

**KENT COUNTY
DEPARTMENT OF AERONAUTICS
(An Enterprise Fund of
The County of Kent, Michigan)**



Comprehensive Annual Financial Report

For the Year Ended December 31, 2009

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For the Year Ended December 31, 2009

Prepared by:

Kent County Department of Aeronautics

Executive Director
James A. Koslosky, A.A.E.

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

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

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Aeronautics Board

John Van Laar
Chair

Theodore J. Vonk*
Vice Chair

Dean A. Agee*

Joseph Tomaselli

Floyd Wilson, Jr.

Richard A. Vander Molen*

Kent County Department of Aeronautics **(An Enterprise Fund of the County of Kent, Michigan)**

James A. Koslosky, A.A.E.	Executive Director
Phillip E. Johnson, A.A.E.	Deputy Executive 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



GERALD R. FORD INTERNATIONAL AIRPORT

Kent County Department of Aeronautics

AERONAUTICS BOARD

JOHN VAN LAAR, Chairman
THEODORE J. VONK, Vice Chairman
DEAN A. AGEE
JOSEPH TOMASELLI
RICHARD A. VANDER MOLEN
FLOYD WILSON, JR.

AERONAUTICS STAFF

JAMES A. KOSLOSKY, A.A.E. Executive Director
PHILLIP E. JOHNSON, A.A.E. Deputy Executive 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

June 17, 2010

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, 2009. This report was prepared by the Department's Finance and Administration Division, and the financial statements were audited by Rehmann Robson, 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 vii. The primary geographical area served by the Airport is the seven-county Grand Rapids Combined Statistical Area (the "Grand Rapids CSA" or the "CSA"), which consists of Allegan, Barry, Ionia, Kent, Muskegon, Newaygo 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 2009, the population of the Grand Rapids CSA was 1,324,516, with Kent County accounting for 605,213, Ottawa County accounting for 260,364, Muskegon County accounting for 174,344, Allegan County accounting for 112,975, Ionia County accounting for 63,853, Barry County accounting for 58,890 and Newaygo County accounting for 48,897 of this total, respectively. The City of Grand Rapids, located in Kent County, accounts for 192,139 or approximately 14.5% of the population in the Grand Rapids CSA.

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 one short-haul (less than 500 miles) market.

The secondary area served by the Airport 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 Air Canada to Toronto, Canada; AirTran Airlines to Orlando, Ft. Myers, Baltimore and Tampa; Allegiant Airlines to Orlando, Tampa/St. Pete, Ft. Lauderdale, Phoenix, Myrtle Beach and Las Vegas; American Eagle to Chicago O’Hare, and Dallas-Forth Worth; Continental Express to Cleveland, Houston and New York-Newark; Delta to Cincinnati, Atlanta, New York-LaGuardia, Detroit, Minneapolis, Orlando, Washington DC-Reagan National and Memphis; Midwest to Milwaukee; Frontier Airlines to Denver; and United Airlines to Chicago O’Hare and Denver. Delta has the largest market share at 50.9% of the 2009 enplaned passengers. This was followed by United Airlines at 16.0%, American Eagle at 11.7%, Continental Express at 10.1%, Allegiant Airlines at 6.7% and Midwest at 3.9%. Note: Frontier Airlines and AirTran Airlines started service at the airport in May 2010.

The Airport’s enplaned passengers decreased in 2009 by 2.1% compared to 2008. In 2009 there were 887,805 passenger enplanements. The Airport’s Master Plan forecasts annual growth rates of 3.5-4.0% per annum in 2008 and years after. With AirTran and Frontier Airlines beginning service in May 2010, the Department expects traffic to increase by approximately 10% in 2010 and grow modestly in 2011.

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 Executive Director and the Department staff, approved by the Aeronautics Board and then submitted to the County to be incorporated in it’s 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, 2008. 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 sixteenth 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.

Airports Council International – North America Communication Award

The Airport's marketing & communications division received a 3rd place award for its quarterly newsletter in the annual Airports Council International – North America (ACI-NA) Excellence in Marketing & Communications contest. ACI-NA is an association of airport owners/operators in North America and its communication contest is an annual contest where airports submit communication items (newsletter, advertisements, annual reports, etc.) for competition against other airports by categories of items.

Michigan Association of Airport Executives

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

Federal Aviation Administration – Great Lakes Region

In November, the Federal Aviation Administration (FAA) presented Operations Manager Bruce Applebach with the Airport Partnership Award in recognition of his participation in the FAA's Takeoff & Landing Performance Assessment Aviation Rule Making Committee and his contributions to the resolution of safety issues in the area of airport winter operations.

CAPITAL IMPROVEMENT AND AIRPORT DEVELOPMENT

The Five Year Capital Improvement Plan (CIP) for the fiscal years 2010 through 2014 is estimated at approximately \$40.6 million. The largest portion of the cost is for storm water deicing improvements and an in-line baggage screening system. In July 2008, due to economic conditions, the Aeronautics Board deferred \$51.6 million of capital projects. These projects were mostly demand driven projects. The only projects remaining were due to safety, security or customer service.

The storm water deicing improvements are estimated at \$7 million. The first phase of the project is anticipated to be completed in 2012 and the second phase in 2014. The in-line baggage screening system is estimated at \$13.1 million and is expected to begin in 2012.

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 obligations 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 2009, total interest income earned by the Department was \$0.4 million. This compared to interest income of \$0.9 million in 2008.

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 \$500,000.

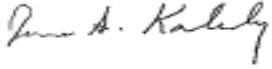
OTHER INFORMATION

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.
Executive Director

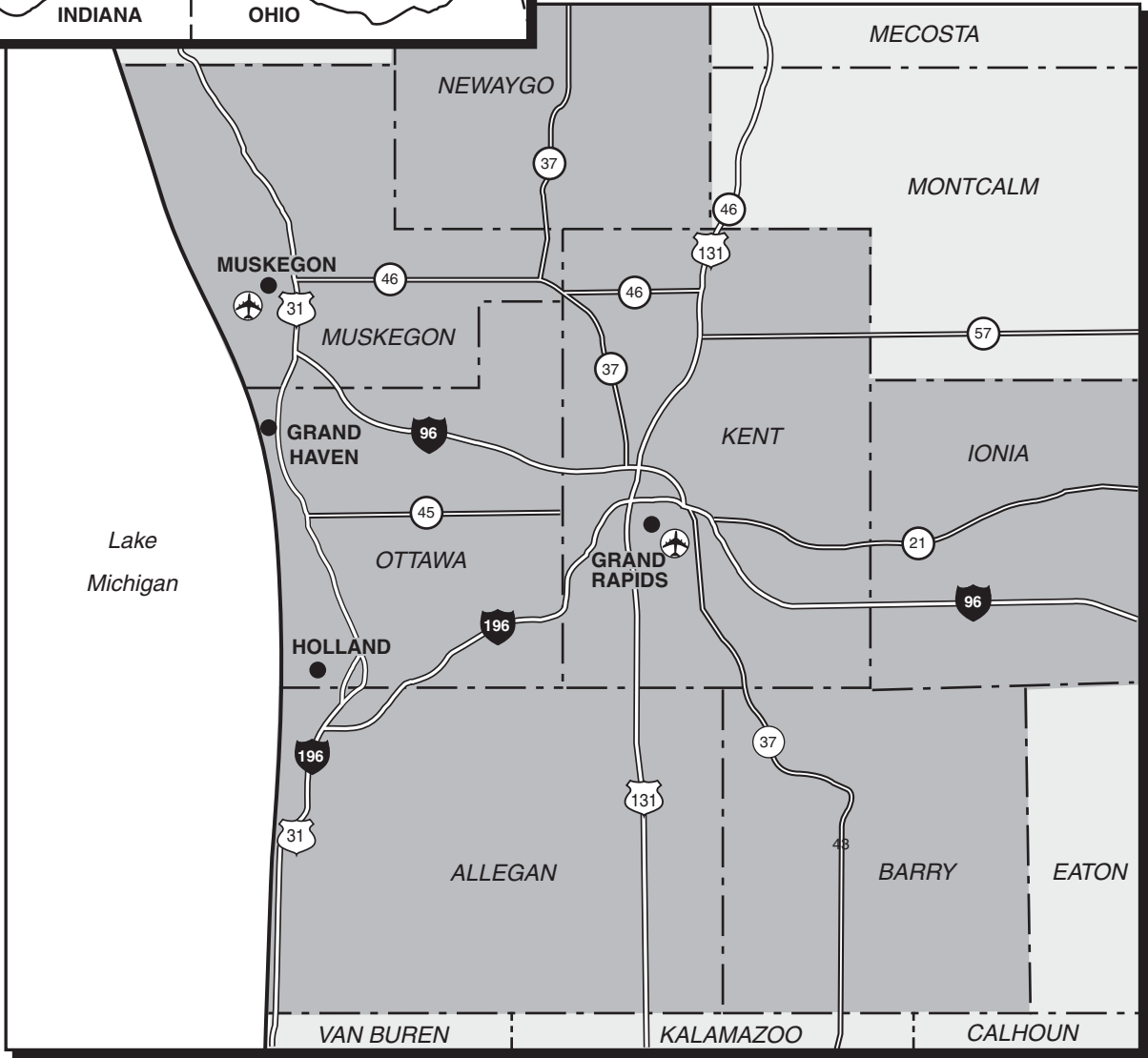


Brian Picardat, A.A.E.
Finance & Administration Director

BP/ld



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



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LEGEND

- Primary area
- Approximate secondary area
- County boundary
- State boundary
- ✈ Air carrier airport

