

**HILLSBORO MUNICIPAL AIRPORT**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**WITH INDEPENDENT AUDITOR'S REPORT**

# HILLSBORO MUNICIPAL AIRPORT

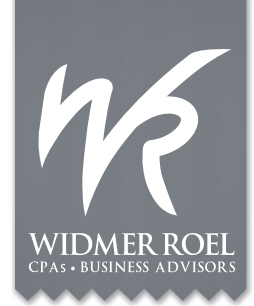
## TABLE OF CONTENTS

	<u>Page(s)</u>
Board of Airport Directors	1
Independent Auditor's Report	2 - 4
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position - Modified Cash Basis	5
Statement of Activities - Modified Cash Basis	6
Balance Sheet - Modified Cash Basis - Governmental Funds	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	8
Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis - Governmental Funds	9
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis	10
Notes to Financial Statements	11 - 15
<b>SUPPLEMENTARY INFORMATION</b>	
Schedules of Expenditures of Federal Awards - Modified Cash Basis	16
Notes to the Schedules of Expenditures of Federal Awards	17
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18 - 19
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	20 - 22
Schedule of Findings and Questioned Costs	23 - 25
Schedule of Prior Audit Findings	26

**HILLSBORO MUNICIPAL AIRPORT**  
**BOARD OF AIRPORT DIRECTORS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Kyle Klapper  
Devon Cote  
Randall Aarestad  
Jon Aslesen  
Don Hanson

President  
Treasurer  
Secretary  
Board Member  
Board Member



4220 31st Avenue S.  
Fargo, ND 58104-8725

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

## INDEPENDENT AUDITOR’S REPORT

Board of Airport Directors  
**Hillsboro Municipal Airport**  
Hillsboro, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the modified cash basis financial statements of the governmental activities and the major fund of the **Hillsboro Municipal Airport** (Airport Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise **Hillsboro Municipal Airport’s** basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and major fund of **Hillsboro Municipal Airport** as of December 31, 2023, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 **Hillsboro Municipal Airport**, 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 opinions.

#### *Emphasis of Matter - Basis of Accounting*

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

### ***Responsibilities of Management for the Financial Statements***

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

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 **Hillsboro Municipal Airport'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 opinions. 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 GAAS and *Government Auditing Standards* (GAS) 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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 the **Hillsboro Municipal Airport'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 the **Hillsboro Municipal Airport'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Hillsboro Municipal Airport's** basic financial statements. *The schedule of expenditures of federal awards and notes to the 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, are presented for purposes of additional analysis and are 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of expenditures of federal awards and notes to the schedule 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 list of board of airport directors but does not include the basic financial statements and our auditor's report thereon. Our opinions 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 October 31, 2025, on our consideration of the **Hillsboro Municipal Airport'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 Airport'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 **Hillsboro Municipal Airport's** internal control over financial reporting and compliance.



Fargo, North Dakota  
October 31, 2025

**HILLSBORO MUNICIPAL AIRPORT**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 233,577
Capital assets, not being depreciated	
Land	829,464
Construction in progress	2,435,797
Capital assets, net of accumulated depreciation	
Buildings	926,792
Equipment	10,794
Improvements	<u>7,606,473</u>
Total assets	<u>\$ 12,042,897</u>
<b>LIABILITIES</b>	
Current portion of long-term debt	\$ 9,975
Long-term liabilities	
Long-term debt, net of current portion	<u>272,106</u>
Total liabilities	<u>282,081</u>
<b>NET POSITION</b>	
Net investment in capital assets	11,527,239
Unrestricted	<u>233,577</u>
Total net position	<u>11,760,816</u>
Total liabilities and net position	<u>\$ 12,042,897</u>

**HILLSBORO MUNICIPAL AIRPORT**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

		<b>Program Revenues</b>				<b>Net Revenue (Expense) and Change in Net Position Total</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>		
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 871,513	\$ 67,322	\$ 52,755	\$ 2,505,438	\$	1,754,002
Interest on long-term debt	5,747	-	-	-	\$	(5,747)
Total governmental activities	\$ 877,260	\$ 67,322	\$ 52,755	\$ 2,505,438	\$	1,748,255
<b>GENERAL REVENUES</b>						
Property taxes					\$	36,414
Miscellaneous revenues						27,069
Total general revenues						63,483
Change in net position						1,811,738
Net position - January 1						9,949,078
Net position - December 31					\$	11,760,816

