



Years Ended
December 31,
2018 and 2017

Comprehensive
Annual Financial
Report
(A Component unit of the
County of Kent, Michigan)

Prepared by: Finance and Administrative Department

Interim President and CEO, CFO
Brian Picardat, A.A.E.

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Introductory Section

GOVERNING BOARD

Dan Koorndyk
Board Chairman

Floyd Wilson, Jr.
Board Vice Chairman

Ted Vonk*
Board Secretary

Steve Heacock

Birgit Klohs

Roger Morgan*

Robert Buchanan
General Counsel

Brian Picardat, A.A.E.

Interim CEO, CFO

Alex Peric, A.A.E.

Vice President and COO

Lisa M. Carr, C.M., P.E.M., C.T.A, ASC

Public Safety and Operations Director

Casey W. Ries, P.E.

Engineering and Planning Director

Tara M. Hernandez

Marketing and Communications Director

* Kent County Commissioner



May 21, 2019

Gerald R. Ford International Airport Board
Kent County, Michigan

We are pleased to submit the Gerald R. Ford International Airport Authority Financial Report for the years ended December 31, 2018 and 2017. This report was prepared by the Authority's Finance and Administration Division, and the financial statements were audited by Plante & Moran, PLLC, an independent firm of Certified Public Accountants. This report is prepared for the purpose of disclosing the Authority's financial condition and to provide the reader additional information about the Authority's mission, goals and operating trends. The auditors' unmodified opinion has been included in this report. In addition, the Authority's Management Discussion and Analysis provides an introduction to the Financial Statements.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. The reliability of the information contained in this report is based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial activity have been included.

The Gerald R. Ford International Authority (Authority) was created by the Kent County Board of Commissioners under Act 95, Public Acts of Michigan 2015, as amended on August 27, 2015. Prior to this the Kent County Airport Board of Control was created by resolution of the Board of Supervisors (now County Board of Commissioners) on June 26, 1956. The name was changed to the Kent County Aeronautics Board in 1959. In 1959, the Department was created by resolution of the Kent County Board of Supervisors. On November 3, 2011 the County Commission changed the Board name to the Gerald R. Ford International Airport Board. With the creation of the Authority the Gerald R. Ford International Airport Authority Board (Board) was established to direct and govern the Authority. The Board is currently made up of two County Commissioners and four citizens at-large, all appointed by the County Commission. One Citizen Member has to be from outside Kent County; this position is currently vacant, awaiting an appointee from the County Commission. The Board is responsible for governing the affairs of the Authority and sets all policies under an Airport Lease and Asset Transfer Agreement with Kent County. On July 1, 2016 the Authority received an Airport Operating Certificate from the Federal Aviation Administration which transferred the operation from Kent County through the Gerald R. Ford International Airport Board to the Authority. The Authority adopted its own Board Policies but there were no significant changes to the Policies. However there were some impacts on the Financial Statements due to the creation of the Board. These impacts are disclosed through these Financial Statements.

As an Authority, users of the Airport facilities provide the revenues to operate, maintain and provide necessary services and facilities. The Authority is not supported by general tax revenues of the County. The Authority is responsible for operating the Gerald R. Ford International Airport (Airport).

The Authority maintains a 5 year Capital Improvement Program (CIP) as required by the Federal Aviation Administration. The CIP is funded through a combination of Federal and State Grants, Passenger Facility Charges, Customer Facility Charges, Bond Issuance and Airport Reserves. The CIP is revised annually by the Gerald R. Ford International Airport Authority Board and the current CIP has been approved in the amount of \$351,875,100.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the twenty-fifth consecutive year the Department received the award.

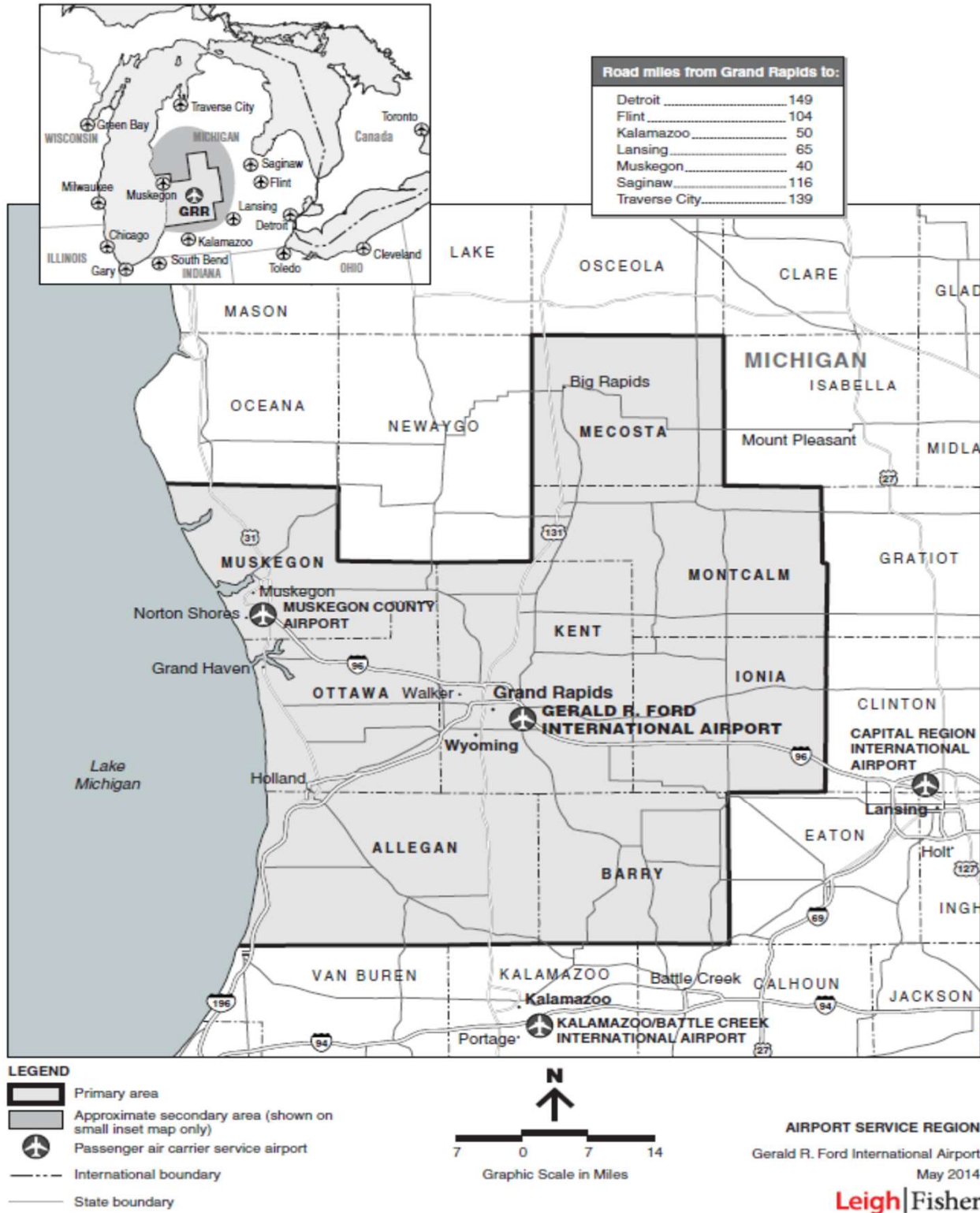
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this Financial Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance & Administration Division. Each member of our finance division has our sincere appreciation for the contributions made in preparation of this report.

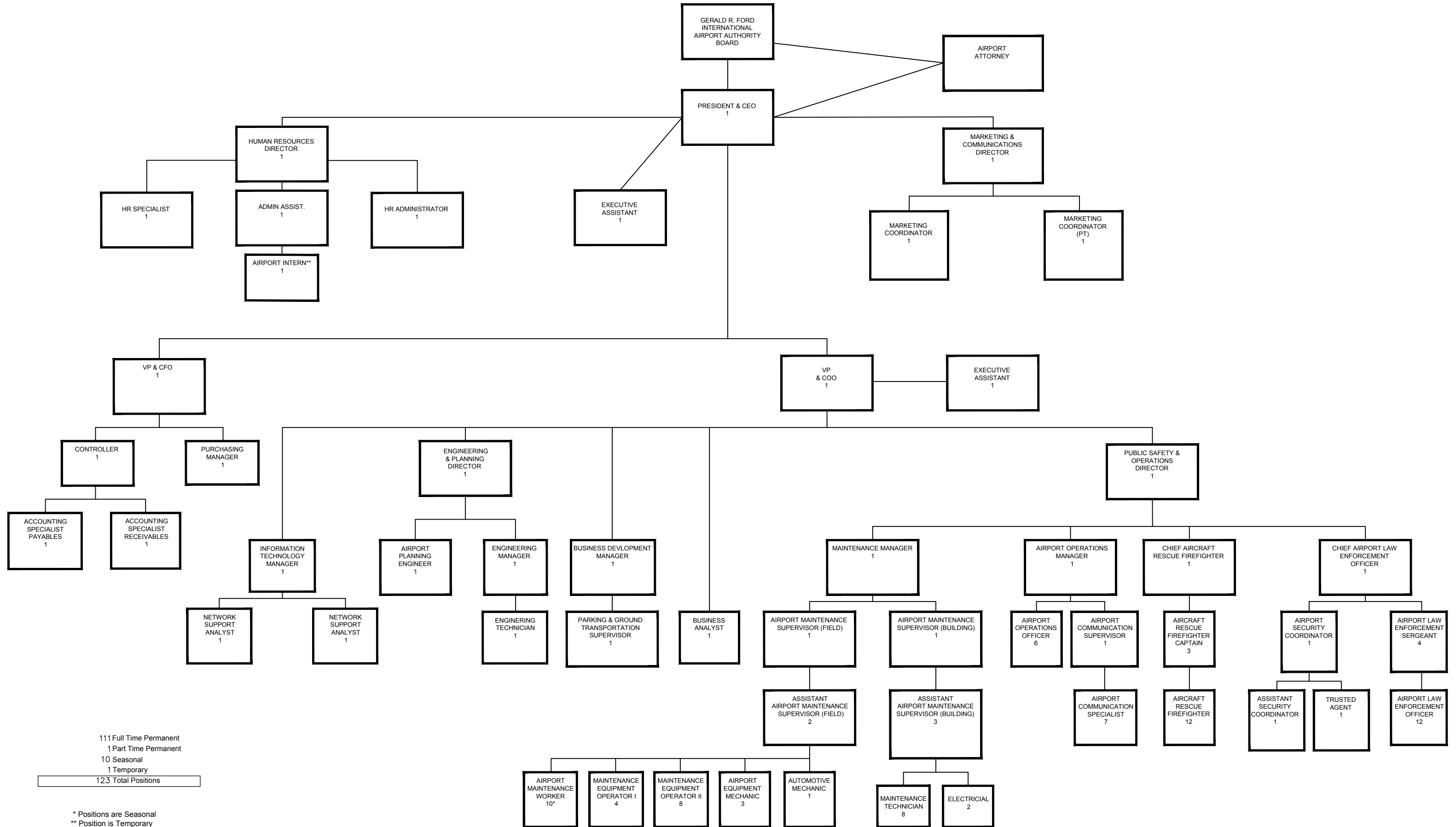
Respectfully submitted,

A handwritten signature in cursive script, appearing to read "B. Picardat".

Brian Picardat, A.A.E.
Interim CEO, CFO



**GERALD R. FORD AIRPORT AUTHORITY
ORGANIZATIONAL CHART
EFFECTIVE JANUARY 2019**





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Gerald R. Ford International
Airport Authority, Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

Financial Section

Independent Auditor's Report

To the Board of Directors
Gerald R. Ford International Airport Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of Gerald R. Ford International Airport Authority (the "Authority"), a component unit of the County of Kent, Michigan, as of and for the year ended December 31, 2018 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's 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 opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Gerald R. Ford International Airport Authority as of December 31, 2018 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Prior Year Financial Statements

The basic financial statements of Gerald R. Ford International Airport Authority as of and for the year ended December 31, 2017 were audited by a predecessor auditor, which expressed an unmodified opinion. The predecessor auditor's report was dated May 30, 2018.

To the Board of Directors
Gerald R. Ford International Airport Authority

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplemental information, as identified in the table of contents, 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, which 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 supplemental 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Gerald R. Ford International Airport Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*; passenger facility charges collected and expended, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*; and introductory and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules of expenditures of federal awards and passenger facility charges collected and expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and passenger facility charges collected and expended are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019 on our consideration of Gerald R. Ford International Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gerald R. Ford International Airport Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

May 21, 2019

The following Management's Discussion and Analysis (MD&A) of the Gerald R. Ford International Airport Authority's activities and financial performance provide an introduction to the financial statements of the Authority, a component unit of the County of Kent, Michigan (the "County") for the year ended December 31, 2018. The information contained in this MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introductory Section and various historic summaries of activities and financial performance included in the Statistical Section of this report.

Following this MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

Operations of the Gerald R. Ford International Airport were previously reported as an enterprise fund of Kent County. By resolution of the Kent County Board of Commissioners, a legally-separate Airport Authority was established. The Authority was incorporated with the State of Michigan on September 20, 2015 and commenced operations on July 1, 2016. Therefore, the Summary of Changes in Net Position for 2016 shown here is only representing the latter six month's of operations while under the Authority. Schedule A in the Statistical Section shows the full year's operations for true comparison.

FINANCIAL POSITION SUMMARY

The Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$244.0 million at December 31, 2018, a \$27.9 million increase from December 31, 2017, compared to a \$8.7 million increase in 2017.

