

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



For the
Years Ended
December 31,
2011 and 2010

Comprehensive
Annual Financial
Report

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DEPARTMENT OF
AERONAUTICS (An
Enterprise Fund of the
County of Kent,
Michigan)



For the
Years Ended
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2011 and 2010

Comprehensive
Annual Financial
Report

Prepared by: Kent County Department of Aeronautics

Acting Executive Director
Phillip E. Johnson, 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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INTRODUCTORY SECTION

KENT COUNTY DEPARTMENT OF AERONAUTICS

ELECTED OFFICERS AND KEY STAFF MEMBERS

For the Year Ended December 31

AIRPORT BOARD

Joseph Tomaselli
Chair

Richard A. Vandermolen*
Vice Chair

Terri Lynn Land

Roger Morgan*

Theodore J. Vonk*

Floyd Wilson Jr.

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

Phillip E. Johnson, A.A.E. Acting 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



KENT COUNTY DEPARTMENT OF AERONAUTICS

Gerald R. Ford International Airport

AIRPORT BOARD

JOSEPH TOMASELLI, Chairman
RICHARD A. VANDER MOLEN, Vice Chairman
TERRI LYNN LAND
ROGER MORGAN
THEODORE J. VONK
FLOYD WILSON, JR.

DEPARTMENT STAFF

PHILLIP E. JOHNSON, A.A.E. Acting 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

May 17, 2012

Gerald R. Ford International Airport 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, 2011. This report was prepared by the Department's Finance and Administration Division, and the financial statements were audited by Rehmann Robson, LLP, an independent firm of Certified Public Accountants. This report is prepared for the purpose of disclosing the Department's financial condition and to provide the reader additional information about the Department's mission, goals and operating trends. The auditors' unqualified opinion has been included in this report. The Department's Management Discussion and Analysis provides an introduction to the Financial Statements and can be found starting on page 11.

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.

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. In 1959, the Department was created by resolution of the Kent County Board of Supervisors. On November 3, 2011 the County Commission changed the Board name to the Gerald R. Ford International Airport Board. This Board is made up of three County Commissioners and four citizens at-large, all appointed by the County Commission. One Citizen member has to be from outside Kent County. The Board is responsible for governing the affairs of the Department and sets all policies. There were no significant changes to the Airport Board Policies or any significant impacts on the Financial Statements due to the Boards Policies.

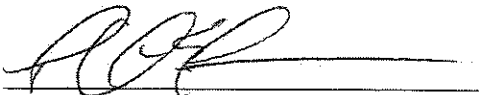
As an enterprise fund, users of the Department facilities provide the revenues to operate, maintain and provide necessary services and facilities. The Department is not supported by general tax revenues of the County. The Department is responsible for operating the Gerald R. Ford International Airport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

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, 2010. 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 eighteenth consecutive year the Department received the award.

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

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

Respectfully submitted,



Phillip E. Johnson, A.A.E.
Acting Executive Director

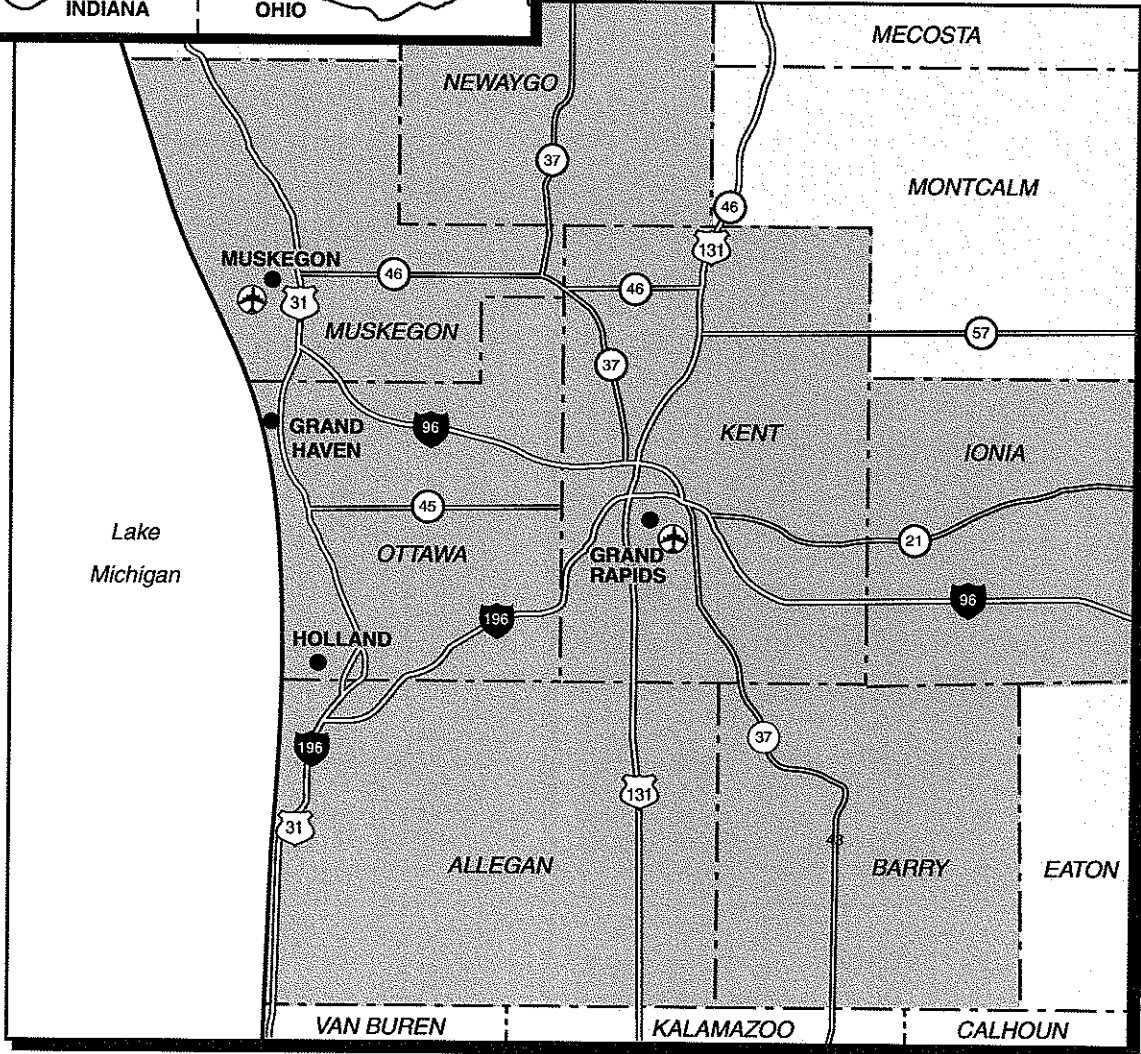


Brian Picardat, A.A.E.
Finance & Administration Director

BP/lid



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



LEGEND

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

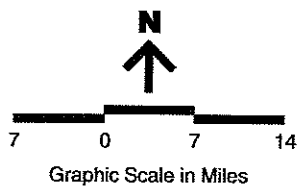
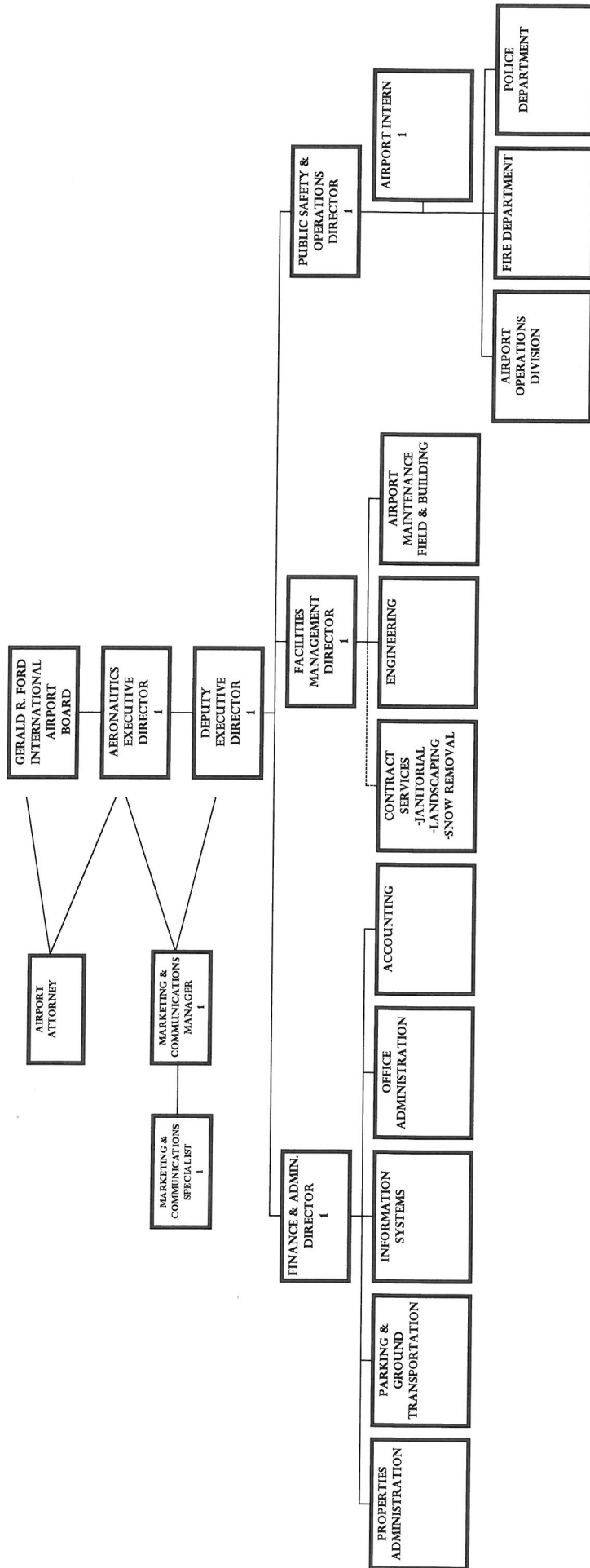


Figure 1
AIRPORT SERVICE REGION
 Gerald R. Ford International Airport
 August 2007

**KENT COUNTY DEPARTMENT OF AERONAUTICS
ORGANIZATIONAL CHART
JANUARY 1, 2012**



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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

May 17, 2012

Gerald R. Ford International Airport 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) (the "Department"), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the Department. Our responsibility is to express opinions 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, 2011 and 2010, 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 respective financial position of the Department as of December 31, 2011 and 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 to 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Our audits were conducted for the purpose of forming an opinion on the 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 do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated May 17, 2012 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 cursive script that reads "Lehmann Johnson".

