

OFFICE OF THE STATE AUDITOR

AUDIT REPORT

**WAHPETON AIRPORT AUTHORITY
WAHPETON, NORTH DAKOTA**

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**



WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2014 and 2013

	<u>Page(s)</u>
Airport Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
2014	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	9
2013	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet - Governmental Funds	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	15
Notes to the Financial Statements	16 - 22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund - 2014	23
Budgetary Comparison Schedule - General Fund - 2013	24
Notes to the Required Supplementary Information	25
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>	26 - 27
Schedule of Findings and Questioned Costs	28 - 29

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

AIRPORT OFFICIALS

December 31, 2014

Jim Aldrich	Chairman
Allen Yaggie	Vice-Chairman
Larry Merbach	Board Member
Dr. Michael Jacklitch	Board Member
Marlin Galde	Board Member
Karla Schimelfenig	Bookkeeper/Clk

December 31, 2013

Jim Aldrich	Chairman
Allen Yaggie	Vice-Chairman
Larry Merbach	Board Member
Dr. Michael Jacklitch	Board Member
Marlin Galde	Board Member
Karla Schimelfenig	Bookkeeper/Clk

STATE AUDITOR

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Board of Airport Commissioners
Wahpeton Airport Authority
Wahpeton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Wahpeton Airport Authority, Wahpeton, North Dakota, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Wahpeton Airport Authority, Wahpeton, North Dakota, as of December 31, 2014 and 2013, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

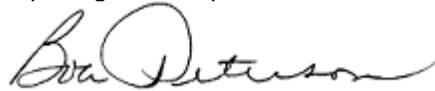
Required Supplementary Information

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 23-24 be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015 on our consideration of the Wahpeton Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Wahpeton Airport Authority's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
March 27, 2015

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

STATEMENT OF NET POSITION
December 31, 2014

	<u>Primary Government Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 227,454
Due from County	238
Accounts Receivable	1,070
Taxes Receivable	930
Capital Assets (Net Being Depreciated):	
Land	921,181
Capital Assets (Net of Depreciation):	
Buildings	422,005
Machinery and Equipment	955,190
Runway and Taxi Strips	3,944,662
Total Capital Assets	<u>\$ 6,243,038</u>
Total Assets	<u>\$ 6,472,730</u>
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 20,599</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 6,243,038
Unrestricted	<u>209,093</u>
Total Net Position	<u><u>\$ 6,452,131</u></u>

The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 227,454
Due from County	238
Accounts Receivable	1,070
Taxes Receivable	<u>930</u>
Total Assets	<u>\$ 229,692</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	
<u>Liabilities:</u>	
Accounts Payable	\$ 20,599
<u>Deferred Inflows of Resources:</u>	
Uncollected Taxes Receivable	<u>930</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 21,529</u>
<u>Fund Balances:</u>	
Unassigned:	
General Fund	<u>\$ 208,163</u>
Total Fund Balances	<u>\$ 208,163</u>
Total Liabilities and Fund Balances	<u>\$ 229,692</u>

The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2014

Total <i>Fund Balances</i> of Governmental Funds		\$ 208,163
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	\$ 11,003,234	
Less Accumulated Depreciation	<u>(4,760,196)</u>	
Net Capital Assets		6,243,038
Property taxes receivable will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore reported as deferred revenues in the funds.		
		<u>930</u>
Total Net Position - Governmental Activities		<u><u>\$ 6,452,131</u></u>

The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	<u>General Fund</u>
<u>Revenues:</u>	
Taxes	\$ 57,495
Intergovernmental	7,627
Lease and Rent Income	103,326
Interest Income	79
Miscellaneous	<u>2,470</u>
Total Revenues	<u>\$ 170,997</u>
<u>Expenditures:</u>	
Current:	
General Government	\$ 178,285
Capital Outlay	<u>32,767</u>
Total Expenditures	<u>\$ 211,052</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (40,055)</u>
Fund Balances - January 1	<u>\$ 248,218</u>
Fund Balances - December 31	<u><u>\$ 208,163</u></u>

The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ (40,055)

The change in net position reported for governmental activities in the statement of activities is 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. This is the amount by which depreciation exceeded capital outlays in the current year.

Capital Asset Additions	\$ 35,649	
Current Year Depreciation Expense	<u>(451,392)</u>	(415,743)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Retainage Payable		9,627
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net change in taxes receivable.

