



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, 2021 and 2020

Client Code: PS39102



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Office of the
State Auditor

WAHPETON AIRPORT AUTHORITY

Table of Contents

For the Years Ended December 31, 2021 and 2020

| | |
|--|----|
| Airport Officials..... | 1 |
| Independent Auditor's Report | 2 |
| Basic Financial Statements | |
| 2021 Statements | |
| Statement of Net Position | 5 |
| Statement of Activities | 6 |
| Balance Sheet - Governmental Funds..... | 7 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position..... | 8 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 9 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 10 |
| 2020 Statements | |
| Statement of Net Position | 11 |
| Statement of Activities | 12 |
| Balance Sheet - Governmental Funds..... | 13 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position..... | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 15 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 16 |
| Notes to the Financial Statements | 17 |
| Required Supplementary Information | |
| Budgetary Comparison Schedules | 22 |
| Notes to the Required Supplementary Information | 23 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards..... | 24 |
| Notes to the Schedule of Expenditures of Federal Awards | 25 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 26 |
| Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance..... | 28 |
| Summary of Auditor's Results..... | 30 |
| Schedule of Audit Findings and Questioned Costs | 31 |
| Corrective Action Plan | 33 |
| Status of Prior Year Findings | 34 |
| Governance Communication | 36 |

Wahpeton Airport Authority

Airport Officials

December 31, 2021 and 2020

AIRPORT OFFICIALS

December 31, 2021

| | |
|-----------------------|---------------|
| Allen Yaggie | Chairman |
| Dr. Michael Jacklitch | Vice-Chairman |
| Larry Merbach | Sec/Treasurer |
| Brian Steeves | Board Member |
| Tim Barth | Board Member |
| Karla Schimelfenig | Clerk |

December 31, 2020

| | |
|-----------------------|---------------|
| Allen Yaggie | Chairman |
| Dr. Michael Jacklitch | Vice-Chairman |
| Larry Merbach | Sec/Treasurer |
| Brian Steeves | Board Member |
| Tim Barth | Board Member |
| Karla Schimelfenig | Clerk |

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INDEPENDENT AUDITOR'S REPORT

Board of Airport Commissioners
Wahpeton Airport Authority
Wahpeton, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Wahpeton Airport Authority, as of and for the years ended December 31, 2021 and December 31, 2020, and the related notes to the financial statements, which collectively comprise Wahpeton Airport Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Wahpeton Airport Authority, as of December 31, 2021 and December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Wahpeton Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wahpeton Airport Authority's ability to continue as a going concern for one year following the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wahpeton Airport Authority's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wahpeton Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wahpeton Airport Authority's basic financial statements. The schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022 on our consideration of 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
May 16, 2022

WAHPETON AIRPORT AUTHORITY

Statement of Net Position

December 31, 2021

ASSETS

| | |
|------------------------------|---------------------|
| Cash | \$ 436,309 |
| Due from County | 343 |
| Accounts Receivable | 2,135 |
| Intergovernmental Receivable | 14,186 |
| Taxes Receivable | 2,136 |
| Capital Assets | |
| Nondepreciable | 938,869 |
| Depreciable, Net | <u>5,963,417</u> |
| Total Assets | <u>\$ 7,357,395</u> |

LIABILITIES

| | |
|------------------|------------------|
| Accounts Payable | <u>\$ 22,309</u> |
|------------------|------------------|

NET POSITION

| | |
|----------------------------------|----------------------------|
| Net Investment in Capital Assets | \$ 6,902,286 |
| Unrestricted | <u>432,800</u> |
| Total Net Position | <u><u>\$ 7,335,086</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, 2021

| 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>\$ 636,274</u> | <u>\$ 90,136</u> | <u>\$ 66,001</u> | <u>\$ 1,536,038</u> | <u>\$ 1,055,901</u> |
| General Revenues | | | | | |
| Property taxes | | | | | \$ 76,797 |
| Unrestricted Investment Earnings | | | | | 146 |
| Gain on Sale of Capital Assets | | | | | 5,000 |
| Miscellaneous | | | | | <u>836</u> |
| Total General Revenues | | | | | <u>\$ 82,779</u> |
| Changes in Net Position | | | | | <u>\$ 1,138,680</u> |
| Net Position - January 1 | | | | | <u>\$ 6,196,406</u> |
| Net Position - December 31 | | | | | <u><u>\$ 7,335,086</u></u> |

