

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

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MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
BOARD MEMBERS
AT DECEMBER 31, 2025

Paula Ekman	Chair
Rick Berg	Vice-Chair
Dr. Dean Bresciani	Member
John Cosgriff	Member
James Kapitan	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, 2025, 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, 2025, 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.

Emphasis of Matter – Correction of Error

As described in Note 17 to the financial statements, the Authority has restated the prior period financial statements to properly reflect the balance of construction in progress that was inaccurately reported in the prior period. Our opinion has not been modified with respect to this matter.

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 Responsibilities 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 the NDPERS 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 31, 2026, 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
GRAND FORKS, NORTH DAKOTA

March 31, 2026

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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, 2025 with selected comparative information for the year ended December 31, 2024. 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), local taxes and 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 2025

Delta, United, Allegiant, American, Frontier and their airline partners provide scheduled service to the airport. A total of 590,542 scheduled airline passengers and 5,947 charter passengers embarked from Hector International Airport in 2025. This represents an increase of 43,755 scheduled airline passengers from 2024 (546,787).

A total of 5,180 air cargo aircraft landed at Hector International Airport in 2025. This represents a decrease of 1,784 landings from 2024 (6,964). Total air cargo aircraft landed weight for 2025 was 215,061,892 pounds. This was a decrease of 133,402,438 pounds from 2024.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Enplanements, Operations, and Cargo Activity for 2024

Delta, United, Allegiant, American, Frontier and their airline partners provide scheduled service to the airport. A total of 546,787 scheduled airline passengers and 4,773 charter passengers embarked from Hector International Airport in 2024. This represents an increase of 30,716 scheduled airline passengers from 2023 (516,071).

A total of 6,964 air cargo aircraft landed at Hector International Airport in 2024. This represents an increase of 918 from 2023 (6,046). Total air cargo aircraft landed weight for 2024 was 348,464,330 pounds. This was a decrease of 57,626,065 pounds from 2023.

Financial Highlights

Approximately half of the operating revenues at the Airport are related to the number of passengers and aircraft operations. Operating revenues are \$13,548,984, which represents an increase of \$588,861 from operating revenues in 2024. The increase from prior can be primarily attributed to a record year in overall activity at the Airport.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

CONDENSED STATEMENTS OF NET POSITION
As of December 31, 2025 and 2024

	<u>2025</u>	<u>As Restated 2024</u>
ASSETS		
Current Assets	\$ 64,636,573	\$ 69,640,008
Capital Assets	368,402,867	276,846,392
Accumulated Depreciation	<u>(100,986,175)</u>	<u>(96,823,033)</u>
Total Capital Assets	<u>267,416,692</u>	<u>180,023,359</u>
Long-Term Assets	<u>5,734,611</u>	<u>5,849,949</u>
TOTAL ASSETS	<u>337,787,876</u>	<u>255,513,316</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>846,618</u>	<u>1,718,854</u>
LIABILITIES		
Current Liabilities	<u>12,881,124</u>	<u>7,598,305</u>
Long-Term Liabilities	<u>38,591,969</u>	<u>22,559,843</u>
TOTAL LIABILITIES	<u>51,473,093</u>	<u>30,158,148</u>
DEFERRED INFLOWS OF RESOURCES	<u>7,349,567</u>	<u>7,645,635</u>
NET POSITION		
Net Investment in Capital Assets	222,279,309	156,529,812
Restricted - Bond Covenants	738,877	361,636
Unrestricted	<u>56,793,648</u>	<u>62,536,939</u>
TOTAL NET POSITION	<u>\$ 279,811,834</u>	<u>\$ 219,428,387</u>