	<u>(378)</u>
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Change in Net Position of Governmental Activities		<u>\$ (446,549)</u>
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The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

STATEMENT OF NET POSITION
December 31, 2013

	<u>Primary Government Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 259,317
Due from County	191
Accounts Receivable	1,415
Taxes Receivable	1,308
Capital Assets (Not Being Depreciated):	
Land	921,181
Construction in Progress	135,529
Capital Assets (Net of Depreciation):	
Buildings	463,259
Machinery and Equipment	1,074,034
Runway and Taxi Strips	4,064,778
Total Capital Assets	<u>\$ 6,658,781</u>
Total Assets	<u>\$ 6,921,012</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 12,705
Retainage Payable	<u>9,627</u>
Total Liabilities	<u>\$ 22,332</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 6,658,781
Unrestricted	<u>239,899</u>
Total Net Position	<u>\$ 6,898,680</u>

The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				Governmental Activities
General Government	\$ 631,892	\$ 108,828	\$ 95,365	\$ 134,991
				\$ (292,708)
<u>General Revenues:</u>				
Taxes:				
				\$ 52,327
				58
				31,022
				<u>\$ 83,407</u>
				<u>\$ (209,301)</u>
				<u>\$ 7,107,981</u>
				<u>\$ 6,898,680</u>

The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 259,317
Due from County	191
Accounts Receivable	1,415
Taxes Receivable	<u>1,308</u>
Total Assets	<u>\$ 262,231</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	
<u>Liabilities:</u>	
Accounts Payable	\$ 12,705
<u>Deferred Inflows of Resources:</u>	
Uncollected Taxes Receivable	<u>1,308</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 14,013</u>
<u>Fund Balances:</u>	
Unassigned:	
General Fund	<u>\$ 248,218</u>
Total Fund Balances	<u>\$ 248,218</u>
Total Liabilities and Fund Balances	<u>\$ 262,231</u>

The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2013

Total *Fund Balances* of Governmental Funds \$ 248,218

Total *net position* reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 10,967,585	
Less Accumulated Depreciation	<u>(4,308,804)</u>	
Net Capital Assets		6,658,781

Property taxes receivable will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore reported as deferred revenues in the funds.

1,308

Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position. Balances at December 31, 2013 are:

Retainage Payable	<u>(9,627)</u>
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Total Net Position - Governmental Activities \$ 6,898,680

The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	General Fund
<u>Revenues:</u>	
Taxes	\$ 52,922
Intergovernmental	230,356
Lease and Rent Income	108,828
Interest Income	58
Miscellaneous	<u>31,022</u>
Total Revenues	<u>\$ 423,186</u>
<u>Expenditures:</u>	
Current:	
General Government	\$ 136,185
Capital Outlay	<u>173,070</u>
Total Expenditures	<u>\$ 309,255</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 113,931</u>
Fund Balances - January 1	<u>\$ 134,287</u>
Fund Balances - December 31	<u><u>\$ 248,218</u></u>

The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 113,931

The change in net position reported for governmental activities in the statement of activities is 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. This is the amount by which depreciation exceeded capital outlays in the current year.

Capital Asset Additions	\$ 135,529	
Current Year Depreciation Expense	<u>(448,539)</u>	(313,010)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Retainage Payable		(9,627)
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net change in taxes receivable.

		<u>(595)</u>
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Change in Net Position of Governmental Activities

		<u><u>\$(209,301)</u></u>
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The notes to the financial statements are an integral part of this statement.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wahpeton Airport Authority, Wahpeton, North Dakota, operates under Chapter 2-06 of the North Dakota Century Code. The financial statements of the Wahpeton Airport Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the Wahpeton 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. The Governmental Accounting Standards Board 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 Wahpeton 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 Wahpeton Airport Authority.

Based on these criteria, there are no component units to be included within the Wahpeton Airport Authority as a reporting entity.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government of the Wahpeton Airport Authority. These statements include the financial activities of the overall government. 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 taxes, interest and non-restricted grants and contributions, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the airport authority's general fund. Separate statements for each fund category-*governmental* are presented. The emphasis of fund financial statements is on the major governmental fund, displayed in a separate column.

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements – Continued

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Airport authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Airport Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Airport Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, both restricted and unrestricted net position is available to finance the program. It is the Airport Authority's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost.

E. Capital Assets

Capital assets include property, plant and equipment. Capital assets are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the Airport Authority as assets with an initial, individual cost of \$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.

General infrastructure assets are reported for that acquired and constructed after January 1, 2004 and are reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as infrastructure projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements – Continued

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

Governmental and Business-type Activities:	Years
Buildings	40
Machinery and Equipment	5-15
Infrastructure	40
Vehicles	5
Runways and Taxi Strips	20
Office Equipment	3

F. Fund Balances and Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance. (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements – Continued

The airport reports unassigned fund balance in the balance sheet in the general fund at each year-end. The Airport has no other funds to report.

Net Position:

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

Net investment in capital assets in the statement of net position is shown for capital assets less accumulated depreciation, and less any related debt used to finance the purchase and construction of those capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Unrestricted net position consists of activity related to the general fund. The unrestricted net position is available to meet the Airport's ongoing obligations

NOTE 2: DEPOSITS AND INVESTMENTS

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.

