

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



Comprehensive Annual Financial Report

Year Ended December 31, 2005



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

**Comprehensive Annual Financial Report
An Enterprise Fund of Kent County**
Year Ended December 31, 2005

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

Thomas G. O'Hare
Vice Chair

Dean A. Agee*

Joseph D. Jones

Daniel M. Koorndyk*

Richard A. Vander Molen*

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

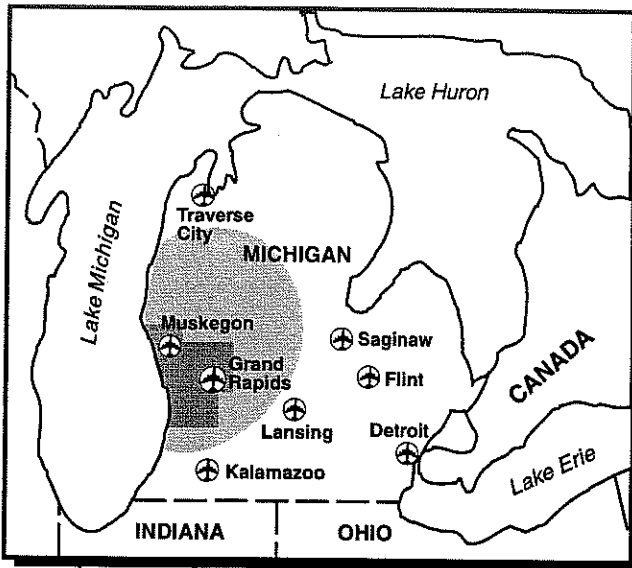
| | |
|------------------------------------------------------------------|------|
| Title Page | i |
| Table of Contents | ii |
| Airport Location and Service Area | iii |
| Certificate of Achievement for Excellence in Financial Reporting | iv |
| Letter of Transmittal | vi-x |
| Organizational Chart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

Financial Section

| | |
|------------------------------------------------------------|-------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 3-8 |
| Basic Financial Statements | |
| 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 |

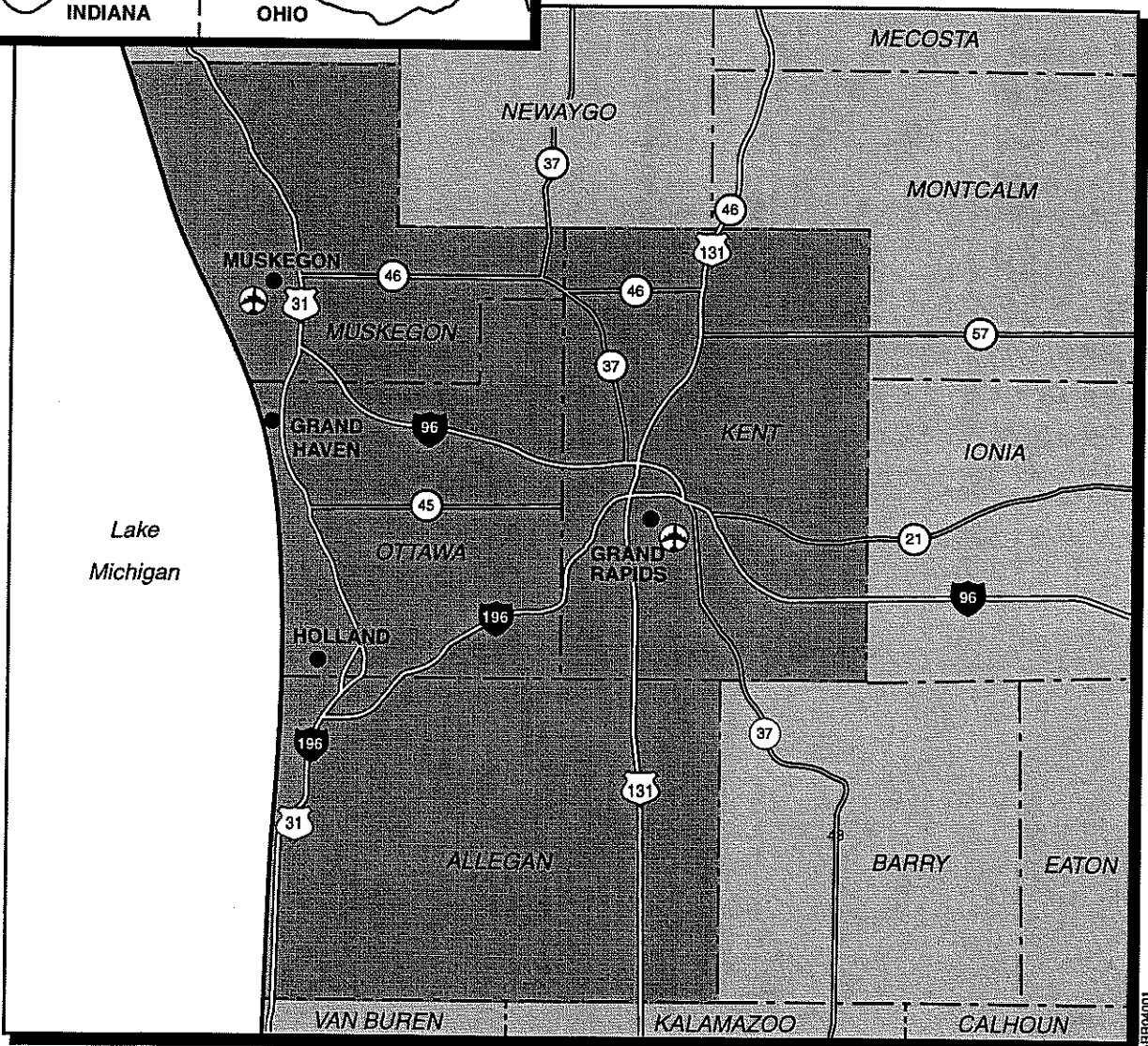
Statistical Section (Unaudited)

| | |
|----------------------------------------|-------|
| 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

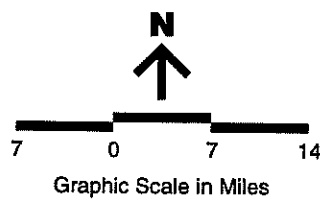


Figure 2
AIRPORT SERVICE REGION
 Kent County International Airport
 January 1998



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, 2004

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

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GERALD R. FORD INTERNATIONAL AIRPORT

Kent County Department of Aeronautics

AERONAUTICS BOARD

JOHN VAN LAAR, Chairman
THOMAS G. O'HARE, Vice Chairman
DEAN A. AGEE
JOSEPH D. JONES
DANIEL M. KOORNDYK
RICHARD R. VANDER MOLEN

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, 2006

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, 2005. 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 2005, the population of the Grand Rapids MSA was 1,137,403, with Kent County accounting for 596,841, Ottawa County accounting for 253,985, Muskegon County accounting for 174,431, and Allegan County accounting for 112,146 of this total, respectively. The City of Grand Rapids, located in Kent County, accounts for 195,100 or approximately 17.2% 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/commuter air 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.

AIRLINE ACTIVITY

The Airport is served with non-stop service by American Eagle to Chicago O’Hare, New York-LaGuardia and Dallas-Forth Worth; Continental Express to Cleveland, Houston and New York-Newark; Delta Connection to Cincinnati and Atlanta; Northwest Airlines and Northwest AirlinK to Detroit, Las Vegas, Minneapolis, Orlando, Tampa, Washington DC-Reagan National and Memphis; Skyway Airlines-Midwest Connect to Milwaukee; and United Airlines and United Express to Chicago O’Hare. Northwest Airlines/AirlinK has the largest market share at 44.0% of the 2005 enplaned passengers. This was followed by Delta Connections/Delta Airlines at 14.9%, United Express/United Airlines at 14.2%, American Eagle at 12.5%, and Continental Express at 7.4% and Midwest Connect at 3.4%.

The Airport’s enplaned passengers decreased in 2005 by 2.8% compared to 2004. In 2005 there were 30,357 less enplanements than 2004. The Airport’s Master Plan forecasts annual growth rates of 3.5-4.0% per annum in 2006 and years after.

