

**Kent County Department of Aeronautics
An Enterprise Fund of
Kent County, Michigan**



Comprehensive Annual Financial Report

Year Ended December 31, 2003



**Kent County Department
of Aeronautics
Kent County, Michigan**

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An Enterprise Fund of Kent County**
Year Ended December 31, 2003

Prepared by:

Kent County Department of Aeronautics

Aeronautics Director
James A. Koslosky, A.A.E.

Finance and Administration Director
Brian Picardat, A.A.E.

Kent County Department of Aeronautics Kent County, Michigan

Aeronautics Board

John Van Laar
Chair

Kenneth J. Kuipers*
Vice Chair

Dean A. Agee*

Joseph D. Jones

Daniel M. Koorndyk*

Thomas G. O'Hare

Kent County Department of Aeronautics An Enterprise Fund of Kent County

James A. Koslosky, A.A.E.	Aeronautics Director
Phillip E. Johnson, A.A.E.	Deputy Aeronautics Director
Brian Picardat, A.A.E.	Finance & Administration Director
Robert W. Benstein, A.A.E.	Public Safety & Operations Director
Thomas R. Ecklund, P.E.	Facilities Director

*Kent County Commissioner

Kent County Department of Aeronautics Kent County, Michigan

Table of Contents

Introductory Section

Title Page	i
Table of Contents	ii
Airport Location and Service Area	iii
Certificate of Achievement for Excellence in Financial Reporting	iv
Letter of Transmittal	vi-xi
Organizational Chart	xii

Financial Section

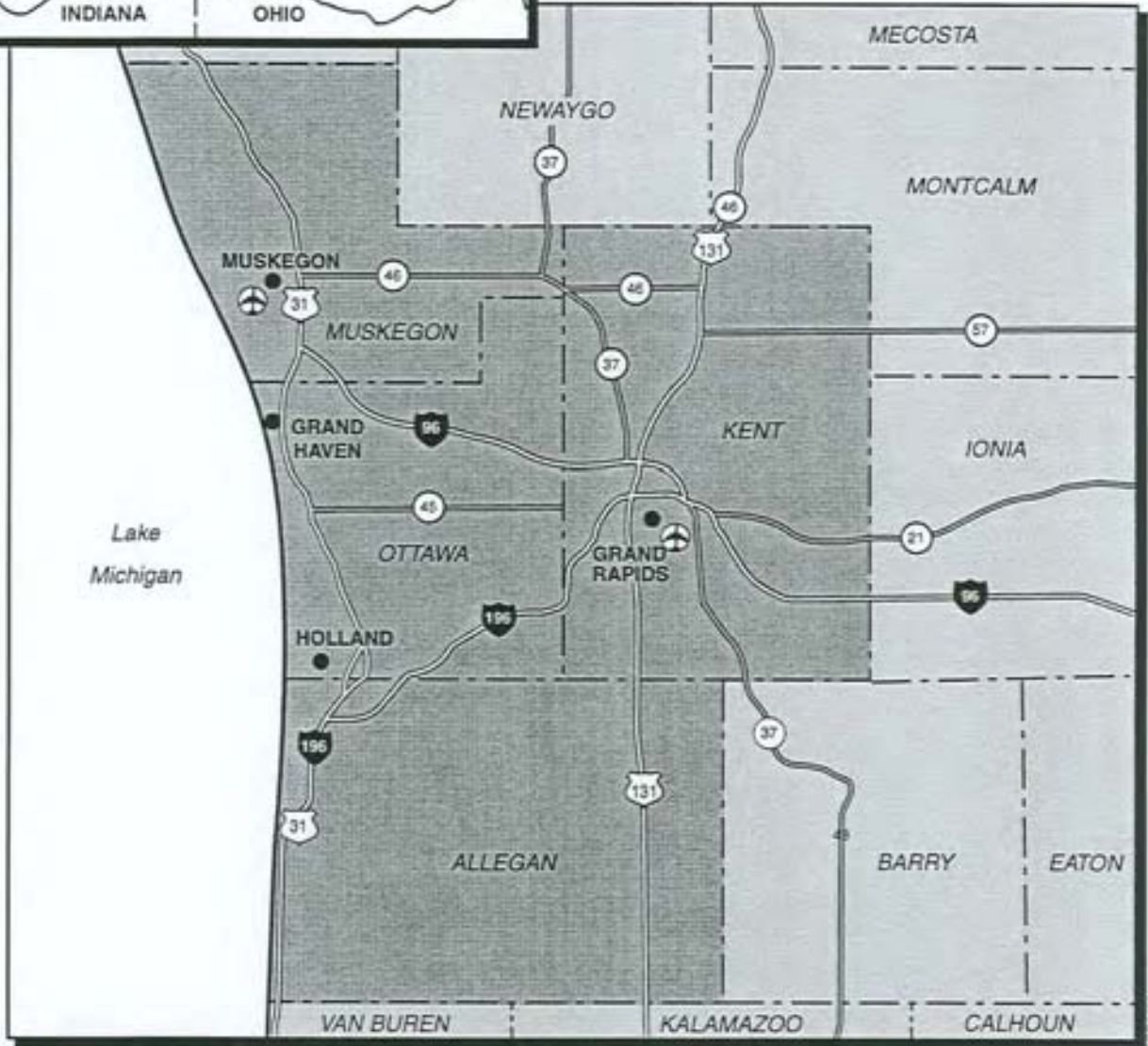
Independent Auditors' Report	1
Management's Discussion and Analysis	3-8
Statements of Net Assets	10-11
Statements of Revenues, Expenses and Changes in Net Assets	12
Statements of Cash Flows	13-14
Notes to Financial Statements	15-30

Statistical Section

Total Annual Revenues and Expenses	32-33
Debt Service	34-35
Activity Statistics	36-37
Market Share of Air Carrier Passengers	38-41



Road miles from Grand Rapids:	
Detroit	149
Flint	104
Kalamazoo.....	50
Lansing	65
Muskegon	40
Saginaw.....	116
Traverse City.....	139



- LEGEND**
- Primary area
 - Approximate secondary area
 - County boundary
 - State boundary
 - Air carrier airport

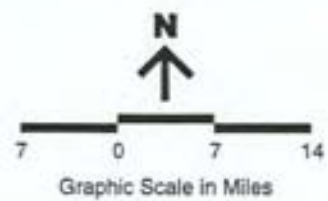


Figure 2
AIRPORT SERVICE REGION
 Kent County International Airport
 January 1998

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kent County

Department of Aeronautics,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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GERALD R. FORD INTERNATIONAL AIRPORT

Kent County Department of Aeronautics

AERONAUTICS BOARD

JOHN VAN LAAR, Chairman
KENNETH J. KUIPERS, Vice Chairman
DEAN A. AGEE
JOSEPH D. JONES
DANIEL M. KOORNDYK
THOMAS G. O'HARE

AERONAUTICS STAFF

JAMES A. KOSLOSKY, A.A.E.
Aeronautics Director
PHILLIP E. JOHNSON, A.A.E.
Deputy Aeronautics Director
ROBERT W. BENSTEIN, A.A.E.
Public Safety & Ops Director
BRIAN PICARDAT, A.A.E.
Finance & Admin. Director
THOMAS R. ECKLUND, P.E.
Facilities Director

May 1, 2004

Kent County Aeronautics Board
Kent County, Michigan

We are pleased to submit the Kent County, Michigan, Department of Aeronautics (Department) Financial Report for the year ended December 31, 2003. This report was prepared by the Department's Finance and Administration Division, and the financial statements were audited by BDO Seidman, LLP, an independent firm of Certified Public Accountants. This report is prepared for the purpose of disclosing the Department's financial condition and to provide the reader additional information about the Department's mission, goals and operating trends.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Department. 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 Department; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Department's financial activity have been included.

REPORTING ENTITY AND ITS SERVICES

The Department comprises a single enterprise fund of Kent County, Michigan (County) and operates as a self sustaining department of the County. 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 (Board) in 1959. This Board is made up of three County Commissioners and three citizens at-large, all appointed by the County Commission. Also in 1959, the Department was created by resolution of the Kent County Board of Supervisors. The Board is responsible for governing the affairs of the Department.

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

AIRPORT SERVICE AREA

The region served by the Airport is shown on page iii. The primary geographical area served by the Airport is the four-county Grand Rapids Metropolitan Statistical Area (the "Grand Rapids MSA" or the "MSA"), which consists of Allegan, Kent, Muskegon and Ottawa counties. The primary area is generally defined as the area with the principal concentration of population and economic activity that, therefore, generates the majority of airline passenger traffic at an airport. In 2002, the population of

the Grand Rapids MSA was 1,112,277, with Kent County accounting for 585,263, Ottawa County accounting for 245,913, Muskegon County accounting for 171,765, and Allegan County accounting for 109,336 of this total. The City of Grand Rapids, located in Kent County, accounts for 197,791 or approximately 17.8% of the population in the Grand Rapids MSA.

The Airport is located southeast of the City of Grand Rapids, approximately 12 miles from the central business district. Also located within the primary area (40 miles from Grand Rapids) is the Muskegon County Airport, which provides regional and commuter service to two short-haul (less than 500 miles) markets.

The secondary area served by the Airport surrounds the Grand Rapids MSA and is less densely populated than the primary area. The boundary of the secondary service area of any air carrier airport is generally defined by the location and accessibility (e.g., automobile driving distance) of other air carrier airports and by the service and fares offered by the airlines serving those airports. As shown on the map, the air carrier airports defining the secondary area served by the Airport are those in Kalamazoo, Lansing, Flint, Saginaw, and Traverse City - located 50, 65, 104, 116 and 139 miles, respectively, from Grand Rapids. Each of these air carrier airports provides major as well as regional service.