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

WAHPETON AIRPORT AUTHORITY

Balance Sheet – Governmental Funds

December 31, 2021

ASSETS

| | |
|------------------------------|--------------|
| Cash and Cash Equivalents | \$ 436,309 |
| Due from County | 343 |
| Accounts Receivable | 2,135 |
| Intergovernmental Receivable | 14,186 |
| Taxes Receivable | <u>2,136</u> |

| | |
|--------------|-------------------|
| Total Assets | <u>\$ 455,109</u> |
|--------------|-------------------|

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND FUND BALANCES**

Liabilities

| | |
|------------------|------------------|
| Accounts Payable | <u>\$ 22,309</u> |
|------------------|------------------|

Deferred Inflows of Resources

| | |
|------------------|-----------------|
| Taxes Receivable | <u>\$ 2,136</u> |
|------------------|-----------------|

| | |
|---|------------------|
| Total Liabilities & Deferred Inflows of Resources | <u>\$ 24,445</u> |
|---|------------------|

Fund Balances

Unassigned

| | |
|--------------|-------------------|
| General Fund | <u>\$ 430,664</u> |
|--------------|-------------------|

| | |
|---------------------|-------------------|
| Total Fund Balances | <u>\$ 430,664</u> |
|---------------------|-------------------|

| | |
|-------------------------------------|-------------------|
| Total Liabilities and Fund Balances | <u>\$ 455,109</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, 2021

| | |
|---|------------|
| Total Fund Balances for Governmental Funds | \$ 430,664 |
|---|------------|

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. | 6,902,286 |
|---|-----------|

| | |
|---|--------------|
| Property taxes receivable will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore reported as deferred revenues in the funds. | <u>2,136</u> |
|---|--------------|

| | |
|--|---------------------------|
| Total Net Position of Governmental Activities | <u><u>\$7,335,086</u></u> |
|--|---------------------------|

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, 2021

REVENUES

| | |
|-----------------------|------------|
| Taxes | \$ 76,433 |
| Intergovernmental | 1,602,039 |
| Lease and Rent Income | 90,136 |
| Interest Income | 146 |
| Miscellaneous | <u>835</u> |

| | |
|----------------|---------------------|
| Total Revenues | <u>\$ 1,769,589</u> |
|----------------|---------------------|

Expenditures

| | |
|--------------------|------------------|
| General Government | \$ 134,387 |
| Capital Outlay | <u>1,699,574</u> |

| | |
|--------------------|---------------------|
| Total Expenditures | <u>\$ 1,833,961</u> |
|--------------------|---------------------|

| | |
|--|--------------------|
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (64,372)</u> |
|--|--------------------|

OTHER FINANCING SOURCES (USES)

| | |
|------------------------|-----------------|
| Sale of Capital Assets | <u>\$ 5,000</u> |
|------------------------|-----------------|

| | |
|-----------------------------|--------------------|
| Net Change in Fund Balances | <u>\$ (59,372)</u> |
|-----------------------------|--------------------|

| | |
|---------------------------|-------------------|
| Fund Balances - January 1 | <u>\$ 490,036</u> |
|---------------------------|-------------------|

| | |
|-----------------------------|--------------------------|
| Fund Balances - December 31 | <u><u>\$ 430,664</u></u> |
|-----------------------------|--------------------------|

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, 2021

Net Change in *Fund Balances* - Total Governmental Funds

\$ (59,372)

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 | \$ 1,731,380 | |
| Depreciation Expense | <u>(533,692)</u> | 1,197,688 |

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 | \$ 5,000 | |
| Proceeds from Sale of Capital Assets | <u>(5,000)</u> | - |

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.

