

West Michigan
Airport Authority



WEST MICHIGAN™
REGIONAL AIRPORT

Year Ended
June 30, 2017

Financial
Statements

WEST MICHIGAN AIRPORT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

December 6, 2017

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, 2017, 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, 2017, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 December 6, 2017, 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 Johnson 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, 2017. 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:

- The Authority received capital contributions of \$1,269,984 federal and \$503,201 state for construction projects.
- The Authority continued construction on the new terminal building and it has been put into operation as of June 30, 2017.

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$8,882,537 (*net position*). Of this amount, \$1,028,775 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 \$1,713,422.

As of the close of the current fiscal year, the Authority's general fund reported an ending fund balance of \$1,028,775, a decrease of \$141,580 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., depreciation expense).

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 transportation. 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 \$8,882,537 at the close of the most recent fiscal year.

	Net Position	
	2017	2016
Assets		
Current and other assets	\$ 1,101,309	\$ 1,186,468
Capital assets, net	7,853,762	5,998,760
Total assets	<u>8,955,071</u>	<u>7,185,228</u>
Liabilities		
Other liabilities	<u>72,534</u>	<u>16,113</u>
Net position		
Investment in capital assets	7,853,762	5,998,760
Unrestricted	1,028,775	1,170,355
Total net position	<u>\$ 8,882,537</u>	<u>\$ 7,169,115</u>

A portion of the Authority's net position (88.4%) reflects its investment in capital assets (e.g., land, buildings, and equipment). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining (11.6%) balance (\$1,028,775) 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 \$1,713,422 during the current fiscal year. Capital grants and contributions revenue was \$1,909,990, as the Authority received grants to fund capital project activity in the current year. Capital grants and contributions fluctuate on an annual basis given the nature of projects in which state and federal funding is available. Similarly, transportation expenses increased by \$252,997. This is primarily the result of an increase in depreciation expense related to significant capital projects that have been completed in recent fiscal years.

	Change in Net Position	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 305,757	\$ 281,325
Capital grants and contributions	1,909,990	3,643,446
General revenues:		
Property taxes	254,644	261,521
Unrestricted investment earnings	4,513	7,634
Total revenues	<u>2,474,904</u>	<u>4,193,926</u>
Expenses		
Transportation	<u>761,482</u>	<u>508,485</u>
Change in net position	1,713,422	3,685,441
Net position, beginning of year	<u>7,169,115</u>	<u>3,483,674</u>
Net position, end of year	<u>\$ 8,882,537</u>	<u>\$ 7,169,115</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 Funds. 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 a decrease in fund balance of \$141,580 from the prior year. At the end of the current fiscal year, unassigned fund balance of the general fund was \$785,202. 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 (29.8%) of general fund expenditures.

General Fund Budgetary Highlights

The original and final revenue budget was \$946,900. The original and final expenditure budget was \$936,830.

Actual expenditures exceeded final amended budget by \$1,700,737 due to budget overage in capital expenditures.

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Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. During the fiscal year, the Authority completed construction on the new terminal building. Construction in progress decreased to \$17,318 in the current year due to the completion of this project. 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 (Net of Depreciation)	
	2017	2016
Land	\$ 520,353	\$ 1,923
Construction in progress	17,318	4,692,601
Land improvements	830,507	858,815
Buildings and improvements	6,078,020	33,576
Equipment	407,564	411,845
Total capital assets, net	\$ 7,853,762	\$ 5,998,760

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, 2017.

Economic Factors and Next Year's Budget and Rates

The local economy continues to be strong with very low unemployment rates and increasing property values in all property classifications. Due to Headline Rollback provisions, the tax millage rate dropped from .10 mills to .0975. A millage renewal vote is scheduled for November 2017 for a ten year period. Property Tax Revenues were down slightly from the prior year due to taxable value losses in personal property tax values. However, when funds received from the Local Community Stabilization Authority to make up for those losses are added to the property tax revenues, the amounts exceed the prior fiscal year.

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 McKellips, 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, 2017

	Governmental Activities
Assets	
Cash and pooled investments	\$ 789,881
Receivables, net	299,094
Prepays	12,334
Capital assets not being depreciated	537,671
Capital assets being depreciated, net	<u>7,316,091</u>
Total assets	<u>8,955,071</u>
Liabilities	
Payables	72,062
Unearned revenue	<u>472</u>
Total liabilities	<u>72,534</u>
Net position	
Investment in capital assets	7,853,762
Unrestricted	<u>1,028,775</u>
Total net position	<u><u>\$ 8,882,537</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, 2017

Functions / Programs	Expenses	Program Revenues		Net (Expenses) Revenues
		Charges for Services	Capital Grants and Contributions	
Governmental activities				
Transportation	\$ 761,482	\$ 305,757	\$ 1,909,990	\$ 1,454,265
General revenues				
Property taxes				254,644
Unrestricted investment earnings				4,513
Total general revenues				<u>259,157</u>
Change in net position				1,713,422
Net position, beginning of year				<u>7,169,115</u>
Net position, end of year				<u>\$ 8,882,537</u>

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

WEST MICHIGAN AIRPORT AUTHORITY

Balance Sheet

Governmental Fund

June 30, 2017

	General Fund
Assets	
Cash and pooled investments	\$ 789,881
Receivables:	
Accounts	14,795
Taxes, net	8
Due from other governmental units	284,291
Prepays	<u>12,334</u>
Total assets	<u><u>\$ 1,101,309</u></u>
Liabilities	
Accounts payable	\$ 28,619
Contracts payable	43,443
Unearned revenue	<u>472</u>
Total liabilities	<u>72,534</u>
Fund balance	
Nonspendable - prepaids	12,334
Committed for capital projects	231,239
Unassigned	<u>785,202</u>
Total fund balance	<u>1,028,775</u>
Total liabilities and fund balance	<u><u>\$ 1,101,309</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, 2017

