

West Michigan
Airport Authority



WEST MICHIGAN™
REGIONAL AIRPORT

Year Ended
June 30, 2012

Financial
Statements

WEST MICHIGAN AIRPORT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

November 8, 2012

Members of the Airport Authority Board
West Michigan Airport Authority
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the *West Michigan Airport Authority* (the "Authority"), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the West Michigan Airport Authority as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012, 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* and should be considered in assessing the results of our audit.

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.

Rehmann Lobson

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, 2012. 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 in process including:

- \$31,703 was expended on engineering to rehab the south hangar area taxiway with additional work anticipated to be completed in fiscal year 2013.
- A master plan study and update to the airport layout plan was ongoing, \$6,326 was spent during the fiscal year.
- A continuing project to rehab the east taxiway connector, \$165,384 was spent during the fiscal year with the rehab to be completed during fiscal year 2013.
- Preliminary expenditures of \$19,121 were spent on the Instrument Landing System (ILS) project. The project is budgeted for completion in FY2012 at a total anticipated cost of \$564,000.

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,006,966 (*net assets*). Of this amount, \$864,981 was unrestricted net assets and may be used to meet the Authority's ongoing obligations to citizens and creditors.

The Authority's total net assets increased by \$563,940. As of the close of the current fiscal year, the Authority's general fund reported an ending fund balance of \$864,981, a decrease of \$165,791 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 assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

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Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes 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.

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. 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.

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Management's Discussion and Analysis

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$2,006,966 at the close of the most recent fiscal year.

	Net Assets	
	2012	2011
Assets		
Current and other assets	\$ 894,465	\$ 1,058,485
Capital assets, net	1,141,985	412,254
Total assets	<u>2,036,450</u>	<u>1,470,739</u>
Liabilities		
Other liabilities	<u>29,484</u>	<u>27,713</u>
Net assets		
Invested in capital assets	1,141,985	412,254
Unrestricted	864,981	1,030,772
Total net assets	<u>\$ 2,006,966</u>	<u>\$ 1,443,026</u>

A portion of the Authority net assets (56.9%) 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 (43.1%) balance (\$864,891) 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 assets.

The Authority's net assets increased by \$563,940 during the current fiscal year. This growth is due primarily to federal and state funded capital acquisitions and increased fees and rental revenues.

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Management's Discussion and Analysis

	Change in Net Assets	
	2012	2011
Revenue		
Program revenues:		
Charges for services	\$ 242,276	\$ 244,808
Operating grants and contributions	6,478	17,138
Capital grants and contributions	398,424	194,251
General revenues:		
Property taxes	237,027	241,319
Total revenues	<u>884,205</u>	<u>697,516</u>
Expenses		
Public works	<u>320,265</u>	<u>310,114</u>
Change in net assets	563,940	387,402
Net assets, beginning of year	<u>1,443,026</u>	<u>1,055,624</u>
Net assets, end of year	<u>\$ 2,006,966</u>	<u>\$ 1,443,026</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 Authority has only one governmental fund, the General Fund.

The overall results of general fund operations were a decrease in fund balance of \$165,791 from operations. At the end of the current fiscal year, unassigned fund balance of the general fund was \$722,560. 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 68.5 percent of general fund expenditures.

General Fund Budgetary Highlights

The original revenue budget was \$922,075. There were no amendments to the revenue budget. The original expenditure budget was \$1,177,800. Minor budget amendments were considered necessary during the year, to amend the expenditures budget to \$1,278,897. There were no expenditures that exceeded budget during the year.

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Management's Discussion and Analysis

Capital Asset and Debt Administration

During the fiscal year, the Authority invested over \$500,000 to refurbish its ILS and approximately \$131,000 to rehabilitate its south hangar taxiway area. Certain additional projects are still in progress as of year end. The City retained ownership of capital assets consisting of land, land improvements, building and equipment acquired prior to formation of the Authority.

	Capital Assets (Net of Depreciation)	
	2012	2011
Construction in progress	\$ 239,895	\$ 412,254
Land improvements	322,444	-
Buildings and improvements	36,893	-
Equipment	542,753	-
Total capital assets, net	<u>\$ 1,141,985</u>	<u>\$ 412,254</u>

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

The Authority had no long-term debt at June 30, 2012.

