



ANNUAL FINANCIAL REPORT

JANUARY 1, 2019 – DECEMBER 31, 2019



Presented: August, 2020

Kalamazoo/Battle Creek International Airport 2019 Annual Financial Report

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Kalamazoo/Battle Creek International Airport 2019 Annual Financial Report

DATE: August 13, 2020
TO: Kalamazoo County Aeronautics Board of Trustees
CC: Kalamazoo County Board of Commissioners
FROM: Amanda M. Woodin, CPFO, A.A.E., Assistant Director for Finance & Administration
RE: 2019 Annual Financial Report

I am pleased to present the 2019 Year End Financial Statements. The following is based on Kalamazoo County's annual audited financial statements. The financial statements enclosed include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position (Budget and Actual), and the Statement of Cash Flows. A supplemental report on the acquisition of capital assets is also included.

Net position may serve over time as a useful indicator of the Airport's financial strength. The Airport's net position increased by \$3,558,376 in 2019. This is mainly due to airport assets increasing during the year. Both current assets and capital assets increased during 2019. This is due to project timing with AIP grants increasing receivables, and the financial completion of certain capital asset projects. Liabilities also decreased slightly during the year. This is mostly due to the reduction of long-term debt principal. These two factors positively impacted net investment in capital assets as well as unrestricted net position.

The largest portion of the Airport's net position, 89% in 2019, represents the investment in capital assets (e.g. land, buildings, machinery, equipment, and vehicles); less any related debt used to acquire those assets still outstanding. Capital assets are not available for future spending.

Restricted net position relates to assets whose use is determined by outside entities, such as the Passenger Facility Charge and pension assets. This net position category came into use in 2014. The 2019 portion of net position that is restricted is \$442,752. \$92,844 is restricted for Passenger Facility Charge use, and \$349,908 is restricted for pension purposes.

Unrestricted net position increased by \$450,700 in 2019, or 8.4%. This is due to factors discussed previously.

Accounting and finance standards contain guidelines for determining and maintaining an adequate level of unrestricted net position. Based on the size and nature of the Airport operation, an unrestricted net position level in the range of three to six months of operating expenses is recommended by generally accepted accounting principles (GAAP). Based on the Airport's 2020 budgeted operating expenses, this range is \$1,812,625 to \$3,625,250. For year-end 2019, the airports unrestricted net position was \$5,792,479, exceeding nine months of operating expenses.

	2019	2018	2017
Net Position:			
Net investment in capital assets:	\$50,239,227	\$ 47,143,684	\$ 48,141,803
Restricted:	\$442,752	\$ 430,619	\$ 432,165
Unrestricted:	\$5,792,479	\$ 5,341,779	\$ 5,596,932
Total Net Position:	\$56,474,458	\$ 52,916,082	\$ 54,170,900

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The airport maintains two unrestricted cash and one unrestricted investment account. These accounts make up the available cash for the airport. The combined balance for these accounts was \$5,843,457.25 at the start of 2019. At year end, there was a combined balance of \$4,988,680.34, a decrease of \$854,776.91. The decrease in cash relates to the pre-payment of certain AIP project expenses and the corresponding increase in receivables. AIP project receivables increased by more than \$938,000 during 2019. Just over \$471,800 was received in early 2020. The remaining balance of more than \$457,400 relates to an evolving state process, and will be liquidated at grant closeout.

Cash & Investment Balances

	2019	2018	2017
Cash	\$2,961,136.04	\$ 3,485,113.02	\$ 3,372,687.25
Imprest Cash	\$100.00	\$ 100.00	\$ 100.00
Investments	\$2,027,444.30	\$ 2,358,244.23	\$ 2,445,129.17
Total	\$4,988,680.34	\$ 5,843,457.25	\$ 5,817,916.42
Total Change	(\$854,776.91)	\$ 25,540.83	\$ 540,491.48
% Change	(14.63%)	0.44%	10.24%