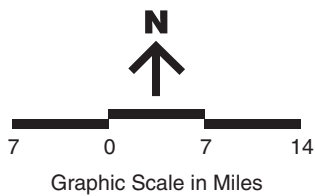
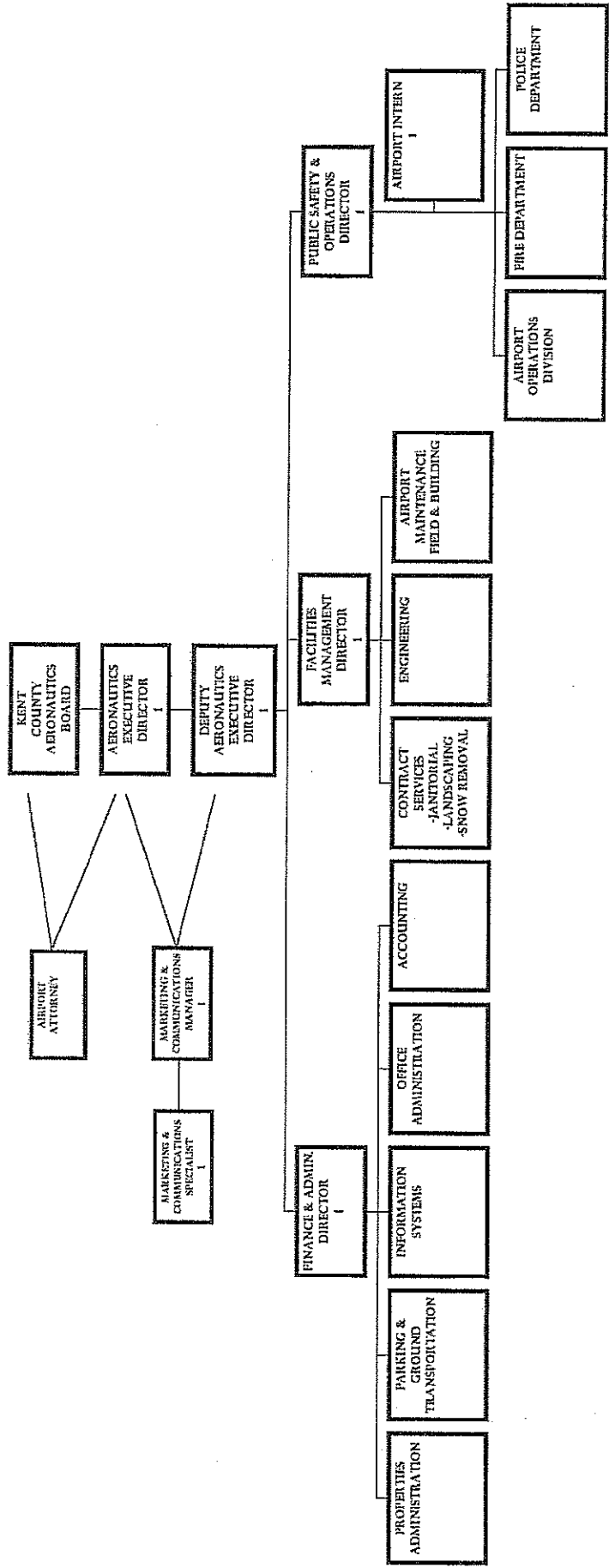


Figure 1
AIRPORT SERVICE REGION
 Gerald R. Ford International Airport
 August 2007

**KENT COUNTY DEPARTMENT OF AERONAUTICS
ORGANIZATIONAL CHART
APRIL 1, 2009**



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, 2008

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.



A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

INDEPENDENT AUDITORS' REPORT

June 17, 2010

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

We have audited the accompanying financial statements of the *Kent County Department of Aeronautics*, (an enterprise fund of the County of Kent, Michigan) as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Kent County Department of Aeronautics' management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 discussed in Note 1, the financial statements present only the Kent County Department of Aeronautics Enterprise Fund and do not purport to, and do not, present fairly the financial position of the County of Kent, Michigan, as of December 31, 2009 and 2008, and the changes in its financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kent County Department of Aeronautics, as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2010 on our consideration of the Kent County Department of Aeronautics' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent initial 'L'.

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, 2009. 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 \$187.1 million at December 31, 2009, a \$0.5 million increase from December 31, 2008. This compares to a \$7.6 million increase in 2008.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Current	\$ 33,222,887	\$ 76,998,640	\$ 146,079,273
Capital assets	353,137,616	314,755,926	237,853,790
Other non-current	5,048,909	4,874,677	4,893,143
Total assets	<u>391,409,412</u>	<u>396,629,243</u>	<u>388,826,206</u>
Liabilities			
Current liabilities	10,565,195	12,354,368	9,526,698
Revenue bonds payable	193,780,294	197,669,655	200,288,378
Total liabilities	<u>204,345,489</u>	<u>210,024,023</u>	<u>209,815,076</u>
Net assets			
Invested in capital assets, net of related debt	155,703,788	146,618,457	147,817,960
Restricted	13,566,072	21,159,452	19,928,526
Unrestricted	17,794,063	18,827,311	11,264,644
Total net assets	<u>\$ 187,063,923</u>	<u>\$ 186,605,220</u>	<u>\$ 179,011,130</u>

The largest portion of the Department's net assets each year (83.2% and 78.6% at December 31, 2009 and 2008, respectively) represents its investment in capital assets (e.g., land, buildings, improvements and equipment), less the related debt outstanding used to acquire those capital assets. The 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 (7.3% and 11.3% at December 31, 2009 and 2008, respectively) represents resources that are subject to external restrictions on how they can be used under Bond resolutions and Federal regulations. The remaining *unrestricted net assets* (9.5% and 10.1% at December 31, 2009 and 2008, respectively) may be used to meet any of the Department's ongoing obligations.

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:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total operating revenue	\$ 26,023,443	27,738,994	26,834,255
Total operating expenses	(29,193,043)	(28,913,429)	(28,243,508)
Operating income (loss)	<u>(3,169,600)</u>	<u>(1,174,435)</u>	<u>(1,409,253)</u>
Nonoperating revenues (expenses)			
Passenger facility charges	3,466,075	3,447,882	3,949,108
Customer facility charges	1,187,772	1,384,590	1,291,203
Interest revenue	428,769	897,872	1,446,676
Interest expense	(3,684,404)	(4,052,138)	(4,159,251)
Gain on sale of capital assets	66,089	14,755	95,254
Total nonoperating revenues	<u>1,464,301</u>	<u>1,692,961</u>	<u>2,622,990</u>
Change in net assets before capital contributions	(1,705,299)	518,526	1,213,737
Capital contributions	<u>2,164,002</u>	<u>7,075,564</u>	<u>8,710,661</u>
Increase in net assets	<u>\$ 458,703</u>	<u>7,594,090</u>	<u>9,924,398</u>

FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues decreased 6.2% from \$27.7 million in 2008 to \$26.0 million in 2009 principally due to a decrease in airline rates and charges and decrease in parking revenues. In 2008, operating revenues were up from 2007 principally due to an increase in airline rates and charges.
- Operating expenses increased by 1.0% from \$28.9 million in 2008 to \$29.2 million in 2009 principally due to an increase in depreciation. In 2008, operating expenses increased 2.4% from 2007 due to an increase in contractual costs.
- As a result of the above, operating loss increased by 169.9% from \$1.2 million in 2008 to \$3.2 million in 2009. This was after a 16.7% operating loss decrease in 2008 from 2007.
- Net nonoperating revenues were down 13.5% from \$1.7 million in 2008 to \$1.5 million in 2009 due principally to decreasing business passenger traffic which affected customer facility charges and interest rate declines which affected interest income. This follows a 35.5% decrease in net nonoperating revenue in 2007 to 2008.

- Capital contributions received in the form of grants from federal and state governments decreased from \$7.1 million in 2008 to \$2.2 million in 2009. In 2008 capital contributions decreased slightly from 2007. The amount of capital contributions will vary year to year based on close-out of federally funded projects.

AIRLINE RATES AND CHARGES

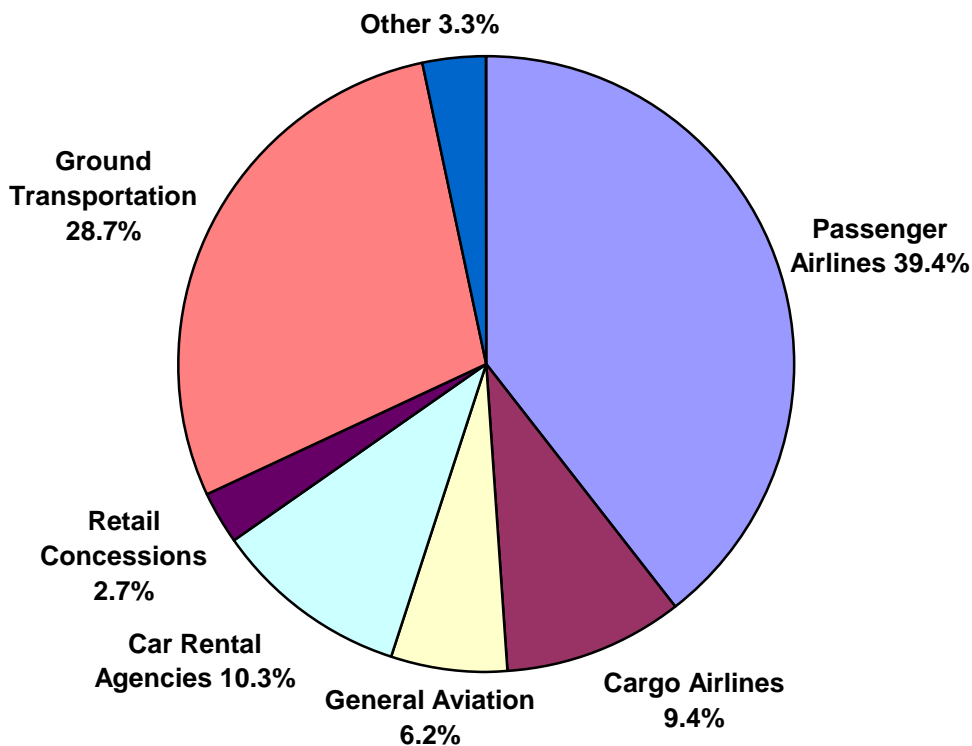
The Aeronautics Board sets cost recovery rates and charges annually by adoption of a resolution based on a compensatory (cost of services) rates and charges methodology. This methodology utilizes the Department’s annual operating and capital budgets which have been approved by the Aeronautics Board, 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:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Landing fees (per 1,000 lbs.)	\$ 2.66	\$ 2.40	\$ 2.34
Terminal rental rates (per square foot)	50.00	49.96	49.32
Airline apron fee (per 1,000 lbs.)	1.62	1.59	1.58