Fund balance - governmental fund	\$ 1,028,775
Amounts reported for <i>governmental activities</i> in the statement of net position 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	537,671
Capital assets being depreciated, net	<u>7,316,091</u>
Net position of governmental activities	<u>\$ 8,882,537</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, 2017

	General Fund
Revenues	
Property taxes	\$ 254,644
Intergovernmental:	
Federal	1,269,984
State	503,201
User fees and charges for services	137,484
Rentals	168,273
Contributions	136,805
Interest income	4,513
	<hr/>
Total revenues	2,474,904
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Expenditures	
Current:	
Transportation	376,345
Capital outlay	2,261,222
	<hr/>
Total expenditures	2,637,567
	<hr/>
Revenues under expenditures	(162,663)
	<hr/>
Other financing sources	
Insurance recoveries	21,083
	<hr/>
Net changes in fund balance	(141,580)
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Fund balance, beginning of year	1,170,355
	<hr/>
Fund balance, end of year	\$ 1,028,775
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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, 2017

Net changes in fund balance - governmental fund	\$ (141,580)
Amounts reported for <i>governmental activities</i> 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 their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	2,150,534
Depreciation expense	<u>(295,532)</u>
Change in net position of governmental activities	<u>\$ 1,713,422</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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 268,600	\$ 268,600	\$ 254,644	\$ (13,956)
Intergovernmental:				
Federal	387,000	387,000	1,269,984	882,984
State	21,500	21,500	503,201	481,701
User fees and charges for services	111,200	111,200	137,484	26,284
Rentals	157,600	157,600	168,273	10,673
Contributions	-	-	136,805	136,805
Interest income	1,000	1,000	4,513	3,513
Total revenues	946,900	946,900	2,474,904	1,528,004
Expenditures				
Current:				
Transportation	386,830	386,830	376,345	(10,485)
Capital outlay	550,000	550,000	2,261,222	1,711,222
Total expenditures	936,830	936,830	2,637,567	1,700,737
Revenues over (under) expenditures	10,070	10,070	(162,663)	(172,733)
Other financing sources				
Insurance recoveries	-	-	21,083	21,083
Net changes in fund balance	10,070	10,070	(141,580)	(151,650)
Fund balance, beginning of year	1,170,355	1,170,355	1,170,355	-
Fund balance, end of year	\$ 1,180,425	\$ 1,180,425	\$ 1,028,775	\$ (151,650)

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.

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.

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

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.

Prepaid items

The Authority incurred costs 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 acquisition cost 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 8.

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. 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.

For the year ended June 30, 2017, expenditures exceeded appropriations at the legal level of budgetary control in the general fund for capital outlay by \$1,711,222.

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

The Authority reported cash and pooled investments of \$789,881 on the statement of net position as of June 30, 2017. 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, 2017 were as follows:

Accounts	\$	14,795
Taxes		225
Allowance for uncollectible taxes		(217)
Due from other governments		284,291
		<u>284,291</u>
	\$	<u>299,094</u>

Payables for the year ended June 30, 2017 were as follows:

Accounts	\$	28,619
Contracts payable		43,443
		<u>43,443</u>
	\$	<u>72,062</u>

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 1,923	\$ -	\$ -	\$ 518,430	\$ 520,353
Construction in progress	4,692,601	1,893,124	-	(6,568,407)	17,318
	<u>4,694,524</u>	<u>1,893,124</u>	<u>-</u>	<u>(6,049,977)</u>	<u>537,671</u>
Capital assets, being depreciated:					
Land improvements	1,030,550	-	-	23,714	1,054,264
Buildings & improvements	37,308	227,467	-	6,026,263	6,291,038
Equipment	545,449	29,943	-	-	575,392
	<u>1,613,307</u>	<u>257,410</u>	<u>-</u>	<u>6,049,977</u>	<u>7,920,694</u>
Less accumulated depreciation for:					
Land improvements	(171,735)	(52,022)	-	-	(223,757)
Buildings & improvements	(3,732)	(209,286)	-	-	(213,018)
Equipment	(133,604)	(34,224)	-	-	(167,828)
	<u>(309,071)</u>	<u>(295,532)</u>	<u>-</u>	<u>-</u>	<u>(604,603)</u>
Total capital assets being depreciated, net	<u>1,304,236</u>	<u>(38,122)</u>	<u>-</u>	<u>6,049,977</u>	<u>7,316,091</u>
Governmental activities capital assets, net	<u>\$ 5,998,760</u>	<u>\$ 1,855,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,853,762</u>

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

6. 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.

7. 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.

8. 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.

9. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are applicable. The Authority did not receive any federal funds in this manner for the year ended June 30, 2017. 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, 2017 is as follows:

Award Name	Award Number	Indirectly Administered
Environmental assessment and preliminary engineering on new terminal project	D-26-0045-3512	\$ 201
Terminal building	B-26-0045-3713	1,254,197
Taxiway east connector	B-26-0045-3815	15,586
Total federal revenue		\$ 1,269,984



INTERNAL CONTROL AND COMPLIANCE

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**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**

December 6, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 6, 2017.

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.

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*.

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.

Rehmann Lobson LLC