**HILLSBORO MUNICIPAL AIRPORT**  
**BALANCE SHEET – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>233,577</u>
<b>FUND BALANCES</b>	
Unassigned	
General fund	\$ <u>233,577</u>

**HILLSBORO MUNICIPAL AIRPORT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2023**

<b>Total fund balances for governmental funds</b>	\$	233,577
<p>Total net position reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds</p>		
Cost of capital assets		15,460,739
Less accumulated depreciation		(3,651,419)
<p>Long-term liabilities applicable to the Airport's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statements of net position.</p>		
Long-term debt		<u>(282,081)</u>
<b>Total net position of governmental activities</b>	<b>\$</b>	<b><u><u>11,760,816</u></u></b>

**HILLSBORO MUNICIPAL AIRPORT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**– MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 36,414
State revenue	264,316
Federal revenue	2,241,122
Charges for services	67,322
Leases and rental income	52,755
Miscellaneous	<u>27,070</u>
 Total revenues	 <u>2,688,999</u>
<b>EXPENDITURES</b>	
General government	151,238
Capital outlay	2,378,423
Debt service	
Principal	9,777
Interest	<u>5,747</u>
 Total expenditures	 <u>2,545,185</u>
 Excess of revenues over expenditures	 <u>143,814</u>
 <b>FUND BALANCES - January 1</b>	 <u>89,763</u>
 <b>FUND BALANCES - December 31</b>	 \$ <u><u>233,577</u></u>

**HILLSBORO MUNICIPAL AIRPORT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT**  
**OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Net change in fund balances - total governmental funds** \$ 143,814

Amount reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Current year capital outlay	2,371,526	
Depreciation expense	<u>(713,379)</u>	1,658,147

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

9,777

**Change in net position of governmental activities** \$ 1,811,738

**HILLSBORO MUNICIPAL AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations*

The Hillsboro Municipal Airport, Hillsboro, North Dakota (“Airport Authority”), operates under Chapter 2-06 of the North Dakota Century Code, as applicable to airport authorities. The accounting policy of the Hillsboro Municipal Airport is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Airport Authority’s accounting policies are described below.

*Reporting Entity*

The accompanying financial statements present the activities of the Airport Authority. The Airport Authority has considered all potential component units for which the Airport Authority is financially accountable and other organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority’s financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization’s governing body and (1) the ability of the Airport Authority to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Airport Authority. Based on these criteria, there are no component units to be included within the Airport Authority as a reporting entity.

*Basis of Presentation*

*Government-wide statements:* The statement of net position and the statement of activities report information about the primary government of **Hillsboro Municipal Airport**. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Airport Authority’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and miscellaneous revenues, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Airport Authority’s general fund. The emphasis of fund financial statements is on the major governmental fund, displayed in a separate column.

The Airport Authority reports the following major governmental fund:

*General Fund.* This is the Airport Authority’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**HILLSBORO MUNICIPAL AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

***Measurement Focus and Basis of Accounting***

In the government-wide financial statement of net position and statement of activities, governmental activities are reported using the economic resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the Airport Authority's financial statements. Only capital assets and long-term debt (when applicable) are recorded under the basis of accounting described above. They are included on the statement of net position.

***Cash and Cash Equivalents***

Hillsboro Municipal Airport's cash and cash equivalents are demand deposits.

***Capital Assets***

Capital assets include property, plant and equipment. Capital assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method of the following estimated useful lives:

Buildings	25 to 100 years
Airport Improvements	15 to 40 years
Equipment	5 to 20 years

***Long-Term Liabilities***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

When applicable, in the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**HILLSBORO MUNICIPAL AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

***Fund Balances***

*Fund Balance Spending Policy.* It is the policy of the Airport Authority to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Airport Authority to spend unrestricted fund resources in the following order: committed, assigned, and then unassigned.

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside third parties (state and federal governments for various grants and reimbursements).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

***Net Position***

Net position represents the difference between assets and liabilities. Net position is classified in the following categories:

***Net Investment in Capital Assets*** – This amount consists of capital assets net of accumulated depreciation and is reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. These assets are not available for future spending.