MANAGEMENT'S DISCUSSION AND ANALYSIS

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

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, 2011. 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 \$184.8 million at December 31, 2011, a \$2.8 million decrease from December 31, 2010. This is comparable to the \$0.5 million increase in 2010.

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

	2011	2010	2009
Assets			
Current	\$ 38,768,276	\$ 37,034,514	\$ 33,222,887
Capital assets	335,734,412	344,507,052	353,137,616
Other non-current	<u>5,102,586</u>	<u>6,984,300</u>	<u>5,048,909</u>
Total assets	<u>379,605,274</u>	<u>388,525,866</u>	<u>391,409,412</u>
Liabilities			
Current liabilities	10,516,937	11,391,597	10,565,195
Revenue bonds payable	<u>184,247,753</u>	<u>189,541,760</u>	<u>193,780,294</u>
Total liabilities	<u>194,764,690</u>	<u>200,933,357</u>	<u>204,345,489</u>
Net assets			
Invested in capital assets, net of related debt	146,698,760	150,726,758	155,703,788
Restricted	14,474,459	14,711,632	13,191,445
Unrestricted	<u>23,667,365</u>	<u>22,154,119</u>	<u>18,168,690</u>
Total net assets	<u>\$184,840,584</u>	<u>\$187,592,509</u>	<u>\$187,063,923</u>

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Management's Discussion and Analysis

The largest portion of the Department's net assets each year (79.4% and 80.4% at December 31, 2011 and 2010, 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 (7.8% and 7.8% at December 31, 2011 and 2010, 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* (12.8% and 11.8% at December 31, 2011 and 2010, 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:

	2011	2010	2009
Total operating revenue	\$ 31,629,680	\$ 31,982,082	\$ 26,023,443
Total operating expenses	<u>(33,952,146)</u>	<u>(34,081,755)</u>	<u>(29,193,043)</u>
Operating loss	<u>(2,322,466)</u>	<u>(2,099,673)</u>	<u>(3,169,600)</u>
Non-operating revenues (expenses)			
Passenger facility charges	4,635,636	4,504,920	3,466,075
Customer facility charges	1,543,299	1,373,865	1,187,772
Interest revenue	154,245	147,823	428,769
Interest expense	(8,252,159)	(9,147,189)	(3,684,404)
Gain on sale of capital assets	<u>49,731</u>	<u>22,013</u>	<u>66,089</u>
Total non-operating revenues (expenses)	<u>(1,869,248)</u>	<u>(3,098,568)</u>	<u>1,464,301</u>
Loss before capital contributions	(4,191,714)	(5,198,241)	(1,705,299)
Capital contributions	<u>1,439,789</u>	<u>5,726,827</u>	<u>2,164,002</u>
Increase (decrease) in net assets	<u>\$ (2,751,925)</u>	<u>\$ 528,586</u>	<u>\$ 458,703</u>

KENT COUNTY DEPARTMENT OF AERONAUTICS (AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Management's Discussion and Analysis

FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues decreased 1.1% from \$32.0 million in 2010 to \$31.6 million in 2011 principally due to a decrease in terminal building revenues. In 2010, operating revenues were up from 2009 principally due to an increase in parking revenues.
- Operating expenses decreased by 0.4% from \$34.1 million in 2010 to \$34.0 million in 2011 principally due to a decrease in personnel costs. In 2010, operating expenses increased 16.7% from 2009 due to an increase in depreciation.
- As a result of the above, operating loss increased by 10.6% from \$2.1 million in 2010 to \$2.3 million in 2011. This was after a 33.8% operating loss decrease in 2010 from 2009.
- Net non-operating revenues (expenses) were up 39.7% from \$3.1 million net non-operating revenue (expenses) in 2010 to \$1.9 million in 2011 due principally to interest expense decrease. This follows a 311.6% decrease in net non-operating revenue (expenses) from 2009 to 2010.
- Capital contributions received in the form of grants from federal and state governments decreased from \$5.7 million in 2010 to \$1.4 million in 2011. In 2010 capital contributions increased from 2009. The amount of capital contributions will vary year to year based on close-out of federally funded projects.

AIRLINE RATES AND CHARGES

The Gerald R. Ford International Airport 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 Gerald R. Ford International Airport 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:

	2011	2010	2009
Landing fees (per 1,000 lbs)	\$ 2.42	\$ 2.85	\$ 2.66
Terminal rental rates (per square foot)	51.34	48.98	50.00
Airline apron fee (per 1,000 lbs)	1.43	1.83	1.62

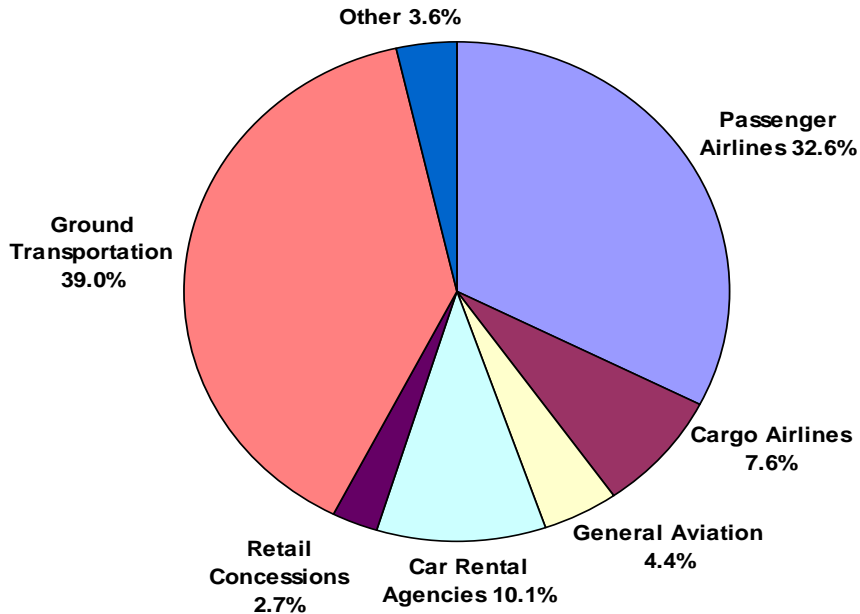
KENT COUNTY DEPARTMENT OF AERONAUTICS
 (AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Management's Discussion and Analysis

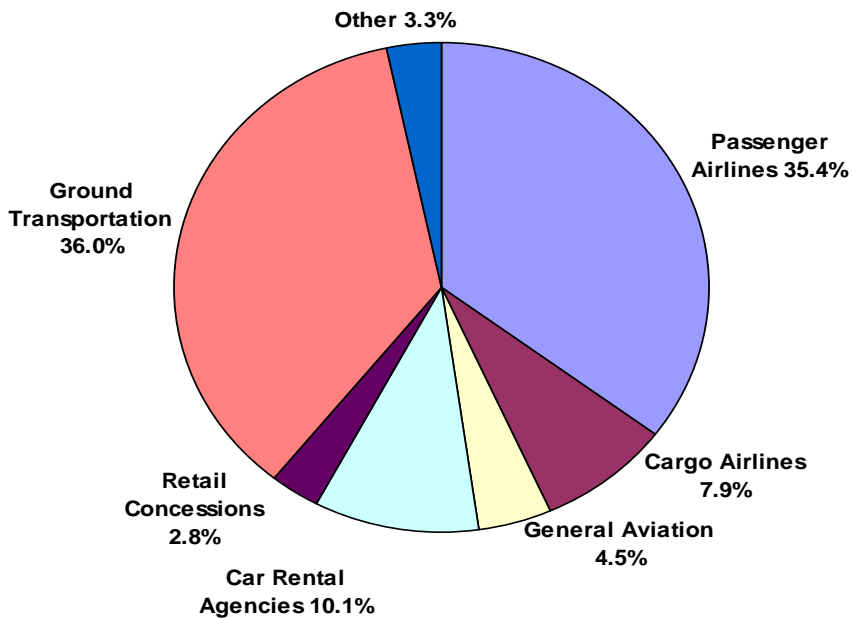
REVENUES

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

2011



2010



**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Management's Discussion and Analysis

A summary of operating revenues for the year ended December 31, 2011 and 2010, and the amount and percentage of change in relation to prior year amounts is as follows:

	2011 Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent Increase/ (Decrease)
Revenue				
Charges for services:				
Passenger airlines	\$ 10,296,427	32.6 %	\$ (1,030,169)	(9.1) %
Ground transportation	12,331,820	39.0	806,965	7.0
Car rental agencies	3,179,463	10.1	(40,616)	(1.3)
Cargo airlines	2,420,444	7.7	(101,916)	(4.0)
General aviation	1,394,948	4.4	(36,983)	(2.6)
Other concessions	854,964	2.7	(30,492)	(3.4)
Other	1,151,614	3.6	80,809	7.5
Total operating revenues	31,629,680	100.0 %	(352,402)	(1.1) %