AIRLINE ACTIVITY

The Airport is served with non-stop service by ATA Connection to Chicago Midway; American Eagle to Chicago O'Hare and Dallas-Forth Worth; Continental Express to Cleveland, Houston and New York-Newark; Comair-Delta Connection, and Delta Airlines to Cincinnati and Atlanta; Northwest Airlines and Northwest AirlinK to Detroit, Minneapolis, Orlando, Tampa and Memphis; Skyway Airlines-Midwest Connect to Milwaukee; United Airlines, Air Wisconsin-United Express and Atlantic Coast Airlines-United Express to Chicago O'Hare; and US Airways Express to Pittsburgh. Northwest Airlines/AirlinK has the largest market share at 38.0% of the 2003 enplaned passengers. This was followed by United Express/United Airlines at 16.6%, Delta Connections/Delta Airlines at 13.7%, American Eagle at 9.5%, and Continental Express at 6.0%.

The Airport's enplaned passengers increased in 2003 by 2.8% compared to 2002. In 2003 there were 27,179 more enplanements than 2002, and we achieved a new all time record of 1,976,833 total passengers. We expect to reach 2 million total passengers in 2004 and we are expecting annual growth rates of 3.5-4.0% per annum to continue after 2004.

ACCOUNTING SYSTEM INTERNAL CONTROL AND BUDGETARY CONTROL

The Department follows generally accepted accounting principles applicable to governmental unit enterprise funds. This results in financial statements prepared on a full accrual basis in accordance with accounting principles generally accepted in the United States of America.

The Department's accounting system is designed to provide reasonable, but not absolute, assurance that the assets are protected against unauthorized use or disposition. Conceptually, reasonable

assurance requires evaluation, judgment and management review to assure that the cost of a control does not exceed the benefit derived. We believe that the controls in place adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Accounting policies, procedures and systems, along with internal controls, are continually monitored and reviewed to meet the ever-changing needs.

The Department's budget is prepared on the basis of full accrual accounting. As an enterprise fund, the Department budget is prepared by the Aeronautics Director and the Department staff, approved by the Aeronautics Board and then submitted to the County and incorporated in its budget as one of the County's enterprise funds. The budget is ultimately adopted by the Board of County Commissioners.

AWARDS AND RECOGNITIONS

Government Finance Officers Association Certificate of Achievement

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, 2002. 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 tenth 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.

American Association of Airport Executives

Aeronautics Director, James A. Koslosky, A.A.E., was elected Second Past Chair as an officer in the American Association of Airport Executives, a 4,500 member National organization representing airport management professionals.

The Department earned a special commendation from the American Association of Airport Executives for the Airport's Outstanding Commitment to Employee's Training and Development.

Michigan Association of Airport Executives

Deputy Aeronautics Director, Phillip E. Johnson, A.A.E., was elected Immediate Past President of the Michigan Association of Airport Executives, an organization of Michigan airport management professionals.

2003 Snow Plow Rodeo

The Department's airfield maintenance crew won first place in category awards at the 2003 Snow Plow Rodeo held in Wyoming, Michigan.

Hospitality Sales and Marketing Associates International

The Department won a silver medal award from the Hospitality Sales and Marketing Association International, a trade association representing the travel, tourism, and lodging industries, for its 2003 Airport Profile publication.

Airports Council International - North America Communication Awards

The Airports Council International - North America (ACI-NA), an association of airport owners/operators in North America, awarded the Department an Honorable Mention for its 40th Anniversary Video. ACI-NA has a Communications Contest where airports submit communication items (newsletters, advertisements, annual reports, etc.) for competition against other airports by categories of items. Over 65 airports submitted items for recognition.

CAPITAL IMPROVEMENT AND AIRPORT DEVELOPMENT

The Five-Year Capital Improvement Plan (CIP) for the fiscal years 2003 through 2007, was estimated at approximately \$43.8 million. The largest portion of the cost is for security related items. Other projects include parking and roadway improvements and reconstruction of three taxiways and three public general aviation ramps.

Since September 11, 2001, more emphasis has been put on security at our nation's airports. The Department finished in 2003 replacing all of its security fencing with new fence as part of a \$0.7 million Fencing Contract. Also, the Department began installation of a new Security Access Control System to replace our current 10-year-old system. This project is expected to cost approximately \$3.0 million and be completed in 2004.

The Department began designing roadway/landscaping modifications and an express shuttle lot in the fall of 2000. The roadway/landscaping project will enhance the road entrance to the Airport and will reflect the beauty and character of West Michigan. The express shuttle lot allows the Department the opportunity to provide differential pricing for auto parking. The express shuttle lot was opened March 11, 2002 and is currently being reviewed for expansion this year. The landscaping project began in 2003 and will take two years to complete. Total cost is \$3.6 million and is funded in part by a federal highway grant of \$0.8 million.

In 2003 the Department began updating its Airport Master Plan. The Master Plan was last updated in 1992. The Master Plan is a document that addresses the development needs of the airport over the next 20 years. It is broken down by short term (5years), intermediate (10 years) and long term (20 years) development. The Master Plan is scheduled to be completed in June 2004.

During the last 10 years, the Department has spent \$250.0 million in redevelopment of the Airport. The only pavement that hasn't been replaced in the last 10 years is portions of three taxiways and three public general aviation ramps. The Department plans on replacing these pavements in the next three years at an estimated cost of \$10.5 million. Federal airport aid will be pursued to fund these projects.

CASH MANAGEMENT

Cash, equivalents, investments and accrued interest of the Department's funds are combined in the County's pooled cash and investment system (Money Max). The primary investments of the system are obligation in the U.S. Government and certificates of deposit. State statutes require that the certificates of deposit, saving accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan which are also a member of a federal or national insurance corporation. In 2003, the total interest income earned by the Department was \$0.3 million. This compared to the interest income of \$0.6 million in 2002.

RISK MANAGEMENT

The Risk Management functions for the County of Kent are carried out both on a central administrative level within the County Administrators Office, as well as by the Department. The Department's Director is responsible for managing the activities of the Department in such a way as to preserve County resources: human, physical, natural and financial. Assistance in the identification, evaluation and reduction of risk exposure is provided by the Administrator's Office. Indemnification and evidence of insurance coverage is a standard requirement of all vendors, lessees and contractors doing business with the County.

The County has chosen to self fund the majority of the risk exposure arising out of its operations. Insurance coverage, when available, is purchased for those risks for which the premiums prove to be lower than projected risk of loss for the County, for those risks which are too large or infrequent to provide a statistically stable projection, or when required to do so by statute.

Since 1986, the County has assumed increasing levels of risk due, in part, to the high cost and/or unavailability of insurance coverage. As a result, it has developed an internal financing mechanism with which to accrue for both incurred and incurred but not reported liabilities which are not covered by insurance. A Risk Management Fund has been established through which payments of claims are processed. An annual allocation of the cost of self-funded liabilities and insurance premiums is calculated and charged back to the Department. In addition, the Department is responsible for the payment of a per loss "deductible" which is based on the size of the Department's budget.

Claims against the Board, the Department or employees are reported to the County Administrator's Office and workers' compensation claims are reported to the Fiscal Services Department for review and referral to the County's contracted claims administration services. The claim administrators are responsible for establishing reserve requirements, investigating and recommending settlements, coordinating with defense counsel, furnishing monthly claims status reports and notifying excess insurers when applicable.

Settlement of a claim is subject to final approval by the County and is based upon the recommendation of its insurers, contracted claims administrator and civil counsel. At this time, there are no material legal actions pending against the Department which might result in settlement or judgment in excess of \$0.5 million.

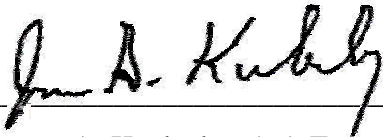
OTHER INFORMATION

INDEPENDENT AUDIT – The Department has an annual audit performed on its financial statements by an independent certified public accountant selected by the Board of Commissioners. The auditors’ unqualified opinion has been included in this report. Also, included in the report is the Department’s **Management Discussion and Analysis** providing additional information on the financial position of the Department.

ACKNOWLEDGEMENTS

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 the division has our sincere appreciation for the contributions made in preparation of this report.