In its fifty-sixth full year of operations, the Authority's financial position remained strong at December 31, 2025, with assets of \$337,787,876, deferred outflows of resources of \$846,618, liabilities of \$51,473,093, and deferred inflows of resources of \$7,349,567. The Authority has \$267,416,692 in capital assets (net of depreciation), an increase of \$87,393,333 from 2024. The Authority's capital assets are principally built from the Authority revenue, PFC's and capital contributions from federal grants, state grants, and local taxes. 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 \$279,811,834 on December 31, 2025, an increase of \$60,383,447 from 2024. The account "Net Investment in Capital Assets" increased by \$65,749,497 to \$222,279,309.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 \$56,793,648, a decrease of \$5,743,291 from 2024, 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>2025</u>	<u>As Restated 2024</u>
Operating Revenues	\$ 13,548,984	\$ 12,960,123
Operating Expenses	<u>15,091,324</u>	<u>14,771,088</u>
Operating Income	<u>(1,542,340)</u>	<u>(1,810,965)</u>
Non-Operating Revenues	4,222,614	4,589,305
Income (Loss) Before Capital Contributions	<u>2,680,274</u>	<u>2,778,340</u>
Capital Contributions	<u>57,703,173</u>	<u>21,039,714</u>
Change in Net Position	60,383,447	23,818,054
Net Position, Beginning	<u>219,428,387</u>	<u>195,610,333</u>
Net Position, End of Year	<u>\$ 279,811,834</u>	<u>\$ 219,428,387</u>

The net position for the year ended December 31, 2025 increased by \$60,383,447 and increased by \$23,818,054 for the year ended December 31, 2024. The operating revenues and operating expenses are consistent with the budget prepared by management. Operating revenues saw increases of approximately \$589,000 and operating expenses saw increases of approximately \$320,000 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, 2025 AND 2024

CAPITAL ASSETS

The Authority's investment in capital assets amounts to \$267,416,692 (net of accumulated depreciation) at December 31, 2025. 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, 2025 and 2024.

	2025	As Restated 2024
Land	\$ 8,516,547	\$ 8,516,547
Buildings	49,413,646	49,423,393
Improvements other than buildings	2,719,817	2,676,347
Machinery and equipment	17,636,358	17,354,343
Infrastructure	148,431,810	146,550,673
Construction in process	141,684,689	52,325,089
Total	368,402,867	276,846,392
Less: accumulated depreciation	(100,986,175)	(96,823,033)
Total	<u>\$ 267,416,692</u>	<u>\$ 180,023,359</u>

Debt Administration

The following is a table of long-term liabilities as of December 31, 2025 and 2024:

	Amount Outstanding 2025	Amount Outstanding 2024
Bank of North Dakota		
Airport Facilities Revenue Bonds of 2024		
2% interest rate due May 2054	\$ 38,044,886	\$ 21,068,681
Total long-term liabilities	38,044,886	21,068,681
Less current maturities	(1,175,861)	(666,970)
Total	<u>\$ 36,869,025</u>	<u>\$ 20,401,711</u>

Additional information on the Authority's long-term liabilities can be found in Note 8 of this report.

Cash and Investment Management

As of December 31, 2025 and 2024, 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.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 several major projects in the development or construction phase that include passenger terminal expansion and renovation, parking structure and elevated walkway, and multiple apron expansion and rehabilitation projects.

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

The Authority received cash of approximately \$22,650,984 and \$15,536,387 during 2025 and 2024, respectively, in Airport Improvement Program (AIP) entitlement funds. 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.

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, 2025

ASSETS

CURRENT

Cash and cash equivalents	\$ 52,553,544
Restricted cash	738,877
Accounts receivable	1,412,035
Current portion of lease receivable	1,128,321
Due from federal and state agencies	8,484,770
Taxes receivable	17,108
Interest receivable	100,762
Prepaid expenses	201,156
Total	64,636,573

CAPITAL ASSETS

Land	8,516,547
Buildings	49,413,646
Improvements other than buildings	2,719,817
Machinery and equipment	17,636,358
Infrastructure	148,431,810
Construction in process	141,684,689
Total	368,402,867
Less: accumulated depreciation	(100,986,175)
Total	267,416,692

LONG-TERM

Net pension asset - NDPERS Law Enforcement (ARFF)	50,221
Lease receivable, net of current portion above	5,684,390
Total	5,734,611

TOTAL ASSETS

337,787,876

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow of resources related to pension plan - NDPERS Main	640,907
Deferred outflow of resources related to pension plan - NDPERS Law Enforcement (AARF)	166,629
Deferred outflow of resources related to OPEB	39,082
	846,618

