

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE OF CONTENTS

	Page
BOARD MEMBERS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED	6
FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	16
Notes to the Financial Statements	18
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of the Authority's Contributions to the NDPERS Pension Plans and OPEB Plan	41
Schedules of the Authority's Proportionate Share of the Net Pension and OPEB Liabilities	42
Notes to the Required Supplementary Information	43
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 <i>GOVERNMENT AUDITING STANDARDS</i>	45
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	47
Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards	50
Schedule of Findings and Questioned Costs	51
Schedule of Prior Year Findings	54
Corrective Action Plan	55

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
BOARD MEMBERS
AT DECEMBER 31, 2023

John Cosgriff	Chairman
James Kapitan	Vice-Chairman
Rick Berg	Member
Rick Engen	Member
Paula Ekman	Member

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Municipal Airport Authority of the City of Fargo, ND, a component unit of the City of Fargo, North Dakota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Municipal Airport Authority of the City of Fargo, ND, as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipal Airport Authority of the City of Fargo, ND, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Municipal Airport Authority of the City of Fargo, ND's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Airport Authority of the City of Fargo, ND's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Board Members listing but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024, on our consideration of the 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 Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

March 28, 2024

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The following discussion and analysis of the financial performance and activity of the Municipal Airport Authority of the City of Fargo, ND (the Authority) is to provide an introduction and understanding of the basic financial statements of the Authority for the year ended December 31, 2023 with selected comparative information for the year ended December 31, 2022. This discussion has been prepared by management and is unaudited; and should be read in conjunction with the financial statements, and the notes thereto, which follow this section.

The Authority was formed April 8, 1969. It operates under the provisions of the North Dakota Century Code, Chapter 2.06. It is governed by a Board of five commissioners, who are appointed by the Mayor of the City of Fargo. The Authority's financial statements include only funds and departments over which the Authority officials exercise oversight responsibility. No other agencies, Boards, commissions, or other organizations have been included in the Authority's financial statements. The Authority is a component unit of the City of Fargo.

The Authority operates an airport system that provides domestic air service for the Midwest region. The organization consists of more than 35 employees in a structure that includes central administration, airport management, operations, and public safety.

In addition to operating the airport, the Authority is responsible for capital improvements at the airport.

The Authority is self-supporting, using aircraft landing fees, parking fees, fees from terminal and other rentals, and revenue from concessions to fund operating expenses. The Authority is taxpayer-funded. The Capital Improvement Program (CIP) is funded by federal and state grants, Passenger Facility Charges (PFCs), and the Authority revenues.

Using the Financial Statements

The Authority's financial report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) principles.

Enplanements, Operations, and Cargo Activity for 2023

Delta, United, Allegiant, American, Frontier and their airline partners provide scheduled service to the airport. A total of 516,071 scheduled airline passengers and 4,185 charter passengers embarked from Hector International Airport in 2023. This represents an increase of 60,559 scheduled airline passengers from 2022 (455,512).

A total of 6,046 air cargo aircraft landed at Hector International Airport in 2023. This represents a decrease of 197 landings from 2022 (6,243). Total air cargo aircraft landed weight for 2023 was 406,090,395 pounds. This was a decrease of 3,858,665 pounds from 2022.

In 2023, Hector International Airport surpassed the 1,000,000 total passenger threshold for the first time in history, dating back to 1931 when commercial passenger service began. Total passengers represent the number of people that enplaned and deplaned at Hector International Airport.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Enplanements, Operations, and Cargo Activity for 2022

Delta, United, Allegiant, American, Frontier and their airline partners provide scheduled service to the airport. A total of 455,512 scheduled airline passengers and 5,133 charter passengers embarked from Hector International Airport in 2022. This represents an increase of 56,340 scheduled airline passengers from 2021 (399,172).

A total of 6,046 air cargo aircraft landed at Hector International Airport in 2022. This represents a decrease of 197 from 2021 (6,243). Total air cargo aircraft landed weight for 2022 was 409,949,060 pounds. This was an increase of 10,422,672 pounds from 2021.

Financial Highlights

Approximately half of the operating revenues at the Airport are related to the number of passengers and aircraft operations. Operating revenues are \$27,543,988, which represents an increase of \$10,833,143 from operating revenues in 2022. The significant increase from prior can be primarily attributed to a record year in overall activity at the Airport as well as an increase of over \$14 million in grant revenues, much of which was related to the capital improvement projects ongoing throughout the current year.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

CONDENSED STATEMENTS OF NET POSITION
As of December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets	\$ 61,619,256	\$ 49,878,410
Capital Assets	230,611,177	208,067,365
Accumulated Depreciation	<u>(91,765,261)</u>	<u>(86,497,582)</u>
Total Capital Assets	<u>138,845,916</u>	<u>121,569,783</u>
Long-Term Assets	<u>5,619,334</u>	<u>6,298,721</u>
TOTAL ASSETS	<u>206,084,506</u>	<u>177,746,914</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,682,853</u>	<u>4,066,031</u>
LIABILITIES		
Current Liabilities	<u>2,691,742</u>	<u>1,824,162</u>
Long-Term Liabilities	<u>2,109,557</u>	<u>3,514,272</u>
TOTAL LIABILITIES	<u>4,801,299</u>	<u>5,338,434</u>
DEFERRED INFLOWS OF RESOURCES	<u>8,355,727</u>	<u>8,696,567</u>
NET POSITION		
Net Investment in Capital Assets	137,931,715	121,036,161
Unrestricted	<u>57,678,618</u>	<u>46,741,783</u>
TOTAL NET POSITION	<u>\$ 195,610,333</u>	<u>\$ 167,777,944</u>