Respectfully submitted,



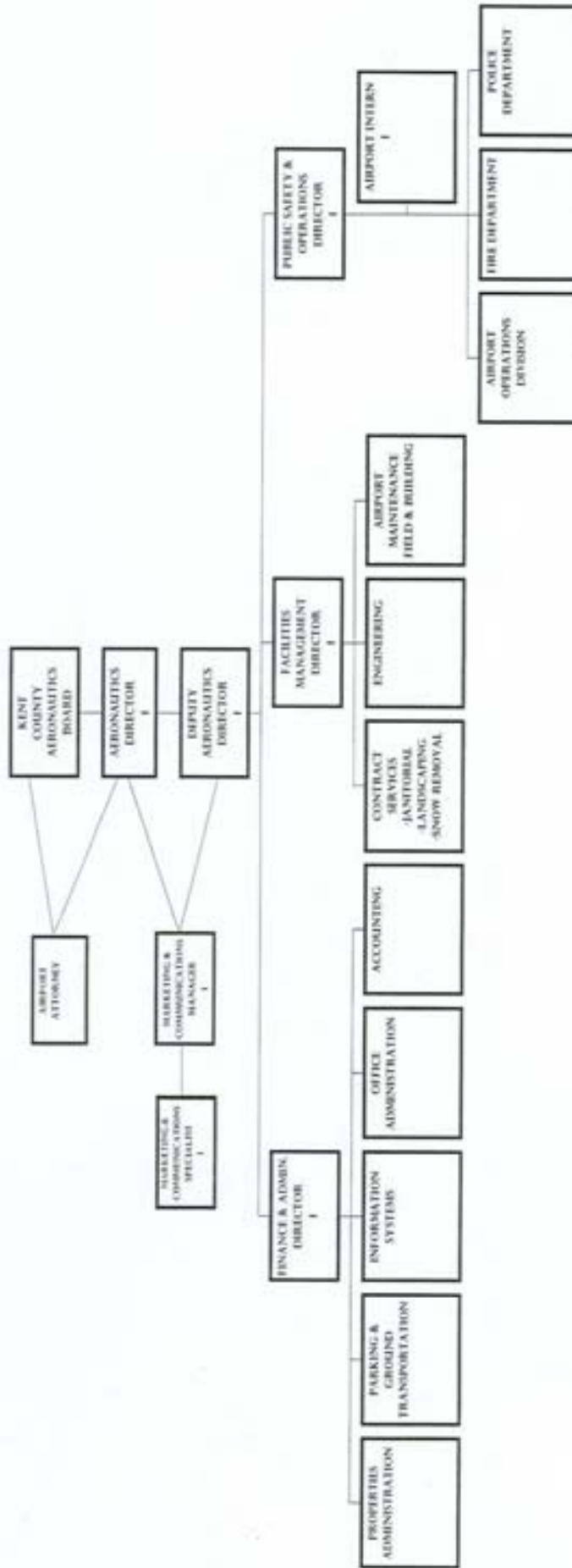
James A. Koslosky, A.A.E.
Aeronautics Director



Brian Picardat, A.A.E.
Finance & Administration Director

BP/ld

KENT COUNTY DEPARTMENT OF AERONAUTICS ORGANIZATIONAL CHART



114 Full Time Permanent
 12 Part-Time Permanent
 126 Total Permanent Positions
 8 Seasonal/Temporary
 134 Total Positions
 122.7 FTE

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Financial Section

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Independent Auditors' Report

Kent County Aeronautics Board
Kent County Department of Aeronautics
Grand Rapids, Michigan

We have audited the accompanying statements of net assets of Kent County Department of Aeronautics (an Enterprise Fund of the County of Kent, Michigan) as of December 31, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Kent County Department of Aeronautics. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the financial statements of Kent County Department of Aeronautics are intended to present the financial position, changes in its net assets and cash flows of the proprietary fund type of only that portion of the funds and account groups of the County of Kent that are attributable to the transactions of the Department of Aeronautics.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kent County Department of Aeronautics as of December 31, 2003 and 2002, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

BDO Seidman, LLP

Grand Rapids, Michigan
April 9, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the Gerald R. Ford International Airport's activities and financial performance provide an introduction to the financial statements of the Kent County Department of Aeronautics (Department) for the fiscal year ended December 31, 2003. The information contained in this MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introduction 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 Department together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

FINANCIAL POSITION SUMMARY

Total net assets serve over time as a useful indicator of the Department's financial position. The Department's assets exceed liabilities by \$156.3 million at December 31, 2003, a \$4.9 million increase from December 31, 2002.

A condensed summary of the Department's net assets at December 31 is provided below:

	2003	2002	2001
Assets			
Current	\$ 33,018,260	\$ 25,838,268	\$ 22,848,115
Non-current	226,049,926	220,820,260	223,299,397
Total assets	259,068,186	246,658,528	246,147,512
Liabilities			
Current liabilities	6,695,052	6,118,093	6,266,085
Notes payable to related party	8,975,814	-	-
Revenue bonds payable	87,092,261	89,182,668	91,178,075
Total liabilities	102,763,127	95,300,761	97,444,160
Net Assets			
Invested in capital assets, net of related debt	133,911,679	126,745,501	127,447,788
Restricted	6,772,226	6,776,033	7,041,980
Unrestricted	15,621,154	17,836,233	14,213,584
Total Net Assets	\$ 156,305,059	\$ 151,357,767	\$ 148,703,352

The largest portion of the Department's net assets each year (85.7% at December 31, 2003) 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 Department uses these capital assets to provide facilities to its tenants, users and customers.

Consequently, these assets are not available for future spending. Although the Department'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 Department's net assets (4.3% at December 31, 2003) represents resources that are subject to external restrictions on how they can be used under Bond resolutions and Federal regulations. The remaining *unrestricted net assets* (10% at December 31, 2003) may be used to meet any of the Department's ongoing obligations.

FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues increased by 11.4% from \$22.5 million in 2002 to \$25.1 million in 2003 principally due to the increases in fees paid by the airlines.
- Operating expenses increased by 3.6% from \$22.0 million in 2002 to \$22.8 million in 2003 principally due to the increase in salaries and fringes, which was due to increases negotiated in union contracts and increased health care costs.
- As a result of the above, operating income in 2003 increased 384.8% or \$1.8 million from 2002.
- Net non-operating expense decreased from \$2.6 million in 2002 to \$1.5 million in 2003 due principally to abandonment of assets that were replaced during capital development in 2002.
- Capital contributions received in the form of grants from federal and state governments decreased from \$4.8 million in 2002 to \$4.2 million in 2003.

SUMMARY OF CHANGES IN NET ASSETS

A condensed summary of the Department's changes in net assets for the years ended December 31 is provided below:

<i>Year ending December 31,</i>	2003	2002	2001
Operating revenue	\$ 25,075,143	\$ 22,508,773	\$ 20,621,061
Operating expenses	(22,849,111)	(22,049,595)	(19,125,506)
Operating income	2,226,032	459,178	1,495,555
Non-operating revenues (expenses)			
Passenger facility charges	2,686,676	2,580,758	2,505,681
Interest revenue	328,475	578,963	1,312,619
Interest expense	(4,553,407)	(4,648,757)	(4,739,407)
Gain (loss) on sale of capital assets	57,059	(1,123,150)	13,191
Net non-operating expense	(1,481,197)	(2,612,186)	(907,916)
Income (loss) before capital contributions	744,835	(2,153,008)	587,639
Capital contributions	4,202,457	4,807,423	23,485,468
Increase in Net Assets	\$ 4,947,292	\$ 2,654,415	\$ 24,073,107

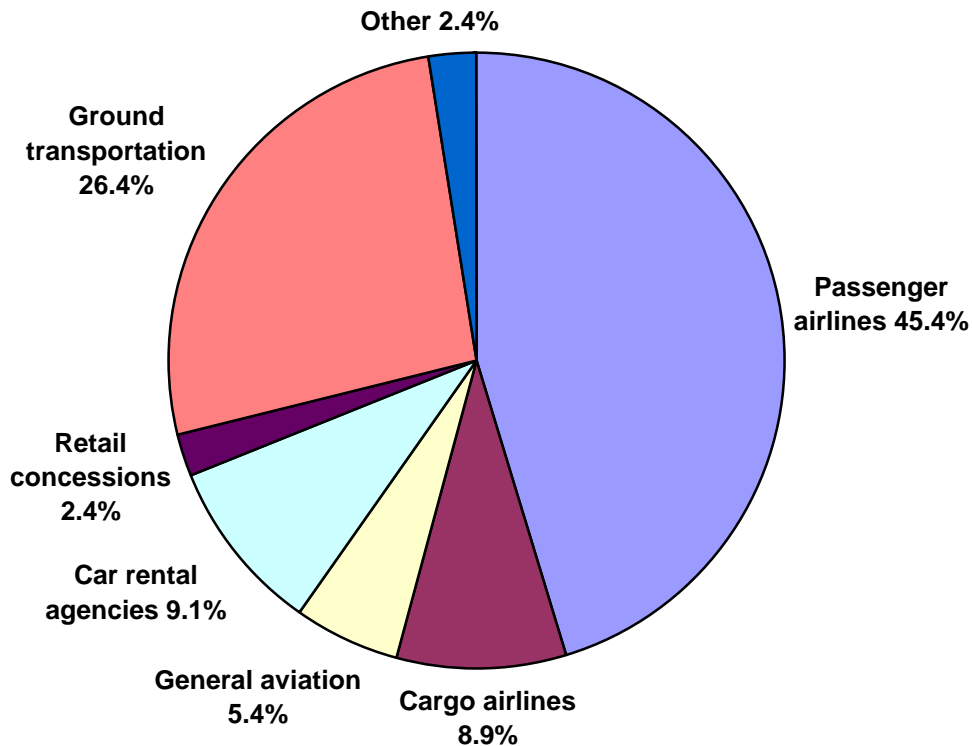
AIRLINE RATES AND CHARGES

The Department sets rates and charges annually by adoption of a resolution based on a compensatory (cost of services) rates and charges methodology. This methodology utilizes the Department's annual operating and capital budgets which have been approved by the Aeronautics Board, as well as the Kent County Board of Commissioners. The rates include the terminal rental rates, landing fees and airline apron fees. These rates for the past three years were:

<i>Year ended December 31,</i>	2003	2002	2001
Terminal rental rates (per square foot)	\$ 53.57	\$ 45.88	\$42.58
Landing fees (per 1,000 lbs.)	2.13	1.90	1.77
Airline apron fee (per 1,000 lbs.)	1.07	0.70	0.69

REVENUES

The following chart shows the major sources and the percentage of operating revenues for the year ended December 31, 2003:

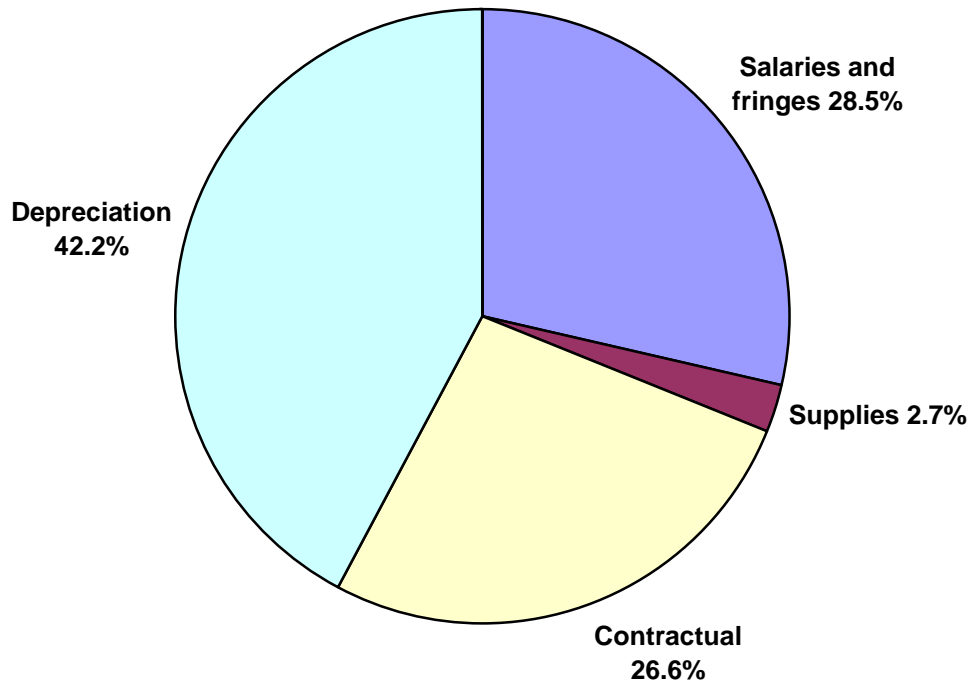


A summary of operating revenues for the year ended December 31, 2003, and the amount and percentage of change in relation to prior year amounts is as follows:

<i>Year ended December 31,</i>	2003 Amount	Percent of Total	Increase From 2002	Percent Increase
Revenue				
Charges for services:				
Passenger airlines	\$ 11,381,927	45.4 %	\$ 1,706,909	17.6%
Cargo airlines	2,222,150	8.9	88,662	4.2
General aviation	1,365,239	5.4	78,653	6.1
Car rental agencies	2,296,842	9.1	270,042	13.3
Retail concessions	596,533	2.4	48,270	8.8
Ground transportation	6,617,094	26.4	273,938	4.3
Other	595,358	2.4	99,896	20.2
Total Operating Revenues	\$ 25,075,143	100.0 %	\$ 2,566,370	11.4%

EXPENSES

The following chart shows the major operating categories and the percentage of operating expenses for the year ended December 31, 2003:



A summary of operating expenses for the year ended December 31, 2003, and the amount and percentage of change in relation to prior year amounts is as follows:

<i>Year ended December 31,</i>	2003 Amount	Percent of Total	Increase/ (Decrease) From 2002	Percent Increase/ (Decrease)
Operating Expenses				
Salaries and fringes	\$ 6,507,669	28.5 %	\$ 505,719	8.4%
Supplies	612,039	2.7	(185,933)	(23.3)
Contractual	6,082,009	26.6	499,991	9.0
Depreciation	9,647,394	42.2	(20,261)	(0.2)
Total Operating Expenses	\$22,849,111	100.0%	\$ 799,516	3.6%

SUMMARY OF CASH FLOW ACTIVITIES

The following provides a summary of the major sources and uses of cash and cash equivalents for the past three years. Cash equivalents are considered highly liquid investments with an original maturity of three months or less.

<i>Year ending December 31,</i>	2003	2002	2001
Net cash provided by operating activities	\$ 11,438,878	\$ 10,641,160	\$ 8,768,221
Net cash provided by investing activities	328,475	578,963	1,312,619
Net cash used for capital and related financing activities	(4,693,462)	(5,678,690)	(13,907,784)
Net increase (decrease) in cash and cash equivalents	7,073,891	5,541,433	(3,826,944)
Cash and cash equivalents, beginning of year	26,722,818	21,181,385	25,008,329
Cash and Cash Equivalents, end of year	\$ 33,796,709	\$ 26,722,818	\$ 21,181,385

The Department's available cash and cash equivalents increased from \$26.7 million at the end of 2002 to \$33.8 million at the end of 2003 due to the increase in net cash from funds provided by operating activities and the decrease in net cash used for capital and related financing activities.

FINANCIAL STATEMENTS

The Department's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. The Department is structured as a single 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 and, where applicable, for construction purposes. See Note 1 to the financial statements for a summary of the Department's significant accounting policies.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During 2003, completed projects totaling \$2,466,677 were closed from construction in progress to their respective capital accounts. The major completed projects were:

Security fence	\$ 713,576
Ross Drive	285,912
Employee parking lot	764,687
Other	702,502

Capital asset acquisitions are capitalized at cost. The Department also purchased 169 acres of land at a cost of \$9.8 million, see Note 5 to the financial statements. Acquisitions are funded using a variety of financing techniques, including federal and state grants, Airport funds, private investment, debt issuance and Airport revenues. See Note 4 to the financial statements for more detailed information on the Department's Capital Assets.

LONG-TERM DEBT ADMINISTRATION

The Department re-entered the Bond Market in May 1995 when they issued \$40.0 million of Airport Revenue Bonds to assist in financing the Five-Year Capital Improvement Plan.

As a department of the County, the Department cannot sell bonds without the authorization of the County Commissioners. The Airport sold limited tax general obligation revenue bonds in 1995 utilizing the County's favorable bond rating. The County's bond rating was AAA with Standard & Poor's and AA with Moody for this issue.

In January 1998, the Department issued \$56.2 million of Airport Revenue Bonds without the limited tax general obligation of the County. The Department's bond rating was A- with Standard & Poor's and A2 with Moody's for this issue. However, this issue was insured by MBIA Insurance Corporation, qualifying for Standard & Poor's rating of AAA and Moody's Aaa.

In March 1999, the Department issued \$37.5 million of Airport Revenue Refunding Bonds to advance refund the 1995 Bonds mentioned above. This bond issue, like the 1995 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 Aa1 from Moody's.

On September 20, 2001 Standard & Poor's placed all of its North American airport ratings on credit watch with negative implications, including the Gerald R. Ford International Airport. Airports were put on credit watch due to uncertainties and the financial repercussions to the airports and airlines from prolonged decline in activity, increased security costs and effects of economic recession. On March 1, 2002 Standard & Poor's affirmed the Gerald R. Ford International Airport's rating at A- with a stable outlook.

See Note 6 to the financial statements for more detailed information on the Department's Revenue Bonds Payable.

Respectfully submitted,



Brian Picardat, A.A.E.
Finance & Administration Director

Financial Statements



<i>December 31,</i>	2003	2002
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 22,144,503	\$ 14,966,254
Accounts receivable, less allowances of \$579,000 and \$108,000 for possible losses	1,714,515	1,587,400
Due from restricted funds (Note 3)	2,971,670	2,971,670
Inventories	22,825	24,795
Prepaid expenses	23,380	36,405
Restricted assets (Note 3):		
Cash and cash equivalents	5,839,550	6,002,803
Accounts receivable	301,817	248,941
Total Current Assets	33,018,260	25,838,268
Non-Current Assets		
Restricted assets - cash and cash equivalents, net (Note 3)	2,840,986	2,782,091
Capital assets (Note 4):		
Land and construction in progress	23,591,160	11,503,311
Other capital assets, net of accumulated depreciation	199,247,459	206,145,978
Bond issue costs, less accumulated amortization of \$92,600 and \$74,080	370,321	388,880
Total Non-Current Assets	226,049,926	220,820,260
Total Assets	\$259,068,186	\$246,658,528

Kent County Department of Aeronautics Kent County, Michigan

Statements of Net Assets

<i>December 31,</i>	2003	2002
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 419,912	\$ 722,433
Construction contracts payable	257,404	312,781
Accrued liabilities	803,423	715,077
Current maturity of note payable to related party (Note 5)	799,186	-
Payable from restricted assets:		
Accrued interest	2,210,127	2,257,802
Current maturities of revenue bonds payable (Note 6)	2,205,000	2,110,000
Total Current Liabilities	6,695,052	6,118,093
Non-Current Liabilities		
Note payable to related party, less current maturity (Note 5)	8,975,814	-
Revenue bonds payable, less current maturities and deferred loss (Note 6)	87,092,261	89,182,668
Total Non-Current Liabilities	96,068,075	89,182,668
Total Liabilities	102,763,127	95,300,761
Net Assets (Note 8)		
Invested in capital assets, net of related debt	133,911,679	126,745,501
Restricted for debt service	6,772,226	6,776,033
Unrestricted	15,621,154	17,836,233
Total Net Assets	156,305,059	151,357,767
Total Liabilities and Net Assets	\$259,068,186	\$246,658,528

See accompanying notes to financial statements.