TOTAL DEFERRED OUTFLOWS OF RESOURCES

846,618

See Notes to The Financial Statements

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2025

LIABILITIES

CURRENT

Accounts and vouchers payable	\$ 3,876,075
Compensated absences payable	283,658
Construction contracts (Including retainage)	7,092,497
Accrued payroll	160,133
Accrued interest	121,005
Current portion of bond payables	1,175,861
Unearned revenue	<u>171,895</u>

Total Current Liabilities	<u>12,881,124</u>
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LONG-TERM

Net pension liability - NDPERS Main	1,635,105
Net OPEB liability	87,839
Bond payable, net of current	<u>36,869,025</u>
Total Long-Term Liabilities	<u>38,591,969</u>

TOTAL LIABILITIES	<u>51,473,093</u>
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DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources related to pension plan - NDPERS Main	680,869
Deferred inflow of resources related to pension plan - NDPERS Law Enforcement (ARFF)	228,633
Deferred inflow of resources related to OPEB	27,163
Deferred inflow of resources related to leases	<u>6,412,902</u>

TOTAL DEFERRED INFLOW OF RESOURCES	<u>7,349,567</u>
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NET POSITION

Net investment in capital assets	222,279,309
Restricted - bond covenants	738,877
Unrestricted	<u>56,793,648</u>

TOTAL NET POSITION	<u>\$ 279,811,834</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
FOR THE YEAR ENDED DECEMBER 31, 2025

OPERATING REVENUES

Charges for services	\$ 1,686,488
Land transport facilities	6,671,918
Building rent	3,285,110
Flight fees	504,255
Rental of hangars and FBO	941,732
Other rental fees	459,481
Total	<u>13,548,984</u>

OPERATING EXPENSES

Salaries and wages	3,256,419
Payroll taxes and benefits	882,847
Supplies	365,684
Professional services	1,052,289
Vehicle rent	302
Repair and maintenance	159,641
Special assessments	264,214
Communications	3,603
Education and training	60,249
Other services	568,266
Travel expense	27,964
Parking management fees	1,032,225
Insurance	369,557
Utilities - water/sewer	62,298
Energy	548,476
Advertising	537,939
Cleaning services	39,541
Depreciation	5,859,810
Total	<u>15,091,324</u>

OPERATING LOSS	<u>(1,542,340)</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, 2025

NON-OPERATING REVENUES (EXPENSES)

Interest income	2,747,271
Interest expense	(584,210)
Gain (Loss) on disposal of capital assets	(5,840)
Gain (Loss) on investments	50,219
Property taxes	1,518,309
Other income	701,827
Other expense	<u>(204,962)</u>

Total 4,222,614

INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS 2,680,274

CAPITAL CONTRIBUTIONS

Passenger Facility Charge	2,474,956
Federal grants	26,542,110
State grants	<u>28,686,107</u>
Total	<u>57,703,173</u>

Change in Net Position 60,383,447

NET POSITION, BEGINNING 217,003,516

CORRECTION OF ERROR - SEE NOTE 17 2,424,871

NET POSITION, BEGINNING (RESTATED) 219,428,387

NET POSITION, END OF YEAR \$ 279,811,834

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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating cash receipts from customers	\$ 13,363,350
Cash payments to suppliers	(434,020)
Cash payments to employees	<u>(3,975,763)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>8,953,567</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for capital expenditures	(93,259,844)
Proceeds from issuance of long term debt	18,309,105
Principal payments on long term debt	(1,332,900)
Interest payments on long term debt	(583,349)
Interest received on leases	210,070
State grants	28,686,107
Government grants	22,650,984
Passenger Facility Charge receipts	<u>2,474,956</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(22,844,871)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Tax revenue	1,518,309
Other disbursements	(204,962)
Other receipts	<u>701,827</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	<u>2,015,174</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(2,274,664)
Sale of investments	7,211,000
Interest received on investments	<u>2,550,259</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>7,486,595</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,389,535)
CASH AND CASH EQUIVALENTS, Beginning of Period	<u>57,681,956</u>
CASH AND CASH EQUIVALENTS, End of Period	<u>\$ 53,292,421</u>
CASH AND CASH EQUIVALENTS RECONCILIATION:	
Cash and cash equivalents	\$ 52,553,544
Restricted cash and cash equivalents	<u>738,877</u>
Total cash and cash equivalents	<u>\$ 53,292,421</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, 2025