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 to be incorporated in its budget as one of the County’s enterprise funds. This full 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, 2004. 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 twelfth 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

Finance & Administration Director, Brian Picardat, A.A.E., was appointed Chairman of the American Association of Airport Executives Finance & Administration Committee. The American Association of Airport Executives is a 4,500 member National organization representing airport management professionals.

Great Lakes Chapter of American Association of Airport Executives

Deputy Aeronautics Director Phillip E. Johnson, A.A.E. was elected as the Michigan Representative to the Great Lakes Chapter of AAAE, an organization representing airport management professionals for 12 states and 2 Canadian Provinces.

2006 Snow Plow Rodeo

The Department's airfield maintenance crew won first place in category awards at the 2006 Snow Plow Rodeo held in Wyoming, Michigan.

Michigan Association of Airport Executives

Finance & Administration Director, Brian Picardat, A.A.E., was elected Treasurer of the Michigan Association of Airport Executives, an organization of Michigan airport management professionals.

Airports Council International - North America Communication Awards

Marketing and Communications Manager Bruce Schedlbauer was named Chair of the Marketing and Communications Steering Group of Airports Council International - North America (ACI-NA), an association of airport owners/operators in North America representing airports that carry 98% of all passenger traffic and virtually all cargo traffic in North America. This Steering Group is responsible for supporting ACI-NA's mission of developing and advancing policies and programs for the enhancement and promotion of airports and their management.

CAPITAL IMPROVEMENT AND AIRPORT DEVELOPMENT

The Five Year Capital Improvement Plan (CIP) for the fiscal years 2005 through 2009 was estimated at approximately \$199.1 million. The largest portion of the cost is for parking and road improvements. Other projects include the reconstruction of two taxiways and three public general aviation ramps.

The Master Plan Update completed in June 2004, identified the need for additional parking to meet demand through 2023. To accommodate the demand, the Department finalized preliminary design of a 4,800 space parking structure and started final design in 2005. The parking structure and related facilities are estimated to cost \$120 million.

To make room for expansion of our Express Shuttle Lot, which is needed during construction of the parking structure, the Department is relocating the rental car service facilities at a cost of approximately \$7 million.

The two taxiway projects and three public ramp projects are estimated at \$18.2 million. The three public ramps will be completed by September 2006 and the two taxiways are slated for 2007 and 2008.

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 2005, the total interest income earned by the Department was \$1.0 million. This compared to interest income of \$0.4 million in 2004.

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.

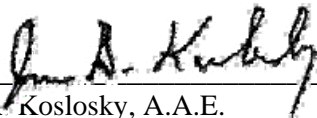
OTHER INFORMATION

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

Respectfully submitted,



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



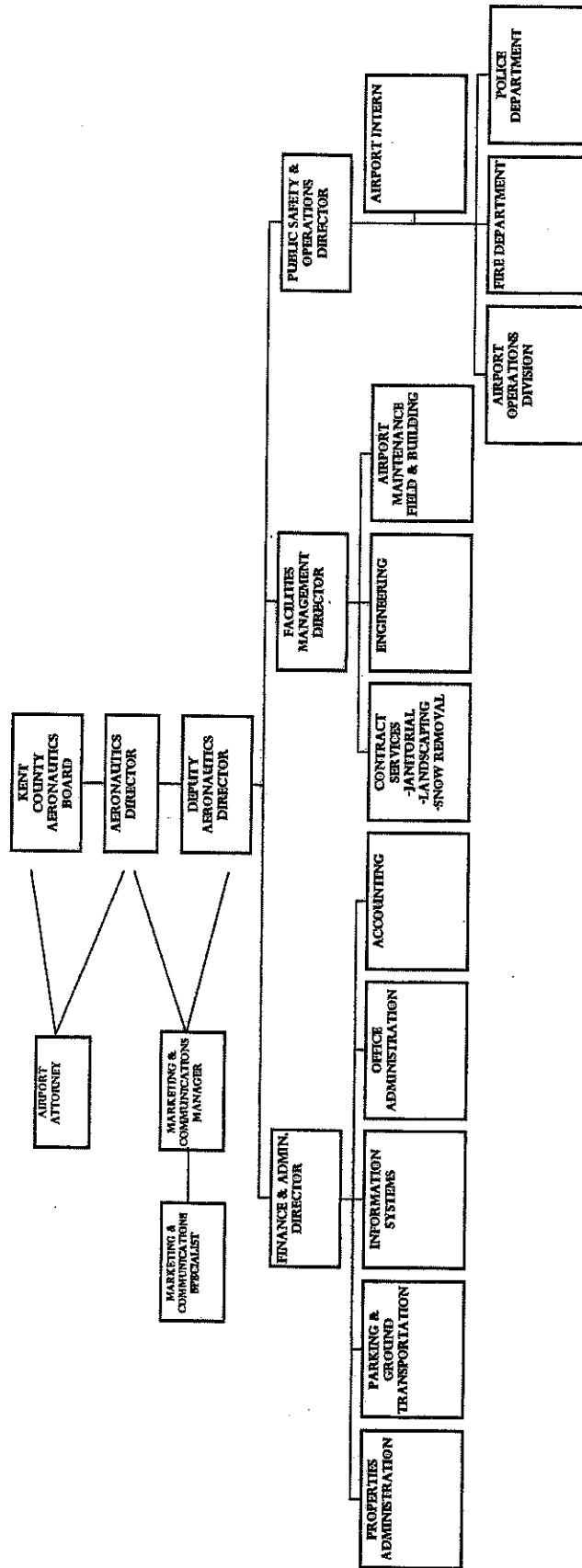
Brian Picardat, A.A.E.
Finance & Administration Director

BP/ld

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Kent County Aeronautics Board

KENT COUNTY DEPARTMENT OF AERONAUTICS ORGANIZATIONAL CHART APRIL 1, 2006



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, 2005 and 2004, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 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, 2005 and 2004, 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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Kent County Department of Aeronautics. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BDO Seidman, LLP

Grand Rapids, Michigan
April 19, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's 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, 2005. 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 \$163.4 million at December 31, 2005, a \$2.1 million increase from December 31, 2004.

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

| | 2005 | 2004 | 2003 |
|---------------------------------------------|-----------------------|----------------|----------------|
| Assets | | | |
| Current | \$ 36,815,807 | \$ 33,193,092 | \$ 33,018,260 |
| Non-current | 222,972,019 | 227,039,175 | 226,049,926 |
| Total assets | 259,787,826 | 260,232,267 | 259,068,186 |
| Liabilities | | | |
| Current liabilities | 7,909,181 | 7,208,189 | 6,695,052 |
| Revenue bonds payable | 88,497,955 | 91,727,117 | 96,068,075 |
| Total liabilities | 96,407,136 | 98,935,306 | 102,763,127 |
| Net Assets | | | |
| Invested in capital assets, related debt | 134,898,921 | 136,939,800 | 133,911,679 |
| Restricted | 7,594,026 | 6,945,574 | 6,772,226 |
| Unrestricted | 20,887,743 | 17,411,587 | 15,621,154 |
| Total Net Assets | \$ 163,380,690 | \$ 161,296,961 | \$ 156,305,059 |

The largest portion of the Department's net assets each year (82.6% at December 31, 2005) 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 (4.6% at December 31, 2005) 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* (12.8% at December 31, 2005) may be used to meet any of the Department's ongoing obligations.

FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues were up (4.8% increase) from \$24.9 million in 2004 to \$26.1 million in 2005 principally due to rate increases in our parking operations.
- Operating expenses increased by 10.8% from \$23.3 million in 2004 to \$25.8 million in 2005 principally due to repainting and crack sealing maintenance on the runways and 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 2005 decreased 83.2% or \$1.3 million from 2004.
- Net non-operating expense decreased from \$1.6 million in 2004 to \$0.5 million in 2005 due principally to an increase in interest revenue in 2005.
- Capital contributions received in the form of grants from federal and state governments decreased from \$5.0 million in 2004 to \$2.3 million in 2005.

