accumulated Depreciation	4,288,687	512,053	(10,550)	-	4,790,190
Total Capital Assets, being depreciated, net	11,358,440	(239,681)	-	249,423	11,368,182
Total Capital Assets, net	$ 12,049,634	$ (239,681)	$ -	$ -	$ 11,809,953

LONG-TERM DEBT

REVENUE BONDS PAYABLE

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

The Airport Improvement Revenue Bonds were issued to finance improvements for the Mandan Airport Facility. The Bonds are payable solely from charges for services received from the Mandan Airport Authority and are payable through October 2023. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is $587,787. Principal and interest paid for the current year and total net revenues were $110,128 and $279,462, respectively.

Revenue bonds outstanding:

$649,071 Airport Improvement Revenue Bonds of 2005, due in annual installments of $30,517 through, August 15, 2020; interest at 4.76%	$ 219,936
$500,000 Airport Improvement Revenue Bonds of 2008, due in annual installments of $24,547 through, October 8, 2023; interest at 5.41%	282,938
Total	$ 502,874

Debt service requirements on long-term debt at December 31, 2016 are as follows:

Year Ending	Revenue Bonds of 2005		Revenue Bonds of 2008		Total	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 51,167	$ 9,867	$ 34,243	$ 14,850	$ 85,410	$ 24,717
2018	53,631	7,403	36,121	12,972	89,752	20,375
2019	56,215	4,819	38,101	10,992	94,316	15,811
2020	58,923	2,112	40,189	8,903	99,112	11,015
2021			42,394	6,699	42,394	6,699
2022-2023			91,890	6,296	91,890	6,296
Total	$ 219,936	$ 24,201	$ 282,938	$ 60,712	$ 502,874	$ 84,913

Changes in Long-term Liabilities

Changes in Long-term Liabilities for the year ended December 31, 2016, are summarized as follows:

	Balance 1-1-16	Additions	Reductions	Balance 12-31-16	Due Within One Year
Compensated Absences	$ 8,096	$ 3,838	$ (1,466)	$ 10,468	$ 1,286
Revenue Bonds Payable	584,153		(81,279)	502,874	85,410
Total	$ 592,249	$ 3,838	$ (82,745)	$ 513,342	$ 86,696

NOTE 3 – 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 Authority 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.

NOTE 4 – 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, 2016.

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, 2016, 2015, and 2014, were $5,880, $6,307, and $5,963, 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 5 – 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 (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 $354,968 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 $225,000,000 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 Blue Cross Blue Shield of North Dakota (BCBS) 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 7 – RECENT PRONOUNCEMENTS

The Airport will implement the following recent pronouncements for fiscal years ending after 2016:

GASB Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*" was issued on June 2015. This statement provides guidance for reporting information for other postemployment benefits (OPEB) other than pensions. This statement replaces GASB 43 for financial reporting and 57 for OPEB measurements. This statement also established the criteria for defined benefit and defined contribution OPEB plans and replaces those requirements in GASB 25. The requirements of this statement will enhance the note disclosures and schedules of required supplementary information and improve the measurements of net liabilities of OPEB plans. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* " was issued on June 2015. This statement improves the accounting and reporting information of financial support by other entities for postemployment benefits other than pensions (OPEB). This statement replaces GASB 45 for accounting and financial reporting and GASB 57 for OPEB measurements. This statement establishes standards for recognizing and measuring liabilities, deferred outflows, deferred inflows and expenses. The statement also identifies the methods and assumptions requirements for determining the liability for benefits to provide a more comprehensive measurement of OPEB and the requirements for note disclosures and the required supplementary information to improve the decision-usefulness and accountability. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

GASB Statement No. 80, "*Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*" was issued on January 2016. This statement amends the bending requirements of GASB 14 for certain component units. The additional criterion requires blending of component units incorporated as not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 81, "*Irrevocable Split-Interest Agreements*" was issued on March 2016. This statement requires a government that receives resources pursuant to an irrevocable split-interest agreement to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Examples of these types of agreements include charitable lead and remainder trusts and life-interest in real estate. This statement enhances the comparability of financial statements and more clearly identifies the resources available to government. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2016.

GASB Statement No. 82, "*Pension Issues-an amendment of GASB Statements No. 67, No.68 and No. 73*" was issued on March 2016. This statement addresses issues raised in GASB 67,68 and 73 regarding payroll related measurements in the required supplementary information, selection of assumptions and treatment of deviations from the guidance Actuarial Standard of Practice for financial reporting and the classification of employments payments. The statement amends GASB 67 and 68 to require the presentation of covered payroll and defines covered payroll and provides the ratios to be used. The statement clarifies the term deviation as used in the Actuarial Standard of Practice is not in conformity with the selection of assumptions requirements of GASB 67, 68 and 73. This statement also clarifies that qualifying employer contributions identified as plan member contribution should be classified as plan member contribution should be classified as plan member contributions for GASB 67 and as employee contributions for GASB 68. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016 and June 15, 2017 when the pension liability reporting period used is not than the employer's most recent fiscal year.

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

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 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, 2016, and the related notes to the financial statements, which collectively comprise Mandan Airport Authority's basic financial statements, and have issued our report thereon dated October 23, 2017.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Mandan Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mandan Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Mandan Airport Authority's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as 2016-A, that we consider to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mandan Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mandan Airport Authority's Response to Finding

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

Purpose of this Report

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

Eide Bailly LLP

Bismarck, North Dakota
October 23, 2017

Current Audit Findings and Recommendations

2016-A Segregation of Duties

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

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

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

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

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

Response – The Authority is aware of the risk and monitors management duties.