A condensed summary of the Authority's net position at December 31 is provided below:

	2018	2017	2016
Assets			
Current and other assets	\$ 60,988,263	\$ 57,232,638	\$ 65,175,876
Capital assets, net	<u>346,957,790</u>	<u>333,872,590</u>	<u>328,813,737</u>
Total assets	<u>407,946,053</u>	<u>391,105,228</u>	<u>393,989,613</u>
Deferred outflows of resources	<u>8,667,247</u>	<u>7,167,748</u>	<u>7,096,348</u>
Liabilities			
Long-term debt	164,463,012	173,490,782	182,075,740
Other liabilities	<u>8,172,135</u>	<u>7,700,893</u>	<u>11,443,440</u>
Total liabilities	<u>172,635,147</u>	<u>181,191,675</u>	<u>193,519,180</u>
Deferred inflows of resources	<u>-</u>	<u>1,044,553</u>	<u>192,062</u>
Net position			
Net investment in capital assets	189,170,383	167,820,231	152,970,366
Restricted	37,803,626	32,053,609	41,271,131
Unrestricted	<u>17,004,144</u>	<u>16,162,908</u>	<u>13,133,222</u>
Total net position	<u>\$ 243,978,153</u>	<u>\$ 216,036,748</u>	<u>\$ 207,374,719</u>

The largest portion of the Authority's net position each year (77.5% and 77.7% at December 31, 2018 and 2017, respectively) represents its investment in capital assets (e.g., land, buildings, improvements and equipment), less the related debt outstanding used to acquire those capital assets. The Authority uses these capital assets to provide facilities to its tenants, users and customers. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net position (15.5% and 14.8% at December 31, 2018 and 2017, respectively) represents resources that are subject to external restrictions on how they can be used under bond resolutions and Federal regulations. The remaining unrestricted net position (7.0% and 7.5% at December 31, 2018 and 2017, respectively) may be used to meet any of the Authority's ongoing obligations.

SUMMARY OF CHANGES IN NET POSITION

A condensed summary of the Authority's change in net position for the year ended December 31 is provided below:

	2018	2017	2016
Operating revenues	\$ 49,175,216	\$ 41,831,316	\$ 19,673,319
Operating expenses	<u>(44,959,109)</u>	<u>(41,941,147)</u>	<u>(17,237,085)</u>
Operating income	<u>4,216,107</u>	<u>(109,831)</u>	<u>2,436,234</u>
Nonoperating revenues (expenses)			
Investment earnings	241,091	125,884	66,383
Interest & other expenses	(6,506,680)	(6,505,053)	(3,436,327)
Passenger and customer facility charges	9,269,325	7,938,471	3,791,470
Gain on sale of capital assets	<u>77,416</u>	<u>1,000</u>	<u>46,460</u>
Total nonoperating revenues (expenses)	<u>3,081,152</u>	<u>1,560,302</u>	<u>467,986</u>
Loss before capital contributions	7,297,259	1,450,471	2,904,220
Capital contributions	<u>20,644,146</u>	<u>7,211,558</u>	<u>6,644,391</u>
Change in net position before special item	27,941,405	8,662,029	9,548,611
Special item - Transfer from Kent County	<u>-</u>	<u>-</u>	<u>197,826,108</u>
Change in net position	27,941,405	8,662,029	207,374,719
Net position, beginning of year	<u>216,036,748</u>	<u>207,374,719</u>	<u>-</u>
Net position, end of year	<u>\$ 243,978,153</u>	<u>\$ 216,036,748</u>	<u>\$ 207,374,719</u>

FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues increased 17.6% from \$41.8 million in 2017 to \$49.2 million in 2018 principally due to increased passenger growth as a result of the airport expansion.
- Operating Expenses increased 7.2% from \$41.9 million in 2017 to \$45.0 million in 2018 principally due to increases in contractual services and supplies. These increases are also due to the passenger growth.
- As a result of the above, operating income increased to \$4.3 million in 2018 from a (\$0.1) million loss in 2017.
- Net non-operating revenues (expenses) increased to \$3.1 million in 2018 from \$1.6 million in 2017, due primarily to a 16.8% increase in Passenger and Customer facility charges.
- Capital contributions received in the form of grants from the Federal and State governments vary year to year and within the year, based on availability of grant funding and timing of federally funded projects.

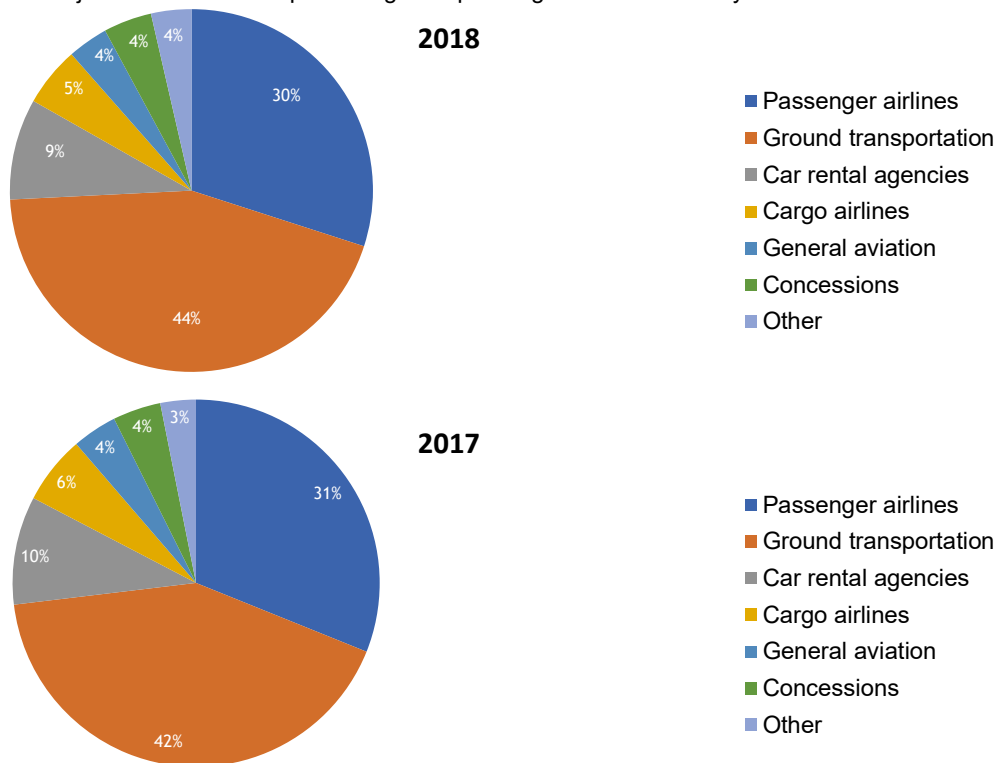
AIRLINE RATES AND CHARGES

The Gerald R. Ford International Airport Authority Board sets cost recovery rates and charges annually by adoption of a resolution based on a compensatory (cost of services) rates and charges methodology. This methodology utilizes the Authority's annual operating and capital budgets which have been approved by the Gerald R. Ford International Airport Authority Board. The rates include the terminal rental rates, landing fees and airline apron fees. Rates as of December 31 are as follows:

	2018	2017	2016
Landing fees (per 1,000 lbs)	\$ 2.98	\$ 2.84	\$ 2.98
Terminal rental rates (per square)	49.87	48.26	48.25
Airline apron fee (per 1,000 lbs)	1.70	1.81	1.79

REVENUES

The following chart shows the major sources and the percentage of operating revenues for the year ended December 31:

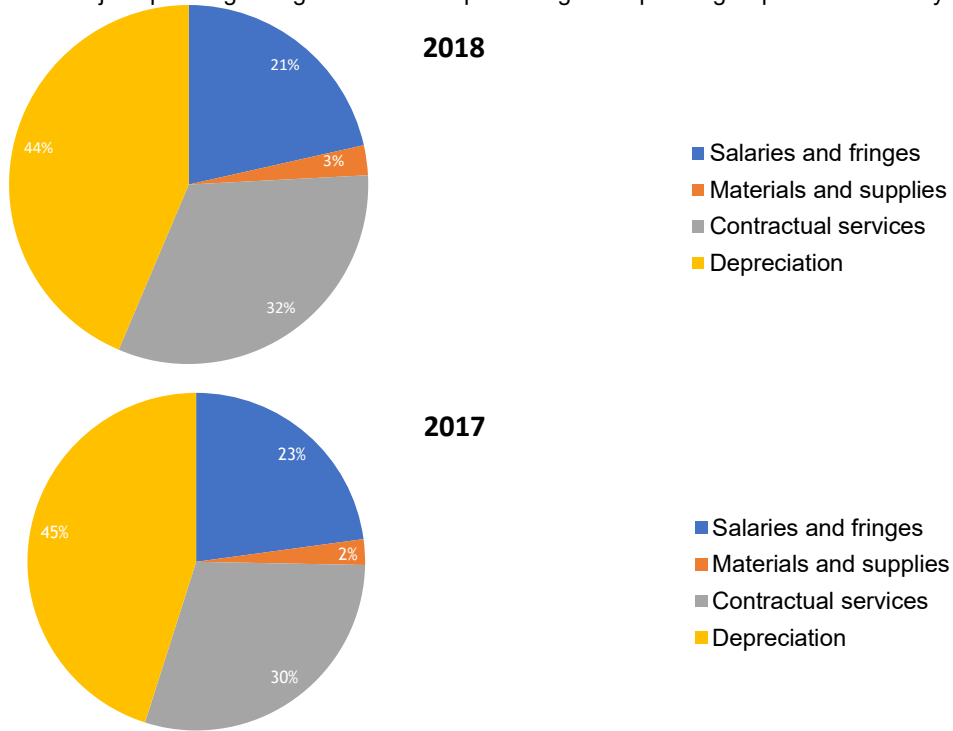


A summary of operating revenues for the year ended December 31, 2018 and 2017 is as follows:

Operating revenues	2018	Percent of Total	2017	Percent of Total
Charges for services:				
Passenger airlines	\$ 14,741,958	30.0%	\$ 13,005,828	31.1%
Ground transportation	21,743,935	44.2%	17,578,842	42.0%
Car rental agencies	4,430,856	9.0%	3,988,797	9.5%
Cargo airlines	2,606,076	5.3%	2,525,442	6.0%
General aviation	1,782,545	3.6%	1,651,675	3.9%
Concessions	2,105,971	4.3%	1,765,274	4.2%
Other	1,763,875	3.6%	1,315,458	3.1%
Total operating revenues	\$ 49,175,216		\$ 41,831,316	

EXPENSES

The following chart shows the major operating categories and the percentage of operating expenses for the year ended December 31:



A summary of operating expenses for the year ended December 31, 2018 and 2017 is as follows:

Operating expenses	2018		2017	
	\$	Percent of Total	\$	Percent of Total
Salaries and fringes	9,655,579	21.5%	9,590,573	22.9%
Materials and supplies	1,212,095	2.7%	1,022,374	2.4%
Contractual services	14,483,179	32.2%	12,421,445	29.6%
Depreciation	19,608,256	43.6%	18,906,755	45.1%
Total operating expenses	\$ 44,959,109		\$ 41,941,147	

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. The Authority is structured as an enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their useful lives. Amounts are restricted for debt service, construction purposes, and pension benefits. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

For the year ended December 31, 2018 the Authority had capital additions totaling \$32,788,712. The major capital additions were:

Terminal Apron Reconstruction	\$ 18,943,574
Consolidated Checkpoint Expansion	1,774,900
Gateway Transformation - Phase II	1,595,908
Sand Storage Building	1,379,501
East Parking Lot Rehabilitation	1,331,568
Parking Revenue Control System	821,266
Other	6,941,995

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal and state grants, private investment, debt issuance and Authority revenues. Additional information on the Authority's capital assets can be found in Note 4 of this report.

LONG-TERM DEBT ADMINISTRATION

In November 2018, the Authority issued \$12.7 million of Revenue Refunding Bonds to pay the cost of refunding the outstanding Airport Revenue Refunding Bonds, Series 2009. This bond issue, like the 2009 Refunding Bonds, was sold with the limited tax general obligation of the County and utilized the County's bond rating. Their rating for this issue was AAA from Standard & Poor's and Aaa from Moody's.

In February 2015, the Department issued \$93.9 million of Revenue Refunding Bonds to pay the cost of the outstanding Airport Bonds, Series 2007. This bond issue was sold with the limited tax general obligation of the County and utilized the County's bond rating. Their rating for this issue was AAA from Standard & Poor's and Aaa from Moody's.

In March 2015, the Department issued \$14.6 million of Revenue Bonds to pay the construction cost of the parking deck roof. This bond issue was sold with the limited tax general obligation of the County and utilized the County's bond rating. Their rating for this issue was AAA from Standard & Poor's and Aaa from Moody's.

On November 1, 2011, the Department issued \$38.7 million of Revenue Refunding Bonds to pay the cost of the outstanding Airport Bonds, Series 1998. This bond issue, unlike the 1998 Bonds but like the 2009 Refunding Bonds, was sold with the limited tax general obligation of the County and utilized the County's bond rating. Their rating for this issue was AAA from Standard & Poor's and Aaa from Moody's.

On April 30, 2009, the Department issued \$30.1 million of Revenue Refunding Bonds to pay the cost of refunding the outstanding Airport Revenue Refunding Bonds, Series 1999. This bond issue, like the 1999 Refunding Bonds, was sold with the limited tax general obligation of the County and utilized the County's bond rating. Their rating for this issue was AAA from Standard & Poor's and Aaa from Moody's.

On February 2009, Standard & Poor's downgraded the Airport's rating to BBB+ with a stable outlook from A- with a stable outlook. Standard & Poor's indicated the key credit concerns were the amount of additional debt taken on with the Series 2007 Bonds and the declining traffic. On March 30, 2011 Standard & Poor's affirmed the Airport's BBB+ rating with a stable outlook. With the issue of the Series 2011 Refunding Bonds noted above, all of the outstanding Bond issues have the limited tax general obligation of the County and therefore carry the County's AAA rating from Standard & Poor's and Aaa from Moody's.

