

West Michigan
Airport Authority



WEST MICHIGAN™
REGIONAL AIRPORT

Year Ended
June 30, 2013

Financial
Statements

WEST MICHIGAN AIRPORT AUTHORITY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Fund	12
Reconciliation of Fund Balance of the Governmental Fund to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	14
Reconciliation of Net Change in Fund Balance of the Governmental Fund to Change in Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual: General Fund	16
Notes to Financial Statements	17
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 <i>Government Auditing Standards</i>	27

INDEPENDENT AUDITORS' REPORT

November 27, 2013

Members of the Airport Authority Board
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, 2013, 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, 2013, and the changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Rehmann Lohman LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST MICHIGAN AIRPORT AUTHORITY

Management's Discussion and Analysis

As management of the West Michigan Airport Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013. 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:

- \$28,815 was expended on an environmental assessment and preliminary engineering on upcoming airport projects.
- A master plan study and update to the airport layout plan was ongoing, \$7,328 was spent during the fiscal year.
- A continuing project to rehab the east taxiway connector, \$501,668 was spent during the fiscal year with the rehab to be completed during fiscal year 2014.

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,406,919 (*net position*). Of this amount, \$764,127 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 \$399,953. As of the close of the current fiscal year, the Authority's general fund reported an ending fund balance of \$764,127, a decrease of \$100,854 from the prior year.

Overview of the Financial Statements

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

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

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

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

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

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

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 \$2,406,919 at the close of the most recent fiscal year.

	Net Position	
	2013	2012
Assets		
Current and other assets	\$ 1,028,005	\$ 894,465
Capital assets, net	1,642,792	1,141,985
Total assets	<u>2,670,797</u>	<u>2,036,450</u>
Liabilities		
Other liabilities	<u>263,878</u>	<u>29,484</u>
Net position		
Net investment in capital assets	1,642,792	1,141,985
Unrestricted	<u>764,127</u>	<u>864,981</u>
Total net position	<u>\$ 2,406,919</u>	<u>\$ 2,006,966</u>

A portion of the Authority net position (68.3%) 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 (31.7%) balance (\$764,127) may be used to meet the Authority's ongoing obligations to citizens and creditors.

WEST MICHIGAN AIRPORT AUTHORITY

Management's Discussion and Analysis

At the end of the current fiscal year, the Authority is able to report positive balance in both categories of net position.

The Authority's net position increased by \$399,953 during the current fiscal year. This growth is due primarily to federal and state funded capital acquisitions.

	Change in Net Position	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 262,368	\$ 242,276
Capital grants and contributions	524,771	398,424
General revenues:		
Property taxes	231,445	237,027
Unrestricted investment earnings	986	6,478
Total revenues	<u>1,019,570</u>	<u>884,205</u>
Expenses		
Public works	<u>619,617</u>	<u>320,265</u>
Change in net position	399,953	563,940
Net position, beginning of year	<u>2,006,966</u>	<u>1,443,026</u>
Net position, end of year	<u>\$ 2,406,919</u>	<u>\$ 2,006,966</u>

Financial Analysis of the Government's Funds

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

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

The overall results of general fund operations were a decrease in fund balance of \$100,854 from operations. At the end of the current fiscal year, unassigned fund balance of the general fund was \$635,455. 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 56.7 percent of general fund expenditures.

General Fund Budgetary Highlights

The original revenue budget was \$1,775,840. There were no amendments to the revenue budget. The original expenditure budget was \$1,632,800. No budget amendments were considered necessary during the year. Personnel expenditures exceeded the budget for the year by \$5,203. State and local revenue, along with capital outlay expenditures, were less than budget due to timing of construction projects administered by the Michigan Department of Transportation.

WEST MICHIGAN AIRPORT AUTHORITY

Management's Discussion and Analysis

Capital Asset and Debt Administration

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

	Capital Assets (Net of Depreciation)	
	2013	2012
Construction in progress	\$ 725,475	\$ 239,895
Land improvements	371,227	322,444
Buildings and improvements	36,064	36,893
Equipment	510,026	542,753
Total capital assets, net	<u>\$ 1,642,792</u>	<u>\$ 1,141,985</u>

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

Debt. The Authority had no long-term debt at June 30, 2013.