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

Operating income	\$ (1,542,340)
Adjustments to reconcile operating income to Net cash provided (used) by operating activities	
Depreciation and amortization	5,859,810
Effects on operating cash flows due to changes in:	
Accounts receivable	(287,207)
Prepaid assets	129,663
Other current assets	8,882
Net pension asset	(50,221)
Pension and OPEB related deferred outflows	872,236
Accounts and vouchers payable	(180,546)
Lease receivable	(79,928)
Deferred inflow - lease	4,404
Retainage payable	4,667,631
Accrued payroll	34,146
Accrued interest	41,480
Compensated absences payable	43,002
Net pension liability	(415,392)
Net OPEB liability	(19,796)
Pension and OPEB related deferred inflows	(300,472)
Unearned revenue	<u>168,215</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 8,953,567</u>
 SCHEDULE OF NONCASH INVESTING FINANCING ACTIVITIES	
Gain (Loss) on investments	<u>\$ 50,219</u>

See Notes to The Financial Statements

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, deferred outflows, liabilities, deferred inflows, 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, 2025

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.

Restricted Cash

Restricted cash consists of funds that are restricted to comply with Bank of North Dakota debt requirements.

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, 2025.

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.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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

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

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.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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.

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	0.1030	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.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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*.

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.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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.

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, 2025, the carrying amount of the Authority's deposits were \$53,292,421 and the bank balances were \$60,917,215, which is covered by depository insurance or collateral held in safekeeping in the Authority's name.

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.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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.

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, 2025

NOTE 5 CAPITAL ASSETS

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

	As Restated				Ending Balance December 31, 2025
	Beginning Balance January 01, 2025	Additions	Deletions	Transfers	
Capital Assets Not Being Depreciated					
Construction In Progress	\$ 52,325,089	\$ 90,380,351	\$ -	\$ (1,020,751)	\$ 141,684,689
Land	8,516,547	-	-	-	8,516,547
Total Capital Assets Not Being Depreciated	<u>60,841,636</u>	<u>90,380,351</u>	<u>-</u>	<u>(1,020,751)</u>	<u>150,201,236</u>
Capital Assets Being Depreciated					
Equipment	17,354,343	316,656	(34,641)	-	17,636,358
Improvements	2,676,347	43,470	-	-	2,719,817
Infrastructure	146,550,673	2,519,367	(1,658,981)	1,020,751	148,431,810
Buildings	49,423,393	-	(9,747)	-	49,413,646
Total Other Capital Assets	<u>216,004,756</u>	<u>2,879,493</u>	<u>(1,703,369)</u>	<u>1,020,751</u>	<u>218,201,631</u>
Less Accumulated Depreciation					
Equipment	(12,465,813)	(827,701)	34,641	-	(13,258,873)
Improvements	(1,749,830)	(106,686)	-	-	(1,856,516)
Infrastructure	(65,488,576)	(3,790,891)	1,658,981	-	(67,620,486)
Buildings	(17,118,814)	(1,134,532)	3,046	-	(18,250,300)
Total Accumulated Depreciation	<u>(96,823,033)</u>	<u>(5,859,810)</u>	<u>1,696,668</u>	<u>-</u>	<u>(100,986,175)</u>
Totals	<u>\$ 180,023,359</u>	<u>\$ 87,400,034</u>	<u>\$ (6,701)</u>	<u>\$ -</u>	<u>\$ 267,416,692</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, 2025.