In its fifty-fourth full year of operations, the Authority's financial position remained strong at December 31, 2023, with assets of \$206,084,506, deferred outflows of resources of \$2,682,853, liabilities of \$4,801,299, and deferred inflows of resources of \$8,355,727. The Authority has \$138,845,916 in capital assets (net of depreciation), an increase of \$17,276,133 from 2022. The Authority's capital assets are principally built from the Authority revenue, capital contributions from federal and state grants, and PFC's. Assets, other than capital assets, which are stated at historical cost less an allowance for depreciation, and liabilities, are measured using current value.

Net position, which represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was \$195,610,333 on December 31, 2023, an increase of \$27,832,389 from 2022. The account "Net Investment in Capital Assets" increased by \$16,895,554 to \$137,931,715.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The unrestricted remaining net position is derived from the Authority operations since the Authority's inception in 1969, as well as grant and PFC collections. The remaining unrestricted net position of \$57,678,618, an increase of \$10,936,835 from 2022, may be used to meet any of the Authority's ongoing operations subject to approval of the Authority's Board.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 27,543,988	\$ 16,710,845
Operating Expenses	<u>14,671,902</u>	<u>13,147,980</u>
Operating Income	<u>12,872,086</u>	<u>3,562,865</u>
Non-Operating Revenues	3,617,068	3,292,948
Income (Loss) Before Capital Contributions	<u>16,489,154</u>	<u>6,855,813</u>
Capital Contributions	<u>11,343,235</u>	<u>4,172,817</u>
Change in Net Position	27,832,389	11,028,630
Net Position, Beginning	<u>167,777,944</u>	<u>156,749,314</u>
Net Position, End of Year	<u>\$ 195,610,333</u>	<u>\$ 167,777,944</u>

The net position for the year ended December 31, 2023 increased by \$27,832,389 and increased by \$11,028,630 for the year ended December 31, 2022. The operating revenues and operating expenses are consistent with the budget prepared by management and saw increases of over \$11 million and \$1 million, respectively, from the prior year. The majority of revenues continue to come in the form of rents and fees as well as capital contributions (federal and state grants and passenger facility charges). Excluding the depreciation of our facilities, the main operating expenses are salaries and benefits, supplies, professional services, repairs and maintenance, energy costs, and parking management fees.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

CAPITAL ASSETS

The Authority's investment in capital assets amounts to \$138,845,916 (net of accumulated depreciation) at December 31, 2023. This investment includes land, equipment, buildings, infrastructure, and improvements. Additionally, the Authority maintains a capitalization policy of \$10,000. Refer to Note 5 for additional information on capital assets. The table below shows balances as of December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Land	\$ 8,516,547	\$ 8,516,547
Buildings	34,434,426	33,934,726
Improvements other than buildings	2,676,347	2,676,347
Machinery and equipment	15,542,832	15,399,553
Infrastructure	146,300,212	140,081,488
Construction in process	<u>23,140,813</u>	<u>7,458,704</u>
Total	230,611,177	208,067,365
Less: accumulated depreciation	<u>(91,765,261)</u>	<u>(86,497,582)</u>
Total	<u>\$ 138,845,916</u>	<u>\$ 121,569,783</u>

Cash and Investment Management

As of December 31, 2023 and 2022, all cash funds were held in demand deposit, savings and money market accounts. All cash is secured with FDIC coverage and pledge pools maintained by local financial institutions. The investment maintained by the Authority consists of shares of stock and is uninsured.

Capital Improvement, Financing, and Management

The Authority's Airport Master Plan and Airport Layout Plan (ALP) provide details of expected capital developments for 20 years into the future. The Authority also prepares and provides to the Federal Aviation Administration (FAA) and North Dakota Aeronautics Commission (NDAC) its three-year and ten-year capital improvement plans (CIPs).

The Airport Authority has ten major projects in the development phase that include security upgrades, parking lot upgrades and plaza, terminal expansion and renovation, and lighting replacement project.

Capital improvements are funded through federal and state grants, and local taxes.

The Authority received approximately \$21,858,525 and \$8,506,041 during 2023 and 2022, respectively, in Airport Improvement Program (AIP) entitlement funds, including CARES and ARP Act grants. Larger projects rely on FAA commitments of Airport Improvement Program (AIP) discretionary funds or state funds.

The Authority occasionally finances capital improvements from reserves. It uses passenger facility charge (PFC) revenues to reimburse for eligible capital expenditures which are then used to finance eligible capital improvements.

