

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the Tioga Municipal Airport Authority, a component unit of the City of Tioga, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of Tioga Municipal Airport Authority as of December 31, 2016, and the respective changes in the cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As discussed in Note 1, the financial statements of Tioga Municipal Airport Authority, are intended to present the financial position and the changes in financial position, of only that portion of the business-type activities of the City of Tioga that is attributable to the transactions of the Airport Authority. They do not purport to, and do not present fairly the financial position of the City of Tioga as of December 31, 2016, or the changes in its financial position for the year then ended in accordance with the cash basis of accounting. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 28, 2017 on our consideration of Tioga Municipal Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tioga Municipal Airport Authority's internal control over financial reporting and compliance.



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

September 28, 2017

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2016

ASSETS

Current assets

Cash and cash equivalents	<u>\$ 278,561</u>
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NET POSITION

Unrestricted	<u><u>\$ 278,561</u></u>
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SEE NOTES TO THE FINANCIAL STATEMENTS

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Operating revenue	
Fuel sales	\$ 98,993
Hanger & lot rents	6,004
Other rental income	<u>13,688</u>
Total operating revenue	<u>118,685</u>
Operating expenses	
Fuel purchases	90,728
Contract labor & wages	19,767
Construction	4,799,977
Repairs	14,924
Utilities	9,805
Supplies	14,086
Professional fees	341,534
Insurance	3,358
Other	<u>2,891</u>
Total operating expenses	<u>5,297,070</u>
Operating loss	<u>(5,178,385)</u>
NON-OPERATING REVENUE (EXPENSES)	
Tax revenue	245,292
Other miscellaneous income	1,929
Grant income	<u>4,658,110</u>
Total nonoperating revenues (expenses)	<u>4,905,317</u>
CHANGE IN NET POSITION	<u>(273,068)</u>
NET POSITION - JANUARY 1	<u>551,629</u>
NET POSITION - DECEMBER 31	<u>\$ 278,561</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Authority reports as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Nature of Operations and History

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

Reporting Entity

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

The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. Component units may also include organizations that are fiscally dependent on the primary government.

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

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

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Basis of accounting

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

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

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

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

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

Cash and Cash Equivalents

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

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Investment policy

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

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

Capital Assets

The Authority prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, all capital assets are expensed when incurred.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on the Authority. External restrictions may be imposed through state or local laws, and grant or contract provision. Unrestricted net position is all other assets that do not meet the definition of restricted net position. When both restricted and unrestricted resources are available for use, it is the Airport Authority's policy to first use restricted resources, and then use unrestricted resources as they are needed.

Use of Estimates

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

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 2 CUSTODIAL CREDIT RISK

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the Authority would not be able to recover its deposits or collateralized securities that are in the possession of outside parties. The Authority does not have a formal policy regarding deposits. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds.

The Authority maintains cash on deposit at a financial institution. The amount on deposit is insured by the FDIC up to \$250,000. At December 31, 2016, all of the Authority's deposits were covered by FDIC insurance or through pledged collateral at the Authority's financial institution.

NOTE 3 LEASES

The Airport Authority entered into a lease agreement to rent out agricultural land. The Authority received revenue of \$13,688 during the year ended December 31, 2016.

NOTE 4 RISK MANAGEMENT

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

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

The Authority also participates in the North Dakota Fire and Tornado Fund. The Authority pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimated replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per 12 month period.

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

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 5 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Early application is encouraged.

Management has not yet determined the effect this Statement will have on the entity's financial statements.

NOTE 6 RELATED PARTY TRANSACTIONS

The Authority pays board members for additional services performed including mowing, snowplowing, and fueling of aircraft. Payments to board members for services provided to Tioga Municipal Airport Authority for the year ended December 31, 2016 are as follows:

Amounts Paid During 2016 Fiscal Year for Contract Labor		
Chris Norgaard	\$	1,567
Kari Johnson		4,734
Kathy Ruland		5,708
Kevin Mell		282
Michael Nobles		4,343
Steve Jensen		120

NOTE 7 COMMITMENTS

The Authority still had payments to complete its apron and taxiway project of approximately \$458,000 as of December 31, 2016. The project was completed in March 2017.

NOTE 8 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Authority's year end. Subsequent events have been evaluated through September 28, 2017, which is the date these financial statements were available to be issued.

