



# Wahpeton Airport Authority

Wahpeton, North Dakota

## Audit Report

For the Year Ended December 31, 2017

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

TABLE OF CONTENTS  
For the Year Ended December 31, 2017

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	<u>Page(s)</u>
Airport Officials	1
Independent Auditor's Report	2 - 3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	9
Notes to the Financial Statements	10 - 15
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund	16
Notes to the Required Supplementary Information	17
Schedule of Expenditures of Federal Awards	18
Notes to the Schedule of Expenditures of Federal Awards	19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 - 21
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance	22 - 23
Schedule of Findings and Questioned Costs	24 - 25

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

December 31, 2017

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**AIRPORT OFFICIALS**

Allen Yaggie  
Dr. Michael Jacklitch  
Larry Merbach  
Brian Steeves  
Tim Barth  
Karla Schimelfenig

Chairman  
Vice-Chairman  
Board Member  
Board Member  
Board Member  
Bookkeeper/Clk



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
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## INDEPENDENT AUDITOR'S REPORT

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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 year ended December 31, 2017, 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, 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information and notes to the required supplementary information* on pages 16-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wahpeton Airport Authority's basic financial statements. 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 financial statements.

The *schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the schedule of expenditures of federal awards* are 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 March 1, 2018 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

Fargo, North Dakota  
March 1, 2018

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

STATEMENT OF NET POSITION  
December 31, 2017

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	<u>Primary Government Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 415,239
Due from County Treasurer	364
Accounts Receivable	3,280
Taxes Receivable	1,451
Capital Assets (Net Being Depreciated):	
Land	938,869
Construction in Progress	1,397,404
Capital Assets (Net of Depreciation):	
Buildings	299,095
Machinery and Equipment	610,208
Runway and Taxi Strips	3,058,566
Total Capital Assets	<u>\$ 6,304,142</u>
Total Assets	<u>\$ 6,724,476</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 81,995
Rent Received in Advance	713
Retainage Payable	<u>117,731</u>
Total Liabilities	<u>\$ 200,439</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 6,304,142
Unrestricted	<u>219,895</u>
Total Net Position	<u>\$ 6,524,037</u>

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

WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 582,185	\$ 90,163	\$ 11,553	\$ 1,083,226	\$ 602,757
<u>General Revenues:</u>					
Taxes:					
Property taxes, levied for general purposes					\$ 64,765
Unrestricted Investment Earnings					178
Miscellaneous					490
Total General Revenues					<u>\$ 65,433</u>
Changes in Net Position					<u>\$ 668,190</u>
Net Position - January 1					<u>\$ 5,855,847</u>
Net Position - December 31					<u><u>\$ 6,524,037</u></u>

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

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2017

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	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 415,239
Due from County Treasurer	364
Accounts Receivable	3,280
Taxes Receivable	<u>1,451</u>
Total Assets	<u>\$ 420,334</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	
<u>Liabilities:</u>	
Accounts Payable	\$ 81,995
Rent Received in Advance	<u>713</u>
Total Liabilities	<u>\$ 82,708</u>
<u>Deferred Inflows of Resources:</u>	
Uncollected Taxes Receivable	<u>\$ 1,451</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 84,159</u>
<u>Fund Balance:</u>	
Unassigned:	
General Fund	<u>\$ 336,175</u>
Total Fund Balance	<u>\$ 336,175</u>
Total Liabilities and Fund Balance	<u>\$ 420,334</u>

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



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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2017

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Total <i>Fund Balance</i> of the Governmental Fund		\$	336,175
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	\$	12,418,931	
Less Accumulated Depreciation		<u>(6,114,789)</u>	6,304,142
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.			
			1,451
Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position. Balance at December 31, 2017 is:			
Retainage Payable			<u>(117,731)</u>
Total Net Position - Governmental Activities		\$	<u>6,524,037</u>

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

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
For the Year Ended December 31, 2017

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	General Fund
<u>Revenues:</u>	
Taxes	\$ 64,276
Intergovernmental	1,094,779
Lease and Rent Income	90,163
Interest Income	178
Miscellaneous	490
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Total Revenues	\$ 1,249,886
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<u>Expenditures:</u>	
Current:	
General Government	\$ 125,739
Capital Outlay	1,223,143
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Total Expenditures	\$ 1,348,882
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Excess (Deficiency) of Revenues Over Expenditures	\$ (98,996)
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Fund Balances - January 1	\$ 435,171
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Fund Balances - December 31	\$ 336,175
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The notes to the financial statements are an integral part of this statement.

