



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Wahpeton Airport Authority

Wahpeton, North Dakota

Audit Report for the Years Ended December 31, 2019 and 2018

Client Code: PS39102



Photo credit: North Dakota Tourism



Office of the
State Auditor

WAHPETON AIRPORT AUTHORITY

Table of Contents

For the Years Ended December 31, 2019 and 2018

Airport Officials and Audit Personnel	1
Independent Auditor's Report	2
Basic Financial Statements	
2019 Statements	
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	9
2018 Statements	
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	15
Notes to the Financial Statements.....	16
Required Supplementary Information	
Budgetary Comparison Schedules	21
Notes to the Required Supplementary Information	22
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	23
Summary of Auditor's Results.....	25
Schedule of Audit Findings	26
Governance Communication	29

AIRPORT OFFICIALS

December 31, 2019

Allen Yaggie	Chairman
Dr. Michael Jacklitch	Vice-Chairman
Brian Steeves	Board Member
Tim Barth	Board Member
Larry Merbach	Sec/Treas
Jon Klein	Manager
Karla Schimelfenig	Co-Clerk
Kathy Hammer	Co-Clerk

December 31, 2018

Allen Yaggie	Chairman
Dr. Michael Jacklitch	Vice-Chairman
Brian Steeves	Board Member
Tim Barth	Board Member
Larry Merbach	Sec/Treas
Jon Klein	Manager
Karla Schimelfenig	Co-Clerk
Kathy Hammer	Co-Clerk

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Peishan Merrick	Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



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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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, 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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information and notes to the required supplementary information* as listed in the table of contents 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2020 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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
April 23, 2020

WAHPETON AIRPORT AUTHORITY

Statement of Net Position

December 31, 2019

ASSETS

Cash	\$	255,829
Due from County		216
Accounts Receivable		1,810
Taxes Receivable		1,504
Capital Assets		
Nondepreciable		938,869
Depreciable, Net		<u>4,960,068</u>
Total Assets	\$	<u>6,158,296</u>

LIABILITIES

Accounts Payable	\$	<u>10,302</u>
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NET POSITION

Net Investment in Capital Assets	\$	5,898,937
Unrestricted		<u>249,057</u>
Total Net Position	\$	<u><u>6,147,994</u></u>

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

WAHPETON AIRPORT AUTHORITY

Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General Government	<u>\$ 651,670</u>	<u>\$ 93,011</u>	<u>\$ 29,774</u>	<u>\$ 21,117</u>	<u>\$ (507,768)</u>
	General Revenues				
	Property taxes				\$ 74,186
	Unrestricted Investment Earnings				3,583
	Gain on Sale of Capital Assets				1,675
	Miscellaneous				<u>461</u>
	Total General Revenues				<u>\$ 79,905</u>
	Changes in Net Position				<u>\$ (454,930)</u>
	Net Position - January 1				<u>\$ 6,602,924</u>
	Net Position - December 31				<u>\$ 6,147,994</u>

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

WAHPETON AIRPORT AUTHORITY

Balance Sheet – Governmental Funds

December 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 255,829
Due from County	216
Accounts Receivable	1,810
Taxes Receivable	<u>1,504</u>
Total Assets	<u>\$ 259,359</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities	
Accounts Payable	<u>\$ 10,302</u>
Deferred Inflows of Resources	
Taxes Receivable	<u>\$ 1,504</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 11,806</u>
Fund Balances	
Unassigned	
General Fund	<u>\$ 247,553</u>
Total Fund Balances	<u>\$ 247,553</u>
Total Liabilities and Fund Balances	<u>\$ 259,359</u>

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

WAHPETON AIRPORT AUTHORITY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2019

Total Fund Balances for Governmental Funds \$ 247,553

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. 5,898,937

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. 1,504

Total Net Position of Governmental Activities \$6,147,994

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

WAHPETON AIRPORT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2019

REVENUES

Taxes	\$ 73,214
Intergovernmental	50,891
Lease and Rent Income	93,011
Interest Income	3,583
Miscellaneous	<u>460</u>

Total Revenues \$ 221,159

Expenditures

General Government	\$ 135,673
Capital Outlay	<u>22,880</u>

Total Expenditures \$ 158,553

Excess (Deficiency) of Revenues
Over Expenditures \$ 62,606

OTHER FINANCING SOURCES (USES)

Sale of Capital Assets \$ 500

Net Change in Fund Balances \$ 63,106

Fund Balances - January 1 \$ 184,447

Fund Balances - December 31 \$ 247,553

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

WAHPETON AIRPORT AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 63,106

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.