Additional information on the Authority's revenue bonds payable can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The economy of West Michigan has outperformed the rest of the state and country and this has been reflected in the passenger growth seen by the airport over the last six years. The Authority has seen continued growth in the first three months of 2019 as well. With this growth and our staff's continued review of costs, it is expected that airline rates will continue to be held flat or with a very little increase in 2019.

REQUESTS FOR INFORMATION

This financial report is designed to provide general overview of the Authority's finances 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, may be addressed to the Vice President and CFO, Gerald R. Ford International Airport Authority, 5500 44th Street SE, Grand Rapids, Michigan 49512-4055.

Respectfully submitted,



Brian Picardat, A.A.E.
Interim CEO, CFO

Gerald R. Ford International Airport Authority

Statement of Net Position

December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,740,606	\$ 14,949,213
Restricted cash and cash equivalents (Note 3)	12,127,877	12,107,922
Receivables:		
Accounts receivable - Net	2,549,185	2,253,730
Due from other governments	366,615	5,405,396
Inventory	221,407	217,693
Prepaid expenses and deposits	1,298,466	1,037,769
Total current assets	37,304,156	35,971,723
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 3)	17,048,526	12,420,974
Accounts receivable - Net (Note 3)	1,120,371	894,253
Net pension asset (Note 8)	5,515,210	7,945,688
Capital assets: (Note 4)		
Assets not subject to depreciation	30,172,676	11,626,872
Assets subject to depreciation - Net	316,785,114	322,245,718
Total noncurrent assets	370,641,897	355,133,505
Total assets	407,946,053	391,105,228
Deferred Outflows of Resources		
Deferred charges on bond refundings (Note 5)	5,807,456	6,577,088
Deferred pension costs (Note 8)	2,859,791	590,660
Total deferred outflows of resources	8,667,247	7,167,748
Liabilities		
Current liabilities:		
Payables:		
Accounts payable	2,166,959	1,883,021
Construction contracts payable	1,867,273	1,144,522
Payables from restricted assets:		
Accrued interest payable	3,143,637	3,657,875
Bonds payable (Note 5)	8,984,240	8,450,047
Unearned revenue	330,336	318,307
Other accrued liabilities	663,930	697,168
Total current liabilities	17,156,375	16,150,940
Noncurrent liabilities - Bonds payable - Net of current portion (Note 5)	155,478,772	165,040,735
Total liabilities	172,635,147	181,191,675
Deferred Inflows of Resources - Deferred pension cost reductions (Note 8)	-	1,044,553
Net Position		
Net investment in capital assets	189,170,383	167,820,231
Restricted:		
Debt service	11,369,540	11,732,868
Debt reserve	3,004,354	3,558,376
Passenger facility charges - Debt service	2,550,288	523,018
Passenger facility charges - Capital improvements	10,044,535	7,555,284
Customer facility charges - Capital improvements	2,459,908	1,192,268
Pension benefits	8,375,001	7,491,795
Unrestricted	17,004,144	16,162,908
Total net position	<u>\$ 243,978,153</u>	<u>\$ 216,036,748</u>

Gerald R. Ford International Airport Authority

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenue		
Passenger airlines	\$ 14,741,958	\$ 13,005,828
Ground transportation	21,743,935	17,578,842
Car rental agencies	4,430,856	3,988,797
Cargo airlines	2,606,076	2,525,442
General aviation	1,782,545	1,651,675
Concessions	2,105,971	1,765,274
Other	1,763,875	1,315,458
Total operating revenue	49,175,216	41,831,316
Operating Expenses		
Salaries and fringes	9,655,579	9,590,573
Materials and supplies	1,212,095	1,022,374
Contractual services	14,483,179	12,421,445
Depreciation	19,608,256	18,906,755
Total operating expenses	44,959,109	41,941,147
Operating Income (Loss)	4,216,107	(109,831)
Nonoperating Revenue (Expense)		
Gain on sale of assets	77,416	1,000
Interest earnings	241,091	125,884
Interest expense	(6,298,931)	(6,505,053)
Bond sale expenses	(207,749)	-
Passenger facility charges	6,886,079	5,785,974
Customer facility charges	2,383,246	2,152,497
Total nonoperating revenue	3,081,152	1,560,302
Income - Before capital contributions	7,297,259	1,450,471
Capital Contributions		
Capital grants	18,702,479	5,497,863
Capital donations	1,941,667	1,713,695
Total capital contributions	20,644,146	7,211,558
Change in Net Position	27,941,405	8,662,029
Net Position - Beginning of year	216,036,748	207,374,719
Net Position - End of year	\$ 243,978,153	\$ 216,036,748

Gerald R. Ford International Airport Authority

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 48,894,612	\$ 41,769,124
Payments to suppliers	(15,697,799)	(14,628,234)
Payments to employees and fringes	(10,552,793)	(10,234,184)
Net cash and cash equivalents provided by operating activities	22,644,020	16,906,706
Cash Flows from Capital and Related Financing Activities		
Passenger facility charges collected	6,685,521	5,626,582
Customer facility charges collected	2,357,686	2,146,326
Capital contributions received	25,682,927	3,975,039
Proceeds from sale of capital assets	172,698	25,567
Purchase of capital assets	(32,065,987)	(26,860,837)
Issuance of revenue bonds	12,725,000	-
Principal paid on revenue bonds	(21,560,000)	(7,255,000)
Interest paid on revenue bonds	(6,236,307)	(7,477,950)
Payment of bond sale expenses	(207,749)	-
Net cash and cash equivalents used in capital and related financing activities	(12,446,211)	(29,820,273)
Cash Flows Provided by Investing Activities - Interest received	241,091	125,884
Net Increase (Decrease) in Cash and Cash Equivalents	10,438,900	(12,787,683)
Cash and Cash Equivalents - Beginning of year	39,478,109	52,265,792
Cash and Cash Equivalents - End of year	\$ 49,917,009	\$ 39,478,109
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 20,740,606	\$ 14,949,213
Current restricted cash and cash equivalents	12,127,877	12,107,922
Noncurrent restricted cash and cash equivalents	17,048,526	12,420,974
Total cash and cash equivalents	\$ 49,917,009	\$ 39,478,109
Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities		
Operating income (loss)	\$ 4,216,107	\$ (109,831)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	19,608,256	18,906,755
Changes in assets and liabilities:		
Accounts receivable	(295,455)	(92,240)
Inventories	(3,714)	(52,618)
Prepaid expenses and deposits	(260,697)	(277,630)
Net pension asset and deferred pension costs	(883,206)	(758,045)
Accounts payable	283,938	(854,167)
Unearned revenue	12,029	30,048
Other accrued liabilities	(33,238)	114,434
Total adjustments	18,427,913	17,016,537
Net cash and cash equivalents provided by operating activities	\$ 22,644,020	\$ 16,906,706

December 31, 2018 and 2017

Note 1 - Significant Accounting Policies

Reporting Entity

Gerald R. Ford International Airport Authority (the "Authority") was incorporated as a public body on September 2, 2015 and commenced operations on July 1, 2016. The Authority's purpose is to operate and maintain the Gerald R. Ford International Airport in Grand Rapids, Michigan. It is the second largest airport in Michigan with flights to 26 domestic locations.

The Authority is governed by a seven-member board whose members are appointed by the County of Kent, Michigan (the "County") and is reported as a discretely presented component unit of the County.

Accounting and Reporting Principles

The Authority follows accounting principles and policies generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

Report Presentation

This report includes the fund-based statements of the Authority. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

Fund Accounting

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The Authority reports all activity in a single enterprise fund. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenue of the Authority is charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Basis of Accounting

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Restricted net position is reported for assets that are subject to restrictions beyond the Authority's control, less any liabilities payable from such restricted assets. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, short-term investments with a maturity of three months or less when acquired, and short-term accrued interest.

Investments

The Airport's investments are composed entirely of a balance in the Kent County External Investment Pool, managed by the County Treasurer. Investments underlying the County External Investment Pool consist primarily of short-term certificates of deposit, which are carried at cost plus accrued interest, and U.S. treasuries and agencies, which are carried at fair value. Investment income earned as a result of cash pooling is allocated to participating governments. Positions in external investment pools are not required to be categorized within the fair value hierarchy and are classified as cash equivalents.

December 31, 2018 and 2017

Note 1 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are customer obligations generally due under normal trade terms. The allowance for possible losses is determined by reviewing known customer exposures and applying historical credit loss experience to the current receivable accounts with consideration given to the current condition of the economy, assessment of the financial position of the customer, and overall trends in receivables aged beyond their contractual terms. After all attempts to collect a receivable have failed, the receivable is written off against the allowance for possible losses.

Due from Other Governments

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenue at the time eligible project costs are incurred and reimbursement is requested. Revenue received in advance of project costs being incurred is reported as unearned revenue.

Inventories and Prepaid Items

Inventories, which consist of fuel and runway deicers, are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods. For such payments, the Authority accrues prepaid items in the financial statements.

Restricted Assets

Restricted assets consist of monies and other resources whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like or through restrictions imposed by law through constitutional provisions or enabling legislation. The distinction between current and noncurrent restricted assets is that noncurrent assets are restricted for long-term debt service, reserves, and capital expenditures.

Bond Discounts and Premiums

Premiums and discounts associated with various bond issues are being amortized by the straight-line method over the repayment periods of the related bonds. Amortization of these items is charged to interest expense.

Capital Assets

Capital assets include land improvements, buildings and improvements, equipment, systems, office equipment and furniture, and vehicles. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$50,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed, net of accumulated depreciation. Donated capital assets are recorded at estimated acquisition value at the date of donation. Interest incurred during the construction of capital assets is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized.

Note 1 - Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Asset Type	Depreciable Life - Years
Land improvements	20-30
Buildings and improvements	30-50
Equipment and systems	3-12
Office equipment and furniture	5-15
Vehicles	3-7

The Authority reviews long-lived assets, including land, buildings and other capital assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair market value. If it is determined that an impairment loss has occurred based on expected future undiscounted cash flows, the asset is written down to its net value and a current charge to income is recognized.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows related to pension costs, as well as for deferred losses on refunding. See Note 8 for details on pension costs. A deferred refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows related to pension cost reductions. See Note 8 for details on pension costs.

Net Position

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Authority will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

December 31, 2018 and 2017

Note 1 - Significant Accounting Policies (Continued)

Passenger Airline Charges

The Authority sets rates and charges for landing fees, terminal rental rates, and apron fees that are charged to the airlines for services based on the adopted operating and capital budgets. These rates and charges are adopted by the board in October and are effective January 1. At the end of the year, the Authority does a recalculation of the rates based on actual activity and audited information. The difference between the rates and charges is then either credited to the airlines if they have overpaid during the year or billed to the airlines if they underpaid during the year.

Facility Charges and Capital Contributions

Passenger facility charges (PFC) are collected from airlines that service the airport for each enplaned passenger, and such charges must be used to fund capital projects. The Authority received approval from the Federal Aviation Administration (FAA) on September 9, 1992 to start collecting a \$3 PFC. The Authority received approval to "use" PFC revenue previously collected, as well as future charges, on February 2, 1996. The PFC revenue is being used to pay debt service on the Airport Revenue Refunding Bonds, Series 2018 (previously Series 2009). On September 8, 2005, the FAA approved a \$1.50 increase of the PFC to \$4.50. The additional PFC revenue will be used for terminal improvements. Revenue is recognized when earned and is classified as nonoperating revenue.

Customer facility charges (CFC) are collected for rental car related capital projects. The CFC of \$3 per transaction day on rental car transactions was approved by the Gerald R. Ford International Airport board on August 31, 2005. The CFC revenue was used to develop new rental car service facilities and rental vehicle ready/return spaces in the parking structure. Consequently, revenue is recognized when earned and is classified as nonoperating revenue. As of March 1, 2016, the amount collected in CFC's and rental income from the car rental agencies reached the total amount expended in the development of the new rental car service facilities. At that time, the board approved for the CFC revenue to be put towards the payment of debt incurred during the 2015 construction of the roof of the parking structure, as well as a maintenance fund for the car rental service facilities. The Authority estimates that the total amount needed to pay off the debt and the maintenance fund for 15 years is \$37 million. Based on current collection rates, the Authority anticipates that the total amount will be collected via CFCs by December 31, 2030.

The Authority received a significant amount of funding through the Airport Improvement Program of the Federal Aviation Administration, with certain matching funds provided by the Authority and the State of Michigan. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred. Grants for capital asset acquisitions, facilities development, and rehabilitation are reported in the statement of revenue, expenses, and changes in net position after nonoperating revenue and expenses as other capital contributions.

Pension

The Authority offers a defined benefit pension plan to its employees, as described in Note 8. The Authority records a net pension asset for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Gerald R. Ford International Airport Authority Municipal Employees' Retirement System of Michigan pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

December 31, 2018 and 2017

Note 1 - Significant Accounting Policies (Continued)

Compensated Absences

Authority employees are granted vacation leave in varying amounts based on their length of service. Employees may accumulate up to a predetermined amount of vacation leave. Upon termination, employees are paid for unused vacation at the current rates. It is the Authority's policy to recognize the cost of vacation pay at the time the liability is incurred. The Authority's compensated absences liability is recorded as an other accrued liability on the statement of net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Reclassifications

Certain 2017 restricted cash and cash equivalents and accounts receivable amounts have been reclassified between current and noncurrent assets to conform to the 2018 presentation, with no effect on 2017 net income.

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2020.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2019.

December 31, 2018 and 2017

Note 1 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Authority's financial statements for the December 31, 2020 fiscal year.