Economic Factors and Next Year's Budget and Rates

The tax rate remains at 0.10 mills for fiscal year 2014 with property tax revenue anticipated to increase with some growth in the tax base of the taxing jurisdictions. Fiscal year 2014 includes a 2.4% increase in tax base. Recent state reports project a 1.6% increase in tax base for fiscal year 2015.

The general fund budget projects an increase of \$79,550 in fund balance, which includes the \$93,650 Authority local share expended towards capital outlay.

Requests for Information

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

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

WEST MICHIGAN AIRPORT AUTHORITY

Statement of Net Position

June 30, 2013

	Governmental Activities
Assets	
Cash and pooled investments	\$ 1,004,105
Receivables, net	13,268
Prepays	10,632
Capital assets not being depreciated	725,475
Capital assets being depreciated, net	<u>917,317</u>
Total assets	<u>2,670,797</u>
Liabilities	
Accounts payables	255,040
Unearned revenue	<u>8,838</u>
Total liabilities	<u>263,878</u>
Net position	
Net investment in capital assets	1,642,792
Unrestricted	<u>764,127</u>
Total net position	<u>\$ 2,406,919</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, 2013

Functions / Programs	Expenses	Program Revenues		Net (Expenses) Revenues
		Charges for Services	Capital Grants and Contributions	
Governmental activities				
Public works	\$ 619,617	\$ 262,368	\$ 524,771	\$ 167,522
General revenues				
Property taxes				231,445
Unrestricted investment earnings				986
Total general revenues				<u>232,431</u>
Change in net position				399,953
Net position, beginning of year				<u>2,006,966</u>
Net position, end of year				<u>\$ 2,406,919</u>

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

WEST MICHIGAN AIRPORT AUTHORITY

Balance Sheet

Governmental Fund
June 30, 2013

	General Fund
Assets	
Cash and pooled investments	\$ 1,004,105
Receivables:	
Accounts	12,742
Taxes	132
Due from other governmental units	394
Prepays	<u>10,632</u>
Total assets	<u><u>\$ 1,028,005</u></u>
Liabilities	
Accounts payable	\$ 11,568
Due to other governments	243,472
Unearned revenue	<u>8,838</u>
Total liabilities	<u>263,878</u>
Fund balance	
Nonspendable	10,632
Committed	118,040
Unassigned	<u>635,455</u>
Total fund balance	<u>764,127</u>
Total liabilities and fund balance	<u><u>\$ 1,028,005</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, 2013

Fund balance - governmental fund	\$ 764,127
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	725,475
Capital assets being depreciated, net	<u>917,317</u>
Net position of governmental activities	<u>\$ 2,406,919</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, 2013

	General Fund
Revenues	
Property taxes	\$ 231,445
Intergovernmental:	
Federal	509,821
State	14,950
User fees and charges for services	112,198
Rentals	150,170
Interest income	986
	<hr/>
Total revenues	1,019,570
	<hr/>
Expenditures	
Current:	
Public works	322,059
Capital outlay	798,365
	<hr/>
Total expenditures	1,120,424
	<hr/>
Net changes in fund balance	(100,854)
Fund balance, beginning of year	864,981
	<hr/>
Fund balance, end of year	\$ 764,127
	<hr/> <hr/>

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

WEST MICHIGAN AIRPORT AUTHORITY

Reconciliation

Net Change in Fund Balance of the Governmental Fund
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2013

Net change in fund balance - governmental fund	\$ (100,854)
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	552,469
Depreciation expense	<u>(51,662)</u>
Change in net position of governmental activities	<u>\$ 399,953</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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 217,300	\$ 217,300	\$ 231,445	\$ 14,145
Intergovernmental:				
Federal	323,000	323,000	509,821	186,821
State	589,600	589,600	14,950	(574,650)
Local	381,400	381,400	-	(381,400)
User fees and charges for services	118,340	118,340	112,198	(6,142)
Rentals	139,200	139,200	150,170	10,970
Interest income	7,000	7,000	986	(6,014)
Total revenues	<u>1,775,840</u>	<u>1,775,840</u>	<u>1,019,570</u>	<u>(756,270)</u>
Expenditures				
Current:				
Public works	338,800	338,800	322,059	(16,741)
Capital outlay	1,294,000	1,294,000	798,365	(495,635)
Total expenditures	<u>1,632,800</u>	<u>1,632,800</u>	<u>1,120,424</u>	<u>(512,376)</u>
Net changes in fund balance	143,040	143,040	(100,854)	(243,894)
Fund balance, beginning of year	864,981	864,981	864,981	-
Fund balance, end of year	<u>\$ 1,008,021</u>	<u>\$ 1,008,021</u>	<u>\$ 764,127</u>	<u>\$ (243,894)</u>

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

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The 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 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, 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.