364

Change in *Net Position* of Governmental Activities

\$ 1,138,680

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

WAHPETON AIRPORT AUTHORITY

Statement of Net Position

December 31, 2020

ASSETS

| | |
|------------------------------|---------------------|
| Cash | \$ 461,188 |
| Due from County | 285 |
| Intergovernmental Receivable | 58,158 |
| Taxes Receivable | 1,772 |
| Capital Assets | |
| Nondepreciable | 1,003,885 |
| Depreciable, Net | <u>4,700,713</u> |
| Total Assets | <u>\$ 6,226,001</u> |

LIABILITIES

| | |
|-------------------|------------------|
| Accounts Payable | \$ 28,325 |
| Unearned Revenue | <u>1,270</u> |
| Total Liabilities | <u>\$ 29,595</u> |

NET POSITION

| | |
|----------------------------------|----------------------------|
| Net Investment in Capital Assets | \$ 5,704,598 |
| Unrestricted | <u>491,808</u> |
| Total Net Position | <u><u>\$ 6,196,406</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, 2020

| 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 | \$ 654,349 | \$ 83,043 | \$ 330,144 | \$ 201,992 | \$ (39,170) |
| | General Revenues | | | | |
| | Property taxes | | | | \$ 73,760 |
| | Unrestricted Investment Earnings | | | | 2,338 |
| | Miscellaneous | | | | 981 |
| | Total General Revenues | | | | \$ 77,079 |
| | Changes in Net Position | | | | \$ 37,909 |
| | Net Position - January 1 | | | | \$ 6,147,994 |
| | Prior Period Adjustments | | | | \$ 10,503 |
| | Net Assets - January 1, as restated | | | | \$ 6,158,497 |
| | Net Position - December 31 | | | | \$ 6,196,406 |

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

WAHPETON AIRPORT AUTHORITY

Balance Sheet – Governmental Funds

December 31, 2020

ASSETS

| | |
|------------------------------|--------------|
| Cash and Cash Equivalents | \$ 461,188 |
| Due from County | 285 |
| Intergovernmental Receivable | 58,158 |
| Taxes Receivable | <u>1,772</u> |

| | |
|--------------|-------------------|
| Total Assets | <u>\$ 521,403</u> |
|--------------|-------------------|

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND FUND BALANCES**

Liabilities

| | |
|------------------|--------------|
| Accounts Payable | \$ 28,325 |
| Unearned Revenue | <u>1,270</u> |

| | |
|-------------------------------|-----------------|
| Deferred Inflows of Resources | |
| Taxes Receivable | <u>\$ 1,772</u> |

| | |
|---|------------------|
| Total Liabilities & Deferred Inflows of Resources | <u>\$ 31,367</u> |
|---|------------------|

Fund Balances

| | |
|--------------|-------------------|
| Unassigned | |
| General Fund | <u>\$ 490,036</u> |

| | |
|---------------------|-------------------|
| Total Fund Balances | <u>\$ 490,036</u> |
|---------------------|-------------------|

| | |
|-------------------------------------|-------------------|
| Total Liabilities and Fund Balances | <u>\$ 521,403</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, 2020

| | |
|--|------------|
| Total <i>Fund Balances</i> for Governmental Funds | \$ 490,036 |
|--|------------|

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. | 5,704,598 |
|--|-----------|

| | |
|---|--------------|
| Property taxes receivable will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore reported as deferred revenues in the funds. | <u>1,772</u> |
|---|--------------|

| | |
|---|----------------------------|
| Total <i>Net Position</i> of Governmental Activities | <u><u>\$ 6,196,406</u></u> |
|---|----------------------------|

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, 2020

REVENUES

| | |
|-----------------------|------------|
| Taxes | \$ 73,492 |
| Intergovernmental | 532,136 |
| Lease and Rent Income | 83,043 |
| Interest Income | 2,338 |
| Miscellaneous | <u>981</u> |

| | |
|----------------|-------------------|
| Total Revenues | <u>\$ 691,990</u> |
|----------------|-------------------|

Expenditures

| | |
|--------------------|----------------|
| General Government | \$ 236,068 |
| Capital Outlay | <u>213,440</u> |

| | |
|--------------------|-------------------|
| Total Expenditures | <u>\$ 449,508</u> |
|--------------------|-------------------|

| | |
|--|-------------------|
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 242,482</u> |
|--|-------------------|

| | |
|---------------------------|-------------------|
| Fund Balances - January 1 | <u>\$ 247,553</u> |
|---------------------------|-------------------|

| | |
|-----------------------------|--------------------------|
| Fund Balances - December 31 | <u><u>\$ 490,036</u></u> |
|-----------------------------|--------------------------|