Note 5 to the financial statements present the analysis of the capital asset transactions.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Contacting the Authority's Financial Management

The financial report is designed to provide the Authority's Board, management, investors, creditors, and customers with a general view of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. For additional information about this report or for additional financial information, please contact Shawn A. Dobberstein, A.A.E., Executive Director, PO Box 2845, Fargo, ND 58108, or email shawn@fargoairport.com.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

CURRENT

Cash and cash equivalents	\$ 36,724,867
Investments	18,604,702
Accounts receivable	
Less: allowance for uncollectible	1,663,952
Current portion of lease receivable	1,056,630
Due from federal and state agencies	3,273,176
Taxes receivable	14,080
Interest receivable	157,476
Prepaid expenses	<u>124,373</u>
Total	<u>61,619,256</u>

CAPITAL ASSETS

Land	8,516,547
Buildings	34,434,426
Improvements other than buildings	2,676,347
Machinery and equipment	15,542,832
Infrastructure	146,300,212
Construction in process	<u>23,140,813</u>
Total	230,611,177
Less: accumulated depreciation	<u>(91,765,261)</u>
Total	<u>138,845,916</u>

LONG-TERM

Lease receivable, net of current portion above	<u>5,619,334</u>
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TOTAL ASSETS

206,084,506

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow of resources related to pension plan - NDPERS Main	2,283,874
Deferred outflow of resources related to pension plan - NDPERS Law Enforcement (AARF)	318,880
Deferred outflow of resources related to OPEB	<u>80,099</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES

2,682,853

See Notes to The Financial Statements

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2023

LIABILITIES

CURRENT

Accounts and vouchers payable	\$ 1,472,340
Compensated absences payable	205,818
Construction contracts (Including retainage)	914,201
Accrued payroll	95,703
Unearned revenue	<u>3,680</u>
 Total Current Liabilities	 <u>2,691,742</u>

LONG-TERM

Net Pension Liability - NDPERS Main	1,930,123
Net Pension Liability - NDPERS Law Enforcement (ARFF)	69,321
Net OPEB Liability	<u>110,113</u>
Total Long-Term Liabilities	<u>2,109,557</u>

TOTAL LIABILITIES

4,801,299

DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources related to pension plan - NDPERS Main	1,524,531
Deferred inflow of resources related to pension plan - NDPERS Law Enforcement (ARFF)	309,628
Deferred inflow of resources related to OPEB	13,663
Deferred inflow of resources related to leases	<u>6,507,905</u>

TOTAL DEFERRED INFLOW OF RESOURCES

8,355,727

NET POSITION

Net investment in capital assets	137,931,715
Unrestricted	<u>57,678,618</u>

TOTAL NET POSITION

\$ 195,610,333

See Notes to The Financial Statements

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUES

Charges for services	\$ 1,780,262
Operating grants - COVID-19	14,711,820
Land transport facilities	6,452,880
Building rent	2,771,305
Flight fees	552,552
Rental of hangars and FBO	831,901
Other rental fees	443,268
Total	<u>27,543,988</u>

OPERATING EXPENSES

Salaries and wages	2,866,274
Payroll taxes and benefits	1,075,041
Supplies	673,756
Professional services	1,988,639
Vehicle rent	30,548
Repair and maintenance	231,482
Special assessments	57,537
Communications	3,402
Education and training	40,435
Other services	386,174
Travel expense	35,864
Parking management fees	824,181
Insurance	164,186
Utilities - water/sewer	41,500
Energy	558,042
Advertising	355,730
Cleaning services	47,220
Depreciation	5,291,891
Total	<u>14,671,902</u>

OPERATING INCOME	<u>12,872,086</u>
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See Notes to The Financial Statements

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

NON-OPERATING REVENUES (EXPENSES)

Interest income	1,796,456
Gain (Loss) on disposal of fixed assets	22,000
Gain (Loss) on investments	501,716
Property taxes	1,359,429
Other income	183,435
Other expense	<u>(245,968)</u>

Total	<u>3,617,068</u>
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INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>16,489,154</u>
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CAPITAL CONTRIBUTIONS

Passenger Facility Charge	2,136,095
Federal grants	6,499,517
State grants	<u>2,707,623</u>
Total	<u>11,343,235</u>

Change in Net Position	<u>27,832,389</u>
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NET POSITION, BEGINNING	<u>167,777,944</u>
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NET POSITION, END OF YEAR	<u>\$ 195,610,333</u>
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See Notes to The Financial Statements

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating cash receipts from customers	\$ 12,040,485
Operating grants	14,711,820
Cash payments to suppliers	(4,579,075)
Cash payments to employees	<u>(3,496,575)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>18,676,655</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for capital expenditures	(22,568,024)
Proceeds from sale of capital assets	22,000
Interest received on leases	209,743
State grants	2,707,623
Government grants	5,958,428
Passenger Facility Charge receipts	<u>2,136,095</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(11,534,135)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Tax revenue	1,356,677
Other disbursements	(245,968)
Other receipts	<u>183,435</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,294,144</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(9,976,042)
Sale of investments	9,661,119
Interest received on investments	<u>1,577,020</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,262,097</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,698,761
CASH AND CASH EQUIVALENTS, Beginning of Period	<u>27,026,106</u>
CASH AND CASH EQUIVALENTS, End of Period	<u>\$ 36,724,867</u>
CASH AND CASH EQUIVALENTS RECONCILIATION:	
Cash and cash equivalents	<u>\$ 36,724,867</u>
Total cash and cash equivalents	<u>\$ 36,724,867</u>

