

OFFICE OF STATE AUDITOR

AUDIT REPORT

WAHPETON AIRPORT AUTHORITY WAHPETON, NORTH DAKOTA

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011



WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

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For the Years Ended December 31, 2012 and 2011

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WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

AIRPORT OFFICIALS

December 31, 2012

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, 2011

Jim Aldrich	Chairman
Allen Yaggie	Vice-Chairman
Larry Merbach	Board Member
Dr. Michael Jacklitch	Board Member
Kathy Hammer	Board Member
Kathy Hammer	Clerk
Karla Schimelfenig	Bookkeeper

STATE AUDITOR

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

**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED
SUPPLEMENTARY INFORMATION AND OTHER INFORMATION**

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, 2012 and 2011, 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, 2012 and 2011, 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.

WAHPETON AIRPORT AUTHORITY

Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information - Continued

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 22-23 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 April 15, 2013 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

April 15, 2013

WAHPETON AIRPORT AUTHORITY
Wahpeton, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	<u>Primary Government Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 138,786
Accounts Receivable	3,430
Intergovernmental Receivable	9,077
Taxes Receivable	1,903
Capital Assets (Net Being Depreciated):	
Land	921,181
Capital Assets (Net of Depreciation):	
Buildings	504,513
Machinery and Equipment	1,192,878
Runway and Taxi Strips	4,353,219
Total Capital Assets	<u>\$ 6,971,791</u>
Total Assets	<u>\$ 7,124,987</u>
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 17,006</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 6,971,791
Unrestricted	<u>136,190</u>
Total Net Position	<u><u>\$ 7,107,981</u></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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 563,040	\$ 95,783	\$ 73,910	\$ 151,510	\$ (241,837)
Total Governmental Activities	<u>\$ 563,040</u>	<u>\$ 95,783</u>	<u>\$ 73,910</u>	<u>\$ 151,510</u>	<u>\$ (241,837)</u>
<u>General Revenues:</u>					
Taxes:					
Property taxes, levied for general purposes					\$ 50,315
Unrestricted Investment Earnings					2,210
Miscellaneous					<u>15,027</u>
Total General Revenues					<u>\$ 67,552</u>
Changes in Net Position					<u>\$ (174,285)</u>
Net Position - January 1					<u>\$ 7,282,266</u>
Net Position - December 31					<u>\$ 7,107,981</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, 2012

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 138,786
Accounts Receivable	3,430
Intergovernmental Receivable	9,077
Taxes Receivable	<u>1,903</u>
Total Assets	<u>\$ 153,196</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	
<u>Liabilities:</u>	
Accounts Payable	\$ 17,006
<u>Deferred Inflows of Resources:</u>	
Uncollected Taxes Receivable	<u>1,903</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 18,909</u>
<u>Fund Balances:</u>	
Unassigned:	
General Fund	<u>\$ 134,287</u>
Total Fund Balances	<u>\$ 134,287</u>
Total Liabilities and Fund Balances	<u>\$ 153,196</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, 2012

Total *Fund Balances* of Governmental Funds \$ 134,287

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	\$ 10,838,206	
Less Accumulated Depreciation	<u>(3,866,415)</u>	
Net Capital Assets		6,971,791

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.

1,903

Total Net Position - Governmental Activities \$ 7,107,981

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, 2012

	<u>General Fund</u>
<u>Revenues:</u>	
Taxes	\$ 50,279
Intergovernmental	225,420
Lease and Rent Income	95,783
Interest Income	2,210
Miscellaneous	<u>15,027</u>
Total Revenues	<u>\$ 388,719</u>
<u>Expenditures:</u>	
Current:	
General Government	\$ 366,861
Capital Outlay	<u>53,477</u>
Total Expenditures	<u>\$ 420,338</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (31,619)</u>
Fund Balances - January 1	<u>\$ 165,906</u>
Fund Balances - December 31	<u><u>\$ 134,287</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, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$ (31,619)

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	\$ 218,149	
Current Year Depreciation Expense	<u>(360,851)</u>	(142,702)

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.