	2010 Amount	Percent of Total	Increase/ (Decrease) From 2009	Percent Increase/ (Decrease)
Revenue				
Charges for services:				
Passenger airlines	\$ 11,326,596	35.4 %	\$ 1,101,718	10.8 %
Ground transportation	11,524,855	36.0	76,129	3.1
Car rental agencies	3,220,079	10.1	(7,809)	(0.5)
Cargo airlines	2,522,360	7.9	537,365	20.0
General aviation	1,431,931	4.5	206,238	30.4
Other concessions	885,456	2.8	4,052,144	54.2
Other	1,070,805	3.3	(7,146)	(0.7)
Total operating revenues	\$ 31,982,082	100.0 %	\$ 5,958,639	22.9 %

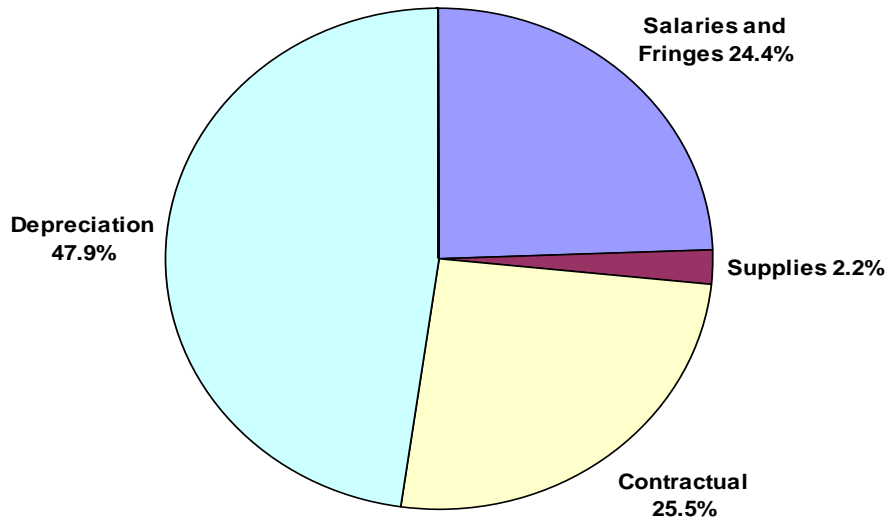
KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Management's Discussion and Analysis

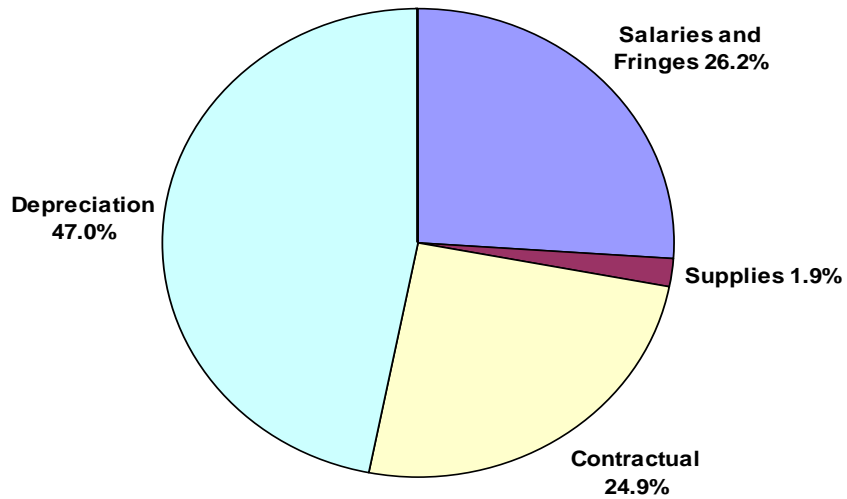
EXPENSES

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

2011



2010



**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Management's Discussion and Analysis

A summary of operating expenses for the year ended December 31, 2011 and 2010, and the amount and percentage of change in relation to prior year amounts is as follows:

	2011 Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent Increase/ (Decrease)
Operating expenses				
Salaries and fringes	\$ 8,262,509	24.3 %	\$ (662,807)	(7.4) %
Materials and supplies	750,259	2.2	104,558	16.2
Contractual services	8,656,297	25.5	154,120	1.8
Bad debts	8,378	0.0	8,738	100.0
Depreciation	16,274,703	47.9	266,142	1.7
Total operating expenses	\$ 33,952,146	100.0 %	\$ (129,249)	(0.4) %

	2010 Amount	Percent of Total	Increase/ (Decrease) From 2009	Percent Increase/ (Decrease)
Operating expenses				
Salaries and fringes	\$ 8,925,316	26.2 %	\$ 337,881	3.9 %
Materials and supplies	645,701	1.9	(93,978)	(12.7)
Contractual services	8,502,177	24.9	191,635	2.3
Depreciation	16,008,561	47.0	4,453,154	38.5
Total operating expenses	\$ 34,081,755	100.0 %	\$ 4,888,692	16.7 %

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.

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Management's Discussion and Analysis

SUMMARY OF CASH FLOW ACTIVITIES

	2011	2010	2009
Net cash provided by operating activities	\$ 13,300,720	\$ 13,787,176	\$ 8,528,335
Net cash used in capital and related financing activities	(14,122,901)	(8,707,510)	(53,780,538)
Net cash provided by investing activities	<u>205,323</u>	<u>147,823</u>	<u>1,545,819</u>
Net increase (decrease) in cash and cash equivalents	(616,858)	5,227,489	(43,706,384)
Cash and cash equivalents, beginning of year	<u>40,454,002</u>	<u>35,226,513</u>	<u>78,932,942</u>
Cash and cash equivalents, end of year	<u>\$ 39,837,144</u>	<u>\$ 40,454,002</u>	<u>\$ 35,226,558</u>

The Department's available cash and cash equivalents decreased from \$40.5 million at the end of 2010 to \$39.8 million at the end of 2011 due to a decrease in net cash from operating activities. This was due to flat revenues and expenses during the year. This compares to an increase from \$35.2 million at the end of 2009 to \$40.5 million at the end of 2010 due to an increase in passenger activity of 23.4% and a full year of revenue from the parking structure which opened in November 2009.

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 2010 and 2009, completed projects totaling \$7,076,097 and \$144,683,635, respectively were closed to their respective capital accounts. The major completed projects were:

2011:	
Reconstruction of Gateway and Walsh Drive	\$ 1,552,497
9 Passenger Loading Bridges	6,023,534
Other	1,493,653
2010:	
Passenger Loading Bridges	\$ 2,684,880
Taxiway Z	2,167,158
Other	2,224,059

KENT COUNTY DEPARTMENT OF AERONAUTICS (AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Management's Discussion and Analysis

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 November 1, 2011, the Department issued \$38.7 million of Revenue Refunding Bonds to pay the cost of the outstanding Airport Bonds, Series 1998. This bond issue, unlike the 1998 Bonds but like the 2009 Refunding Bonds 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.

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 February 2009, Standard & Poor's downgraded the Airport's rating to BBB+ with a stable outlook from A- with a stable outlook. Standard & Poor's indicated the key credit concerns were the amount of additional debt taken on with the Series 2007 Bonds and the declining traffic. On March 30, 2011 Standard & Poor's affirmed the Airport's BBB+ rating with a stable outlook. With the issue of the Series 2011 Refunding Bonds noted above, all of the outstanding Bond issues have the limited tax general obligation of the County and therefore carry the County's AAA rating from Standard & Poor's and Aaa from Moody's which ratings were affirmed by each rating agency in April 2012.

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

BASIC FINANCIAL STATEMENTS

KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Statement of Net Assets
December 31

	2011	2010
Assets		
Current assets:		
Cash, investments, and accrued interest	\$ 22,210,341	\$ 21,515,123
Accounts receivable, less allowance for uncollectible of \$150,737 and \$158,358	1,566,678	1,472,922
Inventories	148,917	142,253
Prepaid expenses	160,212	50,767
Restricted assets:		
Cash, investments, and accrued interest	14,077,430	13,194,181
Accounts receivable	604,698	659,268
Total current assets	<u>38,768,276</u>	<u>37,034,514</u>
Noncurrent assets:		
Restricted assets - Cash, investments and accrued interest, less current portion	3,549,373	5,744,698
Capital assets, net:		
Land and construction in progress	22,825,924	24,393,545
Other capital assets, net of accumulated depreciation	312,908,488	320,113,507
Bond issuance costs, net of accumulated amortization	1,553,213	1,239,602
Total noncurrent assets	<u>340,836,998</u>	<u>351,491,352</u>
Total assets	<u>379,605,274</u>	<u>388,525,866</u>
Liabilities		
Current liabilities:		
Accounts payable	779,803	1,110,250
Construction contracts payable	209,790	192,334
Accrued liabilities	808,918	875,764
Due to other funds of the County of Kent, Michigan	77,664	-
Unearned revenue	95,821	88,200
Payable from restricted assets:		
Accrued interest	3,757,042	4,570,384
Construction retainage	-	316,131
Current maturities of revenue bonds payable, bond premium, and deferred loss	4,787,899	4,238,534
Total current liabilities	<u>10,516,937</u>	<u>11,391,597</u>
Noncurrent liabilities, net of current portion:		
Revenue bonds payable, net bond premium, and deferred loss	<u>184,247,753</u>	<u>189,541,760</u>
Total liabilities	<u>194,764,690</u>	<u>200,933,357</u>
Net assets		
Invested in capital assets, net of related debt	146,698,760	150,726,758
Restricted for:		
Debt service	11,790,029	11,294,105
Capital improvements	2,684,430	3,417,527
Unrestricted	<u>23,667,365</u>	<u>22,154,119</u>
Total net assets	<u>\$ 184,840,584</u>	<u>\$ 187,592,509</u>

