

**MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
FARGO, NORTH DAKOTA**

MANAGEMENT REPORT

DECEMBER 31, 2022

AUDIT COMMITTEE LETTER

March 31, 2023

To the Board Members of
Municipal Airport Authority of the City of Fargo, ND
Fargo, North Dakota

We have audited the financial statements of the Municipal Airport Authority of the City of Fargo, ND, Fargo, North Dakota (the "Authority") for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the *Passenger Facility Charge Audit Guide*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 22, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 1, the Authority changed accounting policies related to leases by adopting GASB Statement No. 87, *Leases*, during the current year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

Management's estimates include assumptions used in determining the net pension liability for its NDPERS Main System and Law Enforcement System cost sharing defined benefit plans. We evaluated the key factors and assumptions used to determine future liabilities for defined benefit plans in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates include assumptions used in determining the net OPEB liability for its NDPERS OPEB cost sharing defined benefit plans. We evaluated the key factors and assumptions used to determine future liabilities for defined benefit plans in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A schedule of adjustments detected as a result of our audit procedures is attached.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, schedules of the Authority's contributions to pension and OPEB plans, schedules of the Authority's share of net pension and OPEB liabilities, and notes, which were required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards, which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the listing of board members, which accompany the financial statements but are not RSI. Such information 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.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 31, 2023

Client: **14327 - Fargo Airport Authority**
 Engagement: **AUD - Municipal Airport Authority of the City of Fargo, ND**
 Period Ending: **12/31/2022**
 Trial Balance: **2400.00 - Government Fund Trial Balance**
 Workpaper: **2201.00 - Adjusting Journal Entries**
 Fund Level: **Fund Subtype**
 Index: **PROJENT**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Fund: 000	Not Specified			
Adjusting Journal Entries JE # 1001				
	To adjust property and CIP accounts to actual	4603.02		
000-0000-164.10-00	Machinery & Equipment / Machinery & Equipment		451,939.00	
000-0000-165.10-00	Construction in Progress / Construction in Progress			451,939.00
Total			451,939.00	451,939.00
Fund: 000	Adjusting Journal Entries		451,939.00	451,939.00
Fund: 561	Municipal Airport			
Adjusting Journal Entries JE # 1001				
	To adjust property and CIP accounts to actual	4603.02		
561-7004-493.75-40	Depreciation / Depreciation		26,363.03	
561-9595-950.79-99	Contra Expense		77,203.20	
561-0000-164.20-00	Machinery & Equipment / Accum Depr - M & E			26,363.03
561-0000-165.10-00	Construction in Progress / Construction in Progress			77,203.20
Total			103,566.23	103,566.23
Adjusting Journal Entries JE # 1002				
	Record Cares Act Draw #20 that was not included in accounts receivable and revenue	8308.00		
561-0000-126.10-00	Intergovernmental A/R / Intergovernmental A/R		205,823.83	
561-7004-331.11-90	Operating - Direct Assist / CARES Funding - Airport			205,823.83
Total			205,823.83	205,823.83
Adjusting Journal Entries JE # 1003				
	To record the GASB 87 lease implementation	4610.15		
BMA-CashARClear	Cash/AR Clearing Account		1,204,878.00	
BMA-LeaseIntRec	Interest Receivable - Leases		130,997.58	
BMA-LeaseLTRec	Long-term Lease Receivable		6,298,720.74	
BMA-LeaseSTRec	Short-term Lease Receivable		1,039,380.68	
BMA-LeaseDefln	Deferred Inflows - Leases			7,282,017.99
BMA-LeaseIntRev	Interest Revenue - Leases			219,368.51
BMA-LeaseRevBldg	Lease Revenue - Building			469,787.40
BMA-LeaseRevGround	Lease Revenue - Ground Lease			358,868.10
BMA-LeaseRevLand	Lease Revenue - Land			242,415.00
BMA-LeaseRevOffice	Lease Revenue - Office Space			101,520.00
Total			8,673,977.00	8,673,977.00
Adjusting Journal Entries JE # 1004				
	To adjust for employer contributions to NDPERS pension and OPEB plans subsequent to their respective measurement dates (6/30/2022).	5220s		
561-0000-180.20-00	Deferred Outflow / NDPERS Pension		48,927.00	
561-0000-180.30-00	Deferred Outflow / NDPERS OPEB		7,408.00	
561-0000-180.40-00	Deferred Outflow / NDPERS Law Pension		29,558.00	
561-0000-236.20-00	Net Pension Liability / NDPERS Pension			48,927.00
561-0000-236.40-00	Net Pension Liability / NDPERS Law Pension			29,558.00
561-0000-239.30-00	Net OPEB Liability / NDPERS OPEB			7,408.00
Total			85,893.00	85,893.00
Adjusting Journal Entries JE # 1050				
	PBC - AJE #234 from ProResources.	2305.00		
561-0000-203.10-00	Payables / Compensated absences		1,479.57	
561-7004-493.11-00	Public Airport / Full Time Staff			728.08
561-7005-493.11-00	Full-Time Staff			751.49
Total			1,479.57	1,479.57
Adjusting Journal Entries JE # 1051				
	PBC - AJE's #221-233 from ProResources.	2305.00		
561-7004-493.11-00	Public Airport / Full Time Staff		1,684.49	
561-7004-493.11-01	Full Time Staff / Full Time - Overtime		8,673.22	
561-7004-493.20-05	Employee Benefits / Auto Allowance		969.36	
561-7004-493.11-00	Public Airport / Full Time Staff			5,885.81
561-7004-493.11-02	Full Time Staff / Full Time Banked Sick			728.08
561-7004-493.11-02	Full Time Staff / Full Time Banked Sick			751.49
561-7004-493.14-00	Public Airport / Temporary/Seasonal			3,834.79
561-7004-493.14-01	Temporary/Seasonal / PartTime Seasonal OT			126.90
Total			11,327.07	11,327.07