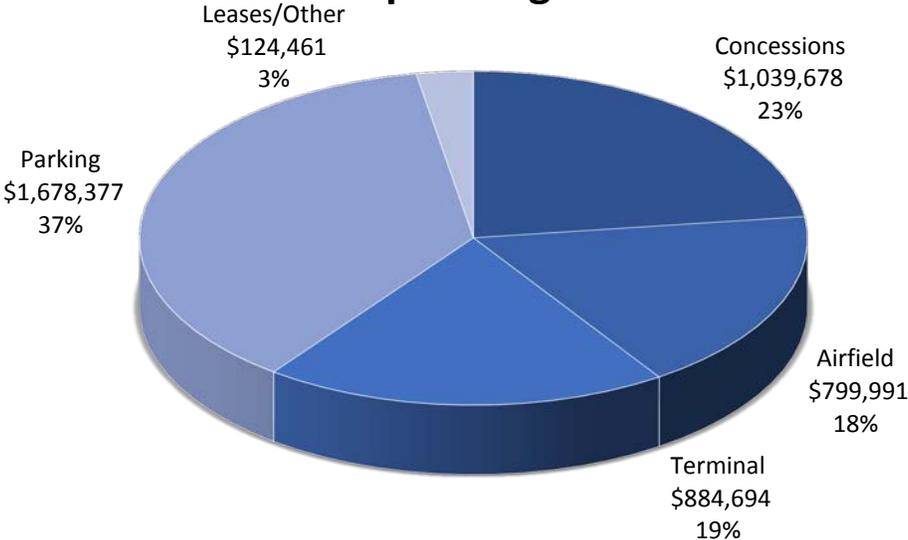
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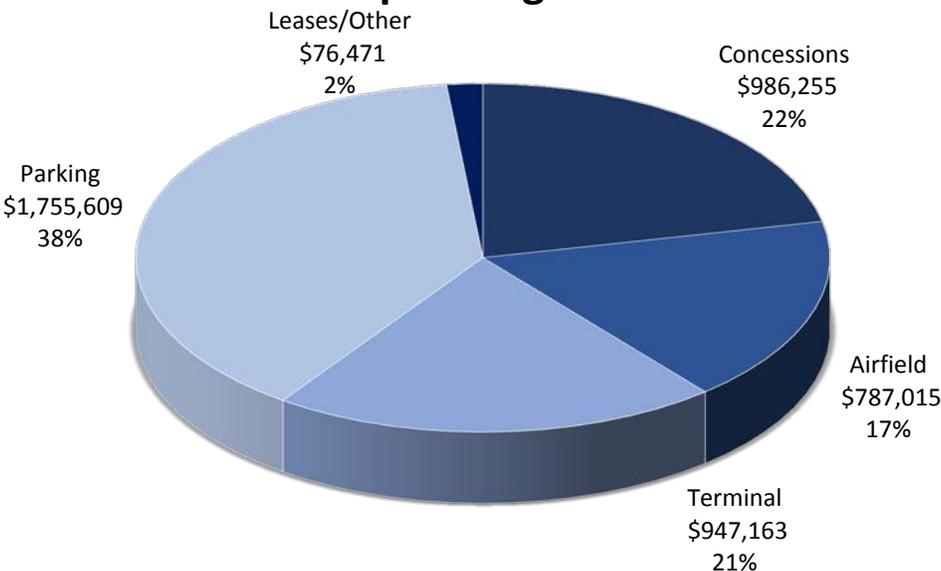
Airport budgetary highlights are provided near the end of this report to identify and summarize differences between the 2019 final budget, 2019 activity, and 2018 activity. Enplanements decreased from 2018 to 2019 by 1%. In June, 2019, there was a runway rehabilitation causing a 16 day commercial activity break. The Airport maintained three commercial carriers, American, Delta, and United, for the entire year. During the year, American held 20% of the market share, Delta held 59%, and United held 21%. This is consistent with previous activity.

Operating revenues are activity based, and 2019 revenues reflected the flat activity, and runway closure effects. Due to conservative budgeting, operating revenues came in at 113% of budget. 2019 revenues were slightly lower than 2018 due to the flat traffic and the runway closure.