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

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Net Change in *Fund Balance* - Governmental Fund \$ (98,996)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital Asset Additions	\$ 1,340,074	
Current Year Depreciation Expense	<u>(455,646)</u>	884,428

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)

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.

489

Change in Net Position of Governmental Activities

\$ 668,190

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

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

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

The Wahpeton Airport Authority, Wahpeton, North Dakota, operates under Chapter 2-06 of the North Dakota Century Code. The financial statements of the Wahpeton Airport Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the airport authority's accounting policies are described below.

**A. Financial Reporting Entity**

The accompanying financial statements present the activities of the Wahpeton Airport Authority. The airport authority has considered all potential component units for which the airport authority is financially accountable and other organizations for which the nature and significance of their relationships with the airport authority are such that exclusion would cause the airport authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Wahpeton Airport Authority to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Wahpeton Airport Authority.

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

**B. Basis of Presentation**

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

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

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

The airport authority reports the following major governmental fund:

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

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

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

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

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

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

**D. Cash, Cash Equivalents and Investments**

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

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

**E. Capital Assets**

Capital assets include property, plant and equipment. Capital assets are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the Airport Authority as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

**WAHPETON AIRPORT AUTHORITY**

Notes to the Financial Statements – Continued

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

<b>Governmental and Business-type Activities:</b>	<b>Years</b>
Land	Indefinite
Buildings	20-40
Runways and Taxi Strips	10-20
Machinery and Equipment	7-20
Apron	20

**F. Fund Balances and Net Position**

**Fund Balance**

Fund Balance Spending Policy

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

Fund Balance Reporting and Governmental Fund Type Definitions

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

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

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

**Net Position**

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

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

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

**NOTE 2: DEPOSITS AND INVESTMENTS**

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

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

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

At the year ended December 31, 2017, the Airport Authority's carrying amount of deposits was \$415,239 and the bank balances were \$415,279. Of these 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.

Credit Risk:

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

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

Concentration of Credit Risk:

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

**WAHPETON AIRPORT AUTHORITY**

Notes to the Financial Statements – Continued

**NOTE 3: DUE FROM COUNTY TREASURER**

Due from county treasurer represents the amount of taxes collected prior to year-end by Richland County that remain on hand at the county, until they are distributed to the airport authority shortly after December 31, 2017 for each year.

**NOTE 4: ACCOUNTS RECEIVABLE**

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

**NOTE 5: TAXES RECEIVABLE**

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

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

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

**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2017 for the airport:

<b>Governmental Activities:</b>	<b>Balance 1/1/2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/17</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 938,869	\$ -	\$ -	\$ -	\$ 938,869
Construction in Progress	57,330	1,340,074	-	-	1,397,404
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 996,199</b>	<b>\$ 1,340,074</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,336,273</b>
<i>Capital assets being depreciated:</i>					
Buildings	\$ 851,485	\$ -	\$ -	\$ -	\$ 851,485
Runways & Taxi Strips	7,770,955	-	-	-	7,770,955
Machinery & Equipment	1,428,344	-	-	-	1,428,344
Apron	31,874	-	-	-	31,874
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 10,082,658</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,082,658</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 511,988	\$ 40,402	\$ -	\$ -	\$ 552,390
Runways & Taxi Strips	4,417,352	295,037	-	-	4,712,389
Machinery & Equipment	697,929	120,207	-	-	818,136
Apron	31,874	-	-	-	31,874
<b>Total Accumulated Depreciation</b>	<b>\$ 5,659,143</b>	<b>\$ 455,646</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,114,789</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 4,423,515</b>	<b>\$ (455,646)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,967,869</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 5,419,714</b>	<b>\$ 884,428</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,304,142</b>

Depreciation expense totaling \$455,646 was charged to the General Government function.