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

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

**Statement of Revenue, Expenses and Changes in Fund Net Assets
For the Year Ended December 31**

	2011	2010
Operating revenue		
Charges for services:		
Passenger airlines	\$ 10,296,427	\$ 11,326,596
Ground transportation	12,331,820	11,524,855
Car rental agencies	3,179,463	3,220,079
Cargo airlines	2,420,444	2,522,360
General aviation	1,394,948	1,431,931
Other concessions	854,964	885,456
Other	1,151,614	1,070,805
Total operating revenue	31,629,680	31,982,082
Operating expenses		
Salaries and fringes	8,262,509	8,925,316
Materials and supplies	750,259	645,701
Contractual services	8,656,297	8,502,177
Bad debts	8,378	-
Depreciation	16,274,703	16,008,561
Total operating expenses	33,952,146	34,081,755
Operating loss	(2,322,466)	(2,099,673)
Nonoperating revenue (expenses)		
Passenger facility charges	4,635,636	4,504,920
Customer facility charges	1,543,299	1,373,865
Investment earnings	154,245	147,823
Interest expense	(8,252,159)	(9,147,189)
Gain on sale of capital assets	49,731	22,013
Total nonoperating revenue (expenses)	(1,869,248)	(3,098,568)
Loss before capital contributions	(4,191,714)	(5,198,241)
Capital contributions	1,439,789	5,726,827
Change in net assets	(2,751,925)	528,586
Net assets, beginning of year	187,592,509	187,063,923
Net assets, end of year	\$ 184,840,584	\$ 187,592,509

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

KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Statement of Cash Flows

For the Year Ended December 31

	2011	2010
Cash flows from operating activities		
Receipts from customers and users	\$ 32,652,396	\$ 31,963,960
Payments to suppliers	(10,654,070)	(8,712,354)
Payments to employees	(8,301,880)	(8,807,236)
Internal activity - cash payments to other funds of Kent County	(395,726)	(657,194)
	<u>13,300,720</u>	<u>13,787,176</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities		
Passenger facility charges collected	4,689,138	4,303,297
Customer facility charges collected	1,543,912	1,357,824
Capital contributions received	1,153,839	3,900,028
Proceeds from sale of capital assets	30,019	22,013
Proceeds from sale of bonds	38,675,000	-
Proceeds from bond premium	2,373,714	-
Cash transferred to escrow for defeased bonds	(41,554,821)	-
Cash paid for issuance costs	(378,565)	-
Purchase of capital assets	(7,416,056)	(5,475,646)
Principal paid on capital debt	(4,180,000)	(3,595,000)
Interest paid on capital debt	(9,059,081)	(9,220,026)
	<u>(14,122,901)</u>	<u>(8,707,510)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities		
Interest received on investments	205,323	147,823
	<u>205,323</u>	<u>147,823</u>
Net increase (decrease) in cash and cash equivalents	(616,858)	5,227,489
Cash and cash equivalents, beginning of year	40,454,002	35,226,513
Cash and cash equivalents, end of year	<u>\$ 39,837,144</u>	<u>\$ 40,454,002</u>
Classified on the statement of net assets as		
Cash, investments, and accrued interest	\$ 22,210,341	\$ 21,515,123
Current restricted cash, investments, and accrued interest	14,077,430	13,194,181
Noncurrent restricted cash, investments, and accrued interest	3,549,373	5,744,698
	<u>\$ 39,837,144</u>	<u>\$ 40,454,002</u>

continued...

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Statement of Cash Flows
For the Year Ended December 31

	2011	2010
Cash flows from operating activities		
Operating loss	\$ (2,322,466)	\$ (2,099,673)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	16,274,703	16,008,561
Bad debt expense	8,378	-
Change in:		
Accounts receivable	10,443	(403,231)
Inventories	(6,664)	21,818
Prepaid expenses	(109,445)	14,594
Accounts payable	(398,403)	269,007
Accrued liabilities	(67,626)	95,504
Unearned revenue	(88,200)	(119,404)
	<u>\$ 13,300,720</u>	<u>\$ 13,787,176</u>
Net cash provided by operating activities		

concluded

Non-cash transactions

The Department of Aeronautics received non-cash capital contributions of \$285,950 and \$1,826,799 for the years ended December 31, 2011 and 2010, respectively.

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

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NOTES TO 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 the seven-member Gerald R. Ford International Airport Board whose members are appointed by the County Board of Commissioners. The Department is responsible for operating the Gerald R. Ford International Airport (the "Airport").

These financial statements represent the financial condition and the results of operations of an enterprise fund of the County of Kent, Michigan (the "County") and are an integral part of that reporting entity. The Department is not a component unit of the County or any other reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity.

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.

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.

Deposits and investments

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 policies allow 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 December 31, 1997.

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, which consist of fuel and runway de-icer, are valued at cost. 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.

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Notes To Financial Statements

Restricted assets

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

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

Capital assets are defined by the government as assets having a useful life in excess of three years and whose costs exceed \$10,000. Capital assets are stated at historical cost, net of accumulated depreciation. Donated capital assets are recorded at their market value as of the donation date.

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

Construction in progress, consisting primarily of expenditures on ground transportation improvements, is capitalized as incurred. As of December 31, 2011 and 2010, estimated costs to complete were approximately \$4,894,000 and \$20,694,000, respectively.

Depreciation is charged as an expense against operations and is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Land improvements	20-30
Building	30-50
Machinery and equipment	3-12
Office furniture and equipment	5-15
Vehicles	3-7

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.

KENT COUNTY DEPARTMENT OF AERONAUTICS (AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Notes To Financial Statements

Passenger Airline Charges

The Department sets rates and charges for landing fees, terminal rental rates and apron fees that are charged to the airlines annually based on the adopted operating and capital budgets. These rates and charges are adopted by the Gerald R. Ford International Airport 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 owed \$122,121 back to the airlines for the year ended December 31, 2011. The Department billed the airlines \$993,090 for the year ended December 31, 2010.

Passenger facility charges and customer facility 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 (CFC) are collected for rental car related capital projects. The CFC of \$3 per transaction day on rental car transactions was approved by the Airport Board on August 31, 2005. The CFC revenue was used to develop new rental car service facilities and rental vehicle ready/return spaces in the parking structure. Consequently, revenue is recognized when earned and is classified as nonoperating revenue.

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 net assets, after nonoperating revenues and expenses as capital contributions.

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 may differ from those estimates. The County utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Notes To Financial Statements

Budgets

The County legally adopts an annual budget for the Department, including all funds that are accounted for on an accrual basis.

2. DEPOSITS AND INVESTMENTS

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

	2011	2010
Statement of Net Assets		
Current assets:		
Cash, investments, and accrued interest	\$ 22,210,341	\$ 21,515,123
Restricted cash, investments, and accrued interest	14,077,430	13,194,181
Noncurrent assets:		
Restricted cash, investments, and accrued interest	<u>3,549,373</u>	<u>5,744,698</u>
Total	<u><u>\$ 39,837,144</u></u>	<u><u>\$ 40,454,002</u></u>

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

	Fair Value		
	2011	2010	Credit Ratings
Cash, investments, and accrued interest			
Money market mutual funds	\$ 15,547,071	\$ 14,495,355	S&P AAA
Kent County investment pool	<u>24,288,473</u>	<u>25,957,047</u>	Various
Total cash, investments, and accrued interest	39,835,544	40,452,402	
Cash on hand	<u>1,600</u>	<u>1,600</u>	
Total investments and cash on hand	<u><u>\$ 39,837,144</u></u>	<u><u>\$ 40,454,002</u></u>	

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 Department investments do not have identifiable maturity dates. 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. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy provides that, with the exception of U.S. Treasuries and authorized pools, no more than 25% of the portfolio shall be invested in a single security type or with a single financial institution.

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Notes To Financial Statements

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:

	2011	2010
Current restricted cash, investments and accrued interest:		
Debt Service	\$ 11,997,698	\$ 10,119,791
Capital improvements	2,079,732	2,758,259
Construction retainage	-	316,131
	<u> </u>	<u> </u>
Total current restricted cash, investments and accrued interest	<u>\$ 14,077,430</u>	<u>\$ 13,194,181</u>
Current restricted accounts receivable:		
Capital improvements:		
Passenger facility charges	\$ 517,239	\$ 571,008
Customer facility charges	87,459	88,260
	<u> </u>	<u> </u>
Total current restricted accounts receivable	<u>\$ 604,698</u>	<u>\$ 659,268</u>
Noncurrent restricted cash, investments and accrued interest:		
Debt Service	<u>\$ 3,549,373</u>	<u>\$ 5,744,698</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 21,184,076	\$ -	\$ -	\$ -	\$ 21,184,076
Construction in progress	3,209,469	7,117,381	(60,927)	(8,624,075)	1,641,848
	<u>24,393,545</u>	<u>7,117,381</u>	<u>(60,927)</u>	<u>(8,624,075)</u>	<u>22,825,924</u>
Capital assets, being depreciated:					
Land improvements	210,672,080	-	-	1,925,141	212,597,221
Buildings and improvements	243,224,472	-	-	(156,598)	243,067,874
Equipment	12,706,937	285,950	(152,634)	6,855,532	19,695,785
Equipment-systems	4,793,381	-	-	-	4,793,381
Office furniture	2,115,408	61,814	-	-	2,177,222
Vehicles	379,875	97,845	-	-	477,720
	<u>473,892,153</u>	<u>445,609</u>	<u>(152,634)</u>	<u>8,624,075</u>	<u>482,809,203</u>

KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Less accumulated depreciation for:					
Land improvements	\$ (94,843,341)	\$ (6,908,617)	\$ -	\$ -	\$ (101,751,958)
Buildings and improvements	(48,389,404)	(8,073,710)	-	-	(56,463,114)
Equipment	(7,224,148)	(716,087)	152,634	-	(7,787,601)
Equipment-systems	(1,916,948)	(434,774)	-	-	(2,351,722)
Office furniture	(1,184,792)	(97,792)	-	-	(1,282,584)
Vehicles	(220,013)	(43,723)	-	-	(263,736)
	<u>(153,778,646)</u>	<u>(16,274,703)</u>	<u>152,634</u>	<u>-</u>	<u>(169,900,715)</u>
Total capital assets being depreciated, net	<u>320,113,507</u>	<u>(15,829,094)</u>	<u>-</u>	<u>8,624,075</u>	<u>312,908,488</u>
Total capital assets, net	<u>\$ 344,507,052</u>	<u>\$ (8,711,713)</u>	<u>\$ (60,927)</u>	<u>\$ -</u>	<u>\$ 335,734,412</u>

