

West Michigan  
Airport Authority



**WEST MICHIGAN™**  
REGIONAL AIRPORT

Year Ended  
June 30, 2015

Financial  
Statements

# WEST MICHIGAN AIRPORT AUTHORITY

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**INDEPENDENT AUDITORS' REPORT**

November 30, 2015

Airport Authority Board Members  
West Michigan Airport Authority  
Holland, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the general fund of the *West Michigan Airport Authority* (the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority'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.

***Independent Auditors' 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 auditors' 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 previously present fairly, in all material respects, the financial position of the governmental activities and the general fund of the West Michigan Airport Authority as of June 30, 2015, and the changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the 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 the Authority's internal control over financial reporting and compliance.

*Rehmann Lohman LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# WEST MICHIGAN AIRPORT AUTHORITY

## Management's Discussion and Analysis

As management of the West Michigan Airport Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that is furnished the financial statements and notes to the financial statements.

### Financial Highlights

The Authority had capital investment projects during the year including:

- During the current year, the Authority received capital contributions of \$170,672 federal and \$581,902 state for construction projects.
- The Authority purchased land and began construction on the new terminal building.

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,483,674 (*net position*). Of this amount, \$1,119,537 was unrestricted net position and may be used to meet the Authority's ongoing obligations to citizens and creditors.

The Authority's total net position increased by \$933,709. As of the close of the current fiscal year, the Authority's general fund reported an ending fund balance of \$1,119,537, an increase of \$191,589 from the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority's is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest on long-term debt).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by property tax and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Authority are all classified as public works. The Authority has no business-type activities.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

# WEST MICHIGAN AIRPORT AUTHORITY

## Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority reports one governmental fund, the general fund. Information for this fund is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance.

The Authority adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided herein to demonstrate compliance with those budgets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$3,483,674 at the close of the most recent fiscal year.

|                                  | Net Position        |                     |
|----------------------------------|---------------------|---------------------|
|                                  | 2015                | 2014                |
| <b>Assets</b>                    |                     |                     |
| Current and other assets         | \$ 1,161,395        | \$ 948,279          |
| Capital assets, net              | 2,364,137           | 1,622,017           |
| <b>Total assets</b>              | <u>3,525,532</u>    | <u>2,570,296</u>    |
| <b>Liabilities</b>               |                     |                     |
| Other liabilities                | <u>41,858</u>       | <u>20,331</u>       |
| <b>Net position</b>              |                     |                     |
| Net investment in capital assets | 2,364,137           | 1,622,017           |
| Unrestricted                     | 1,119,537           | 927,948             |
| <b>Total net position</b>        | <u>\$ 3,483,674</u> | <u>\$ 2,549,965</u> |

A portion of the Authority's net position (67.9%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining (32.1%) balance (\$1,119,537) may be used to meet the Authority's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Authority is able to report positive balance in both categories of net position.

# WEST MICHIGAN AIRPORT AUTHORITY

## Management's Discussion and Analysis

The Authority's net position increased by \$933,709 during the current fiscal year. Capital grants and contributions revenue increased \$723,248 as the Authority received grants to fund capital project activity in the current year. Similarly, public works expenses decreased by \$60,685. This is the result of a reduction in fees paid to the City of Holland, Michigan for administrative services provided by staff and lower expenses for snowplowing services.

|                                  | Change in Net Position |                     |
|----------------------------------|------------------------|---------------------|
|                                  | 2015                   | 2014                |
| Revenues                         |                        |                     |
| Program revenues:                |                        |                     |
| Charges for services             | \$ 267,965             | \$ 266,573          |
| Capital grants and contributions | 778,074                | 54,826              |
| General revenues:                |                        |                     |
| Property taxes                   | 243,007                | 237,131             |
| Unrestricted investment earnings | 7,524                  | 8,062               |
| Total revenues                   | <u>1,296,570</u>       | <u>566,592</u>      |
| Expenses                         |                        |                     |
| Public works                     | <u>362,861</u>         | <u>423,546</u>      |
| Change in net position           | 933,709                | 143,046             |
| Net position, beginning of year  | <u>2,549,965</u>       | <u>2,406,919</u>    |
| Net position, end of year        | <u>\$ 3,483,674</u>    | <u>\$ 2,549,965</u> |

### Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Activities.** The focus of the Authority's *governmental fund* is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the Authority financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The overall results of general fund operations were an increase in fund balance of \$191,589 from operations. At the end of the current fiscal year, unassigned fund balance of the general fund was \$949,839. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 86.0% of general fund expenditures.