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, 2020

| | |
|--|-------------------|
| Net Change in <i>Fund Balances</i> - Total Governmental Funds | \$ 242,482 |
|--|-------------------|

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 | \$ 329,755 | |
| Depreciation Expense | <u>(534,596)</u> | (204,841) |

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>268</u> |
|------------|

| | |
|---|-------------------------|
| Change in <i>Net Position</i> of Governmental Activities | <u>\$ 37,909</u> |
|---|-------------------------|

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, 2021 and 2020

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.

WAHPETON AIRPORT AUTHORITYNotes to the Financial Statements – Continued

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: PRIOR PERIOD ADJUSTMENTS

Net position of the Airport as of January 1, 2020 has been restated for an adjustment to capital assets as shown below. The results of the adjustment increased net position of the Airport.

| Governmental Activities | Amounts |
|--|----------------|
| Beginning Net Position, as Previously Reported | \$ 6,147,994 |
| Prior Period Adjustment Capital Assets, Net | 10,503 |
| Beginning Net Position, Restated | \$ 6,158,497 |

NOTE 3: 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, 2021, the Airport's carrying amount of deposits and bank balances totaled \$436,309. 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, 2020, the Airport's carrying amount of deposits totaled \$461,303, and the bank balances totaled \$461,528. 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.

NOTE 4: 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

WAHPETON AIRPORT AUTHORITY

Notes to the Financial Statements – Continued

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.

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2021 and 2020:

| 2021 | Balance Jan 1 | Increases | Decreases | Transfers | Balance Dec 31 |
|---|--------------------------|------------------|------------------|------------------|---------------------------|
| Capital Assets Not Being Depreciated | | | | | |
| Land | \$ 938,869 | \$ - | \$ - | \$ - | \$ 938,869 |
| Construction in Progress | 65,016 | 1,701,418 | \$ - | (1,766,434) | - |
| Total Capital Assets Not Being Depreciated | \$ 1,003,885 | \$1,701,418 | \$ - | \$(1,766,434) | \$ 938,869 |
| Capital Assets Being Depreciated | | | | | |
| Buildings | \$ 967,800 | \$ - | \$ - | \$ - | \$ 967,800 |
| Runways & Taxi Strips | 9,704,768 | 29,962 | - | - | 9,734,730 |
| Machinery & Equipment | 1,591,480 | - | 21,710 | - | 1,569,770 |
| Apron | 31,874 | - | - | 1,766,434 | 1,798,308 |
| Total Capital Assets Being Depreciated | \$12,295,922 | \$ 29,962 | \$ 21,710 | \$ 1,766,434 | \$ 14,070,608 |
| Less Accumulated Depreciation | | | | | |
| Buildings | \$ 674,496 | \$ 38,887 | \$ - | \$ - | \$ 713,383 |
| Runways & Taxi Strips | 5,742,999 | 362,492 | - | - | 6,105,491 |
| Machinery & Equipment | 1,145,840 | 132,313 | 21,710 | - | 1,256,443 |
| Apron | 31,874 | - | - | - | 31,874 |
| Total Accumulated Depreciation | \$ 7,595,209 | \$ 533,692 | \$ 21,710 | \$ - | \$ 8,107,191 |
| Total Capital Assets Being Depreciated, Net | \$ 4,700,713 | \$ (503,730) | \$ - | \$ 1,766,434 | \$ 5,963,417 |
| Capital Assets, Net | \$ 5,704,598 | \$1,197,688 | \$ - | \$ - | \$ 6,902,286 |