36

Change in Net Position of Governmental Activities \$ (174,285)

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, 2011

	<u>Primary Government Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 30,199
Investments	160,000
Accounts Receivable	2,545
Intergovernmental Receivable	39,066
Taxes Receivable	1,867
Capital Assets (Not Being Depreciated):	
Land	775,903
Capital Assets (Net of Depreciation):	
Buildings	545,767
Machinery and Equipment	57,285
Runway and Taxi Strips	4,642,705
Construction in Progress	1,092,833
Total Capital Assets	<u>\$ 7,114,493</u>
Total Assets	<u>\$ 7,348,170</u>
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 65,904</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 7,114,493
Unrestricted	<u>167,773</u>
Total Net Position	<u><u>\$ 7,282,266</u></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, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General Government	\$ 496,637	\$ 62,628	\$ 260,406	\$ -	\$ (173,603)
Total Governmental Activities	<u>\$ 496,637</u>	<u>\$ 62,628</u>	<u>\$ 260,406</u>	<u>\$ -</u>	<u>\$ (173,603)</u>
<u>General Revenues:</u>					
Taxes:					
Property taxes, levied for general purposes					\$ 55,045
Unrestricted Investment Earnings					3,520
Miscellaneous					<u>2,744</u>
Total General Revenues					<u>\$ 61,309</u>
Changes in Net Position					<u>\$ (112,294)</u>
Net Position - January 1					<u>\$ 7,394,560</u>
Net Position - December 31					<u>\$ 7,282,266</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, 2011

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 30,199
Investments	160,000
Accounts Receivable	2,545
Intergovernmental Receivable	39,066
Taxes Receivable	<u>1,867</u>
Total Assets	<u>\$ 233,677</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	
<u>Liabilities:</u>	
Accounts Payable	\$ 65,904
<u>Deferred Inflows of Resources:</u>	
Uncollected taxes receivable	<u>1,867</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 67,771</u>
<u>Fund Balances:</u>	
Unassigned:	
General Fund	<u>\$ 165,906</u>
Total Fund Balances	<u>\$ 165,906</u>
Total Liabilities and Fund Balances	<u>\$ 233,677</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, 2011

Total *Fund Balances* of Governmental Funds \$ 165,906

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	\$ 10,620,057	
Less Accumulated Depreciation	<u>(3,505,564)</u>	
Net Capital Assets		7,114,493

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.

1,867

Total Net Position - Governmental Activities \$ 7,282,266

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, 2011

	General Fund
<u>Revenues:</u>	
Taxes	\$ 56,676
Intergovernmental	260,406
Lease and Rent Income	62,628
Interest Income	3,520
Miscellaneous	<u>2,744</u>
Total Revenues	<u>\$ 385,974</u>
<u>Expenditures:</u>	
Current:	
General Government	\$ 160,790
Capital Outlay	<u>245,000</u>
Total Expenditures	<u>\$ 405,790</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (19,816)</u>
Fund Balances - January 1	<u>\$ 185,722</u>
Fund Balances - December 31	<u><u>\$ 165,906</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, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ (19,816)

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	\$ 244,923	
Current Year Depreciation Expense	<u>(335,770)</u>	(90,847)

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. (1,631)

Change in Net Position of Governmental Activities \$ (112,294)

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, 2011 and 2012

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. The government-wide financial statements are reported using 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.

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
Office Equipment	3

F. Fund Balances and Net Position

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. 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.

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.

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements – Continued

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, 2012, the Airport Authority's carrying amount of deposits was \$138,786 and the bank balances were \$138,786. Of these balances, \$138,786 was covered by Federal Depository Insurance. At the year ended December 31, 2011, the Airport Authority's carrying amount of deposits was \$190,199 and the bank balances were \$190,699. Of these balances, \$190,699 was covered by Federal Depository Insurance.

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.

As of December 31, 2012, the Airport Authority held certificates of deposit in the amount of \$160,000, all of which are considered deposits. No certificates of deposit existed at December 31, 2012.

Concentration of Credit Risk:

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

NOTE 3: 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 4: TAXES RECEIVABLE

The taxes receivable represents the past four 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.

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements – Continued

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

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2011 and 2012 for the airport:

Governmental Activities (2011):	Balance 1-1-11	Increases	Decreases	Transfers	Balance 12-31-11
<i>Capital assets not being depreciated:</i>					
Land	\$ 775,903	\$ -	\$ -	\$ -	\$ 775,903
Construction in Progress	847,910	244,923	-	-	1,092,833
Total Capital Assets, Not Being Depreciated	\$1,623,813	\$ 244,923	\$ -	\$ -	\$1,868,736
<i>Capital assets being depreciated:</i>					
Buildings	\$ 851,485	\$ -	\$ -	\$ -	\$ 851,485
Runway and Taxi Strips	7,599,177	-	-	-	7,599,777
Machinery and Equipment	268,185	-	-	-	268,185
Apron	31,874	-	-	-	31,874
Total Capital Assets, Being Depreciated	\$8,751,321	\$ -	\$ -	\$ -	\$8,751,321
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 264,464	\$ 41,254	\$ -	\$ -	\$ 305,718
Runway and Taxi Strips	2,670,813	286,259	-	-	2,957,072
Machinery and Equipment	202,643	8,257	-	-	210,900
Apron	31,874	-	-	-	31,874
Total Accumulated Depreciation	\$3,169,794	\$ 335,770	\$ -	\$ -	\$3,505,564
Total Capital Assets Being Depreciated, Net	\$5,581,527	\$(335,770)	\$ -	\$ -	\$5,245,757
Governmental Activities Capital Assets, Net	\$7,205,340	\$ (90,847)	\$ -	\$ -	\$7,114,493