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 21,184,076	\$ -	\$ -	\$ -	\$ 21,184,076
Construction in progress	2,926,635	5,543,217	-	(5,260,383)	3,209,469
	<u>24,110,711</u>	<u>5,543,217</u>	<u>-</u>	<u>(5,260,383)</u>	<u>24,393,545</u>
Capital assets, being depreciated:					
Land improvements	209,421,559	88,009	(963,201)	2,125,713	210,672,080
Buildings and improvements	243,999,098	654,011	(2,013,586)	584,949	243,224,472
Equipment	10,321,985	212,314	(377,083)	2,549,721	12,706,937
Equipment-systems	4,148,005	820,609	(175,233)	-	4,793,381
Office furniture	2,251,637	19,066	(155,295)	-	2,115,408
Vehicles	339,104	40,771	-	-	379,875
	<u>470,481,388</u>	<u>1,834,780</u>	<u>(3,684,398)</u>	<u>5,260,383</u>	<u>473,892,153</u>
Less accumulated depreciation for:					
Land improvements	(88,963,519)	(6,843,023)	963,201	-	(94,843,341)
Buildings and improvements	(42,349,761)	(8,053,229)	2,013,586	-	(48,389,404)
Equipment	(7,030,465)	(570,766)	377,083	-	(7,224,148)
Equipment-systems	(1,698,438)	(393,743)	175,233	-	(1,916,948)
Office furniture	(1,219,524)	(120,563)	155,295	-	(1,184,792)
Vehicles	(192,776)	(27,237)	-	-	(220,013)
	<u>(141,454,483)</u>	<u>(16,008,561)</u>	<u>3,684,398</u>	<u>-</u>	<u>(153,778,646)</u>
Total capital assets being depreciated, net	<u>329,026,905</u>	<u>(14,173,781)</u>	<u>-</u>	<u>5,260,383</u>	<u>320,113,507</u>
Total capital assets, net	<u>\$ 353,137,616</u>	<u>\$ (8,630,564)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,507,052</u>

KENT COUNTY DEPARTMENT OF AERONAUTICS
 (AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Notes To Financial Statements

5. REVENUE BONDS PAYABLE

Long-term debt activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Airport Revenue Bonds, Series 1998, \$56,180,000, refunded on October 4, 2011, due in one annual installment of \$1,640,000 in January 2012 interest at 4.80%, all due on January 1, 2012	\$ 43,755,000	\$ -	\$ (42,115,000)	\$ 1,640,000	\$ 1,640,000
Airport Revenue Bonds, Series 2007, \$117,360,000, due in annual installments of \$1,400,000 to \$7,785,000 through January 1, 2037, interest at 4.00 to 5.00%, payable semi-annually	116,760,000	-	(1,050,000)	115,710,000	1,400,000
Airport Revenue Bonds, Series 2009, \$30,110,000, due in annual installments of \$1,605,000 to \$2,645,000 through January 1, 2025, interest at 2.00 to 5.00%, payable semi-annually	29,980,000	-	(1,560,000)	28,420,000	1,605,000

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Notes To Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Airport Revenue Refunding Bonds, Series 2011, \$38,675,000, due in annual installments of \$1,785,000 to \$3,290,000 through January 1, 2028, interest at 2.00 to 5.00%, payable semi-annually	\$ -	\$ 38,675,000	\$ -	\$ 38,675,000	\$ -
Total revenue bonds payable	190,495,000	38,675,000	(44,725,000)	184,445,000	4,645,000
Add: bond premium	5,637,734	2,373,714	(232,627)	7,778,821	379,454
Less: deferred loss on advance refunding	(2,352,440)	(1,009,821)	174,092	(3,188,169)	(236,555)
Revenues bonds payable, plus net bond premium, less net deferred loss	<u>\$ 193,780,294</u>	<u>\$ 40,038,893</u>	<u>\$ (44,783,535)</u>	189,035,652	<u>\$ 4,787,899</u>
Less: amount due within one year				(4,787,899)	
Revenues bonds payable, plus net bond premium, less net deferred loss due in more than one year				<u>\$ 184,247,753</u>	

Long-term debt activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Airport Revenue Bonds, Series 1998, \$56,180,000, due in annual installments of \$1,570,000 to \$3,560,000 through January 1, 2028, interest at 4.00 to 5.00%, payable semi-annually	\$ 45,250,000	\$ -	\$ (1,495,000)	\$ 43,755,000	\$ 1,570,000
Airport Revenue Bonds, Series 1999, \$37,480,000, paid off during 2010	1,370,000	-	(1,370,000)	-	-

KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Notes To Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Airport Revenue Bonds, Series 2007, \$117,360,000, due in annual installments of \$1,050,000 to \$7,785,000 through January 1, 2037, interest at 4.00 to 5.00%, payable semi-annually	\$ 117,360,000	\$ -	\$ (600,000)	\$ 116,760,000	\$ 1,050,000
Airport Revenue Bonds, Series 2009, \$30,110,000, due in annual installments of \$1,560,000 to \$2,645,000 through January 1, 2025, interest at 2.00 to 5.00%, payable semi-annually	30,110,000	-	(130,000)	29,980,000	1,560,000
Total revenue bonds payable	194,090,000	-	(3,595,000)	190,495,000	4,180,000
Add: bond premium	5,870,360	-	(232,626)	5,637,734	232,626
Less: deferred loss on advance refunding	(2,526,532)	-	174,092	(2,352,440)	(174,092)
Revenues bonds payable, plus net bond premium, less net deferred loss	<u>\$ 197,433,828</u>	<u>\$ -</u>	<u>\$ (3,653,534)</u>	193,780,294	<u>\$ 4,238,534</u>
Less: amount due within one year				<u>(4,238,534)</u>	
Revenues bonds payable, plus net bond premium, less net deferred loss due in more than one year				<u>\$ 189,541,760</u>	

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Notes To Financial Statements

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended December 31,	Principal	Interest
2012	\$ 4,645,000	\$ 7,987,008
2013	5,220,000	8,381,556
2014	5,715,000	8,206,456
2015	6,290,000	7,995,281
2016	6,525,000	7,758,456
2017-2021	37,240,000	33,896,905
2022-2026	44,445,000	23,741,219
2027-2031	32,870,000	14,112,147
2032-2036	33,710,000	6,324,500
2037	7,785,000	194,625
	<u>\$ 184,445,000</u>	<u>\$ 118,598,153</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 (refunded by Series 2011 Bond, see advance refunding disclosure below) reserve requirement is funded with cash and accrued interest in the amount of \$3,549,373 and \$5,744,698 for the years ended December 31, 2011 and 2010, respectively.

Advance Refunding

During fiscal year 2011, the Department issued 2011 Airport Revenue Refunding Bonds in the amount of \$38,675,000 to advance refund \$40,545,000 of 1998 Airport Revenue Bonds. The proceeds of the 2011 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, the certificates are considered defeased and the liability has been removed from the statement of net assets. The refunding resulted in a savings of \$4,610,053 and an economic gain of \$3,441,467.

Defeased Debt

A total of \$40,545,000 and \$30,160,000 of bonds is considered defeased as of December 31, 2011 and 2010, respectively. The liability for these defeased bonds has been removed from the statement of net assets.

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Notes To Financial Statements

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 thereafter are as follows:

Year Ended December 31,	Amount
2012	\$ 7,080,277
2013	4,135,806
2014	2,550,500
2015	1,373,084
2016	1,207,950
2017-2035	6,025,168

7. 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. The Department also purchases commercial insurance for coverage of catastrophic loss. Claims have not exceeded available coverage for any of the last three years.

8. NET ASSETS

Net assets were comprised of the following at December 31:

	2011	2010
Invested in capital assets, net of related debt:		
Land and construction in progress	\$ 22,825,924	\$ 24,393,545
Other capital assets, net of accumulated depreciation	312,908,488	320,113,507
Current maturities of revenue bonds payable, bond premium and deferred loss	(4,787,899)	(4,238,534)
Revenue bonds payable, net bond premium, net deferred loss, less current maturities	<u>(184,247,753)</u>	<u>(189,541,760)</u>
Total invested in capital assets, net of related debt	146,698,760	150,726,758
Restricted for:		
Debt service	11,790,029	11,294,105
Capital improvements	2,684,430	3,417,527
Unrestricted	<u>23,667,365</u>	<u>22,154,119</u>
Total net assets	<u>\$ 184,840,584</u>	<u>\$ 187,592,509</u>

KENT COUNTY DEPARTMENT OF AERONAUTICS (AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

■ Notes To Financial Statements

9. BENEFIT PLANS

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.

10. MAJOR CUSTOMERS

Rentals and fees earned from passenger air carriers accounted for approximately 32.5% and 35.3% of operating revenues in 2011 and 2010, respectively.