Kent County Department of Aeronautics

Kent County, Michigan

Statements of Revenues, Expenses and Changes in Net Assets

<i>Year ended December 31,</i>	2003	2002
Operating Revenues (Notes 7 and 10)		
Charges for services:		
Passenger airlines	\$ 11,381,927	\$ 9,675,018
Cargo airlines	2,222,150	2,133,488
General aviation	1,365,239	1,286,586
Car rental agencies	2,296,842	2,026,800
Other concessions	596,533	548,263
Ground transportation	6,617,094	6,343,156
Other	595,358	495,462
Total Operating Revenues	25,075,143	22,508,773
Operating Expenses		
Salaries and fringes	6,507,669	6,001,950
Supplies	612,039	797,972
Contractual	6,082,009	5,582,018
Depreciation	9,647,394	9,667,655
Total Operating Expenses	22,849,111	22,049,595
Operating Income	2,226,032	459,178
Non-Operating Revenues (Expenses)		
Passenger facility charges	2,686,676	2,580,758
Interest revenue	328,475	578,963
Interest expense	(4,553,407)	(4,648,757)
Gain (loss) on sale of capital assets	57,059	(1,123,150)
Total Non-Operating Expenses	(1,481,197)	(2,612,186)
Income (Loss) Before Capital Contributions	744,835	(2,153,008)
Capital Contributions	4,202,457	4,807,423
Increase in Net Assets	4,947,292	2,654,415
Net Assets, beginning of year	151,357,767	148,703,352
Net Assets, end of year	\$156,305,059	\$151,357,767

See accompanying notes to financial statements.

Kent County Department of Aeronautics Kent County, Michigan

Statements of Cash Flows

<i>Year ended December 31,</i>	2003	2002
Operating Activities		
Cash received from providing services	\$ 25,042,782	\$ 23,649,204
Cash paid to suppliers	(7,043,142)	(6,536,987)
Cash paid to employees	(6,153,067)	(5,915,493)
Internal activity - cash payments to other funds	(407,695)	(555,564)
Net cash provided by operating activities	11,438,878	10,641,160
Capital and Related Financing Activities		
Proceeds from issuance of note payable	9,775,000	-
Capital contributions	4,202,457	6,457,099
Passenger facility charges	2,633,799	2,672,537
Proceeds from sale of capital assets	63,178	20,604
Purchase of capital assets	(14,789,967)	(8,242,527)
Principal paid on capital debt	(2,110,000)	(2,025,000)
Interest paid on capital debt	(4,467,929)	(4,561,403)
Net cash used for capital and related financing activities	(4,693,462)	(5,678,690)
Investing Activity		
Investment earnings	328,475	578,963
Net Increase in Cash and Cash Equivalents	7,073,891	5,541,433
Cash and Cash Equivalents, beginning of year	26,722,818	21,181,385
Cash and Cash Equivalents, end of year	\$ 33,796,709	\$ 26,722,818

Kent County Department of Aeronautics

Kent County, Michigan

Statements of Cash Flows

<i>Year ended December 31,</i>	2003	2002
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 2,226,032	\$ 459,178
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,647,394	9,667,655
Changes in assets and liabilities:		
Accounts receivable	(179,991)	698,316
Inventory	1,970	(4,015)
Prepaid expenses	13,025	7,843
Accounts payable and contracts payable	(357,898)	276,377
Accrued liabilities	88,346	73,278
Deferred revenue	-	(537,472)
Net Cash Provided by Operating Activities	\$ 11,438,878	\$ 10,641,160

See accompanying notes to financial statements.

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Basis of Accounting

The Kent County Department of Aeronautics (an Enterprise Fund of the County of Kent, Michigan) (Department) is a proprietary fund which uses the accrual basis of accounting. The Department is responsible for operating the Gerald R. Ford International Airport (Airport). Revenues are recognized when earned and expenses are recognized when incurred. Under this basis of accounting, the Department has elected to apply only applicable Financial Accounting Standards Board (FASB) statements and interpretations, issued before November 30, 1989, except those that conflict with or contradict Government Accounting Standards Board (GASB) pronouncements.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions that are capital, financing or investing related are reported as non-operating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash, investments with maturities of three months or less when purchased, amounts due from restricted funds, restricted assets and accrued interest.

Cash, equivalents, investments and accrued interest are combined in County of Kent, Michigan's (County) pooled cash and investment system (Money Max) which is managed by the treasurer. Investments underlying the Money Max system consist primarily of certificates of deposit and U.S. Treasury notes. Investments of the system are reported at fair value. Investment income earned as a result of cash pooling is allocated to the appropriate funds.

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

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

against the allowance. Management monitors credit exposure and assesses the adequacy of the allowance for possible losses regularly.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method and is accounted for under the consumption method.

Capital Assets

Tangible assets having a useful life in excess of three years and costs exceeding \$10,000 are capitalized. All property and equipment are valued at historical cost, net of accumulated depreciation. Depreciation is charged as an expense against operations and is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Land improvements	20-30
Buildings	30-50
Machinery and equipment	3-12

Construction in progress, consisting primarily of expenditures on airfield improvements, is capitalized as incurred. As of December 31, 2003 and 2002, estimated costs to complete were approximately \$9,800,000 and \$7,500,000, respectively.

Compensated Absences

Department employees are granted vacation leave in varying amounts based on length of service. Employees may accumulate up to a predetermined amount of vacation leave in any one calendar year. Upon termination, employees are paid for unused vacation at their current rates. It is the Department's policy to recognize the cost of vacation pay at the time the liability is incurred.

Long-Term Obligations

Bond issuance costs and loss on refundings of long-term indebtedness are deferred and amortized over the life of the respective bonds using the straight-line method.

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

Passenger Airline Charges

The Department sets rates and charges for landing fees, terminal rental rates and apron fees that are charged to the airlines annually based on the adopted operating and capital budgets. These rates and charges are adopted by the Aeronautics Board in November and are effective January 1. At the end of the year, the Department does a re-calculation of the rates based on actual activity and audited information. The difference of the rates and charges is then either credited to the airlines if they have overpaid during the course of the year, or billed to the airlines if they underpaid during the year. The Department billed the airlines \$1,273,236 and \$972,214 for fiscal years 2003 and 2002, respectively.

Passenger Facility Charges

Passenger facility charges (PFC) are collected for capital projects. The Department received approval to “use” PFC revenue previously collected as well as future charges. The PFC revenue is being used to pay debt service on the Airport Revenue Bonds, Series 1995 and Airport Revenue Refunding Bonds, Series 1999. Consequently, revenue is recognized when earned and is classified as non-operating revenue.

Capital Contributions

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration, with certain matching funds provided by the Department 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 acquisition, facility development and rehabilitation are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

Risk Management

The Department of Aeronautics is exposed to various risks of loss during the normal course of operations. The Department is included in the County’s self-insurance program. The cost of coverage is recognized as an operating expense in each respective fund in the year incurred.

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budgets

In compliance with the Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan, the County legally adopts budgets for all Special Revenue, Debt Service and Capital Projects Funds. The County legally adopts an annual budget for the Department of Aeronautics, including all funds which are accounted for on an accrual basis.

2. Cash, Investments and Accrued Interest

Statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan which are also members of a federal or national insurance corporation.

Statutes and various bond indentures authorize the County to invest in obligations of the U.S. Treasury, governmental agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, United States government or federal agency obligation repurchase agreements and mutual funds composed of the types of investment vehicles named previously.

The Department participates in the County's Money Max. Interest income earned is included in the pooled funds. Only the Department's portion of this pool is reported on the statement of net assets as a current unrestricted and restricted asset. These amounts as of December 31, 2003 were \$22,144,503 and \$1,369,767, respectively. These amounts as of December 31, 2002, were \$14,966,254 and \$1,601,272, respectively. The County's investments are categorized in the County's financial statements to give an indication of the level of risk assumed by the entity at year-end. It is not feasible to allocate the level of risk to the various component units of the County. Accordingly, the Department's investments are not categorized in this report. The Department's restricted investments which are not part of the Money Max pool are categorized below to give an indication of

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

the level of risk assumed by the Department at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Department or its agent in the Department's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Department's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Department's name.

<i>December 31, 2003</i>	Uncategorized	<u>Category</u>			Carrying amount	Fair value
		1	2	3		
U.S. government securities	\$ -	\$ -	\$ -	\$ 5,812,656	\$ 5,812,656	\$ 5,812,656
Money market funds	4,469,783	-	-	-	4,469,783	4,469,783
Total investments	\$ 4,469,783	\$ -	\$ -	\$ 5,812,656	\$ 10,282,439	\$ 10,282,439

<i>December 31, 2002</i>	Uncategorized	<u>Category</u>			Carrying amount	Fair value
		1	2	3		
U.S. government securities	\$ -	\$ -	\$ -	\$ 5,752,895	\$ 5,752,895	\$ 5,752,895
Money market funds	4,402,397	-	-	-	4,402,397	4,402,397
Total investments	\$ 4,402,397	\$ -	\$ -	\$ 5,752,895	\$ 10,155,292	\$ 10,155,292

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

3. Restricted Assets

Restricted assets are maintained as part of the Department's equity in Money Max and Restricted Bond accounts and are reported as follows:

<i>December 31,</i>	2003	2002
Current restricted assets:		
Cash and equivalents	\$ 5,839,550	\$ 6,002,803
Accounts receivable:		
Passenger facility charges	\$ 301,817	\$ 248,941
Non-current restricted assets:		
Cash and equivalents	\$ 5,812,656	\$ 5,753,761
Less related liabilities:		
Due to unrestricted fund	(2,971,670)	(2,971,670)
	\$ 2,840,986	\$ 2,782,091