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 ended December 31,</i> | 2005 | 2004 | 2003 |
|--------------------------------------------|---------------------|---------------|---------------|
| Total operating revenues | \$ 26,080,153 | \$ 24,880,390 | \$ 25,075,143 |
| Total operating expenses | (25,815,354) | (23,304,853) | (22,849,111) |
| Operating income | 264,799 | 1,575,537 | 2,226,032 |
| Non-operating revenues (expenses) | | | |
| Passenger facility charges | 2,889,520 | 2,881,425 | 2,686,676 |
| Customer facility charges | 256,083 | - | - |
| Interest revenue | 1,034,357 | 422,841 | 328,475 |
| Interest expense | (4,680,223) | (4,888,166) | (4,553,407) |
| Gain on sale of capital assets | 3,932 | 23,990 | 57,059 |
| Total non-operating expenses | (496,331) | (1,559,910) | (1,481,197) |
| Income (loss) before capital contributions | (231,532) | 15,627 | 744,835 |
| Capital contributions | 2,315,261 | 4,976,275 | 4,202,457 |
| Increase in Net Assets | \$ 2,083,729 | \$ 4,991,902 | \$ 4,947,292 |

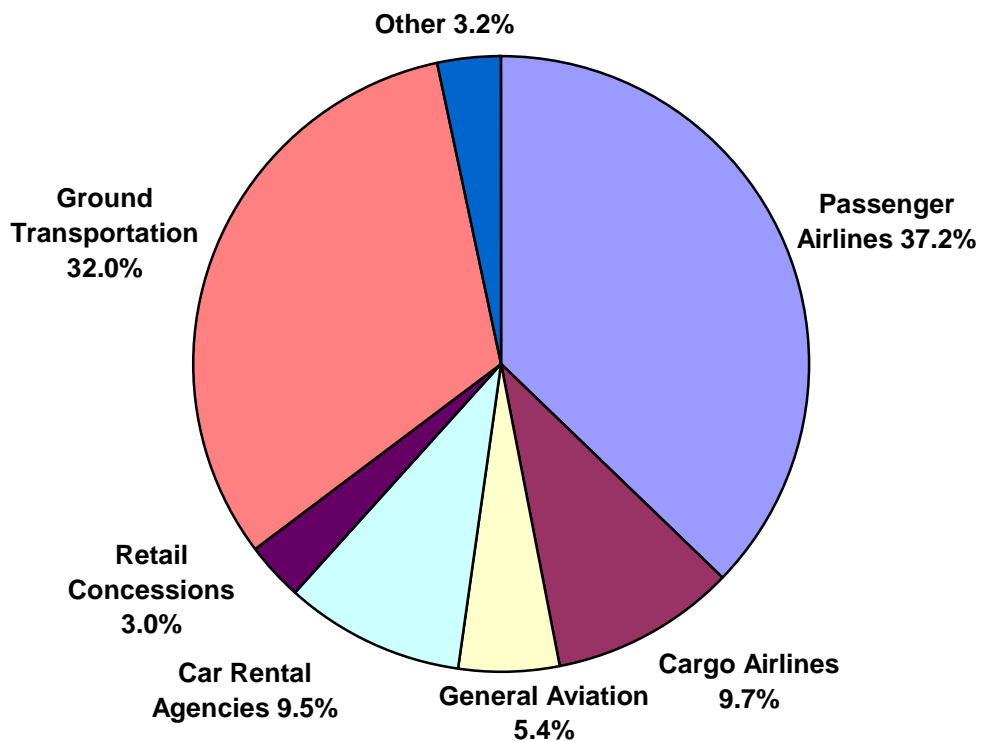
AIRLINE RATES AND CHARGES

The Aeronautics Board 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> | 2005 | 2004 | 2003 |
|-----------------------------------------|----------------|---------|---------|
| Landing fees (per 1,000 lbs.) | \$ 2.07 | \$ 2.13 | \$ 2.13 |
| Terminal rental rates (per square foot) | 51.35 | 52.38 | 53.57 |
| Airline apron fee (per 1,000 lbs.) | 1.20 | 1.07 | 1.07 |

REVENUES

The following chart shows the major sources and the percentage of operating revenues for the year ended December 31, 2005:

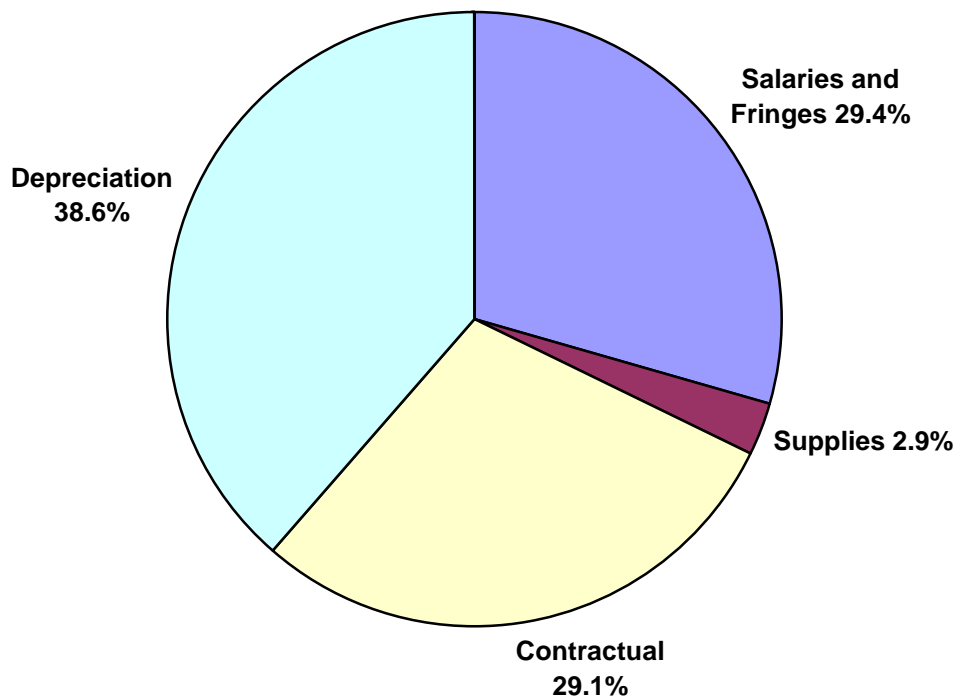


A summary of operating revenues for the year ended December 31, 2005, and the amount and percentage of change in relation to prior year amounts is as follows:

| <i>Year ended December 31,</i> | 2005 Amount | Percent of Total | Increase/ (Decrease) From 2004 | Percent Increase/ (Decrease) |
|---------------------------------|----------------------|---------------------|--------------------------------------|------------------------------------|
| Revenues | | | | |
| Charges for services: | | | | |
| Passenger airlines | \$ 9,702,981 | 37.2% | \$ (559,069) | (5.4)% |
| Cargo airlines | 2,521,443 | 9.7 | 210,732 | 9.1 |
| General aviation | 1,393,718 | 5.4 | (15,481) | (1.1) |
| Car Rental agencies | 2,486,382 | 9.5 | 165,479 | 7.1 |
| Retail concessions | 780,477 | 3.0 | 15,422 | 2.0 |
| Ground transportation | 8,353,592 | 32.0 | 1,022,018 | 13.9 |
| Other | 841,560 | 3.2 | 360,662 | 75.0 |
| Total Operating Revenues | \$ 26,080,153 | 100.0% | \$ 1,199,763 | 4.8 % |

EXPENSES

The following chart shows the major operating categories and the percentage of operating expenses for the year ended December 31, 2005:



A summary of operating expenses for the year ended December 31, 2005 and the amount and percentage of change in relation to prior year amounts is as follows:

| <i>Year ended December 31,</i> | 2005 Amount | Percent of Total | Increase From 2004 | Percent Increase |
|---------------------------------|----------------------|---------------------|-----------------------|---------------------|
| Operating Expenses | | | | |
| Salaries and fringes | \$ 7,578,929 | 29.4% | \$ 560,451 | 8.0% |
| Supplies | 759,351 | 2.9 | 235,875 | 45.1 |
| Contractual | 7,520,312 | 29.1 | 1,473,415 | 24.4 |
| Depreciation | 9,956,762 | 38.6 | 240,760 | 2.5 |
| Total Operating Expenses | \$ 25,815,354 | 100.0% | \$ 2,510,501 | 10.8% |