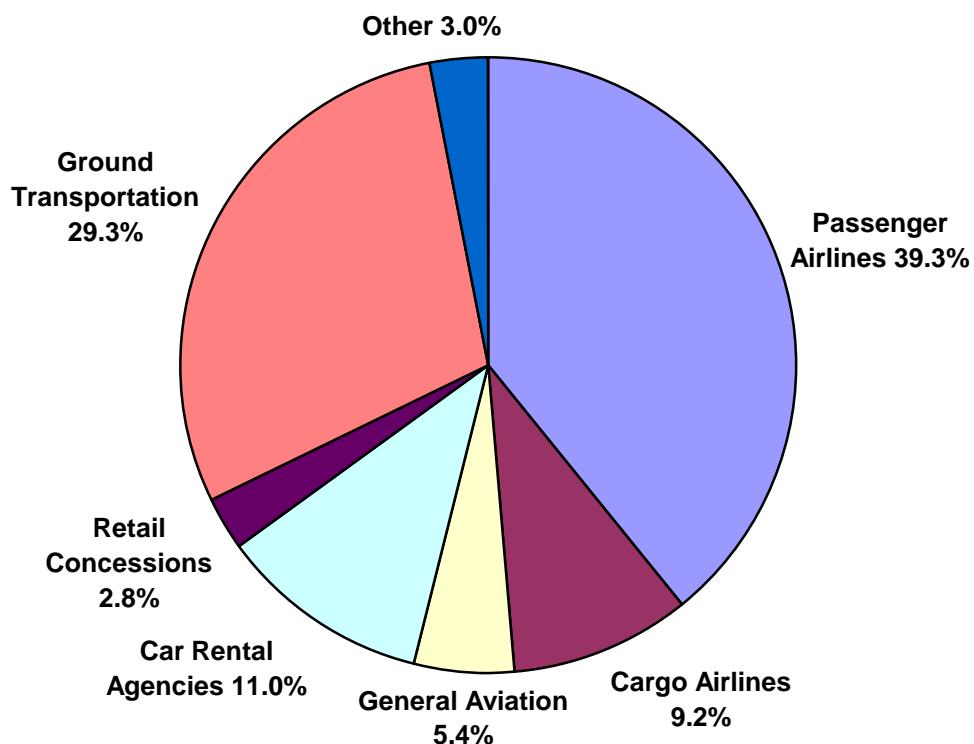
REVENUES

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

2009



2008



A summary of operating revenues for the year ended December 31, 2009 and 2008, and the amount and percentage of change in relation to prior year amounts is as follows:

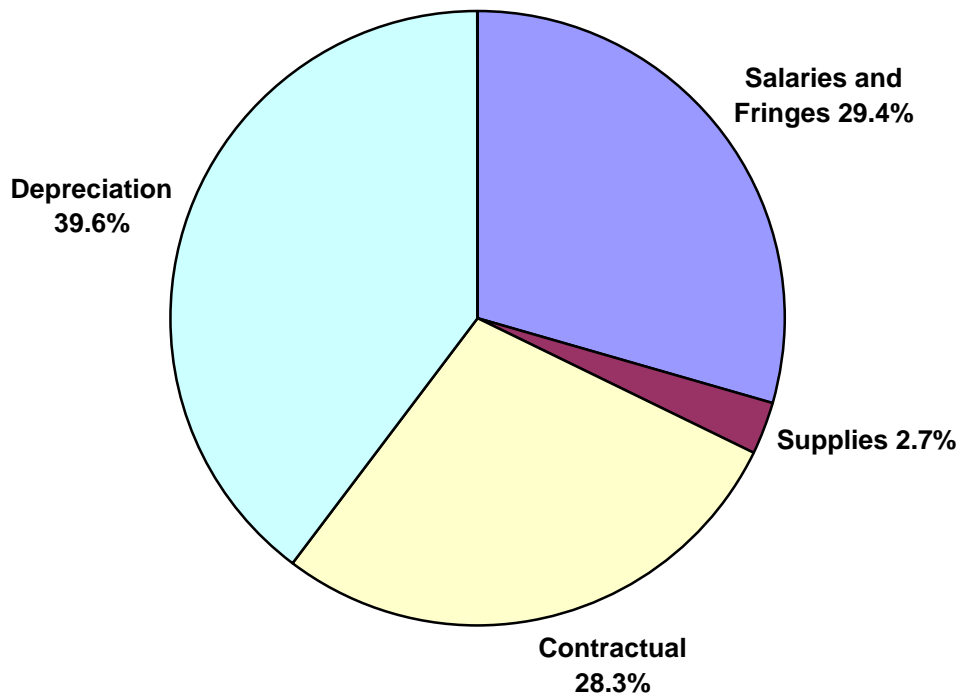
	<u>2009 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2008</u>	<u>Percent Increase/ (Decrease)</u>
Revenue				
Charges for services:				
Passenger Airlines	\$ 10,254,216	39.4	\$ (653,866)	(6.0)
Cargo Airlines	2,446,231	9.4	(113,271)	(4.4)
General Aviation	1,608,033	6.2	103,905	6.9
Car Rental Agencies	2,682,714	10.3	(369,955)	(12.1)
Retail Concessions	705,666	2.7	(67,629)	(8.7)
Ground Transportation	7,472,711	28.7	(647,938)	(8.0)
Other	853,872	3.3	33,203	4.0
Total operating revenues	<u>\$ 26,023,443</u>	<u>100.0</u>	<u>\$ (1,715,551)</u>	

	<u>2008 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2007</u>	<u>Percent Increase/ (Decrease)</u>
Revenue				
Charges for services:				
Passenger Airlines	\$ 10,908,082	39.3	\$ 870,891	8.7
Cargo Airlines	2,559,502	9.2	235,934	10.2
General Aviation	1,504,128	5.4	119,227	8.6
Car Rental Agencies	3,052,669	11.0	264,943	9.5
Retail Concessions	773,295	2.8	57,816	8.1
Ground Transportation	8,120,649	29.3	(730,202)	(8.3)
Other	820,669	3.0	86,130	11.7
Total operating revenues	<u>\$ 27,738,994</u>	<u>100.0</u>	<u>\$ (904,739)</u>	

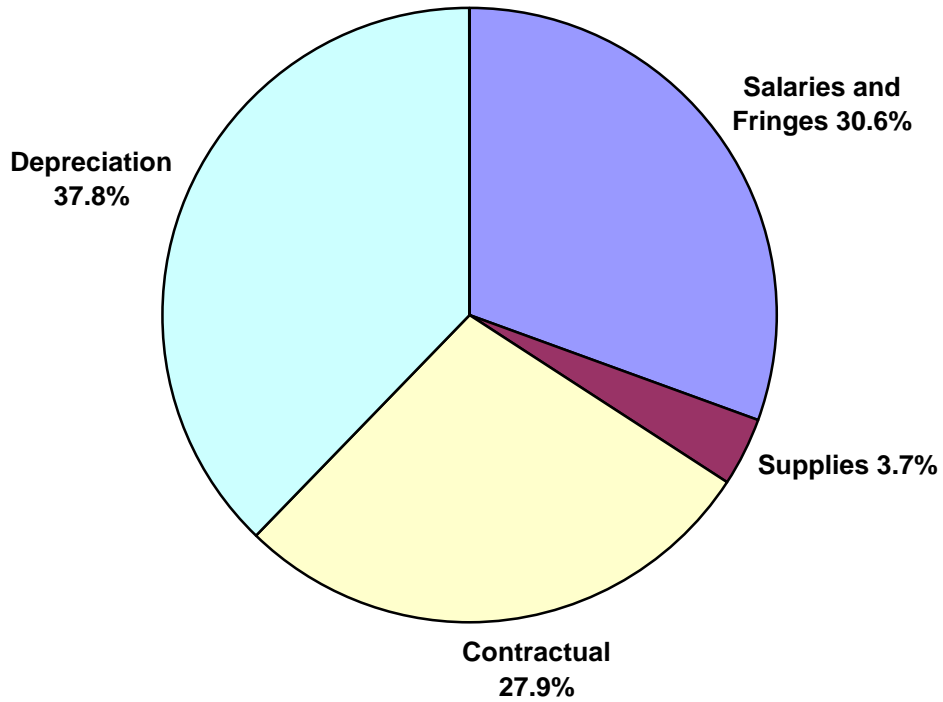
EXPENSES

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

2009



2008



A summary of operating expenses for the year ended December 31, 2009 and 2008, and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2009 Amount</u>	<u>Percent of Total</u>	<u>Increase/ Decrease From 2008</u>	<u>Percent Increase (Decrease)</u>
Operating expenses				
Salaries and Fringes	\$ 8,587,435	29.4	\$ (252,991)	(2.9)
Supplies	800,283	2.7	(262,348)	(24.7)
Contractual	8,249,918	28.3	187,551	2.3
Depreciation	11,555,407	39.6	607,402	5.5
Total operating expenses	<u>\$ 29,193,043</u>	<u>100.0</u>	<u>\$ 279,614</u>	

	<u>2008 Amount</u>	<u>Percent of Total</u>	<u>Increase/ Decrease From 2007</u>	<u>Percent Increase</u>
Operating expenses				
Salaries and Fringes	\$ 8,840,426	30.6	\$ 36,666	0.4
Supplies	1,062,631	3.7	40,997	4.0
Contractual	8,062,367	27.9	425,098	5.6
Depreciation	<u>10,948,005</u>	<u>37.8</u>	<u>167,160</u>	1.6
Total operating expenses	<u>\$ 28,913,429</u>	<u>100.0</u>	<u>\$ 669,921</u>	

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.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net cash provided by operating activities	\$ 8,528,335	\$ 9,511,728	\$ 10,648,309
Net cash provided by (used in) for capital and related financing activities	(53,780,583)	(83,576,518)	96,987,612
Net cash provided by investing activities	<u>1,545,819</u>	<u>4,664,087</u>	<u>3,093,958</u>
Net increase (decrease) in cash and cash equivalents	(43,706,429)	(69,400,703)	110,729,879
Cash and cash equivalents, beginning of year	<u>78,932,942</u>	<u>148,333,645</u>	<u>37,603,766</u>
Cash and cash equivalents, end of year	<u>\$ 35,226,513</u>	<u>\$ 78,932,942</u>	<u>\$ 148,333,645</u>

The Department's available cash and cash equivalents decreased from \$78.9 million at the end of 2008 to \$35.2 million at the end of 2009 due to the spend down of bond proceeds on the Terminal Area Parking Improvement Program in 2009. This compares to a decrease from \$148.3 million at the end of 2007 to \$78.9 million at the end of 2008 also due to the spend down of bond proceeds.

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 2009 and 2008, completed projects totaling \$144,683,635 and \$12,309,830, respectively were closed to their respective capital accounts. The major completed projects were:

2009:

Terminal and Parking Improvements with four level parking garage.	\$ 141,902,133
Other	2,781,502

2008:

East Side General Aviation Development	2,995,262
Taxiway J Reconstruction	3,142,018
Other	6,172,550

Capital asset acquisitions are capitalized at cost. 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

As a department of the County, the Department cannot sell bonds without the authorization of the County Board of Commissioners.

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

In September 2007, the Department issued \$117.4 million of Airport Revenue Bonds to finance the construction of the Terminal Area Parking and Improvement Program. This bond issue, like the 1995 Bonds and the 1999 Refunding Bonds, was sold with the limited tax general obligation of the County and utilizes the County's bond rating. Their rating for this issue was AAA from Standard & Poor's and Aaa from Moody's.