| 2020 | Restated Balance Jan 1 | Increases | Decreases | Transfers | Balance Dec 31 |
|---|---------------------------------------|------------------|------------------|------------------|---------------------------|
| Capital Assets Not Being Depreciated | | | | | |
| Land | \$ 938,869 | \$ - | \$ - | \$ - | \$ 938,869 |
| Construction in Progress | - | 65,016 | - | - | 65,016 |
| Total Capital Assets Not Being Depreciated | \$ 938,869 | \$ 65,016 | \$ - | \$ - | \$ 1,003,885 |
| Capital Assets Being Depreciated | | | | | |
| Buildings | \$ 851,485 | \$ 116,315 | \$ - | \$ - | \$ 967,800 |
| Runways & Taxi Strips | 9,704,768 | - | - | - | 9,704,768 |
| Machinery & Equipment | 1,443,056 | 148,424 | - | - | 1,591,480 |
| Apron | 31,874 | - | - | - | 31,874 |
| Total Capital Assets Being Depreciated | \$12,031,183 | \$ 264,739 | \$ - | \$ - | \$ 12,295,922 |
| Less Accumulated Depreciation | | | | | |
| Buildings | \$ 631,532 | \$ 42,964 | \$ - | \$ - | \$ 674,496 |
| Runways & Taxi Strips | 5,370,986 | 372,013 | - | - | 5,742,999 |
| Machinery & Equipment | 1,026,221 | 119,619 | - | - | 1,145,840 |
| Apron | 31,874 | - | - | - | 31,874 |
| Total Accumulated Depreciation | \$ 7,060,613 | \$ 534,596 | \$ - | \$ - | \$ 7,595,209 |
| Total Capital Assets Being Depreciated, Net | \$ 4,970,570 | \$ (269,857) | \$ - | \$ - | \$ 4,700,713 |
| Capital Assets, Net | \$ 5,909,439 | \$ (204,841) | \$ - | \$ - | \$ 5,704,598 |

Depreciation expense totaling \$533,692 and \$534,596 for 2021 and 2020 respectively was charged to the General Government function.

WAHPETON AIRPORT AUTHORITYNotes to the Financial Statements – Continued

NOTE 6: COMMITMENTS

The Airport Authority had the following commitments for a construction project at year-end:

| Project | Contract Amount | Total Completed | Retainage | Remaining Balance |
|----------------------|------------------------|------------------------|------------------|--------------------------|
| TWY A Rehabilitation | \$ 30,850 | \$ - | \$ - | \$ 30,850 |

NOTE 7: 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 \$109,460 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 \$88,385 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, 2021 and 2020

| | 2021 | | | | 2020 | | | |
|--|--------------------|-------------------|---------------------|-------------------------------|--------------------|-------------------|-------------------|-------------------------------|
| | Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| REVENUE | | | | | | | | |
| Taxes | \$ 74,000 | \$ 74,000 | \$ 76,433 | \$ 2,433 | \$ 66,200 | \$ 66,200 | \$ 73,492 | \$ 7,292 |
| Intergovernmental | 157,500 | 157,500 | 1,602,039 | 1,444,539 | 307,500 | 307,500 | 532,136 | 224,636 |
| Lease and Rent Income | 93,530 | 93,530 | 90,136 | (3,394) | 94,520 | 94,520 | 83,043 | (11,477) |
| Interest Income | 3,709 | 3,709 | 146 | (3,563) | 1,500 | 1,500 | 2,338 | 838 |
| Miscellaneous | 500 | 500 | 835 | 335 | 500 | 500 | 981 | 481 |
| Total Revenues | <u>\$ 329,239</u> | <u>\$ 329,239</u> | <u>\$ 1,769,589</u> | <u>\$ 1,440,350</u> | <u>\$ 470,220</u> | <u>\$ 470,220</u> | <u>\$ 691,990</u> | <u>\$ 221,770</u> |
| EXPENDITURE | | | | | | | | |
| General Government | \$ 140,739 | \$ 140,739 | \$ 134,387 | \$ 6,352 | \$ 127,720 | \$ 127,720 | \$ 236,068 | \$ (108,348) |
| Capital Outlay | 188,500 | 188,500 | 1,699,574 | (1,511,074) | 335,000 | 335,000 | 213,440 | 121,560 |
| Total Expenditures | <u>\$ 329,239</u> | <u>\$ 329,239</u> | <u>\$ 1,833,961</u> | <u>\$ (1,504,722)</u> | <u>\$ 462,720</u> | <u>\$ 462,720</u> | <u>\$ 449,508</u> | <u>\$ 13,212</u> |
| Excess (Deficiency) of Revenues Over Expenditures | \$ - | \$ - | \$ (64,372) | \$ (64,372) | \$ 7,500 | \$ 7,500 | \$ 242,482 | \$ 234,982 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Sale of Assets | \$ - | \$ - | \$ 5,000 | \$ 5,000 | \$ - | \$ - | \$ - | \$ - |
| Fund Balance - January 1 | <u>\$ 490,036</u> | <u>\$ 490,036</u> | <u>\$ 490,036</u> | <u>\$ -</u> | <u>\$ 247,553</u> | <u>\$ 247,553</u> | <u>\$ 247,553</u> | <u>\$ -</u> |
| Fund Balance - December 31 | <u>\$ 490,036</u> | <u>\$ 490,036</u> | <u>\$ 430,664</u> | <u>\$ (59,372)</u> | <u>\$ 255,053</u> | <u>\$ 255,053</u> | <u>\$ 490,036</u> | <u>\$ 234,982</u> |