11. CONCENTRATED CREDIT RISK

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



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STATISTICAL SECTION

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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:

		<u>Page</u>
Financial Trends Schedules A and B	Financial trends information is intended to show how the governmental unit's financial position has changed over time.	46-49
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.	50-53
Debt Capacity Schedule E	Debt capacity information is intended to show a governmental unit's debt burden and its ability to issue additional debt.	54-55
Demographic and Economic Information Schedules F and G	Demographic and economic information is intended to show the socioeconomic environment within which the governmental unit operates.	56-59
Operating Information Schedules H and I	Operating information is intended to show contextual information about operations and resources to provide understanding and assessing the governmental unit's economic condition.	60-63

**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		
	2002	2003	2004
Operating revenue			
Airfield	\$ 8,055	\$ 9,030	\$ 8,271
Terminal	5,909	7,012	6,790
Ground transportation	8,218	8,708	9,475
Other	327	325	344
Total operating revenues	22,509	25,075	24,880
Operating expenses			
Salaries and benefits	\$ 6,002	\$ 6,508	\$ 7,018
Services and supplies	6,380	6,694	6,571
Depreciation	9,668	9,647	9,716
Total operating expenses	22,050	22,849	23,305
Operating income (loss)	459	2,226	1,575
Nonoperating revenue (expenses)			
Interest income	579	328	423
Passenger facility charges	2,581	2,687	2,881
Improvement charges	-	-	-
Other	-	57	25
Interest expense	(4,649)	(4,553)	(4,888)
Other	(1,123)	-	-
Total nonoperating revenue (expenses)	(2,612)	(1,481)	(1,559)
Income (loss) before capital contributions and transfers	(2,153)	745	16
Capital contributions	4,807	4,202	4,976
Change in Net Assets	\$ 2,654	\$ 4,947	\$ 4,992
Net Assets at Year-End			
Invested in capital assets, net of related debt	126,746	133,912	136,940
Restricted for capital improvements	-	-	-
Restricted for debt service	6,776	6,772	6,945
Unrestricted	17,836	15,621	17,412
Total Net Assets	\$ 151,358	\$ 156,305	\$ 161,297

Fiscal Year						
2005	2006	2007	2008	2009	2010	2011
\$ 8,182	\$ 8,596	\$ 8,502	\$ 9,023	\$ 8,729	\$ 9,372	\$ 9,811
6,839	6,549	6,582	7,425	6,960	7,321	5,715
10,658	11,326	11,417	10,886	9,818	14,745	15,511
401	360	333	405	516	544	593
<u>26,080</u>	<u>26,831</u>	<u>26,834</u>	<u>27,739</u>	<u>26,023</u>	<u>31,982</u>	<u>31,630</u>
\$ 7,579	\$ 7,802	\$ 8,804	\$ 8,840	\$ 8,588	\$ 8,925	\$ 8,263
8,279	7,547	8,659	9,125	9,050	9,148	9,415
9,957	10,553	10,781	10,948	11,555	16,009	16,275
<u>25,815</u>	<u>25,902</u>	<u>28,244</u>	<u>28,913</u>	<u>29,193</u>	<u>34,082</u>	<u>33,953</u>
<u>265</u>	<u>929</u>	<u>(1,410)</u>	<u>(1,174)</u>	<u>(3,170)</u>	<u>(2,100)</u>	<u>(2,323)</u>
1,034	1,801	1,447	898	429	148	154
2,890	4,059	3,949	3,448	3,466	4,505	4,636
256	1,263	1,291	1,384	1,188	1,374	1,543
4	13	95	15	66	22	50
(4,680)	(4,539)	(4,159)	(4,053)	(3,684)	(9,147)	(8,252)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(496)</u>	<u>2,597</u>	<u>2,623</u>	<u>1,692</u>	<u>1,465</u>	<u>(3,098)</u>	<u>(1,869)</u>
<u>(231)</u>	<u>3,526</u>	<u>1,213</u>	<u>518</u>	<u>(1,705)</u>	<u>(5,198)</u>	<u>(4,192)</u>
<u>2,315</u>	<u>2,180</u>	<u>8,711</u>	<u>7,076</u>	<u>2,164</u>	<u>5,727</u>	<u>1,440</u>
<u>\$ 2,084</u>	<u>\$ 5,706</u>	<u>\$ 9,924</u>	<u>\$ 7,594</u>	<u>\$ 459</u>	<u>\$ 529</u>	<u>\$ (2,752)</u>
134,899	139,941	147,818	147,665	155,704	150,727	146,699
-	495	4,401	11,769	2,923	3,418	2,685
7,594	8,989	15,527	9,390	10,643	11,294	11,790
20,888	19,662	11,265	17,781	17,794	22,154	23,667
<u>\$ 163,381</u>	<u>\$ 169,087</u>	<u>\$ 179,011</u>	<u>\$ 186,605</u>	<u>\$ 187,064</u>	<u>\$ 187,593</u>	<u>\$ 184,841</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		
	2002	2003	2004
Cash flows from operating activities			
Cash received from providing services	\$ 23,649	\$ 25,043	\$ 25,028
Cash paid to suppliers	(7,093)	(7,451)	(7,192)
Cash paid to employees	(5,915)	(6,153)	(7,201)
Net cash provided by operating activities	<u>10,641</u>	<u>11,439</u>	<u>10,635</u>
Capital and related financing activities			
Passenger facility charges	2,673	2,634	2,855
Customer facility charges	-	-	-
Capital contributions	6,457	4,202	1,740
Proceeds from sale of capital assets	21	63	24
Proceeds from issuance of note payable	-	9,775	-
Bond proceeds	-	-	-
Cash transferred to escrow for defeased bonds	-	-	-
Purchase of capital assets	(8,243)	(14,790)	(7,435)
Principle paid on capital debt	(2,025)	(2,110)	(4,260)
Interest paid on capital debt	(4,561)	(4,468)	(4,773)
Net cash provided by (used in) capital and related financing activities	<u>(5,678)</u>	<u>(4,694)</u>	<u>(11,849)</u>
Investing activities			
Investment earnings	<u>579</u>	<u>329</u>	<u>422</u>
Net increase (decrease) in cash and cash equivalents	5,542	7,074	(792)
Cash and cash equivalents, beginning of year	<u>21,181</u>	<u>26,723</u>	<u>33,797</u>
Cash and cash equivalents, end of year	<u><u>\$ 26,723</u></u>	<u><u>\$ 33,797</u></u>	<u><u>\$ 33,005</u></u>

Schedule B - Unaudited

Fiscal Year						
2005	2006	2007	2008	2009	2010	2011
\$ 27,528	\$ 27,369	\$ 27,801	\$ 27,825	\$ 26,721	\$ 31,964	\$ 32,652
(8,056)	(7,906)	(8,473)	(9,604)	(9,628)	(9,370)	(11,049)
(7,472)	(7,837)	(8,680)	(8,709)	(8,565)	(8,807)	(8,302)
12,000	11,626	10,648	9,512	8,528	13,787	13,301
2,765	4,086	3,996	3,559	3,364	4,303	4,689
173	1,264	1,286	1,388	1,200	1,358	1,544
2,055	2,180	8,711	3,221	1,103	3,900	1,154
43	146	95	15	66	22	30
-	-	-	-	-	-	-
-	-	122,210	-	30,619	-	40,669
-	-	-	-	(31,112)	-	(41,555)
(5,496)	(13,515)	(26,750)	(80,745)	(47,245)	(5,476)	(7,416)
(3,199)	(3,344)	(8,416)	(2,625)	(2,740)	(3,595)	(4,180)
(4,605)	(4,461)	(4,144)	(8,390)	(9,035)	(9,220)	(9,058)
(8,264)	(13,644)	96,988	(83,577)	(53,780)	(8,708)	(14,123)
1,012	1,869	3,094	4,664	1,546	148	205
4,748	(149)	110,730	(69,401)	(43,706)	5,227	(617)
33,005	37,753	37,604	148,334	78,933	35,227	40,454
\$ 37,753	\$ 37,604	\$ 148,334	\$ 78,933	\$ 35,227	\$ 40,454	\$ 39,837

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Passenger Activity

Enplaned Passengers

	Fiscal Year				
	2002	2003	2004	2005	2006
Airline					
American Eagle	100,299	93,998	104,529	130,640	126,225
Delta Connection (Atlantic Southeast)	49,553	37,879	14,907	80,153	63,926
Delta Connection (Comair)	59,207	69,972	110,479	66,730	61,873
Delta Connection (Chautauqua)	-	-	-	-	-
Delta Connection (Freedom)	-	-	-	-	-
Delta Connection (Skywest)	-	-	-	-	-
Continental Connection	-	-	92	624	678
Continental Express (Express Jet)	48,291	58,676	73,362	75,601	97,811
United Express (Go Jet)	-	-	-	-	875
United Express (Mesa)	-	-	-	1,939	13,009
Delta Connection (Mesaba)	-	17,862	27,669	17,791	9,649
Delta Airlines Inc.	388,100	394,782	450,665	439,010	414,513
Delta Connection (Pinnacle)	-	8,593	13,397	14,643	39,621
Delta Connection (Compass)	-	-	-	-	-
United Express (Shuttle America)	-	-	-	8,036	13,033
Midwest Connect (Skyway)	28,011	30,009	31,732	36,073	35,893
Frontier Airlines (Chautauqua)	-	-	-	-	-
Midwest Connect (Skywest)	-	-	-	-	-
United Express (Skywest Airlines)	-	-	7,083	6,816	25,641
United Airlines Inc.	139,932	114,699	107,607	80,265	108,665
Allegiant Air	-	-	-	-	-
AirTran	-	-	-	-	-
American Connection (Chautauqua)	-	-	-	-	-
Air Canada (Air Georgian)	9,148	2,459	-	-	-
Delta Connection (Shuttle America)	-	-	-	-	-
Frontier Airlines (Republic)	-	-	-	-	-
United Express (Express Jet)	-	-	-	-	-
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)	50,030	57,004	53,872	8,055	-
US Airways Express (Mesa)	4,980	-	8,867	29,033	-
Delta Connection (Atlantic Coast)	6,593	13,426	649	-	-
United Express (Atlantic Coast)	6,660	25,872	15,906	-	-
US Airways Express (Trans States)	52,126	43,764	31,236	-	-
American Eagle (Trans States)	24,724	-	-	-	-
Charters	886	1,101	337	290	865
Total	968,540	995,719	1,077,580	1,047,223	1,012,277