Note 2 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 20,740,606	\$ 14,949,213
Restricted cash and cash equivalents	12,127,877	12,107,922
Noncurrent assets - Restricted cash and cash equivalents	17,048,526	12,420,974
Total deposits and investments	\$ 49,917,009	\$ 39,478,109

These amounts are classified into the following deposits and investment categories:

	2018	2017
Deposits with financial institutions	\$ 35,505,773	\$ 24,174,932
Collateralized deposits	14,373,894	15,291,244
County of Kent, Michigan investment pool	15,465	56
Cash on hand	21,877	11,877
Total deposits and investments	\$ 49,917,009	\$ 39,478,109

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. State law does not require and the Authority does not have a specific policy pertaining to custodial credit risk for deposits that is more restrictive than state law. As of December 31, 2018 and 2017, the Authority had \$49,226,763 and \$39,033,079, respectively, of bank deposits that were uninsured. The Authority's collateralized deposits represent amounts held in bond reserve and redemption accounts that are collateralized by U.S. government treasuries and agencies. Custodial credit risk for the balance held in the County investment pool cannot be determined because the Authority's balance does not correspond to specific bank accounts.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a specific policy pertaining to custodial credit risk for deposits that is more restrictive than state law.

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. 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 Authority's investments do not have identifiable maturity dates.

Credit Risk

State law limits investments to specific government securities, certificates of deposit, bank accounts with qualified financial institutions, and 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 has no investment policy that would further limit its investment choices. The County investment pool is not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk, as identified in the list of authorized investments above. The Authority's investment policy minimizes concentration of credit risk by requiring that, with the exception of U.S. Treasuries and authorized pools, no more than 25 percent of the portfolio be invested in a single security type or with a single financial institution.

Note 3 - Restricted Assets

At December 31, 2018 and 2017, restricted assets are composed of the following:

	2018	2017
Current restricted cash and cash equivalents - Debt service	\$ 12,127,877	\$ 12,107,922
Noncurrent restricted cash and cash equivalents:		
Debt service	2,246,017	3,183,322
Passenger facility charges	11,641,051	7,325,088
Customer facility charges	2,293,309	1,051,229
Unspent bond proceeds	868,149	861,335
Noncurrent restricted accounts receivable:		
Passenger facility charges	953,772	753,214
Customer facility charges	166,599	141,039
Total noncurrent restricted assets	18,168,897	13,315,227
Total restricted assets	\$ 30,296,774	\$ 25,423,149

Gerald R. Ford International Airport Authority

Notes to Financial Statements

December 31, 2018 and 2017

Note 4 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance January 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2018
Capital assets not being depreciated -					
Construction in progress	\$ 11,626,872	\$ (14,242,908)	\$ 32,788,712	\$ -	\$ 30,172,676
Capital assets being depreciated:					
Land improvements	248,253,093	1,381,378	-	-	249,634,471
Buildings and improvements	309,294,293	2,973,289	-	-	312,267,582
Equipment	25,978,772	2,458,418	-	(2,210,621)	26,226,569
Systems	6,116,061	7,150,881	-	-	13,266,942
Office equipment and furniture	1,964,882	187,639	-	(62,593)	2,089,928
Vehicles	1,152,015	91,303	-	(112,738)	1,130,580
Subtotal	592,759,116	14,242,908	-	(2,385,952)	604,616,072
Accumulated depreciation:					
Land improvements	144,081,749	-	7,542,481	-	151,624,230
Buildings and improvements	107,687,625	-	10,081,909	-	117,769,534
Equipment	11,589,137	-	1,114,142	(2,134,876)	10,568,403
Systems	4,881,883	-	588,289	-	5,470,172
Office equipment and furniture	1,536,165	-	84,736	(48,941)	1,571,960
Vehicles	736,839	-	196,699	(106,879)	826,659
Subtotal	270,513,398	-	19,608,256	(2,290,696)	287,830,958
Net capital assets being depreciated	322,245,718	14,242,908	(19,608,256)	(95,256)	316,785,114
Net capital assets	\$ 333,872,590	\$ -	\$ 13,180,456	\$ (95,256)	\$ 346,957,790
	Balance January 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2017
Capital assets not being depreciated -					
Construction in progress	\$ 28,727,822	\$ (41,008,367)	\$ 23,931,984	\$ (24,567)	\$ 11,626,872
Capital assets being depreciated:					
Land improvements	244,307,164	3,945,929	-	-	248,253,093
Buildings and improvements	274,718,983	34,575,308	-	-	309,294,291
Equipment	23,960,977	2,017,795	-	-	25,978,772
Systems	5,867,686	190,186	58,191	-	6,116,063
Office equipment and furniture	1,964,885	-	-	-	1,964,885
Vehicles	872,869	279,149	-	-	1,152,018
Subtotal	551,692,564	41,008,367	58,191	-	592,759,122
Accumulated depreciation:					
Land improvements	136,582,629	-	7,499,120	-	144,081,749
Buildings and improvements	97,732,210	-	9,955,415	-	107,687,625
Equipment	10,644,487	-	944,652	-	11,589,139
Systems	4,618,845	-	263,040	-	4,881,885
Office equipment and furniture	1,455,747	-	80,419	-	1,536,166
Vehicles	572,731	-	164,109	-	736,840
Subtotal	251,606,649	-	18,906,755	-	270,513,404
Net capital assets being depreciated	300,085,915	41,008,367	(18,848,564)	-	322,245,718
Net capital assets	\$ 328,813,737	\$ -	\$ 5,083,420	\$ (24,567)	\$ 333,872,590

Note 4 - Capital Assets (Continued)

The construction in progress as of December 31, 2018 and 2017 of \$30,172,676 and \$11,626,872, respectively, relates to various projects being funded by federal, state, and authority funds.

Depreciation expense for the years ended December 31, 2018 and 2017 was \$19,608,256 and \$18,906,755, respectively.

The County of Kent, Michigan owns the land underlying the Authority's operations. The Authority has entered into a 40-year lease with the County to use the land for any purposes the Authority deems to be consistent with the best interest of operating the airport for a payment of \$1. At the end of the 40-year term, the lease shall renew for successive 20-year terms unless either party gives proper notice of termination.

Construction Commitments

The Authority has active construction projects at year end. The projects include the Terminal Apron Reconstruction, Sand Storage Building, East Lot Rehabilitation, and Gateway Transformation Phase II, among others. At December 31, 2018, the Authority's commitments with contractors were approximately \$31,505,000.

Note 5 - Long-term Debt

Long-term debt activity for the years ended December 31, 2018 and 2017 can be summarized as follows:

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Revenue bonds	\$ 155,080,000	\$ 12,725,000	\$ (21,560,000)	\$ 146,245,000	\$ 7,735,000
Unamortized bond premiums	18,410,782	1,184,358	(1,377,128)	18,218,012	1,249,240
Total bonds payable	\$ 173,490,782	\$ 13,909,358	\$ (22,937,128)	\$ 164,463,012	\$ 8,984,240
	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Revenue bonds	\$ 162,335,000	\$ -	\$ (7,255,000)	\$ 155,080,000	\$ 7,370,000
Unamortized bond premiums	19,740,740	-	(1,329,958)	18,410,782	1,080,047
Total bonds payable	\$ 182,075,740	\$ -	\$ (8,584,958)	\$ 173,490,782	\$ 8,450,047

The Authority had deferred outflows of \$5,807,456 and \$6,577,088 related to deferred charges on bond refundings at December 31, 2018 and 2017, respectively.

Note 5 - Long-term Debt (Continued)

Revenue Bonds

Revenue bonds payable consist of the following bond issues as of December 31, 2018 and 2017:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>
Airport revenue refunding bonds, Series 2009	1/1/2019	2.00-5.00%	\$ 2,015,000	\$ 18,125,000
Airport revenue refunding bonds, Series 2011	1/1/2028	2.00-5.00%	27,190,000	29,260,000
Airport revenue bonds, Series 2015	1/1/2035	1.50-5.00%	13,255,000	13,765,000
Airport revenue refunding bonds, Series 2015	1/1/2037	4.00-5.00%	91,060,000	93,930,000
Airport revenue refunding bonds, Series 2018	1/1/2025	5.00%	12,725,000	-
Total			<u>\$ 146,245,000</u>	<u>\$ 155,080,000</u>

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,735,000	\$ 6,502,687	\$ 14,237,687
2020	7,795,000	6,360,625	14,155,625
2021	8,265,000	5,959,125	14,224,125
2022	8,680,000	5,535,500	14,215,500
2023	9,110,000	5,090,750	14,200,750
2024-2028	44,770,000	18,743,425	63,513,425
2029-2033	31,650,000	9,892,700	41,542,700
2034-2037	28,240,000	2,662,775	30,902,775
Total	<u>\$ 146,245,000</u>	<u>\$ 60,747,587</u>	<u>\$ 206,992,587</u>

There are a number of limitations and restrictions contained in the various bond indentures. All revenue bonds outstanding and interest thereon are secured by a statutory first lien, subject only to prior liens, on the net revenue of the Authority. In compliance with bond agreements, the Authority has a letter of credit available totaling \$11,435,300, which has not been drawn upon. The letter of credit expires on September 11, 2020. In addition, all bonds bear the limited tax pledge of the full faith and credit of the County of Kent, Michigan to advance necessary amounts to meet principal and interest payments in the event that revenue of the Authority are insufficient to meet requirements.

Bond Refunding

In November 2018, the Authority issued \$12,725,000 in Series 2018 revenue bonds with an average interest rate of 5.0 percent. The proceeds of these bonds were used to refund \$14,190,000 of outstanding Series 2009 revenue refunding bonds with an interest rate ranging from 4.0-5.0 percent. The net proceeds of \$14,479,161 (after payment of \$213,831 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to currently refund on the original bonds original scheduled to mature on January 1, 2022, except for the final payment of \$2,015,000 due on January 1, 2019. As a result, the refunded portion of the Series 2009 revenue refunding bonds has been removed from long-term debt. The refunding reduced total debt service payments over the next seven years by approximately \$1,628,000, which represents an economic gain of approximately \$1,503,000.

Note 5 - Long-term Debt (Continued)

Pledged Revenue

The Authority has pledged airport revenue as security for outstanding bonds, which were issued to provide funding for various capital projects. The Authority has committed to appropriate each year, from certain airport revenue net of related operating expenses, amounts sufficient to cover the principal and interest requirements of the debt. Total principal and interest remaining on the debt is \$206,992,587, with annual requirements ranging from \$14,238,000 in 2019 to \$7,149,000 in the final year. For the years ended December 31, 2018 and 2017, there were \$7,370,000 and \$7,255,000, respectively, in principal payments, and interest expense totaled \$6,298,931 and \$6,505,053, respectively. Net revenue pledged for debt service were \$33,334,779 and \$26,861,279 for the years ended December 31, 2018 and 2017, respectively.

Note 6 - Leases

Operating Leases

The Authority has entered into agreements to lease airport facilities to various airlines and vendors. The aggregate amount of future minimum lease payments expected to be received by the Authority, exclusive of expected extensions and airline month-to-month agreements. The future minimum lease payments for these leases are as follows:

<u>Years Ending</u>	<u>Amount</u>
2019	\$ 8,615,371
2020	8,306,131
2021	8,207,145
2022	8,113,263
2023	5,791,980
Thereafter	<u>39,369,189</u>
Total	<u>\$ 78,403,079</u>

Note 7 - Risk Management

The Authority is exposed to various risks of loss during the normal course of operation. The Authority participates in the County's self-insurance program for property insurance. The cost of coverage is recognized as an operating expense in the year incurred. The Authority also purchases commercial insurance for catastrophic loss claims. No liability is recorded at December 31, 2018 and 2017 for outstanding claims or for any potential claims incurred but not reported as of that date.

The Michigan Municipal Risk Management Authority (MMRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to MMRMA that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Authority. Settled claims have not exceeded available coverage for any of the last three years. There were no estimated claims liability at December 31, 2018 and 2017 and no claim payments for the years then ended.

December 31, 2018 and 2017

Note 7 - Risk Management (Continued)

In March 2018, the Gerald R. Ford International Airport Authority was approached by the Michigan Department of Environmental Quality (MDEQ) Remediation and Redevelopment Division, Grand Rapids District Office, regarding historical use of firefighting foam. In response, the Authority began a stepwise approach to further understand the use of aqueous film-forming foam (AFFF) at the airport. Use is generally summarized as follows from our April 13, 2018 response to the MDEQ: "Firefighting materials at the Airport (and all U.S. commercial airports) are specified and regulated by the Federal Aviation Administration (FAA). The military specification (Mil-Spec) specifying which aqueous film-forming foam (AFFF) is permitted to be used pursuant to FAA regulations has changed over time. The latest Mil-Spec from September 2016 requires AFFF formulations and the immediately prior formulation contain some form of per- and polyfluoroalkyl substances (PFAS)." There are three main scenarios in which AFFF may be used at an airport: training, equipment testing, and to extinguish fuel-fed fires. The Authority has utilized best practices to meet FAA regulations in all of these use scenarios. Following the April 2018 letter, the Authority fostered a collaborative effort with regulatory agencies, including the MDEQ, Michigan Department of Health and Human Services, and the Kent County Health Department and conducted numerous water and soil tests in the vicinity of a former on-site firefighter training area. This investigation is ongoing. As of December 31, 2018, the Authority recorded a liability related to its share of the site assessment costs of \$500,000. Management of the Authority is of the opinion that the outcome of legal 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.

Note 8 - Pension Plan

Plan Description

The Authority participates in the Municipal Employees' Retirement System of Michigan (MERS of Michigan), an agent multiple-employer defined benefit pension plan. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides certain retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amended the benefit provisions of the participants in MERS.