Economic Factors and Next Year's Budget and Rates

The tax rate remains at 0.10 mills for fiscal year 2012 with property tax revenue anticipated to decrease due to negative growth in the tax base of the taxing jurisdictions. Fiscal year 2012 includes a 3.2% loss in tax base. Some projections reflect up to a 7% reduction in tax base is possible for fiscal year 2013.

The General Fund budget projects a decrease of \$290,877 in fund balance, which includes the \$382,625 Authority local share expended towards capital outlay.

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.

BASIC FINANCIAL STATEMENTS

WEST MICHIGAN AIRPORT AUTHORITY

Statement of Net Assets

June 30, 2012

	Governmental Activities
Assets	
Cash and pooled investments	\$ 639,908
Receivables, net	254,557
Capital assets not being depreciated	239,895
Capital assets being depreciated, net	<u>902,090</u>
Total assets	<u>2,036,450</u>
Liabilities	
Accounts payables	28,238
Unearned revenue	<u>1,246</u>
Total liabilities	<u>29,484</u>
Net assets	
Invested in capital assets	1,141,985
Unrestricted	<u>864,981</u>
Total net assets	<u><u>\$ 2,006,966</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, 2012

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities					
Public works	<u>\$ 320,265</u>	<u>\$ 242,276</u>	<u>\$ 6,478</u>	<u>\$ 398,424</u>	\$ 326,913
General revenues					
Property taxes					<u>237,027</u>
Change in net assets					563,940
Net assets, beginning of year					<u>1,443,026</u>
Net assets, end of year					<u>\$ 2,006,966</u>

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

WEST MICHIGAN AIRPORT AUTHORITY

Balance Sheet

Governmental Fund
June 30, 2012

	General Fund
Assets	
Cash and pooled investments	\$ 639,908
Receivables:	
Accounts	6,941
Taxes	31
Due from other governmental units	<u>247,585</u>
Total assets	<u><u>\$ 894,465</u></u>
Liabilities	
Accounts payable	\$ 28,238
Deferred revenue	<u>1,246</u>
Total liabilities	<u>29,484</u>
Fund Balance (Note 6)	
Committed	142,421
Unassigned	<u>722,560</u>
Total fund balance	<u>864,981</u>
Total liabilities and fund balance	<u><u>\$ 894,465</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 Assets of Governmental Activities
June 30, 2012

Fund balance - governmental fund \$ 864,981

Amounts reported for *governmental activities* in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources,
and therefore are not reported in the fund.

Capital assets not being depreciated	239,895
Capital assets being depreciated, net	<u>902,090</u>

Net assets of governmental activities \$ 2,006,966

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

WEST MICHIGAN AIRPORT AUTHORITY

Statement of Revenue, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2012

	General Fund
Revenue	
Property taxes	\$ 237,027
Intergovernmental:	
Federal	162,289
State	236,135
User fees and charges for services	110,992
Rentals	131,284
Interest income	6,478
	<hr/>
Total revenue	884,205
	<hr/>
Expenditures	
Current:	
Public works	317,013
Capital outlay	738,263
	<hr/>
Total expenditures	1,055,276
	<hr/>
Revenues under expenditures	(171,071)
	<hr/>
Other financing sources	
Insurance recoveries	5,280
	<hr/>
Net change in fund balance	(165,791)
	<hr/>
Fund balance, beginning of year	1,030,772
	<hr/>
Fund balance, end of year	\$ 864,981
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The accompanying notes are an integral part of these financial statements.

WEST MICHIGAN AIRPORT AUTHORITY

Reconciliation

Net Change in Fund Balance of the Governmental Fund
to Change in Net Assets of Governmental Activities
For the Year Ended June 30, 2012

Net change in fund balance - governmental fund \$ (165,791)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and depreciation expense.

Capital assets purchased/constructed	737,196
Depreciation expense	<u>(7,465)</u>
Change in net assets of governmental activities	<u>\$ 563,940</u>