Fiscal Year						
2007	2008	2009	2010	Share of Total 2010	2011	Share of Total 2011
118,146	100,075	104,240	81,540	7.4%	68,948	6.1%
61,087	63,375	61,335	27,436	2.5%	41,171	3.6%
62,996	46,508	22,524	52,317	4.8%	81,236	7.1%
-	-	12,256	23,993	2.2%	13,776	1.2%
-	-	15,227	11,831	1.1%	-	0.0%
-	-	459	2,305	0.2%	12,547	1.1%
2,922	6,490	2,381	6,341	0.6%	12,368	1.1%
96,081	87,745	87,601	86,571	7.9%	79,578	7.0%
23,040	29,358	20,314	34,087	3.1%	16,370	1.4%
1,977	8,340	40,700	10,360	0.9%	837	0.1%
7,065	23,101	21,902	31,978	2.9%	20,429	1.8%
356,506	302,849	204,988	236,343	21.5%	207,147	18.2%
74,034	68,889	70,472	77,584	7.1%	69,247	6.1%
-	3,378	43,137	27,481	2.5%	22,287	2.0%
23,714	8,763	37,810	30,374	2.8%	29,817	2.6%
41,047	10,850	-	-	0.0%	-	0.0%
-	-	9,260	32,842	3.0%	35,929	3.2%
-	35,276	25,118	-	0.0%	-	0.0%
45,243	24,837	9,467	23,044	2.1%	19,033	1.7%
84,215	83,609	33,715	39,270	3.6%	44,916	3.9%
-	271	59,372	117,609	10.7%	87,193	7.7%
-	-	-	76,644	7.0%	134,606	11.8%
-	-	-	21,626	2.0%	45,874	4.0%
-	2,630	4,003	3,940	0.4%	3,764	0.3%
-	-	-	1,599	0.1%	5,616	0.5%
-	-	-	23,432	2.1%	42,148	3.7%
-	-	-	15,330	1.4%	41,901	3.7%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
846	816	1,524	1,783	0.2%	1,710	0.2%
<u>998,919</u>	<u>907,160</u>	<u>887,805</u>	<u>1,097,660</u>	<u>100.0%</u>	<u>1,138,448</u>	<u>100.0%</u>

**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			
	2002	2003	2004	2005
Airline revenues				
Landing fees	\$ 3,753	\$ 2,957	\$ 3,120	\$ 2,723
Apron fees	1,024	1,711	1,567	1,640
Terminal rents	4,898	6,714	5,575	5,340
Total airline revenues	9,675	11,382	10,262	9,703
Percentage of total revenues	37.7%	40.4%	36.4%	32.1%
Nonairline revenues				
Parking	6,343	6,618	7,331	8,354
Rental car	2,027	2,296	2,321	2,486
Other	4,464	4,779	4,966	5,537
Total nonairline revenues	12,834	13,693	14,618	16,377
Percentage of total revenues	50.0%	48.6%	51.8%	54.1%
Nonoperating revenues				
Passenger facility charges	2,581	2,687	2,881	2,890
Interest	579	328	423	1,034
Other	-	57	25	260
Total nonoperating revenues	3,160	3,072	3,329	4,184
Percentage of total revenues	12.3%	10.9%	11.8%	13.8%
Total revenues	\$ 25,669	\$ 28,147	\$ 28,209	\$ 30,264
Enplaned passengers	968,540	995,719	1,077,580	1,047,223
Total revenue per enplaned passenger	\$ 26.50	\$ 28.27	\$ 26.18	\$ 28.90
Airline revenue per enplaned passenger	\$ 9.99	\$ 11.43	\$ 9.52	\$ 9.27
Revenue rates				
Landing fee (per 1,000 lbs MGLW)	\$ 1.90	\$ 2.13	\$ 2.13	\$ 2.07
Apron fee (per 1,000 lbs MGLW)	\$ 0.70	\$ 1.07	\$ 1.07	\$ 1.20
Annual terminal rental rate (per sq. ft.)	\$ 45.88	\$ 53.57	\$ 52.38	\$ 51.35

Notes: The Department uses a compensatory(cost of services) methodology to calculate rates and charges. The revenue bases to which these rates are applied and their principle payers can be found in Schedule C.

Schedule D - Unaudited

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 2,576	\$ 2,847	\$ 3,102	\$ 2,998	\$ 3,198	\$ 3,586	
1,803	2,025	1,941	1,823	2,220	2,409	
5,513	5,165	5,865	5,433	5,908	4,302	
9,892	10,037	10,908	10,254	11,326	10,297	
29.1%	29.9%	32.6%	32.9%	29.8%	27.1%	
8,937	8,851	8,121	7,437	11,492	12,301	
2,626	2,788	3,053	2,683	3,521	3,512	
5,376	5,158	5,657	5,649	5,643	5,520	
16,939	16,797	16,831	15,769	20,656	21,333	
49.9%	50.0%	50.3%	50.6%	54.3%	56.1%	
4,059	3,949	3,448	3,466	4,505	4,636	
1,801	1,447	898	429	148	154	
1,276	1,386	1,399	1,254	1,396	1,593	
7,136	6,782	5,745	5,149	6,049	6,383	
21.0%	20.2%	17.2%	16.5%	15.9%	16.8%	
<u>\$ 33,967</u>	<u>\$ 33,616</u>	<u>\$ 33,484</u>	<u>\$ 31,172</u>	<u>\$ 38,031</u>	<u>\$ 38,013</u>	
1,012,277	998,919	907,160	887,805	1,097,660	1,138,448	
\$ 33.56	\$ 33.65	\$ 36.91	\$ 35.11	\$ 34.65	\$ 33.39	
\$ 9.77	\$ 10.05	\$ 12.02	\$ 11.55	\$ 10.32	\$ 9.04	
\$ 2.04	\$ 2.34	\$ 2.40	\$ 2.66	\$ 2.85	\$ 2.42	
\$ 1.32	\$ 1.58	\$ 1.59	\$ 1.62	\$ 1.83	\$ 1.43	
\$ 50.77	\$ 49.32	\$ 49.96	\$ 50.00	\$ 48.98	\$ 51.34	

Operating agreements with signatory airlines are cancellable within thirty days.
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 & Pledged Revenue Coverage
Last Ten Fiscal Years**

	Fiscal Year		
	2002	2003	2004
Outstanding debt per enplaned passenger			
Outstanding debt by type (in thousands) :			
Revenue bonds (all airport net operating revenues pledged)	\$ 91,293	\$ 89,297	\$ 87,207
Notes payable	-	9,775	7,720
Total outstanding debt	\$ 91,293	\$ 99,072	\$ 94,927
Outstanding debt per enplaned passenger	\$ 94.26	\$ 99.50	\$ 88.09
Outstanding debt ratio for service area (total outstanding debt/(per capita income*trade area population))			
Outstanding debt ratio for Kent County (total outstanding debt/(per capita income*county population))			
Net revenues			
Revenues	\$ 25,669	\$ 28,147	\$ 28,209
Less: operating expenses, less depreciation	12,382	13,202	13,589
Net revenues	\$ 13,287	\$ 14,945	\$ 14,620
Debt service			
Principle paid on capital debt	2,025	2,110	2,205
Interest	4,649	4,553	4,485
Principle paid on notes payable	-	-	2,055
Interest	-	-	403
Total debt service	\$ 6,674	\$ 6,663	\$ 9,148
Revenue bonds debt service coverage	2.0	2.2	2.2
Total debt service coverage	2.0	2.2	1.6
Debt service per enplaned passenger	\$ 6.89	\$ 6.69	\$ 8.49

Debt limit information

The Department is an enterprise fund of the County of Kent. No debt limit information is available for the County of Kent Certified Annual Financial Report.

Fiscal Year						
2005	2006	2007	2008	2009	2010	2011
\$ 85,011 6,831	\$ 82,711 5,902	\$ 202,913 -	\$ 200,410 -	\$ 197,434 -	\$ 193,780 -	\$ 189,036 -
\$ 91,842	\$ 88,613	\$ 202,913	\$ 200,410	\$ 197,434	\$ 193,780	\$ 189,036
\$ 87.70	\$ 87.54	\$ 203.13	\$ 220.92	\$ 222.38	\$ 176.54	\$ 166.05
	\$ 0.0028	\$ 0.0064	\$ 0.0066	\$ 0.0064	\$ 0.0064	\$ 0.0063
	\$ 0.0062	\$ 0.0142	\$ 0.0144	\$ 0.0139	\$ 0.0140	\$ 0.0139
\$ 30,264 15,859	\$ 33,967 15,348	\$ 33,616 17,463	\$ 33,484 17,965	\$ 31,172 17,638	\$ 38,031 18,073	\$ 38,013 17,678
<u>\$ 14,405</u>	<u>\$ 18,619</u>	<u>\$ 16,153</u>	<u>\$ 15,519</u>	<u>\$ 13,534</u>	<u>\$ 19,958</u>	<u>\$ 20,335</u>
2,310	2,415	2,515	2,625	2,740	3,595	4,180
4,340	4,238	4,056	4,052	3,684	9,147	8,252
889	929	5,902	-	-	-	-
341	301	88	-	-	-	-
<u>\$ 7,880</u>	<u>\$ 7,883</u>	<u>\$ 12,561</u>	<u>\$ 6,677</u>	<u>\$ 6,424</u>	<u>\$ 12,742</u>	<u>\$ 12,432</u>
2.2	2.8	2.5	2.3	2.1	1.6	1.6
1.8	2.4	1.3	2.3	2.1	1.6	1.6
\$ 7.52	\$ 7.79	\$ 12.57	\$ 7.36	\$ 7.24	\$ 11.61	\$ 10.92

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

**Principle Employers in the
Calendar Years 2011 and 2000**

Employer	County	Product or Service
Spectrum Health	Kent	Healthcare
Meijer Inc	Kent	Retail food and merchandise
Axios Incorporated	Kent	Human resource and employment services
Spartan Stores Inc.	Kent	Retail food
Amway Corporation	Kent	Personal and Household products
Mercy General Health Partners	Muskegon	Healthcare
Grand Rapids Public Schools	Kent	Education
Steelcase Inc.	Kent	Office Furniture
Perrigo Company	Allegan	Manufacturing - Pharmaceuticals
Wal-Mart Stores Inc.	Various	Retail food and merchandise
Herman Miller Inc.	Ottawa	Office Furniture
Grand Valley State University	Ottawa	Education
Gentex Corporation	Ottawa	Manufacturing - Auto parts
Saint Mary's Health Care	Kent	Healthcare
Magna International	Various	Manufacturing - Auto parts
Haworth Inc.	Ottawa	Manufacturing - furniture
Metro Health Hospital	Kent	Healthcare
Grand Rapids Community College	Kent	Education
Farmers Insurance Group	Kent	Insurance
Howmet Corporation/Alcoa	Muskegon	Manufacturing-Castings
Fifth Third Bank	Kent	Banking and Financial Services
Holland Community Hospital	Ottawa	Healthcare
Lacks Enterprises Inc.	Kent	Manufacturing - Auto parts
Kent County	Kent	Government
Calvin College	Kent	Education
City of Grand Rapids	Kent	Government
Wolverine World Wide	Kent	Manufacturing - Footware
U. S. Postal Service	Kent	Postal Delivery
Gordon Food Services	Kent	Food Services Wholesaler
Hope Network Industries	Kent	Packaging
GE Aviation Systems	Kent	Manufacturing - Avionics Systems
Pine Rest Christian Hospital	Kent	Healthcare
Consumers Energy	Various	Public Utility
Rockford Public Schools	Kent	Education

Total employment

Source: The Right Place Inc.