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

4. Capital Assets

Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance January 1, 2003	Increases	Decreases	Balance December 31, 2003
Capital assets not being depreciated:				
Land	\$ 10,730,139	\$ 9,775,415	\$ -	\$ 20,505,554
Construction in progress	773,172	4,779,081	(2,466,647)	3,085,606
Total	\$ 11,503,311	\$ 14,554,496	\$ (2,466,647)	\$ 23,591,160
Capital assets being depreciated:				
Land improvements	\$ 180,133,177	\$ 1,924,328	\$ -	\$ 182,057,505
Buildings	91,803,990	66,553	-	91,870,543
Equipment	7,275,042	494,113	-	7,769,155
Equipment - systems	2,928,463	-	-	2,928,463
Office equipment	711,848	84,983	-	796,831
Vehicles	564,282	184,017	(232,529)	515,770
Total	283,416,802	2,753,994	(232,529)	285,938,267
Less accumulated depreciation for:				
Land improvements	48,117,409	5,829,921	-	53,947,330
Buildings	21,265,139	3,054,463	-	24,319,602
Equipment	4,703,727	393,341	-	5,097,068
Equipment - systems	2,256,787	225,362	-	2,482,149
Office equipment	503,146	48,575	-	551,721
Vehicles	424,616	95,732	(227,410)	292,938
Total	77,270,824	9,647,394	(227,410)	86,690,808
Capital assets being depreciated, net	\$ 206,145,978	\$ (6,893,400)	\$ (5,119)	\$ 199,247,459

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2002 was as follows:

	Balance January 1, 2002	Increases	Decreases	Balance December 31, 2002
Capital assets not being depreciated:				
Land	\$ 10,730,139	\$ -	\$ -	\$ 10,730,139
Construction in progress	-	8,217,275	(7,444,103)	773,172
Total	\$ 10,730,139	\$ 8,217,275	\$ (7,444,103)	\$ 11,503,311
Capital assets being depreciated:				
Land improvements	\$ 178,744,216	\$ 6,738,341	\$ (5,349,380)	\$ 180,133,177
Buildings	93,127,182	98,673	(1,421,865)	91,803,990
Equipment	6,729,950	582,089	(36,997)	7,275,042
Equipment - systems	3,046,136	-	(117,673)	2,928,463
Office equipment	740,446	25,000	(53,598)	711,848
Vehicles	621,617	-	(57,335)	564,282
Total	283,009,547	7,444,103	(7,036,848)	283,416,802
Less accumulated depreciation for:				
Land improvements	46,580,834	5,787,153	(4,250,578)	48,117,409
Buildings	19,570,275	3,071,777	(1,376,913)	21,265,139
Equipment	4,347,085	393,639	(36,997)	4,703,727
Equipment - systems	2,149,097	225,362	(117,672)	2,256,787
Office equipment	501,784	54,960	(53,598)	503,146
Vehicles	347,188	134,764	(57,336)	424,616
Total	73,496,263	9,667,655	(5,893,094)	77,270,824
Capital assets being depreciated, net	\$ 209,513,284	\$ (2,223,552)	\$ (1,143,754)	\$ 206,145,978

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

Depreciation expense was charged to functions as follows:

<i>December 31,</i>	2003	2002
Airfield	\$ 4,787,972	\$4,794,451
Other land and buildings	170,714	172,094
General aviation	70,824	70,824
Terminal building	2,167,688	2,181,493
Airline apron	366,969	333,261
Maintenance	240,849	251,093
Administration	92,438	99,015
Air cargo	1,005,127	1,005,127
Ground transportation	744,813	760,297
Total depreciation expense	\$ 9,647,394	\$9,667,655

5. Note Payable to Related Party

During the year, the County advanced \$9,775,000 to the Department for the purchase of 169 acres of land adjacent to runway 17/35. The note is payable over 10 years in equal annual payments of \$1,229,286, including interest of 4.4%.

The annual requirement to pay principal and interest on this Note Payable to maturity is as follows:

<i>Year Ending December 31,</i>	Interest Payments	Principal Payments	Total Interest and Principal Payments
2004	\$ 430,100	\$ 799,186	\$ 1,229,286
2005	394,935	834,351	1,229,286
2006	358,224	871,062	1,229,286
2007	319,897	909,389	1,229,286
2008	279,884	949,402	1,229,286
2009-2013	734,820	5,411,610	6,146,430
	\$ 2,517,860	\$ 9,775,000	\$ 12,292,860

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

6. Revenue Bonds Payable

Revenue Bonds Payable consists of the following:

<i>December 31,</i>	2003	2002
Airport Revenue Bonds, Series 1995, 5.25%-5.3%, annual principal ranges from \$860,000 in 2004 to \$910,000 in 2005, plus interest	\$ 1,770,000	\$ 2,590,000
Airport Revenue Bonds, Series 1998, 4.2%-5.0%, annual principal ranges from \$1,155,000 in 2004 to \$3,560,000 in 2028, plus interest	52,975,000	54,085,000
Airport Revenue Refunding Bonds, Series 1999, 4.0%-5.0%, annual principal ranges from \$190,000 in 2004 to \$2,750,000 in 2025, plus interest	36,845,000	37,025,000
	91,590,000	93,700,000
Less net deferred loss on advance refunding of Series 1995 Bonds	2,292,739	2,407,332
Less current maturities	2,205,000	2,110,000
Revenue Bonds Payable , less current maturities and net deferred loss	\$87,092,261	\$89,182,668

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

Revenue Bonds Payable activity for the year ended December 31, 2003 was as follows:

	Balance January 1, 2003		Increases	Decreases	Balance December 31, 2003
Airport Revenue Bonds, Series 1995	\$ 2,590,000	\$	-	\$ (820,000)	\$ 1,770,000
Airport Revenue Bonds, Series 1998	54,085,000		-	(1,110,000)	52,975,000
Airport Revenue Bonds, Series 1999	37,025,000		-	(180,000)	36,845,000
	\$93,700,000	\$	-	\$ (2,110,000)	\$91,590,000

Revenue Bonds Payable activity for the year ended December 31, 2002 was as follows:

	Balance January 1, 2002		Increases	Decreases	Balance December 31, 2002
Airport Revenue Bonds, Series 1995	\$ 3,370,000	\$	-	\$ (780,000)	\$ 2,590,000
Airport Revenue Bonds, Series 1998	55,155,000		-	(1,070,000)	54,085,000
Airport Revenue Bonds, Series 1999	37,200,000		-	(175,000)	37,025,000
	\$95,725,000	\$	-	\$ (2,025,000)	\$93,700,000

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

The annual requirement to pay principal and interest on Revenue Bonds Payable to maturity is as follows:

<i>Year Ending December 31,</i>	Airport Revenue Bonds Series 1995	Airport Revenue Bonds Series 1998	Airport Revenue Bonds Series 1999	Total Annual Requirement
2004	\$ 930,805	\$ 3,714,563	\$ 1,929,256	\$ 6,574,624
2005	934,115	3,714,400	1,926,556	6,575,071
2006	-	3,710,882	2,864,457	6,575,339
2007	-	3,709,453	2,862,156	6,571,609
2008	-	3,709,808	2,859,819	6,569,627
2009-2013	-	18,512,176	14,269,968	32,782,144
2014-2018	-	18,455,804	14,219,573	32,675,377
2019-2023	-	18,380,125	14,157,056	32,537,181
2024-2028	-	18,292,750	5,636,625	23,929,375
	\$ 1,864,920	\$ 92,199,961	\$ 60,725,466	\$ 154,790,347

Revenue Bonds Payable:

Airport Revenue Bonds, Series 1995:

<i>Year Ending December 31,</i>	Interest Payments	Principal Payments	Total Interest and Principal Payments
2004	\$ 70,805	\$ 860,000	\$ 930,805
2005	24,115	910,000	934,115
	\$ 94,920	\$ 1,770,000	\$ 1,864,920

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

Airport Revenue Bonds, Series 1998:

<i>Year Ending December 31,</i>	Interest Payments	Principal Payments	Total Interest and Principal Payments
2004	\$ 2,559,563	\$ 1,155,000	\$ 3,714,563
2005	2,509,400	1,205,000	3,714,400
2006	2,455,882	1,255,000	3,710,882
2007	2,399,453	1,310,000	3,709,453
2008	2,339,808	1,370,000	3,709,808
2009-2013	10,657,176	7,855,000	18,512,176
2014-2018	8,505,804	9,950,000	18,455,804
2019-2023	5,695,125	12,685,000	18,380,125
2024-2028	2,102,750	16,190,000	18,292,750
	\$ 39,224,961	\$ 52,975,000	\$ 92,199,961

Airport Revenue Bonds, Series 1999:

<i>Year Ending December 31,</i>	Interest Payments	Principal Payments	Total Interest and Principal Payments
2004	\$ 1,739,256	\$ 190,000	\$ 1,929,256
2005	1,731,556	195,000	1,926,556
2006	1,704,457	1,160,000	2,864,457
2007	1,657,156	1,205,000	2,862,156
2008	1,604,819	1,255,000	2,859,819
2009-2013	7,104,968	7,165,000	14,269,968
2014-2018	5,254,573	8,965,000	14,219,573
2019-2023	2,812,056	11,345,000	14,157,056
2024-2028	271,625	5,365,000	5,636,625
	\$ 23,880,466	\$ 36,845,000	\$ 60,725,466

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

All revenue bonds outstanding and interest thereon are secured by a statutory first lien, subject only to prior liens, on the net revenues of the Department. In compliance with the Series 1999 Bond agreement, the Department has available a letter of credit totaling \$2,892,000 which has not been drawn upon. The Series 1998 Bond reserve requirement is funded with cash in the amount of \$5,765,268. In addition, the Series 1995 and 1999 Bonds bear the pledge of the full faith and credit of the County to advance necessary amounts to meet principal and interest payments in the event Department revenues are insufficient to meet requirements. The Series 1998 Bonds are not additionally secured by the County.

