

WEST MICHIGAN AIRPORT AUTHORITY

HOLLAND, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

WEST MICHIGAN AIRPORT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

December 9, 2011

To the 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, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the West Michigan Airport Authority. 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 above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund for the West Michigan Airport Authority as of June 30, 2011, and the respective 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the West Michigan Airport Authority's internal control over financial reporting and 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 the internal control over financial reporting or 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.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011. 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 2012.
- 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 2012.
- 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 \$1,443,026 (net assets). Of this amount, \$1,030,772 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 \$387,402. As of the close of the current fiscal year, the Authority's General Fund reported an ending fund balance of \$1,030,772, an increase of \$169,049.

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).

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.

The government-wide financial statements can be found on pages 8-9 of this report.

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. All of the funds of the Authority can be divided into two categories: governmental funds and proprietary funds.

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. The budgetary comparison statement has been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 10-14 of this report.

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. The notes to the financial statements can be found on pages 15-21 of this report.

Statement of Net Assets

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 \$1,443,026 at the close of the most recent fiscal year.

West Michigan Airport Authority's Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 1,058,485	\$ 897,627
Capital assets - construction in progress	412,254	193,901
	<hr/>	
Total assets	1,470,739	1,091,528
	<hr/>	
Liabilities		
Other liabilities	27,713	35,904
	<hr/>	
Total liabilities	27,713	35,904
	<hr/>	
Net assets		
Invested in capital assets	412,254	193,901
Unrestricted	1,030,772	861,723
	<hr/>	
Total net assets	<u>\$ 1,443,026</u>	<u>\$ 1,055,624</u>

A portion of the Authority net assets (28.6%) 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 (71.4%) balance (\$1,030,772) 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.

Statement of Activities

The Authority's net assets increased by \$387,402 during the current fiscal year. This growth is due primarily to federal and state funded capital acquisitions and increased fees and rental revenues.

West Michigan Airport Authority's Change in Net Assets

	June 30, 2011	June 30, 2010
Revenues		
Program revenues:		
Charges for services	\$ 244,808	\$ 227,022
Operating grants and contributions	17,138	103,361
Capital grants and contributions	194,251	134,954
General revenues:		
Property taxes	241,319	257,391
Total revenues	697,516	722,728
Expenses		
Public works	310,114	371,131
Change in net assets	387,402	351,597
Net assets, beginning of period	1,055,624	704,027
Net assets, end of period	\$ 1,443,026	\$ 1,055,624

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 Authority has only one governmental fund, the General Fund.

The overall results of General Fund operations were an increase in fund balance of \$169,049 from operations.

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.

Capital Asset and Debt Administration

During the fiscal year, the Authority invested \$218,353 to design a hanger site and make improvements to an existing runway apron, to service Authority users. As of year end, those projects were still in progress. The City retained ownership of capital assets consisting of land, land improvements, building and equipment acquired prior to formation of the Authority

Additional information on the Authority capital assets can be found in Note 4 on page 20 of this report.

The Authority had no long-term debt at June 30, 2011.

Economic Factors and Next Year's Budgets 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. Laura Judge, West Michigan Airport Authority, 270 River Ave., Holland, Michigan 49423.

BASIC FINANCIAL STATEMENTS

WEST MICHIGAN AIRPORT AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>
Assets	
Cash and pooled investments	\$ 1,020,073
Receivables	18,743
Prepays	19,669
Capital assets not being depreciated	412,254
<u>Total assets</u>	<u>1,470,739</u>
Liabilities	
Payables	23,624
Unearned revenue	4,089
<u>Total liabilities</u>	<u>27,713</u>
Net assets	
Invested in capital assets	412,254
Unrestricted	1,030,772
<u>Total net assets</u>	<u>\$ 1,443,026</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, 2011

<u>Functions / Programs</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
Governmental activities:					
Public works	\$ 310,114	\$ 244,808	\$ 17,138	\$ 194,251	\$ 146,083
General revenues:					
Property taxes					241,319
Change in net assets					387,402
Net assets, beginning of year					1,055,624
Net assets, end of year					\$ 1,443,026