See Notes to The Financial Statements

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income	\$ 12,872,086
Adjustments to reconcile operating income to	
Net cash provided (used) by operating activities	
Depreciation and amortization	5,291,891
Effects on operating cash flows due to changes in:	
Accounts receivable	(699,353)
Prepaid assets	25,045
Other current assets	19,645
Pension and OPEB related deferred outflows	1,383,178
Accounts and vouchers payable	453,997
Lease receivable	662,138
Deferred inflow - lease	(774,113)
Retainage payable	380,579
Accrued payroll	(1,016)
Compensated absences payable	34,020
Net pension liability	(1,365,601)
Net OPEB liability	(39,114)
Pension and OPEB related deferred inflows	<u>433,273</u>
 CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 18,676,655</u>

SCHEDULE OF NONCASH INVESTING FINANCING ACTIVITIES

Gain (Loss) on investments	<u>\$ 501,716</u>
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See Notes to The Financial Statements

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Municipal Airport Authority of the City of Fargo, ND (Authority) was formed April 8, 1969. It operates under the provisions of the North Dakota Century Code, Chapter 2.06. It is governed by a Board of five commissioners, appointed by the Mayor of the City of Fargo. The Authority's financial statements include only funds and departments over which the Authority officials exercise oversight responsibility. No other agencies, Boards, commissions, or other organizations have been included in the Authority's financial statements. The Authority is a component unit of the City of Fargo.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis. 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.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues from airlines, concessions, building and hangar rent, and parking are reported as operating revenues. Capital, grants, and financing or investing related transactions are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating.

Budgeting Requirements

The Authority's annual budgeting process is a financial planning tool used to establish the estimated revenues and expenditures. The annual budget is developed after reviewing revenue forecasts, the impact of funding increases on landing fees, rental rates, and other rates and charges, prior year actual, our current program levels, new operating requirements, and the overall economic climate of the region and airline industry. The budget to actual results are reviewed periodically throughout the year to ensure compliance with the provisions of the Authority's entity-wide annual budget, which is approved by the Board.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, and commercial paper. Cash equivalents also include United States Government and agency obligations, mutual funds, and repurchase agreements collateralized by United States Government or agency obligations with an original maturity of three months or less, including restricted assets.

Investments

Investments are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Accounts Receivable

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. There is no allowance for doubtful accounts for the year ended December 31, 2023.

A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

Capital Assets

Capital assets comprise of equipment, improvements, infrastructure and buildings and are recorded at cost. All expenditures of equipment over \$10,000 are capitalized. If actual costs cannot be determined, estimated historical cost is used. Donated capital assets are recorded at acquisition cost on the date donated. Major improvements and replacements of property are capitalized. Maintenance, repairs, and minor improvements and replacements are expensed.

Provision for depreciation has been calculated using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5-15 Years
Improvements	10-20 Years
Infrastructure	20-50 Years
Buildings	10-40 Years

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Leases

The Authority is a lessor for multiple non-cancellable leases. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

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

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Authority's pension and OPEB outflows qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority's pension, OPEB, and lease inflows qualify for reporting in this category.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Employees accrue PTO and sick leave (compensated absences). All regular full-time employees having continuous service, as indicated below, shall accumulate PTO as follows:

Length of Service	Accrual Rate	Maximum Hours Accrued per Pay Period
Up to 3 years	0.0462	3.696
Over 3 but less than 8	0.0577	4.616
Over 8 but less than 13	0.0692	5.536
Over 13 but less than 19	0.0808	6.464
Over 19	0.0923	7.384

Aircraft Rescue and Firefighter (ARFF) employees accumulate PTO as follows:

Length of Service	Accrual Rate	Maximum Hours Accrued per Year
Up to 3 years	0.0907	264
Over 3 but less than 8	0.103	300
Over 8 but less than 13	0.1154	336
Over 13 but less than 19	0.1277	372
Over 19	0.1401	408

Employees shall be paid for compensated absences at the time of termination.

Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, *Elements of Financial Statements*.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Authority's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue Recognition

Rentals and concession fees are generated from airlines, parking lots, food, rental cars, fixed base operators, and other commercial tenants. Rental revenue is recognized over the life of the respective leases, and concession revenue is recognized based on reported concession revenue. Rental revenue and concession revenue are recognized as operating revenues on the Statements of Revenues, Expenses and Changes in Net Position.

Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The scheduled airline fee structure is determined annually pursuant to an agreement between the Authority and the Airline. Landing fees are recognized as part of operating revenues when the airline related facilities are utilized.

Capital Contributions – Passenger Facility Charges (PFC's)

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act that authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In May 1991, the FAA issued the regulations for the use and reporting of PFC's. PFC's may be used for airport projects that meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The Authority is granted permission to collect a \$4.50 PFC. The charges, less an administrative fee charged by the Airlines for processing, are collected by the Airlines and remitted on a monthly basis to the Authority. Due to their restricted use, PFC's are categorized as non-operating revenues and are accounted for on the cash basis.