### General Fund Budgetary Highlights

The original revenue budget was \$1,978,413 and final budgeted revenues were \$2,008,780. The original expenditure budget was \$1,912,600 and final budgeted expenditures were \$1,894,182. All expenditures were within budgeted amounts. Intergovernmental revenue, along with capital outlay expenditures, were less than budget due to timing of construction projects administered by the Michigan Department of Transportation.

# WEST MICHIGAN AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

Capital Assets. During the fiscal year, the Authority purchased land and began construction on the new terminal building. Certain additional projects are still in progress as of year-end. The City of Holland, Michigan retained ownership of capital assets consisting of land, land improvements, building and equipment acquired prior to formation of the Authority.

|                            | Capital Assets<br>(Net of Depreciation) |                     |
|----------------------------|---|---------------------|
|                            | 2015                                    | 2014                |
| Land                       | \$ 1,923                                | \$ -                |
| Construction in progress   | 972,894                                 | 147,613             |
| Land improvements          | 910,342                                 | 961,870             |
| Buildings and improvements | 34,406                                  | 35,235              |
| Equipment                  | 444,572                                 | 477,299             |
| Total capital assets, net  | <u>\$ 2,364,137</u>                     | <u>\$ 1,622,017</u> |

Additional information on the Authority's capital assets can be found in Note 5 of this report.

Debt. The Authority had no long-term debt at June 30, 2015.

### Economic Factors and Next Year's Budget and Rates

The tax rate remains at 0.10 mills for fiscal year 2016 with property tax revenue anticipated to increase due to continued growth in the tax base of the taxing jurisdictions. Fiscal year 2016 includes a 5.0% increase in the tax base.

The general fund budget initially projected no change in fund balance, but has been amended for the \$6.7 million Business Center, Apron and Sitework project. Approximately 80% project will be funded with federal and state grants, with the remainder to be paid for with local revenue sources. The Authority is continuing fundraising efforts to support this project.

### Requests for Information

This financial report is designed to provide a general overview of the Authority for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Michelle Price, West Michigan Airport Authority, 270 River Ave., Holland, Michigan 49423.

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## BASIC FINANCIAL STATEMENTS

# WEST MICHIGAN AIRPORT AUTHORITY

## Statement of Net Position

June 30, 2015

|                                       | Governmental<br>Activities |
|---------------------------------------|----------------------------|
| <b>Assets</b>                         |                            |
| Cash and pooled investments           | \$ 1,119,882               |
| Receivables, net                      | 41,513                     |
| Capital assets not being depreciated  | 974,817                    |
| Capital assets being depreciated, net | <u>1,389,320</u>           |
| <b>Total assets</b>                   | <u>3,525,532</u>           |
| <b>Liabilities</b>                    |                            |
| Accounts payable                      | 37,482                     |
| Unearned revenue                      | <u>4,376</u>               |
| <b>Total liabilities</b>              | <u>41,858</u>              |
| <b>Net position</b>                   |                            |
| Net investment in capital assets      | 2,364,137                  |
| Unrestricted                          | <u>1,119,537</u>           |
| <b>Total net position</b>             | <u><u>\$ 3,483,674</u></u> |

The accompanying notes are an integral part of these financial statements.

# WEST MICHIGAN AIRPORT AUTHORITY

## Statement of Activities

For the Year Ended June 30, 2015

| Functions / Programs             | Expenses   | Program Revenues        |  | Net<br>(Expenses)<br>Revenues |
|----------------------------------|------------|-------------------------|--|-------------------------------|
|                                  |            | Charges<br>for Services | Capital<br>Grants and<br>Contributions |                               |
| Governmental activities          |            |                         |  |                               |
| Public works                     | \$ 362,861 | \$ 267,965              | \$ 778,074                             | \$ 683,178                    |
| General revenues                 |            |                         |  |                               |
| Property taxes                   |            |                         |  | 243,007                       |
| Unrestricted investment earnings |            |                         |  | 7,524                         |
| Total general revenues           |            |                         |  | <u>250,531</u>                |
| Change in net position           |            |                         |  | 933,709                       |
| Net position, beginning of year  |            |                         |  | <u>2,549,965</u>              |
| Net position, end of year        |            |                         |  | <u>\$ 3,483,674</u>           |

The accompanying notes are an integral part of these financial statements.