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass -Throug Entity Identifying Number	Federal Expenditures (\$)
U.S. Department of Transportation Airport Improvement Program	20.106	N/A	\$ 4,355,940
Total Federal Assistance			\$ 4,355,940

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Tioga Municipal Airport Authority under the programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled and are in agreement with the amounts recorded in the accounting records from which the financial statements have been prepared.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the applicable cost principles contained in *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, where in certain types of expenditures are not allowable or limited as to reimbursement. Tioga Municipal Airport Authority has not elected to use the 10-percent de minimis cost rate as allowed by Uniform Guidance.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the financial statements of Tioga Municipal Airport Authority as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Tioga Municipal Airport Authority's basic financial statements, and have issued our report thereon dated September 28, 2017. Our report disclosed that, as described in Note 1 to the financial statements, the Tioga Municipal Airport Authority prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tioga Municipal Airport Authority's internal control over financial reporting (internal control) 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 the Tioga Municipal Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tioga Municipal Airport Authority's internal control.

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

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

accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Entity's Responses to Finding

Tioga Municipal Airport Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Tioga Municipal 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.

Purposes of this Report

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



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

September 28, 2017



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Tioga Municipal Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of Tioga Municipal Airport Authority's major federal program for the year ended December 31, 2016. Tioga Municipal Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tioga Municipal Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tioga Municipal Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance on the major federal program. However, our audit does not provide a legal determination on Tioga Municipal Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Tioga Municipal Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of Tioga Municipal Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tioga Municipal Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tioga Municipal Airport Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

September 28, 2017

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 x yes none reported

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?

 yes x no

CFDA Number(s) Name of Federal Program or Cluster

20.106 Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

 yes x no

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 *Financial Statement Preparation – Significant Deficiency*

Criteria: An appropriate system of internal controls requires that the Authority must make a determination that financial statements are properly stated in compliance with the cash basis of accounting. This requires the Authority's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition/Context: The Authority's auditors prepared the financial statements and assisted with the Schedule of Expenditures of Federal Awards as of December 31, 2016. An appropriate system of internal controls requires that the entity make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the cash basis of accounting. The Authority does not have controls necessary to assess whether all relevant disclosures have been included in the financial statements as required by the cash basis of accounting. The lack of appropriate disclosures may affect the user's judgment related to financial condition, and results of operations of the Authority.

Cause: It is currently not cost effective for the Authority to maintain knowledge of current accounting principles and required financial statement disclosures.

Effect: An appropriate system of internal controls is not present to make a determination that financial statements are properly stated in compliance with the cash basis of accounting.

Recommendation: Compensating controls over financial statement disclosure requirements could be provided by the use of current disclosure checklists or the outsourcing of the financial statement preparation or review function.

View of responsible
officials and
corrective actions: Due to the small size of the Authority, it is not cost effective for the Authority to properly address this significant control deficiency.

Indication of a Repeat
Finding: This is a repeat of finding 2015-001 from the prior year.

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings that are required to be communicated under this section

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2016

2015-001 *Financial Statement Preparation – Significant Deficiency*

Criteria:	An appropriate system of internal controls requires that the Authority must make a determination that financial statements are properly stated in compliance with the cash basis of accounting. This requires the Authority's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.
Condition/Context:	The Authority's auditors prepared the financial statements as of December 31, 2016. An appropriate system of internal controls requires that the entity make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the cash basis of accounting. The Authority does not have controls necessary to assess whether all relevant disclosures have been included in the financial statements as required by the cash basis of accounting. The lack of appropriate disclosures may affect the user's judgment related to financial condition, and results of operations of the Authority.
Cause:	It is currently not cost effective for the Authority to maintain knowledge of current accounting principles and required financial statement disclosures.
Effect:	An appropriate system of internal controls is not present to make a determination that financial statements are properly stated in compliance with the cash basis of accounting.
Recommendation:	Compensating controls over financial statement disclosure requirements could be provided by the use of current disclosure checklists or the outsourcing of the financial statement preparation or review function.
View of responsible officials and corrective actions:	Due to the small size of the Authority, it is not cost effective for the Authority to properly address this significant control deficiency.
Indication of a Repeat Finding:	This is a repeat of finding 2014-001 from the prior year.

TIOGA MUNICIPAL AIRPORT AUTHORITY
A COMPONENT UNIT OF THE CITY OF TIOGA, NORTH DAKOTA
CORRECTIVE ACTION PLAN
DECEMBER 31, 2016

2016-001

Contact Person: Chris Norgaard, President

Corrective Action Plan: Management and the Board do not feel it is cost beneficial to obtain and maintain this type of expertise.

Completion Date: The Authority will implement when it becomes cost effective.