Capital Outlay	\$ 21,114	
Depreciation Expense	<u>(541,297)</u>	(520,183)

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Gain on Sale of Capital Assets	\$ 1,675	
Proceeds from Sale of Capital Assets	<u>(500)</u>	1,175

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.

972

Change in Net Position of Governmental Activities \$ (454,930)

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

WAHPETON AIRPORT AUTHORITY

Statement of Net Position

December 31, 2018

ASSETS

Cash	\$	193,393
Due from County		262
Accounts Receivable		2,345
Taxes Receivable		532
Capital Assets		
Nondepreciable		938,869
Depreciable, Net		<u>5,479,076</u>
Total Assets	\$	<u>6,614,477</u>

LIABILITIES

Accounts Payable	\$	<u>11,553</u>
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NET POSITION

Net Investment in Capital Assets	\$	6,417,945
Unrestricted		<u>184,979</u>
Total Net Position	\$	<u><u>6,602,924</u></u>

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

WAHPETON AIRPORT AUTHORITY

Balance Sheet – Governmental Funds

December 31, 2018

ASSETS

Cash and Cash Equivalents	\$ 193,393
Due from County	262
Accounts Receivable	2,345
Taxes Receivable	<u>532</u>

Total Assets \$ 196,532

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities

Accounts Payable \$ 11,553

Deferred Inflows of Resources

Taxes Receivable \$ 532

Total Liabilities & Deferred Inflows of Resources \$ 12,085

Fund Balances

Unassigned
General Fund \$ 184,447

Total Fund Balances \$ 184,447

Total Liabilities, Deferred Inflows of
Resources and Fund Balances \$ 196,532

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

WAHPETON AIRPORT AUTHORITY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2018

Total Fund Balances of Governmental Funds \$ 184,447

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. 6,417,945

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. 532

Total Net Position of Governmental Activities \$ 6,602,924

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

WAHPETON AIRPORT AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2018

REVENUES

Taxes	\$ 65,318
Intergovernmental	492,490
Lease and Rent Income	91,895
Interest Income	784
Miscellaneous	<u>377</u>

Total Revenues \$ 650,864

EXPENDITURES

General Government	\$ 113,968
Capital Outlay	<u>688,624</u>

Total Expenditures \$ 802,592

Excess (Deficiency) of Revenues
Over Expenditures \$ (151,728)

Fund Balances - January 1 \$ 336,175

Fund Balances - December 31 \$ 184,447

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

WAHPETON AIRPORT AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in *Fund Balances* - Total Governmental Funds \$ (151,728)

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.

Capital Outlay	\$ 558,409	
Depreciation Expense	<u>(444,606)</u>	113,803

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	117,731
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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>(919)</u>

Change in *Net Position* of Governmental Activities \$ 78,887

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

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements

For the Year Ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wahpeton Airport Authority ("Airport") 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's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the Airport. The Airport has considered all potential component units for which the Airport is financially accountable and other organizations for which the nature and significance of their relationships with the Airport are such that exclusion would cause the Airport'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 Airport to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Airport.

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

Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government. 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'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's fund. The emphasis of fund financial statements is on the major governmental fund.

The Airport reports the following major governmental fund:

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

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 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.

WAHPETON AIRPORT AUTHORITY
Notes to the Financial Statements – Continued

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 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 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'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's policy to use restricted resources first, then unrestricted resources, as they are needed.

Cash

Cash includes amounts in demand deposits and money market accounts with original maturities of 3 months or less.

Capital Assets

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

Capital assets are depreciated using the straight-line method of the following estimated useful lives (amounts in years):

Land	Indefinite
Buildings	20 - 40
Runways and Taxi Strips	10 - 20
Machinery and Equipment	7 - 20
Apron	20

Fund Balances

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

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.

Unassigned Fund Balances: Unassigned fund balances are reported in the general fund.

Net Position

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

Custodial Credit Risk

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the Airport would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The Airport does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, 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. 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 year ended December 31, 2019, the Airport's carrying amount of deposits and bank balances totaled \$255,829. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2018, the Airport's carrying amount of deposits totaled \$193,593, and the bank balances totaled \$193,493, all of which was covered by Federal Depository Insurance.