# WEST MICHIGAN AIRPORT AUTHORITY

## Balance Sheet

Governmental Fund

June 30, 2015

|   | General<br>Fund            |
|---|----------------------------|
| <b>Assets</b>                             |                            |
| Cash and pooled investments               | \$ 1,119,882               |
| Receivables:                              |                            |
| Accounts                                  | 31,328                     |
| Taxes, net                                | 4                          |
| Due from other governmental units         | <u>10,181</u>              |
| <b>Total assets</b>                       | <u><u>\$ 1,161,395</u></u> |
| <b>Liabilities</b>                        |                            |
| Accounts payable                          | \$ 18,416                  |
| Due to other governments                  | 19,066                     |
| Unearned revenue                          | <u>4,376</u>               |
| <b>Total liabilities</b>                  | <u>41,858</u>              |
| <b>Fund balance</b>                       |                            |
| Committed                                 | 169,698                    |
| Unassigned                                | <u>949,839</u>             |
| <b>Total fund balance</b>                 | <u>1,119,537</u>           |
| <b>Total liabilities and fund balance</b> | <u><u>\$ 1,161,395</u></u> |

The accompanying notes are an integral part of these financial statements.

# WEST MICHIGAN AIRPORT AUTHORITY

## Reconciliation

Fund Balance of the Governmental Fund  
to Net Position of Governmental Activities  
June 30, 2015

|  |                     |
|--|---------------------|
| Fund balance - governmental fund   | \$ 1,119,537        |
| Amounts reported for <i>governmental activities</i> in the statement of net position<br>are different because:             |                     |
| Capital assets used in governmental activities are not financial resources,<br>and therefore are not reported in the fund. |                     |
| Capital assets not being depreciated   | 974,817             |
| Capital assets being depreciated, net  | <u>1,389,320</u>    |
| Net position of governmental activities  | <u>\$ 3,483,674</u> |

The accompanying notes are an integral part of these financial statements.

# WEST MICHIGAN AIRPORT AUTHORITY

## Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2015

|                                    | General<br>Fund |
|------------------------------------|-----------------|
| Revenues                           |                 |
| Property taxes                     | \$ 243,007      |
| Intergovernmental:                 |                 |
| Federal                            | 170,672         |
| State                              | 581,902         |
| User fees and charges for services | 110,576         |
| Rentals                            | 157,389         |
| Contributions                      | 25,500          |
| Interest income                    | 7,524           |
|                                    | <hr/>           |
| Total revenues                     | 1,296,570       |
|                                    | <hr/>           |
| Expenditures                       |                 |
| Current:                           |                 |
| Public works                       | 277,777         |
| Capital outlay                     | 827,204         |
|                                    | <hr/>           |
| Total expenditures                 | 1,104,981       |
|                                    | <hr/>           |
| Net changes in fund balance        | 191,589         |
|                                    | <hr/>           |
| Fund balance, beginning of year    | 927,948         |
|                                    | <hr/>           |
| Fund balance, end of year          | \$ 1,119,537    |
|                                    | <hr/> <hr/>     |

The accompanying notes are an integral part of these financial statements.

# WEST MICHIGAN AIRPORT AUTHORITY

## Reconciliation

Net Changes in Fund Balance of the Governmental Fund  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2015

|   |                   |
|---|-------------------|
| Net changes in fund balance - governmental fund   | \$ 191,589        |
| Amounts reported for <i>governmental activities</i> in the statement of activities<br>are different because:  |                   |
| Governmental funds report capital outlays as expenditures. However, in the<br>statement of activities, the cost of those assets is allocated over their<br>estimated useful lives and reported as depreciation expense. |                   |
| Capital assets purchased/constructed  | 827,204           |
| Depreciation expense  | <u>(85,084)</u>   |
| Change in net position of governmental activities   | <u>\$ 933,709</u> |

The accompanying notes are an integral part of these financial statements.

