

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



For the
Years Ended
December 31,
2012 and 2011

Comprehensive
Annual Financial
Report

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Report

Prepared by: Kent County Department of Aeronautics

Executive Director
Brian D. Ryks, 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, 2012

AIRPORT BOARD

Roger Morgan*
Chair

Richard A. Vandermolen*
Vice Chair

Terri Lynn Land

Birgit Klohs

Theodore J. Vonk*

Floyd Wilson Jr.

David Slikkers

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

Brian D. Ryks, 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

AIRPORT BOARD

ROGER MORGAN, Chairman
RICHARD A. VANDER MOLEN, Vice Chairman
BIRGIT KLOHS
TERRI LYNN LAND
DAVID A. SLIKKERS
THEODORE J. VONK
FLOYD WILSON, JR.

DEPARTMENT STAFF

BRIAN D. RYKS, 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
TARA M. HERNANDEZ Mktg. & Communications Mgr.

KENT COUNTY DEPARTMENT OF AERONAUTICS

June 24, 2013

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, 2012. 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 13.

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 Department maintains a 10 year Capital Improvement Program (CIP) as required by the Federal Aviation Administration. The CIP is funded through a combination of Federal and State Grants, Passenger Facility Charges, Customer Facility Charges and Airport Reserves. The CIP is revised annually by the Gerald R. Ford International Airport Board and the current CIP has been approved in the amount of \$84,493,285.

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, 2011. 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 nineteenth 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,



Brian D. Ryks, A.A.E.
Executive Director

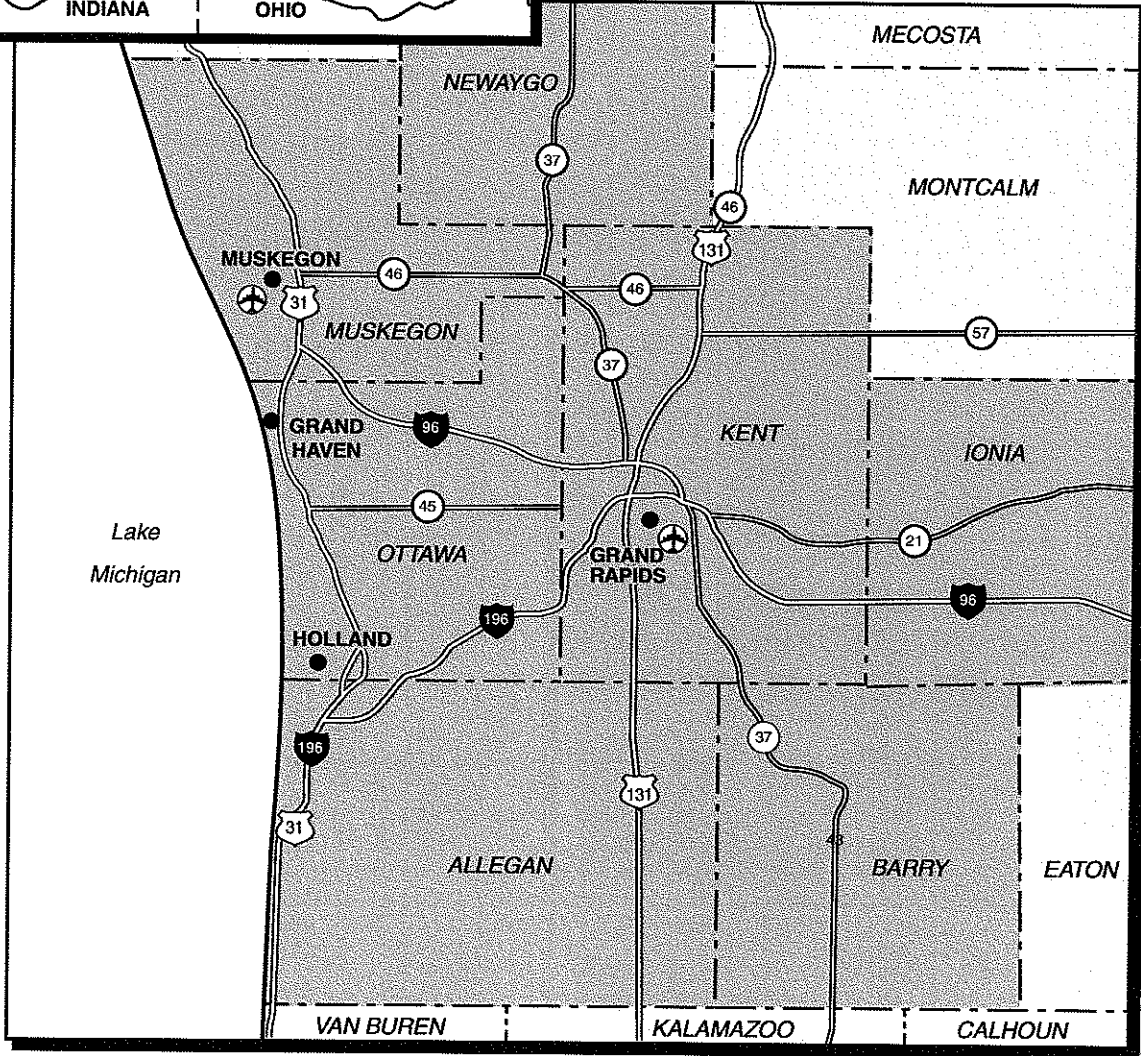


Brian Picardat, A.A.E.
Finance & Administration Director

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

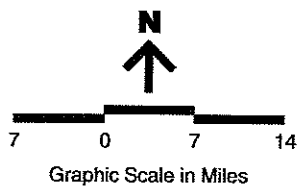
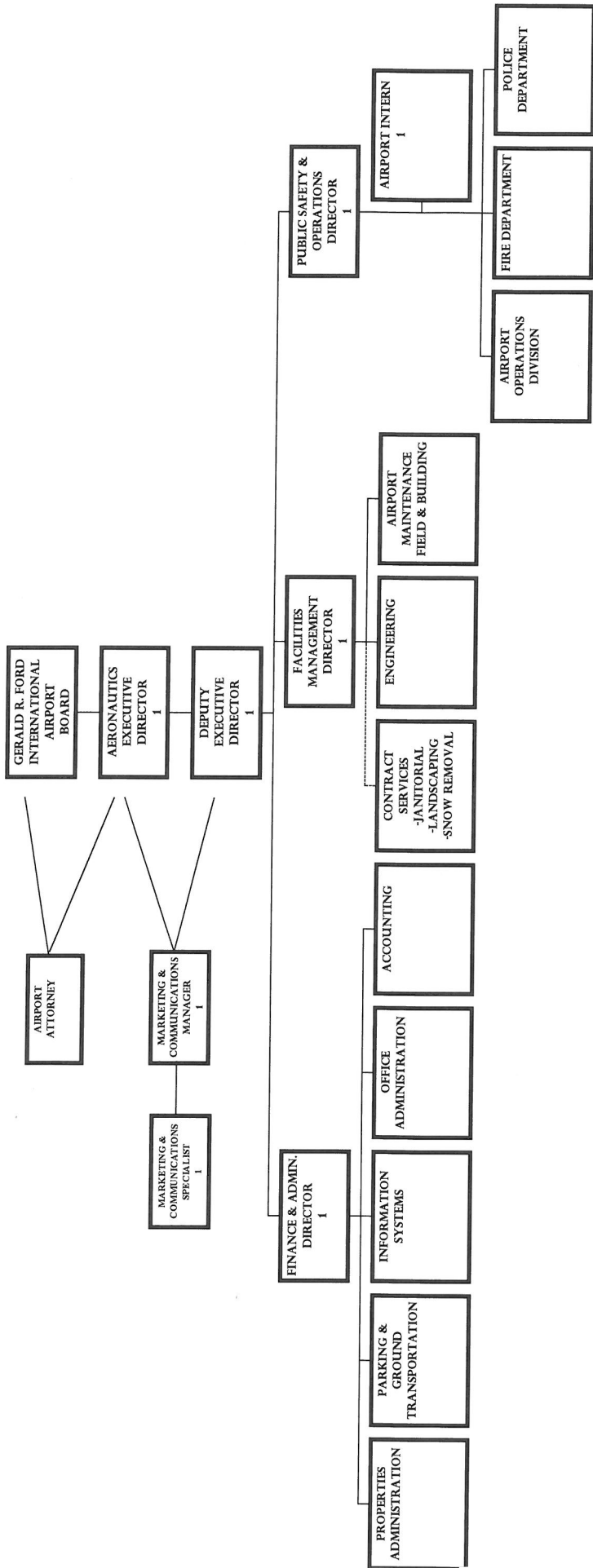


Figure 1
AIRPORT SERVICE REGION
 Gerald R. Ford International Airport
 August 2007

JACOBS
 CONSULTANCY
Airport Management Consulting

**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, 2011

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.



Christopher P. Moirrell

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

June 24, 2013

Gerald R. Ford International Airport Board
Kent County Department of Aeronautics
County of Kent, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the *Kent County Department of Aeronautics*, (the "Department"), an enterprise fund of the County of Kent, Michigan, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2012 and 2011, 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.

Other Matters

As discussed in Note 1, the financial statements referred to above 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, 2012 and 2011, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated June 24, 2013 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* in considering the Department's internal control over financial reporting and compliance.

Rehmann Lobarr LLC

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, 2012. 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 position can serve, over time, as a useful indicator of the Department's financial position. The Department's assets and deferred outflows of resources exceed liabilities by \$188.8 million at December 31, 2012, a \$5.6 million increase from December 31, 2011, comparable to a \$3.1 million decrease in 2011.

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

	2012	2011	2010
Assets			
Current	\$ 49,712,242	\$ 38,768,276	\$ 37,034,514
Capital assets	326,346,165	335,734,412	344,507,052
Other non-current	<u>3,549,808</u>	<u>3,549,373</u>	<u>5,744,698</u>
Total assets	<u>379,608,215</u>	<u>378,052,061</u>	<u>387,286,264</u>
Deferred outflows of resources			
Deferred charges on refunding, net	<u>2,954,676</u>	<u>3,188,169</u>	<u>2,352,440</u>
Liabilities			
Long-term liabilities outstanding	187,206,566	192,223,821	196,132,734
Other liabilities	<u>6,506,531</u>	<u>5,729,038</u>	<u>7,153,063</u>
Total liabilities	<u>193,713,097</u>	<u>197,952,859</u>	<u>203,285,797</u>
Net position			
Net investment in capital assets	142,094,275	146,698,760	150,726,758
Restricted	18,177,331	14,474,459	14,711,632
Unrestricted	<u>28,578,188</u>	<u>22,114,152</u>	<u>20,914,517</u>
Total net position	<u>\$188,849,794</u>	<u>\$183,287,371</u>	<u>\$186,352,907</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 position each year (75.2% and 80.0% at December 31, 2012 and 2011, 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 position (9.6% and 7.9% at December 31, 2012 and 2011, 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 position (15.2% and 12.1% at December 31, 2012 and 2011, respectively) may be used to meet any of the Department's ongoing obligations.

SUMMARY OF CHANGES IN NET POSITION

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

	2012	2011	2010
Total operating revenue	\$ 31,873,145	\$ 31,629,680	\$ 31,982,082
Total operating expenses	<u>(33,624,049)</u>	<u>(34,330,711)</u>	<u>(34,081,755)</u>
Operating loss	<u>(1,750,904)</u>	<u>(2,701,031)</u>	<u>(2,099,673)</u>
Non-operating revenues (expenses)			
Passenger facility charges	4,338,702	4,635,636	4,504,920
Customer facility charges	1,472,651	1,543,299	1,373,865
Interest earnings	159,398	154,245	147,823
Interest expense	(8,321,170)	(8,187,205)	(9,082,235)
Gain on sale of capital assets	<u>22,793</u>	<u>49,731</u>	<u>22,013</u>
Total non-operating revenues (expenses)	<u>(2,327,626)</u>	<u>(1,804,294)</u>	<u>(3,033,614)</u>
Loss before capital contributions	(4,078,530)	(4,505,325)	(5,133,287)
Capital contributions	<u>9,640,953</u>	<u>1,439,789</u>	<u>5,726,827</u>
Increase (decrease) in net position	<u>\$ 5,562,423</u>	<u>\$ (3,065,536)</u>	<u>\$ 593,540</u>

FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues increased 0.8% from \$31.6 million in 2011 to \$31.8 million in 2012 principally due to an increase in rates and charges for passenger airlines. In 2011, operating revenues decreased from 2010 principally due to a decrease in rates and charges for passenger airlines.
- Operating expenses decreased by 2.1% from \$34.3 million in 2011 to \$33.6 million in 2012 principally due to a decrease in contractual services costs. In 2011, operating expenses increased from 2010 due to a rise in contractual services.
- As a result of the above, operating loss decreased by 35.2% from \$2.7 million in 2011 to \$1.8 million in 2012. This was after a 28.6% operating loss increase from 2010 to 2011.

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

Management's Discussion and Analysis

- Net non-operating revenues (expenses) were up 29.0% from (\$1.8) million in 2011 to (\$2.3) million in 2012 due principally to interest expense increase and passenger facility charges decrease. This follows a 40.5% increase in net non-operating revenue (expenses) from 2010 to 2011.
- Capital contributions received in the form of grants from federal and state governments increased from \$1.4 million in 2011 to \$9.6 million in 2012. In 2011 capital contributions decreased from 2010. The amount of capital contributions will vary year to year based on close-out of federally funded projects.

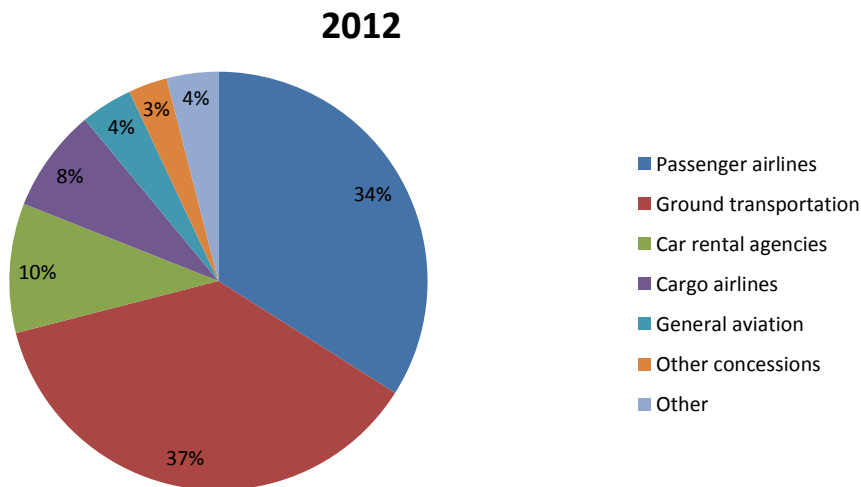
AIRLINE RATES AND CHARGES

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:

	2012	2011	2010
Landing fees (per 1,000 lbs)	\$ 2.61	\$ 2.42	\$ 2.85
Terminal rental rates (per square foot)	52.19	51.34	48.98
Airline apron fee (per 1,000 lbs)	1.46	1.43	1.83

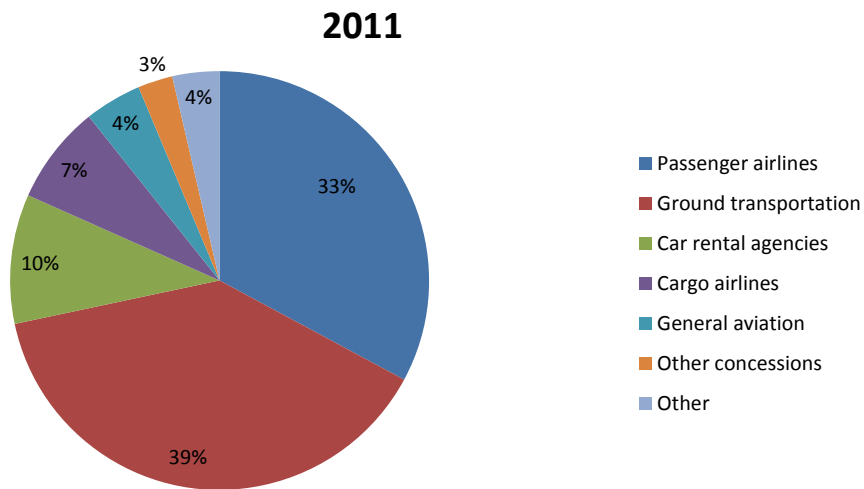
REVENUES

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



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, 2012 and 2011, and the amount and percentage of change in relation to prior year amounts is as follows:

	2012 Amount	Percent of Total	Increase/ (Decrease) From 2011	Percent Increase/ (Decrease)
Operating revenues				
Charges for services:				
Passenger airlines	\$ 10,899,720	34.3 %	\$ 603,293	5.9 %
Ground transportation	11,806,870	37.0	(524,950)	(4.3)
Car rental agencies	3,071,542	9.6	(107,921)	(3.4)
Cargo airlines	2,638,184	8.3	217,740	9.0
General aviation	1,382,038	4.3	(12,910)	(0.9)
Other concessions	863,046	2.7	8,082	0.9
Other	1,211,745	3.8	60,131	5.2
Total operating revenues	\$ 31,873,145	100.0 %	\$ 243,465	0.8 %

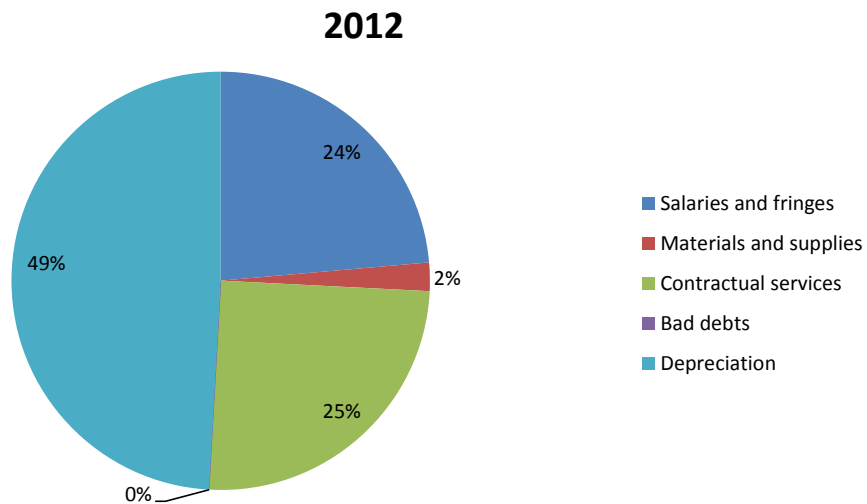
**KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)**

Management's Discussion and Analysis

	2011 Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent Increase/ (Decrease)
Operating revenues				
Charges for services:				
Passenger airlines	\$ 10,296,427	32.5 %	\$ (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) %

EXPENSES

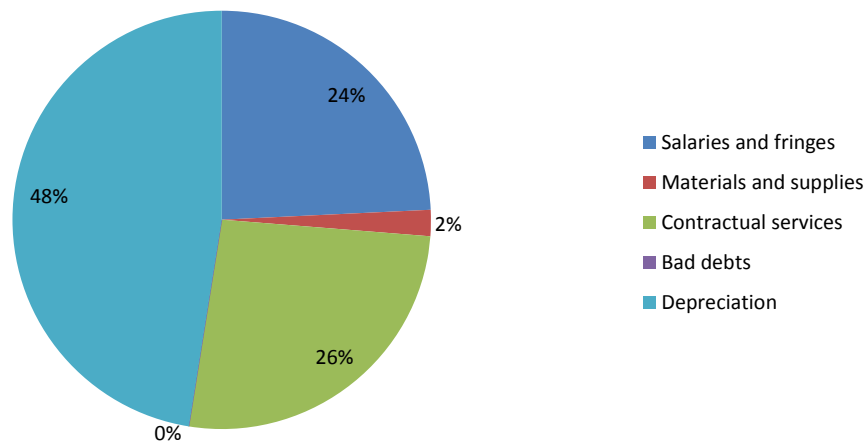
The following chart shows the major operating categories and the percentage of operating expenses for the year ended December 31:



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

Management's Discussion and Analysis

2011



A summary of operating expenses for the year ended December 31, 2012 and 2011, and the amount and percentage of change in relation to prior year amounts is as follows:

	2012 Amount	Percent of Total	Increase/ (Decrease) From 2011	Percent Increase/ (Decrease)
Operating expenses				
Salaries and fringes	\$ 7,917,842	23.6 %	\$ (344,667)	(4.2) %
Materials and supplies	728,333	2.2	(21,926)	(2.9)
Contractual services	8,454,749	25.1	(580,113)	(6.4)
Bad debts	-	-	(8,378)	100.0
Depreciation	16,523,125	49.1	248,422	1.5
Total operating expenses	\$ 33,624,049	100.0 %	\$ (706,662)	(2.1) %
	2011 Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent Increase/ (Decrease)
Operating expenses				
Salaries and fringes	\$ 8,262,509	24.1 %	\$ (662,807)	(7.4) %
Materials and supplies	750,259	2.2	104,558	16.2
Contractual services	9,034,862	26.3	532,685	6.3
Bad debts	8,378	-	8,378	100.0
Depreciation	16,274,703	47.4	266,142	1.7
Total operating expenses	\$ 34,330,711	100.0 %	\$ 248,956	0.7 %

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

Management's Discussion and Analysis

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.

SUMMARY OF CASH FLOW ACTIVITIES

	2012	2011	2010
Net cash provided by operating activities	\$ 15,378,570	\$ 12,922,155	\$ 13,787,176
Net cash used in capital and related financing activities	(6,599,008)	(13,744,336)	(8,707,510)
Net cash provided by investing activities	<u>159,524</u>	<u>205,323</u>	<u>147,823</u>
Net increase (decrease) in cash and cash equivalents	8,939,086	(616,858)	5,227,489
Cash and cash equivalents, beginning of year	<u>39,837,144</u>	<u>40,454,002</u>	<u>35,226,513</u>
Cash and cash equivalents, end of year	<u>\$ 48,776,230</u>	<u>\$ 39,837,144</u>	<u>\$ 40,454,002</u>

The Department's available cash and cash equivalents increased from \$39.8 million at the end of 2011 to \$48.8 million at the end of 2012 due principally to a decrease in net cash used in capital and related financing activities. This compares to a decrease 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 as a result of flat revenues and expenses during that year.

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 2012 and 2011, completed projects totaling \$7,120,982 and \$8,624,075, respectively were closed to their respective capital accounts. The major completed projects were:

2012:	
Security Checkpoint Expansion	\$ 1,153,655
Concourse B Apron Expansion	3,760,094
Other	2,207,233
2011:	
Reconstruction of Gateway and Walsh Drive	\$ 1,552,497
9 Passenger Loading Bridges	6,023,534
Other	1,048,044

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal and state grants, Department funds, private investment, debt issuance and Department revenues. See Note 4 to the financial statements for more detailed information on the Department's capital assets.

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

Management's Discussion and Analysis

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, 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, 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 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 May 2013.

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

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BASIC FINANCIAL STATEMENTS

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

Statements of Net Position

December 31

	2012	2011
Assets		
Current assets:		
Cash, investments, and accrued interest	\$ 27,006,221	\$ 22,210,341
Accounts receivable, less allowance for uncollectible of \$246,558 and \$150,737	1,263,658	1,566,678
Due from other governments, less allowance for uncollectible of \$261,262	2,241,092	-
Inventories	160,058	148,917
Prepaid expenses	183,724	160,212
Restricted assets:		
Cash, investments, and accrued interest	18,220,201	14,077,430
Accounts receivable	637,288	604,698
Total current assets	<u>49,712,242</u>	<u>38,768,276</u>
Noncurrent assets:		
Restricted assets - cash, investments and accrued interest, net of current portion	3,549,808	3,549,373
Capital assets:		
Land and construction in progress	22,839,820	22,825,924
Other capital assets, net of accumulated depreciation	303,506,345	312,908,488
Total noncurrent assets	<u>329,895,973</u>	<u>339,283,785</u>
Total assets	<u>379,608,215</u>	<u>378,052,061</u>
Deferred outflows of resources		
Deferred charge on refunding, net	2,954,676	3,188,169
Liabilities		
Current liabilities:		
Accounts payable	845,346	779,803
Construction contracts payable	493,618	209,790
Accrued liabilities	820,183	808,918
Due to other funds of the County of Kent, Michigan	-	77,664
Unearned revenue	117,418	95,821
Payable from restricted assets:		
Accrued interest	4,229,966	3,757,042
Current maturities of revenue bonds payable and bond premium	5,592,256	5,024,454
Total current liabilities	<u>12,098,787</u>	<u>10,753,492</u>
Noncurrent liabilities, net of current portion:		
Revenue bonds payable and bond premium	181,614,310	187,199,367
Total liabilities	<u>193,713,097</u>	<u>197,952,859</u>
Net position		
Net investment in capital assets	142,094,275	146,698,760
Restricted for:		
Debt service	12,386,718	11,790,029
Capital improvements	5,790,613	2,684,430
Unrestricted	28,578,188	22,114,152
Total net position	<u>\$ 188,849,794</u>	<u>\$ 183,287,371</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)

Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31

	2012	2011
Operating revenues		
Charges for services:		
Passenger airlines	\$ 10,899,720	\$ 10,296,427
Ground transportation	11,806,870	12,331,820
Car rental agencies	3,071,542	3,179,463
Cargo airlines	2,638,184	2,420,444
General aviation	1,382,038	1,394,948
Other concessions	863,046	854,964
Other	1,211,745	1,151,614
Total operating revenues	<u>31,873,145</u>	<u>31,629,680</u>
Operating expenses		
Salaries and fringes	7,917,842	8,262,509
Materials and supplies	728,333	750,259
Contractual services	8,454,749	9,034,862
Bad debts	-	8,378
Depreciation	16,523,125	16,274,703
Total operating expenses	<u>33,624,049</u>	<u>34,330,711</u>
Operating loss	<u>(1,750,904)</u>	<u>(2,701,031)</u>
Nonoperating revenues (expenses)		
Passenger facility charges	4,338,702	4,635,636
Customer facility charges	1,472,651	1,543,299
Investment earnings	159,398	154,245
Interest expense	(8,321,170)	(8,187,205)
Gain on sale of capital assets	22,793	49,731
Total nonoperating revenues (expenses)	<u>(2,327,626)</u>	<u>(1,804,294)</u>
Loss before capital contributions	(4,078,530)	(4,505,325)
Capital contributions	<u>9,640,953</u>	<u>1,439,789</u>
Change in net position	5,562,423	(3,065,536)
Net position, beginning of year, as restated (see Note 12)	<u>183,287,371</u>	<u>186,352,907</u>
Net position, end of year	<u>\$ 188,849,794</u>	<u>\$ 183,287,371</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)**

Statements of Cash Flows

For the Year Ended December 31

	2012	2011
Cash flows from operating activities		
Receipts from customers and users	\$ 33,058,078	\$ 32,652,396
Payments to suppliers	(10,258,502)	(11,032,635)
Payments to employees	(6,993,663)	(8,301,880)
Internal activity - cash payments to other funds of County of Kent	(427,343)	(395,726)
Net cash provided by operating activities	<u>15,378,570</u>	<u>12,922,155</u>
Cash flows from capital and related financing activities		
Passenger facility charges collected	4,318,528	4,689,138
Customer facility charges collected	1,460,237	1,543,912
Capital contributions received	7,105,294	1,153,839
Proceeds from sale of capital assets	27,735	30,019
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)
Purchase of capital assets	(6,878,794)	(7,416,056)
Principal paid on revenue bonds	(4,645,000)	(4,180,000)
Interest paid on revenue bonds	(7,987,008)	(9,059,081)
Net cash used in capital and related financing activities	<u>(6,599,008)</u>	<u>(13,744,336)</u>
Cash flows from investing activities		
Interest received on investments	<u>159,524</u>	<u>205,323</u>
Net increase (decrease) in cash and cash equivalents	8,939,086	(616,858)
Cash and cash equivalents, beginning of year	<u>39,837,144</u>	<u>40,454,002</u>
Cash and cash equivalents, end of year	<u>\$ 48,776,230</u>	<u>\$ 39,837,144</u>
Classified on the statement of net position as		
Cash, investments, and accrued interest	\$ 27,006,221	\$ 22,210,341
Current restricted cash, investments, and accrued interest	18,220,201	14,077,430
Noncurrent restricted cash, investments, and accrued interest	<u>3,549,808</u>	<u>3,549,373</u>
	<u>\$ 48,776,230</u>	<u>\$ 39,837,144</u>

continued...

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

Statements of Cash Flows

For the Year Ended December 31

	2012	2011
Cash flows from operating activities		
Operating loss	\$ (1,750,904)	\$ (2,701,031)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	16,523,125	16,274,703
Bad debt expense	-	8,378
Change in:		
Accounts receivable	303,020	10,443
Inventories	(11,141)	(6,664)
Prepaid expenses	(23,512)	(109,445)
Accounts payable	382,784	(398,403)
Accrued liabilities	11,265	(67,626)
Due to other funds of the County of Kent, Michigan	(77,664)	-
Unearned revenue	21,597	(88,200)
Net cash provided by operating activities	<u>\$ 15,378,570</u>	<u>\$ 12,922,155</u>

concluded

Non-cash transactions

The Department received non-cash capital contributions of \$285,950 for the year ended December 31, 2011. No non-cash capital contributions were received in 2012.

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 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.

Restricted net position are assets that are subject to restrictions beyond the Department’s control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the Department’s policy to use restricted resources first, then unrestricted resources as they are needed.

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

Notes to Financial Statements

Assets, deferred outflows of resources, liabilities and equity

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.

Investments

Investments underlying the 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.

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

Notes to Financial Statements

Due From Other Governments

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time eligible project costs are incurred, and reimbursement is requested. Revenues received in advance of project costs being incurred are reported as unearned revenue.

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.

Restricted assets

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

Bond Discounts and Premiums

Premiums and discounts 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 land improvements, is capitalized as incurred.

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:

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

Notes to Financial Statements

Asset Type	Years
Land improvements	20-30
Buildings and improvements	30-50
Equipment	3-12
Office furniture	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.

Deferred Outflows of Resources

The Department refunded certain bonds payable in a previous year in order to secure lower interest rates and reduce future expenditures. The difference between the carrying amount of the refunded debt and the amount placed in escrow for purposes of paying the remaining balance of refunded debt is reported as a loss on refunding. This amount is being amortized using the straight-line method over the life of the related bonds. Amortization expense for the year ending December 31, 2012 and 2011 were \$233,493 and 174,092, respectively.

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 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. As a result of year end calculations, the Department billed the airlines an additional \$383,249 for the year ended December 31, 2012 and owed \$122,121 back to the airlines for the year ended December 31, 2011.

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

Notes to Financial Statements

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 collecting 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 asset acquisitions, facilities development and rehabilitation are reported in the statement of revenues, expenses and changes in net position, 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 Department 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.

Budgets

The County legally adopts an annual budget for the Department, including all funds that 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

2. DEPOSITS AND INVESTMENTS

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

	2012	2011
Statement of Net Position		
Current assets:		
Cash, investments, and accrued interest	\$ 27,006,221	\$ 22,210,341
Restricted cash, investments, and accrued interest	18,220,201	14,077,430
Noncurrent assets:		
Restricted cash, investments, and accrued interest	3,549,808	3,549,373
Total	<u>\$ 48,776,230</u>	<u>\$ 39,837,144</u>

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

	Fair Value		Credit Ratings
	2012	2011	
Cash, investments, and accrued interest			
Money market mutual funds	\$ 16,616,684	\$ 15,547,071	S&P AAA
County investment pool	32,157,946	24,288,473	Various
Total cash, investments, and accrued interest	<u>48,774,630</u>	<u>39,835,544</u>	
Cash on hand	<u>1,600</u>	<u>1,600</u>	
Total investments and cash on hand	<u>\$ 48,776,230</u>	<u>\$ 39,837,144</u>	

The Department participates in the County's Investment Pool. Investments underlying the 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 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 the County's Comprehensive Annual Financial Report.

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

Notes to Financial Statements

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 in Note 1. 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 the 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 the 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.

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:

	2012	2011
Current restricted cash, investments and accrued interest:		
Debt Service	\$ 13,066,876	\$ 11,997,698
Capital improvements	<u>5,153,325</u>	<u>2,079,732</u>
 Total current restricted cash, investments and accrued interest	 <u>\$ 18,220,201</u>	 <u>\$ 14,077,430</u>
 Current restricted accounts receivable:		
Capital improvements:		
Passenger facility charges	\$ 537,415	\$ 517,239
Customer facility charges	<u>99,873</u>	<u>87,459</u>
 Total current restricted accounts receivable	 <u>\$ 637,288</u>	 <u>\$ 604,698</u>
 Noncurrent restricted cash, investments and accrued interest:		
Debt Service	<u>\$ 3,549,808</u>	<u>\$ 3,549,373</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, 2012, 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	1,641,848	7,162,622	(27,744)	(7,120,982)	1,655,744
	<u>22,825,924</u>	<u>7,162,622</u>	<u>(27,744)</u>	<u>(7,120,982)</u>	<u>22,839,820</u>
Capital assets, being depreciated:					
Land improvements	212,597,221	-	-	3,920,890	216,518,111
Buildings and improvements	243,067,874	-	-	2,048,727	245,116,601
Equipment	19,695,785	-	-	1,151,365	20,847,150
Equipment-systems	4,793,381	-	-	-	4,793,381
Office furniture	2,177,222	-	-	-	2,177,222
Vehicles	477,720	-	-	-	477,720
	<u>482,809,203</u>	<u>-</u>	<u>-</u>	<u>7,120,982</u>	<u>489,930,185</u>
Less accumulated depreciation for:					
Land improvements	(101,751,958)	(6,976,154)	-	-	(108,728,112)
Buildings and improvements	(56,463,114)	(8,080,865)	-	-	(64,543,979)
Equipment	(7,787,601)	(878,398)	-	-	(8,665,999)
Equipment-systems	(2,351,722)	(434,775)	-	-	(2,786,497)
Office furniture	(1,282,584)	(95,635)	-	-	(1,378,219)
Vehicles	(263,736)	(57,298)	-	-	(321,034)
	<u>(169,900,715)</u>	<u>(16,523,125)</u>	<u>-</u>	<u>-</u>	<u>(186,423,840)</u>
Total capital assets being depreciated, net	<u>312,908,488</u>	<u>(16,523,125)</u>	<u>-</u>	<u>7,120,982</u>	<u>303,506,345</u>
Total capital assets, net	<u>\$ 335,734,412</u>	<u>\$ (9,360,503)</u>	<u>\$ (27,744)</u>	<u>\$ -</u>	<u>\$ 326,346,165</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, 2011, 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	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>
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>

As of December 31, 2012 and 2011, estimated costs to complete the construction in progress were approximately \$3,712,000 and \$4,894,000, respectively.

5. REVENUE BONDS PAYABLE

Long-term debt activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 184,445,000	\$ -	\$ (4,645,000)	\$ 179,800,000	\$ 5,220,000
Premium on revenue bonds	7,778,821	-	(372,255)	7,406,566	372,256
	<u>\$ 192,223,821</u>	<u>\$ -</u>	<u>\$ (5,017,255)</u>	<u>\$ 187,206,566</u>	<u>\$ 5,592,256</u>

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

Notes to Financial Statements

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 190,495,000	\$ 38,675,000	\$ (44,725,000)	\$ 184,445,000	\$ 4,645,000
Premium on revenue bonds	5,637,734	2,373,714	(232,627)	7,778,821	379,454
	<u>\$ 196,132,734</u>	<u>\$ 41,048,714</u>	<u>\$ (44,957,627)</u>	<u>\$ 192,223,821</u>	<u>\$ 5,024,454</u>

	2012	2011
<u>Revenue bonds</u>		
\$56,180,000 1998 Airport Revenue Bonds, refunded on October 1, 2011.	\$ -	\$ 1,640,000
\$117,360,000 2007 Airport Revenue Bonds, due in annual installments of \$600,000 to \$7,785,000 plus interest ranging from 4.00% to 5.00%, payable semi-annually, through January 1, 2037.	114,310,000	115,710,000
\$30,110,000 2009 Airport Revenue Refunding Bonds, due in annual installments of \$130,000 to \$2,645,000 plus interest ranging from 2.00% to 5.00%, payable semi-annually, through January 1, 2025.	26,815,000	28,420,000
\$38,675,000 2011 Airport Revenue Refunding Bonds, due in annual installments of \$1,785,000 to \$3,290,000 plus interest ranging from 2.00% to 5.00%, payable semi-annually, through January 1, 2028.	<u>38,675,000</u>	<u>38,675,000</u>
Total revenue bonds	<u>\$ 179,800,000</u>	<u>\$ 184,445,000</u>

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

Year Ended December 31,	Principal	Interest
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	6,770,000	7,486,006
2018-2022	39,040,000	32,048,515
2023-2027	43,820,000	21,607,203
2028-2032	31,025,000	12,530,797
2033-2037	<u>35,395,000</u>	<u>4,596,875</u>
	<u>\$ 179,800,000</u>	<u>\$ 110,611,145</u>

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

Notes to Financial Statements

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 2011 Refunding Bond reserve requirement is funded with cash and accrued interest in the amount of \$3,549,808 and \$3,549,373 for the years ended December 31, 2012 and 2011, respectively. In addition, the Series 2007 and 2009 Bonds bear the limited tax pledge of the full faith and credit of the County to advance necessary amounts to meet principal and interest payments in the event revenues of the Department are insufficient to meet requirements.

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 \$0 and \$40,545,000 of bonds are considered defeased as of December 31, 2012 and 2011, respectively. The liability for these defeased bonds has been removed from the statement of net assets.

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 expected to be received by the Department, 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
2013	\$ 6,832,645
2014	6,226,887
2015	5,124,746
2016	4,887,017
2017	4,685,312
2018-2022	4,619,839
2023-2027	1,172,126
2028-2032	811,963
2033-2035	198,461

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

Notes to Financial Statements

7. RISK MANAGEMENT

The Department of Aeronautics is exposed to various risk of loss during the normal course of operation. The Department participates in the County's self-insurance program. The cost of coverage is recognized as an operating expense 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 POSITION

Net position was comprised of the following at December 31:

	2012	2011
Net investment in capital assets		
Land and construction in progress	\$ 22,839,820	\$ 22,825,924
Other capital assets, net of accumulated depreciation	303,506,345	312,908,488
Current maturities of revenue bonds payable and bond premiums	(5,592,256)	(5,024,454)
Revenue bonds payable and bond premiums, net of current portion	(181,614,310)	(187,199,367)
Deferred charge on refunding, net	<u>2,954,676</u>	<u>3,188,169</u>
Net investment in capital assets	142,094,275	146,698,760
Restricted for:		
Debt service	12,386,718	11,790,029
Capital improvements	5,790,613	2,684,430
Unrestricted	<u>28,578,188</u>	<u>22,114,152</u>
Total net position	<u>\$ 188,849,794</u>	<u>\$ 183,287,371</u>

9. BENEFIT PLANS

The Department employees participate in 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 34.3% and 32.5% of operating revenues in 2012 and 2011, respectively.

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

■ Notes to Financial Statements

11. CONCENTRATED CREDIT RISK

The Department provides gate access to nineteen 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.

12. RESTATEMENT

The Department implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the years ended December 31, 2012 and 2011, which eliminated the presentation of bond issuance costs as an asset amortized over the life of the related bonds. As a result of this change in accounting principle, beginning net position decreased by \$1,553,213 and \$1,239,602 for the years ended December 31, 2012 and 2011, respectively.



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
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
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
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
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

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

Net Assets / Net Position and Changes in Net Assets / Net Position

Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year		
	2003	2004	2005
Operating revenue			
Airfield	\$ 9,030	\$ 8,271	\$ 8,182
Terminal	7,012	6,790	6,839
Ground transportation	8,708	9,475	10,658
Other	325	344	401
Total operating revenues	25,075	24,880	26,080
Operating expenses			
Salaries and benefits	6,508	7,018	7,579
Services and supplies	6,694	6,571	8,279
Depreciation	9,647	9,716	9,957
Total operating expenses	22,849	23,305	25,815
Operating income (loss)	2,226	1,575	265
Nonoperating revenue (expenses)			
Passenger facility charges	2,687	2,881	2,890
Improvement charges	-	-	256
Interest income	328	423	1,034
Interest expense	(4,553)	(4,888)	(4,680)
Other	57	25	4
Total nonoperating revenue (expenses)	(1,481)	(1,559)	(496)
Income (loss) before capital contributions	745	16	(231)
Capital contributions	4,202	4,976	2,315
Change in net assets / net position	\$ 4,947	\$ 4,992	\$ 2,084
Net assets / net position			
Invested in capital assets, net of related debt / net investment in capital assets	\$ 133,912	\$ 136,940	\$ 134,899
Restricted for debt service	6,772	6,945	7,594
Restricted for capital improvements	-	-	-
Unrestricted	15,621	17,412	20,888
Total net assets / net position	\$ 156,305	\$ 161,297	\$ 163,381

GASBs 63 and 65 were implemented for fiscal year ended December 31, 2012 and 2011. This resulted in a change renaming net assets to net position and invested in capital assets, net of related debt to net investment in capital assets. As a result of implementation, bond issuance costs have been eliminated. Prior years were not restated retroactively.

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 8,596	\$ 8,502	\$ 9,023	\$ 8,729	\$ 9,372	\$ 9,811	\$ 9,608
6,549	6,582	7,425	6,960	7,321	5,715	6,746
11,326	11,417	10,886	9,818	14,745	15,511	14,878
360	333	405	516	544	593	641
<u>26,831</u>	<u>26,834</u>	<u>27,739</u>	<u>26,023</u>	<u>31,982</u>	<u>31,630</u>	<u>31,873</u>
7,802	8,804	8,840	8,588	8,925	8,263	7,918
7,547	8,659	9,125	9,050	9,148	9,793	9,183
<u>10,553</u>	<u>10,781</u>	<u>10,948</u>	<u>11,555</u>	<u>16,009</u>	<u>16,275</u>	<u>16,523</u>
<u>25,902</u>	<u>28,244</u>	<u>28,913</u>	<u>29,193</u>	<u>34,082</u>	<u>34,331</u>	<u>33,624</u>
929	(1,410)	(1,174)	(3,170)	(2,100)	(2,701)	(1,751)
4,059	3,949	3,448	3,466	4,505	4,636	4,339
1,263	1,291	1,384	1,188	1,374	1,543	1,473
1,801	1,447	898	429	148	154	159
(4,539)	(4,159)	(4,053)	(3,684)	(9,147)	(8,187)	(8,321)
13	95	15	66	22	50	22
<u>2,597</u>	<u>2,623</u>	<u>1,692</u>	<u>1,465</u>	<u>(3,098)</u>	<u>(1,804)</u>	<u>(2,328)</u>
3,526	1,213	518	(1,705)	(5,198)	(4,505)	(4,079)
<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>9,641</u>
<u>\$ 5,706</u>	<u>\$ 9,924</u>	<u>\$ 7,594</u>	<u>\$ 459</u>	<u>\$ 529</u>	<u>\$ (3,065)</u>	<u>\$ 5,562</u>
\$ 139,941	\$ 147,818	\$ 147,665	\$ 155,704	\$ 150,727	\$ 146,699	\$ 142,094
8,989	15,527	9,390	10,643	11,294	11,790	12,387
495	4,401	11,769	2,923	3,418	2,684	5,791
<u>19,662</u>	<u>11,265</u>	<u>17,781</u>	<u>17,794</u>	<u>22,154</u>	<u>22,114</u>	<u>28,578</u>
<u>\$ 169,087</u>	<u>\$ 179,011</u>	<u>\$ 186,605</u>	<u>\$ 187,064</u>	<u>\$ 187,593</u>	<u>\$ 183,287</u>	<u>\$ 188,850</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		
	2003	2004	2005
Cash flows from operating activities			
Receipts from customers and users	\$ 25,043	\$ 25,028	\$ 27,528
Cash paid to suppliers	(7,451)	(7,192)	(8,056)
Cash paid to employees	(6,153)	(7,201)	(7,472)
Net cash provided by operating activities	<u>11,439</u>	<u>10,635</u>	<u>12,000</u>
Capital and related financing activities			
Passenger facility charges collected	2,634	2,855	2,765
Customer facility charges collected	-	-	173
Capital contributions received	4,202	1,740	2,055
Proceeds from sale of capital assets	63	24	43
Proceeds from issuance of note payable	9,775	-	-
Proceeds from sale of bonds	-	-	-
Cash transferred to escrow for defeased bonds	-	-	-
Purchase of capital assets	(14,790)	(7,435)	(5,496)
Principal paid on revenue bonds	(2,110)	(4,260)	(3,199)
Interest paid on revenue bonds	(4,468)	(4,773)	(4,605)
Net cash provided by (used in) capital and related financing activities	<u>(4,694)</u>	<u>(11,849)</u>	<u>(8,264)</u>
Investing activities			
Interest received on investments	<u>329</u>	<u>422</u>	<u>1,012</u>
Net increase (decrease) in cash and cash equivalents	7,074	(792)	4,748
Cash and cash equivalents, beginning of year	<u>26,723</u>	<u>33,797</u>	<u>33,005</u>
Cash and cash equivalents, end of year	<u>\$ 33,797</u>	<u>\$ 33,005</u>	<u>\$ 37,753</u>

GASBs 63 and 65 were implemented for fiscal year ended December 31, 2012 and 2011. This resulted in a change renaming net assets to net position and invested in capital assets, net of related debt to net investment in capital assets. As a result of implementation, bond issuance costs have been eliminated. Prior years were not restated retroactively.

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 27,369	\$ 27,801	\$ 27,825	\$ 26,721	\$ 31,964	\$ 32,652	\$ 33,058
(7,906)	(8,473)	(9,604)	(9,628)	(9,370)	(11,428)	(10,686)
(7,837)	(8,680)	(8,709)	(8,565)	(8,807)	(8,302)	(6,994)
11,626	10,648	9,512	8,528	13,787	12,922	15,378
4,086	3,996	3,559	3,364	4,303	4,689	4,319
1,264	1,286	1,388	1,200	1,358	1,544	1,460
2,180	8,711	3,221	1,103	3,900	1,154	7,105
146	95	15	66	22	30	28
-	-	-	-	-	-	-
-	122,210	-	30,619	-	41,049	-
-	-	-	(31,112)	-	(41,555)	-
(13,515)	(26,750)	(80,745)	(47,245)	(5,476)	(7,416)	(6,879)
(3,344)	(8,416)	(2,625)	(2,740)	(3,595)	(4,180)	(4,645)
(4,461)	(4,144)	(8,390)	(9,035)	(9,220)	(9,059)	(7,987)
(13,644)	96,988	(83,577)	(53,780)	(8,708)	(13,744)	(6,599)
1,869	3,094	4,664	1,546	148	205	160
(149)	110,730	(69,401)	(43,706)	5,227	(617)	8,939
37,753	37,604	148,334	78,933	35,227	40,454	39,837
\$ 37,604	\$ 148,334	\$ 78,933	\$ 35,227	\$ 40,454	\$ 39,837	\$ 48,776

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

Passenger Activity

Enplaned Passengers

Last Ten Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Airline					
American Eagle	93,998	104,529	130,640	126,225	118,146
Delta Connection (Atlantic Southeast)	37,879	14,907	80,153	63,926	61,087
Delta Connection (Comair)	69,972	110,479	66,730	61,873	62,996
Delta Connection (Chautauqua)	-	-	-	-	-
Delta Connection (Freedom)	-	-	-	-	-
Delta Connection (Skywest)	-	-	-	-	-
Continental Connection	-	92	624	678	2,922
Continental Express (Express Jet)	58,676	73,362	75,601	97,811	96,081
United Express (Go Jet)	-	-	-	875	23,040
United Express (Mesa)	-	-	1,939	13,009	1,977
Delta Connection (Mesaba)	17,862	27,669	17,791	9,649	7,065
Delta Airlines Inc.	394,782	450,665	439,010	414,513	356,506
Delta Connection (Pinnacle)	8,593	13,397	14,643	39,621	74,034
Delta Connection (Compass)	-	-	-	-	-
United Express (Shuttle America)	-	-	8,036	13,033	23,714
Midwest Connect (Skyway)	30,009	31,732	36,073	35,893	41,047
Frontier Airlines (Chautauqua)	-	-	-	-	-
Midwest Connect (Skywest)	-	-	-	-	-
United Express (Skywest Airlines)	-	7,083	6,816	25,641	45,243
United Airlines Inc.	114,699	107,607	80,265	108,665	84,215
Allegiant Air	-	-	-	-	-
AirTran	-	-	-	-	-
American Connection (Chautauqua)	-	-	-	-	-
Air Canada (Air Georgian)	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)	57,004	53,872	8,055	-	-
US Airways Express (Mesa)	-	8,867	29,033	-	-
Delta Connection (Atlantic Coast)	13,426	649	-	-	-
United Express (Atlantic Coast)	25,872	15,906	-	-	-
US Airways Express (Trans States)	43,764	31,236	-	-	-
American Eagle (Trans States)	-	-	-	-	-
Charters	1,101	337	290	865	846
Total	995,719	1,077,580	1,047,223	1,012,277	998,919

Fiscal Year				Share of Total 2011	Fiscal Year	
2008	2009	2010	2011		2012	Share of Total 2012
100,075	104,240	81,540	68,948	6.1%	68,008	6.4%
63,375	61,335	27,436	41,171	3.6%	25,838	2.4%
46,508	22,524	52,317	81,236	7.1%	35,909	3.4%
-	12,256	23,993	13,776	1.2%	26,165	2.4%
-	15,227	11,831	-	0.0%	-	0.0%
-	459	2,305	12,547	1.1%	18,961	1.8%
6,490	2,381	6,341	12,368	1.1%	-	0.0%
87,745	87,601	86,571	79,578	7.0%	11,245	1.1%
29,358	20,314	34,087	16,370	1.4%	36,684	3.4%
8,340	40,700	10,360	837	0.1%	11,055	1.0%
23,101	21,902	31,978	20,429	1.8%	125	0.0%
302,849	204,988	236,343	207,147	18.2%	223,783	20.9%
68,889	70,472	77,584	69,247	6.1%	102,544	9.6%
3,378	43,137	27,481	22,287	2.0%	11,789	1.1%
8,763	37,810	30,374	29,817	2.6%	18,939	1.8%
10,850	-	-	-	0.0%	-	0.0%
-	9,260	32,842	35,929	3.2%	6,575	0.6%
35,276	25,118	-	-	0.0%	-	0.0%
24,837	9,467	23,044	19,033	1.7%	3,965	0.4%
83,609	33,715	39,270	44,916	3.9%	44,842	4.2%
271	59,372	117,609	87,193	7.7%	76,759	7.2%
-	-	76,644	134,606	11.8%	123,465	11.5%
-	-	21,626	45,874	4.0%	55,309	5.2%
2,630	4,003	3,940	3,764	0.3%	4,502	0.4%
-	-	1,599	5,616	0.5%	451	0.0%
-	-	23,432	42,148	3.7%	46,614	4.4%
-	-	15,330	41,901	3.7%	99,911	9.3%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	11,556	1.1%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	3,678	0.3%
816	1,524	1,783	1,710	0.2%	1,123	0.1%
<u>907,160</u>	<u>887,805</u>	<u>1,097,660</u>	<u>1,138,448</u>	<u>100.0%</u>	<u>1,069,795</u>	<u>100.0%</u>

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

Principal Revenue Sources and Revenues per Enplaned Passenger

Last Ten Fiscal Years

(dollars in thousands, except amounts per enplaned passenger)

	Fiscal Year			
	2003	2004	2005	2006
Airline revenues				
Landing fees	\$ 2,957	\$ 3,120	\$ 2,723	\$ 2,576
Apron fees	1,711	1,567	1,640	1,803
Terminal rents	6,714	5,575	5,340	5,513
Total airline revenues	11,382	10,262	9,703	9,892
Percentage of total revenues	40.4%	36.4%	32.1%	29.1%
Nonairline revenues				
Parking	6,618	7,331	8,354	8,937
Rental car	2,296	2,321	2,486	2,626
Other	4,779	4,966	5,537	5,376
Total nonairline revenues	13,693	14,618	16,377	16,939
Percentage of total revenues	48.6%	51.8%	54.1%	49.9%
Nonoperating revenues				
Passenger facility charges	2,687	2,881	2,890	4,059
Interest	328	423	1,034	1,801
Other	57	25	260	1,276
Total nonoperating revenues	3,072	3,329	4,184	7,136
Percentage of total revenues	10.9%	11.8%	13.8%	21.0%
Total revenues	\$ 28,147	\$ 28,209	\$ 30,264	\$ 33,967
Enplaned passengers	995,719	1,077,580	1,047,223	1,012,277
Total revenue per enplaned passenger	\$ 28.27	\$ 26.18	\$ 28.90	\$ 33.56
Airline revenue per enplaned passenger	\$ 11.43	\$ 9.52	\$ 9.27	\$ 9.77
Revenue rates				
Landing fee (per 1,000 lbs MGLW)	\$ 2.13	\$ 2.13	\$ 2.07	\$ 2.04
Apron fee (per 1,000 lbs MGLW)	\$ 1.07	\$ 1.07	\$ 1.20	\$ 1.32
Annual terminal rental rate (per sq. ft.)	\$ 53.57	\$ 52.38	\$ 51.35	\$ 50.77

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 principal payers can be found in Schedule C.

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 2,847	\$ 3,102	\$ 2,998	\$ 3,198	\$ 3,586	\$ 3,335	
2,025	1,941	1,823	2,220	2,409	2,252	
5,165	5,865	5,433	5,908	4,302	5,313	
10,037	10,908	10,254	11,326	10,297	10,900	
29.9%	32.6%	32.9%	29.8%	27.1%	28.8%	
8,851	8,121	7,437	11,492	12,301	11,766	
2,788	3,053	2,683	3,521	3,512	3,413	
5,158	5,657	5,649	5,643	5,520	5,794	
16,797	16,831	15,769	20,656	21,333	20,973	
50.0%	50.3%	50.6%	54.3%	56.1%	55.4%	
3,949	3,448	3,466	4,505	4,636	4,339	
1,447	898	429	148	154	159	
1,386	1,399	1,254	1,396	1,593	1,495	
6,782	5,745	5,149	6,049	6,383	5,993	
20.2%	17.2%	16.5%	15.9%	16.8%	15.8%	
\$ 33,616	\$ 33,484	\$ 31,172	\$ 38,031	\$ 38,013	\$ 37,866	
998,919	907,160	887,805	1,097,660	1,138,448	1,069,795	
\$ 33.65	\$ 36.91	\$ 35.11	\$ 34.65	\$ 33.39	\$ 35.40	
\$ 10.05	\$ 12.02	\$ 11.55	\$ 10.32	\$ 9.04	\$ 10.19	
\$ 2.34	\$ 2.40	\$ 2.66	\$ 2.85	\$ 2.42	\$ 2.61	
\$ 1.58	\$ 1.59	\$ 1.62	\$ 1.83	\$ 1.43	\$ 1.46	
\$ 49.32	\$ 49.96	\$ 50.00	\$ 48.98	\$ 51.34	\$ 52.19	

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		
	2003	2004	2005
Outstanding debt per enplaned passenger			
Outstanding debt by type (in thousands) :			
Revenue bonds (all airport net operating revenues pledged)	\$ 89,297	\$ 87,207	\$ 85,011
Notes payable	9,775	7,720	6,831
Total outstanding debt	\$ 99,072	\$ 94,927	\$ 91,842
Outstanding debt per enplaned passenger	\$ 99.50	\$ 88.09	\$ 87.70
Outstanding debt ratio for service area (total outstanding debt/(per capita income*trade area population))	N/A	N/A	N/A
Outstanding debt ratio for Kent County (total outstanding debt/(per capita income*county population))	N/A	N/A	N/A
Net revenues			
Revenues	\$ 28,147	\$ 28,209	\$ 30,264
Less: operating expenses, less depreciation	13,202	13,589	15,859
Net revenues	\$ 14,945	\$ 14,620	\$ 14,405
Debt service			
Principal paid on revenue bonds	\$ 2,110	\$ 2,205	\$ 2,310
Interest	4,553	4,485	4,340
Principal paid on notes payable	-	2,055	889
Interest	-	403	341
Total debt service	\$ 6,663	\$ 9,148	\$ 7,880
Revenue bonds debt service coverage	2.2	2.2	2.2
Total debt service coverage	2.2	1.6	1.8
Debt service per enplaned passenger	\$ 6.69	\$ 8.49	\$ 7.52

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.

GASBs 63 and 65 were implemented for fiscal year ended December 31, 2012 and 2011. This resulted in reclassing deferred loss on refunding from revenue bonds to deferred outflows of resources. Prior years were not restated retroactively.

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 82,711 5,902	\$ 202,913 -	\$ 200,410 -	\$ 197,434 -	\$ 193,780 -	\$ 192,224 -	\$ 187,207 -
\$ 88,613	\$ 202,913	\$ 200,410	\$ 197,434	\$ 193,780	\$ 192,224	\$ 187,207
\$ 87.54	\$ 203.13	\$ 220.92	\$ 222.38	\$ 176.54	\$ 168.85	\$ 175
\$ 0.0028	\$ 0.0064	\$ 0.0066	\$ 0.0064	\$ 0.0064	\$ 0.0064	\$ 0.0058
\$ 0.0062	\$ 0.0142	\$ 0.0144	\$ 0.0139	\$ 0.0140	\$ 0.0141	\$ 0.0123
\$ 33,967 15,348	\$ 33,616 17,463	\$ 33,484 17,965	\$ 31,172 17,638	\$ 38,031 18,073	\$ 38,013 18,056	\$ 37,866 17,101
<u>\$ 18,619</u>	<u>\$ 16,153</u>	<u>\$ 15,519</u>	<u>\$ 13,534</u>	<u>\$ 19,958</u>	<u>\$ 19,957</u>	<u>\$ 20,765</u>
\$ 2,415 4,238 929 301	\$ 2,515 4,056 5,902 88	\$ 2,625 4,052 -	\$ 2,740 3,684 -	\$ 3,595 9,147 -	\$ 4,180 9,059 -	\$ 4,645 7,987 -
<u>\$ 7,883</u>	<u>\$ 12,561</u>	<u>\$ 6,677</u>	<u>\$ 6,424</u>	<u>\$ 12,742</u>	<u>\$ 13,239</u>	<u>\$ 12,632</u>
2.8	2.5	2.3	2.1	1.6	1.5	1.6
2.4	1.3	2.3	2.1	1.6	1.5	1.6
\$ 7.79	\$ 12.57	\$ 7.36	\$ 7.24	\$ 11.61	\$ 11.63	\$ 11.81

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

Principal Employers in the Primary Trade Area

Calendar Years 2012 and 2003

Employer	County	Product or Service
Spectrum Health	Kent	Healthcare
Axios Incorporated	Kent	Human resource and employment services
Meijer Inc	Kent	Retail food and merchandise
Amway Corporation	Kent	Personal and Household products
Spartan Stores Inc.	Kent	Retail food
Johnson Controls Inc.	Kent	Manufacturing-Auto Parts
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 - Footwear
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 of Employees 2012	Percentage of Total Employment	Number of Employees 2003	Percentage of Total Employment
18,000	2.74%	14,000	2.09%
8,000	1.22%		0.00%
7,725	1.18%	9,785	1.46%
5,233	0.80%	4,000	0.60%
4,258	0.65%	4,370	0.65%
4,050	0.62%	5,000	0.75%
3,653	0.56%		0.00%
3,297	0.50%	3,490	0.52%
3,227	0.49%	5,400	0.81%
3,800	0.58%		0.00%
3,131	0.48%		0.00%
3,100	0.47%	4,400	0.66%
3,991	0.61%		0.00%
2,730	0.42%		0.00%
2,672	0.41%		0.00%
2,500	0.38%		0.00%
2,450	0.37%	3,200	0.48%
1,396	0.21%		0.00%
2,254	0.34%		0.00%
2,500	0.38%		0.00%
2,000	0.30%		0.00%
2,729	0.42%		0.00%
1,310	0.20%		0.00%
2,300	0.35%		0.00%
1,668	0.25%		0.00%
1,100	0.17%		0.00%
2,050	0.31%		0.00%
1,640	0.25%		0.00%
1,633	0.25%		0.00%
1,669	0.25%		0.00%
1,436	0.22%		0.00%
1,953	0.30%		0.00%
1,390	0.21%		0.00%
1,493	0.23%		0.00%
1,296	0.20%		0.00%
<hr/>		<hr/>	
655,875		668,964	

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

Population in the Primary Trade Area

Last Ten Fiscal Years

	2003	2004	2005	2006
Allegan County	109,195	110,225	110,865	111,156
Barry County	58,682	59,005	59,621	59,610
Ionia County	63,781	64,562	64,745	65,157
Kent County	587,790	589,554	592,210	595,191
Muskegon County	172,269	172,771	173,608	173,710
Newaygo County	49,072	49,272	49,452	49,287
Ottawa County	249,828	253,048	255,261	258,003
	<u>1,290,617</u>	<u>1,298,437</u>	<u>1,305,762</u>	<u>1,312,114</u>
Per capita income	Not Available	Not Available	Not Available	\$ 23,916
Total personal income (<i>dollars in thousands</i>)				\$ 31,380,518
	2003	2004	2005	2006
Employment information				
Civilian labor force	668,964	676,599	687,829	697,005
Employed	621,050	631,898	647,319	656,197
Unemployed	47,914	44,701	40,510	40,808
Unemployment rate	7.2%	6.6%	5.9%	5.9%

Source: Michigan Department of Technology, Management and Budget

Schedule G - Unaudited

2007	2008	2009	2010	2011	2012
111,427	113,625	112,975	111,408	111,845	112,039
59,969	59,501	58,890	59,173	58,937	58,990
65,189	64,269	63,833	63,905	64,156	63,941
598,077	609,235	608,315	602,622	608,077	614,462
173,738	174,854	174,344	172,188	172,864	170,182
49,328	49,118	48,897	48,460	48,650	48,505
260,037	262,556	260,364	263,801	266,171	269,099
<u>1,317,765</u>	<u>1,333,158</u>	<u>1,327,618</u>	<u>1,321,557</u>	<u>1,330,700</u>	<u>1,337,218</u>

\$ 23,900 \$ 22,880 \$ 23,320 \$ 22,908 \$ 22,496 \$ 24,078

\$ 31,494,584 \$ 30,502,655 \$ 30,960,052 \$ 30,274,228 \$ 29,935,416 \$ 32,197,535

2007	2008	2009	2010	2011	2012
694,247	685,728	657,164	645,390	644,039	655,875
652,107	636,723	579,485	573,505	589,045	610,323
42,140	49,005	77,679	71,885	54,994	45,552
6.1%	7.1%	11.8%	11.1%	8.5%	6.9%

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

Department Employees

Last Ten Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Administration	22	22	22	22
Maintenance	30	31	31	31
Parking	29	29	29	29
Firefighting	17	16	16	16
Public safety	28	36	36	36
Total	126	134	134	134
Enplaned passengers per employee	7,903	8,042	7,815	7,554
Operating revenues (in thousands)	25,075	24,880	26,080	26,831
Operating expenses (in thousands)	22,849	23,305	25,815	25,902
Salaries and fringes (in thousands)	6,508	7,018	7,579	7,802
Payroll percentage of operating revenues	26.0%	28.2%	29.1%	29.1%
Payroll percentage of operating expenses	28.5%	30.1%	29.4%	30.1%

Schedule H - Unaudited

Fiscal Year					
2007	2008	2009	2010	2011	2012
21	20	20	20	20	20
31	31	31	31	31	31
31	29	24	24	1	1
16	16	16	16	16	16
33	33	33	33	33	33
<u>132</u>	<u>129</u>	<u>124</u>	<u>124</u>	<u>101</u>	<u>101</u>
<u>7,568</u>	<u>7,032</u>	<u>7,160</u>	<u>8,852</u>	<u>11,272</u>	<u>10,592</u>
26,834	27,739	26,023	31,982	31,630	31,873
28,244	28,913	29,193	34,082	34,331	33,624
8,804	8,840	8,588	8,925	8,263	7,918
<u>32.8%</u>	<u>31.9%</u>	<u>33.0%</u>	<u>27.9%</u>	<u>26.1%</u>	<u>24.8%</u>
<u>31.2%</u>	<u>30.6%</u>	<u>29.4%</u>	<u>26.2%</u>	<u>24.1%</u>	<u>23.5%</u>

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

Capital Asset Information

Last Ten Fiscal Years

	Fiscal Year		
	2003	2004	2005
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	110,128	116,455	112,314
Annual capacity	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>
Runway utilization percentage	<u>39.69%</u>	<u>41.97%</u>	<u>40.47%</u>
Terminal building			
Exclusive area leased	62,741	71,729	67,500
Exclusive area available	<u>83,712</u>	<u>95,325</u>	<u>96,200</u>
Terminal occupancy percentage	<u>74.95%</u>	<u>75.25%</u>	<u>70.17%</u>
Enplanements	995,719	1,077,580	1,047,223
Planned capacity	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
Terminal utilization percentage	<u>55.32%</u>	<u>59.87%</u>	<u>58.18%</u>
Parking areas			
Number of annual long term exits (a)	216,878	245,024	191,377
Average long term stay (days) (b)	<u>3.7</u>	<u>4.0</u>	<u>3.4</u>
Average annual long term occupancy ((a*b)/365)	2,198	2,685	1,783
Number of long term spaces available	<u>4,733</u>	<u>5,483</u>	<u>5,483</u>
Average annual long term occupancy rate	<u>46.45%</u>	<u>48.97%</u>	<u>32.51%</u>

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
112,608	101,378	97,501	87,883	87,073	87,545	85,306
<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>40.58%</u>	<u>36.53%</u>	<u>35.14%</u>	<u>31.67%</u>	<u>31.38%</u>	<u>31.55%</u>	<u>30.74%</u>
63,750	64,444	68,615	61,338	65,064	65,260	65,260
<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>100,666</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>	<u>64.83%</u>
1,012,277	998,919	907,160	887,805	1,097,660	1,138,448	1,069,795
<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>56.24%</u>	<u>55.50%</u>	<u>50.40%</u>	<u>49.32%</u>	<u>60.98%</u>	<u>63.25%</u>	<u>59.43%</u>
185,503	229,531	207,982	200,106	241,858	257,110	240,871
<u>3.8</u>	<u>4.4</u>	<u>3.8</u>	<u>4.0</u>	<u>3.8</u>	<u>4.0</u>	<u>4.4</u>
1,931	2,767	2,165	2,193	2,518	2,818	2,877
<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>6,509</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>	<u>44.20%</u>