Pension benefits vary based on date of hire. Employees with a hire date prior to July 1, 2016 that transferred employment from the County participate in a defined benefit plan. Service credit for employment as a county employee was retained. Benefit payments are calculated as final average compensation (based on a three-year period) and a multiplier of 2.5 percent. Participants are considered to be fully vested in the plan after five years. Normal retirement age is 60 with five or more years of service or any age with 25 or more years of service. Early retirement options are available at age 55 with a reduced benefit.

Employees hired on or after July 1, 2016 participate in a hybrid plan. Benefit payments under the hybrid plan are calculated as final average compensation (based on a three-year period) and a multiplier of 1.5 percent. Participants are considered to be fully vested in the plan after six years. Employer defined contribution payments vest on a graded scale over six years. Employee contributions vest immediately. Normal retirement age is 60 with six years of service with an early retirement option available at age 55 with 25 years of service.

Note 8 - Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	102
	<hr/>
Total employees covered by the plan	112
	<hr/> <hr/>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the years ended December 31, 2018 and 2017, employee contributions to the closed defined benefit plan are expressed as a percentage of covered payroll and amount to 6.50 percent of covered payroll. For the years ended December 31, 2018 and 2017, employer contributions to the hybrid plan are expressed as a percentage of covered payroll and amount to 7.97 and 8.68 percent of covered payroll, respectively.

Net Pension Asset

The Authority has chosen to use the December 31 measurement date as its measurement date for the net pension asset.

The December 31, 2018 fiscal year end reported net pension asset was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 total pension liability was determined by an actuarial valuation performed as of December 31, 2017, which used update procedures to roll forward the estimated liability to December 31, 2018.

The December 31, 2017 fiscal year end reported net pension asset was determined using a measure of the total pension liability and the pension net position as of the December 31, 2017 measurement date. The December 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

December 31, 2018 and 2017

Note 8 - Pension Plan (Continued)

Changes in the net pension asset during the measurement year were as follows:

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at December 31, 2017	\$ 16,118,957	\$ 24,064,645	\$ (7,945,688)
Changes for the year:			
Service cost	835,093	-	835,093
Interest	1,314,122	-	1,314,122
Differences between expected and actual experience	899,368	-	899,368
Contributions - Employer	-	325,207	(325,207)
Contributions - Employee	-	354,221	(354,221)
Net investment loss	-	(980,257)	980,257
Benefit payments	(205,774)	(205,774)	-
Administrative expenses	-	(47,669)	47,669
Miscellaneous other charges	(966,603)	-	(966,603)
Net changes	1,876,206	(554,272)	2,430,478
Balance at December 31, 2018	<u>\$ 17,995,163</u>	<u>\$ 23,510,373</u>	<u>\$ (5,515,210)</u>

The plan's fiduciary net position represents 130.6 percent of the total pension liability.

Changes in the net pension asset during the prior measurement year were as follows:

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at January 1, 2017	\$ 13,617,812	\$ 20,543,624	\$ (6,925,812)
Changes for the year:			
Service cost	829,449	-	829,449
Interest	1,144,760	-	1,144,760
Differences between expected and actual experience	675,040	-	675,040
Contributions - Employer	-	470,266	(470,266)
Contributions - Employee	-	417,953	(417,953)
Net investment income	-	2,798,042	(2,798,042)
Benefit payments	(121,103)	(121,103)	-
Administrative expenses	-	(44,137)	44,137
Miscellaneous other charges	(27,001)	-	(27,001)
Net changes	2,501,145	3,521,021	(1,019,876)
Balance at December 31, 2017	<u>\$ 16,118,957</u>	<u>\$ 24,064,645</u>	<u>\$ (7,945,688)</u>

The plan's fiduciary net position represents 149.3 percent of the total pension liability.

Note 8 - Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended December 31, 2018 and 2017, the Authority recognized a reduction to pension expense of \$557,997 and \$287,779, respectively.

At December 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,293,227	\$ -	\$ 590,660	\$ -
Net difference between projected and actual earnings on pension plan investments	1,566,564	-	-	1,044,553
Total	\$ 2,859,791	\$ -	\$ 590,660	\$ 1,044,553

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31	Amount
2019	\$ 508,153
2020	508,153
2021	556,168
2022	781,295
2023	196,801
Thereafter	309,221
Total	\$ 2,859,791

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses) of 8.00 percent, and the RP-2014 mortality tables.

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 - Pension Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.65 %
Global fixed income	18.50	1.76
Real assets	13.50	7.72
Diversifying strategies	12.50	5.50

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Authority, calculated using the discount rate of 8.00 percent, as well as what the Authority's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension asset of the plan	\$ (3,076,638)	\$ (5,515,210)	\$ (7,554,637)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 9 - Health Care Savings Plan

The Authority sponsors a Health Care Savings Plan (HCSP) for employees. The HCSP allows for employee and employer contributions while employed to be used toward eligible medical expenses upon retirement. Employees contribute at a rate of 1 percent of covered payroll. The Authority supplements employee contributions with an annual contribution of \$3,000 (paid on a quarterly basis). Employee contributions are vested immediately. Authority contributions are vested on a graded scale over six years. For the years ended December 31, 2018 and 2017, the Authority contributed \$296,000 and \$1,327,613 and employees contributed \$78,139 and \$66,431, respectively, to the HCSP.

December 31, 2018 and 2017

Note 9 - Health Care Savings Plan (Continued)

Employees hired before July 1, 2016 were previously part of the Kent County Voluntary Employees' Beneficiary Association (VEBA), a defined benefit other postemployment benefits plan. Upon transferring to the Authority, these employees are no longer eligible under the VEBA. Accordingly, the Authority provided these employees with a contribution to their new HCSP account for prior service credit under the County. The total of contributions due for prior service credit was \$2,497,500, of which \$1,458,387 was contributed in the six months ended December 31, 2016 (\$436,193 from the airport's share of VEBA assets plus a cash contribution of \$1,022,194). The payment of \$1,039,133 to fully fund the HCSP for prior service credit was made in March 2017.

Note 10 - Deferred Compensation Plan

The Authority offers a supplemental retirement program in accordance with Section 457 of the Internal Revenue Code (IRC) that will provide for payments on retirement, as well as death benefits in the event of death prior to retirement. The benefits of plan assets are held in trust for the exclusive benefit of participants and their beneficiaries and are managed by these individuals. As such, these amounts have not been included in the accompanying financial statements. The Authority contributed \$40,485 and \$40,394 and employees contributed \$196,070 and \$158,706 to the deferred compensation plan for the years ended December 31, 2018 and 2017, respectively.

Note 11 - Major Customers

Rentals and fees earned from passenger air carriers accounted for 30.0 and 31.1 percent of operating revenue for the years ended December 31, 2018 and 2017, respectively.

Note 12 - Concentrated Credit Risk

During the years ended December 31, 2018 and 2017, the Authority provided gate access to 17 and 16 passenger airlines, respectively, and two all-cargo airlines. Additional revenue is earned through parking lot fees, lease arrangements with various rental car agencies and concessionaires, and leasing of airport land and buildings. The Authority's primary exposure to credit risk is in trade receivables, and management performs ongoing credit evaluations of the major tenants.

Required Supplemental Information

Gerald R. Ford International Airport Authority

Required Supplemental Information Schedule of Changes in the Net Pension Asset and Related Ratios MERS Agent Multiple-employer Defined Benefit Pension Plan

	Last Three Fiscal Years		
	2018	2017	2016
Total Pension Liability			
Service cost	\$ 835,093	\$ 829,449	\$ 756,113
Interest	1,314,122	1,144,760	29,228
Differences between expected and actual experience	899,368	675,040	-
Benefit payments	(205,774)	(121,103)	(25,404)
Other changes	(966,603)	(27,001)	12,857,875
Net Change in Total Pension Liability	1,876,206	2,501,145	13,617,812
Total Pension Liability - Beginning of year	16,118,957	13,617,812	-
Total Pension Liability - End of year	\$ 17,995,163	\$ 16,118,957	\$ 13,617,812
Plan Fiduciary Net Position			
Contributions - Employer	\$ 325,207	\$ 470,266	\$ 16,038,027
Contributions - Member	354,221	417,953	3,529,014
Net investment (loss) income	(980,257)	2,798,042	1,020,983
Administrative expenses	(47,669)	(44,137)	(18,996)
Benefit payments	(205,774)	(121,103)	(25,404)
Net Change in Plan Fiduciary Net Position	(554,272)	3,521,021	20,543,624
Plan Fiduciary Net Position - Beginning of year	24,064,645	20,543,624	-
Plan Fiduciary Net Position - End of year	\$ 23,510,373	\$ 24,064,645	\$ 20,543,624
Authority's Net Pension Asset - Ending	\$ (5,515,210)	\$ (7,945,688)	\$ (6,925,812)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	130.65 %	149.29 %	150.86 %
Covered Payroll	\$ 6,721,352	\$ 6,721,352	\$ 5,635,428
Authority's Net Pension Asset as a Percentage of Covered Payroll	(82.06)%	(118.22)%	(122.90)%

*The Authority enrolled in this defined benefit pension plan in 2016. The Authority's beginning total pension liability in 2016 was recorded in the "other changes" section of the schedule above. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Gerald R. Ford International Airport Authority

Required Supplemental Information Schedule of Pension Contributions

MERS Agent Multiple-employer Defined Benefit Pension Plan

Last Three Fiscal Years Years Ended December 31

	2018	2017	2016
Actuarially determined contribution	\$ 146,856	\$ 169,775	\$ 15,881,370
Contributions in relation to the actuarially determined contribution	325,207	470,266	16,038,027
Contribution Excess	\$ 178,351	\$ 300,491	\$ 156,657
Covered Payroll	\$ 6,721,352	\$ 6,721,352	\$ 5,635,428
Contributions as a Percentage of Covered Payroll	4.84 %	7.00 %	284.59 %

*The Authority enrolled in this defined benefit pension plan in 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Authority's fiscal year ended December 31, 2018 were determined based on the actuarial valuation as of December 31, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll, open
Remaining amortization period	10 years (15 years for the hybrid plan)
Asset valuation method	10 years smoothed
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	7.75 percent, net of investment and administrative expense including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	50 percent male - 50 percent female blend of the following tables: <ol style="list-style-type: none"> 1. RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent 2. RP-2014 Employee Mortality Tables 3. RP-2014 Juvenile Mortality Tables

Statistical Section

The objective of the statistical section is to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess a governmental unit's economic condition.

The statistical section information is presented in the following categories:

Financial Trends Schedules A and B	Financial trends information is intended to show how the governmental unit's financial position has changed over time.
Revenue Capacity Schedules C and D	Revenue capacity information is intended to show the factors affecting a governmental unit's ability to generate its own-source revenue.
Debt Capacity Information Schedule E	Debt capacity information is intended to show a governmental unit's debt burden and its ability to issue additional debt.
Demographic and Economic Schedules F and G	Demographic and economic information is intended to show the socioeconomic environment within which the governmental unit operates.
Operating Information Schedules H and I	Operating information is intended to show contextual information about operations and resources to provide understanding and assessing the governmental unit's economic condition.

Through June 30, 2016, the Gerald R. Ford International Airport was reported as an enterprise fund of Kent County, Michigan. Effective July 1, 2016, operations (which were substantially unchanged) were transferred to a newly-created Authority. Since this change was in legal name only, the Airport has presented a full year of data for all years included in the Statistical Section.

Gerald R. Ford International Airport Authority

Schedule A

Net Assets / Net Position and Changes in Net Assets / Net Position

Last Ten Fiscal Years
(dollars in thousands)

	December 31,				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating revenues					
Airfield	\$ 8,729	\$ 9,372	\$ 9,811	\$ 9,608	\$ 8,878
Terminal	6,960	7,321	5,715	6,746	6,832
Ground transportation	9,818	14,745	15,511	14,878	16,780
Other	<u>516</u>	<u>544</u>	<u>593</u>	<u>641</u>	<u>700</u>
Total operating revenues	<u>26,023</u>	<u>31,982</u>	<u>31,630</u>	<u>31,873</u>	<u>33,190</u>
Operating expenses					
Salaries and fringes	8,588	8,925	8,263	7,918	7,825
Services and supplies	9,050	9,148	9,793	9,183	10,301
Depreciation	<u>11,555</u>	<u>16,009</u>	<u>16,275</u>	<u>16,523</u>	<u>16,540</u>
Total operating expenses	<u>29,193</u>	<u>34,082</u>	<u>34,331</u>	<u>33,624</u>	<u>34,666</u>
Operating income (loss)	<u>(3,170)</u>	<u>(2,100)</u>	<u>(2,701)</u>	<u>(1,751)</u>	<u>(1,476)</u>
Nonoperating revenue (expenses)					
Interest income	429	148	154	159	122
Interest expense	(3,684)	(9,147)	(8,187)	(8,321)	(8,165)
Passenger facility charges	3,466	4,505	4,636	4,339	4,599
Customer facility charges	1,188	1,374	1,543	1,473	1,699
Other	<u>66</u>	<u>22</u>	<u>50</u>	<u>22</u>	<u>51</u>
Total nonoperating revenue (expenses)	<u>1,465</u>	<u>(3,098)</u>	<u>(1,804)</u>	<u>(2,328)</u>	<u>(1,694)</u>
Income (Loss) before capital contributions	<u>(1,705)</u>	<u>(5,198)</u>	<u>(4,505)</u>	<u>(4,079)</u>	<u>(3,170)</u>
Capital contributions	2,164	5,727	1,440	9,641	4,413
Special Item	-	-	-	-	-
Change in net assets / net position	<u>\$ 459</u>	<u>\$ 529</u>	<u>\$ (3,065)</u>	<u>\$ 5,562</u>	<u>\$ 1,243</u>
Net assets / net position					
Invested in capital assets, net of related debt / net investment in capital assets	\$ 155,704	\$ 150,727	\$ 146,699	\$ 142,094	\$ 140,926
Restricted for:					
Debt service	10,643	11,294	11,790	12,387	13,355
Capital improvements	2,923	3,418	2,684	5,791	9,307
Pension Benefits					
Unrestricted	<u>17,794</u>	<u>22,154</u>	<u>22,114</u>	<u>28,578</u>	<u>26,504</u>
Total net assets / net position	<u>\$ 187,064</u>	<u>\$ 187,593</u>	<u>\$ 183,287</u>	<u>\$ 188,850</u>	<u>\$ 190,092</u>

GASB Statement No. 63 and 65 were implemented for the year ended December 31, 2012. This resulted in a change renaming net assets to net position and invested in capital assets, net of related debt to net investment in capital assets. As a result of implementation, bond issuance costs have been eliminated. Comparative information for the year ended December 31, 2011 was restated. Data for years 2010 and prior were not restated retroactively.