Capital Contributions – Federal and State Grants

The Authority receives federal and state grants in support of its Capital Construction Program. The federal program provides funding for airport development, airport planning and noise compatibility programs. The State of North Dakota also provides discretionary funds for capital programs.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported in the Statements of Revenues, Expenses and Changes in Net Position, after non-operating revenues and expense as capital contributions.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at year-end and revenues and expenses during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

NOTE 2 DEPOSITS

In accordance with North Dakota statutes, the Authority maintains deposits at those depository banks and savings and loans authorized by the Board of Commissioners. Those depository banks and savings and loans are all members of the Federal Reserve System.

Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

North Dakota statutes authorize municipalities to invest their surplus funds in bonds, treasury bills and notes or other securities which are a direct obligation of the United States or an instrumentality thereof.

At December 31, 2023, the carrying amount of the Authority's deposits were \$36,724,867 and the bank balances were \$35,518,594, which is covered by depository insurance or collateral held in safekeeping in the Authority's name.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 3 INVESTMENTS

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The North Dakota State Statute limits political subdivisions to invest their surplus funds in:

- 1) Bonds, treasury bill 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,
- 2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above,
- 3) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation or by the state,
- 4) Obligations of the state.

The Authority maintains an investment account at PFM Asset Management Financial Group. Investments held by the Authority at December 31, 2023 broken down by maturity and fair value are as follows:

Investment Type	Total	Maturity				Fair Value Measurements Using			Moody's Rating
		Less Than One Year	1-5 Years	6-10 Years	More than Ten Years	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
US Treasury Bills	\$ 15,263,925	\$ 10,466,682	\$ 4,797,242	\$ -	\$ -	\$ 15,263,925	\$ -	\$ -	Aaa
Commercial Paper	3,340,777	3,340,777	-	-	-	3,340,777	-	-	P-1
Total	\$ 18,604,702	\$ 13,807,459	\$ 4,797,242	\$ -	\$ -	\$ 18,604,702	\$ -	\$ -	

NOTE 4 PROPERTY TAXES

Property tax revenues are recognized in the year for which they are levied. Property tax levies are set in September each year and are certified to Cass County for collection in the following year. In North Dakota, counties act as collection agents for all property tax.

The County spreads all levies over taxable property. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date.

A five percent reduction on the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes are not paid. Additional penalty and interest are added October 15 to those taxes, which are not paid.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 5 CAPITAL ASSETS

Changes in property, plant and equipment by major classification are as follows:

	Beginning Balance January 01, 2023	Additions	Deletions	Transfers	Ending Balance December 31, 2023
Capital Assets Not Being Depreciated					
Construction In Progress	\$ 7,458,704	\$ 22,400,533	\$ -	\$ (6,718,424)	\$ 23,140,813
Land	8,516,547	-	-	-	8,516,547
Total Capital Assets Not Being Depreciated	<u>15,975,251</u>	<u>22,400,533</u>	<u>-</u>	<u>(6,718,424)</u>	<u>31,657,360</u>
Capital Assets Being Depreciated					
Equipment	15,399,553	167,491	(24,212)	-	15,542,832
Improvements	2,676,347	-	-	-	2,676,347
Infrastructure	140,081,488	-	-	6,218,724	146,300,212
Buildings	33,934,726	-	-	499,700	34,434,426
Total Other Capital Assets	<u>192,092,114</u>	<u>167,491</u>	<u>(24,212)</u>	<u>6,718,424</u>	<u>198,953,817</u>
Less Accumulated Depreciation					
A/D Equipment	(11,362,107)	(781,386)	24,212	-	(12,119,281)
A/D Improvements	(1,531,286)	(110,827)	-	-	(1,642,113)
A/D Infrastructure	(58,087,170)	(3,644,034)	-	-	(61,731,204)
A/D Buildings	(15,517,019)	(755,644)	-	-	(16,272,663)
Total Accumulated Depreciation	<u>(86,497,582)</u>	<u>(5,291,891)</u>	<u>24,212</u>	<u>-</u>	<u>(91,765,261)</u>
Totals	<u>\$ 121,569,783</u>	<u>\$ 17,276,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,845,916</u>

NOTE 6 LEASES

Substantially all airport facilities are leased or charged to users under various agreements. Certain facilities are leased under lease agreements, which provide for compensatory rental rates designed to cover costs incurred. All leases have cancellation clauses that provide either a 30 or 60-day notice of cancellation.

Following is the total lease-related revenue for the year ended December 31, 2023.