NOTE 3: PROPERTY TAXES

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

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2019 and 2018:

2019	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 938,869	\$ -	\$ -	\$ -	\$ 938,869
Capital Assets Being Depreciated					
Buildings	\$ 851,485	\$ -	\$ -	\$ -	\$ 851,485
Runways & Taxi Strips	9,704,768	-	-	-	9,704,768
Machinery & Equipment	1,450,344	23,108	30,396	-	1,443,056
Apron	31,874	-	-	-	31,874
Total Capital Assets Being Depreciated	\$12,038,471	\$ 23,108	\$ 30,396	\$ -	\$ 12,031,183
Less Accumulated Depreciation					
Buildings	\$ 591,961	\$ 39,571	\$ -	\$ -	\$ 631,532
Runways & Taxi Strips	4,998,036	382,338	-	-	5,380,374
Machinery & Equipment	937,524	119,388	29,576	-	1,027,336
Apron	31,874	-	-	-	31,874
Total Accumulated Depreciation	\$ 6,559,395	\$ 541,297	\$ 29,576	\$ -	\$ 7,071,116
Total Capital Assets Being Depreciated, Net	\$ 5,479,076	\$ (518,189)	\$ 820	\$ -	\$ 4,960,067
Capital Assets, Net	\$ 6,417,945	\$ (518,189)	\$ 820	\$ -	\$ 5,898,936

2018	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 938,869	\$ -	\$ -	\$ -	\$ 938,869
Construction in Progress	1,397,404	536,409	-	(1,933,813)	-
Total Capital Assets Not Being Depreciated	\$ 2,336,273	\$ 536,409	\$ -	\$(1,933,813)	\$ 938,869
Capital Assets Being Depreciated					
Buildings	\$ 851,485	\$ -	\$ -	\$ -	\$ 851,485
Runways & Taxi Strips	7,770,955	-	-	1,933,813	9,704,768
Machinery & Equipment	1,428,344	22,000	-	-	1,450,344
Apron	31,874	-	-	-	31,874
Total Capital Assets Being Depreciated	\$10,082,658	\$ 22,000	\$ -	\$ 1,933,813	\$ 12,038,471
Less Accumulated Depreciation					
Buildings	\$ 552,390	\$ 39,571	\$ -	\$ -	\$ 591,961
Runways & Taxi Strips	4,712,389	285,647	-	-	4,998,036
Machinery & Equipment	818,136	119,388	-	-	937,524
Apron	31,874	-	-	-	31,874
Total Accumulated Depreciation	\$ 6,114,789	\$ 444,606	\$ -	\$ -	\$ 6,559,395
Total Capital Assets Being Depreciated, Net	\$ 3,967,869	\$ (422,606)	\$ -	\$ 1,933,813	\$ 5,479,076
Capital Assets, Net	\$ 6,304,142	\$ 113,803	\$ -	\$ -	\$ 6,417,945

Depreciation expense totaling \$541,297 and \$444,606 for 2019 and 2018 respectively was charged to the General Government function.

WAHPETON AIRPORT AUTHORITYNotes to the Financial Statements – Continued

NOTE 5: RISK MANAGEMENT

The Airport 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 joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Airport pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. For the Airport the coverage by NDIRF is limited to losses of one million dollars per occurrence for general liability, one million for automobile, and \$59,585 for public assets/mobile equipment and portable property. The Wahpeton Airport Authority purchases commercial insurance for general liability which has an aggregate limit of \$2,000,000 through the Old Republic Insurance Company.

The Airport also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Airport 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 the Airport with blanket fidelity bond coverage in the amount of \$158,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

WAHPETON AIRPORT AUTHORITY

Budgetary Comparison Schedule – General Fund
 For the Years Ended December 31, 2019 and 2018

	2019				2018			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUE								
Taxes	\$ 66,200	\$ 66,200	\$ 73,214	\$ 7,014	\$ 66,200	\$ 66,200	\$ 65,318	\$ (882)
Intergovernmental	157,500	157,500	50,891	(106,609)	157,500	157,500	492,490	334,990
Lease and Rent Income	89,880	89,880	93,011	3,131	94,520	94,520	91,895	(2,625)
Interest Income	-	-	3,583	3,583	-	-	784	784
Miscellaneous	375	375	460	85	375	375	375	-
Total Revenues	\$ 313,955	\$313,955	\$221,159	\$ (92,796)	\$318,595	\$318,595	\$ 650,863	\$ 332,268
EXPENDITURE								
General Government	\$ 128,955	\$ 128,955	\$135,673	\$ (6,718)	\$ 133,595	\$ 133,595	\$ 113,968	\$ (19,627)
Capital Outlay	185,000	185,000	22,880	162,120	185,000	185,000	688,624	503,624
Total Expenditures	\$ 313,955	\$313,955	\$158,553	\$ 155,402	\$318,595	\$318,595	\$ 802,592	\$ 483,997
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 62,606	\$ 62,606	\$ -	\$ -	\$ (151,728)	\$ 816,265
OTHER FINANCING SOURCES (USES)								
Sale of Assets	\$ -	\$ -	\$ 500	\$ 500	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1	\$ 184,447	\$ 184,447	\$184,447	\$ -	\$ 336,176	\$ 336,176	\$ 336,176	\$ -
Fund Balance - December 31	\$ 184,447	\$ 184,447	\$247,553	\$ 63,106	\$ 336,176	\$ 336,176	\$ 184,447	\$ 816,265