***Restricted Net Position*** – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

***Unrestricted Net Position*** – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

In accordance with North Dakota Statutes, the Airport Authority maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

**HILLSBORO MUNICIPAL AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

At the year ended December 31, 2023, the Airport Authority's carrying amount of deposits was \$233,577 and the bank balances were \$253,722. Of the bank balances, \$250,000 was covered by Federal Deposit Insurance. The remaining bank balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land	\$ 829,464	\$ -	\$ -	\$ -	\$ 829,464
Construction in progress	98,000	2,337,797	-	-	2,435,797
Total capital assets not being depreciated	<u>927,464</u>	<u>2,337,797</u>	<u>-</u>	<u>-</u>	<u>3,265,261</u>
Capital assets, being depreciated					
Buildings	1,341,177	-	-	-	1,341,177
Equipment	346,588	-	-	-	346,588
Improvements	10,518,984	33,729	45,000	-	10,507,713
Total capital assets, being depreciated	<u>12,206,749</u>	<u>33,729</u>	<u>45,000</u>	<u>-</u>	<u>12,195,478</u>
Less accumulated depreciation for					
Buildings	365,615	48,770	-	-	414,385
Equipment	330,812	4,982	-	-	335,794
Improvements	2,286,613	659,627	45,000	-	2,901,240
Total accumulated depreciation	<u>2,983,040</u>	<u>713,379</u>	<u>45,000</u>	<u>-</u>	<u>3,651,419</u>
Total capital assets, being depreciated, net	<u>9,223,709</u>	<u>(679,650)</u>	<u>-</u>	<u>-</u>	<u>8,544,059</u>
Governmental activities capital assets, net	<u>\$ 10,151,173</u>	<u>\$ 1,658,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,809,320</u>

Depreciation expense totaling \$713,379 for 2023 was charged to the General Government function.

**NOTE 4 – LONG-TERM LIABILITIES**

***Changes in Long-Term Liabilities***

During the year ended December 31, 2023, the following changes occurred in liabilities reported in the long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 291,858	\$ -	\$ 9,777	\$ 282,081	\$ 9,975
Total long-term debt	<u>\$ 291,858</u>	<u>\$ -</u>	<u>\$ 9,777</u>	<u>\$ 282,081</u>	<u>\$ 9,975</u>

(Continued)

**HILLSBORO MUNICIPAL AIRPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

The following represent the required payments on the long-term debt:

<b>Bonds Payable</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 9,975	\$ 5,549	\$ 15,524
2025	10,176	5,348	15,524
2026	10,381	5,143	15,524
2027	10,591	4,933	15,524
2028	10,805	4,719	15,524
2029-2033	57,384	20,236	77,620
2034-2038	63,414	14,206	77,620
2039-2043	70,077	7,543	77,620
2044-2048	39,278	1,059	93,144
	<u>\$ 282,081</u>	<u>\$ 68,736</u>	<u>\$ 403,624</u>

**NOTE 5 – RISK MANAGEMENT**

The Airport 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.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (“NDIRF”), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Airport Authority pays an annual premium to NDIRF for its general liability, automobile, and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$325,000 for public assets.

Hillsboro Municipal Airport also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Airport Authority pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period.

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

**NOTE 6 – RELATED PARTIES**

The Airport Authority has its bank accounts at Red River State Bank in Halstad, MN; all balances were fully FDIC insured as of December 31, 2023. One of the Airport Authority’s board members is employed at Red River State Bank or divisions thereof.

**NOTE 7 – CONSTRUCTION COMMITMENTS**

The Airport Authority had outstanding construction commitments at December 31, 2023, of \$465,247.

**HILLSBORO MUNICIPAL AIRPORT**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023**

**HILLSBORO MUNICIPAL AIRPORT**

**SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS – MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2023**

<b>Federal Grantor/ Pass- Through Grantor/Program or Cluster Title</b>	<b>Federal ALN Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>2023</b>
U.S. Federal Aviation Administration Airport Improvement Program	20.106	N/A	<u>2,115,828</u>
Total U.S. Federal Aviation Administration			\$ <u><u>2,115,828</u></u>

**HILLSBORO MUNICIPAL AIRPORT**  
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Hillsboro Municipal Airport under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Hillsboro Municipal Airport, it is not intended to and does not present the financial position or changes in net assets of Hillsboro Municipal Airport. Expenditures represent only the federally funded portions of the program. Airport Authority records should be consulted to determine amounts expended or matched from non-federal sources.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

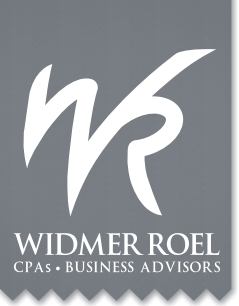
Expenditures reported on the schedule are presented on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – INDIRECT COST RATE**

Hillsboro Municipal Airport has not elected to use the 10 percent de minimis cost rate as allowed under Uniform Guidance.