Lease-related Revenue	Year Ending December 31, 2025
Lease Revenue	
Ground Lease	\$ 332,605
Land	313,563
Office Space	140,925
Building	<u>514,366</u>
Total Lease Revenue	1,301,459
Interest Revenue	<u>209,439</u>
Total	<u>\$ 1,510,898</u>

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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>
2026	\$ 1,128,321	\$ 200,520	\$ 1,328,841
2027	1,097,191	167,282	1,264,473
2028	360,032	134,699	494,731
2029	254,775	125,050	379,825
2030	232,549	117,835	350,384
Thereafter	3,739,843	1,216,984	4,956,827
Total Future Receipts	<u>\$ 6,812,711</u>	<u>\$ 1,962,370</u>	<u>\$ 8,775,081</u>

NOTE 7 COMPENSATED ABSENCES

Changes in compensated absences during the year ended December 31, 2025 was as follows:

	<u>Balance</u> <u>January 01, 2025</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>December 31, 2025</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 205,818	\$ 214,030	\$ 136,190	\$ 283,658	\$ 283,658
Total	<u>\$ 205,818</u>	<u>\$ 214,030</u>	<u>\$ 136,190</u>	<u>\$ 283,658</u>	<u>\$ 283,658</u>

NOTE 8 LONG TERM DEBT

Debt Administration

On March 15, 2024, the Authority entered into an agreement with the Bank of North Dakota. The Authority obtained Airport Facilities Revenue Bond for \$40,000,000 through the Infrastructure Revolving Loan Fund to be used for construction of new infrastructure. The bond's principal and interest payments are a yearly amount of \$1,569,192 plus an additional variable interest payment making interest due in semiannual payments with final payment due on May 1, 2054. The bond is drawn down as expenses are incurred. Remaining available draws total \$622,214.

	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>1/1/2025</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2025</u>	<u>Current</u> <u>Maturities</u>
Airport Facilities Revenue Bond Series 2024	2.00%	\$ 21,068,681	\$ 18,309,105	\$ (1,332,900)	\$ 38,044,886	\$ 1,175,861

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

Annual debt service requirements to maturity of the Airport Facilities Bonds are as follows and are based on the bonds being fully drawn down:

Years Ending December 31,	Bonds Payable	
	Principal	Interest
2026	\$ 1,175,861	\$ 774,902
2027	1,187,620	751,267
2028	1,199,496	727,396
2029	1,211,491	703,286
2030	1,223,606	678,935
2031-2035	6,304,038	3,020,803
2036-2040	6,625,607	2,374,448
2041-2045	6,963,580	1,695,123
2046-2050	7,318,792	981,146
2051-2054	4,834,795	246,441
	\$ 38,044,886	\$ 11,953,747

NOTE 9 COMMITMENTS

The Authority has outstanding contract project commitments as of December 31, 2025. The commitments were as follows:

Apron Expansion & Glycol	\$ 2,656,000
Apron Rehabilitation	8,522,000
Parking Structure	3,379,000
Passenger Terminal Expansion	42,838,000
Hotel Committee	21,350
PFC 9 Closeout	14,000
Soil Management Plan	7,631
Electronic Sign & Entrance Monument 19th Ave	70,000
	\$ 57,507,981

NOTE 10 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.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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. 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.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 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 set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 8.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 9.26% 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, 2025, the Employer reported a liability of \$1,635,105 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2025, the Employer's proportion was 0.102842 percent, which was a decrease of 0.003930 percent from its proportion measured as of June 30, 2024.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

For the year ended December 31, 2025, the Employer recognized pension expense of \$249,516. At December 31, 2025, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 88,341	\$ -
Changes in actuarial assumptions	169,834	(452,858)
Net difference between projected and actual earnings on pension plan investments	-	(144,482)
Changes in proportion and differences between employer contributions and proportionate share of contributions	316,345	(83,529)
Employer contributions subsequent to the measurement date	66,387	-
Total	<u>\$ 640,907</u>	<u>\$ (680,869)</u>

\$66,387 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, 2026.

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>
2026	\$ 203,178
2027	(173,230)
2028	(84,221)
2029	(52,076)

Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
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-2021 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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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	31.9%	5.03%
International Equity	19.1%	6.10%
Private Equity	7.0%	8.30%
Domestic Fixed Income	23.0%	2.32%
Global Real Assets	19.0%	5.47%

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 5.20%; 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	\$ 2,438,979	\$ 1,635,105	\$ 967,351

Pension Plan Fiduciary Net Position

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

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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.