2019 Operating Revenues



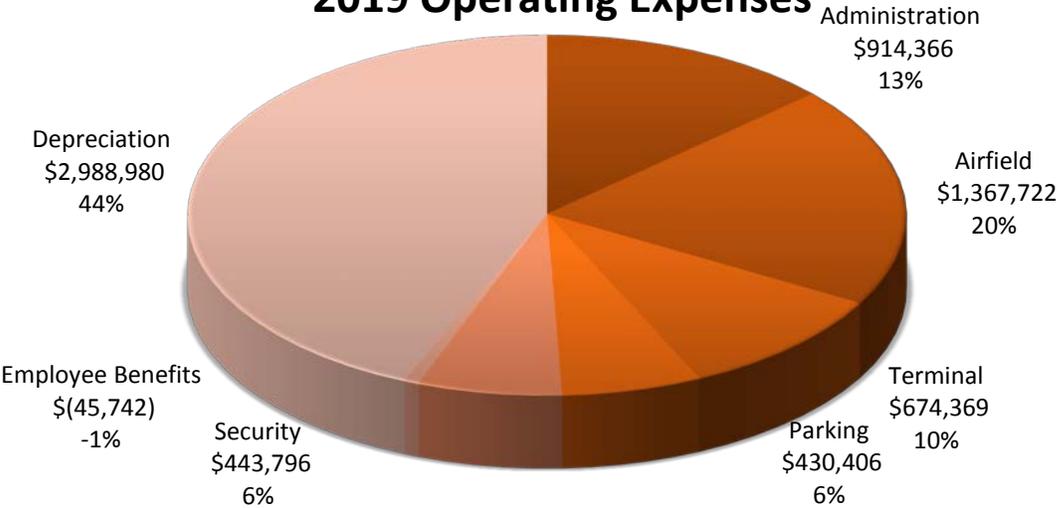
2018 Operating Revenues



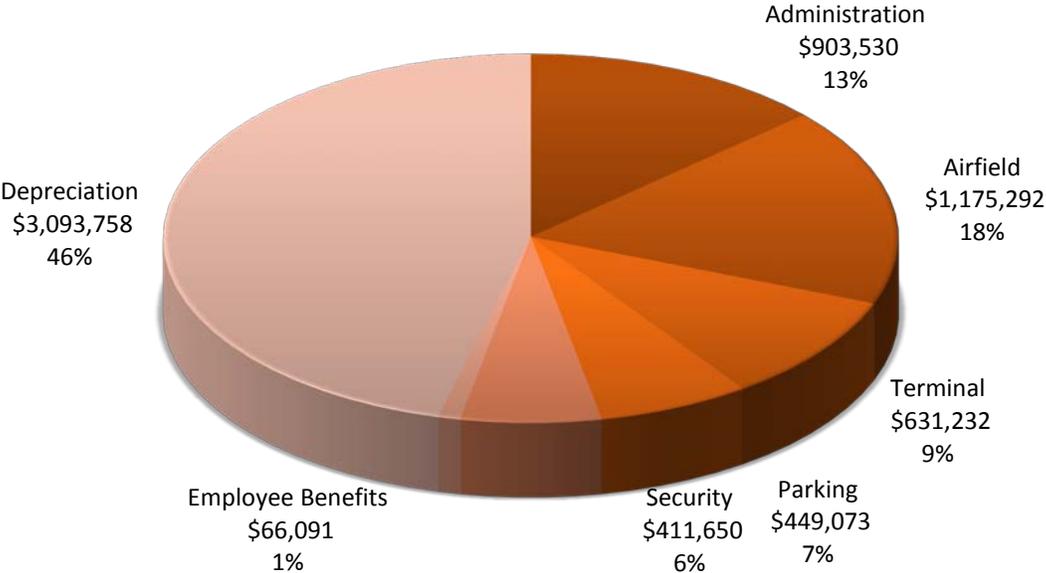
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Airport administration continually monitors all operating expenses. Overall, operating expenses increased slightly from 2018 to 2019. Airfield, terminal, and parking expenses came in slightly over budget, while administration, and security expenses were below budget. Operating expenses totaled \$3,784,917, excluding depreciation – less than the \$4,527,201 in operating revenues for the year.