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

WAHPETON AIRPORT AUTHORITY

Notes to the Required Supplementary Information
For the Years Ended December 31, 2019 and 2018

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The Airport Authority adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund.
- The budget includes proposed expenditures and means of financing them.
- The Airport Authority, on or before the October meeting shall determine the amount of taxes that shall be levied for district purposes and shall levy all such taxes in specific amounts. N.D.C.C. 11-23-05
- Each budget is controlled by the Clerk at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. N.D.C.C. 57-15-31.1
- All appropriations lapse at year-end.



**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 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 Wahpeton Airport Authority as of and for the years ended December 31, 2019 and 2018, 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 23, 2020.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *schedule of audit findings*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2019-001, and 2019-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying *schedule of audit findings* as item 2019-003 to be a significant deficiency.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wahpeton Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 matter that is required to be reported under *Government Auditing Standards*.

Wahpeton Airport Authority's Response to Findings

Wahpeton Airport Authority's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
April 23, 2020

WAHPETON AIRPORT AUTHORITY

Summary of Auditor's Results
For the Year Ended December 31, 2019

Financial Statements

Type of Report Issued?

Governmental Activities
Major Funds

Unmodified
Unmodified

Internal control over financial reporting

Material weaknesses identified?

 X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses?

 X Yes None Noted

Noncompliance material to financial statements noted?

 Yes X None Noted

WAHPETON AIRPORT AUTHORITY

Schedule of Audit Findings

For the Year Ended December 31, 2019

2019-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

Wahpeton Airport Authority has one staff member responsible for all of the accounting functions. A lack of segregation of duties exists because the limited staff is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general, and perform bank reconciliations.

Effect

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

Cause

Management has chosen to allocate its economic resources to other functions of Wahpeton Airport Authority

Criteria

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

Repeat Finding

Yes.

Recommendation

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

- Expenditures, financial statements, bank reconciliations, credit memos, and payroll registers should be reviewed, analyzed, and reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc

Wahpeton Airport Authority's Response

Agree. WAA agrees and will segregate duties as it becomes feasible in the future.

2019-002 FINANCIAL STATEMENT PREPARATION– MATERIAL WEAKNESS

Condition

Wahpeton Airport Authority currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

There is an increased risk of material misstatement to Airport's financial statements.

Cause

Management chooses not to allocate Wahpeton Airport Authority resources for preparation of the financial statements.

Criteria

Wahpeton Airport Authority is responsible for the preparation of its annual financial statements, related note disclosures, and adjusting entries to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Repeat Finding

No.

Recommendation

We recommend Wahpeton Airport Authority consider the additional risk of having the auditors assist in the preparation of the financial statements, note disclosures, and adjusting entries and consider preparing them in the future.

Wahpeton Airport Authority's Response

Agree. WAA is aware and we may attempt to prepare the financial statements and notes closures when it becomes feasible in the future.

2019-003 FRAUD RISK ASSESSMENT– SIGNIFICANT DEFICIENCY

Condition

Wahpeton Airport Authority does not currently prepare a fraud risk assessment of the entire entity.

Effect

If the Airport does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, assets misappropriation, and corruption.

Cause

The Airport may not have considered preparing a fraud risk assessment.

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Repeat Finding

No.

Recommendation

We recommend Wahpeton Airport Authority to prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Wahpeton Airport Authority's Response

Agree. We will perform a fraud risk assessment.

STATE AUDITOR
Joshua C. Gallion



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GOVERNANCE COMMUNICATION

Board of Airport Commissioners
Wahpeton Airport Authority
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, and the major fund of Wahpeton Airport Authority, Wahpeton, North Dakota, for the years ended December 31, 2019 and 2018 which collectively comprise Wahpeton Airport Authority's basic financial statements, and have issued our report thereon dated April 23, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated April 1, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Wahpeton Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

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 and other matters, 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.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wahpeton Airport Authority are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2019 or 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below list all misstatements detected as a result of audit procedures that were corrected by management.

2019 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
Due From County	-	-	216	-	216	-
Revenue	-	-	-	216	-	216

2018 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
Due From County	-	-	261	-	261	-
Revenue	-	-	-	261	-	261

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 23, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Airport’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

WAHPETON AIRPORT AUTHORITY
Governance Communication – Continued

This information is intended solely for the use of the Board of Airport Commissioners and management of Wahpeton Airport Authority, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Wahpeton Airport Authority for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Wahpeton Airport Authority.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
April 23, 2020



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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