7. Leases

The Department has entered into agreements to lease airport facilities to various airlines and vendors. The aggregate amount of future minimum lease payments receivable, exclusive of expected extensions and airline month-to-month agreements, in each of the next five and later years are as follows:

Year Ending December 31,

2004	\$ 5,819,356
2005	5,108,892
2006	5,095,228
2007	5,097,469
2008	3,184,540
2009-2036	18,434,814

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

8. Net Assets

Net assets at December 31, 2003 and 2002 were comprised of the following:

<i>December 31,</i>	2003	2002
Invested in capital assets, net of related debt:		
Land	\$ 20,505,554	\$ 10,730,139
Construction in progress	3,085,606	773,172
Land improvements	182,057,505	180,133,177
Buildings	91,870,543	91,803,990
Machinery and equipment	12,010,219	11,479,635
Accumulated depreciation	(86,690,808)	(77,270,824)
Net bond issue costs	370,321	388,880
Current maturities of revenue bonds payable	(2,205,000)	(2,110,000)
Long-term maturities of revenue bonds payable	(87,092,261)	(89,182,668)
	133,911,679	126,745,501
Restricted for debt service	6,772,226	6,776,033
Unrestricted	15,621,154	17,836,233
Total net assets	\$ 156,305,059	\$ 151,357,767

9. Retirement Plan

Substantially all of the employees of the Department are covered by the Kent County Employees' Retirement Plan (Plan). The Plan is a single-employer defined benefit pension plan that was established and may be amended by the Kent County Board of Commissioners. The Plan is administered by the Kent County Employees' Retirement Plan Board. The Plan provides retirement, disability and death benefits to Plan members and their beneficiaries. At December 31, 2002, the date of the most recent actuarial valuation, membership consisted of 868 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 1,857 current active employees. The Department's proportionate share of the actuarial value of the assets and the actuarial accrued liability are not determinable.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information about the Plan. The financial report may be obtained by contacting the County of Kent at 300 Monroe Avenue NW in Grand Rapids, Michigan.

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

The Department's contributions for the current and preceding two years were as follows:

<i>Year Ended December 31,</i>	<i>Contribution</i>
2003	\$ 136,992
2002	110,757
2001	-

The contribution requirements of Plan members are established and may be amended through union agreements. All member contributions are one-half (1/2) of the normal cost plus the amortized unfunded actuarial liability not to exceed a contribution rate of 6.50%. The Department is required to contribute to actuarially determined rates expressed as a percentage of covered payroll. The contribution expensed as a percentage of covered payroll was 2.66% and 2.30% in 2003 and 2002, respectively. The Department was not required to make a contribution as of December 31, 2001.

10. Major Customers

Rentals and fees earned from passenger air carriers accounted for approximately 45.4% and 43.0% of total revenues in 2003 and 2002, respectively.

11. Concentration of Credit Risk

The Department provides gate access to fifteen passenger airlines and access to five all-cargo airlines. Additional revenues are earned through parking lot fees, lease arrangements with various rental car agencies and concessionaires and leasing of airport land and buildings. The Department's primary exposure to credit risk is in trade receivables, and management performs ongoing credit evaluations of the major tenants.



Statistical Section



<i>Year ended December 31,</i>	1994	1995	1996	1997
Operating Revenues				
Airfield	\$ 2,278,208	\$ 2,276,035	\$ 2,367,065	\$ 2,544,493
Buildings and land	583,426	617,709	584,639	638,451
General aviation	609,185	637,705	726,298	817,709
Terminal building	4,465,736	4,176,982	4,193,424	4,338,090
Airline apron	63,795	153,738	148,432	385,680
Air cargo	-	-	-	-
Ground transportation	3,380,999	3,425,828	3,751,432	4,932,751
Other	637,248	16,805	3,398	6,121
Total operating revenues	12,018,597	11,304,802	11,774,688	13,663,295
Non-Operating Revenues				
Interest revenue	570,051	2,591,146	2,668,652	1,860,762
Gain on sale of assets	5,150	-	-	30,806
Passenger facility charges	-	-	9,241,850	2,366,455
Total Revenues	\$ 12,593,798	\$ 13,895,948	\$ 23,685,190	\$ 17,921,318
Operating Expenses				
Salaries and fringes	\$ 3,162,789	\$ 3,397,424	\$ 3,463,112	\$ 3,787,008
Supplies	309,105	365,010	271,187	373,313
Contractual	2,157,167	2,201,782	2,295,276	2,490,066
Depreciation	3,021,020	3,141,447	3,150,593	3,429,297
Total operating expenses	8,650,081	9,105,663	9,180,168	10,079,684
Non-Operating Expenses				
Interest expense	-	2,461,360	2,343,927	2,343,927
Loss on sale of assets	-	25,336	107,203	-
Total Expenses	\$ 8,650,081	\$ 11,592,359	\$ 11,631,298	\$ 12,423,611

Source: Audit reports 1993-2001

Kent County Department of Aeronautics Kent County, Michigan

Total Annual Revenues and Expenses

1998	1999	2000	2001	2002	2003
\$ 2,745,688	\$ 2,743,462	\$ 2,749,089	\$ 3,119,334	\$ 4,394,082	\$ 4,861,111
688,239	306,516	336,037	339,231	315,881	320,892
836,632	847,683	855,826	874,563	890,836	944,129
4,649,795	2,853,152	4,609,044	5,445,754	5,908,817	7,011,871
357,724	1,029,957	1,094,725	1,008,557	1,031,214	1,455,791
-	745,050	1,654,643	1,716,360	1,739,074	1,768,933
5,161,936	7,071,779	7,658,709	8,103,671	8,218,333	8,708,256
5,991	9,753	3,689	13,591	10,536	4,160
14,446,005	15,607,352	18,961,762	20,621,061	22,508,773	25,075,143
3,904,733	2,076,824	1,947,211	1,312,619	578,963	328,475
20,701	15,146	35,229	13,191	-	57,059
2,395,444	2,406,817	2,631,533	2,505,681	2,580,758	2,686,676
\$ 20,766,883	\$ 20,106,139	\$ 23,575,735	\$ 24,452,552	\$ 25,668,494	\$ 28,147,353
\$ 4,211,423	\$ 4,881,658	\$ 5,010,916	\$ 5,374,464	\$ 6,001,950	\$ 6,507,669
292,507	365,510	425,782	432,836	797,972	612,039
2,543,908	2,772,348	3,842,292	4,246,632	5,582,018	6,082,009
5,665,955	5,808,863	8,398,485	9,071,574	9,667,655	9,647,394
12,713,793	13,828,379	17,677,475	19,125,506	22,049,595	22,849,111
5,058,125	3,229,133	4,204,275	4,739,407	4,648,757	4,553,407
-	-	-	-	1,123,150	-
\$ 17,771,918	\$ 17,057,512	\$ 21,881,750	\$ 23,864,913	\$ 27,821,502	\$ 27,402,518

Ratio of Annual Debt Service to Total Expenses

<i>Year ended December 31,</i>	1994	1995	1996	1997
Debt Service				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	-	2,461,360	2,343,927	2,343,927
Total Debt Service	\$ -	\$ 2,461,360	\$ 2,343,927	\$ 2,343,927
Total Expenses	\$ 8,650,081	\$ 11,592,359	\$ 11,631,298	\$ 12,423,611
Ratio of Debt Service to Total Expenses	0.0%	21.2%	20.2%	18.9%

Source: Department records

Debt Service Coverage

<i>Year ended December 31,</i>	1994	1995	1996	1997
Revenues	\$ 12,593,798	\$ 13,895,948	\$ 23,685,190	\$ 17,921,318
Operating Expenses¹	5,629,061	5,964,216	6,029,575	6,650,387
Net Revenues	\$ 6,964,737	\$ 7,931,732	\$ 17,655,615	\$ 11,270,931
Debt Service Requirements	\$ -	\$ 2,461,360	\$ 2,343,927	\$ 2,343,927
Debt Service Coverage	N/A	3.2	7.5	4.8

¹ Operating expenses exclude depreciation and non-operating interest cost.

Source: Department records

Kent County Department of Aeronautics Kent County, Michigan

Debt Service

1998	1999	2000	2001	2002	2003
\$ -	\$ -	\$ 825,000	\$ 1,935,000	\$ 2,025,000	\$ 2,110,000
5,058,125	4,782,459	4,824,407	4,739,407	4,648,757	4,553,407
<u>\$ 5,058,125</u>	<u>\$ 4,782,459</u>	<u>\$ 5,649,407</u>	<u>\$ 6,674,407</u>	<u>\$ 6,673,757</u>	<u>\$ 6,663,407</u>
<u>\$ 17,771,918</u>	<u>\$ 17,057,512</u>	<u>\$ 21,881,750</u>	<u>\$ 23,864,913</u>	<u>\$ 27,821,502</u>	<u>\$ 27,402,518</u>
28.5%	28.0%	25.8%	28.0%	24.0%	24.3%

1998	1999	2000	2001	2002	2003
\$ 20,766,883	\$ 20,106,139	\$ 23,575,735	\$ 24,452,552	\$ 25,668,494	\$ 28,147,353
7,047,838	8,019,516	9,278,990	10,053,932	12,381,940	13,201,717
<u>\$ 13,719,045</u>	<u>\$ 12,086,623</u>	<u>\$ 14,296,745</u>	<u>\$ 14,398,620</u>	<u>\$ 13,286,554</u>	<u>\$ 14,945,636</u>
<u>\$ 5,058,125</u>	<u>\$ 4,782,459</u>	<u>\$ 5,649,407</u>	<u>\$ 6,674,407</u>	<u>\$ 6,673,757</u>	<u>\$ 6,663,407</u>
2.7	2.5	2.5	2.2	2.0	2.2