On October 29, 2009, Moody's Investor Services downgraded the underlying rating of the 1998 Bonds from A2 negative outlook to A3 stable outlook. Moody's indicated the key credit concern for this change was the Airport's ability to generate revenues to adequately support the large increase in debt service requirements from the Series 2007 Bonds issue and the locally weak economy.

On February 2009, Standard & Poor's downgraded the Airport's rating to BBB+ with a stable outlook from A- with a stable outlook. Standard & Poor's indicated the key credit concerns were the amount of additional debt taken on with the Series 2007 Bonds and the declining traffic.

See Note 5 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

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Statements of Net Assets

December 31

	<u>2009</u>	<u>2008</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 20,340,940	\$ 18,860,153
Accounts receivable, less allowance for uncollectible of \$309,016 and \$308,930.	1,069,704	1,340,167
Inventories	164,071	137,077
Prepaid expenses	65,361	65,352
Restricted assets:		
Cash and cash equivalents	11,141,220	56,244,453
Accounts receivable	441,591	351,438
Total current assets	<u>33,222,887</u>	<u>76,998,640</u>
Noncurrent assets		
Restricted assets - cash and cash equivalents less current portion	3,744,353	3,828,336
Capital assets, net:		
Land and construction in progress	24,110,711	118,857,249
Other capital assets, net of accumulated depreciation	329,026,905	195,898,677
Bond issuance costs, net of accumulated amortization	1,304,556	1,046,341
Total noncurrent assets	<u>358,186,525</u>	<u>319,630,603</u>
Total assets	<u>391,409,412</u>	<u>396,629,243</u>
Liabilities		
Current liabilities		
Accounts payable	833,262	821,261
Construction contracts payable	440,893	3,110,857
Accrued liabilities	780,260	771,757
Accrued interest	2,888,550	-
Unearned revenue	207,604	79,161
Payable from restricted assets:		
Accrued interest	1,761,092	4,831,332
Current maturities of revenue bonds payable, bond premium and deferred loss	3,653,534	2,740,000
Total current liabilities	<u>10,565,195</u>	<u>12,354,368</u>
Noncurrent liabilities		
Revenue bonds payable, plus net bond premium, and less deferred loss, net of current maturities	193,780,294	197,669,655
Total liabilities	<u>204,345,489</u>	<u>210,024,023</u>
Net assets		
Invested in capital assets, net of related debt	155,703,788	146,618,457
Restricted for:		
Capital improvements	2,923,050	11,769,139
Debt service	10,643,022	9,390,313
Unrestricted	17,794,063	18,827,311
Total net assets	<u>\$ 187,063,923</u>	<u>\$ 186,605,220</u>

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

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Statements of Revenue, Expenses and Changes in Net Assets

For the Years Ended December 31

	<u>2009</u>	<u>2008</u>
Operating revenues		
Charges for services:		
Passenger airlines	\$ 10,254,216	\$ 10,908,082
Ground transportation	7,472,711	8,120,649
Car rental agencies	2,682,714	3,052,669
Cargo airlines	2,446,231	2,559,502
General aviation	1,608,033	1,504,128
Other concessions	705,666	773,295
Other	853,872	820,669
Total operating revenues	<u>26,023,443</u>	<u>27,738,994</u>
Operating expenses		
Salaries and fringes	8,587,435	8,840,426
Supplies	800,283	1,062,631
Contractual	8,249,918	8,062,367
Depreciation	11,555,407	10,948,005
Total operating expenses	<u>29,193,043</u>	<u>28,913,429</u>
Operating loss	<u>(3,169,600)</u>	<u>(1,174,435)</u>
Nonoperating revenues (expenses)		
Passenger facility charges	3,466,075	3,447,882
Customer facility charges	1,187,772	1,384,590
Interest revenue	428,769	897,872
Interest expense	(3,684,404)	(4,052,138)
Gain of sale of capital assets	66,089	14,755
Total nonoperating revenues	<u>1,464,301</u>	<u>1,692,961</u>
Change in net assets before capital contributions	(1,705,299)	518,526
Capital contributions	<u>2,164,002</u>	<u>7,075,564</u>
Change in net assets	458,703	7,594,090
Net assets, beginning of year	<u>186,605,220</u>	<u>179,011,130</u>
Net assets, end of year	<u>\$ 187,063,923</u>	<u>\$ 186,605,220</u>

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

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Statements of Cash Flows

For the Years Ended December 31

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Receipts from customers and users	\$ 26,721,150	\$ 27,825,496
Payments to suppliers	(8,943,237)	(9,200,854)
Payments to employees	(8,564,560)	(8,709,173)
Internal activity - cash payments to other funds of Kent County	(685,018)	(403,741)
	<u>8,528,335</u>	<u>9,511,728</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities		
Passenger facility charges	3,363,919	3,558,733
Customer facility charges	1,199,775	1,387,920
Capital contributions received	1,102,767	3,220,529
Proceeds from sale of capital assets	66,089	14,755
Proceeds from sale of bonds	30,110,000	-
Proceeds from bond premium	823,224	-
Cash transferred to escrow for defeased bonds	(31,111,980)	-
Cash paid for issuance costs	(314,489)	-
Purchase of capital assets	(47,245,269)	(80,743,671)
Principal paid on capital debt	(2,740,000)	(2,625,000)
Interest paid on capital debt	(9,034,619)	(8,389,784)
	<u>(53,780,583)</u>	<u>(83,576,518)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities		
Interest and dividends received	1,545,819	4,664,087
	<u>1,545,819</u>	<u>4,664,087</u>
Net (decrease) increase in cash and cash equivalents	(43,706,429)	(69,400,703)
Cash and cash equivalents, beginning of year	78,932,942	148,333,645
	<u>78,932,942</u>	<u>148,333,645</u>
Cash and cash equivalents, end of year	<u>\$ 35,226,513</u>	<u>\$ 78,932,942</u>
Statement of net assets classifications of cash and cash equivalents:		
Cash and cash equivalents	\$ 20,340,940	\$ 18,860,153
Current restricted cash and cash equivalents	11,141,220	56,244,453
Noncurrent restricted cash and cash equivalents	3,744,353	3,828,336
	<u>\$ 35,226,513</u>	<u>\$ 78,932,942</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (3,169,600)	\$ (1,174,435)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	11,555,407	10,948,005
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	141,109	(259,865)
Inventories	(26,994)	(82,783)
Prepaid expenses	(9)	(4,253)
Accounts payable	19,919	77,214
Accrued liabilities	8,503	7,845
	<u>8,528,335</u>	<u>9,511,728</u>
Net cash provided by operating activities	<u>\$ 8,528,335</u>	<u>\$ 9,511,728</u>

Noncash financing activities

The Department received noncash capital contributions of \$1,190,589 and \$3,725,681 for the years ended December 31, 2009 and 2008, respectively.

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

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Kent County Department of Aeronautics (the “Department”) conform to generally accepted account principles as applied to enterprise funds of governmental units. The following is a summary of the significant policies.

Reporting Entity

The Department is a proprietary fund of the County of Kent, Michigan (the “County”) and is governed by a six-member Board of Aeronautics whose members are appointed by the County Board of Commissioners. The Department is responsible for operating the Gerald R. Ford International Airport (the “Airport”).

Basis of presentation

All operations of the Department are accounted for in a single enterprise fund (a type of proprietary fund). Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Department are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Measurement focus, basis of accounting, and financial statement presentation

The economic resources measurement focus and the accrual basis of accounting are used in preparing the financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in these financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash, cash equivalents, investments and accrued interest are combined in the County’s pooled cash and investment system (Money Max) which is managed by the County Treasurer. Investments of the system are reported at fair value or amortized cost, as appropriate. For the purpose of the statement of cash flows, the Department considers all highly liquid investments with an original maturity of three months or less and short-term accrued interest to be cash equivalents.

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

Investments

Investments underlying the Kent County Investment Pool consist primarily of short-term certificates of deposit, which are carried at cost plus accrued interest, and U.S. Treasury notes, which are carried at fair value. Investment income earned as a result of cash pooling is allocated to the appropriate funds, including the Department.

State statutes and County policy authorize the Department to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

Accounts Receivable

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

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.

Prepaid Expenses

The Department incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the Department records an asset to reflect the investment in future services.

Restricted Assets

Assets that are restricted for specific uses by bond requirements or other legal requirements are classified as restricted assets.

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

Bond Discounts, Premiums, Deferred Refunding Costs and Bond Issuance Costs

Premiums, discounts, deferred refunding costs and bond issuance costs associated with various bond issues are being amortized by the interest or straight-line methods over the repayment periods of the related bonds. Amortization of these items is charged to interest expense.

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:

<u>Assets</u>	<u>Years</u>
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, 2009 and 2008, estimated costs to complete were approximately \$4,024,000 and \$49,232,000, 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 market value. If it is determined that an impairment loss has occurred based on expected future undiscounted cash flows, the asset is written down to its net value and a current charge to income is recognized.

Compensated Absences

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

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 October and are effective January 1. At the end of the year, the Department does a recalculation 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 year or billed to the airlines if they underpaid during the year. The Department billed the airlines \$985,922 in fiscal year 2009 and \$1,090,780 in fiscal year 2008.

**Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)**

Notes to Financial Statements

Passenger Facilities Charges

Passenger facilities charges (PFC) are collected from airlines that service the airport for each enplaned passenger and such charges must be used to fund capital projects. The 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 Refunding Bonds, Series 2009. On September 8, 2005, the FAA approved a \$1.50 increase of the PFC to \$4.50. The additional PFC revenue will be used for terminal improvements. Consequently, revenue is recognized when earned and is classified as nonoperating 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 was used to develop new rental car service facilities and rental vehicle ready/return spaces in the parking structure. Consequently, revenue is recognized when earned and is classified as nonoperating revenue.

Capital Contributions

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program 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 assets acquisition, facilities development and rehabilitation are reported in the statement of revenues, expenses and changes in net assets, after nonoperating revenues and expenses as capital contributions.

Risk Management

The Department of Aeronautics is exposed to various risk of loss during the normal course of operation. 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.

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform with the 2009 presentation.