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

WEST MICHIGAN AIRPORT AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUND

JUNE 30, 2011

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash and pooled investments	\$ 1,020,073
Receivables:	
Accounts	12,810
Taxes	88
Interest	364
Due from other governmental units	5,481
Prepays	19,669
<u>Total assets</u>	<u>\$ 1,058,485</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES:	
Accounts payable	\$ 22,278
Due to other governmental units	1,346
Deferred revenue	4,089
<u>Total liabilities</u>	<u>27,713</u>
FUND BALANCE (NOTE 6):	
Nonspendable	19,669
Committed	126,145
Unassigned	884,958
<u>Total fund balance</u>	<u>1,030,772</u>
<u>Total liabilities and fund balance</u>	<u>\$ 1,058,485</u>

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

WEST MICHIGAN AIRPORT AUTHORITY

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Fund balance governmental fund	\$ 1,030,772
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Amounts reported as *net assets of 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.

Add - capital assets not being depreciated	412,254
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Net assets of governmental activities	\$ 1,443,026
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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, 2011

	GENERAL FUND
REVENUES:	
Property taxes	\$ 241,355
Intergovernmental:	
Federal	171,185
State	31,651
Local	5,260
User fees and charges for services	108,693
Rentals	136,079
Interest income	3,293
Total revenues	697,516
EXPENDITURES:	
Current:	
Public works	376,059
Capital outlay	218,353
Total expenditures	594,412
REVENUES OVER EXPENDITURES	103,104
OTHER FINANCING SOURCES:	
Insurance recoveries	65,945
NET CHANGE IN FUND BALANCES	169,049
FUND BALANCE - Beginning of year	861,723
FUND BALANCE - End of year	\$ 1,030,772

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

WEST MICHIGAN AIRPORT AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balance governmental fund	\$ 169,049
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Amounts reported as *changes in net assets of 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 reported as depreciation expense.

Add - purchases of capital assets	218,353
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Change in net assets of governmental activities	\$ 387,402
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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 (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Property taxes	\$ 233,800	\$ 233,800	\$ 241,355	\$ 7,555
Intergovernmental:				
Federal	266,000	266,000	171,185	(94,815)
State	196,375	196,375	31,651	(164,724)
Local	-	-	5,260	5,260
User fees and charges for services	95,000	95,000	108,693	13,693
Rentals	123,400	123,400	136,079	12,679
Interest income	7,500	7,500	3,293	(4,207)
Total revenues	922,075	922,075	697,516	(224,559)
EXPENDITURES:				
Current:				
Public works:				
Personal services	50,000	50,000	48,739	(1,261)
Other services and charges	282,800	383,897	327,320	(56,577)
Capital outlay	845,000	845,000	218,353	(626,647)
Total expenditures	1,177,800	1,278,897	594,412	(684,485)
REVENUES OVER (UNDER) EXPENDITURES	(255,725)	(356,822)	103,104	459,926
OTHER FINANCING SOURCES:				
Insurance recoveries	-	65,945	65,945	-
NET CHANGE IN FUND BALANCE	(255,725)	(290,877)	169,049	459,926
FUND BALANCE - Beginning of year	861,723	861,723	861,723	-
FUND BALANCE - End of year	\$ 605,998	\$ 570,846	\$ 1,030,772	\$ 459,926

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

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 is 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

FOR THE YEAR ENDED JUNE 30, 2011

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.

Budgets and Budgetary Accounting

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

- 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.
- 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.
- 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.

WEST MICHIGAN AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- 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.
- 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.

Cash and Pooled Investments

Investments within pooled cash and investments are not identifiable to specific funds and the assets can be withdrawn at anytime similar to a demand deposit account.

Investments

Investments displayed on the financial statement and included in the cash and pooled investment caption are recorded at fair value.

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

FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

Deferred Revenue

Governmental funds report deferred revenue in connection with assets received or receivable that are not considered to be available to liquidate liabilities of the current period or that have not yet been earned.

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.

WEST MICHIGAN AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

2. DEPOSITS AND INVESTMENTS

The Authority reported cash and pooled investments of \$1,020,073 on the statement of net assets as of June 30, 2011.