At the year ended December 31, 2014, the Airport Authority's carrying amount of deposits was \$227,454 and the bank balances were \$227,487. Of these balances, \$227,487 was covered by Federal Depository Insurance. At the year ended December 31, 2013, the Airport Authority's carrying amount of deposits was \$259,317 and the bank balances were \$259,417. Of these balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances of \$9,417 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

The Airport Authority may invest idle funds as authorized in North Dakota Statutes, as follows:

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

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements – Continued

Concentration of Credit Risk:

The Airport Authority does not have a limit on the amount it may invest in any one issuer.

NOTE 3: DUE FROM COUNTY TREASURER

Due from county treasurer represents the amount of taxes collected prior to year-end by Richland County that remain on hand at the county, until they are distributed to the airport authority shortly after December 31, 2014 and 2013 for each year.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed to the authority by private individuals, organizations, and corporations for rental hangar income and commercial property income.

NOTE 5: TAXES RECEIVABLE

The taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes on or before February 15 and receive the 5% discount on the property taxes.

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2014 and 2013 for the airport:

Governmental Activities (2014):	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets not being depreciated:</i>					
Land	\$ 921,181	\$ -	\$ -	\$ -	\$ 921,181
Construction in Progress	135,529	35,649	-	(171,178)	-
Total Capital Assets, Not Being Depreciated	\$1,056,710	\$ 35,649	\$ -	\$171,178	\$ 921,181
<i>Capital assets being depreciated:</i>					
Buildings	\$ 851,485	\$ -	\$ -	\$ -	\$ 851,485
Runway and Taxi Strips	7,599,777	-	-	171,178	7,770,955
Machinery and Equipment	1,427,739	-	-	-	1,427,739
Apron	31,874	-	-	-	31,874
Total Capital Assets, Being Depreciated	\$9,910,875	\$ -	\$ -	\$171,178	\$10,082,053
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 388,226	\$ 41,254	\$ -	\$ -	\$ 429,480
Runway and Taxi Strips	3,534,999	291,294	-	-	3,826,293
Machinery and Equipment	353,705	111,844	-	-	472,549
Apron	31,874	-	-	-	31,874
Total Accumulated Depreciation	\$4,308,804	\$ 451,392	\$ -	\$ -	\$4,760,196
Total Capital Assets Being Depreciated, Net	\$5,602,071	\$(451,392)	\$ -	\$ -	\$5,321,857
Governmental Activities Capital Assets, Net	\$6,658,781	\$(415,743)	\$ -	\$ -	\$6,243,038

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements – Continued

Governmental Activities (2013):	Balance 1-1-13	Increases	Decreases	Transfers	Balance 12-31-13
<i>Capital assets not being depreciated:</i>					
Land	\$ 921,181	\$ -	\$ -	\$ -	\$ 921,181
Construction in Progress	-	135,529	-	-	135,529
Total Capital Assets, Not Being Depreciated	\$ 921,181	\$ 135,529	\$ -	\$ -	\$1,056,710
<i>Capital assets being depreciated:</i>					
Buildings	\$ 851,485	\$ -	\$ -	\$ -	\$ 851,485
Runway and Taxi Strips	7,599,777	-	-	-	7,599,777
Machinery and Equipment	1,433,889	-	6,150	-	1,427,739
Apron	31,874	-	-	-	31,874
Total Capital Assets, Being Depreciated	\$9,917,025	\$ -	\$6,150	\$ -	\$9,910,875
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 346,972	\$ 41,254	\$ -	\$ -	\$ 388,226
Runway and Taxi Strips	3,246,558	288,441	-	-	3,534,999
Machinery and Equipment	241,011	118,844	6,150	-	353,705
Apron	31,874	-	-	-	31,874
Total Accumulated Depreciation	\$3,866,415	\$ 448,539	\$6,150	\$ -	\$4,308,804
Total Capital Assets Being Depreciated, Net	\$6,050,610	\$(448,539)	\$ -	\$ -	\$5,602,071
Governmental Activities Capital Assets, Net	\$6,971,791	\$(313,010)	\$ -	\$ -	\$6,658,781

Depreciation expense was charged to functions/programs of the airport authority as follows:

Governmental Activities:	2014	2013
General Government	\$451,392	\$448,539

NOTE 7: ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2014 and 2013 for each year.

NOTE 8: DEFERRED INFLOWS

Deferred inflows of resources represent the amount reported on the balance sheet each year for uncollected taxes receivable. The amounts are not collected soon enough after year-end to pay current period expenditures, and thereby are reported as deferred.