**NOTE 7: ACCOUNTS PAYABLE**

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2017 for each year.



**NOTE 8: RENT RECEIVED IN ADVANCE**

Rent Received in Advance represents hangar rental income for 2018 that was received prior to December 31, 2017.

**NOTE 9: RETAINAGES PAYABLE**

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2017 for the North Taxiway & Taxilanes Reconstruction.

**NOTE 10: DEFERRED INFLOWS**

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

**NOTE 11: COMMITMENTS**

The Wahpeton Airport Authority had the following commitments for construction contracts/projects in progress at year-end 2017 with Strata Corporation for the North Taxiway & Taxilanes Reconstruction as follows:

<b>Project &amp; Contractor</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Remaining Balance</b>	<b>Retainage</b>	<b>Total</b>
<b>North Taxiway &amp; Taxilanes Reconstruction:</b> Strata Corporation	\$ 1,611,940	\$ 1,177,315	\$ 434,625	\$ 117,731	\$ 552,356

**NOTE 12: RISK MANAGEMENT**

The Wahpeton Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The airport authority pays an annual premium to NDIRF for its auto and mobile equipment and portable property insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence for automobile coverage and \$111,668 for public assets (mobile equipment and portable property) coverage. The Wahpeton Airport Authority purchases commercial insurance for general liability which has an aggregate limit of two million through the Old Republic Insurance Company.

The Wahpeton Airport Authority also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The airport authority pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 61,000	\$ 61,000	\$ 64,276	\$ 3,276
Intergovernmental	157,500	157,500	1,094,779	937,279
Lease and Rent Income	94,520	94,520	90,163	(4,357)
Interest Income	-	-	178	178
Miscellaneous	1,375	1,375	490	(885)
Total Revenues	<u>\$ 314,395</u>	<u>\$ 314,395</u>	<u>\$ 1,249,886</u>	<u>\$ 935,491</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 134,395	\$ 134,395	\$ 125,739	\$ 8,656
Capital Outlay	180,000	1,253,143	1,223,143	30,000
Total Expenditures	<u>\$ 314,395</u>	<u>\$ 1,387,538</u>	<u>\$ 1,348,882</u>	<u>\$ 38,656</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$(1,073,143)</u>	<u>\$ (98,996)</u>	<u>\$ 974,147</u>
Fund Balance - January 1	<u>\$ 435,171</u>	<u>\$ 435,171</u>	<u>\$ 435,171</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 435,171</u>	<u>\$ (637,972)</u>	<u>\$ 336,175</u>	<u>\$ 974,147</u>

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

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2017

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**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

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

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

**NOTE 2: BUDGET AMENDMENTS**

The board of commissioners amended the airport budget for the year ended December 31, 2017 as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$ 314,395	\$ 1,073,143	\$ 1,387,538

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

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Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
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U.S. DEPARTMENT OF TRANSPORTATION:

Direct Assistance: Federal Aviation Administration

Airport Improvement Program	20.106	N/A	\$ 1,036,402
Total U.S. Department of Transportation			<u>\$ 1,036,402</u>

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WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2017

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**NOTE 1: BASIS OF PRESENTATION / ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Wahpeton Airport Authority under programs of the federal government for the year ended December 31, 2017. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Wahpeton Airport Authority, it is not intended to and does not present the financial position or changes in net position of the Wahpeton Airport Authority. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

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

Expenditures reported on the Schedule are 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: NONCASH AWARDS**

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

**NOTE 4: NOT AVAILABLE (N/A)**

The Wahpeton Airport Authority was unable to obtain other identification number.



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

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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Independent Auditor's Report

Board of Airport Commissioners  
Wahpeton Airport Authority  
Wahpeton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of the Wahpeton Airport Authority as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Wahpeton Airport Authority's basic financial statements, and have issued our report thereon dated March 1, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2017-001].