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 ended December 31,</i> | 2005 | 2004 | 2003 |
|------------------------------------------------------------|----------------------|----------------------|----------------------|
| Net cash provided by operating activities | \$ 12,000,337 | \$ 10,635,237 | \$ 11,438,878 |
| Net cash provided by investing activity | 1,012,504 | 422,481 | 328,475 |
| Net cash used for capital and related financing activities | (8,264,308) | (11,849,771) | (4,693,462) |
| Net increase (decrease) in cash and cash equivalents | 4,748,533 | (792,053) | 7,073,891 |
| Cash and cash equivalents, beginning of year | 33,004,656 | 33,796,709 | 26,722,818 |
| Cash and Cash Equivalents, end of year | \$ 37,753,189 | \$ 33,004,656 | \$ 33,796,709 |

The Department's available cash and cash equivalents increased from \$33.0 million at the end of 2004 to \$37.8 million at the end of 2005 due to 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 2005, completed projects totaling \$10,905,252 were closed from construction-in-progress to their respective capital accounts. The major completed projects were:

| | |
|----------------------------------------------|--------------|
| Oostema Blvd Landscaping | \$ 3,971,303 |
| Taxiway D | 3,497,027 |
| Rental Car Service Facility Site Preparation | 1,443,950 |
| Other | 1,992,972 |

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing methods, 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 Board of 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 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



**Basic
Financial Statements**

| <i>December 31,</i> | 2005 | 2004 |
|----------------------------------------------------------------------------------------|----------------------|---------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents (Note 2) | \$ 25,588,829 | \$ 21,223,509 |
| Accounts receivable, less allowances of \$946,654 and \$446,000 for possible losses | 1,460,354 | 2,644,587 |
| Due from restricted funds (Note 3) | 2,971,670 | 2,971,670 |
| Inventories | 59,437 | 37,875 |
| Prepaid expenses | 68,750 | 70,330 |
| Restricted assets (Note 3): | | |
| Cash and cash equivalents | 6,131,039 | 5,916,956 |
| Accounts receivable | 535,728 | 328,165 |
| Total Current Assets | 36,815,807 | 33,193,092 |
| Non-Current Assets | | |
| Restricted assets - cash and cash equivalents, net (Note 3) | 3,061,651 | 2,892,521 |
| Capital assets (Note 4): | | |
| Land and construction in progress | 25,666,224 | 30,793,460 |
| Other capital assets, net of accumulated depreciation | 193,910,944 | 193,001,434 |
| Bond issue costs, less accumulated amortization of \$129,721 and \$111,161 | 333,200 | 351,760 |
| Total Non-Current Assets | 222,972,019 | 227,039,175 |
| Total Assets | \$259,787,826 | \$260,232,267 |

Kent County Department of Aeronautics Kent County, Michigan

Statements of Net Assets

| <i>December 31,</i> | 2005 | 2004 |
|------------------------------------------------------------------------------|----------------------|---------------|
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 561,351 | \$ 618,808 |
| Construction contracts payable | 1,248,231 | 593,247 |
| Accrued liabilities | 621,452 | 604,454 |
| Current maturity of note payable to related party (Note 5) | 928,755 | 889,612 |
| Payable from restricted assets: | | |
| Accrued interest | 2,134,392 | 2,192,068 |
| Current maturities of revenue bonds payable (Note 6) | 2,415,000 | 2,310,000 |
| Total Current Liabilities | 7,909,181 | 7,208,189 |
| Non-Current Liabilities | | |
| Note payable to related party, less current maturity (Note 5) | 5,901,508 | 6,830,263 |
| Revenue bonds payable, less current maturities and deferred loss (Note 6) | 82,596,447 | 84,896,854 |
| Total Non-Current Liabilities | 88,497,955 | 91,727,117 |
| Total Liabilities | 96,407,136 | 98,935,306 |
| Net Assets (Note 8) | | |
| Invested in capital assets, net of related debt | 134,898,921 | 136,939,800 |
| Restricted for debt service | 7,594,026 | 6,945,574 |
| Unrestricted | 20,887,743 | 17,411,587 |
| Total Net Assets | 163,380,690 | 161,296,961 |
| Total Liabilities and Net Assets | \$259,787,826 | \$260,232,267 |

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> | 2005 | 2004 |
|---------------------------------------------------|-----------------------|-----------------------|
| Operating Revenues (Notes 7 and 10) | | |
| Charges for services: | | |
| Passenger airlines | \$ 9,702,981 | \$ 10,262,050 |
| Cargo airlines | 2,521,443 | 2,310,711 |
| General aviation | 1,393,718 | 1,409,199 |
| Car rental agencies | 2,486,382 | 2,320,903 |
| Other concessions | 780,477 | 765,055 |
| Ground transportation | 8,353,592 | 7,331,574 |
| Other | 841,560 | 480,898 |
| Total Operating Revenues | 26,080,153 | 24,880,390 |
| Operating Expenses | | |
| Salaries and fringes | 7,578,929 | 7,018,478 |
| Supplies | 759,351 | 523,476 |
| Contractual | 7,520,312 | 6,046,897 |
| Depreciation | 9,956,762 | 9,716,002 |
| Total Operating Expenses | 25,815,354 | 23,304,853 |
| Operating Income | 264,799 | 1,575,537 |
| Non-Operating Revenues (Expenses) | | |
| Passenger facility charges | 2,889,520 | 2,881,425 |
| Customer facility charges | 256,083 | - |
| Interest revenue | 1,034,357 | 422,841 |
| Interest expense | (4,680,223) | (4,888,166) |
| Gain on sale of capital assets | 3,932 | 23,990 |
| Total Non-Operating Expenses | (496,331) | (1,559,910) |
| Income (Loss) Before Capital Contributions | (231,532) | 15,627 |
| Capital Contributions | 2,315,261 | 4,976,275 |
| Increase in Net Assets | 2,083,729 | 4,991,902 |
| Net Assets, beginning of year | 161,296,961 | 156,305,059 |
| Net Assets, end of year | \$ 163,380,690 | \$ 161,296,961 |

See accompanying notes to financial statements.

Kent County Department of Aeronautics Kent County, Michigan

Statements of Cash Flows

| <i>Year ended December 31,</i> | 2005 | 2004 |
|------------------------------------------------------------|----------------------|---------------|
| Operating Activities | | |
| Cash received from providing services | \$ 27,527,648 | \$ 25,027,670 |
| Cash paid to suppliers | (7,578,958) | (6,737,190) |
| Cash paid to employees | (7,471,743) | (7,200,622) |
| Internal activity - cash payments to other funds | (476,610) | (454,621) |
| Net cash provided by operating activities | 12,000,337 | 10,635,237 |
| Capital and Related Financing Activities | | |
| Customer facility charges | 172,896 | - |
| Capital contributions | 2,054,998 | 1,739,510 |
| Passenger facility charges | 2,765,144 | 2,855,077 |
| Proceeds from sale of capital assets | 42,911 | 23,990 |
| Purchase of capital assets | (5,495,899) | (7,435,001) |
| Principal paid on capital debt | (3,199,612) | (4,260,125) |
| Interest paid on capital debt | (4,604,746) | (4,773,222) |
| Net cash used for capital and related financing activities | (8,264,308) | (11,849,771) |
| Investing Activity | | |
| Investment earnings | 1,012,504 | 422,481 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 4,748,533 | (792,053) |
| Cash and Cash Equivalents, beginning of year | 33,004,656 | 33,796,709 |
| Cash and Cash Equivalents, end of year | \$ 37,753,189 | \$ 33,004,656 |

Continued on the following page.

Kent County Department of Aeronautics

Kent County, Michigan

Statements of Cash Flows

| <i>Year ended December 31,</i> | 2005 | 2004 |
|--------------------------------------------------------------------------------------------|----------------------|----------------------|
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating income | \$ 264,799 | \$ 1,575,537 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 9,956,762 | 9,716,002 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 1,184,233 | (930,072) |
| Inventory | (21,562) | (15,050) |
| Prepaid expenses | 1,580 | (46,950) |
| Accounts payable and contracts payable | 597,527 | 534,739 |
| Accrued liabilities | 16,998 | (198,969) |
| Net Cash Provided by Operating Activities | \$ 12,000,337 | \$ 10,635,237 |

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 ground transportation improvements, is capitalized as incurred. As of December 31, 2005 and 2004, estimated costs to complete were approximately \$17,300,000 and \$9,600,000, respectively.