For note disclosure purposes, this amount is classified as follows:

Petty cash	\$ 300
Checking and savings accounts	819,773
Certificates of deposit (due within one year)	<u>200,000</u>
	<u>\$1,020,073</u>

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above in note 1. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Authority's investment policy does not have specific limits in excess of state law pertaining to investment credit risk. The Authority did not have any rated investments at year-end.

WEST MICHIGAN AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority's investment policy does not have specific limits in excess of state law pertaining to custodial credit risk. As of year-end, \$596,186 of the bank balance of \$1,046,185 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentrations of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above.

3. RECEIVABLES

Receivables are comprised of the following at year-end:

Accounts	\$	12,810
Taxes		88
Interest		364
Due from other governmental units		5,481
		<u>5,481</u>
	\$	<u>18,743</u>

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Governmental activities				
Capital assets not being depreciated				
Construction in progress	<u>\$ 193,901</u>	<u>\$ 218,353</u>	<u>\$ -</u>	<u>\$ 412,254</u>

5. PAYABLES

Payables are comprised of the following at year-end:

Accounts	\$	22,278
Due to other governmental units		1,346
		<u>1,346</u>
	\$	<u>23,624</u>

WEST MICHIGAN AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

6. FUND BALANCES – GOVERNMENTAL FUNDS

The District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the City's various governmental funds were revised, the implementation of this standard had no effect on total fund balance. Detailed information on fund balances of governmental funds is as follows:

Nonspendable for:	
Prepays	\$ 19,669
Committed for:	
Capital projects	126,145
Unassigned	<u>884,958</u>
Total fund balance	<u>\$1,030,772</u>

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 owned 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.

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COMPLIANCE AND INTERNAL CONTROL

**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 9, 2011

To the 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, 2011, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 9, 2011. 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

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 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 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 identified 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 cursive script that reads "Lehmann Johnson".

December 9, 2011

To the Members of the 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") for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated July 25, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on October 13, 2011.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. Other than the adoption of GASB Statement No. 54, which is described in Note 6 to the financial statements, no other accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements noted during the current year.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated December 9, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the West Michigan Airport Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lehmann Johnson".

West Michigan Airport Authority

270 South River Avenue, Holland, MI 49423
P (616) 355-1310 F (616) 546-7056

Comprising City of Zeeland, Park Township and City of Holland



December 9, 2011

Rehmann Robson
2330 East Paris Avenue
Grand Rapids, MI 49546

We are providing this letter in connection with your audit of the financial statements of the *West Michigan Airport Authority* as of June 30, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **West Michigan Airport Authority** and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 9, 2011, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
 - a. Financial records and related data.
 - b. Minutes of the meetings of Airport Authority Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

The West Michigan Airport Authority will provide the public with state-of-the-art global air access to strengthen the local economy and improve the area's quality of life.

West Michigan Airport Authority

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6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
9. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
 - b. Guarantees, whether written or oral, under which the Authority is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

The West Michigan Airport Authority will provide the public with state-of-the-art global air access to strengthen the local economy and improve the area's quality of life.

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12. There are no—
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with generally accepted accounting principles, and we have not consulted a lawyer concerning litigation, claims, or assessments.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles (*GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*).
 - d. Restrictions, commitments, or assignments of fund equity that were not properly authorized and approved.
13. As part of your audit, you prepared the draft financial statements and related notes. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
14. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
15. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
16. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
17. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
18. The financial statements properly classify all funds and activities.
19. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

The West Michigan Airport Authority will provide the public with state-of-the-art global air access to strengthen the local economy and improve the area's quality of life.

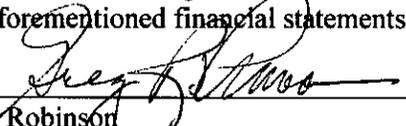
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- 20. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance restrictions, commitments and assignments are properly classified and, if applicable, approved.
- 21. Provisions for uncollectible receivables have been properly identified and recorded.
- 22. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 23. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 24. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 25. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
- 26. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
- 27. We acknowledge our responsibility for the required supplementary information (RSI). The required supplementary information is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



Greg Robinson



Laura Judge

Interim City Manager

Title

Assistant Finance Officer

Title