# WEST MICHIGAN AIRPORT AUTHORITY

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

|                                    | Original<br>Budget | Final<br>Budget     | Actual              | Actual Over<br>(Under) Final<br>Budget |
|------------------------------------|--------------------|---------------------|---------------------|--|
| <b>Revenues</b>                    |                    |                     |                     |  |
| Property taxes                     | \$ 242,913         | \$ 242,500          | \$ 243,007          | \$ 507                                 |
| Intergovernmental:                 |                    |                     |                     |  |
| Federal                            | 264,600            | 264,600             | 170,672             | (93,928)                               |
| State                              | 1,210,300          | 1,210,300           | 581,902             | (628,398)                              |
| User fees and charges for services | 104,200            | 101,580             | 110,576             | 8,996                                  |
| Rentals                            | 152,400            | 152,800             | 157,389             | 4,589                                  |
| Contributions                      | -                  | 30,000              | 25,500              | (4,500)                                |
| Interest income                    | 4,000              | 7,000               | 7,524               | 524                                    |
| <b>Total revenues</b>              | <b>1,978,413</b>   | <b>2,008,780</b>    | <b>1,296,570</b>    | <b>(712,210)</b>                       |
| <b>Expenditures</b>                |                    |                     |                     |  |
| Current:                           |                    |                     |                     |  |
| Public works                       | 327,600            | 309,182             | 277,777             | (31,405)                               |
| Capital outlay                     | 1,585,000          | 1,585,000           | 827,204             | (757,796)                              |
| <b>Total expenditures</b>          | <b>1,912,600</b>   | <b>1,894,182</b>    | <b>1,104,981</b>    | <b>(789,201)</b>                       |
| <b>Net changes in fund balance</b> | <b>65,813</b>      | <b>114,598</b>      | <b>191,589</b>      | <b>76,991</b>                          |
| Fund balance, beginning of year    | 927,948            | 927,948             | 927,948             | -                                      |
| <b>Fund balance, end of year</b>   | <b>\$ 993,761</b>  | <b>\$ 1,042,546</b> | <b>\$ 1,119,537</b> | <b>\$ 76,991</b>                       |

The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

# WEST MICHIGAN AIRPORT AUTHORITY

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the West Michigan Airport Authority (the “Authority”) conform to generally accepted accounting principles (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies:

#### The Reporting Entity

The Authority is a municipal corporation governed by an elected, eleven-member Authority Board. As required by generally accepted accounting principles, these financial statements present the financial position and related activity for the West Michigan Airport Authority. The Authority was formed on July 1, 2008 from the former Municipal Airport enterprise fund of the City of Holland, Michigan (the “City”). The Authority has no component units and is not reported as a component unit of any other governmental unit.

#### *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority. The effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide 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 when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1, any delinquent taxes on real property are paid by the county which is responsible for collecting any outstanding taxes on real property as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenue, charges for services and interest are all considered to be susceptible to accrual if collected within 180 days of fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

# WEST MICHIGAN AIRPORT AUTHORITY

## Notes to Financial Statements

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental fund:

The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority.

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

### Cash and Cash Equivalents

The Authority considers all assets held in the City of Holland, Michigan's pooled cash and investments to be cash equivalents because the investments in the pool are not identifiable to specific funds and the assets can be withdrawn at anytime, similar to a demand deposit account.

State statute authorizes the Authority to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Authority's investment policy allows for all of these types of investments.

# WEST MICHIGAN AIRPORT AUTHORITY

## Notes to Financial Statements

### Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year-end are considered by management to be immaterial.

### Due To/From Other Governmental Units

Amounts due to/from other governments include amounts due to/from grantors for specific programs and capital projects. Program and capital grants are recorded as receivables and revenue at the time reimbursable costs are incurred. Amounts received in advance of costs being incurred are unearned revenue.

### Capital Assets

Capital assets, which include construction in progress, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City retained capital assets consisting of land, land improvements, building and equipment acquired prior to formation of the Authority, see lease agreement in Note 9.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

| Assets                     | Years |
|----------------------------|-------|
| Land improvements          | 20    |
| Buildings and improvements | 40    |
| Equipment                  | 3 - 5 |

### Unearned Revenue

The Authority reports unearned revenue for prepayments of lease rent.

### Intergovernmental Revenues/Property Taxes

The Authority's primary source of funding is intergovernmental revenue. This funding includes contributions by the Cities of Holland and Zeeland and Park Township based on collection of a unified millage on property values. Additionally, the Authority benefited from state and federal grant projects administered by the Michigan Department of Transportation on its behalf.