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

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.

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

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.

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 \$105,677 in fiscal year 2005. The underpaid amount was insignificant in fiscal year 2004; therefore, the Department did not bill the airlines.

Passenger Facility Charges

Passenger facility charges (PFC) are collected for capital projects. The Department received approval from the Federal Aviation Administration (FAA) on September 9, 1992 to start collection of a \$3 PFC. The Department received approval to “use” PFC revenue previously collected as well as future charges on February 2, 1996. The PFC revenue is being used to pay debt service on the Airport Revenue Bonds, Series 1995 and Airport Revenue Refunding Bonds, Series 1999. On September 8, 2005, the FAA approved a \$1.50 increase of the PFC to \$4.50. The additional PFC revenue will be used for terminal improvements. Consequently, revenue is recognized when earned and is classified as non-operating revenue.

Customer Facility Charges

Customer facility charges (CFC) are collected for rental car related capital projects. The CFC of \$3 per transaction day on rental car transactions was approved by the Aeronautics Board on August 31, 2005. The CFC revenue will be used to develop new rental car service facilities as well as a rental vehicle ready/return area in the future parking structure. 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

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

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.

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

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 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 Kent County Investment Pool that is available for use by most funds. Each fund's portion of the pool is displayed on the statement of net assets. The various deposits and investments held separately are presented in their respective fund.

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

Investments underlying the Kent County Investment Pool consist primarily of certificates of deposit, which are carried at cost plus accrued interest, and U.S. Treasury notes, which are carried at fair value.

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. Additional information regarding interest rate risk can be found in the notes to the financial statements of Kent County's Comprehensive Annual Financial Report. At December 31, 2005, the Department had the following investments:

| <i>Investment Type</i> | Fair Value | Investment Maturity Less Than 1 Year |
|--------------------------|---------------|--------------------------------------------|
| Money market mutual fund | \$ 10,624,218 | \$ 10,624,218 |
| Investment pool | 27,128,970 | 27,128,970 |
| | \$ 37,753,188 | \$ 37,753,188 |

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. Additional information regarding credit risk can be found in the notes to the financial statements of Kent County's Comprehensive Annual Financial Report. At December 31, 2005, the Department had the following credit ratings:

| <i>Rated Investments</i> | Fair Value | Quality Ratings | |
|--------------------------|---------------|-----------------|---------------|
| | | AAA | Unrated |
| Money market mutual fund | \$ 10,624,218 | \$ 10,624,218 | \$ - |
| Investments pool | 27,128,970 | - | 27,128,970 |
| Totals by Ratings | \$ 37,753,188 | \$ 10,624,218 | \$ 27,128,970 |

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> | 2005 | 2004 |
|-------------------------------|---------------------|--------------|
| Current restricted assets | | |
| Cash and equivalents | \$ 6,131,039 | \$ 5,916,956 |
| Accounts receivable | | |
| Passenger facility charges | \$ 452,541 | \$ 328,165 |
| Customer facility charges | 83,187 | - |
| | \$ 535,728 | \$ 328,165 |
| Non-current restricted assets | | |
| Cash and equivalents | \$ 6,033,321 | \$ 5,864,191 |
| Less related liabilities: | | |
| Due to unrestricted fund | (2,971,670) | (2,971,670) |
| | \$ 3,061,651 | \$ 2,892,521 |

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Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

4. Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

| | Balance January 1, 2005 | Increases | Decreases | Balance December 31, 2005 |
|----------------------------------------------|-------------------------------|---------------------|----------------------|---------------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 21,317,076 | \$ - | \$ - | \$ 21,317,076 |
| Construction in progress | 9,476,384 | 5,955,561 | 11,082,797 | 4,349,148 |
| Total | \$ 30,793,460 | \$ 5,955,561 | \$ 11,082,797 | \$ 25,666,224 |
| Capital assets being depreciated | | | | |
| Land improvements | \$ 183,174,589 | \$ 9,236,729 | \$ - | \$ 192,411,318 |
| Buildings | 92,123,696 | 518,066 | - | 92,641,762 |
| Equipment | 8,333,652 | 948,869 | 75,908 | 9,206,613 |
| Equipment - systems | 3,081,051 | - | - | 3,081,051 |
| Office equipment | 2,030,498 | 201,588 | - | 2,232,086 |
| Vehicles | 549,506 | - | 77,957 | 471,549 |
| Total | 289,292,992 | 10,905,252 | 153,865 | 300,044,379 |
| Less accumulated depreciation for | | | | |
| Land improvements | 59,859,288 | 6,124,901 | - | 65,984,189 |
| Buildings | 27,355,297 | 3,013,468 | - | 30,368,765 |
| Equipment | 5,484,460 | 473,386 | 75,908 | 5,881,938 |
| Equipment - systems | 2,683,266 | 110,424 | - | 2,793,690 |
| Office equipment | 634,047 | 137,193 | - | 771,240 |
| Vehicles | 275,200 | 97,390 | 38,977 | 333,613 |
| Total | 96,291,558 | 9,956,762 | 114,885 | 106,133,435 |
| Capital Assets Being Depreciated, net | \$ 193,001,434 | \$ 948,490 | \$ 38,980 | \$ 193,910,944 |

Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2004 was as follows:

| | Balance January 1, 2004 | Increases | Decreases | Balance December 31, 2004 |
|--------------------------------------------------|-------------------------------|-----------------------|---------------------|---------------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 20,505,554 | \$ 1,116,467 | \$ 304,945 | \$ 21,317,076 |
| Construction in progress | 3,085,606 | 9,710,934 | 3,320,156 | 9,476,384 |
| Total | \$ 23,591,160 | \$ 10,827,401 | \$ 3,625,101 | \$ 30,793,460 |
| Capital assets being depreciated | | | | |
| Land improvements | \$ 182,057,505 | \$ 1,117,084 | \$ - | \$ 183,174,589 |
| Buildings | 91,870,543 | 253,153 | - | 92,123,696 |
| Equipment | 7,769,155 | 576,777 | 12,280 | 8,333,652 |
| Equipment - systems | 2,928,463 | 152,588 | - | 3,081,051 |
| Office equipment | 796,831 | 1,233,667 | - | 2,030,498 |
| Vehicles | 515,770 | 136,706 | 102,970 | 549,506 |
| Total | 285,938,267 | 3,469,975 | 115,250 | 289,292,992 |
| Less accumulated depreciation for | | | | |
| Land improvements | 53,947,330 | 5,911,958 | - | 59,859,288 |
| Buildings | 24,319,602 | 3,035,695 | - | 27,355,297 |
| Equipment | 5,097,068 | 399,672 | 12,280 | 5,484,460 |
| Equipment - systems | 2,482,149 | 201,117 | - | 2,683,266 |
| Office equipment | 551,721 | 82,326 | - | 634,047 |
| Vehicles | 292,938 | 85,234 | 102,972 | 275,200 |
| Total | 86,690,808 | 9,716,002 | 115,252 | 96,291,558 |
| Capital Assets Being Depreciated, net | \$ 199,247,459 | \$ (6,246,027) | \$ (2) | \$ 193,001,434 |

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

Depreciation expense was charged to functions as follows:

| <i>December 31,</i> | 2005 | 2004 |
|-----------------------------------|---------------------|-------------|
| Airfield | \$ 4,859,793 | \$4,740,078 |
| Other land and buildings | 153,398 | 158,072 |
| General aviation | 70,824 | 70,824 |
| Terminal building | 2,185,521 | 2,188,538 |
| Airline apron | 368,494 | 368,494 |
| Maintenance | 257,931 | 246,475 |
| Administration | 182,025 | 132,130 |
| Air cargo | 1,005,127 | 1,005,127 |
| Ground transportation | 873,649 | 806,264 |
| Total Depreciation Expense | \$ 9,956,762 | \$9,716,002 |

5. Note Payable to Related Party

In fiscal year 2003, 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%.