Cash and cash equivalents

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

State statute authorizes the Authority to invest in:

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

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

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

Receivables

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

Due to/from other governmental units

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

Prepaid items

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.

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.

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

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. Additionally, the Authority benefited from state and federal grant projects administered by the Michigan Department of Transportation on its behalf.

Use of estimates

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

Fund equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Airport Authority Board. A formal resolution of the Airport Authority Board is required to establish, modify, or rescind a fund balance commitment. The Authority reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund. The Airport Authority Board has formally established a 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 Assistant City Manager of the City of Holland oversees the Authority's operations and is responsible for submitting the proposed operating budget for the following fiscal year to the Authority Board. The Authority Board, during its review, holds a public hearing to obtain taxpayer comments. The budget is legally enacted by resolution of the Board.
2. Any revisions that alter total appropriations of any fund must be approved by the Authority Board. Budgeted appropriations lapse each year; however, appropriations for continuing projects and programs which the Authority intends to complete are included in the budget of the ensuing year.
3. Budgeted amounts are as originally adopted or as amended by the Authority Board during the year. The budgets have been prepared in accordance with generally accepted accounting principles. Supplemental appropriations were not necessary during the year.

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

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.

Budgetary Compliance

The Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan requires that all general and special revenue funds adopt annually balanced budgets on the modified accrual basis of accounting. There were no budgetary violations noted for the year ended June 30, 2013.

3. DEPOSITS AND INVESTMENTS

The Authority reported cash and pooled investments of \$1,004,105 on the statement of net position as of June 30, 2013. This amount was held by the City of Holland, Michigan's pooled cash and investments on behalf of the Airport.

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

4. RECEIVABLES, NET

Receivables, net for the year ended June 30, 2013 were as follows:

Accounts	\$	12,742
Taxes		444
Allowance for uncollectible taxes		(312)
Due from other governmental units		394
		<hr/>
	\$	<u>13,268</u>

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Construction in progress	\$ 239,895	\$ 537,663	\$ -	\$ (52,083)	\$ 725,475
Capital assets, being depreciated:					
Land improvements	326,798	14,806	-	52,083	393,687
Buildings & improvements	37,308	-	-	-	37,308
Equipment	545,449	-	-	-	545,449
	<u>909,555</u>	<u>14,806</u>	<u>-</u>	<u>52,083</u>	<u>976,444</u>
Less accumulated depreciation for:					
Land improvements	(4,354)	(18,106)	-	-	(22,460)
Buildings & improvements	(415)	(829)	-	-	(1,244)
Equipment	(2,696)	(32,727)	-	-	(35,423)
	<u>(7,465)</u>	<u>(51,662)</u>	<u>-</u>	<u>-</u>	<u>(59,127)</u>
Total capital assets being depreciated, net	<u>902,090</u>	<u>(36,856)</u>	<u>-</u>	<u>52,083</u>	<u>917,317</u>
Governmental activities capital assets, net	<u>\$ 1,141,985</u>	<u>\$ 500,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,642,792</u>

The Authority had active construction projects at year end. At June 30, 2013, the Authority had commitments of approximately \$23,000.

6. FUND BALANCES - GOVERNMENTAL FUNDS

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

Nonspendable - prepaids	\$ 10,632
Committed - capital projects	118,040
Unassigned	<u>635,455</u>
Total fund balance	<u>\$ 764,127</u>

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

7. LITIGATION/CONTIGENT LIABILITY

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

8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. Employee-related risk management is provided by the City as the Authority leases its employees from the City. The land occupied by the Authority is owned by the City and is self-insured by the City. Project liability and general liability are insured by commercial policies held by the Authority.

