



Financial Statements
December 31, 2017

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

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Governing Board

Chairman	Mike Wagner
Vice Chairman	Robert D. Reimers
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, 2017, and the related notes to the financial statements, which collectively comprise the Mandan Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mandan Airport Authority, an enterprise fund of the City of Mandan, North Dakota as of December 31, 2017, 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, 2017, 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 10, 2018 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 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 Mandan Airport Authority's internal control over financial reporting and compliance.



Bismarck, North Dakota
October 10, 2018

Mandan Airport Authority
Statement of Net Position – Proprietary Fund
December 31, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 626,086
Taxes receivable	2,019
Accounts receivable	3,624
Intergovernmental receivable	335
Inventories	33,577
Prepaid expenses	8,949
Total current assets	674,590

Noncurrent Assets

Capital assets not being depreciated	
Land	441,771
Construction work in progress	36,302
Capital assets (net of depreciation)	
Buildings and infrastructure	10,697,203
Machinery and equipment	179,889
Total capital assets	11,355,165
Total noncurrent assets	11,355,165
Total assets	12,029,755

Liabilities

Current Liabilities

Accounts payable	46,671
Compensated absences	432
Due to City of Mandan	9,915
Interest payable	6,096
Prepaid revenues	54,757
Revenue bonds payable	89,752
Total current liabilities	207,623

Noncurrent Liabilities

Compensated absences	11,926
Revenue bonds payable	327,712
Total noncurrent liabilities	339,638
Total liabilities	547,261

Net Position

Net investment in capital assets	10,937,701
Unrestricted	544,793
Total net position	\$ 11,482,494

Mandan Airport Authority
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Year Ended December 31, 2017

Operating Revenues	
Charges for services	\$ 392,327
Total operating revenues	<u>392,327</u>
Operating Expenses	
Salaries and benefits	90,928
Professional fees and services	3,375
Insurance	9,712
Travel and training	5,482
Utilities	21,853
Publishing and printing	1,754
Dues and memberships	2,170
Supplies and maintenance	251,523
Repairs and maintenance	15,734
Depreciation	506,136
Miscellaneous	12,571
Total operating expenses	<u>921,238</u>
Operating Loss	<u>(528,911)</u>
Nonoperating Revenues (Expenses)	
Taxes	306,838
Intergovernmental	58,070
Interest	357
Miscellaneous	7,766
Debt service	
Interest	<u>(23,379)</u>
Total nonoperating revenues (expenses)	<u>349,652</u>
Loss before transfers	(179,259)
Transfers In	<u>5,600</u>
Change in net position	<u>(173,659)</u>
Net Position - January 1	<u>11,656,153</u>
Net Position - December 31	<u><u>\$ 11,482,494</u></u>

Mandan Airport Authority
Statement of Cash Flows – Proprietary Fund
For the Year Ended December 31, 2017

Operating Activities	
Receipts from customers	\$ 393,441
Payments to employees	(90,979)
Payments to suppliers	<u>(326,123)</u>
Net Cash Provided (Used) by Operating Activities	<u>(23,661)</u>
Noncapital Financing Activities	
Taxes	311,395
Intergovernmental	7,857
Miscellaneous receipts	7,766
Transfers in	5,600
Due to City of Mandan	<u>(745)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>331,873</u>
Capital and Related Financing Activities	
Intergovernmental	73,289
Purchases of capital assets	(51,348)
Principal paid on capital debt	(85,410)
Interest paid on capital debt	<u>(24,717)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(88,186)</u>
Investing Activities	
Interest received	<u>357</u>
Net Cash Provided (Used) by Investing Activities	<u>357</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>220,383</u>
Cash and Cash Equivalents - January 1	<u>405,703</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 626,086</u></u>

Mandan Airport Authority
Statement of Cash Flows – Proprietary Fund
For the Year Ended December 31, 2017

Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	<u>\$ (528,911)</u>
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	506,136
(Increase) decrease in accounts receivable	3,415
(Increase) decrease in inventories	(18,969)
(Increase) decrease in prepaid expenses	(108)
Increase (decrease) in salaries and benefits payable	(1,941)
Increase (decrease) in compensated absences	1,890
Increase (decrease) in accounts payable	17,128
Increase (decrease) in prepaid revenues	(2,301)
Total adjustments	<u>505,250</u>
Net Cash Used by Operating Activities	<u><u>\$ (23,661)</u></u>

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 and 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 North Dakota Aeronautics Commission.

H. Inventories and Prepaid Expenses

Inventories consist of fuel. 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.

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:

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

J. Due to City of Mandan

Due to City of Mandan consists of a payable to the City of Mandan at December 31, 2017.