**NOTE 4 – PASS THROUGH GRANT NUMBER**

For Federal Pass-through programs marked “N/A”, Hillsboro Municipal Airport was unable to obtain a pass-through grant number.



4220 31st Avenue S.  
Fargo, ND 58104-8725

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

**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***

*Independent Auditor's Report*

Board of Airport Directors  
**Hillsboro Municipal Airport**  
Hillsboro, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of **Hillsboro Municipal Airport** as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise **Hillsboro Municipal Airport's** basic financial statements, and have issued our report thereon dated October 31, 2025.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered **Hillsboro Municipal Airport'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Hillsboro Municipal Airport's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Hillsboro Municipal Airport's** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying *schedule of audit findings and questioned costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying *schedule of audit findings and questioned costs* as items 2023-001 and 2023-002 to be material weaknesses.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether **Hillsboro Municipal Airport** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

### ***Hillsboro Municipal Airport's Response to Findings***

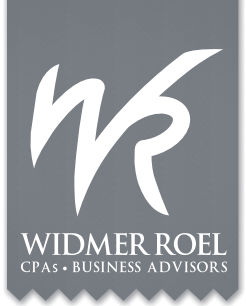
*Government Auditing Standards* requires the auditor to perform limited procedures on **Hillsboro Municipal Airport's** response to the findings identified in our engagement and described in the *accompanying schedule of findings and questioned costs*. **Hillsboro Municipal Airport's** response was not subjected to the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Widmer Poel" followed by a stylized flourish.

Fargo, North Dakota  
October 31, 2025



4220 31st Avenue S.  
Fargo, ND 58104-8725

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED  
BY THE UNIFORM GUIDANCE**

*Independent Auditor’s Report*

Board of Airport Directors  
**Hillsboro Municipal Airport**  
Hillsboro, North Dakota

**Report on Compliance for Each Major Federal Program**

***Opinion on the Major Federal Program***

We have audited **Hillsboro Municipal Airport’s** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on **Hillsboro Municipal Airport’s** major federal program for the year ended December 31, 2023. **Hillsboro Municipal Airport’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, **Hillsboro Municipal Airport** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the years ended December 31, 2023.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 **Hillsboro Municipal Airport** 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 the major federal program. Our audit does not provide a legal determination of **Hillsboro Municipal Airport’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 **Hillsboro Municipal Airport's** major federal program.

### ***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 **Hillsboro Municipal Airport'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 GAAS, *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, misrepresentation, 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 judgement made by a reasonable user of the report on compliance about **Hillsboro Municipal Airport's** compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 **Hillsboro Municipal Airport'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 **Hillsboro Municipal Airport'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 **Hillsboro Municipal Airport'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 compliance requirement 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, 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 have not been 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.

A handwritten signature in black ink, appearing to read "Wilmer Poel" followed by a stylized flourish.

Fargo, North Dakota  
October 31, 2025

**HILLSBORO MUNICIPAL AIRPORT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unmodified-Modified Cash Basis	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>      </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

**Federal Awards**

Internal control over major programs:		
Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>      </u> yes	<u>  X  </u> none reported

Type of auditor’s report issued on compliance for major programs:	
Airport Improvement Program (20.106)	Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?	<u>      </u> yes	<u>  X  </u> no
--	-------------------	-----------------

Identification of major programs:

<b>ALN Number</b>	<b>Name of Federal Program</b>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:	<u>  \$750,000  </u>
--	----------------------

Auditee qualified as <u>low-risk</u> auditee?	<u>      </u> yes	<u>  X  </u> no
---	-------------------	-----------------

**HILLSBORO MUNICIPAL AIRPORT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2023-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES**

*Condition*

The Airport Authority has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

*Criteria*

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Airport Authority.