2. DEPOSITS AND INVESTMENTS

The Department's deposits and investments are included in the statement of fund net assets under the following classifications:

	2009	2008
Current assets:		
Cash and cash equivalents	\$ 20,340,940	\$ 18,860,153
Restricted cash and cash equivalents	11,141,220	56,244,453
Noncurrent assets:		
Restricted cash and cash equivalents	3,744,353	3,828,336
	\$ 35,226,513	\$ 78,932,942

For note disclosure purposes, the above amounts are broken out into the following classes:

	Maturity	Interest Rate	Fair Value		Credit Ratings
			2009	2008	
Investments					
Federal National Mortgage Association	1/26/09	4.00%	\$ -	\$ 2,534,107	S&P AAA
Money market mutual funds	N/A	Various	12,404,114	11,687,539	S&P AAA
Kent County investment pool	Various	Various	22,820,799	64,711,296	Various
Total investments			35,224,913	78,932,942	
Cash on hand			1,600	-	
Total investments and cash on hand			\$ 35,226,513	\$ 78,932,942	

The Department participates in the Kent County Investment Pool. Investments underlying the Kent County Investment Pool consist primarily of short-term certificates of deposit, which are carried at cost plus accrued interest, and U.S. Treasury notes, which are carried at fair value. Additional information regarding interest rate risk and credit risk can be found in the notes to the financial statements of Kent County's Comprehensive Annual Financial Report.

**Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)**

Notes to Financial Statements

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above in Note 1. The Department's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end. Additional information regarding interest rate risk can be found in the notes to the financial statements of Kent County's Comprehensive Annual Financial Report.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Department's investment policy does not have specific limits in excess of state law pertaining to investment credit risk. The ratings for each class of investments are identified above for significant classifications of investments held at year-end.

Additional information regarding credit risk can be found in the notes to the financial statements of Kent County's Comprehensive Annual Financial Report.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State law does not require and the Department does not have a specific policy pertaining to investment custodial credit risk which is more restrictive than state law. Additional information regarding custodial credit risk can be found in the notes to the financial statements of Kent County's Comprehensive Annual Financial Report.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The Department's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

3. RESTRICTED ASSETS

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

	<u>2009</u>	<u>2008</u>
Current restricted cash and cash equivalents:		
Debt service	\$ 8,659,761	\$ 10,393,308
Capital improvements	2,481,459	45,851,145
Total current restricted cash and cash equivalents	<u>\$ 11,141,220</u>	<u>\$ 56,244,453</u>
Current restricted accounts receivable:		
Passenger facility charges	\$ 369,372	\$ 267,216
Customer facility charges	72,219	84,222
Total current restricted accounts receivable	<u>\$ 441,591</u>	<u>\$ 351,438</u>
Noncurrent restricted cash and cash equivalents:		
Debt service	<u>\$ 3,744,353</u>	<u>\$ 3,828,336</u>

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 21,184,076	\$ -	\$ -	\$ 21,184,076
Construction in progress	97,673,173	48,695,063	(143,441,601)	2,926,635
Total capital assets not being depreciated	<u>118,857,249</u>	<u>48,695,063</u>	<u>(143,441,601)</u>	<u>24,110,711</u>
Capital assets being depreciated:				
Land improvements	208,696,226	2,409,612	(1,684,279)	209,421,559
Buildings and improvements	102,096,965	141,902,133	-	243,999,098
Equipment	10,650,637	-	(328,652)	10,321,985
Equipment – systems	3,856,293	291,712	-	4,148,005
Office furniture	2,233,119	18,518	-	2,251,637
Vehicles	332,636	61,660	(55,192)	339,104
Total capital assets being depreciated	<u>327,865,876</u>	<u>144,683,635</u>	<u>(2,068,123)</u>	<u>470,481,388</u>
Accumulated depreciation				
Land improvements	83,835,848	6,811,950	(1,684,279)	88,963,519
Buildings and improvements	38,659,767	3,689,994	-	42,349,761
Equipment	6,849,884	509,233	(328,652)	7,030,465
Equipment – systems	1,329,036	369,402	-	1,698,438
Office furniture	1,071,454	148,070	-	1,219,524
Vehicles	221,210	26,758	(55,192)	192,776
Total accumulated depreciation	<u>131,967,199</u>	<u>11,555,407</u>	<u>(2,068,123)</u>	<u>141,454,483</u>
Net capital assets being depreciated	<u>195,898,677</u>	<u>133,128,228</u>	<u>-</u>	<u>329,026,905</u>
Capital assets, net	<u>\$ 314,755,926</u>	<u>\$ 181,823,291</u>	<u>\$ (143,441,601)</u>	<u>\$353,137,616</u>

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 21,184,076	\$ -	\$ -	\$ 21,184,076
Construction in progress	22,132,862	82,383,775	(6,843,464)	97,673,173
Total capital assets not being depreciated	<u>43,316,938</u>	<u>82,383,775</u>	<u>(6,843,464)</u>	<u>118,857,249</u>
Capital assets being depreciated:				
Land improvements	199,748,579	8,947,647	-	208,696,226
Buildings and improvements	99,683,966	2,412,999	-	102,096,965
Equipment	9,874,424	776,213	-	10,650,637
Equipment – systems	3,804,635	51,658	-	3,856,293
Office furniture	2,181,816	72,307	(21,004)	2,233,119
Vehicles	343,993	49,006	(60,363)	332,636
Total capital assets being depreciated	<u>315,637,413</u>	<u>12,309,830</u>	<u>(81,367)</u>	<u>327,865,876</u>
Accumulated depreciation				
Land improvements	77,202,417	6,633,431	-	83,835,848
Buildings and improvements	35,433,192	3,226,575	-	38,659,767
Equipment	6,321,074	528,810	-	6,849,884
Equipment – systems	957,323	371,713	-	1,329,036
Office furniture	939,346	153,112	(21,004)	1,071,454
Vehicles	247,209	34,364	(60,363)	221,210
Total accumulated depreciation	<u>121,100,561</u>	<u>10,948,005</u>	<u>(81,367)</u>	<u>131,967,199</u>
Net capital assets being depreciated	<u>194,536,852</u>	<u>1,361,825</u>	<u>-</u>	<u>195,898,677</u>
Capital assets, net	<u>\$ 237,853,790</u>	<u>\$ 83,745,600</u>	<u>\$ (6,843,464)</u>	<u>\$ 314,755,926</u>

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

5. REVENUE BONDS PAYABLE

Revenue bonds payable activity for the year ended December 31, 2009 consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Airport Revenue Bonds, Series 1998, due in annual installments of \$1,495,000 to \$3,560,000 through 2028; interest at 4.0% to 5.0%	\$ 46,680,000	\$ -	\$ 1,430,000	\$ 45,250,000	\$ 1,495,000
Airport Revenue Refunding Bonds, Series 1999, partially refunded in May 2009; remaining principal due in one annual installment of \$1,370,000 in January 2010; interest at 4.5%	32,840,000	-	31,470,000	1,370,000	1,370,000
Airport Revenue Bonds, Series 2007, due in annual installments of \$600,000 to \$7,785,000 through 2037; interest at 4.0% to 5.0%	117,360,000	-	-	117,360,000	600,000
Airport Revenue Refunding Bonds, Series 2009, due in annual installments of \$130,000 to \$2,645,000 through 2025; interest at 2.0% to 5.0%	-	30,110,000	-	30,110,000	130,000
Total revenue bonds payable	196,880,000	30,110,000	32,900,000	194,090,000	3,595,000
Add: bond premium	5,249,310	823,224	202,174	5,870,360	232,626
Less: deferred loss on refunding	(1,719,655)	(951,980)	(145,103)	(2,526,532)	(174,092)
Revenue bonds payable, plus net bond premium, less net deferred loss	<u>\$ 200,409,655</u>	<u>\$29,981,244</u>	<u>\$32,957,071</u>	197,433,828	<u>\$ 3,653,534</u>
Less: amount due in one year				<u>(3,653,534)</u>	
Revenue bonds payable, plus net bond premium, less net deferred loss due in more than one year				<u>\$ 193,780,294</u>	

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

Revenue bonds payable activity for the year ended December 31, 2008 consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Airport Revenue Bonds, Series 1998, annual principal ranges from \$1,370,000 in 2008 to \$3,560,000 in 2028, plus interest at 4.5% to 5.0%.	\$ 48,050,000	\$ -	\$ 1,370,000	\$ 46,680,000	\$ 1,430,000
Airport Revenue Refunding Bonds, Series 1999, annual principal ranges from \$1,255,000 in 2008 to \$2,750,000 in 2025, plus interest at 4.5% to 5.0%.	34,095,000	-	1,255,000	32,840,000	1,310,000
Airport Revenue Bonds, Series 2007, annual principal ranges from \$600,000 in 2010 to \$7,785,000 in 2037, plus interest at 4.0% to 5.0%.	117,360,000	-	-	117,360,000	-
Total revenue bonds payable	199,505,000	-	2,625,000	196,880,000	2,740,000
Add: bond premium	5,242,625	6,685	-	5,249,310	-
Less: deferred loss	(1,834,247)	-	(114,592)	(1,719,655)	-
Revenue bonds payable, plus net bond premium, less current maturities and net deferred loss	\$ 202,913,378	\$ 6,685	\$ 2,510,408	200,409,655	\$ 2,740,000
Less: amount due in one year				(2,740,000)	
Revenue bonds payable, plus net bond premium, less current maturities and net deferred loss, due in more than one year				\$ 197,669,655	

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

For the year ending December 31,	<u>Principal</u>	<u>Interest</u>
2010	\$ 3,595,000	\$ 9,220,026
2011	4,180,000	9,059,081
2012	4,645,000	8,893,983
2013	5,155,000	8,708,768
2014	5,695,000	8,493,391
2015-2019	34,470,000	38,167,724
2020-2024	43,645,000	28,750,428
2025-2029	39,865,000	17,754,375
2030-2034	30,575,000	9,536,875
2035-2037	22,265,000	1,705,875
Total	<u>\$194,090,000</u>	<u>\$140,290,526</u>

There are a number of limitations and restrictions contained in the various bond indentures. The Department is in compliance with all significant limitations and restrictions. 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 2007 and 2009 Bond agreements, the Department has available a letter of credit totaling \$10,862,500, which has not been drawn upon. The Series 1998 Bond reserve requirement is funded with cash and accrued interest in the amount of \$3,744,353 and \$3,828,336 for the years ended December 31, 2009 and 2008, respectively.

During fiscal year 2009, the Department issued 2009 Airport Revenue Refunding bonds in the amount of \$30,110,000 to advance refund \$30,160,000 of 1999 airport revenue refunding bonds. The proceeds of the 2009 refunding bonds were used to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, a total of \$30,160,000 of bonds are considered defeased as of December 31, 2009 and the liability has been removed from the statement of fund net assets. The refunding resulted in a net present value savings of \$1,301,494 and an economic gain of \$1,751,003.