Lease-related Revenue	<u>Year Ending December 31, 2023</u>
Lease Revenue	
Ground Lease	\$ 383,091
Land	250,205
Office Space	195,320
Building	432,384
Total Lease Revenue	1,261,000
Interest Revenue	199,638
Variable & Other Revenue	-
Total	<u><u>\$ 1,460,638</u></u>

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

Maturity Analysis	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2024	\$ 1,056,630	\$ 196,380	\$ 1,253,010
2025	709,335	165,705	875,040
2026	615,404	145,384	760,788
2027	605,765	127,289	733,054
2028	193,058	109,689	302,747
Thereafter	3,495,771	1,198,588	4,694,359
Total Future Receipts	<u>\$ 6,675,963</u>	<u>\$ 1,943,035</u>	<u>\$ 8,618,998</u>

NOTE 7 COMPENSATED ABSENCES

Changes in long-term debt during the year ended December 31, 2023 was as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1, 2023</u>	<u>Issued</u>	<u>Retired</u>	<u>December 31, 2023</u>	<u>One Year</u>
Compensated Absences	\$ 171,798	\$ 169,251	\$ (135,231)	\$ 205,818	\$ 205,818
Total	<u>\$ 171,798</u>	<u>\$ 169,251</u>	<u>\$ (135,231)</u>	<u>\$ 205,818</u>	<u>\$ 205,818</u>

NOTE 8 COMMITMENTS

The Authority has outstanding contract project commitments as of December 31, 2023. The commitments were as follows:

NGA Expansion & Perimeter Road	\$ 2,471,919
Terminal Renovation and Expansion	<u>1,140,112</u>
	<u>\$ 3,612,031</u>

NOTE 9 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the Authority are required by state law to belong to pension plans administered by the North Dakota Public Employees Retirement System (NDPERS), which is administered on a statewide basis. Disclosures relating to this plan follow:

North Dakota Public Employees' Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on January 1, 2025.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member is not vested (is not 65 for the Main System or 55 for the Law Enforcement system or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the Employer reported a liability of \$1,930,123 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023, the Employer's proportion was 0.100097 percent, which was a decrease of .003198 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Employer recognized pension expense of \$553,736. At December 31, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,832	\$ (10,645)
Changes in actuarial assumptions	1,064,292	(1,465,012)
Net difference between projected and actual earnings on pension plan investments	50,643	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,055,612	(48,874)
Employer contributions subsequent to the measurement date	50,495	-
Total	<u>\$ 2,283,874</u>	<u>\$ (1,524,531)</u>

\$50,495 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31</u>	<u>Pension Expense Amount</u>
2024	\$ 400,236
2025	172,023
2026	254,531
2027	(117,942)

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
Global Real Assets	19%	4.33%

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net pension liability	\$ 2,661,176	\$ 1,930,123	\$ 1,323,658

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

North Dakota Public Employees' Retirement System (Law Enforcement System)

The following brief description of the Law Enforcement System is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service in the Law Enforcement System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Law Enforcement System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Refunds of Member Account Balance

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

<u>Plan</u>	<u>Member Contribution Rate</u>	<u>Employer Contribution Rate</u>
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the Employer reported a liability of \$69,321 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll/contributions in the Law Enforcement System pension plan relative to the covered payroll/contributions of all participating Law Enforcement System employers. At June 30, 2023, the Employer's proportion was 3.718988 percent, which was a decrease of 1.216805 from its proportion measured as of June 30, 2022.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

For the year ended December 31, 2023, the Employer recognized pension expense of \$81,612. At December 31, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,085	\$ (9,944)
Changes of assumptions	225,986	(293,603)
Net difference between projected and actual earnings on pension plan investments	16,996	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,897	(6,081)
Employer contributions subsequent to the measurement date	26,916	-
Total	\$ 318,880	\$ (309,628)

\$26,916 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2024	\$ 4,782
2025	(11,526)
2026	(335)
2027	(6,584)
2028	(4,001)

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
Global Real Assets	19%	4.33%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<u>1% Decrease 5.50%</u>	<u>Current Discount Rate 6.50%</u>	<u>1% Increase 7.50%</u>
Employer's proportionate share of the net pension liability	\$ 216,243	\$ 69,321	\$ (47,084)

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2023, the Employer reported a liability of \$110,113 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the Employer's proportion was 0.110140 percent, which was a decrease of .008012 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Authority recognized OPEB expense of \$33,965. At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,072	\$ (1,260)
Changes of assumptions	23,484	(9,119)
Net difference between projected and actual earnings on OPEB plan investments	7,953	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,449	(3,284)
Employer contributions subsequent to the measurement date	7,141	-
Total	\$ 80,099	\$ (13,663)

\$7,141 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ending December 31	OPEB Expense Amount
2024	\$ 21,303
2025	19,625
2026	21,817
2027	(3,450)

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
S&P 500 Index	33%	5.50%
US Small Cap Equity	6%	7.65%
World Equity ex-US	26%	6.82%
US High Yield	3%	5.32%
Emerging Markets Debt	4%	6.25%
Core Fixed Income	28%	4.04%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2023, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Employer's proportionate share of the net OPEB liability	\$ 144,715	\$ 110,113	\$ 80,982

NOTE 11 CONCENTRATIONS

The Authority operates in a regional market consisting primarily of Eastern North Dakota and Western Minnesota. The accounting loss if customers fail to perform is \$1,663,952 for 2023, which is the balance of accounts receivable, respectively.