Note payable activity for the year ended December 31, 2005 was as follows:

| | Balance January 1, 2005 | Increases | Decreases | Balance December 31, 2005 |
|-----------------------------------|-------------------------------|-----------|------------|---------------------------------|
| Note Payable Related Party | \$ 7,719,875 | \$ - | \$ 889,612 | \$ 6,830,263 |

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Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

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 |
|---------------------------------|----------------------|-----------------------|------------------------------------------------|
| 2006 | \$ 300,531 | \$ 928,755 | \$ 1,229,286 |
| 2007 | 259,666 | 969,620 | 1,229,286 |
| 2008 | 217,003 | 1,012,283 | 1,229,286 |
| 2009 | 172,462 | 1,056,824 | 1,229,286 |
| 2010 | 125,962 | 1,103,324 | 1,229,286 |
| 2011-2012 | 104,150 | 1,759,457 | 1,863,607 |
| | \$ 1,179,774 | \$ 6,830,263 | \$ 8,010,037 |

6. Revenue Bonds Payable

Revenue Bonds Payable consists of the following:

| <i>December 31,</i> | 2005 | 2004 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Airport Revenue Bonds, Series 1995, 5.3%, retired in 2005 | \$ - | \$ 910,000 |
| Airport Revenue Bonds, Series 1998, 4.3%-5.0%, annual principal ranges from \$1,205,000 in 2005 to \$3,560,000 in 2028, plus interest | 50,615,000 | 51,820,000 |
| Airport Revenue Refunding Bonds, Series 1999, 4.0%-5.0%, annual principal ranges from \$195,000 in 2005 to \$2,750,000 in 2025, plus interest | 36,460,000 | 36,655,000 |
| | 87,075,000 | 89,385,000 |
| Less net deferred loss on advance refunding of Series 1995 Bonds | (2,063,553) | (2,178,146) |
| Less current maturities | (2,415,000) | (2,310,000) |
| Revenue Bonds Payable, less current maturities and net deferred loss | \$82,596,447 | \$84,896,854 |

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

Revenue Bonds Payable activity for the year ended December 31, 2005 was as follows:

| | Balance January 1, 2005 | Increases | Decreases | Balance December 31, 2005 |
|------------------------------------|-------------------------------|-------------|---------------------|---------------------------------|
| Airport Revenue Bonds, Series 1995 | \$ 910,000 | \$ - | \$ 910,000 | \$ - |
| Airport Revenue Bonds, Series 1998 | 51,820,000 | - | 1,205,000 | 50,615,000 |
| Airport Revenue Bonds, Series 1999 | 36,655,000 | - | 195,000 | 36,460,000 |
| | \$89,385,000 | \$ - | \$ 2,310,000 | \$ 87,075,000 |

Revenue Bonds Payable activity for the year ended December 31, 2004 was as follows:

| | Balance January 1, 2004 | Increases | Decreases | Balance December 31, 2004 |
|------------------------------------|-------------------------------|-------------|---------------------|---------------------------------|
| Airport Revenue Bonds, Series 1995 | \$ 1,770,000 | \$ - | \$ 860,000 | \$ 910,000 |
| Airport Revenue Bonds, Series 1998 | 52,975,000 | - | 1,155,000 | 51,820,000 |
| Airport Revenue Bonds, Series 1999 | 36,845,000 | - | 190,000 | 36,655,000 |
| | \$91,590,000 | \$ - | \$ 2,205,000 | \$ 89,385,000 |

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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 1998 | Airport Revenue Bonds Series 1999 | Total Annual Requirement |
|---------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------|
| 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 | 3,706,092 | 2,857,106 | 6,563,198 |
| 2010 | 3,703,070 | 2,856,806 | 6,559,876 |
| 2011-2015 | 18,493,443 | 14,250,447 | 32,743,890 |
| 2016-2020 | 18,425,500 | 14,195,613 | 32,621,113 |
| 2021-2025 | 18,347,375 | 14,123,250 | 32,470,625 |
| 2026-2028 | 10,965,375 | - | 10,965,375 |
| | \$ 84,770,998 | \$ 56,869,654 | \$ 141,640,652 |

Revenue Bonds Payable:

Airport Revenue Bonds, Series 1998

| <i>Year ending December 31,</i> | Interest Payments | Principal Payments | Total Interest and Principal Payments |
|---------------------------------|----------------------|-----------------------|------------------------------------------------|
| 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 | 2,276,092 | 1,430,000 | 3,706,092 |
| 2010 | 2,208,070 | 1,495,000 | 3,703,070 |
| 2011-2015 | 9,868,443 | 8,625,000 | 18,493,443 |
| 2016-2020 | 7,465,500 | 10,960,000 | 18,425,500 |
| 2021-2025 | 4,362,375 | 13,985,000 | 18,347,375 |
| 2026-2028 | 780,375 | 10,185,000 | 10,965,375 |
| | \$ 34,155,998 | \$ 50,615,000 | \$ 84,770,998 |

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

Airport Revenue Bonds, Series 1999

| <i>Year ending December 31,</i> | Interest Payments | Principal Payments | Total Interest and Principal Payments |
|---------------------------------|----------------------|-----------------------|------------------------------------------------|
| 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 | 1,547,106 | 1,310,000 | 2,857,106 |
| 2010 | 1,486,806 | 1,370,000 | 2,856,806 |
| 2011-2015 | 6,425,447 | 7,825,000 | 14,250,447 |
| 2016-2020 | 4,360,613 | 9,835,000 | 14,195,613 |
| 2021-2025 | 1,623,250 | 12,500,000 | 14,123,250 |
| | \$ 20,409,654 | \$ 36,460,000 | \$ 56,869,654 |

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 \$6,013,838. In addition, the Series 1999 Bond bears 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.

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Kent County Department of Aeronautics

Kent County, Michigan

Notes to Financial Statements

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,

| | |
|-----------|--------------|
| 2006 | \$ 6,154,215 |
| 2007 | 5,811,350 |
| 2008 | 3,843,964 |
| 2009 | 3,202,687 |
| 2010 | 3,072,083 |
| 2011-2037 | 14,989,091 |

8. Net Assets

Net assets at December 31, 2005 and 2004 were comprised of the following:

| <i>December 31,</i> | 2005 | 2004 |
|-------------------------------------------------|-----------------------|-----------------------|
| Invested in capital assets, net of related debt | | |
| Land | \$ 21,317,076 | \$ 21,317,076 |
| Construction in progress | 4,349,148 | 9,476,384 |
| Land improvements | 192,411,318 | 183,174,589 |
| Buildings | 92,641,762 | 92,123,696 |
| Machinery and equipment | 14,991,299 | 13,994,707 |
| Accumulated depreciation | (106,133,435) | (96,291,558) |
| Net bond issue costs | 333,200 | 351,760 |
| Current maturities of revenue bonds payable | (2,415,000) | (2,310,000) |
| Long-term maturities of revenue bonds payable | (82,596,447) | (84,896,854) |
| | 134,898,921 | 136,939,800 |
| Restricted for debt service | 7,594,026 | 6,945,574 |
| Unrestricted | 20,887,743 | 17,411,587 |
| Total Net Assets | \$ 163,380,690 | \$ 161,296,961 |

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

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, 2004, the date of the most recent actuarial valuation, membership consisted of 1,088 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 1,860 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.

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

| <i>Year ended December 31,</i> | <i>Contribution</i> |
|--------------------------------|---------------------|
| 2005 | \$437,022 |
| 2004 | 260,844 |
| 2003 | 136,992 |

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 8.03% and 4.96% in 2005 and 2004, respectively.

Kent County Department of Aeronautics Kent County, Michigan

Notes to Financial Statements

10. Major Customers

Rentals and fees earned from passenger air carriers accounted for approximately 37.2% and 41.2% of total revenues in 2005 and 2004, respectively.

11. Concentration of Credit Risk

The Department provides gate access to fourteen passenger airlines and access to four 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.