2019 Operating Expenses



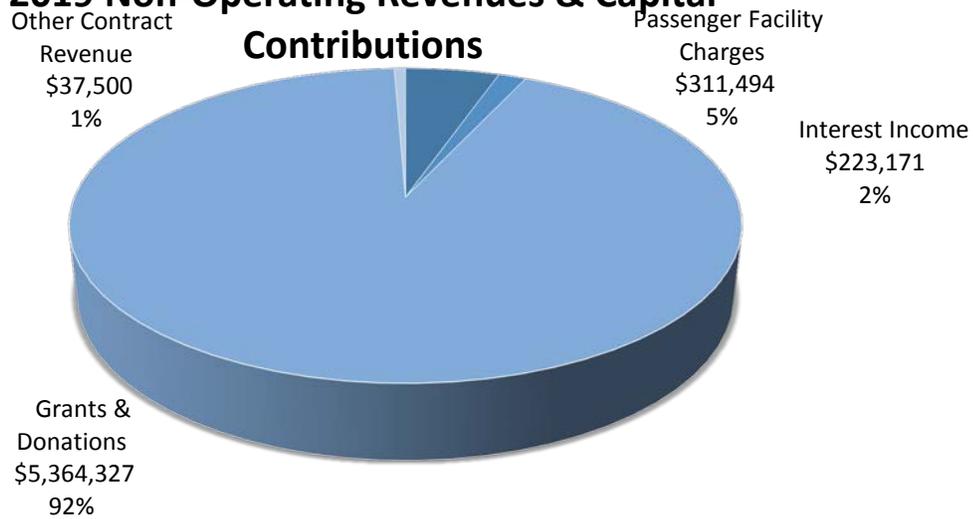
2018 Operating Expenses



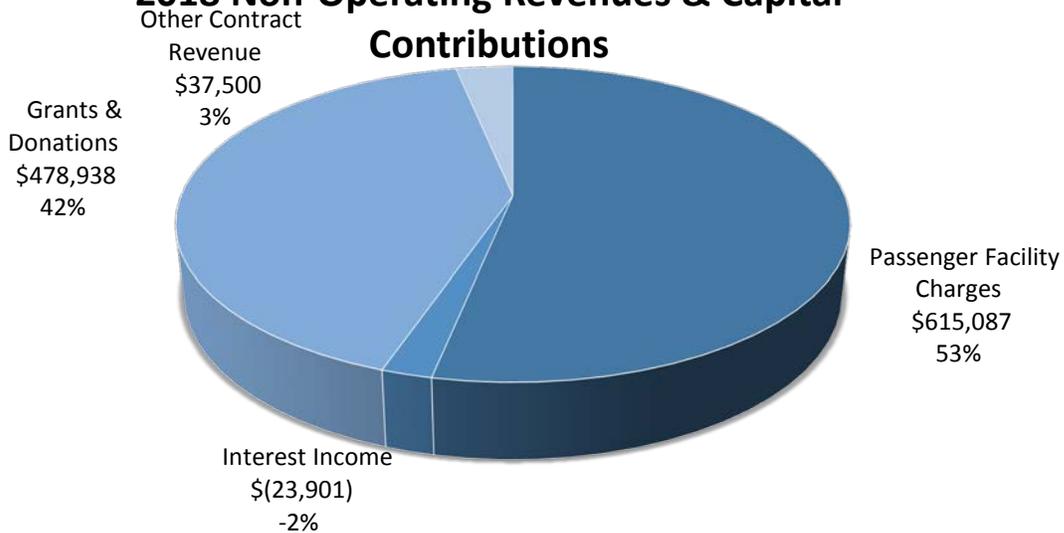
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The following pie charts depict non-operating revenues and capital contributions. The PFC revenue is strictly carrier activity based, fluctuating with passenger traffic and collection authority. 2019 PFC revenue was \$311,494, compared to revenues of \$615,087 in 2018. The decline in PFC revenue in 2019 is related to a lapse in collection authority, as well as a closure to commercial traffic for 16 days during a runway rehabilitation project. Interest revenue came in at \$223,171, and includes a year-end “mark-to-market” entry of \$27,444 necessitated by investment type held for the airport. The grants and donations amounts shown relates to a federal reimbursement by the Transportation Security Administration (TSA) for law enforcement officers activities in and around the TSA checkpoint, as well as the state and federal portions of grant-funded capital projects. The large increase in this line as compared to 2018 relates to delaying an AIP-funded construction project in the 2018 fiscal year. Contract revenue is revenue from Discover Kalamazoo to support marketing efforts of the Airport.