The Authority's operating revenues, excluding operating grants, include the following vendors, along with their percentage of the operating revenues:

Avis/Budget Rental	3.71%
Delta Airlines	3.11%
Enterprise Rental	3.87%
Fargo Jet Center	5.65%
National Rental	3.65%
Overland West, Inc.	4.29%
SP Plus	52.70%

NOTE 12 RISK MANAGEMENT

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

The Authority participates in the North Dakota Insurance Reserve Fund (NDRF) entity risk pool established by certain municipalities ("members") to provide liability coverage. The Authority's payments to the NDRF are displayed on the financial statements as expenditures in the appropriate fund. The purpose of the NDRF is to act as a joint self-insurance pool for the purpose of seeking the prevention or lessening of liability claims for injuries to persons or property claims for errors and omissions made against the members and other parties included within the scope of the coverage of the NDRF. The Authority does not exercise any control over the activities of the NDRF.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

The Authority's risk for property coverage is covered by premiums paid to the North Dakota State Fire and Tornado Fund. The Fund was established by the State of North Dakota to insure political subdivisions and certain other entities against loss to public buildings and permanent contents from damage caused by fire, tornadoes and other types of risk. Settled claims from these risks have not exceeded commercial coverage for the past three years.

The Authority's risk for workers' compensation is covered by premiums paid to the North Dakota Worker's Compensation Bureau. The Bureau was created by the Legislature of the State of North Dakota.

NOTE 13 PASSENGER FACILITY CHARGES

As described in Note 1, Passenger Facility Charges are collected in accordance with the FAA regulations allowing airports to impose a \$4.50 PFC. For the year ended December 31, 2023, the Authority earned PFC's of \$2,136,095.

NOTE 14 GRANT PROGRAMS

The Authority participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2023, may be impaired.

In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 15 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

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

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

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

NOTE 16 SUBSEQUENT EVENTS

On February 12, 2024, the Authority was awarded a \$10,000,000 federal grant from the FAA. This grant is part of the Bipartisan Infrastructure Law – Airport Terminal Development Program (BIL-ATP) that was formed to provide competitive grants for airport terminal development projects that address the aging infrastructure of the nation's airports.

On March 15, 2024, the Authority received a \$40,000,000 Airport Facilities Revenue Bond, Series 2024 from the Bank of North Dakota to aid in the funding of the parking structure and passenger terminal expansion projects. The first payment on the bond is scheduled for May 1, 2025.

In May 2024, the Authority will break ground on two major infrastructure projects – the terminal expansion and modification project (and associated apron expansion) and the parking structure elevated walkway project. The terminal expansion project will add four gates to the passenger terminal for a total of nine gates when completed. The expansion is scheduled to be completed during the first quarter of 2026. The existing passenger terminal renovations will begin in the first quarter of 2026 and are scheduled to be completed in the first quarter of 2027. The project for the parking structure and elevated walkway is estimated to cost approximately \$47.4 million. This will consist of a four-story structure that will accommodate approximately 977 vehicles. Construction is expected to take 14 months to complete. The parking structure is scheduled to be operational in mid-2025.

No other significant events occurred subsequent to the Authority's year end. Subsequent events have been evaluated through March 28, 2024, which is the date these financial statements were available to be issued.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
SCHEDULES OF THE AUTHORITY'S CONTRIBUTIONS TO THE NDPERS PENSION PLANS AND OPEB PLAN
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Authority's Covered Payroll	Contributions as a Percentage of Covered Payroll
Main System:					
2023	\$ 101,314	\$ (101,314)	\$ -	\$ 1,306,458	7.75%
2022	90,312	(90,312)	-	1,199,086	7.53%
Law Enforcement:					
2023	\$ 57,172	\$ (57,172)	\$ -	720,966	7.93%
2022	50,891	(50,891)	-	690,793	7.37%

The Authority implemented GASB Statement No. 68 for its fiscal year December 31, 2022. Information for prior years is not available.

North Dakota Public Employees Retirement System – OPEB

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Authority's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 14,819	\$ (14,819)	\$ -	\$ 1,299,879	1.14%
2022	14,846	(14,846)	-	1,219,803	1.22%

The Authority implemented GASB Statement No. 75 for its fiscal year December 31, 2022. Information for prior years is not available.

See Notes to the Required Supplementary Information

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
SCHEDULES OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION AND OPEB LIABILITIES
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System

Year Ended June 30	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Main System:					
2023	0.1001%	\$ 1,930,123	\$ 1,224,054	157.68%	65.31%
2022	0.1033%	2,974,965	1,199,086	248.10%	54.47%
Law Enforcement:					
2023	3.71899%	\$ 69,321	\$ 553,972	12.51%	91.63%
2022	4.93579%	311,595	690,793	45.11%	73.17%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The Authority implemented GASB Statement No. 68 for its fiscal year December 31, 2022. Information for prior years is not available.

North Dakota Public Employees Retirement System - OPEB

Year Ended June 30	Authority's Proportion of the Net OPEB Liability (Asset)	Authority's Proportionate Share of the Net OPEB Liability (Asset)	Authority's Covered Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.110140%	\$ 110,113	\$ 1,107,106	9.95%	62.74%
2022	0.118152%	141,819	1,219,803	11.63%	56.28%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net OPEB liability which is June 30 of the previous fiscal year. The Authority implemented GASB Statement No. 75 for its fiscal year December 31, 2022. Information for prior years is not available.