K. Prepaid Revenues

Prepaid revenues are recognized when cash, receivables, or other assets are received prior to 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, 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 blending requirement of GASB 14 for certain component units. The additional criterion requires blending of component units incorporated as a 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-interests 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 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 the employer’s most recent fiscal year.

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, 2017, the carrying amount of the Airport’s deposits was \$626,086 and the bank balance was \$623,812. The bank balance was 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, 2017 were from the City of Mandan.

D. Capital Assets

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

	Balance 1-1-17	Increases	Decreases	Transfers	Balance 12-1-17
Capital Assets, Not Being Depreciated					
Land	\$ 441,771	\$ -	\$ -	\$ -	\$ 441,771
Construction work in progress	-	36,302	-	-	36,302
Total capital assets, not being depreciated	<u>441,771</u>	<u>36,302</u>	<u>-</u>	<u>-</u>	<u>478,073</u>
Capital Assets, Being Depreciated					
Buildings and infrastructure	15,482,158	3,144	-	-	15,485,302
Machinery and equipment	676,214	11,902	-	-	688,116
Total capital assets, being depreciated	<u>16,158,372</u>	<u>15,046</u>	<u>-</u>	<u>-</u>	<u>16,173,418</u>
Less Accumulated Depreciation for					
Buildings and infrastructure	4,343,200	444,900	-	-	4,788,100
Machinery and equipment	446,990	61,236	-	-	508,226
Total accumulated depreciation	<u>4,790,190</u>	<u>506,136</u>	<u>-</u>	<u>-</u>	<u>5,296,326</u>
Total capital assets, being depreciated, net	<u>11,368,182</u>	<u>(491,090)</u>	<u>-</u>	<u>-</u>	<u>10,877,092</u>
Total capital assets, net	<u>\$ 11,809,953</u>	<u>\$ (454,788)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,355,165</u>

E. 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 \$477,659. Principal and interest paid for the current year and total net revenues were \$110,127 and \$308,569, 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%	\$ 168,768
\$500,000 Airport Improvement Revenue Bonds of 2008, due in annual installments of \$24,547 through, October 8, 2023; interest at 5.41%	248,696
Total	\$ 417,464

Debt service requirements on long-term debt at December 31, 2017 are as follows:

Year Ending December 31	Revenue Bonds of 2005		Revenue Bonds of 2008		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	58,922	2,112	40,189	8,903	99,111	11,015
2021	-	-	42,394	6,699	42,394	6,699
2022	-	-	44,719	4,374	44,719	4,374
2023	-	-	47,172	1,921	47,172	1,921
Total	\$ 168,768	\$ 14,334	\$ 248,696	\$ 45,861	\$ 417,464	\$ 60,195

Changes in Long-term Liabilities

Changes in Long-term Liabilities for the year ended December 31, 2017, are summarized as follows:

	Balance 1-1-17	Additions	Reductions	Balance 12-31-17	Due Within One Year
Compensated absences	\$ 10,468	\$ 2,337	\$ (447)	\$ 12,358	\$ 432
Revenue bonds payable	502,874	-	(85,410)	417,464	89,752
Total	\$ 513,342	\$ 2,337	\$ (85,857)	\$ 429,822	\$ 90,184

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, 2017.

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, 2017, 2016, and 2015 were \$5,875, \$5,880, and \$6,307, 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 (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 \$481,480 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 6 – Recent Pronouncements

The Airport will implement the following recent pronouncements for fiscal years ending after 2017:

GASB Statement No. 83, “Certain Asset Retirement Obligations” was issued in 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.

GASB Statement No. 84, “Fiduciary Activities” was issued in January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, “Omnibus 2017” was issued in March 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, “Certain Debt Extinguishment Issues” was issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, “Leases” was issued in June 2017. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. This statement provides clarity as to which liabilities governments should include when disclosing information related to debt. It also requires additional essential information related to debt be disclosed in the notes to the financial statements such as unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2018.

GASB Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. This statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2019.

GASB Statement No. 90, “Majority Equity Interests” was issued in August 2018. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2018.

Note 7 – Commitments and Subsequent Events

Subsequent to year-end, the Airport entered into commitments of approximately \$915,000 for the completion of a wildlife exclusion fence project. The Airport has also been awarded a grant for up to \$1,196,907 for reimbursements of costs related to the project.



**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, 2017, 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 10, 2018.

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 opinion 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 2017-A, that we consider to be a significant deficiency.

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.

A handwritten signature in cursive script that reads "Ede Sully LLP".

Bismarck, North Dakota
October 10, 2018

Current Audit Findings and Recommendations

2017-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.