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**Statistical Section
(unaudited)**



| <i>Year ended December 31,</i> | 1996 | 1997 | 1998 | 1999 |
|--------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Revenues | | | | |
| Airfield | \$ 2,367,065 | \$ 2,544,493 | \$ 2,745,688 | \$ 2,743,462 |
| Buildings and land | 584,639 | 638,451 | 688,239 | 306,516 |
| General aviation | 726,298 | 817,709 | 836,632 | 847,683 |
| Terminal building | 4,193,424 | 4,338,090 | 4,649,795 | 2,853,152 |
| Airline apron | 148,432 | 385,680 | 357,724 | 1,029,957 |
| Air cargo | - | - | - | 745,050 |
| Ground transportation | 3,751,432 | 4,932,751 | 5,161,936 | 7,071,779 |
| Other | 3,398 | 6,121 | 5,991 | 9,753 |
| Total operating revenues | 11,774,688 | 13,663,295 | 14,446,005 | 15,607,352 |
| Non-Operating Revenues | | | | |
| Interest revenue | 2,668,652 | 1,860,762 | 3,904,733 | 2,076,824 |
| Gain on sale of assets | - | 30,806 | 20,701 | 15,146 |
| Passenger and customer facility charges | 9,241,850 | 2,366,455 | 2,395,444 | 2,406,817 |
| Total Revenues | \$ 23,685,190 | \$ 17,921,318 | \$ 20,766,883 | \$ 20,106,139 |
| Operating Expenses | | | | |
| Salaries and fringes | \$ 3,463,112 | \$ 3,787,008 | \$ 4,211,423 | \$ 4,881,658 |
| Supplies | 271,187 | 373,313 | 292,507 | 365,510 |
| Contractual | 2,295,276 | 2,490,066 | 2,543,908 | 2,772,348 |
| Depreciation | 3,150,593 | 3,429,297 | 5,665,955 | 5,808,863 |
| Total operating expenses | 9,180,168 | 10,079,684 | 12,713,793 | 13,828,379 |
| Non-Operating Expenses | | | | |
| Interest expense | 2,343,927 | 2,343,927 | 5,058,125 | 3,229,133 |
| Loss on sale of assets | 107,203 | - | - | - |
| Total Expenses | \$ 11,631,298 | \$ 12,423,611 | \$ 17,771,918 | \$ 17,057,512 |

Source: Audit reports 1996-2005

Kent County Department of Aeronautics Kent County, Michigan

Total Annual Revenues and Expenses (unaudited)

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 2,749,089 | \$ 3,119,334 | \$ 4,394,082 | \$ 4,861,111 | \$ 3,941,218 | \$ 3,671,981 |
| 336,037 | 339,231 | 315,881 | 320,892 | 339,660 | 304,626 |
| 855,826 | 874,563 | 890,836 | 944,129 | 952,608 | 965,269 |
| 4,609,044 | 5,445,754 | 5,908,817 | 7,011,871 | 6,789,998 | 6,838,894 |
| 1,094,725 | 1,008,557 | 1,031,214 | 1,455,791 | 1,583,711 | 1,657,337 |
| 1,654,643 | 1,716,360 | 1,739,074 | 1,768,933 | 1,793,121 | 1,888,094 |
| 7,658,709 | 8,103,671 | 8,218,333 | 8,708,256 | 9,475,355 | 10,658,047 |
| 3,689 | 13,591 | 10,536 | 4,160 | 4,718 | 95,905 |
| 18,961,762 | 20,621,061 | 22,508,773 | 25,075,143 | 24,880,389 | 26,080,153 |
| 1,947,211 | 1,312,619 | 578,963 | 328,475 | 422,841 | 1,034,357 |
| 35,229 | 13,191 | - | 57,059 | 23,990 | 3,932 |
| 2,631,533 | 2,505,681 | 2,580,758 | 2,686,676 | 2,881,425 | 3,145,603 |
| \$23,575,735 | \$24,452,552 | \$25,668,494 | \$28,147,353 | \$28,208,645 | \$30,264,045 |
| \$ 5,010,916 | \$ 5,374,464 | \$ 6,001,950 | \$ 6,507,669 | \$ 7,018,478 | \$ 7,578,929 |
| 425,782 | 432,836 | 797,972 | 612,039 | 523,476 | 759,351 |
| 3,842,292 | 4,246,632 | 5,582,018 | 6,082,009 | 6,046,897 | 7,520,312 |
| 8,398,485 | 9,071,574 | 9,667,655 | 9,647,394 | 9,716,002 | 9,956,762 |
| 17,677,475 | 19,125,506 | 22,049,595 | 22,849,111 | 23,304,853 | 25,815,354 |
| 4,204,275 | 4,739,407 | 4,648,757 | 4,553,407 | 4,888,166 | 4,680,223 |
| - | - | 1,123,150 | - | - | - |
| \$21,881,750 | \$23,864,913 | \$27,821,502 | \$27,402,518 | \$28,193,019 | \$30,495,577 |

Ratio of Annual Debt Service to Total Expenses

| <i>Year ended December 31,</i> | 1996 | 1997 | 1998 | 1999 |
|------------------------------------------------|---------------|---------------|---------------|---------------|
| Debt Service | | | | |
| Principal | \$ - | \$ - | \$ - | \$ - |
| Interest | 2,343,927 | 2,343,927 | 5,058,125 | 4,782,459 |
| Total Debt Service | \$ 2,343,927 | \$ 2,343,927 | \$ 5,058,125 | \$ 4,782,459 |
| Total Expenses | \$ 11,631,298 | \$ 12,423,611 | \$ 17,771,918 | \$ 17,057,512 |
| Ratio of Debt Service to Total Expenses | 20.2% | 18.9% | 28.5% | 28.0% |

Source: Department records

Debt Service Coverage

| <i>Year ended December 31,</i> | 1996 | 1997 | 1998 | 1999 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Revenues | \$ 23,685,190 | \$ 17,921,318 | \$ 20,766,883 | \$ 20,106,139 |
| Operating Expenses¹ | 6,029,575 | 6,650,387 | 7,047,838 | 8,019,516 |
| Net Revenues | \$ 17,655,615 | \$ 11,270,931 | \$ 13,719,045 | \$ 12,086,623 |
| Debt Service Requirements | \$ 2,343,927 | \$ 2,343,927 | \$ 5,058,125 | \$ 4,782,459 |
| Debt Service Coverage | 7.5 | 4.8 | 2.7 | 2.5 |

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

Source: Department records

Kent County Department of Aeronautics Kent County, Michigan

Debt Service (unaudited)

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 825,000 | \$ 1,935,000 | \$ 2,025,000 | \$ 2,110,000 | \$ 4,260,125 | \$ 3,199,612 |
| 4,824,407 | 4,739,407 | 4,648,757 | 4,553,407 | 4,888,166 | 4,680,223 |
| \$ 5,649,407 | \$ 6,674,407 | \$ 6,673,757 | \$ 6,663,407 | \$ 9,148,291 | \$ 7,879,835 |
| \$21,881,750 | \$23,864,913 | \$27,821,502 | \$27,402,518 | \$28,193,019 | \$30,495,577 |
| 25.8% | 28.0% | 24.0% | 24.3% | 32.4% | 25.8% |

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$23,575,735 | \$24,452,552 | \$25,668,494 | \$28,147,353 | \$28,208,645 | \$30,264,045 |
| 9,278,990 | 10,053,932 | 12,381,940 | 13,201,717 | 13,588,851 | 15,858,592 |
| \$14,296,745 | \$14,398,620 | \$13,286,554 | \$14,945,636 | \$14,619,794 | \$14,405,453 |
| \$ 5,649,407 | \$ 6,674,407 | \$ 6,673,757 | \$ 6,663,407 | \$ 9,148,291 | \$ 7,879,835 |
| 2.5 | 2.2 | 2.0 | 2.2 | 1.6 | 1.8 |

| <i>Year ended December 31,</i> | 1996 | 1997 | 1998 | 1999 |
|----------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Airline Passengers | | | | |
| Enplaned | 840,396 | 881,638 | 896,731 | 907,055 |
| Deplaned | 832,169 | 878,241 | 896,224 | 898,232 |
| Total Airline Passengers | 1,672,565 | 1,759,879 | 1,792,955 | 1,805,287 |
| Operations | | | | |
| Air carrier | 24,027 | 24,530 | 24,305 | 24,287 |
| Commuter air taxi | 38,614 | 38,453 | 38,010 | 38,374 |
| General aviation | 74,360 | 76,544 | 72,841 | 72,510 |
| Military | 2,532 | 4,228 | 2,582 | 3,161 |
| Total Operations | 139,533 | 143,755 | 137,738 | 138,332 |
| Freight/Cargo (in pounds) | | | | |
| Enplaned | 23,173,570 | 26,846,797 | 24,113,548 | 24,651,516 |
| Deplaned | 24,393,758 | 26,493,916 | 25,071,490 | 27,018,069 |
| Total Freight/Cargo (in pounds) | 47,567,328 | 53,340,713 | 49,185,038 | 51,669,585 |
| Mail (in pounds) | | | | |
| Enplaned | 9,628,922 | 10,915,265 | 8,189,674 | 8,636,121 |
| Deplaned | 13,411,817 | 12,320,662 | 12,231,734 | 12,794,182 |
| Total Mail (in pounds) | 23,040,739 | 23,235,927 | 20,421,408 | 21,430,303 |