GASB Statement No. 68 was implemented for the year ended December 31, 2015. This resulted in presentation of the Authority's net pension liability on the statement of net position. Prior years were not restated.

					December 31,				
2014		2015		2016		2017		2018	
\$	9,456	\$	10,639	\$	10,889	\$	11,695	\$	13,090
	7,813		7,566		7,475		7,776		8,723
	17,821		19,327		20,598		21,568		26,175
	<u>752</u>		<u>687</u>		<u>756</u>		<u>792</u>		<u>1,187</u>
	<u>35,842</u>		<u>38,219</u>		<u>39,718</u>		<u>41,831</u>		<u>49,175</u>
	8,094		8,918		5,729		9,590		9,656
	10,411		12,475		13,395		13,444		15,695
	<u>16,446</u>		<u>16,685</u>		<u>18,288</u>		<u>18,907</u>		<u>19,608</u>
	<u>34,951</u>		<u>38,078</u>		<u>37,412</u>		<u>41,941</u>		<u>44,959</u>
	<u>891</u>		<u>141</u>		<u>2,306</u>		<u>(110)</u>		<u>4,216</u>
	136		178		233		126		241
	(7,971)		(7,269)		(6,873)		(6,505)		(6,299)
	4,788		5,242		5,424		5,786		6,886
	1,829		1,956		2,016		2,152		2,383
	<u>50</u>		<u>56</u>		<u>58</u>		<u>1</u>		<u>(130)</u>
	<u>(1,168)</u>		<u>163</u>		<u>858</u>		<u>1,560</u>		<u>3,081</u>
	<u>(277)</u>		<u>304</u>		<u>3,164</u>		<u>1,450</u>		<u>7,297</u>
	14,818		11,633		6,495		7,212		20,644
	-		-		(21,184)		-		-
\$	<u>14,541</u>	\$	<u>11,937</u>	\$	<u>(11,525)</u>	\$	<u>8,662</u>	\$	<u>27,941</u>
\$	150,950	\$	161,636	\$	152,970	\$	167,820	\$	189,170
	13,253		10,424		11,511		15,814		16,925
	13,269		17,762		23,027		8,748		12,504
					6,734		7,492		8,375
	<u>27,161</u>		<u>29,078</u>		<u>13,133</u>		<u>16,163</u>		<u>17,004</u>
\$	<u>204,633</u>	\$	<u>218,900</u>	\$	<u>207,375</u>	\$	<u>216,037</u>	\$	<u>243,978</u>

Gerald R. Ford International Airport Authority

Schedule B

Changes in Cash and Cash Equivalents

Last Ten Fiscal Years

(dollars in thousands)

	December 31,		
	2009	2010	2011
Cash flows from operating activities			
Receipts from customers and users	\$ 26,721	\$ 31,964	\$ 32,652
Cash paid to suppliers	(9,628)	(9,370)	(11,428)
Cash paid to employees	(8,565)	(8,807)	(8,302)
Net cash provided by operating activities	<u>8,528</u>	<u>13,787</u>	<u>12,922</u>
Capital and related financing activities			
Passenger facility charges collected	3,364	4,303	4,689
Customer facility charges collected	1,200	1,358	1,544
Capital contributions received	1,103	3,900	1,154
Proceeds from sale of capital assets	66	22	30
Proceeds from sale of bonds	30,619	-	41,049
Cash transferred to escrow for defeased bonds	(31,112)	-	(41,555)
Purchase of capital assets	(47,245)	(5,476)	(7,416)
Principal paid on revenue bonds	(2,740)	(3,595)	(4,180)
Interest and other bond expenses paid on revenue bonds	(9,035)	(9,220)	(9,059)
Net cash provided by (used in) capital and related financing activities	<u>(53,780)</u>	<u>(8,708)</u>	<u>(13,744)</u>
Cash flow from investing activities			
Interest received on investments	<u>1,546</u>	<u>148</u>	<u>205</u>
Net increase (decrease) in cash and cash equivalents	(43,706)	5,227	(617)
Cash and cash equivalents, beginning of year	<u>78,933</u>	<u>35,227</u>	<u>40,454</u>
Cash and cash equivalents, end of year	<u>\$ 35,227</u>	<u>\$ 40,454</u>	<u>\$ 39,837</u>

							December 31,						
<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>	
\$	33,058	\$	33,942	\$	36,550	\$	39,373	\$	38,976	\$	41,768	\$	48,895
	(10,686)		(10,509)		(11,652)		(13,708)		(12,268)		(14,628)		(15,698)
	<u>(6,994)</u>		<u>(7,843)</u>		<u>(8,108)</u>		<u>(8,277)</u>		<u>(10,673)</u>		<u>(10,234)</u>		<u>(10,553)</u>
	<u>15,378</u>		<u>15,590</u>		<u>16,790</u>		<u>17,388</u>		<u>16,035</u>		<u>16,906</u>		<u>22,644</u>
	4,319		4,705		4,777		5,130		5,383		5,627		6,686
	1,460		1,682		1,825		1,948		2,010		2,146		2,358
	7,105		1,480		8,119		16,345		11,488		3,975		25,683
	28		51		50		68		118		26		173
	-		-		-		127,556		-		-		12,725
	-		-		-		(111,059)		-		-		-
	(6,879)		(8,843)		(21,496)		(35,338)		(22,528)		(26,861)		(32,066)
	(4,645)		(5,220)		(5,715)		(6,290)		(6,870)		(7,255)		(21,560)
	<u>(7,987)</u>		<u>(8,382)</u>		<u>(8,206)</u>		<u>(8,004)</u>		<u>(7,768)</u>		<u>(7,478)</u>		<u>(6,445)</u>
	<u>(6,599)</u>		<u>(14,527)</u>		<u>(20,646)</u>		<u>(9,644)</u>		<u>(18,167)</u>		<u>(29,820)</u>		<u>(12,446)</u>
	<u>160</u>		<u>130</u>		<u>130</u>		<u>178</u>		<u>233</u>		<u>126</u>		<u>241</u>
	8,939		1,193		(3,726)		7,922		(1,899)		(12,788)		10,439
	<u>39,837</u>		<u>48,776</u>		<u>49,969</u>		<u>46,243</u>		<u>54,165</u>		<u>52,266</u>		<u>39,478</u>
\$	<u>48,776</u>	\$	<u>49,969</u>	\$	<u>46,243</u>	\$	<u>54,165</u>	\$	<u>52,266</u>	\$	<u>39,478</u>	\$	<u>49,917</u>

Gerald R. Ford International Airport Authority

Schedule C

Passenger Activity - Enplaned Passengers

Last Ten Fiscal Years

Airline	December 31,					
	2009	2010	2011	2012	2013	2014
Air Canada (Air Georgian)	4,003	3,940	3,764	4,502	3,033	-
AirTran	-	76,644	134,606	123,465	81,096	402
Allegiant Air	59,372	117,609	87,193	76,759	76,409	79,810
American Airlines Inc.	-	-	-	-	-	-
American Connection (Chautauqua)	-	21,626	45,874	55,309	55,789	12,378
American Eagle (Air Wisconsin)	-	-	-	-	-	-
American Eagle (Envoy)	104,240	81,540	68,948	68,008	67,708	125,534
American Eagle (Piedmont)	-	-	-	-	-	-
American Eagle (Republic)	-	-	-	-	-	-
American Eagle (SkyWest)	-	-	-	-	-	-
American Eagle (Trans States)	-	-	-	3,678	-	-
Chicago Express (ATA Connection)	-	-	-	-	-	-
Continental Connection	2,381	6,341	12,368	-	-	-
Continental Express (Express Jet)	87,601	86,571	79,578	11,245	24,390	-
Delta Airlines Inc.	204,988	236,343	207,147	223,783	248,038	304,962
Delta Connection (Atlantic Southeast)	61,335	27,436	41,171	25,838	-	-
Delta Connection (Chautauqua)	12,256	23,993	13,776	26,165	43,827	14,734
Delta Connection (Comair)	22,524	52,317	81,236	35,909	-	-
Delta Connection (Compass)	43,137	27,481	22,287	11,789	6,063	18,727
Delta Connection (Endeavor)	-	-	-	-	80,374	66,410
Delta Connection (Express Jet)	-	-	-	-	48,550	37,860
Delta Connection (Freedom)	15,227	11,831	-	-	-	-
Delta Connection (GoJet)	-	-	-	-	3,938	8,943
Delta Connection (Mesaba)	21,902	31,978	20,429	125	-	-
Delta Connection (Pinnacle)	70,472	77,584	69,247	102,544	-	-
Delta Connection (Republic)	-	-	-	-	-	-
Delta Connection (Shuttle America)	-	1,599	5,616	451	9,010	6,645
Delta Connection (Skywest)	459	2,305	12,547	18,961	30,919	29,335
Frontier Airlines	-	-	-	-	-	-
Frontier Airlines (Chautauqua)	9,260	32,842	35,929	6,575	-	-
Frontier Airlines (Republic)	-	23,432	42,148	46,614	31,052	-
Midwest Connect (Skyway)	-	-	-	-	-	-
Midwest Connect (SkyWest)	25,118	-	-	-	-	-
Southwest	-	-	-	-	72,603	201,816
United Airlines Inc.	33,715	39,270	44,916	44,842	45,170	53,525
United Express (Air Wisconsin)	-	-	-	-	-	-
United Express (Chautauqua)	-	-	-	11,556	-	7,455
United Express (Commutair)	-	-	-	-	2,332	1,926
United Express (Express Jet)	-	15,330	41,901	99,911	89,588	60,931
United Express (Go Jet)	20,314	34,087	16,370	36,684	37,199	42,122
United Express (Mesa)	40,700	10,360	837	11,055	-	-
United Express (Republic)	-	-	-	-	-	-
United Express (Shuttle America)	37,810	30,374	29,817	18,939	12,499	17,960
United Express (SkyWest)	9,467	23,044	19,033	3,965	9,224	13,752
United Express (Trans States)	-	-	-	-	44,453	47,197
US Airways Express (Air Wisconsin)	-	-	-	-	-	17,852
US Airways Express (Mesa)	-	-	-	-	-	-
Charters	1,524	1,783	1,710	1,123	1,705	1,519
Total	887,805	1,097,660	1,138,448	1,069,795	1,124,969	1,171,795

December 31,				
2015	2016	2017	2018	Total 2018
-	-	-	-	0.00%
-	-	-	-	0.00%
98,367	115,409	128,130	161,101	9.82%
-	-	149	47,017	2.87%
-	-	-	-	0.00%
-	-	16,525	-	0.00%
130,401	106,093	112,343	103,457	6.31%
-	-	8,699	21,146	1.29%
-	-	-	18,568	1.13%
-	1,058	42,409	22,413	1.37%
-	-	18,028	14,924	0.91%
6,483	44,082	45,122	53,850	3.28%
-	-	-	-	0.00%
-	-	-	-	0.00%
360,390	376,802	434,084	411,039	25.06%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
22,075	7,019	1,398	-	0.00%
39,573	42,750	22,904	60,286	3.68%
35,728	26,463	27,971	10,823	0.66%
-	-	-	-	0.00%
16,255	22,499	11,294	27,850	1.70%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	7,151	10,912	0.67%
7,611	4,232	-	-	0.00%
35,293	42,521	28,665	65,105	3.97%
-	-	4,048	71,777	4.38%
-	-	-	-	0.00%
-	-	-	-	0.00%
-	-	-	-	0.00%
211,118	245,711	247,128	237,766	14.50%
74,678	42,580	91,641	99,421	6.06%
-	-	1,586	32,213	1.96%
-	-	-	-	0.00%
-	-	16,439	20,471	1.25%
45,936	66,898	48,176	38,227	2.33%
20,005	34,998	12,103	16,537	1.01%
-	-	-	-	0.00%
-	4,924	14,214	49,960	3.05%
29,504	10,963	-	-	0.00%
30,004	24,971	40,949	37,378	2.28%
31,312	38,196	30,891	6,710	0.41%
53,812	27,708	-	-	0.00%
31,493	46,728	-	-	0.00%
1,200	1,351	1,263	1,017	0.06%
1,281,238	1,333,956	1,413,310	1,639,968	100%

Gerald R. Ford International Airport Authority

Schedule D

Principal Revenue Sources and Revenues per Enplaned Passenger

Last Ten Fiscal Years

(dollars in thousands, except amounts per enplaned passenger)