6. 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 years and later are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2010	\$ 6,704,202
2011	6,564,094
2012	6,163,999
2013	3,454,211
2014	2,131,919
2015-2047	7,355,977

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)

Notes to Financial Statements

7. NET ASSETS

Net assets were comprised of the following at December 31:

	2009	2008
Invested in capital assets, net of related debt		
Land and construction in progress	\$ 24,110,711	\$ 118,857,249
Other capital assets, net of accumulated depreciation	329,026,905	195,898,677
Current maturities of revenue bonds payable, bond premium and deferred loss	(3,653,534)	(2,740,000)
Revenue bonds payable, plus net bond premium, less deferred loss, net of current maturities	(193,780,294)	(197,669,655)
Unspent proceeds of revenue bonds payable	-	32,272,186
Total invested in capital assets, net of related debt	155,703,788	146,618,457
Restricted for capital improvements	2,923,050	11,769,139
Restricted for debt service	10,643,022	9,390,313
Unrestricted	17,794,063	18,827,311
Total net assets	\$ 187,063,923	\$ 186,605,220

8. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

The Department contributes to the County of Kent, Michigan Employees' Retirement Plan (the "Plan"), which is the administrator of a single-employer defined benefit pension plan that covers all employees of the County. The financial report for the Plan, containing all applicable disclosures, can be obtained by contacting the County of Kent, Michigan at 300 Monroe Avenue NW in Grand Rapids, MI.

In addition, Department employees participate in the County's single-employer defined benefit healthcare plan, which is accounted for in the County's VEBA Trust Fund. Applicable disclosures for this plan can be found in the Comprehensive Annual Financial Report for the County.

9. MAJOR CUSTOMERS

Rentals and fees earned from passenger air carriers accounted for approximately 39.4% and 39.3% of operating revenues in 2009 and 2008, respectively.

10. CONCENTRATED 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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**Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)**

Statistical Section Table of Contents

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

The statistical section information is presented in the following categories:

Contents		Page(s)
Financial Trends Schedules A and B	Financial trends information is intended to show how the governmental unit’s financial position has changed over time	27-28
Revenue Capacity Schedules C and D	Revenue capacity information is intended to show the factors affecting a governmental unit’s ability to generate its own-source revenue.	29-30
Debt Capacity Schedule E	Debt capacity information is intended to show a governmental unit’s debt burden and its ability to issue additional debt.	31
Demographic and Economic Schedules F and G	Demographic and economic information is intended to show the socioeconomic environment within which the governmental unit operates. Note that the Grand Rapids Combined Statistical Area (CSA) is currently enjoying significant building of medical facilities for treatment, research and education.	32-33
Operation Schedules H and I	Operation information is intended to show contextual information about operations and resources to provide understanding and assessing the governmental unit’s economic condition.	34-35

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)
Net Assets and Changes in Net Assets,
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Revenues										
Airfield	\$ 6,354	\$ 6,718	\$ 8,055	\$ 9,030	\$ 8,271	\$ 8,182	\$ 8,596	\$ 8,502	\$ 9,023	\$ 8,729
Terminal	4,609	5,446	5,909	7,012	6,790	6,839	6,549	6,582	7,425	6,960
Ground Transportation	7,659	8,104	8,218	8,708	9,475	10,658	11,326	11,417	10,886	9,818
Other	340	353	327	325	344	401	360	333	405	516
Total operating revenues	<u>18,962</u>	<u>20,621</u>	<u>22,509</u>	<u>25,075</u>	<u>24,880</u>	<u>26,080</u>	<u>26,831</u>	<u>26,834</u>	<u>27,739</u>	<u>26,023</u>
Nonoperating Revenues										
Interest Income	1,947	1,313	579	328	423	1,034	1,801	1,447	898	429
Passenger facility charges	2,632	2,506	2,581	2,687	2,881	2,890	4,059	3,949	3,448	3,466
Improvement charges	-	-	-	-	-	256	1,263	1,291	1,384	1,188
Other	35	13	-	57	25	4	13	95	15	66
Total nonoperating revenues	<u>4,614</u>	<u>3,832</u>	<u>3,160</u>	<u>3,072</u>	<u>3,329</u>	<u>4,184</u>	<u>7,136</u>	<u>6,782</u>	<u>5,745</u>	<u>5,149</u>
Total Revenues	<u>\$ 23,576</u>	<u>\$ 24,453</u>	<u>\$ 25,669</u>	<u>\$ 28,147</u>	<u>\$ 28,209</u>	<u>\$ 30,264</u>	<u>\$ 33,967</u>	<u>\$ 33,616</u>	<u>\$ 33,484</u>	<u>\$ 31,172</u>
Operating expenses										
Salaries and benefits	\$ 5,011	\$ 5,374	\$ 6,002	\$ 6,508	\$ 7,018	\$ 7,579	\$ 7,802	\$ 8,804	\$ 8,840	\$ 8,588
Services and supplies	4,269	4,680	6,380	6,694	6,571	8,279	7,547	8,659	9,125	9,050
Depreciation	8,398	9,072	9,668	9,647	9,716	9,957	10,553	10,781	10,948	11,555
Total operating expenses	<u>17,678</u>	<u>19,126</u>	<u>22,050</u>	<u>22,849</u>	<u>23,305</u>	<u>25,815</u>	<u>25,902</u>	<u>28,244</u>	<u>28,913</u>	<u>29,193</u>
Nonoperating expenses										
Interest	4,204	4,739	4,649	4,553	4,888	4,680	4,539	4,159	4,053	3,684
Other	-	-	1,123	-	-	-	-	-	-	-
Total nonoperating expenses	<u>4,204</u>	<u>4,739</u>	<u>5,772</u>	<u>4,553</u>	<u>4,888</u>	<u>4,680</u>	<u>4,539</u>	<u>4,159</u>	<u>4,053</u>	<u>3,684</u>
Total Expenses	<u>\$ 21,882</u>	<u>\$ 23,865</u>	<u>\$ 27,822</u>	<u>\$ 27,402</u>	<u>\$ 28,193</u>	<u>\$ 30,495</u>	<u>\$ 30,441</u>	<u>\$ 32,403</u>	<u>\$ 32,966</u>	<u>\$ 32,877</u>
Capital contributions	806	23,485	4,807	4,202	4,976	2,315	2,180	8,711	7,076	2,164
Increase in Net Assets	<u>\$ 2,500</u>	<u>\$ 24,073</u>	<u>\$ 2,654</u>	<u>\$ 4,947</u>	<u>\$ 4,992</u>	<u>\$ 2,084</u>	<u>\$ 5,706</u>	<u>\$ 9,924</u>	<u>\$ 7,594</u>	<u>\$ 459</u>
Net Assets at Year-End										
Invested in capital assets, net of related debt	\$ 101,389	\$ 127,448	\$ 126,746	\$ 133,912	\$ 136,940	\$ 134,899	\$ 139,941	\$ 147,818	\$ 147,665	\$ 155,704
Restricted for capital improvements	-	-	-	-	-	-	495	4,401	11,769	2,923
Restricted for debt service	14,478	7,042	6,776	6,772	6,945	7,594	8,989	15,527	9,390	10,643
Unrestricted	23,241	14,213	17,836	15,621	17,412	20,888	19,662	11,265	17,781	17,794
Total Net Assets	<u>\$ 124,630</u>	<u>\$ 148,703</u>	<u>\$ 151,358</u>	<u>\$ 156,305</u>	<u>\$ 161,297</u>	<u>\$ 163,381</u>	<u>\$ 169,087</u>	<u>\$ 179,011</u>	<u>\$ 186,605</u>	<u>\$ 187,064</u>

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)
Changes in Cash and Cash Equivalents,
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Cash Flows from Operating Activities										
Cash received from providing services	\$ 19,244	\$ 19,545	\$ 23,649	\$ 25,043	\$ 25,028	\$ 27,528	\$ 27,369	\$ 27,801	\$ 27,825	\$ 26,721
Cash paid to suppliers	(6,197)	(5,461)	(7,093)	(7,451)	(7,192)	(8,056)	(7,906)	(8,473)	(9,604)	(9,628)
Cash paid to employees	(5,027)	(5,316)	(5,915)	(6,153)	(7,201)	(7,472)	(7,837)	(8,680)	(8,709)	(8,565)
Net cash provided by operating activities	8,020	8,768	10,641	11,439	10,635	12,000	11,626	10,648	9,512	8,528
Capital and Related Financing Activities										
Passenger Facility Charges	2,553	2,545	2,673	2,634	2,855	2,765	4,086	3,996	3,559	3,364
Customer Facility Charges	-	-	-	-	-	173	1,264	1,286	1,388	1,200
Capital Contributions	806	21,836	6,457	4,202	1,740	2,055	2,180	8,711	3,221	1,103
Proceeds from sale of capital assets	35	13	21	63	24	43	146	95	15	66
Bond proceeds	-	-	-	-	-	-	-	122,210	-	30,619
Cash transferred to escrow for defeased bonds	-	-	-	-	-	-	-	-	-	(31,112)
Purchase of capital assets	(11,760)	(31,676)	(8,243)	(14,790)	(7,435)	(5,496)	(13,515)	(26,750)	(80,745)	(47,245)
Principle paid on capital debt	(825)	(1,935)	(2,025)	(2,110)	(4,260)	(3,199)	(3,344)	(8,416)	(2,625)	(2,740)
Interest paid on capital debt	(4,452)	(4,691)	(4,561)	(4,468)	(4,773)	(4,605)	(4,461)	(4,144)	(8,390)	(9,035)
Net cash used for capital and related activities	(13,643)	(13,908)	(5,678)	(4,694)	(11,849)	(8,264)	(13,644)	96,988	(83,577)	(53,780)
Investing Activity										
Investment earnings	1,947	1,313	579	329	422	1,012	1,869	3,094	4,664	1,546
Net Increase (Decrease) in cash and cash equivalents	(3,676)	(3,827)	5,542	7,074	(792)	4,748	(149)	110,730	(69,401)	(43,706)
Cash and Cash Equivalents, beginning of year	28,684	25,008	21,181	26,723	33,797	33,005	37,753	37,604	148,334	78,933
Cash and Cash Equivalents, end of year	<u>\$ 25,008</u>	<u>\$ 21,181</u>	<u>\$ 26,723</u>	<u>\$ 33,797</u>	<u>\$ 33,005</u>	<u>\$ 37,753</u>	<u>\$ 37,604</u>	<u>\$ 148,334</u>	<u>\$ 78,933</u>	<u>\$ 35,227</u>

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)
Passenger Activity
Enplaned Passengers