9. LEASE COMMITMENT

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

10. FEDERAL REVENUE

The Authority receives grant awards from various sources to administer programs and fund capital improvements. When an award is directly administered by the Authority, the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* are applicable. The Authority did not receive any federal funds in this manner for the year ended June 30, 2013. 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, 2013 is as follows:

Award Name	Award Number	Indirectly Administered
Environmental assessment and preliminary engineering on new terminal project	D-26-0045-3512	\$ 27,375
South hangar rehabilitation project	E-26-0045-3309	476,584
Master plan study and update	B-26-0045-3006	5,862
Total federal revenue		<u>\$ 509,821</u>

WEST MICHIGAN AIRPORT AUTHORITY

Notes to Financial Statements

11. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

The Authority adopted Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. While certain terminology changed, there was no net effect on beginning equity.



This page intentionally left blank.

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

November 27, 2013

Airport Authority Board
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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 27, 2013.

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. 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 Johnson LLC

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 27, 2013

Airport Authority Board Members
West Michigan Airport Authority
Holland, Michigan

We have audited the financial statements of the governmental activities and the general fund of the *West Michigan Airport Authority* (the "Authority") for the year ended June 30, 2013, and have issued our report thereon dated November 27, 2013. 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 30, 2013, 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 August 5, 2013.

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. As described in Note 11 to the financial statements, the Authority adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63,

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. While certain terminology changed, there was no net effect on beginning equity. 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 useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

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 November 27, 2013.

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

WEST MICHIGAN AIRPORT AUTHORITY

Attachment A - Comments and Recommendations

For the June 30, 2013 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the Authority's internal control over financial reporting is described in our report, dated November 27, 2013, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated November 27, 2013, on the financial statements of the West Michigan Airport Authority.

Allocation of Payroll Costs

The Authority shares certain staff with the City of Holland, Michigan. A portion of these employees' time is manually allocated monthly to the Authority based on pre-determined percentages. These percentages are based on the Authority's 'best practices', however no formal time study has been performed to support these rates. We recommend the Authority perform such a study to support the portion of wages allocated.

Level of Budgetary Control

The State requires the minimum level of detail of the budget to be department, although a lesser threshold can be adopted for the budget control. Violations of the budget control are required to be reported. We recommend the Airport incorporate into its annual budget resolution a definition of what it considers the legal level of budgetary control.



WEST MICHIGAN AIRPORT AUTHORITY

Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2013 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Authority in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Authority. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “pronouncements” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 66 ■ 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)

Effective 12/15/2013 (your FY 2014)

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the Authority at this time.

GASB 67 ■ Financial Reporting for Pension Plans

Effective 06/15/2014 (your FY 2014)

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government’s fiscal year, or be rolled forward to that date by the actuary.

Because the Authority does not maintain its own pension trust fund, we do not expect GASB 67 to have any significant impact on the Authority at this time.

GASB 68 ■ Accounting and Financial Reporting for Pensions

Effective 06/15/2015 (your FY 2015)

This standard establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system.

WEST MICHIGAN AIRPORT AUTHORITY

Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2013 Audit

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

GASB 69 ■ Government Combinations and Disposals of Government Operations

Effective 12/15/2014 (your FY 2015)

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the Authority at this time.

WEST MICHIGAN AIRPORT AUTHORITY

Attachment B - Upcoming Changes in Accounting Standards

For the June 30, 2013 Audit

GASB 70 ■ Nonexchange Financial Guarantees

Effective 06/15/2014 (your FY 2014)

This standard addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is “more likely than not” that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements.

We do not expect GASB 70 to have any significant impact on the Authority at this time.

■ ■ ■ ■ ■

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



November 27, 2013

Rehmann Robson
2330 East Paris Ave. SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of 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, 2013, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position and results of operations, and the budgetary comparison for the General Fund of the Authority in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 27, 2013:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 30, 2013, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. 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.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

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



9. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position and fund balance classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Special items and extraordinary items have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

22. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.

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

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



24. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
25. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - 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.
26. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
27. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
28. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
29. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
30. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
31. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
32. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
33. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
34. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
35. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
36. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

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



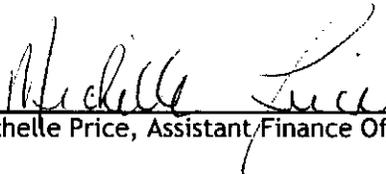
Required Supplementary Information

37. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



11.27.13

Greg Robinson, Assistant City Manager



11.27.13

Michelle Price, Assistant Finance Officer