2019 Non-Operating Revenues & Capital Contributions



2018 Non-Operating Revenues & Capital Contributions



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Each year the annual budget is carefully developed and evaluated, with the intention of determining the impact to all users while also working to ensure the Airport's self-sufficiency and continued growth. The 2020 financials are reviewed monthly and analyzed in relation to the adopted budget. This year is an abnormal year for the airport, in terms of operations and financial performance. A global pandemic is affecting the airport directly, as well as our stakeholders and customers. As of the release of this report, a substantial amount of CARES Act funding has been granted to the Airport through the FAA. The airport has allocated a portion of this funding to provide financial relief to stakeholders, and continues to evaluate the full financial effect of the ongoing pandemic on the airport. The utilization of CARES Act funding and overall impact to the airport will depend on the rebound of traffic demand and the outcome of strategic planning efforts with staff and the Aeronautics Board.

Airport administration is finalizing the 2021 budget recommendation, working with the Finance Committee to fine tune recommendation in light of current world events, and the effects of those events on the aviation industry and AZO.

I appreciate the opportunity to present the 2019 Financial Report. If you have any questions regarding the attached information, please feel free to contact me.

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Statement of Net Position

December 31, 2019

Assets:		Liabilities:	
Current assets:		Current liabilities:	
Cash	\$2,961,236	Accounts payable	274,708
Investments	2,000,480	Accrued liabilities	41,817
Receivables, net:		Due to other governments	81,786
Accounts	489,241	Deposits payable	11,128
Accrued Interest	6,434	Accrued interest	19,754
Due from other governments	956,693	Unearned revenue	15,027
Inventories	55,406	Current portion of long-term debt	686,442
Prepays	105,351		
Total current assets	6,574,841	Total current liabilities	1,130,662
Noncurrent assets:		Noncurrent liabilities, net of current portion:	
Restricted assets:		Long-term debt	2,977,886
Cash and cash equivalents (PFC's)	471	Net OPEB liability	204,364
Accounts receivable (PFC's)	92,373	Total noncurrent liabilities	3,182,250
Net Pension Asset	443,566		
Capital assets not being depreciated	14,389,504	Total Liabilities	4,312,912
Capital assets being depreciated, net	39,136,578		
Total noncurrent assets	54,062,492	Deferred Inflows of Resources:	
Total Assets	\$60,637,333	Deferred pension amounts	184,601
		Deferred OPEB amounts	80,975
		Total Deferred Inflows of Resources	265,576
Deferred Outflows of Resources:		Net Position:	
Deferred charge on refunding, net	277,386	Net investment in capital assets	50,239,227
Deferred pension amounts	90,943	Restricted for capital projects	92,844
Deferred other postemployment benefit amounts	47,284	Restricted for pension	349,908
Total Deferred Outflows of Resources	415,613	Unrestricted	5,792,479
		Total Net Position	56,474,458

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Kalamazoo/Battle Creek International Airport 2019 Annual Financial Report

Statement of Revenues, Expenses, and Changes in Net Position Budget and Actual

	<i>Final Budget</i>	<i>2019 Actual</i>	<i>Budget Variance Favorable (Unfavorable)</i>	<i>2018 Actual</i>
Operating Revenues:				
Concessions	860,000	1,039,678	179,678	986,255
Airfield	692,800	799,991	107,191	787,015
Terminal	833,100	884,694	51,594	947,163
Parking	1,558,000	1,678,377	120,377	1,755,609
Leased sites & other	65,800	124,461	58,661	76,471
Total Operating Revenues	4,009,700	4,527,201	517,501	4,552,513
Operating Expenses:				
Administration	998,200	914,366	83,834	903,530
Airfield	1,319,700	1,367,722	(48,022)	1,175,292
Terminal	660,700	674,369	(13,669)	631,232
Parking	414,700	430,406	(15,706)	449,073
Security	458,500	443,796	14,704	411,650
Employee benefits	-	(45,742)	45,742	66,091
Total Operating Expenses before Depreciation	3,851,800	3,784,917	66,883	3,636,868
Operating Income (Loss) before Depreciation	157,900	742,284	(584,384)	915,645
Depreciation	3,141,000	2,988,980	152,020	3,093,758
Operating Income (Loss)	(2,983,100)	(2,246,696)	(736,404)	(2,178,113)
Non-operating Revenues (Expenses):				
Carryover (Budgetary item only)	2,916,700	-	(2,848,600)	-
Capital expense	(277,500)	-	423,900	-
Interest income	10,700	223,171	212,471	(23,901)
Grants and contributions	-	-	-	-
Other contract revenue	37,500	37,500	-	37,500
Interest expense and charges	(135,300)	(131,419)	3,881	(184,328)
Loss on sale of capital assets	-	-	-	-
Passenger facility charge reserve	-	-	421,900	-
Total Non-operating Revenues (Expenses)	2,552,100	129,252	(1,786,448)	(170,729)
Income (Loss) Before Capital Contributions	(431,000)	(2,117,444)	(2,522,852)	(2,348,842)
Capital Contributions				
Grants & donations	100,000	5,364,327	5,264,327	478,938
Passenger facility charge revenues	331,000	311,494	(19,506)	615,087
Transfers In (Out)	-	-	-	-
Total Capital Contributions	431,000	5,675,821	5,244,821	1,094,025
Change in Net Position	-	3,558,376		(1,254,818)
Net Position, beginning of year		52,916,082		54,170,900
Net Position, end of year	-	56,474,458		52,916,082