Airline	Fiscal Year									Share of 2008	2009	Share of Total 2009
	2000	2001	2002	2003	2004	2005	2006	2007	2008			
American Eagle	113,451	109,691	100,299	93,998	104,529	130,640	126,225	118,146	100,075	11.0%	104,240	11.7%
Delta Connection(Atlantic Southeast)	31,938	42,159	49,553	37,879	14,907	80,153	63,926	61,087	63,375	7.0%	61,335	6.9%
Delta Connection(Comair)	72,689	49,513	59,207	69,972	110,479	66,730	61,873	62,996	46,508	5.1%	22,524	2.5%
Delta Connection(Chautauqua)	-	-	-	-	-	-	-	-	-	-	12,256	1.4%
Delta Connection(Freedom)	-	-	-	-	-	-	-	-	-	-	15,227	1.7%
Delta Connection(Skywest)	-	-	-	-	-	-	-	-	-	-	459	0.1%
Continental Connection	-	-	-	-	92	624	678	2,922	6,490	0.7%	2,381	0.3%
Continental Express(Express Jet)	32,962	39,911	48,291	58,676	73,362	75,601	97,811	96,081	87,745	9.7%	87,601	9.9%
United Express(Go Jet)	-	-	-	-	-	-	875	23,040	29,358	3.2%	20,314	2.3%
United Express(Mesa)	-	-	-	-	-	1,939	13,009	1,977	8,340	0.9%	40,700	4.6%
Northwest AirlinK(Mesaba)	-	-	-	17,862	27,669	17,791	9,649	7,065	23,101	2.5%	21,902	2.5%
Northwest Airlines Inc.	384,889	368,485	374,730	380,551	420,365	431,470	414,513	356,506	302,849	33.4%	192,144	21.6%
Northwest AirlinK(Pinnacle)	-	-	-	8,593	13,397	14,643	39,621	74,034	68,889	7.6%	70,472	7.9%
Northwest AirlinK(Compass)	-	-	-	-	-	-	-	-	3,378	0.4%	43,137	4.9%
United Express(Shuttle America)	-	-	-	-	-	8,036	13,033	23,714	8,763	1.0%	37,810	4.3%
Midwest Connect(Skyway)	37,711	37,051	28,011	30,009	31,732	36,073	35,893	41,047	10,850	1.2%	-	0.0%
Midwest Connect(Chautauqua)	-	-	-	-	-	-	-	-	-	-	9,260	1.0%
Midwest Connect(Skywest)	-	-	-	-	-	-	-	-	35,276	3.9%	25,118	2.8%
United Express(Skywest Airlines)	-	-	-	-	7,083	6,816	25,641	45,243	24,837	2.7%	9,467	1.1%
United Airlines Inc.	124,002	128,708	139,932	114,699	107,607	80,265	108,665	84,215	83,609	9.2%	33,715	3.8%
Allegiant Air	-	-	-	-	-	-	-	-	271	0.0%	59,372	6.7%
United Express(Air Wisconsin)	-	-	-	25,623	25,191	38,049	-	-	-	-	-	-
US Airways Express(Air Wisconsin)	-	-	-	-	-	770	-	-	-	-	-	-
United Express(Chautauqua)	-	-	-	-	-	12,705	-	-	-	-	-	-
Chicago Express(ATA Connection)	25,672	41,889	50,030	57,004	53,872	8,055	-	-	-	-	-	-
Delta Airlines Inc.	30,001	-	13,370	14,231	30,300	7,540	-	-	-	-	12,844	1.4%
US Airways Express(Mesa)	-	2,348	4,980	-	8,867	29,033	-	-	-	-	-	-
Delta Connection(Atlantic Coast)	-	-	6,593	13,426	649	-	-	-	-	-	-	-
United Express(Atlantic Coast)	-	3,444	6,660	25,872	15,906	-	-	-	-	-	-	-
US Airways Express(Trans States)	-	28,465	52,126	43,764	31,236	-	-	-	-	-	-	-
Air Canada(Air Georgian)	4,484	8,394	9,148	2,459	-	-	-	-	2,630	0.3%	4,003	0.5%
American Eagle(Trans States)	-	1,832	24,724	-	-	-	-	-	-	-	-	-
US Airways Express(Chautauqua)	27,805	5,500	-	-	-	-	-	-	-	-	-	-
TWE(Trans States)	15,574	18,048	-	-	-	-	-	-	-	-	-	-
US Airways Inc.	53,934	32,738	-	-	-	-	-	-	-	-	-	-
PSA Airlines, Inc	7,763	-	-	-	-	-	-	-	-	-	-	-
Charters	5,390	3,518	886	1,101	337	290	865	846	816	0.1%	1,524	0.2%
Total	968,265	921,694	968,540	995,719	1,077,580	1,047,223	1,012,277	998,919	907,160	100.0%	887,805	100.0%

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)
Principle Revenue Sources and Revenues per Enplaned Passenger,
Last Ten Fiscal Years

(dollars in thousands, except amounts per enplaned passenger)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Airline revenues										
Landing fees	\$ 2,063	\$ 2,437	\$ 3,753	\$ 2,957	\$ 3,120	\$ 2,723	\$ 2,576	\$ 2,847	\$ 3,102	\$ 2,998
Apron fees	1,086	1,004	1,024	1,711	1,567	1,640	1,803	2,025	1,941	1,823
Terminal rents	3,728	4,542	4,898	6,714	5,575	5,340	5,513	5,165	5,865	5,433
Total airline revenues	6,877	7,983	9,675	11,382	10,262	9,703	9,892	10,037	10,908	10,254
Percentage of total revenues	29.2%	32.6%	37.7%	40.4%	36.4%	32.1%	29.1%	29.9%	32.6%	32.9%
Nonairline revenues										
Parking	5,783	6,309	6,343	6,618	7,331	8,354	8,937	8,851	8,121	7,437
Rental car	2,021	1,944	2,027	2,296	2,321	2,486	2,626	2,788	3,053	2,683
Other	4,281	4,385	4,464	4,779	4,966	5,537	5,376	5,158	5,657	5,649
Total nonairline revenues	12,085	12,638	12,834	13,693	14,618	16,377	16,939	16,797	16,831	15,769
Percentage of total revenues	51.3%	51.7%	50.0%	48.6%	51.8%	54.1%	49.9%	50.0%	50.3%	50.6%
Nonoperating revenues										
Passenger facility charges	2,632	2,506	2,581	2,687	2,881	2,890	4,059	3,949	3,448	3,466
Interest	1,947	1,313	579	328	423	1,034	1,801	1,447	898	429
Other	35	13	-	57	25	260	1,276	1,386	1,399	1,254
Total nonoperating revenues	4,614	3,832	3,160	3,072	3,329	4,184	7,136	6,782	5,745	5,149
Percentage of total revenues	19.6%	15.7%	12.3%	10.9%	11.8%	13.8%	21.0%	20.2%	17.2%	16.5%
Total Revenues	\$ 23,576	\$ 24,453	\$ 25,669	\$ 28,147	\$ 28,209	\$ 30,264	\$ 33,967	\$ 33,616	\$ 33,484	\$ 31,172
Enplaned passengers	968,265	921,694	968,540	995,719	1,077,580	1,047,223	1,012,277	998,919	907,160	887,805
Total revenue per enplaned passenger	\$ 24.35	\$ 26.53	\$ 26.50	\$ 28.27	\$ 26.18	\$ 28.90	\$ 33.56	\$ 33.65	\$ 36.91	\$ 35.11
Airline revenue per enplaned passenger	\$ 7.10	\$ 8.66	\$ 9.99	\$ 11.43	\$ 9.52	\$ 9.27	\$ 9.77	\$ 10.05	\$ 12.02	\$ 11.55
Revenue Rates										
Landing Fee (per 1,000 lbs MGLW)	\$ 1.51	\$ 1.77	\$ 1.90	\$ 2.13	\$ 2.13	\$ 2.07	\$ 2.04	\$ 2.34	\$ 2.40	\$ 2.66
Apron Fee (per 1,000 lbs MGLW)	\$ 0.70	\$ 0.69	\$ 0.70	\$ 1.07	\$ 1.07	\$ 1.20	\$ 1.32	\$ 1.58	\$ 1.59	\$ 1.62
Annual Terminal Rental Rate (per sq. ft.)	\$ 34.69	\$ 42.58	\$ 45.88	\$ 53.57	\$ 52.38	\$ 51.35	\$ 50.77	\$ 49.32	\$ 49.96	\$ 50.00

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

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)
Ratios of Outstanding Debt, Debt Service, Debt Limits and
Pledged Revenue Coverage
Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Outstanding Debt per Enplaned Passenger										
Outstanding debt by type (in thousands) :										
Revenue Bonds (all airport net operating revenues pledged)	\$ 95,023	\$ 93,203	\$ 91,293	\$ 89,297	\$ 87,207	\$ 85,011	\$ 82,711	\$ 202,913	\$ 200,410	\$ 197,434
Notes Payable	-	-	-	9,775	7,720	6,831	5,902	-	-	-
Total outstanding debt	<u>\$ 95,023</u>	<u>\$ 93,203</u>	<u>\$ 91,293</u>	<u>\$ 99,072</u>	<u>\$ 94,927</u>	<u>\$ 91,842</u>	<u>\$ 88,613</u>	<u>\$ 202,913</u>	<u>\$ 200,410</u>	<u>\$ 197,434</u>
Outstanding debt per enplaned passenger	\$ 98.14	\$ 101.12	\$ 94.26	\$ 99.50	\$ 88.09	\$ 87.70	\$ 87.54	\$ 203.13	\$ 220.92	\$ 222.38
Outstanding debt ratio for service area (total outstanding debt/(per capita income*trade area population))							\$ 0.0028	\$ 0.0064	\$ 0.0065	N/A
Outstanding debt ratio for Kent County (total outstanding debt/(per capita income*county population))							\$ 0.0059	\$ 0.0134	\$ 0.0138	N/A
Net Revenues										
Revenues	\$ 23,576	\$ 24,453	\$ 25,669	\$ 28,147	\$ 28,209	\$ 30,264	\$ 33,967	\$ 33,616	\$ 33,484	\$ 31,172
Less: Operating Expenses, less depreciation	<u>9,279</u>	<u>10,054</u>	<u>12,382</u>	<u>13,202</u>	<u>13,589</u>	<u>15,859</u>	<u>15,348</u>	<u>17,463</u>	<u>17,965</u>	<u>17,638</u>
Net Revenues	<u>\$ 14,297</u>	<u>\$ 14,399</u>	<u>\$ 13,287</u>	<u>\$ 14,945</u>	<u>\$ 14,620</u>	<u>\$ 14,405</u>	<u>\$ 18,619</u>	<u>\$ 16,153</u>	<u>\$ 15,519</u>	<u>\$ 13,534</u>
Debt Service										
Principle paid on capital debt	\$ 825	\$ 1,935	\$ 2,025	\$ 2,110	\$ 2,205	\$ 2,310	\$ 2,415	\$ 2,515	\$ 2,625	\$ 2,740
Interest	4,824	4,739	4,649	4,553	4,485	4,340	4,238	4,056	4,052	3,684
Principle paid on notes payable	-	-	-	-	2,055	889	929	5,902	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>403</u>	<u>341</u>	<u>301</u>	<u>88</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>\$ 5,649</u>	<u>\$ 6,674</u>	<u>\$ 6,674</u>	<u>\$ 6,663</u>	<u>\$ 9,148</u>	<u>\$ 7,880</u>	<u>\$ 7,883</u>	<u>\$ 12,561</u>	<u>\$ 6,677</u>	<u>\$ 6,424</u>
Revenue Bonds Debt Service Coverage	2.5	2.2	2.0	2.2	2.2	2.2	2.8	2.5	2.3	2.1
Total Debt Service Coverage	2.5	2.2	2.0	2.2	1.6	1.8	2.4	1.3	2.3	2.1
Debt Service per Enplaned Passenger	\$ 5.83	\$ 7.24	\$ 6.89	\$ 6.69	\$ 8.49	\$ 7.52	\$ 7.79	\$ 12.57	\$ 7.36	\$ 7.24

Debt Limit Information

The Department is an enterprise fund of the County of Kent. No debt limit information is available for the Airport's trade area. For information about Kent County only, please see the County of Kent Certified Annual Financial Report. 2009 Data not available.