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, 2021 and 2020

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.

WAHPETON AIRPORT AUTHORITY

Schedule of Expenditures of Federal Awards

For the Years Ended December 31, 2021 and 2020

| Assistance Listing Number | Federal Grantor/ Pass-Through Grantor/ Program Title | Fiscal Year 2020 Expenditures | Fiscal Year 2021 Expenditures | Total Expenditures |
|--|--|-------------------------------------|-------------------------------------|-----------------------|
| Federal Aviation Administration | | | | |
| | Direct Program | | | |
| 20.106 | COVID-19 - Airport Improvement Program | \$ 27,984 | \$ 15,016 | \$ 43,000 |
| 20.106 | Airport Improvement Program | 123,174 | 1,588,807 | 1,711,981 |
| Total Expenditures of Federal Awards | | <u>\$ 151,158</u> | <u>\$ 1,603,823</u> | <u>\$ 1,754,981</u> |

See notes to the Schedule of Expenditures of Federal Awards

WAHPETON AIRPORT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards
For the Years Ended December 31, 2021 and 2020

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedules of expenditures of federal awards includes the federal grant activity of the Airport under programs of the federal government for the years ended December 31, 2021 and 2020. The information in the schedules are presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedules present only a selected portion of the operations of the Airport, it is not intended to and does not present the financial position or changes in net position of the Airport. Expenditures represent only the federally funded portions of the program. Airport records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

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



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, 2021 and December 31, 2020, 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 May 16, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Wahpeton Airport Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Wahpeton Airport Authority's response to the findings identified in our audit and described in the accompanying *schedule of audit findings and questioned costs*. Wahpeton Airport Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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
May 16, 2022



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of Airport Commissioners
Wahpeton Airport Authority
Wahpeton, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Wahpeton Airport Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Wahpeton Airport Authority's major federal program for the years ended December 31, 2021 and December 31, 2020. The Wahpeton Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Wahpeton Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2021 and December 31, 2020.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Wahpeton Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Wahpeton Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Wahpeton Airport Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Wahpeton Airport Authority's compliance

WAHPETON AIRPORT AUTHORITY

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance - Continued

based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Wahpeton Airport Authority's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Wahpeton Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Wahpeton Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Wahpeton Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
May 16, 2022

WAHPETON AIRPORT AUTHORITY

Summary of Auditor's Results
For the Year Ended December 31, 2021

Financial Statements

Type of Report Issued
Governmental Activities
Major Funds

Unmodified
Unmodified

Internal control over financial reporting

| | | | |
|---|-------------------|--------------------|------------|
| Material weaknesses identified? | <u> X </u> Yes | <u> </u> None | Noted |
| Significant deficiencies identified not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> | None Noted |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> | None Noted |

Federal Awards

Internal Control Over Major Programs:

| | | | |
|--|-------------------|--------------|------------|
| Material weaknesses identified? | <u> </u> Yes | <u> X </u> | None noted |
| Reportable conditions identified not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> | None noted |
| Type of Auditor's Report Issued on compliance for major programs: | Unmodified | | |
| Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements? | <u> </u> Yes | <u> X </u> | None noted |

Identification of Major Programs

| ALN Number | Name of Federal Program or Cluster |
|------------|------------------------------------|
| 20.106 | Airport Improvement Program |

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

WAHPETON AIRPORT AUTHORITY

Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2021

2021-001 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 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

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

See corrective action plan.