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Statement of Cash Flows

December 31, 2019

Cash flows from operating activities:	
Receipts from customers and users	\$ 4,429,466
Payments to vendors	(3,484,274)
Payments for personnel services	(1,497,875)
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Net cash provided by (used in) operating activities:	(552,683)
Cash flows from noncapital financing activities:	
Other contract revenue received	37,500
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Net cash provided by (used in) noncapital financing activities	37,500
Cash flows from capital and related financing activities:	
Passenger facility charges collected	311,494
Other capital contributions received	5,367,485
Purchase of capital assets	(5,501,872)
Principal paid on long-term debt	(605,000)
Interest paid on long-term debt	(130,874)
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Net cash provided by (used in) capital and related financing activities:	(558,767)
Cash flows from investing activities:	
Sale of investments	326,860
Interest received on investments	223,171
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Net cash provided by (used in) investing activities:	550,031
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Net increase (decrease) in cash and cash equivalents	(523,919)
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Cash and cash equivalents, beginning of year	3,485,626
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Cash and cash equivalents, end of year	\$ 2,961,707
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Classification on the statement of net position	
Cash and cash equivalents	\$ 2,961,236
Noncurrent restricted cash and cash equivalents	471
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	\$ 2,961,707
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Statement of Cash Flows (Concluded)

December 31, 2019

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income (loss)	\$(2,232,085)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	2,988,980
(Increase) decrease in:	
Accounts receivable	(98,460)
Due from other governments	(938,232)
Leases receivable	-
Accrued interest receivable	396
Due from other governments	-
Inventories	(18,214)
Prepays	(100,455)
Net pension asset	(280,433)
Deferred outflows of resources - pension amounts	207,597
Deferred outflows of resources - other postemployment benefit amounts	4,430
Accounts payable	(113,169)
Accrued liabilities	4,616
Due to other governments	-
Deposits payable	(647)
Unearned revenue	328
Compensated absences	(7,643)
Net OPEB liability and related deferred amounts	(28,364)
Deferred inflows of resources - pension amounts	66,252
Deferred inflows of resources - other postemployment benefit amounts	(7,580)

Cash Provided by Operating Activities **\$ (552,683)**

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County of Kalamazoo Kalamazoo/Battle Creek International Airport *Acquisition of Capital Assets - 2019*

Working Capital

Front Drive Concrete	49,680.00
Airfield Land Improvement Buyout	295,845.11
ARFF Rooftop Air Handler	10,950.00
Airfield Markings	8,550.00
Short & Long Term crack Sealing and Striping	20,532.00

385,557.11

Contributed Capital

\$ -

Debt (Building Authority)

\$ -

\$ -

Total Acquisition of Capital Assets

\$ 385,557.11

Total Working, Contributed and Debt Funded Capital:

Airfield	\$ 315,345.11
Terminal	\$ -
Parking	\$ 20,532.00
Roadways, trail, transit	\$ 49,680.00
Other	\$ -

\$ 385,557.11



**KALAMAZOO | BATTLE CREEK
INTERNATIONAL AIRPORT**