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.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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.

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%	11.40%
State	6.00%	14.34%
National Guard	5.50%	11.40%
Law Enforcement without previous service	5.50%	9.16%

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, 2025, the Employer reported a liability (asset) of (\$50,221) for its proportionate share of the net pension liability. The net pension liability (asset) was measured as of June 30, 2025, 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, 2025, the Employer's proportion was 4.216740 percent, which was a decrease of 0.236571 from its proportion measured as of June 30, 2024.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

For the year ended December 31, 2025, the Employer recognized pension expense of \$25,061. At December 31, 2025, 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	\$ 30,411	\$ (8,718)
Changes of assumptions	78,715	(170,026)
Net difference between projected and actual earnings on pension plan investments	-	(41,706)
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,218	(8,183)
Employer contributions subsequent to the measurement date	35,285	-
Total	\$ 166,629	\$ (228,633)

\$35,285 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, 2026.

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
2026	\$ (22,627)
2027	(29,513)
2028	(26,507)
2029	(18,642)

Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
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-2021 scale.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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	31.90%	5.03%
International Equity	19.10%	6.10%
Private Equity	7.00%	8.30%
Domestic Fixed Income	23.00%	2.32%
Global Real Assets	19.00%	5.47%

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 5.20%; 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	\$ 157,328	\$ (50,221)	\$ (216,392)

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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 11 OTHER POST EMPLOYMENT 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, 2025

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, 2025, the Employer reported a liability of \$87,839 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, 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, 2025, the Employer's proportion was 0.133546 percent, which was an increase of 0.008977 from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the Authority recognized OPEB expense of \$29,672. At December 31, 2025, 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	\$ 450	\$ (1,276)
Changes of assumptions	7,615	(7,562)
Net difference between projected and actual earnings on OPEB plan investments	-	(16,917)
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,002	(1,408)
Employer contributions subsequent to the measurement date	8,015	-
Total	\$ 39,082	\$ (27,163)

\$8,015 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, 2026.

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
2026	\$ 20,683
2027	(7,475)
2028	(5,698)
2029	(3,606)

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

Actuarial Assumptions

The total OPEB liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
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 107% 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 113% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 87% for males and 88% for females. Mortality rates are projected from 2010 using the MP-2021 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, 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37.00%	4.00%
Small Cap Domestic Equities	7.00%	6.00%
Domestic Fixed income	27.00%	3.29%
International Equities	29.00%	7.00%

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, 2025

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, 2025, 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	\$ 129,806	\$ 87,839	\$ 52,458

NOTE 12 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 \$1,412,035 for 2025, 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:

American Airlines	4.09%
Avis/Budget Rental	3.42%
Delta Air Lines, Inc.	5.06%
Enterprise Rental	4.04%
Fargo Jet Center	5.00%
National Rental	4.19%
Overland West, Inc.	3.27%
SP Plus	48.79%
United Airlines	4.28%

NOTE 13 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 (NDIRF) entity risk pool established by certain municipalities ("members") to provide liability coverage. The Authority's payments to the NDIRF are displayed on the financial statements as expenditures in the appropriate fund. The purpose of the NDIRF 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 NDIRF. The Authority does not exercise any control over the activities of the NDIRF.

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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

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 14 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, 2025, the Authority earned PFC's of \$2,474,956.

NOTE 15 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, 2025, 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 16 CURRENT VULNERABILITY DUE TO CERTAIN CONDITIONS

The Authority received approximately 35% of its funding from federal sources for the year ended December 31, 2025. As of the date of these financial statements, there is uncertainty regarding the continued availability or adequacy of this funding in future periods.

The operations of the Authority are subject to the administrative directives, rules and regulations of federal regulatory agencies, including, but not limited to, the Department of Transportation. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by FAA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 17 CORRECTION OF ERROR

An error correction was made to net position to correct ending balances in the prior year relating to construction in progress, which was understated by \$2,424,871.