Schedule F - Unaudited



Number 2011	Percentage of Total Employment	Number 2000	Percentage of Total Employment
16,600	2.82%	12,000	1.80%
7,725	1.31%	7,000	1.05%
7,372	1.25%	3,800	0.57%
4,258	0.72%	2,989	0.45%
4,000	0.68%	4,600	0.69%
3,653	0.62%	3,300	0.49%
3,297	0.56%	2,900	0.43%
3,227	0.55%	5,000	0.75%
3,200	0.54%	2,500	0.37%
3,131	0.53%	3,400	0.51%
3,100	0.53%	5,920	0.89%
3,091	0.52%	1,200	0.18%
2,759	0.47%	2,100	0.31%
2,672	0.45%	2,500	0.37%
2,500	0.42%	-	0.00%
2,450	0.42%	3,513	0.53%
2,284	0.39%	2,200	0.33%
2,254	0.38%	-	0.00%
2,157	0.37%	1,500	0.22%
2,030	0.34%	2,375	0.36%
1,937	0.33%	-	0.00%
1,906	0.32%	-	0.00%
1,750	0.30%	2,150	0.32%
1,725	0.29%	2,128	0.32%
1,700	0.29%	-	0.00%
1,675	0.28%	2,200	0.33%
1,640	0.28%	-	0.00%
1,633	0.28%	2,500	0.37%
1,600	0.27%	-	0.00%
1,436	0.24%	600	0.09%
1,400	0.24%	-	0.00%
1,390	0.24%	-	0.00%
1,350	0.23%	-	0.00%
1,296	0.22%	1,100	0.16%
589,045		668,468	

KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Population in the Primary Trade Area

	2002	2003	2004	2005
Allegan County	108,203	109,195	110,225	110,865
Barry County	58,061	58,682	59,005	59,621
Ionia County	63,265	63,781	64,562	64,745
Kent County	584,940	587,790	589,554	592,210
Muskegon County	171,563	172,269	172,771	173,608
Newaygo County	48,697	49,072	49,272	49,452
Ottawa County	246,637	249,828	253,048	255,261
	<u>1,281,366</u>	<u>1,290,617</u>	<u>1,298,437</u>	<u>1,305,762</u>

Per capita income Not Available Not Available Not Available Not Available

Total personal income (*dollars in thousands*)

	2002	2003	2004	2005
Employment information				
Civilian labor force	668,267	668,964	676,599	687,829
Employed	627,084	621,050	631,898	647,319
Unemployed	41,183	47,914	44,701	40,510
Unemployment rate	6.2%	7.2%	6.6%	5.9%

Source: Michigan Department of Technology, Management and Budget

Schedule G - Unaudited

2006	2007	2008	2009	2010	2011
111,156	111,427	113,625	112,975	111,408	111,845
59,610	59,969	59,501	58,890	59,173	59,405
65,157	65,189	64,269	63,833	63,905	64,156
595,191	598,077	609,235	608,315	602,622	604,986
173,710	173,738	174,854	174,344	172,188	172,864
49,287	49,328	49,118	48,897	48,460	48,650
258,003	260,037	262,556	260,364	263,801	264,836
<u>1,312,114</u>	<u>1,317,765</u>	<u>1,333,158</u>	<u>1,327,618</u>	<u>1,321,557</u>	<u>1,326,742</u>
\$ 23,916	\$ 23,900	\$ 22,880	\$ 23,320	\$ 22,908	\$ 22,496
\$ 31,380,518	\$ 31,494,584	\$ 30,502,655	\$ 30,960,052	\$ 30,274,228	\$ 29,846,388
2006	2007	2008	2009	2010	2011
697,005	694,247	685,728	657,164	645,390	644,039
656,197	652,107	636,723	579,485	573,505	589,045
40,808	42,140	49,005	77,679	71,885	54,994
5.9%	6.1%	7.1%	11.8%	11.1%	8.5%

KENT COUNTY DEPARTMENT OF AERONAUTICS
 (AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Department Employees
 Last Ten Fiscal Years

	2002	2003	2004	2005
Administration	22	22	22	22
Maintenance	31	30	31	31
Parking	26	29	29	29
Firefighting	16	17	16	16
Public safety	28	28	36	36
Total	123	126	134	134
Enplaned passengers per employee	7,874	7,903	8,042	7,815
Operating revenues (in thousands)	22,509	25,075	24,880	26,080
Operating expenses (in thousands)	22,050	22,849	23,305	25,815
Salaries and fringes (in thousands)	6,002	6,508	7,018	7,579
Payroll percentage of operating revenues	26.7%	26.0%	28.2%	29.1%
Payroll percentage of operating expenses	27.2%	28.5%	30.1%	29.4%

Schedule H - Unaudited

Fiscal Year					
2006	2007	2008	2009	2010	2011
22	21	20	20	20	20
31	31	31	31	31	31
29	31	29	24	24	1
16	16	16	16	16	16
36	33	33	33	33	33
<u>134</u>	<u>132</u>	<u>129</u>	<u>124</u>	<u>124</u>	<u>101</u>
<u>7,554</u>	<u>7,568</u>	<u>7,032</u>	<u>7,160</u>	<u>8,852</u>	<u>11,272</u>
26,831	26,834	27,739	26,023	31,982	31,630
25,902	28,244	28,913	29,193	34,082	33,953
7,802	8,804	8,840	8,588	8,925	8,263
<u>29.1%</u>	<u>32.8%</u>	<u>31.9%</u>	<u>33.0%</u>	<u>27.9%</u>	<u>26.1%</u>
<u>30.1%</u>	<u>31.2%</u>	<u>30.6%</u>	<u>29.4%</u>	<u>26.2%</u>	<u>24.3%</u>

**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Capital Asset Information

Last Ten Fiscal Years

	2002	2003	2004
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	125,622	110,128	116,455
Annual capacity	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>
Runway utilization percentage	<u>45.27%</u>	<u>39.69%</u>	<u>41.97%</u>
Terminal building			
Exclusive area leased	65,996	62,741	71,729
Exclusive area available	<u>83,712</u>	<u>83,712</u>	<u>95,325</u>
Terminal occupancy percentage	<u>78.84%</u>	<u>74.95%</u>	<u>75.25%</u>
Enplanements	968,540	995,719	1,077,580
Planned capacity	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
Terminal utilization percentage	<u>53.81%</u>	<u>55.32%</u>	<u>59.87%</u>
Parking areas			
Number of annual long term exits (a)	233,662	216,878	245,024
Average long term stay (days) (b)	<u>3.7</u>	<u>3.7</u>	<u>4.0</u>
Average annual long term occupancy ((a*b)/365)	2,369	2,198	2,685
Number of long term spaces available	<u>4,733</u>	<u>4,733</u>	<u>5,483</u>
Average annual long term occupancy rate	<u>50.04%</u>	<u>46.45%</u>	<u>48.97%</u>

Fiscal Year						
2005	2006	2007	2008	2009	2010	2011
112,314	112,608	101,378	97,501	87,883	87,073	87,545
<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>40.47%</u>	<u>40.58%</u>	<u>36.53%</u>	<u>35.14%</u>	<u>31.67%</u>	<u>31.38%</u>	<u>31.55%</u>
67,500	63,750	64,444	68,615	61,338	65,064	65,260
<u>96,200</u>	<u>95,365</u>	<u>95,365</u>	<u>95,365</u>	<u>95,365</u>	<u>100,666</u>	<u>100,666</u>
<u>70.17%</u>	<u>66.85%</u>	<u>67.58%</u>	<u>71.95%</u>	<u>64.32%</u>	<u>64.63%</u>	<u>64.83%</u>
1,047,223	1,012,277	998,919	907,160	887,805	1,097,660	1,138,448
<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>58.18%</u>	<u>56.24%</u>	<u>55.50%</u>	<u>50.40%</u>	<u>49.32%</u>	<u>60.98%</u>	<u>63.25%</u>
191,377	185,503	229,531	207,982	200,106	241,858	257,110
<u>3.4</u>	<u>3.8</u>	<u>4.4</u>	<u>3.8</u>	<u>4.0</u>	<u>3.8</u>	<u>4.0</u>
1,783	1,931	2,767	2,165	2,193	2,518	2,818
<u>5,483</u>	<u>5,483</u>	<u>4,708</u>	<u>4,708</u>	<u>4,708</u>	<u>6,509</u>	<u>6,509</u>
<u>32.51%</u>	<u>35.22%</u>	<u>58.77%</u>	<u>45.99%</u>	<u>46.58%</u>	<u>38.68%</u>	<u>43.29%</u>