Governmental Activities (2012):	Balance 1-1-12	Increases	Decreases	Transfers	Balance 12-31-12
<i>Capital assets not being depreciated:</i>					
Land	\$ 775,903	\$ 145,278	\$ -	\$ -	\$ 921,181
Construction in Progress	1,092,833	72,871	-	(1,165,704)	-
Total Capital Assets, Not Being Depreciated	\$1,868,736	\$ 218,149	\$ -	\$(1,165,704)	\$ 921,181
<i>Capital assets being depreciated:</i>					
Buildings	\$ 851,485	\$ -	\$ -	\$ -	\$ 851,485
Runway and Taxi Strips	7,599,777	-	-	-	7,599,777
Machinery and Equipment	268,185	-	-	1,165,704	1,433,889
Apron	31,874	-	-	-	31,874
Total Capital Assets, Being Depreciated	\$8,751,321	\$ -	\$ -	\$ 1,165,704	\$9,917,025
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 305,718	\$ 41,254	\$ -	\$ -	\$ 346,972
Runway and Taxi Strips	2,957,072	289,486	-	-	3,246,558
Machinery and Equipment	210,900	30,111	-	-	241,011
Apron	31,874	-	-	-	31,874
Total Accumulated Depreciation	\$3,505,564	\$ 360,851	\$ -	\$ -	\$3,866,415
Total Capital Assets Being Depreciated, Net	\$5,245,757	\$(360,851)	\$ -	\$ 1,165,704	\$6,050,610
Governmental Activities Capital Assets, Net	\$7,114,493	\$(142,702)	\$ -	\$ -	\$6,971,791

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

Governmental Activities:	2012	2011
General Government	\$360,851	\$335,770

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements – Continued

NOTE 6: INTERGOVT. RECEIVABLE

Intergovernmental receivables consist of reimbursements due for expenses from an airport improvement project. These amounts consist of amounts due from the Federal Aviation Administration.

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, 2012 and 2011 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: 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.

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 \$255,910 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 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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 55,000	\$ 55,000	\$ 50,279	\$ (4,721)
Intergovernmental	157,500	157,500	225,420	67,920
Lease and Rent Income	62,620	62,620	95,783	33,163
Interest Income	3,130	3,130	2,210	(920)
Miscellaneous	1,750	1,750	15,027	13,277
Total Revenues	<u>\$ 280,000</u>	<u>\$ 280,000</u>	<u>\$ 388,719</u>	<u>\$ 108,719</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 122,500	\$ 122,500	\$ 366,861	\$ (244,361)
Capital Outlay	157,500	157,500	53,477	104,023
Total Expenditures	<u>\$ 280,000</u>	<u>\$ 280,000</u>	<u>\$ 420,338</u>	<u>\$ (140,338)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,619)</u>	<u>\$ (31,619)</u>
Fund Balance - January 1	<u>\$ 165,906</u>	<u>\$ 165,906</u>	<u>\$ 165,906</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 165,906</u>	<u>\$ 165,906</u>	<u>\$ 134,287</u>	<u>\$ (31,619)</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 50,000	\$ 50,000	\$ 56,676	\$ 6,676
Intergovernmental	157,500	157,500	260,406	102,906
Lease and Rent Income	58,420	58,420	62,628	4,208
Interest Income	6,320	6,320	3,520	(2,800)
Miscellaneous	2,050	2,050	2,744	694
Total Revenues	\$ 274,290	\$ 274,290	\$ 385,974	\$ 111,684
<u>Expenditures:</u>				
Current:				
General Government	\$ 115,790	\$ 115,790	\$ 160,790	\$ (45,000)
Capital Outlay	158,500	158,500	245,000	(86,500)
Total Expenditures	\$ 274,290	\$ 274,290	\$ 405,790	\$ (131,500)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (19,816)	\$ (19,816)
Fund Balance - January 1	\$ 185,722	\$ 185,722	\$ 185,722	\$ -
Fund Balance - December 31	<u>\$ 185,722</u>	<u>\$ 185,722</u>	<u>\$ 165,906</u>	<u>\$ (19,816)</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, 2012 and 2011

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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**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, 2012 and 2011, 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 April 15, 2013.

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 [2012-01].

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

April 15, 2013

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.