Source: Department records

| <i>Year ended December 31,</i> | 1996 | 1997 | 1998 | 1999 |
|-------------------------------------------------|----------------|----------------|----------------|----------------|
| Airport operating expenses | \$ 9,180,168 | \$ 10,079,684 | \$ 12,713,793 | \$ 13,828,379 |
| Total airline passengers | 1,672,565 | 1,759,879 | 1,792,955 | 1,805,287 |
| Operating Expenses per Airline Passenger | \$ 5.49 | \$ 5.73 | \$ 7.09 | \$ 7.66 |

Source: Department records

Kent County Department of Aeronautics Kent County, Michigan

Activity Statistics (unaudited)

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 968,265 | 921,694 | 968,540 | 995,719 | 1,077,580 | 1,047,223 |
| 936,971 | 907,560 | 949,104 | 981,114 | 1,072,545 | 1,043,282 |
| 1,905,236 | 1,829,254 | 1,917,644 | 1,976,833 | 2,150,125 | 2,090,505 |
| 21,275 | 17,985 | 17,136 | 16,629 | 19,852 | 18,659 |
| 47,121 | 47,405 | 45,242 | 40,937 | 37,802 | 34,213 |
| 66,385 | 59,960 | 61,150 | 50,152 | 55,371 | 55,515 |
| 1,684 | 874 | 2,094 | 2,410 | 3,430 | 3,927 |
| 136,465 | 126,224 | 125,622 | 110,128 | 116,455 | 112,314 |
| 24,063,943 | 24,233,655 | 31,900,562 | 31,870,720 | 35,241,586 | 41,059,035 |
| 27,063,601 | 28,062,640 | 36,938,350 | 38,072,722 | 42,940,079 | 44,525,991 |
| 51,127,544 | 52,296,295 | 68,838,912 | 69,943,442 | 78,181,665 | 85,585,026 |
| 10,011,361 | 5,966,025 | 2,804,314 | 1,525,069 | 374,616 | 143,889 |
| 13,602,298 | 7,624,423 | 3,071,267 | 2,346,977 | 980,259 | 776,927 |
| 23,613,659 | 13,590,448 | 5,875,581 | 3,872,046 | 1,354,875 | 920,816 |
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| \$ 17,677,475 | \$ 19,125,506 | \$ 22,049,595 | \$ 22,849,111 | \$ 23,304,853 | \$ 25,815,354 |
| 1,905,236 | 1,829,254 | 1,917,644 | 1,976,833 | 2,150,125 | 2,090,505 |
| \$ 9.28 | \$ 10.45 | \$ 11.50 | \$ 11.56 | \$ 10.84 | \$ 12.35 |

| <i>Year ended December 31,</i> | 1996 | | 1997 | |
|-------------------------------------|------------|-------------------|------------|-------------------|
| | Passengers | % of market share | Passengers | % of market share |
| Airlines | | | | |
| American Eagle | 151,950 | 9.09 | 167,288 | 9.51 |
| Chicago Express (ATA Connection) | 19,442 | 1.16 | 21,271 | 1.21 |
| Continental and Continental Express | 56,269 | 3.36 | 55,628 | 3.16 |
| Delta and Delta Connection | 233,502 | 13.96 | 257,688 | 14.64 |
| Midwest and Midwest Connection | 73,736 | 4.41 | 67,161 | 3.82 |
| Northwest and Northwest Airlin | 642,396 | 38.41 | 685,516 | 38.95 |
| Trans World Express | 42,905 | 2.57 | 42,373 | 2.41 |
| United and United Express | 248,890 | 14.88 | 252,852 | 14.37 |
| US Airways and US Airways Express | 197,924 | 11.83 | 197,964 | 11.24 |
| Other | 5,551 | 0.33 | 12,138 | 0.69 |
| | 1,672,565 | 100.00 | 1,759,879 | 100.00 |

Source: Department records

Kent County Department of Aeronautics Kent County, Michigan

Market Share of Air Carrier Passengers (unaudited)



| 1998 | | 1999 | | 2000 | |
|------------|-------------------------|------------|-------------------------|------------|-------------------------|
| Passengers | % of market share | Passengers | % of market share | Passengers | % of market share |
| 207,681 | 11.58 | 187,578 | 10.39 | 229,233 | 12.03 |
| 26,165 | 1.46 | 34,432 | 1.91 | 50,631 | 2.66 |
| 61,530 | 3.43 | 66,364 | 3.68 | 68,198 | 3.58 |
| 289,030 | 16.12 | 288,617 | 15.99 | 268,332 | 14.08 |
| 77,321 | 4.31 | 74,656 | 4.14 | 71,982 | 3.78 |
| 590,436 | 32.93 | 670,706 | 37.15 | 746,062 | 39.16 |
| 42,783 | 2.39 | 38,324 | 2.12 | 31,864 | 1.67 |
| 294,430 | 16.42 | 280,034 | 15.51 | 239,926 | 12.59 |
| 201,907 | 11.26 | 162,420 | 8.99 | 178,149 | 9.36 |
| 1,672 | 0.10 | 2,156 | 0.12 | 20,859 | 1.09 |
| 1,792,955 | 100.00 | 1,805,287 | 100.00 | 1,905,236 | 100.00 |

(Continued)

| <i>Year ended December 31,</i> | 2001 | | 2002 | |
|-------------------------------------|------------|-------------------|------------|-------------------|
| | Passengers | % of market share | Passengers | % of market share |
| Airlines | | | | |
| American Eagle | 225,324 | 12.32 | 251,327 | 13.10 |
| Chicago Express (ATA Connection) | 81,961 | 4.48 | 98,416 | 5.13 |
| Continental and Continental Express | 82,871 | 4.53 | 98,194 | 5.12 |
| Delta and Delta Connection | 181,756 | 9.94 | 254,634 | 13.29 |
| Midwest and Midwest Connection | 72,689 | 3.97 | 56,175 | 2.93 |
| Northwest and Northwest Airlin | 726,013 | 39.69 | 737,795 | 38.50 |
| Trans World Express | 36,327 | 1.98 | - | - |
| United and United Express | 259,872 | 14.0 | 287,495 | 14.99 |
| US Airways and US Airways Express | 137,887 | 7.54 | 114,168 | 5.93 |
| Other | 24,554 | 1.35 | 19,440 | 1.01 |
| | 1,829,254 | 100.00 | 1,917,644 | 100.00 |

Kent County Department of Aeronautics Kent County, Michigan

Market Share of Air Carrier Passengers (unaudited)



| 2003 | | 2004 | | 2005 | |
|------------|-------------------------|------------|-------------------------|------------|-------------------------|
| Passengers | % of market share | Passengers | % of market share | Passengers | % of market share |
| 187,545 | 9.49 | 209,383 | 9.75 | 261,129 | 12.49 |
| 112,613 | 5.70 | 107,083 | 4.98 | 15,932 | 0.76 |
| 118,466 | 5.99 | 147,884 | 6.87 | 153,614 | 7.35 |
| 270,197 | 13.66 | 315,651 | 14.67 | 311,500 | 14.90 |
| 60,198 | 3.04 | 63,550 | 2.95 | 71,048 | 3.40 |
| 804,813 | 40.72 | 912,932 | 42.45 | 920,329 | 44.02 |
| - | - | - | - | - | - |
| 327,312 | 16.57 | 311,802 | 14.52 | 295,976 | 14.16 |
| 87,878 | 4.44 | 81,184 | 3.78 | 60,189 | 2.88 |
| 7,811 | 0.39 | 656 | 0.03 | 788 | 0.04 |
| 1,976,833 | 100.00 | 2,150,125 | 100.00 | 2,090,505 | 100.00 |

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