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)
Principle Employers in the Primary Trade Area
Calendar Years 2008 and 1999

Employer	County	Product or Service	Number 2008	Percentage of Total Employment	Number 1999	Percentage of Total Employment
Spectrum Health	Kent	Healthcare	13,155	2.05%	10,000	1.50%
Meijer Inc	Kent	Retail food and merchandise	10,840	1.69%	12,575	1.88%
Wal-Mart Stores Inc.	Various	Retail food and merchandise	4,622	0.72%	0	0.00%
Spartan Stores Inc.	Kent	Retail food	4,440	0.69%	1,869	0.28%
Steelcase Inc.	Kent	Office Furniture	4,300	0.67%	9,000	1.35%
Mercy General Health Partners	Muskegon	Healthcare	4,297	0.67%	3,300	0.49%
Herman Miller Inc.	Ottawa	Office Furniture	4,000	0.62%	5,767	0.86%
Amway Corporation	Kent	Personal and Household products	4,000	0.62%	4,933	0.74%
Axios Incorporated	Kent	Human resource and employment services	3,857	0.60%	0	0.00%
Grand Rapids Public Schools	Kent	Education	3,478	0.54%	4,000	0.60%
Saint Mary's Health Care	Kent	Healthcare	2,800	0.44%	2,500	0.37%
Perrigo Company	Allegan	Manufacturing - Pharmaceuticals	2,700	0.42%	2,700	0.40%
Gentex Corporation	Ottawa	Manufacturing - Auto parts	2,640	0.41%	1,450	0.22%
City of Grand Rapids	Kent	Government	2,512	0.39%	1,800	0.27%
U. S. Postal Service	Kent	Postal Delivery	2,500	0.39%	3,635	0.54%
Howmet Corporation/Alcoa	Muskegon	Manufacturing-Castings	2,420	0.38%	2,375	0.36%
Haworth Inc.	Ottawa	Manufacturing - furniture	2,194	0.34%	3,513	0.53%
Hope Network Industries	Kent	Packaging	2,100	0.33%	600	0.09%
Metro Health Hospital	Kent	Healthcare	2,059	0.32%	2,000	0.30%
Fifth Third Bank	Kent	Banking	1,993	0.31%	3,600	0.54%
Johnson Controls Inc.	Ottawa	Manufacturing - Auto parts	1,900	0.30%	5,500	0.82%
Grand Valley State University	Ottawa	Education	1,899	0.30%	1,122	0.17%
Kent County	Kent	Government	1,849	0.29%	1,996	0.30%
Lacks Enterprises Inc.	Kent	Manufacturing - Auto parts	1,800	0.28%	1,721	0.26%
Total Employment			640,572		668,468	

Note: 2009 data not available

Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)
Population in the Primary Trade Area

	2009	2008	2007	2000	1990	2008- 2009	Percentage Change		
							2007- 2008	2000- 2007	1990- 2000
Allegan County	112,975	113,625	114,972	105,665	90,509	-0.57%	-1.17%	8.8%	16.7%
Barry County	58,890	59,501	60,744	56,755	50,057	-1.03%	-2.05%	7.0%	13.4%
Ionia County	63,833	64,269	65,337	61,518	57,024	-0.68%	-1.63%	6.2%	7.9%
Kent County	608,315	609,235	601,970	574,335	500,631	-0.15%	1.21%	4.8%	14.7%
Muskegon County	174,344	174,854	177,234	170,200	158,983	-0.29%	-1.34%	4.1%	7.1%
Newaygo County	48,897	49,118	50,521	47,874	38,202	-0.45%	-2.78%	5.5%	25.3%
Ottawa County	260,364	262,556	259,606	238,314	187,768	-0.83%	1.14%	8.9%	26.9%
	<u>1,327,618</u>	<u>1,333,158</u>	<u>1,330,384</u>	<u>1,254,661</u>	<u>1,083,174</u>	-0.42%	0.21%	6.0%	15.8%
Per Capita Income	Not Available	\$ 22,880	\$ 23,900	\$ 20,570	\$ 13,348	N/A	-4.27%	16.2%	54.1%
Total Personal Income (<i>dollars in thousands</i>)	Not Available	\$ 30,502,655	\$ 31,796,178	\$ 25,808,377	\$ 14,458,207				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2005</u>	<u>2004</u>				
Employment Information									
Civilian Labor Force	668,909	691,350	696,473	639,148	624,094				
Employed	588,264	640,572	654,295	602,255	581,637				
Unemployed	80,645	50,778	42,178	36,893	42,457				
Unemployment Rate	12.1%	7.3%	6.1%	5.8%	6.8%				

Source: Michigan Labor Market Information

**Kent County Department of Aeronautics
 (An Enterprise Fund of the County of Kent, Michigan)
 Department Employees
 Last Ten Fiscal Years**

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Administration	19	22	22	22	22	22	22	21	20	20
Maintenance	31	31	31	30	31	31	31	31	31	31
Parking	26	26	26	29	29	29	29	31	29	24
Firefighting	15	16	16	17	16	16	16	16	16	16
Public Safety	28	28	28	28	36	36	36	33	33	33
Total	119	123	123	126	134	134	134	132	129	124
Enplaned passengers per employee	8,137	7,493	7,874	7,903	8,042	7,815	7,554	7,568	7,032	7,160
Operating Revenues (in thousands)	18,962	20,621	22,509	25,075	24,880	26,080	26,831	26,834	27,739	27,739
Operating Expenses (in thousands)	17,677	19,126	22,050	22,849	23,305	25,815	25,902	28,244	28,913	28,913
Salaries and fringes (in thousands)	5,011	5,374	6,002	6,508	7,018	7,579	7,802	8,804	8,840	8,840
Payroll Percentage of Operating Revenues	26.4%	26.1%	26.7%	26.0%	28.2%	29.1%	29.1%	32.8%	31.9%	31.9%
Payroll Percentage of Operating Expenses	28.3%	28.1%	27.2%	28.5%	30.1%	29.4%	30.1%	31.2%	30.6%	30.6%

**Kent County Department of Aeronautics
(An Enterprise Fund of the County of Kent, Michigan)
Capital Asset Information
Last Ten Fiscal Years**

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Runways:										
8R/26L - East/West - 10,000 x 150 ft.										
8L/26R - East/West - 5,000 x 100 ft.										
17/35 - North/South - 8,500 x 150 ft.										
Total Aircraft Movements	136,465	126,224	125,622	110,128	116,455	112,314	112,608	101,378	97,501	87,883
Annual Capacity	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>
Runway Utilization Percentage	<u>49.18%</u>	<u>45.49%</u>	<u>45.27%</u>	<u>39.69%</u>	<u>41.97%</u>	<u>40.47%</u>	<u>40.58%</u>	<u>36.53%</u>	<u>35.14%</u>	<u>31.67%</u>
Terminal Building:										
Exclusive area leased	65,157	67,464	65,996	62,741	71,729	67,500	63,750	64,444	68,615	61,338
Exclusive area available	<u>85,295</u>	<u>85,295</u>	<u>83,712</u>	<u>83,712</u>	<u>95,325</u>	<u>96,200</u>	<u>95,365</u>	<u>95,365</u>	<u>95,365</u>	<u>95,365</u>
Terminal Occupancy Percentage	<u>76.39%</u>	<u>79.09%</u>	<u>78.84%</u>	<u>74.95%</u>	<u>75.25%</u>	<u>70.17%</u>	<u>66.85%</u>	<u>67.58%</u>	<u>71.95%</u>	<u>64.32%</u>
Enplanements	968,265	921,694	968,540	995,719	1,077,580	1,047,223	1,012,277	998,919	907,160	887,805
Planned Capacity	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
Terminal Utilization Percentage	<u>53.79%</u>	<u>51.21%</u>	<u>53.81%</u>	<u>55.32%</u>	<u>59.87%</u>	<u>58.18%</u>	<u>56.24%</u>	<u>55.50%</u>	<u>50.40%</u>	<u>49.32%</u>
Parking Areas:										
Number of annual Long Term Exits (a)	234,630	262,315	233,662	216,878	245,024	191,377	185,503	229,531	207,982	200,106
Average Long Term stay (days) (b)	<u>4.0</u>	<u>3.2</u>	<u>3.7</u>	<u>3.7</u>	<u>4.0</u>	<u>3.4</u>	<u>3.8</u>	<u>4.4</u>	<u>3.8</u>	<u>4.0</u>
Average Annual Long Term Occupancy ((a*b)/365)	2,571	2,300	2,369	2,198	2,685	1,783	1,931	2,767	2,165	2,193
Number of Long Term Spaces Available	<u>3,733</u>	<u>3,733</u>	<u>4,733</u>	<u>4,733</u>	<u>5,483</u>	<u>5,483</u>	<u>5,483</u>	<u>4,708</u>	<u>4,708</u>	<u>4,708</u>
Average Annual Long Term Occupancy Rate	<u>68.88%</u>	<u>61.61%</u>	<u>50.04%</u>	<u>46.45%</u>	<u>48.97%</u>	<u>32.51%</u>	<u>35.22%</u>	<u>58.77%</u>	<u>45.99%</u>	<u>46.58%</u>