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

WEST MICHIGAN AIRPORT AUTHORITY

Statement of Revenue, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget
Revenue				
Property taxes	\$ 226,000	\$ 227,601	\$ 237,027	\$ 9,426
Intergovernmental:				
Federal	944,300	697,609	162,289	(535,320)
State	24,850	257,652	236,135	(21,517)
Local	24,850	-	-	-
User fees and charges for services	115,600	116,120	110,992	(5,128)
Rentals	136,400	137,600	131,284	(6,316)
Interest income	5,000	7,500	6,478	(1,022)
Total revenue	<u>1,477,000</u>	<u>1,444,082</u>	<u>884,205</u>	<u>(559,877)</u>
Expenditures				
Current:				
Public works:				
Personnel services	68,800	60,000	57,388	(2,612)
Other services and charges	262,100	326,032	259,625	(66,407)
Capital outlay	994,000	1,310,584	738,263	(572,321)
Total expenditures	<u>1,324,900</u>	<u>1,696,616</u>	<u>1,055,276</u>	<u>(641,340)</u>
Revenues over (under) expenditures	152,100	(252,534)	(171,071)	81,463
Other financing sources				
Insurance recoveries	-	5,280	5,280	-
Net changes in fund balance	152,100	(247,254)	(165,791)	81,463
Fund balance, beginning of year	<u>1,030,772</u>	<u>1,030,772</u>	<u>1,030,772</u>	-
Fund balance, end of year	<u>\$ 1,182,872</u>	<u>\$ 783,518</u>	<u>\$ 864,981</u>	<u>\$ 81,463</u>

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:

Reporting Entity

The Authority is a municipal corporation governed by an elected, twelve-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 (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 assets 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.

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

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.

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, except those accounted for and reported for in another fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

Assets, Liabilities and Equity

Cash and Pooled Investments

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.

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

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.

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 From Other Governmental Units

Amounts due from other governments include amounts due 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. Revenues received in advance of costs being incurred are deferred.

Prepays

The Authority incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the Authority records an asset to reflect the investment in future services.

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.

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Notes to Financial Statements

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:

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

Intergovernmental Revenue

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.

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. Unassigned fund balance is the residual classification for the general fund. The Airport Authority Board has formally established a reserve of fund balance of \$25,000 stabilization arrangement (minimum fund balance) to be retained for emergencies. This amount is included within 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, and finally unassigned fund balance.

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

2. BUDGETARY INFORMATION

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

1. The Assistant City Manager of the City of Holland 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.

3. DEPOSITS AND INVESTMENTS

The Authority reported cash and pooled investments of \$639,908 on the statement of net assets as of June 30, 2012. This amount was held by the City of Holland, Michigan's pooled cash and investments on behalf of the Airport.

For note disclosure purposes, the above amounts are all considered to be investments held in the City of Holland, Michigan pooled cash and investments. The Authority's portion of the pool is displayed on the statement of net assets. 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, NET

Receivables, net are comprised of the following at year-end:

Accounts	\$	6,941
Taxes		324
Allowance for uncollectible taxes		(293)
Due from other governmental units		247,585
		<u>247,585</u>
	\$	<u>254,557</u>

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Construction in progress	\$ 412,254	\$ 681,641	\$ -	\$ (854,000)	\$ 239,895
Capital assets, being depreciated:					
Land improvements	-	11,947	-	314,851	326,798
Buildings & improvements	-	37,308	-	-	37,308
Equipment	-	6,300	-	539,149	545,449
	-	55,555	-	854,000	909,555
Less accumulated depreciation for:					
Land improvements	-	(4,354)	-	-	(4,354)
Buildings & improvements	-	(415)	-	-	(415)
Equipment	-	(2,696)	-	-	(2,696)
	-	(7,465)	-	-	(7,465)
Total capital assets being depreciated, net	-	48,090	-	854,000	902,090
Governmental activities capital assets, net	\$ 412,254	\$ 729,731	\$ -	\$ -	\$ 1,141,985

The Authority had active construction projects at year end. At June 30, 2012, the Authority had commitments of approximately \$15,000.

6. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Authority classified 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 for:	
Capital projects	\$ 142,421
Unassigned	722,560
Total fund balance	\$ 864,981

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. Employee-related risk management is provided by the City as the Authority leases its employees from the City. The land occupied by the Authority is owned by the City and is self-insured by the City. Project liability and general liability are insured by commercial policies held by the Authority.

9. LEASE COMMITMENT

The Authority leases Tulip City 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.



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 8, 2012

Members of the Airport Authority Board
West Michigan Airport Authority
Holland, Michigan

We have audited the financial statements of the governmental activities and the major fund of the *West Michigan Airport Authority* (the "Authority") as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 8, 2012. 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.

Internal Control Over Financial Reporting

Management of the West Michigan Airport Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

This report is intended solely for the information and use of the Authority Board and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Lobson". The signature is written in a cursive, flowing style.