# WEST MICHIGAN AIRPORT AUTHORITY

## Notes to Financial Statements

### Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for 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 Airport Authority Board. A formal resolution of the Airport Authority Board is required to establish, modify, or rescind a fund balance commitment. The Authority reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Authority currently has no assigned fund balance, as the Airport Authority Board has not yet given the authority for the making of such assignments. Unassigned fund balance is the residual classification for the general fund. The Airport Authority Board has formally established a fund balance reserve of \$25,000 under a stabilization arrangement (minimum fund balance) to be retained for emergencies. This amount is reported as a component of unassigned fund balance. When the Authority incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Authority's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

## 2. BUDGETARY INFORMATION AND COMPLIANCE

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Airport Authority Manager oversees the Authority's operations and is responsible for submitting the proposed operating budget for the following fiscal year to the Authority Board. The Authority Board, during its review, holds a public hearing to obtain taxpayer comments. The budget is legally enacted by resolution of the Board.
2. Any revisions that alter total appropriations of any fund must be approved by the Authority Board. Budgeted appropriations lapse each year; however, appropriations for continuing projects and programs which the Authority intends to complete are included in the budget of the ensuing year.
3. Budgeted amounts are as originally adopted or as amended by the Authority Board during the year. The budgets have been prepared in accordance with generally accepted accounting principles. Supplemental appropriations were not necessary during the year.
4. The budget has been adopted on a department level basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.
5. Annual budgets are legally adopted for the general fund as required by the Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan.

# WEST MICHIGAN AIRPORT AUTHORITY

## Notes to Financial Statements

### 3. DEPOSITS AND INVESTMENTS

The Authority reported cash and pooled investments of \$1,119,882 on the statement of net position as of June 30, 2015. This amount was held by the City of Holland, Michigan's pooled cash and investments on behalf of the Authority.

For note disclosure purposes, the above amounts are all considered to be investments held in the City of Holland, Michigan pooled cash and investments. Investments underlying the City of Holland, Michigan pooled cash and investments consist primarily of short-term certificates of deposit, which are carried at cost plus accrued interest, and U.S. Treasury notes, which are carried at fair value. Information regarding interest rate risk and credit risk can be found in the City of Holland, Michigan's Comprehensive Annual Financial Report.

### 4. RECEIVABLES AND PAYABLES

Receivables, net for the year ended June 30, 2015 were as follows:

|                                   |    |               |
|-----------------------------------|----|---------------|
| Accounts                          | \$ | 31,328        |
| Taxes                             |    | 332           |
| Allowance for uncollectible taxes |    | (328)         |
| Due from other governments        |    | 10,181        |
|                                   |    | <u>10,181</u> |
|                                   | \$ | <u>41,513</u> |

Payables for the year ended June 30, 2015 were as follows:

|                          |    |               |
|--------------------------|----|---------------|
| Accounts                 | \$ | 18,416        |
| Due to other governments |    | 19,066        |
|                          |    | <u>19,066</u> |
|                          | \$ | <u>37,482</u> |

# WEST MICHIGAN AIRPORT AUTHORITY

## Notes to Financial Statements

### 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

|   | Beginning Balance   | Additions         | Disposals   | Transfers   | Ending Balance      |
|---|---------------------|-------------------|-------------|-------------|---------------------|
| <b>Governmental Activities</b>              |                     |                   |             |             |                     |
| Capital assets, not being depreciated:      |                     |                   |             |             |                     |
| Land  | \$ -                | \$ 1,923          | \$ -        | \$ -        | \$ 1,923            |
| Construction in progress                    | 147,613             | 825,281           | -           | -           | 972,894             |
|   | <u>147,613</u>      | <u>827,204</u>    | <u>-</u>    | <u>-</u>    | <u>974,817</u>      |
| Capital assets, being depreciated:          |                     |                   |             |             |                     |
| Land improvements                           | 1,030,550           | -                 | -           | -           | 1,030,550           |
| Buildings & improvements                    | 37,308              | -                 | -           | -           | 37,308              |
| Equipment                                   | 545,449             | -                 | -           | -           | 545,449             |
|   | <u>1,613,307</u>    | <u>-</u>          | <u>-</u>    | <u>-</u>    | <u>1,613,307</u>    |
| Less accumulated depreciation for:          |                     |                   |             |             |                     |
| Land improvements                           | (68,680)            | (51,528)          | -           | -           | (120,208)           |
| Buildings & improvements                    | (2,073)             | (829)             | -           | -           | (2,902)             |
| Equipment                                   | (68,150)            | (32,727)          | -           | -           | (100,877)           |
|   | <u>(138,903)</u>    | <u>(85,084)</u>   | <u>-</u>    | <u>-</u>    | <u>(223,987)</u>    |
| Total capital assets being depreciated, net | <u>1,474,404</u>    | <u>(85,084)</u>   | <u>-</u>    | <u>-</u>    | <u>1,389,320</u>    |
| Governmental activities capital assets, net | <u>\$ 1,622,017</u> | <u>\$ 742,120</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,364,137</u> |