NOTE 9: COMMITMENTS

The Wahpeton Airport Authority had the following commitments for construction contracts/projects in progress at year-end 2013 with various contractors for the NE Taxilane Extension project as follows:

Project & Contractor	Contract Amount	Total Completed	Remaining Balance	Retainage	Total
NE Taxilane Extension:					
Comstock Construction Inc.	\$110,180	\$96,266	\$13,914	\$9,627	\$23,541

NOTE 10: RISK MANAGEMENT

The Wahpeton 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.

WAHPETON AIRPORT AUTHORITYNotes to the Financial Statements – Continued

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its auto and mobile equipment and portable property insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence for automobile coverage and \$36,710 for public assets (mobile equipment and portable property) coverage. The Wahpeton Airport Authority purchases commercial insurance for general liability which has an aggregate limit of two million through the Old Republic Insurance Company.

The Wahpeton Airport Authority 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 one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Airport Authority has workers compensation with the North Dakota Workforce Safety and Insurance.

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

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 53,000	\$ 53,000	\$ 57,495	\$ 4,495
Intergovernmental	157,500	157,500	7,627	(149,873)
Lease and Rent Income	102,280	102,280	103,326	1,046
Interest Income	28	28	79	51
Miscellaneous	1,450	1,450	2,470	1,020
Total Revenues	\$ 314,258	\$ 314,258	\$ 170,997	\$ (143,261)
<u>Expenditures:</u>				
Current:				
General Government	\$ 123,220	\$ 123,220	\$ 178,285	\$ (55,065)
Capital Outlay	161,500	161,500	32,767	128,733
Total Expenditures	\$ 284,720	\$ 284,720	\$ 211,052	\$ 73,668
Excess (Deficiency) of Revenues Over Expenditures	\$ 29,538	\$ 29,538	\$ (40,055)	\$ (69,593)
Fund Balance - January 1	\$ 248,218	\$ 248,218	\$ 248,218	\$ -
Fund Balance - December 31	<u>\$ 277,756</u>	<u>\$ 277,756</u>	<u>\$ 208,163</u>	<u>\$ (69,593)</u>

The accompanying required supplementary information notes are an integral part of this schedule.

WAHPETON AIRPORT AUTHORITY
 Wahpeton, North Dakota
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 50,000	\$ 50,000	\$ 52,922	\$ 2,922
Intergovernmental	150,000	150,000	230,356	80,356
Lease and Rent Income	94,620	94,620	108,828	14,208
Interest Income	-	-	58	58
Miscellaneous	2,250	2,250	31,022	28,772
Total Revenues	<u>\$ 296,870</u>	<u>\$ 296,870</u>	<u>\$ 423,186</u>	<u>\$ 126,316</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 127,220	\$ 127,220	\$ 136,185	\$ (8,965)
Capital Outlay	169,650	169,650	173,070	(3,420)
Total Expenditures	<u>\$ 296,870</u>	<u>\$ 296,870</u>	<u>\$ 309,255</u>	<u>\$ (12,385)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,931</u>	<u>\$ 113,931</u>
Fund Balance - January 1	<u>\$ 134,287</u>	<u>\$ 134,287</u>	<u>\$ 134,287</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 134,287</u></u>	<u><u>\$ 134,287</u></u>	<u><u>\$ 248,218</u></u>	<u><u>\$ 113,931</u></u>

The accompanying required supplementary information notes are an integral part of this schedule.

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014 and 2013

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund. A budgetary comparison schedule is presented for the general fund.

- The Airport adopts an “appropriated budget” on the modified accrual basis of accounting.
- Annually on or before September tenth, the Airport prepares a preliminary budget.
- The preliminary budget includes the estimated revenues and appropriations for the general fund of the Airport.
- The Airport shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, the Airport shall make any changes in the items or amounts shown in the preliminary budget.
- The final budget must be filed with the county auditor before October 10th so that the county has adequate time to prepare the appropriate mill levy for the Airport.
- Each budget is controlled by the office clerk at the revenue and expenditure function/object level.
- The current budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

STATE AUDITOR

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STATE OF NORTH DAKOTA
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**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 Commissioners
Wahpeton Airport Authority
Wahpeton, 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 governmental activities, and the major fund of the Wahpeton Airport Authority as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Wahpeton Airport Authority's basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wahpeton Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wahpeton Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Wahpeton Airport Authority's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2014-01].

Compliance and Other Matters

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

WAHPETON AIRPORT AUTHORITY

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 - Continued

Airport's Response to Findings

Wahpeton Airport Authority's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Wahpeton Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
March 27, 2015

WAHPETON AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs - Continued

Recommendation:

We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the greatest extent possible to reduce the potential risk of loss.

Views of Responsible Officials / Planned Corrective Actions:

We agree with the recommendation. It is unlikely that complete proper segregation of duties will be financially feasible due to the airport authority's size and complexity. Expenditures are reviewed by the Governing Board to help reduce the potential risk of loss from the lack of segregation of duties.