WAHPETON AIRPORT AUTHORITYSchedule of Audit Findings and Questioned Costs – Continued

2021-002 CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS**Condition**

During testing, it was found that depreciation was understated by \$81,073 in the 2021 capital asset listing. An adjustment to increase depreciation and decrease net capital assets was proposed and accepted by Wahpeton Airport Authority.

Effect

The financial statements may have been materially misstated if the capital assets had not been adjusted during the audit.

Cause

Wahpeton Airport Authority's management does not have sufficient procedures in place to ensure the capital asset listing used to compile the financial statements is accurate and free of material misstatement.

Criteria

Wahpeton Airport Authority is responsible to ensure the financial statements are reliable, free of material misstatement, and in accordance with GAAP.

Repeat Finding

No.

Recommendation

We recommend Wahpeton Airport Authority review the capital asset listing to ensure it is accurate and free of material misstatement.

Wahpeton Airport Authority's Response

See corrective action plan.

Wahpeton Airport Authority

8320 182 AVE SE
Wahpeton ND 58075
Phone: 1.701.640.9074
E: wahpairport@outlook.com

Date: May 4, 2022
To: Joshua C. Gallion, ND State Auditor
FROM: Karla Schimelfenig, Clerk
RE: Wahpeton Airport Authority – FY2021 and FY2020 Corrective Action Plan
Contact Person Responsible for Corrective Action Plan: Karla Schimelfenig, Clerk

Section I – Financial Statement Findings:

2021-001 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.

Agree/Disagree: Agree. The Wahpeton Airport Authority employs only one clerk for the accounting functions.

Corrective Action Plan: Due to the size of our entity, no change is anticipated for additional clerks at this time.

Anticipated Completion Date: N/A

2021-002 CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS

Condition:

During testing, it was found that depreciation was understated by \$81,073 in the 2021 capital asset listing. An adjustment to increase depreciation and decrease net capital assets was proposed and accepted by the Wahpeton Airport Authority.

Agree/Disagree: Agreed. It was found that the depreciation schedule had a clerical error and was corrected immediately to reflect this correction.

Corrective Action Plan: Corrected the schedule.

Anticipated Completion Date: Immediate

Wahpeton Airport Authority

8320 182 AVE SE
Wahpeton ND 58075
Phone: 1.701.640.9074
E: wahpairport@outlook.com

Date: May 4, 2022
To: Joshua C. Gallion, ND State Auditor
FROM: Karla Schimelfenig, Clerk
RE: Wahpeton Airport Authority – FY2021 and FY2020 Schedule of Prior Year Findings

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.

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

Current Status

Expenditures are reviewed each month by the airport Board. Upon approval, expenses are paid as presented. The Clerk is responsible for other accounting functions. Reports are distributed to Board members after month end for their review.

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.

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.

Current Status

The state auditors conduct the audit and assist with the preparation of the airport financial statements and will continue with this procedure at this time.

2019-003 FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

Condition:

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

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.

Current Status

The preparation of the fraud risk assessment has been added to the calendar to conduct it during the month of April each year.

STATE AUDITOR
Joshua C. Gallion



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GOVERNANCE COMMUNICATION

May 16, 2022

Board of Airport Commissioners
Wahpeton Airport Authority
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities and the major funds of Wahpeton Airport Authority, Wahpeton, North Dakota, for the years ended December 31, 2021 and 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 18, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Wahpeton Airport Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Wahpeton Airport Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

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 schedule lists all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

| 2021 Adjustments | Audit Adjustments | | Total Adjustment | |
|--------------------------|-------------------|--------|------------------|--------|
| | Debit | Credit | Debit | Credit |
| Depreciation Expense | 81,073 | - | 81,073 | - |
| Accumulated Depreciation | - | 81,073 | - | 81,073 |

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 May 16, 2022.

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 Wahpeton Airport Authority'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.

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.

Other Matters

We applied certain limited procedures to the *budgetary comparison schedules and notes to the supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Wahpeton Airport Authority board members and management of the 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 the Wahpeton Airport Authority.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
May 16, 2022



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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