	December 31,				
	2009	2010	2011	2012	2013
Airline revenues					
Landing fees	\$ 2,998	\$ 3,198	\$ 3,586	\$ 3,335	\$ 3,135
Apron fees	1,823	2,220	2,409	2,252	1,863
Terminal rents	<u>5,433</u>	<u>5,908</u>	<u>4,302</u>	<u>5,313</u>	<u>5,270</u>
Total airline revenues	<u>10,254</u>	<u>11,326</u>	<u>10,297</u>	<u>10,900</u>	<u>10,268</u>
Percentage of total revenues	32.9%	29.8%	27.1%	28.8%	25.9%
Nonairline revenues					
Parking	7,437	11,492	12,301	11,766	13,275
Rental car	2,683	3,521	3,512	3,413	3,821
Other	<u>5,649</u>	<u>5,643</u>	<u>5,520</u>	<u>5,794</u>	<u>5,826</u>
Total nonairline revenues	<u>15,769</u>	<u>20,656</u>	<u>21,333</u>	<u>20,973</u>	<u>22,922</u>
Percentage of total revenues	50.6%	54.3%	56.1%	55.4%	57.8%
Nonoperating revenues					
Passenger facility charges	3,466	4,505	4,636	4,339	4,599
Interest	429	148	154	159	122
Other	<u>1,254</u>	<u>1,396</u>	<u>1,593</u>	<u>1,495</u>	<u>1,750</u>
Total nonoperating revenues	<u>5,149</u>	<u>6,049</u>	<u>6,383</u>	<u>5,993</u>	<u>6,471</u>
Percentage of total revenues	16.5%	15.9%	16.8%	15.8%	16.3%
Total revenues	<u>\$ 31,172</u>	<u>\$ 38,031</u>	<u>\$ 38,013</u>	<u>\$ 37,866</u>	<u>\$ 39,661</u>
Enplaned passengers	887,805	1,097,660	1,138,448	1,069,795	1,124,969
Total revenue per enplaned passenger	\$ 35.11	\$ 34.65	\$ 33.39	\$ 35.40	\$ 35.26
Airline revenue per enplaned passenger	\$ 11.55	\$ 10.32	\$ 9.04	\$ 10.19	\$ 9.13
Revenue rates					
Landing fee (per 1,000 lbs MGLW)	\$ 2.66	\$ 2.85	\$ 2.42	\$ 2.61	\$ 2.64
Apron fee (per 1,000 lbs MGLW)	\$ 1.62	\$ 1.83	\$ 1.43	\$ 1.46	\$ 1.57
Annual terminal rental rate (per sq. ft.)	\$ 50.00	\$ 48.98	\$ 51.34	\$ 52.19	\$ 50.95

Notes: The Authority uses a compensatory (cost of services) methodology to calculate rates and charges. The revenue bases to which these rates are applied and their principal payers can be found in Schedule C. Operating agreements with signatory airlines are cancellable within thirty days.

MGLW = maximum gross landed weight.

December 31,				
2014	2015	2016	2017	2018
\$ 3,495	\$ 4,106	\$ 4,288	\$ 4,595	\$ 5,538
1,956	2,503	2,573	2,924	3,164
<u>6,025</u>	<u>5,512</u>	<u>5,340</u>	<u>5,488</u>	<u>6,040</u>
<u>11,476</u>	<u>12,121</u>	<u>12,201</u>	<u>13,007</u>	<u>14,742</u>
26.9%	26.6%	25.7%	26.1%	25.1%
14,245	15,437	16,690	17,553	21,712
3,892	4,170	4,219	4,348	4,799
<u>6,229</u>	<u>6,491</u>	<u>6,608</u>	<u>6,923</u>	<u>7,922</u>
<u>24,366</u>	<u>26,098</u>	<u>27,517</u>	<u>28,824</u>	<u>34,433</u>
57.1%	57.2%	58.0%	57.8%	58.7%
4,788	5,242	5,424	5,786	6,886
136	178	233	126	241
<u>1,879</u>	<u>2,012</u>	<u>2,074</u>	<u>2,153</u>	<u>2,384</u>
<u>6,803</u>	<u>7,432</u>	<u>7,731</u>	<u>8,065</u>	<u>9,511</u>
16.0%	16.3%	16.3%	16.2%	16.2%
<u>\$ 42,645</u>	<u>\$ 45,651</u>	<u>\$ 47,449</u>	<u>\$ 49,896</u>	<u>\$ 58,686</u>
1,171,795	1,281,238	1,333,956	1,413,310	1,639,968
\$ 36.39	\$ 35.63	\$ 35.57	\$ 35.30	\$ 35.78
\$ 9.79	\$ 9.46	\$ 9.15	\$ 9.20	\$ 8.99
\$ 2.84	\$ 2.94	\$ 2.98	\$ 2.84	\$ 2.98
\$ 1.73	\$ 1.86	\$ 1.79	\$ 1.81	\$ 1.70
\$ 52.62	\$ 47.93	\$ 48.25	\$ 48.26	\$ 49.87

Gerald R. Ford International Airport Authority

Schedule E

Ratios of Outstanding Debt, Debt Service, Debt Limits &

Last Ten Fiscal Years

	December 31,		
	2009	2010	2011
Outstanding debt per enplaned passenger			
Outstanding debt by type (in thousands):			
Revenue bonds (all airport net operating revenues pledged)	\$ 197,434	\$ 193,780	\$ 192,224
Outstanding debt per enplaned passenger	\$ 180	\$ 170	\$ 180
Outstanding debt ratio for service area (total outstanding debt/(per capita income*trade area population))	0.46%	0.44%	0.40%
Outstanding debt ratio for Kent County (total outstanding debt/(per capita income*county population))	0.89%	0.83%	0.75%
Net revenues			
Revenues, net of capital contributions	\$ 31,172	\$ 38,031	\$ 38,013
Less: operating expenses, less depreciation	<u>17,638</u>	<u>18,073</u>	<u>18,056</u>
Net revenues	<u>\$ 13,534</u>	<u>\$ 19,958</u>	<u>\$ 19,957</u>
Debt service			
Principal paid on revenue bonds	\$ 2,740	\$ 3,595	\$ 4,180
Interest expense on revenue bonds	3,684	9,147	9,059
Principal paid on notes payable	-	-	-
Interest expense on notes payable	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>\$ 6,424</u>	<u>\$ 12,742</u>	<u>\$ 13,239</u>
Revenue bonds debt service coverage	2.11	1.57	1.51
Debt service per enplaned passenger	\$ 7.24	\$ 11.61	\$ 11.63

Debt limit information

For years prior to 2016, the airport was a component unit of the County of Kent, Michigan. No debt limit information is available for the airport individually because debt limits apply to the County as a whole. See the County of Kent, Michigan Comprehensive Annual Financial Report for more information.

GASBs 63 and 65 were implemented for the year ended December 31, 2012. This resulted in reclassing deferred charges on refunding from revenue bonds to deferred outflows of resources. Comparative information for the year ended December 31, 2011 was restated. Data for years 2010 and prior were not restated retroactively.

Pledged Revenue Coverage

		December 31,						
	2012	2013	2014	2015	2016	2017	2018	
\$	187,207	\$ 181,614	\$ 175,527	\$ 190,201	\$ 182,076	\$ 173,491	\$ 164,463	
\$	166	\$ 161	\$ 150	\$ 148	\$ 136	\$ 123	\$ 100	
	0.35%	0.33%	0.30%	0.31%	0.31%	0.27%	0.25%	
	0.68%	0.65%	0.60%	0.62%	0.62%	0.54%	0.50%	
\$	37,866	\$ 39,661	\$ 42,645	\$ 45,651	\$ 47,449	\$ 49,896	\$ 58,686	
	<u>17,101</u>	<u>18,126</u>	<u>18,505</u>	<u>21,393</u>	<u>19,124</u>	<u>23,035</u>	<u>25,351</u>	
\$	<u>20,765</u>	<u>21,535</u>	<u>24,140</u>	<u>24,258</u>	<u>28,325</u>	<u>26,861</u>	<u>33,335</u>	
\$	4,645	\$ 5,220	\$ 5,715	\$ 6,290	\$ 6,870	\$ 7,255	\$ 8,835	
	7,987	8,382	8,206	8,004	7,768	7,478	6,236	
	-	-	-	-	-	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
\$	<u>12,632</u>	<u>13,602</u>	<u>13,921</u>	<u>14,294</u>	<u>14,638</u>	<u>14,733</u>	<u>15,071</u>	
	1.64	1.58	1.73	1.70	1.94	1.82	2.21	
\$	11.81	\$ 12.09	\$ 11.88	\$ 11.16	\$ 10.97	\$ 10.42	\$ 9.19	

Gerald R. Ford International Airport Authority

Schedule F

Principal Employers in the Primary Trade Area

Calendar Years 2018 and 2009

Employer	County	Product or Service
Spectrum Health	Kent	Healthcare
Meijer Inc.	Kent	Retail food and merchandise
Lacks Enterprises Inc.	Kent	Manufacturing - auto parts
Mercy General Health Partners	Muskegon/Kent	Healthcare
Amway Corporation	Kent	Personal and household products
Gentex Corporation	Ottawa	Manufacturing - auto parts
Herman Miller Inc.	Ottawa	Office furniture
Perrigo Company	Allegan	Manufacturing - pharmaceuticals
Steelcase Inc.	Kent	Office furniture
Ventra	Kent	Manufacturing - auto parts
Grand Valley State University	Ottawa	Education
Grand Rapids Public Schools	Kent	Education
Farmers Insurance Group	Kent	Insurance
Acrisure, LLC	Kent	Insurance
Gordon Food Services	Kent	Food services wholesaler
Arconic Inc	Muskegon	Manufacturing - aerospace
Hope Network Industries	Kent	Packaging
Metro Health Hospital	Kent	Healthcare
Holland Community Hospital	Ottawa	Healthcare
SpartanNash	Kent	Retail food
Haworth Inc.	Ottawa	Manufacturing - furniture
Pine Rest Christian Hospital	Kent	Healthcare
Roskam Baking	Kent	Food Processing
Challenge Manufacturing	Kent/Ottawa	Manufacturing - metal stamping
Shape Corporation	Ottawa	Manufacturing - fabricated metal
Kent County	Kent	Government
Bradford White	Barry	Manufacturing - water heaters
Wolverine World Wide	Kent	Manufacturing - footwear
Kellogg's	Kent	Food Processing
City of Grand Rapids	Kent	Government
GE Aviation Systems	Kent	Manufacturing - avionics systems
Hearthside Food Solutions	Kent	Food Processing

Total employment

Source: The Right Place Inc.

⁽¹⁾ Data as of April 2019, most current information available

Number of Employees 2018 ⁽¹⁾	Percentage of Total Employment	Number of Employees 2009	Percentage of Total Employment
25,000	3.61%	13,155	2.27%
10,340	1.49%	10,840	1.87%
9,500	1.37%	1,800	0.31%
8,500	1.23%	4,297	0.74%
4,000	0.58%	4,000	0.69%
3,700	0.53%	2,640	0.46%
3,621	0.52%	4,000	0.69%
3,500	0.51%	2,700	0.47%
3,500	0.51%	4,300	0.74%
3,417	0.49%		0.00%
3,306	0.48%	1,899	0.33%
2,800	0.40%	3,478	0.60%
2,700	0.39%		0.00%
2,700	0.39%		0.00%
2,500	0.36%		0.00%
2,350	0.34%		0.00%
2,162	0.31%	2,100	0.36%
2,100	0.30%	2,059	0.36%
2,100	0.30%		0.00%
2,000	0.29%	4,440	0.77%
2,000	0.29%	2,194	0.38%
2,000	0.29%		0.00%
2,000	0.29%		0.00%
1,700	0.25%		0.00%
1,700	0.25%		0.00%
1,580	0.23%	1,849	0.32%
1,500	0.22%		0.00%
1,500	0.22%		0.00%
1,395	0.20%		0.00%
1,335	0.19%		0.00%
1,175	0.17%		0.00%
1,143	0.17%		0.00%
<u>691,961</u>		<u>579,485</u>	

Gerald R. Ford International Airport Authority

Schedule G

Population in the Primary Trade Area

Last Ten Fiscal Years

	2009	2010	2011	2012
Allegan County	112,975	111,408	111,845	111,895
Barry County	58,890	59,173	58,937	59,004
Ionia County	63,833	63,905	64,156	63,903
Kent County	608,315	602,622	608,077	614,079
Mecosta County	-	-	-	43,229
Montcalm County	-	-	-	63,081
Muskegon County	174,344	172,188	172,864	170,112
Newaygo County	48,897	48,460	48,650	-
Ottawa County	260,364	263,801	266,171	269,329
	<u>1,327,618</u>	<u>1,321,557</u>	<u>1,330,700</u>	<u>1,394,632</u>
Per capita income	\$ 32,039	\$ 33,613	\$ 36,321	\$ 38,622
Total personal income (dollars in thousands)	\$ 42,535,781	\$ 44,421,150	\$ 48,331,808	\$ 53,863,932
	2009	2010	2011	2012
Employment information:				
Civilian labor force	657,164	645,390	644,039	684,253
Employed	579,485	573,505	589,045	631,033
Unemployed	77,679	71,885	54,994	53,220
Unemployment rate	11.8%	11.1%	8.5%	7.8%

⁽¹⁾ Effective 2013, the Office of Management and Budget changed the combined statistical area to include Mecosta and Montcalm and exclude Newaygo counties.

Source: The Right Place Inc.