<i>Year ended December 31,</i>	1994	1995	1996	1997
Airline Passengers				
Enplaned	787,098	802,028	840,396	881,638
Deplaned	787,571	799,538	832,169	878,241
Total Airline Passengers	1,574,669	1,601,566	1,672,565	1,759,879
Operations				
Air carrier	26,393	25,597	24,027	24,530
Commuter air taxi	34,815	38,252	38,614	38,453
General aviation	90,771	79,480	74,360	76,544
Military	2,462	2,561	2,532	4,228
Total Operations	154,441	145,890	139,533	143,755
Freight/Cargo (in pounds)				
Enplaned	25,621,261	21,013,161	23,173,570	26,846,797
Deplaned	23,817,032	19,101,952	24,393,758	26,493,916
Total Freight/Cargo (in pounds)	49,438,293	40,115,113	47,567,328	53,340,713
Mail (in pounds)				
Enplaned	12,273,168	12,480,616	9,628,922	10,915,265
Deplaned	14,697,789	14,362,263	13,411,817	12,320,662
Total Mail (in pounds)	26,970,957	26,842,879	23,040,739	23,235,927

Source: Department records

<i>Year ended December 31,</i>	1994	1995	1996	1997
Airport operating expenses	\$ 8,650,081	\$ 9,105,663	\$ 9,180,168	\$ 10,079,684
Total airline passengers	1,574,669	1,601,566	1,672,565	1,759,879
Operating Expenses per Airline Passenger	\$ 5.49	\$ 5.69	\$ 5.49	\$ 5.73

Source: Department records

Kent County Department of Aeronautics Kent County, Michigan

Activity Statistics

1998	1999	2000	2001	2002	2003
896,731	907,055	968,265	921,694	968,540	995,719
896,224	898,232	936,971	907,560	949,104	981,114
1,792,955	1,805,287	1,905,236	1,829,254	1,917,644	1,976,833
24,305	24,287	21,275	17,985	17,136	16,629
38,010	38,374	47,121	47,405	45,242	40,937
72,841	72,510	66,385	59,960	61,150	50,152
2,582	3,161	1,684	874	2,094	2,410
137,738	138,332	136,465	126,224	125,622	110,128
24,113,548	24,651,516	24,063,943	24,233,655	31,900,562	31,870,720
25,071,490	27,018,069	27,063,601	28,062,640	36,938,350	38,072,722
49,185,038	51,669,585	51,127,544	52,296,295	68,838,912	69,943,442
8,189,674	8,636,121	10,011,361	5,966,025	2,804,314	1,525,069
12,231,734	12,794,182	13,602,298	7,624,423	3,071,267	2,346,977
20,421,408	21,430,303	23,613,659	13,590,448	5,875,581	3,872,046
1998	1999	2000	2001	2002	2003
\$ 12,713,793	\$ 13,828,379	\$ 17,677,475	\$ 19,125,506	\$ 22,049,595	\$ 22,849,111
1,792,955	1,805,287	1,905,236	1,829,254	1,917,644	1,976,833
\$ 7.09	\$ 7.66	\$ 9.28	\$ 10.45	\$ 11.50	\$ 11.56

<i>Year ended December 31,</i>	1994		1995	
	Passenger	% of market share	Passenger	% of market share
Airlines				
Air Georgian	-	-	-	-
Air Wisconsin (United Express)	-	-	-	-
American	128,424	8.2	38,856	2.43
American Eagle	46,201	2.9	115,343	7.20
American Trans Air, Inc.	-	-	-	-
American West Express	5,980	0.4	7,225	.45
Atlantic Coast Airlines (Delta Connection)	-	-	-	-
Atlantic Coast Airlines (United Express)	-	-	-	-
Atlantic Southeast Airlines (Delta Connection)	-	-	-	-
Chicago Express (ATA Connection)	35,274	2.2	-	-
Comair (Delta Connection)	34,771	2.2	22,478	1.40
Continental Express	53,827	3.4	27,417	1.71
Delta	161,759	10.3	53,680	3.35
Great American Airways	-	-	155,505	9.71
Mesaba Airlines (NW Airlink)	-	-	-	-
Miami Air	-	-	-	-
Midwest Express	29,886	1.9	31,248	1.95
Northwest	531,907	33.8	610,422	38.11
Pinnacle Airlines (NW Airlink)	-	-	-	-
Reno	-	-	-	-
Ryan International Airlines	-	-	-	-
Sun Country	-	-	-	-
Skyway (Midwest Connect)	27,614	1.8	5,413	.34
Trans States (American Connection)	-	-	37,588	2.35
Trans World Airlines	31,102	2.0	-	-
Trans World Express	4,403	0.3	1,411	.09
United	273,477	17.4	42,846	2.68
USAir	167,694	10.6	244,189	15.25
USAir Express (PSA Airlines)	42,350	2.6	162,385	10.14
USAir Express (Chautauqua)	-	-	45,560	2.84
USAir Express (Mesa Airlines)	-	-	-	-
USAir Express (Trans States)	-	-	-	-
	1,574,669	100.0	1,601,566	100.0

Source: Department records

Kent County Department of Aeronautics Kent County, Michigan

Market Share of Air Carrier Passengers

1996		1997		1998	
Passenger	% of market share	Passenger	% of market share	Passenger	% of market share
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
151,950	9.09	167,288	9.51	207,681	11.58
-	-	8,137	.46	117	.01
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	26,165	1.46
19,442	1.16	21,271	1.21	71,621	3.99
48,601	2.91	59,636	3.39	61,530	3.43
56,269	3.36	55,628	3.16	217,409	12.13
184,901	11.05	198,052	11.25	-	-
-	-	1,435	.08	1,421	.08
-	-	-	-	-	-
-	-	-	-	30,046	1.67
28,742	1.72	25,256	1.44	590,436	32.93
642,396	38.41	685,516	38.95	-	-
-	-	-	-	-	-
-	-	2,566	.15	134	.01
-	-	-	-	-	-
5,551	.33	-	-	47,275	2.64
44,994	2.69	41,905	2.38	42,783	2.39
-	-	-	-	-	-
-	-	-	-	-	-
42,905	2.57	42,373	2.41	294,430	16.42
248,890	14.88	252,852	14.37	137,566	7.67
153,936	9.20	141,074	8.02	19,056	1.06
43,988	2.63	56,890	3.22	45,285	2.53
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,672,565	100.00	1,759,879	100.00	1,792,955	100.00

(Continued)

<i>Year ended December 31,</i>	1999		2000	
	Passenger	% of market share	Passenger	% of market share
Airlines				
Air Georgian	-	-	9,730	.51
Air Wisconsin (United Express)	-	-	-	-
American	-	-	-	-
American Eagle	187,578	10.39	229,233	12.03
American Trans Air, Inc.	564	.03	7,490	.39
American West Express	-	-	-	-
Atlantic Coast Airlines (Delta Connection)	-	-	-	-
Atlantic Coast Airlines (United Express)	-	-	-	-
Atlantic Southeast Airlines (Delta Connection)	-	-	-	-
Chicago Express (ATA Connection)	34,432	1.91	61,575	3.23
Comair (Delta Connection)	73,612	4.08	50,631	2.66
Continental Express	66,364	3.68	153,279	8.04
Delta	215,005	11.91	68,198	3.58
Great American Airways	-	-	53,478	2.81
Mesaba Airlines (NW Airlink)	-	-	-	-
Miami Air	1,434	.08	-	-
Midwest Express	21,421	1.19	3,639	.19
Northwest	670,706	37.15	746,062	39.16
Pinnacle Airlines (NW Airlink)	-	-	-	-
Reno	-	-	-	-
Ryan International Airlines	-	-	-	-
Sun Country	158	.01	-	-
Skyway (Midwest Connect)	53,235	2.95	71,982	3.78
Trans States (American Connection)	-	-	-	-
Trans World Airlines	-	-	-	-
Trans World Express	38,324	2.12	-	-
United	280,034	15.51	31,864	1.67
USAir	93,641	5.19	239,926	12.59
USAir Express (PSA Airlines)	21,328	1.18	105,298	5.53
USAir Express (Chautauqua)	47,451	2.62	18,440	.97
USAir Express (Mesa Airlines)	-	-	54,411	2.86
USAir Express (Trans States)	-	-	-	-
	1,805,287	100.00	1,905,236	100.00

Kent County Department of Aeronautics Kent County, Michigan

Market Share of Air Carrier Passengers

2001		2002		2003	
Passenger	% of market share	Passenger	% of market share	Passenger	% of market share
17,020	.93	17,684	.92	4,999	.25
-	-	-	-	47,744	2.42
-	-	-	-	-	-
221,583	12.12	200,997	10.48	187,545	9.49
5,060	.28	861	.04	508	.03
-	-	-	-	-	-
-	-	12,816	.67	25,892	1.31
8,308	.45	18,463	.96	46,952	2.38
84,597	4.62	101,205	5.28	72,838	3.68
81,961	4.48	98,416	5.13	112,613	5.70
97,159	5.32	113,813	5.94	142,585	7.21
82,871	4.53	98,194	5.12	118,466	5.99
-	-	26,800	1.40	28,882	1.46
-	-	-	-	-	-
-	-	-	-	34,565	1.75
2,474	.14	895	.05	1,255	.06
-	-	-	-	-	-
726,013	39.69	737,795	38.50	750,378	37.96
-	-	-	-	19,870	1.01
-	-	-	-	-	-
-	-	-	-	1,049	.05
-	-	-	-	-	-
72,689	3.97	56,175	2.93	60,198	3.04
3,741	.20	50,330	2.62	-	-
-	-	-	-	-	-
36,327	1.98	-	-	-	-
251,564	13.75	269,032	14.03	232,616	11.77
60,873	3.33	-	-	-	-
-	-	-	-	-	-
10,181	.56	-	-	-	-
4,745	.26	10,214	.53	-	-
62,088	3.39	103,954	5.40	87,878	4.44
1,829,254	100.00	1,917,644	100.00	1,976,833	100.00

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