*Cause*

Management has chosen to allocate economic resources to other functions of the Airport Authority.

*Effect*

The lack of segregation of duties increases the risk of material misstatement to the Airport Authority's financial statements, whether due to error or fraud.

*Recommendation*

To mitigate the risk associated with the lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official, such as a board member.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

*Views of Responsible Officials*

We agree. The local airport is run off of volunteer staff and has no resources to hire full time accounting staff. The board will continue to offer as much oversight as possible including monthly review of financial statements and all transactions.

**HILLSBORO MUNICIPAL AIRPORT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**2023-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION**

***Condition***

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with the modified cash basis of accounting.

***Criteria***

As a matter of internal control, management should be responsible for and capable of preparing financial statements, notes to the financial statements, and the schedule of expenditures of federal awards in conformity with the modified cash basis of accounting.

***Cause***

Hillsboro Municipal Airport feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

***Effect***

Without the assistance of the auditors, the financial statements, and the schedule of expenditures of federal awards could be misstated or omit material financial statement disclosures.

***Recommendation***

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

***Views of Responsible Officials***

We agree. Hillsboro Municipal Airport will review the procedures in place and will adopt additional measures that may be identified to ensure financial statements are complete and accurate.

**SECTION III – MAJOR FEDERAL AWARD PROGRAMS FINDINGS**

**NONE NOTED**

# HILLSBORO MUNICIPAL AIRPORT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2023

### 2021-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

#### *Condition*

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

#### *Recommendation*

This condition is not unusual in small government entities, and our audit procedures found that the volunteer board is actively involved in the financial and other matters of the Airport Authority. However, we recommend the governing board be aware of the risk associated with the size of the organization and continue to exercise oversight.

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the Airport Authority implement and/or continue the following:

- Continue to review and approve all significant financial transactions. Include or attach listing of transactions with official minutes.
- Continue to review detailed financial statements of the Airport Authority on a regular basis.
- Continue to review and approve all significant contracts and agreements.
- Consider having checks signed by a board member other than treasurer (this may, but need not necessarily include implementation of dual signatures on checks).
- Consider having a separate board member review and initial bank reconciliation.

#### *Current Status*

Partially implemented. The local airport is run off of volunteer staff and has no resources to hire full time accounting staff. The board will continue to offer as much oversight as possible including monthly review of financial statements and all transactions.

### 2021-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

#### *Condition*

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with the modified cash basis of accounting.

#### *Recommendation*

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

#### *Current Status*

Partially implemented. Hillsboro Municipal Airport will review the procedures in place and will adopt additional measures that may be identified to ensure financial statements are complete and accurate.

# Hillsboro Municipal Airport

PO Box 242  
Hillsboro, ND 58045

10/20/2025

## VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

The Hillsboro Municipal Airport respectfully submits the following views of responsible officials and planned corrective action for the years ended December 31, 2023.

Name and address of independent public accounting firm:

Widmer Roel PC  
4220 31st Avenue S  
Fargo, ND 58104

Audit period: December 31, 2023

Contact Person: Devon Cote, Treasurer

The findings from the December 31, 2023 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### 2023-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

#### *Condition*

The Airport Authority has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

#### *Views of Responsible Officials and Corrective Action Plan*

The local airport is run off of volunteer staff and has no resources to hire full time accounting staff. The board will continue to offer as much oversight as possible including monthly review of financial statements and all transactions.

*Anticipated Completion Date:* Ongoing

### 2023-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

#### *Condition*

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures and the schedule of expenditures of federal awards, in conformity with the modified cash basis of accounting.

(Continued)

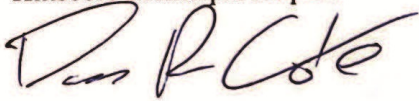
*Views of Responsible Officials and Corrective Action Plan*

Hillsboro Municipal Airport will review the procedures in place and will adopt additional measures that may be identified to ensure financial statements are complete and accurate.

*Anticipated Completion Date:* Ongoing

Sincerely yours,

Devon Cote, Treasurer  
Hillsboro Municipal Airport

A handwritten signature in black ink, appearing to read "Devon R. Cote". The signature is written in a cursive style with a large initial "D" and "C".