**Compliance and Other Matters**

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

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**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

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**Airport's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
March 1, 2018

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252

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

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

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Independent Auditor's Report

Board of Airport Commissioners  
Wahpeton Airport Authority  
Wahpeton, North Dakota

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

We have audited Wahpeton Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Wahpeton Airport Authority's major federal program for the year ended December 31, 2017. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Wahpeton Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wahpeton Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Wahpeton Airport Authority's compliance.

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

In our opinion, Wahpeton Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.



## **WAHPETON AIRPORT AUTHORITY**

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance - Continued

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### **Report on Internal Control Over Compliance**

Management of Wahpeton Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wahpeton Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wahpeton Airport Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Wahpeton Airport Authority as of and for the year ended December 31, 2017, and have issued our report thereon dated March 1, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
March 1, 2018

WAHPETON AIRPORT AUTHORITY  
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of Report Issued?  
Governmental Activities  
Major Fund

Unmodified  
Unmodified

Internal Control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ Yes \_\_\_\_\_ X None Noted

Significant deficiency identified not considered to be a material weaknesses? \_\_\_\_\_ X Yes \_\_\_\_\_ None Noted

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ X None Noted

Federal Awards

Internal Control over major programs:

Material weaknesses identified? \_\_\_\_\_ Yes \_\_\_\_\_ X None Noted

Reportable conditions identified not considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_ X 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? \_\_\_\_\_ Yes \_\_\_\_\_ X None

Identification of major programs:

CFDA Numbers	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

**Section II - Financial Statement Findings**

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**2017-001 -- LACK OF SEGREGATION OF DUTIES**

**Condition:**

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

**Effect:**

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

**Cause:**

Due to the client's size, complexity, organizational structure and the economic realities the Wahpeton Airport faces, it is presently not economically feasible to have more than one person responsible for the accounting functions.

**Criteria:**

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

**Recommendation:**

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

**Views of Responsible Officials / Planned Corrective Actions:**

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

**Section III - Federal Award Findings and Questioned Costs**

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No matters were reported.

You may obtain audit reports on the internet at:

[www.nd.gov/auditor/](http://www.nd.gov/auditor/)

or by contacting the  
Division of Local Government Audit

Office of the State Auditor  
600 East Boulevard Avenue – Department 117  
Bismarck, ND 58505-0060

(701) 328-2220



# Wahpeton Airport Authority

Wahpeton, North Dakota

## Management's Letter

For the Year Ended December 31, 2017

**JOSHUA C. GALLION**  
**STATE AUDITOR**

Office of the State Auditor  
Division of Local Government

**STATE AUDITOR**

JOSHUA C. GALLION  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**

STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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 the Wahpeton Airport Authority, Wahpeton, North Dakota for the year ended December 31, 2017, which collectively comprise the Airport’s basic financial statements and have issued our report thereon dated March 1, 2018. 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 THE UNIFORM GUIDANCE**

As stated in our engagement letter dated January 11, 2018, 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 the 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 assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wahpeton Airport Authority’s internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on the Wahpeton Airport Authority’s major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the 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 grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Also, in accordance with Uniform Guidance, we examined, on a test basis, evidence about The Wahpeton Airport Authority’s compliance with the types of compliance requirements described in the Uniform Guidance applicable to each of its major federal programs for the purpose of expressing an opinion on The Wahpeton Airport Authority’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on The Wahpeton Airport Authority’s compliance with those requirements.

**SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management has the responsibility for 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, North Dakota 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 the year ended December 31, 2017. We noted no transactions entered into by Wahpeton Airport Authority during the year ended December 31, 2017 that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**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 titled "Audit Adjustments" lists all misstatements detected as a result of audit procedures that were corrected by management:

<b>AUDIT ADJUSTMENTS</b>		
Accounts Receivable	713	
Due From County	364	
Revenue		1,077
Expenditures	713	
Unearned Revenue		713

**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 March 1, 2018.

**MANAGEMENT CONSULTATION 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 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.

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 by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited. 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

Fargo, North Dakota  
March 1, 2018