Construction commitments of the Authority as of June 30, 2015 were \$25,610.

### 6. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Authority classifies fund balance based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in the governmental fund. Detailed information on fund balance of the governmental fund is as follows:

|                              |                     |
|------------------------------|---------------------|
| Committed - capital projects | \$ 169,698          |
| Unassigned                   | <u>949,839</u>      |
| Total fund balance           | <u>\$ 1,119,537</u> |

# WEST MICHIGAN AIRPORT AUTHORITY

## Notes to Financial Statements

### 7. LITIGATION/CONTINGENT LIABILITY

In the normal course of its activities, the Authority has become a party in various legal actions, including property tax assessment appeals. Management of the Authority is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Authority and, therefore, has not reflected loss reserves in the financial statements.

### 8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all claims related to the previously stated risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### 9. LEASE COMMITMENT

The Authority leases West Michigan Regional Airport from the City for \$1,000 per year for a period of 50 continuous years after the commencement of the lease, to expire in 2058. The City has title to the premises and upon termination of the lease, will obtain title to all improvements, fixtures or other types of fixed property appurtenant to the buildings and property located thereon. The Authority is responsible for insurance on premises, liability coverage and all other insurance policies.

### 10. FEDERAL REVENUE

The Authority receives grant awards from various sources to administer programs and fund capital improvements. When an award is directly administered by the Authority, the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* are applicable. The Authority did not receive any federal funds in this manner for the year ended June 30, 2015. However, in certain instances, the Authority is an indirect beneficiary of the federal funds that are expended directly by the Michigan Department of Transportation. These expenditures are included in the single audit for the State of Michigan. Detail of the Authority's expenditures of federal awards for the year ended June 30, 2015 is as follows:

| Award Name   | Award Number   | Indirectly Administered |
|--|----------------|-------------------------|
| Environmental assessment and preliminary engineering on new terminal project | D-26-0045-3512 | \$ 7,722                |
| Terminal building  | B-26-0045-3613 | 162,950                 |
| Total federal revenue  |                | <u>\$ 170,672</u>       |



INDEPENDENT AUDITORS' 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*

November 30, 2015

Airport Authority Board Members  
West Michigan Airport Authority  
Holland, Michigan

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 general fund of the *West Michigan Airport Authority* (the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 30, 2015.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2015-001 that we consider to be a significant deficiency.

#### Compliance and Other Matters

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

#### West Michigan Airport Authority's Response to Finding

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

# WEST MICHIGAN AIRPORT AUTHORITY

## Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-001 - Significant Audit Adjustment (Repeat Comment)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed one audit adjustment (which was approved and posted by management) which we believe had a significant effect on the Authority's financial statements. The purpose of this adjustment was to properly state capital assets and capital outlay expenditures.

Cause. This condition appears to be the result of oversights in the process of closing the Authority's books as this project is administered by the Michigan Department of Transportation ("MDOT") on the Authority's behalf. The Authority recorded the local capital portion of these projects twice. In addition, this condition is the result of a lack of reconciliation between the capital asset records and the trial balance, and the absence of a process requiring secondary review of the capital asset records.

Effect. As a result of this condition, the Authority's accounting records were initially misstated by amounts that were significant to the financial statements.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustment. Additionally, management should reconcile the MDOT and capital asset schedules to the trial balance periodically. A formal review process should take place before providing this information to the auditors.

View of Responsible Officials. Management agrees with the adjustment proposed by its auditors, and it has been posted in the Authority's records.

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