NOTE 18 NEW PRONOUNCEMENTS

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2025

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

GASB Statement No. 105, *Subsequent Events*, defines subsequent events as transactions or other events occurring after the financial statement date but before the statements are available for issuance. Financial statements are considered available for issuance when they are complete in accordance with generally accepted accounting principles and have received all required approvals. The Statement also requires disclosure of the date through which subsequent events were evaluated and clarifies the distinction between recognized and nonrecognized subsequent events, including related note disclosure requirements. This statement is effective for fiscal years beginning after June 15, 2026. Earlier application is encouraged.

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

NOTE 19 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Authority's year end. Subsequent events have been evaluated through March 31, 2026, 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:					
2025	\$ 130,476	\$ (130,476)	-	\$ 1,531,067	8.52%
2024	126,793	(126,793)	-	1,442,841	8.79%
2023	101,314	(101,314)	-	1,306,458	7.75%
2022	90,312	(90,312)	-	1,199,086	7.53%
Law Enforcement:					
2025	\$ 71,515	\$ (71,515)	-	\$ 780,735	9.16%
2024	68,422	(68,422)	-	746,971	9.16%
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
2025	\$ 16,117	\$ (16,117)	-	\$ 1,413,795	1.14%
2024	15,329	(15,329)	-	1,344,683	1.14%
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:					
2025	0.1028%	\$ 1,635,105	\$ 1,531,067	106.80%	73.63%
2024	0.1068%	1,997,017	1,442,841	138.41%	68.02%
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:					
2025	4.21674%	\$ (50,221)	\$ 772,310	-6.50%	104.29%
2024	4.45331%	53,480	706,652	7.57%	95.26%
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.

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 - CONTINUED
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

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
2025	0.133546%	\$ 87,839	\$ 1,387,425	6.33%	75.94%
2024	0.124569%	107,635	1,291,416	8.33%	68.35%
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, 2025

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 an 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

The actuarial assumptions used in the actuarial valuation as of July 1, 2025 were based on an experience review for the period from July 1, 2019 to July 1, 2024, and were adopted for first use commencing with the actuarial valuation as of July 1, 2025.

NDPERS Law Enforcement System

Changes of Benefit Terms

All benefit terms are the same as the valuation dated July 1, 2025.

Changes of Assumptions

The actuarial assumptions used in the actuarial valuation as of July 1, 2025 were based on an experience review for the period from July 1, 2019 to July 1, 2024, and were adopted for first use commencing with the actuarial valuation as of July 1, 2025.

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, 2024.

Changes of Assumptions

The actuarial assumptions used in the actuarial valuation as of July 1, 2025 were based on an experience review for the period from July 1, 2019 to July 1, 2024, and were adopted for first use commencing with the July 1, 2025 actuarial valuation. The following assumptions were changed: price inflation, salary increase rates, retirement rates, turnover rates, disability rates, RHIC participation rates, and mortality rates.

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, 2025, 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 31, 2026.

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. We identified a certain deficiency in internal control, described in the accompany schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

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 response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
GRAND FORKS, NORTH DAKOTA

March 31, 2026

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, 2025. 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, 2025.

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 our 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
GRAND FORKS, NORTH DAKOTA

March 31, 2026

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, 2025

<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	\$ <u>26,542,110</u>
Total Expenditures of Federal Awards		\$ <u><u>26,542,110</u></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, 2025. 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, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Non-compliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,000,000
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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MUNICIPAL AIRPORT AUTHORITY OF THE CITY OF FARGO, ND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

**2025-001 Preparation of Financial Statements and Schedule of Expenditures of
Federal Awards – Material Weakness**

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 and apply journal entries to report in accordance with GAAP requirements.

Cause

The Authority elected to not allocate resources for the preparation of the financial statements and SEFA and does not have an internal control system designed to identify all necessary adjustments.

Effect

There is an increased risk of material misstatement to the Authority's financial statements and SEFA and the possibility that it would not be prevented or detected.

Repeat Finding

See 2024-001.

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, 2025

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, 2025

**2024-001 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 2025-001.



**FARGO HECTOR
INTERNATIONAL
AIRPORT**

**MUNICIPAL AIRPORT AUTHORITY
OF THE
CITY OF FARGO**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2025**

2025-001

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.