Adjusting Journal Entries JE # 1052	2305.00		
PBC - AJE #'s 85R-89R and 91R-92R from ProResources.			
561-7004-493.14-00 Public Airport / Temporary/Seasonal		5,417.64	
561-7004-493.14-00 Public Airport / Temporary/Seasonal		7,802.52	
561-7004-493.14-01 Temporary/Seasonal / PartTime Seasonal OT		126.90	
561-7004-493.14-01 Temporary/Seasonal / PartTime Seasonal OT		1,150.56	
561-7004-493.11-00 Public Airport / Full Time Staff			13,220.16
561-7004-493.11-01 Full Time Staff / Full Time - Overtime			1,277.46
Total		<u>14,497.62</u>	<u>14,497.62</u>
Adjusting Journal Entries JE # 1053	2305.00		
PBC - AJE #111R from ProResources.			
561-7004-493.11-00 Public Airport / Full Time Staff		969.36	
561-7004-493.20-05 Employee Benefits / Auto Allowance			969.36
Total		<u>969.36</u>	<u>969.36</u>
Fund: 561	Adjusting Journal Entries	<u>9,097,533.68</u>	<u>9,097,533.68</u>
All Funds	Total Adjusting Journal Entries	<u>9,549,472.68</u>	<u>9,549,472.68</u>
All Funds	All Journal Entries	<u>9,549,472.68</u>	<u>9,549,472.68</u>

MANAGEMENT LETTER

March 31, 2023

To the Board Members of
Municipal Airport Authority of the City of Fargo, ND
Fargo, North Dakota

In planning and performing our audit of the financial statements of Municipal Airport Authority of the City of Fargo, ND (the "Authority") as of and for the year ended December 31, 2022, 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, we considered Authority's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously communicated to you about the Authority's internal control in our letter dated December 31, 2022. This letter does not affect our report dated December 31, 2022, on the financial statements of the Authority.

This report is intended solely for the information and use of the Board and management and should not be used for any other purpose.

We wish to take this opportunity to thank the Board and management for the opportunity to provide these services and to extend our thanks to your personnel for their cooperation and assistance during our engagement.

If you have any questions in regard to our audit, please do not hesitate to contact us.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 31, 2023

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT LETTER MEMORANDUM
For the Year Ended December 31, 2022

1) Payroll Review Procedures

Observation

During our review over payroll procedures, we noted one instance where an individual's pay rate was improperly applied during a payroll run, resulting in an underpayment of wages, and not detected by the Authority's internal review process.

Recommendation

We recommend the Authority evaluate its review procedures over its payroll process to prevent or detect future errors.

Management's Response

Management recognizes the deficiency and will evaluate its payroll process with our PEO Pro Resources with intentions to avoid similar instances in the future.

2) Federal Financial Reporting

Observation

During our testing of the Airport Improvement Program, we noted that the quarterly Federal Financial Reports (SF-425) were not being completed on a cumulative basis for grant totals.

Recommendation

We recommend the Authority review the Federal Aviation Administration's reporting requirements and instructions to ensure grant financial information is being properly reported on SF-425 forms.

Management's Response

Management has communicated and reviewed with its local FAA representative and will implement the recommendation from a cumulative quarterly basis to cumulative grant totals on the annual or final SF-425 grant report.