See Notes to the Required Supplementary Information

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2023

NOTE 1 – DEFINED BENEFIT PENSION PLANS

NDPERS Main System

Changes of Benefit Terms

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

Changes of Assumptions

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

NDPERS Law Enforcement System

Changes of Benefit Terms

Legislation was passed relating to the Public Safety with Prior Service System. The Public Safety with Prior Service System was expanded to allow peace officers employed by the State to participate. The provisions are similar to the Public Safety with Prior Service System, but with a 6.00 percent employee contribution rate. The benefit multiplier and the vesting requirements for the Bureau of Criminal Investigation group were changed.

Changes of Assumptions

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
AS OF DECEMBER 31, 2023

NOTE 2 – OTHER POST EMPLOYMENT BENEFITS

Changes of Benefit Terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2022.

Changes of Assumptions

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

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 Commissioners
Municipal Airport Authority of the City of Fargo, ND
Fargo, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Municipal Airport Authority of the City of Fargo, ND, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Municipal Airport Authority of the City of Fargo, ND's basic financial statements, and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Airport Authority of the City of Fargo, ND's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Airport Authority of the City of Fargo, ND'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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Authority's Response to Findings

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

Purpose of this Report

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



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

March 28, 2024

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 Commissioners
Municipal Airport Authority of the City of Fargo, ND
Fargo, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Municipal Airport Authority of the City of Fargo, ND's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Municipal Airport Authority of the City of Fargo, ND's major federal program for the year ended December 31, 2023. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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 program for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Municipal Airport Authority of the City of Fargo, ND's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during the audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.
GRAND FORKS, NORTH DAKOTA

March 28, 2024

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
<u>Department of Transportation (FAA)</u>		
Airport Improvement Program	20.106	\$ 6,499,517
COVID-19 Airport Improvement Program	20.106	<u>14,711,820</u>
Total Department of Transportation (FAA)		<u>21,211,337</u>
Total Expenditures of Federal Awards		<u>\$ 21,211,337</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

The Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of the Municipal Airport Authority of the City of Fargo, ND for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Municipal Airport Authority of the City of Fargo, ND, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipal Airport Authority of the City of Fargo, ND.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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
 not considered to be material weaknesses? X yes __ none reported

Non-compliance 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
 not considered to be material weaknesses? __ 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

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.106	COVID-19 Airport Improvement Program

Dollar threshold used to distinguish
 between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? __ yes X no

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

**2023-001 Preparation of Financial Statements and Schedule of Expenditures of
Federal Awards – Significant Deficiency**

Criteria

An appropriate system of internal control requires the entity to prepare financial statements and the schedule of expenditures of federal awards (SEFA) in compliance with accounting principles generally accepted in the United States of America.

Condition

The Authority's personnel prepare periodic financial information for internal use that meets the needs of management and the Board. However, the Authority does not prepare financial statements, including accompanying note disclosures, nor the SEFA, as required by accounting principles generally accepted in the United States of America. The entity has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The Authority elected to not allocate resources for the preparation of the financial statements and SEFA.

Effect

There is an increased risk of material misstatement to the Authority's financial statements and SEFA.

Repeat Finding

See 2022-001.

Recommendation

We recommend the Authority consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and SEFA and consider preparing them in the future. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

Management recognizes the deficiency and believes it is effectively handling the reporting responsibilities with the procedures described above. To help mitigate this risk, the Authority has hired a third-party accountant to aid with periodic reporting and review. Due to cost constraints, the Authority will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-002 Segregation of Duties – Significant Deficiency

Criteria

A proper system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

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

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

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

Repeat Finding

See 2022-002.

Views of Responsible Officials and Planned Corrective Actions

In addition to its third-party accountant, the Authority has contracted with a certified public accounting and business advisory firm to provide various CFO-like services that will include periodic analysis and other planning functions. The Authority will continue to involve the Board in the review and supervision of disbursements and transactions.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings required to be reported under this section.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

2022-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards – Significant Deficiency

Criteria

An appropriate system of internal control requires the entity to prepare financial statements and the schedule of expenditures of federal awards (SEFA) in compliance with accounting principles generally accepted in the United States of America.

Condition

The Authority's personnel prepare periodic financial information for internal use that meets the needs of management and the Board. However, the Authority does not prepare financial statements, including accompanying note disclosures, nor the SEFA, as required by accounting principles generally accepted in the United States of America. The entity has elected to have the auditors assist in the preparation of the financial statements and notes.

Current Year Status

See 2023-001.

2022-002 Segregation of Duties – Significant Deficiency

Criteria

A proper system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Current Year Status

See 2023-002.



MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO

CORRECTIVE ACTION PLAN DECEMBER 31, 2023

2023-001

Contact Person

Shawn Dobberstein, Executive Director

Corrective Action Plan

No action is planned on the finding. The Authority feels that the additional costs to the Authority would not be significantly beneficial. The Authority does mitigate the situation through the review of the draft financial statements and accompanying notes to the financial statements.

Planned Completion Date for CAP

None. See above.

2023-002

Contact Person

Shawn Dobberstein, Executive Director

Corrective Action Plan

Management will continue to review and improve its control processes and segregating duties further to mitigate the risk of unauthorized transactions or loss of assets.

Planned Completion Date for CAP

Ongoing