2013 ⁽¹⁾	2014	2015	2016	2017	2018
112,531	113,847	113,847	111,408	116,447	114,145
59,907	59,281	59,107	59,173	60,586	59,607
64,073	64,294	63,976	63,905	64,291	64,147
621,700	629,237	629,237	602,622	648,594	636,376
43,108	43,186	43,226	42,798	43,391	43,181
63,105	62,893	63,046	63,342	63,550	62,956
171,008	172,344	172,344	172,188	173,693	172,707
-	-	-	-	-	-
<u>272,701</u>	<u>276,292</u>	<u>276,292</u>	<u>263,801</u>	<u>286,383</u>	<u>280,243</u>
<u>1,408,133</u>	<u>1,421,374</u>	<u>1,421,075</u>	<u>1,379,237</u>	<u>1,456,935</u>	<u>1,433,362</u>

\$ 38,981 \$ 40,715 \$ 42,495 \$ 42,386 \$ 43,586 \$ 45,589

\$ 54,890,528 \$ 57,871,576 \$ 60,387,903 \$ 58,460,339 \$ 63,501,969 \$ 65,345,540

2013	2014	2015	2016	2017	2018
693,742	727,023	806,984	755,219	760,020	733,509
650,465	687,736	773,497	727,147	730,625	691,961
43,277	39,287	33,487	28,072	29,395	41,548
6.2%	5.4%	4.1%	3.7%	3.9%	5.7%

Gerald R. Ford International Airport Authority

Schedule H

Full-time Equivalent Employees

Last Ten Fiscal Years

	December 31,			
	2009	2010	2011	2012
Administration	20	20	20	20
Maintenance	31	31	31	31
Parking	24	24	1	1
Firefighting	16	16	16	16
Public safety	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>
Total	<u>124</u>	<u>124</u>	<u>101</u>	<u>101</u>
Enplaned passengers per employee	<u>7,160</u>	<u>8,852</u>	<u>11,272</u>	<u>10,592</u>
Operating revenues (in thousands)	\$ 26,023	\$ 31,982	\$ 31,630	\$ 31,873
Operating expenses (in thousands)	\$ 29,193	\$ 34,082	\$ 34,331	\$ 33,624
Salaries and fringes (in thousands)	\$ 8,588	\$ 8,925	\$ 8,263	\$ 7,918
Payroll percentage of operating revenues	<u>33.0%</u>	<u>27.9%</u>	<u>26.1%</u>	<u>24.8%</u>
Payroll percentage of operating expenses	<u>29.4%</u>	<u>26.2%</u>	<u>24.1%</u>	<u>23.5%</u>

December 31,					
2013	2014	2015	2016	2017	2018
17	18	18	20	23	24
31	32	32	32	30	27
1	1	1	1	1	1
16	16	16	17	16	17
<u>33</u>	<u>33</u>	<u>33</u>	<u>32</u>	<u>34</u>	<u>34</u>
<u>98</u>	<u>100</u>	<u>100</u>	<u>102</u>	<u>104</u>	<u>103</u>
<u>11,479</u>	<u>11,718</u>	<u>12,812</u>	<u>13,078</u>	<u>13,590</u>	<u>15,922</u>
\$ 33,190	\$ 35,842	\$ 38,219	\$ 39,718	\$ 41,831	\$ 49,175
\$ 34,666	\$ 34,951	\$ 38,078	\$ 37,412	\$ 41,941	\$ 44,959
\$ 7,825	\$ 8,094	\$ 8,918	\$ 5,729	\$ 9,590	\$ 9,656
<u>23.6%</u>	<u>22.6%</u>	<u>23.3%</u>	<u>14.4%</u>	<u>22.9%</u>	<u>19.6%</u>
<u>22.6%</u>	<u>23.2%</u>	<u>23.4%</u>	<u>15.3%</u>	<u>22.9%</u>	<u>21.5%</u>

Gerald R. Ford International Airport Authority

Schedule I

Capital Asset Information

Last Ten Fiscal Years

	December 31,		
	2009	2010	2011
Runways			
8R/26L - East/West - 10,000 x 150 ft.			
8L/26R - East/West - 5,000 x 100 ft.			
17/35 - North/South - 8,500 x 150 ft.			
Total aircraft movements	87,883	87,073	87,545
Annual capacity	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>
Runway utilization percentage	<u>31.67%</u>	<u>31.38%</u>	<u>31.55%</u>
Terminal building			
Exclusive area leased (sq. ft)	61,338	65,064	65,260
Exclusive area available (sq. ft)	<u>95,365</u>	<u>100,666</u>	<u>100,666</u>
Terminal occupancy percentage	<u>64.32%</u>	<u>64.63%</u>	<u>64.83%</u>
Enplanements	887,805	1,097,660	1,138,448
Planned capacity	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
Terminal utilization percentage	<u>49.32%</u>	<u>60.98%</u>	<u>63.25%</u>
Parking areas			
Number of annual long-term exits (a)	200,106	241,858	257,110
Average long-term stay (days) (b)	<u>4.0</u>	<u>3.8</u>	<u>4.0</u>
Average annual long-term occupancy ((a*b)/365)	2,193	2,518	2,818
Number of long-term spaces available	<u>4,708</u>	<u>6,509</u>	<u>6,509</u>
Average annual long-term occupancy rate	<u>46.58%</u>	<u>38.68%</u>	<u>43.29%</u>

December 31,						
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
85,306	75,998	75,128	76,256	81,558	82,432	84,023
<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>
<u>30.74%</u>	<u>27.39%</u>	<u>27.07%</u>	<u>27.48%</u>	<u>29.39%</u>	<u>29.71%</u>	<u>30.28%</u>
65,260	60,832	72,089	74,782	65,718	85,531	89,766
<u>100,666</u>	<u>97,796</u>	<u>97,944</u>	<u>97,944</u>	<u>106,786</u>	<u>105,104</u>	<u>105,104</u>
<u>64.83%</u>	<u>62.20%</u>	<u>73.60%</u>	<u>76.35%</u>	<u>61.54%</u>	<u>81.38%</u>	<u>85.41%</u>
1,069,795	1,124,969	1,171,795	1,281,238	1,333,956	1,413,310	1,639,968
<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
<u>59.43%</u>	<u>62.50%</u>	<u>65.10%</u>	<u>71.18%</u>	<u>74.11%</u>	<u>78.52%</u>	<u>91.11%</u>
240,871	258,745	274,552	304,575	318,451	289,527	331,119
<u>4.4</u>	<u>4.3</u>	<u>4.5</u>	<u>3.9</u>	<u>4.0</u>	<u>4.6</u>	<u>4.2</u>
2,877	3,048	3,385	3,254	3,490	3,649	3,810
<u>6,509</u>	<u>6,918</u>	<u>6,918</u>	<u>6,918</u>	<u>7,071</u>	<u>7,071</u>	<u>7,124</u>
<u>44.20%</u>	<u>44.06%</u>	<u>48.93%</u>	<u>47.04%</u>	<u>49.35%</u>	<u>51.60%</u>	<u>53.48%</u>

Compliance Section

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*

Independent Auditor's Report

To Management and the Board of Directors
Gerald R. Ford International Airport Authority

We have audited, 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, the financial statements of Gerald R. Ford International Airport Authority (the "Authority") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 21, 2019.

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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2018-001, that we consider to be a material weakness.

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*.

The Authority's Response to the Finding

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

To Management and the Board of Directors
Gerald R. Ford International Airport Authority

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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

May 21, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance; Report on Compliance for the Passenger Facility Charge Program

Independent Auditor's Report

To the Board of Directors
Gerald R. Ford International Airport Authority

Report on Compliance for Each Major Federal Program and Passenger Facility Charge Program

We have audited Gerald R. Ford International Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2018. In addition, we audited compliance with the applicable requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), for the year ended December 31, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The passenger facility charge program is identified in the accompanying schedule of passenger facility charges.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program and the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program and the passenger facility charge program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Guide; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards, the Guide, and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program and Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and its passenger facility charge program for the year ended December 31, 2018.

To the Board of Directors
Gerald R. Ford International Airport Authority

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and the passenger facility charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

May 21, 2019

Gerald R. Ford International Airport Authority

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Provided to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation - Airport Improvement Program:				
Consolidated Checkpoint Project	20.106	3-26-0039-052-2015	\$ -	\$ 8,286
Master Plan Update	20.106	3-26-0039-053-2016	-	675,734
Security Improvements	20.106	3-26-0039-055-2017	-	103,925
Terminal Apron Reconstruction	20.106	3-26-0039-056-2018	-	16,962,474
Total			<u>\$ -</u>	<u>\$ 17,750,419</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Gerald R. Ford International Airport Authority (the "Authority") under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local Governments, and Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2018

Section II - Financial Statement Audit Findings

Reference Number	Finding
2018-001	<p data-bbox="362 531 769 556">Finding Type - Material weakness</p> <p data-bbox="362 581 1482 667">Criteria - Gerald R. Ford International Airport Authority (the "Authority") should maintain adequate segregation of duties, including preventive and detective controls, to safeguard financial assets.</p> <p data-bbox="362 693 1482 749">Condition - During the financial statement audit, the following deficiencies were identified related to activities that lacked adequate segregation of duties:</p> <ul data-bbox="362 774 1482 1304" style="list-style-type: none"><li data-bbox="362 774 1482 831">(a) Cash account reconciliation functions were performed by one individual who was not restricted from accessing cash receipts, cash disbursements, and journal entry functions.<li data-bbox="362 856 1482 968">(b) Through August 2018, there was no secondary, independent review performed over bank reconciliations once prepared. After that date, a different person began preparing bank reconciliations with a secondary review performed by an independent person; however, there was no documentation nor other audit evidence to observe this review.<li data-bbox="362 993 1482 1079">(c) Changes to vendor properties in the accounting software do not require dual authorization. In addition, the upload of vendor payment information from the accounting software to the online bank portal is done using an unsecured manual file.<li data-bbox="362 1104 1482 1218">(d) Two individuals were administrators over the online bank portal and could independently add, delete, and edit users without a required secondary approval. In addition, the Authority was in possession of spare authentication tokens, which could be assigned and utilized in the online bank portal to process transactions.<li data-bbox="362 1243 1482 1304">(e) The one individual who had access to input and change pay rates is the same person who served as a final review and approval before payroll was processed. <p data-bbox="362 1329 1482 1442">Context - No audit adjustments were identified and no unsupported disbursements or journal entries were detected as a result of our sampling procedures. However, the lack of adequate segregation of duties in these areas could result in a material misappropriation of assets that could be concealed in the financial records, making the likelihood of detection remote.</p> <p data-bbox="362 1467 1482 1614">Cause - While we do understand the staffing constraints the Authority is under due to the minimal amount of individuals knowledgeable to perform all of these tasks, the Authority still did not implement adequate segregation of duties related to cash access (including online banking), disbursement functions, and reconciliation procedures by reviewing access/functionality controls.</p> <p data-bbox="362 1640 1482 1753">Effect - Based on inquiry with the current administration and review of current control environment, there were no instances identified of fraudulent activity or unauthorized transactions. The lack of adequate segregation of duties could result in a misappropriation of assets that may not be detected timely.</p> <p data-bbox="362 1778 1482 1927">Recommendation - The Authority should implement adequate segregation of duties (including preventive and detective controls) to eliminate or restrict the ability of a single individual to make changes to electronic banking or payroll information, initiate disbursements without secondary approval, and handle all functions including reconciliations, receipts, disbursements, and journal entry functions.</p>

Gerald R. Ford International Airport Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2018

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2018-001 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - The Authority understands the audit findings listed, and agrees that a better segregation of duties needs to be implemented in our workforce in order to mitigate the risk of mishandling the Authority's financial assets. While we have limited personnel in order to completely segregate duties, we will implement the following actions to address the weaknesses found in our procedures.</p> <p>(a) Cash account reconciliation will be performed by an individual who does not have unrestricted access to the recording of the movement of cash.</p> <p>(b) The bank reconciliation will be performed by an individual who does not have unrestricted access to the bank records and will be audited and signed off by a supervisor for documentation evidence.</p> <p>(c) Changes to vendor properties in the accounting software will be initiated by the accounting clerk and approved by the controller. Regarding the vendor payment file being an unsecured manual file uploaded to the bank portal, we are using the tools available to us. However, we feel that the implementation of corrective actions (a) and (b) will mitigate the risk posed by having a manual file used for this purpose.</p> <p>(d) The bank portal security will be changed to dual authorization for all activity. Spare authentication tokens will be returned to the bank upon termination of employees in possession of said token.</p> <p>(e) A report with all employee changes will be run at each payroll to be reviewed by someone outside of the payroll processing cycle.</p>

Section III - Federal Program Audit Findings

Reference Number	Finding
Current Year	None

Gerald R. Ford International Airport Authority

Schedule of Passenger Facility Charges

For the Year Ended December 31, 2018

Cumulative Balance - December 31, 2017	\$	7,325,088
Receipts		
Passenger facility charges		6,685,521
Interest income		76,183
Total receipts		<u>6,761,704</u>
Disbursements		
Application No. 95-02-U-00-GRR		<u>2,445,741</u>
Total disbursements		<u>2,445,741</u>
Increase in cash balances		<u>4,315,963</u>
Cumulative Balance - December 31, 2018	\$	<u>11,641,051</u>

See accompanying independent auditors' report and the notes to schedule of passenger facility charges.

Notes to Schedule of Passenger Facility Charges

Year Ended December 31, 2018

Note 1 - General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. PFCs may be used for airport projects that meet at least one of the following criteria:

- Preserve or enhance safety, security, or capacity of the national air transportation system.
- Reduce noise or mitigate noise impacts resulting from an airport.
- Furnish opportunities for enhanced competition between or among carriers.

Since 1995, the Federal Aviation Administration (FAA) has approved nine PFC applications and amendments submitted by the Gerald R. Ford International Airport Authority (the "Authority"). The Authority is currently authorized to collect PFCs in the amount of \$4.50 per enplaned passenger up to a total for approved collections of \$120.2 million. Project expenditures may include amounts for the payment of principal, interest, and other financing costs on bonds for which the proceeds are used to pay PFC-eligible costs on approved projects.

As of December 31, 2018, the Authority had received approximately \$92.3 million of PFC revenue and \$2.7 of interest earnings. The Authority had expended approximately 83.3 million on approved projects.

Note 2 - Basis of Presentation

The accompanying schedule of passenger facility charges collected and expended has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP).