

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




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**Comprehensive Annual Financial Report**

Year Ended December 31, 2006



**BDO Seidman, LLP**  
Accountants and Consultants



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

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**Comprehensive Annual Financial Report  
An Enterprise Fund of Kent County**  
Year Ended December 31, 2006

Prepared by:

**Kent County Department of Aeronautics**

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

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

# Kent County Department of Aeronautics Kent County, Michigan

## Aeronautics Board

John Van Laar  
*Chair*

Thomas G. O'Hare  
*Vice Chair*

Dean A. Agee\*

Joseph D. Jones

Theodore J. Vonk\*

Richard A. Vander Molen\*

## Kent County Department of Aeronautics An Enterprise Fund of Kent County

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

\*Kent County Commissioner

# Kent County Department of Aeronautics Kent County, Michigan

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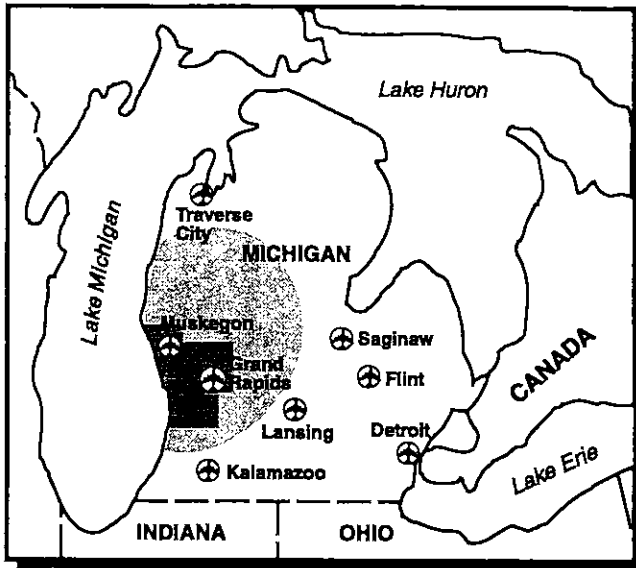
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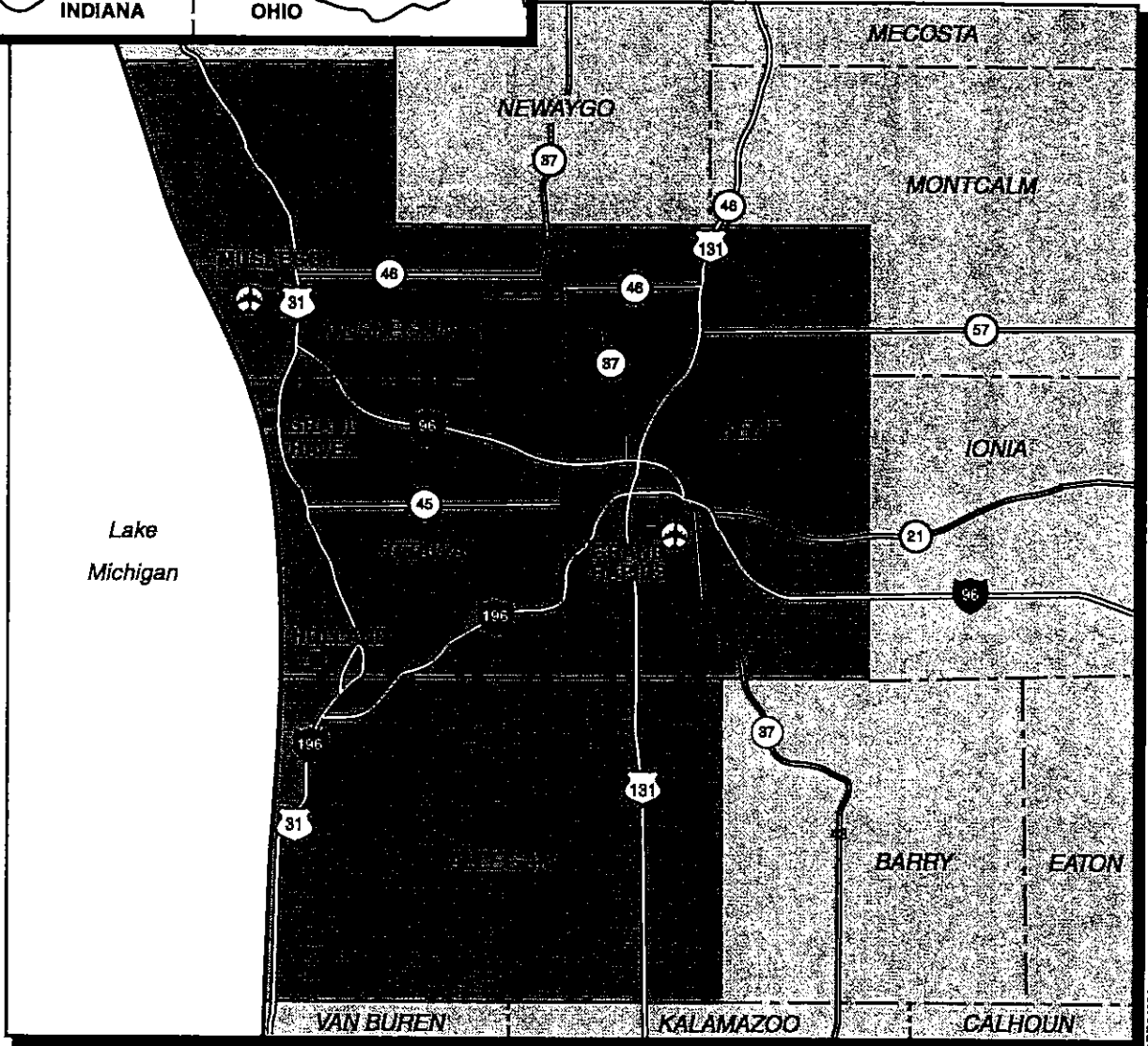
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**Road miles from Grand Rapids:**

Detroit .....	149
Flint .....	104
Kalamazoo.....	50
Lansing .....	65
Muskegon .....	40
Saginaw.....	116
Traverse City.....	139



GRB04001

**LEGEND**

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

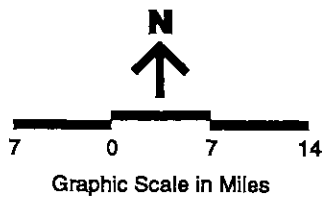


Figure 2  
**AIRPORT SERVICE REGION**  
 Kent County International Airport  
 January 1998



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kent County

Department of Aeronautics

Michigan

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

December 31, 2005

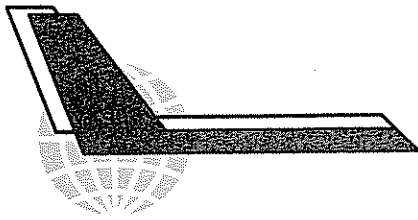
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

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GERALD R. FORD INTERNATIONAL AIRPORT

# Kent County Department of Aeronautics

## AERONAUTICS BOARD

JOHN VAN LAAR, Chairman  
THOMAS G. O'HARE, Vice Chairman  
DEAN A. AGEE  
JOSEPH D. JONES  
RICHARD A. VANDER MOLEN  
THEODORE J. VONK

## AERONAUTICS STAFF

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

May 1, 2007

Kent County Aeronautics Board  
Kent County, Michigan

We are pleased to submit the Kent County, Michigan, Department of Aeronautics (Department) Financial Report for the year ended December 31, 2006. This report was prepared by the Department's Finance and Administration Division, and the financial statements were audited by BDO Seidman, LLP, an independent firm of Certified Public Accountants. This report is prepared for the purpose of disclosing the Department's financial condition and to provide the reader additional information about the Department's mission, goals and operating trends.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Department. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Department; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Department's financial activity have been included.

## **REPORTING ENTITY AND ITS SERVICES**

The Department comprises a single enterprise fund of Kent County, Michigan (County) and operates as a self sustaining department of the County. The Kent County Airport Board of Control was created by resolution of the Board of Supervisors (now County Board of Commissioners) on June 26, 1956. The name was changed to the Kent County Aeronautics Board (Board) in 1959. This Board is made up of three County Commissioners and three citizens at-large, all appointed by the County Commission. Also in 1959, the Department was created by resolution of the Kent County Board of Supervisors. The Board is responsible for governing the affairs of the Department.

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

## **AIRPORT SERVICE AREA**

The region served by the Airport is shown on page iii. The primary geographical area served by the Airport is the seven-county Grand Rapids Combined Statistical Area (the "Grand Rapids MSA" or the "MSA"), which consists of Allegan, Barry, Ionia, Kent, Muskegon, Newaygo and Ottawa counties. The primary area is generally defined as the area with the principal concentration of population and economic activity that, therefore, generates the majority of airline passenger traffic at an airport. In 2006, the population of the Grand Rapids MSA was 1,323,287, with Kent County accounting for 599,667, Ottawa County accounting for 256,729, Muskegon County accounting for 175,959, Allegan County accounting for 114,813, Ionia County accounting for 65,365, Barry County accounting for 60,211 and Newaygo County accounting for 50,543 of this total, respectively. The City of Grand Rapids, located in Kent County, accounts for 194,341 or approximately 14.7% of the population in the Grand Rapids MSA.



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

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

### **AIRLINE ACTIVITY**

The Airport is served with non-stop service by American Eagle to Chicago O'Hare, New York-LaGuardia and Dallas-Forth Worth; Continental Express to Cleveland, Houston and New York-Newark; Delta Connection to Cincinnati and Atlanta; Northwest Airlines and Northwest Airlink to Detroit, Minneapolis, New York-LaGuardia, Orlando, Washington DC-Reagan National and Memphis; Skyway Airlines-Midwest Connect to Milwaukee; and United Airlines and United Express to Chicago O'Hare and Denver. Northwest Airlines/Airlink has the largest market share at 45.8% of the 2006 enplaned passengers. This was followed by United Airlines/Express at 15.9%, American Eagle at 12.5%, Delta Connection at 12.4%, Continental Express at 9.7% and Midwest Connect at 3.5%.

The Airport's enplaned passengers decreased in 2006 by 3.3% compared to 2005. In 2006 there were 34,946 less enplanements than 2005. The Airport's Master Plan forecasts annual growth rates of 3.5-4.0% per annum in 2007 and years after. However, with traffic being down approximately 3% each of the last two years and with the airline industry still in the process of reorganizing itself, the Department expects flat traffic the next couple of years.

### **ACCOUNTING SYSTEM INTERNAL CONTROL AND BUDGETARY CONTROL**

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

The Department's accounting system is designed to provide reasonable, but not absolute, assurance that the assets are protected against unauthorized use or disposition. Conceptually, reasonable assurance requires evaluation, judgment and management review to assure that the cost of a control does not exceed the benefit derived. We believe that the controls in place adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Accounting policies, procedures and systems, along with internal controls, are continually monitored and reviewed to meet the ever-changing needs.

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

## **AWARDS AND RECOGNITIONS**

### **Government Finance Officers Association Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2005. 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 thirteenth consecutive year the Department received the award.

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

### **American Association of Airport Executives**

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

### **Great Lakes Chapter of AAAE**

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

### **Michigan Association of Airport Executives**

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

### **Airports Council International - North America Communication Awards**

The Airport's Marketing & Communications division took home two awards in the Annual Airports Council International - North America (ACI-NA) Excellence in Marketing & Communications contest. One for its quarterly public newsletter and a second for its online (website) news media kit. ACI-NA is an association of airport owners/operators in North America and its communications contest is an annual contest where airports submit communication items (newsletters, advertisements, annual reports, etc.) for competition against other airports by categories of items.

### **AAAE Snow Symposium**

Two employees from the Department's Airfield Maintenance division were awarded first place in the "Idea Corner" competition at the annual Snow Symposium held in Buffalo, New York. The winning idea was the design and installation of a spray bar to the Department's sanding/anti-icing vehicles that allows for the simultaneous application of wet and dry materials during snow and ice control operations.

## **Hospitality Sales & Marketing Associates International**

The 2006 Airport Profile publication received an Adrian Award for creative excellence from the Hospitality Sales & Marketing Association International, a trade association representing the travel, tourism and lodging industries.

## **Ad Club of West Michigan**

The 2006 Airport Profile also received the Gold Addy from the Ad Club of West Michigan, an organization with 200 members which serves more than 1,000 west Michigan industry professionals who buy, sell, create or produce services or products related to advertising. The Profile then went on to win another Gold Award in the district level competition.

## **CAPITAL IMPROVEMENT AND AIRPORT DEVELOPMENT**

The Five Year Capital Improvement Plan (CIP) for the fiscal years 2006 through 2010 was estimated at approximately \$177.2 million. The largest portion of the cost is for the Terminal Area and Parking Improvement Program. Other projects include the reconstruction of two taxiways, reconstruction of a public general aviation ramp, and the relocation of the car rental service facility.

The Master Plan Update completed in June 2004 identified the need for additional parking to meet demand through 2023. To accommodate the demand, the Department finalized design of a 4,900 space parking structure and is expected to start construction in 2007. The Terminal Area & Parking Improvement program, whose main component is the Parking Structure, is estimated to cost \$120 million.

To make room for expansion of our Express Shuttle Lot, which is needed during construction of the parking structure, the Department relocated the rental car service facilities in 2006 at a cost of approximately \$7 million.

The two taxiway projects and public ramp projects are estimated at \$13.8 million. The General Aviation public ramp was completed in September 2006 and the two taxiways are slated for 2007 and 2009.

## **CASH MANAGEMENT**

Cash, equivalents, investments and accrued interest of the Department's funds are combined in the County's pooled cash and investment system (Money Max). The primary investments of the system are obligations in the U.S. Government and certificates of deposit. State statutes require that the certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan which are also a member of a federal or national insurance corporation. In 2006, the total interest income earned by the Department was \$1.8 million. This compared to the interest income of \$1.0 million in 2005.

## **RISK MANAGEMENT**

The Risk Management functions for the County of Kent are carried out both on a central administrative level within the County Administrators Office, as well as by the Department. The Department's Director is responsible for managing the activities of the Department in such a way as to preserve County resources: human, physical, natural and financial. Assistance in the identification, evaluation and reduction of risk

exposure is provided by the Administrator's Office. Indemnification and evidence of insurance coverage is a standard requirement of all vendors, lessees and contractors doing business with the County.

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

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

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

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

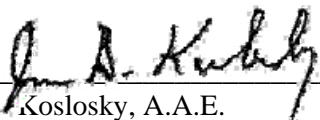
### **OTHER INFORMATION**

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

### **ACKNOWLEDGEMENTS**

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

Respectfully submitted,



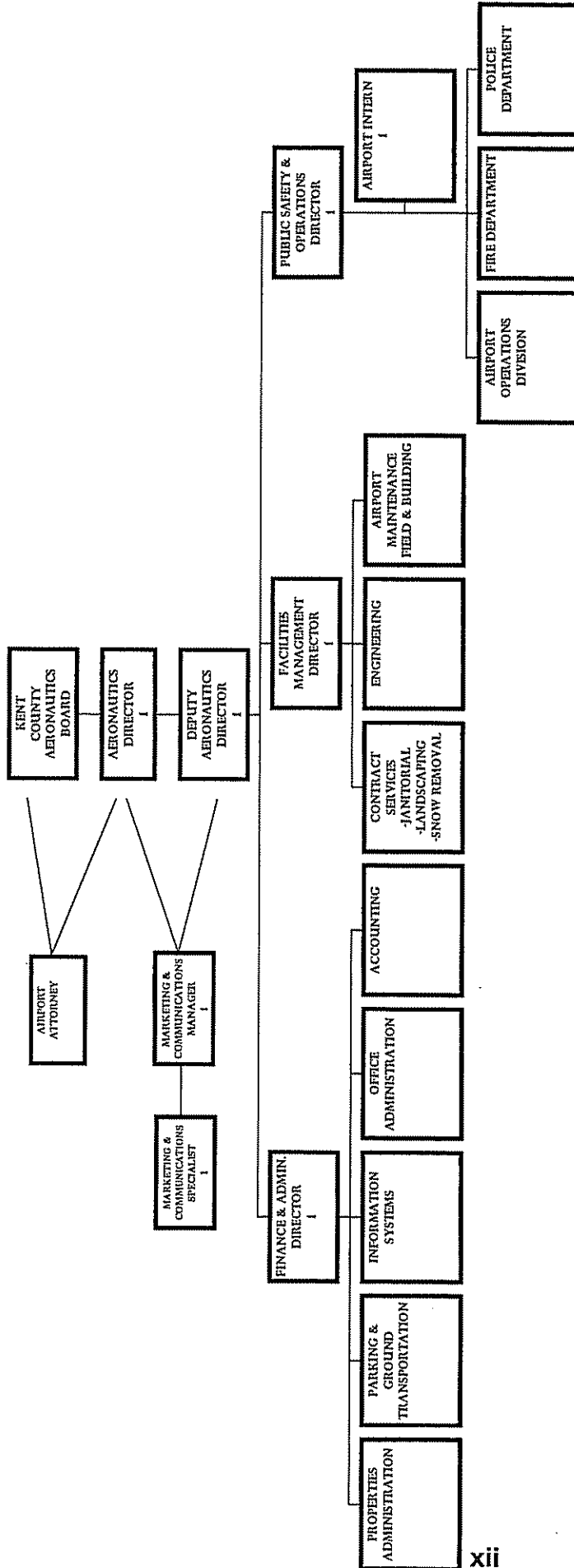
James A. Koslosky, A.A.E.  
Aeronautics Director



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

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**KENT COUNTY DEPARTMENT OF AERONAUTICS  
ORGANIZATIONAL CHART  
APRIL 1, 2007**



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

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# **Financial Section**



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## Independent Auditors' Report

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

We have audited the accompanying statements of net assets of Kent County Department of Aeronautics (an Enterprise Fund of the County of Kent, Michigan) as of December 31, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Kent County Department of Aeronautics. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kent County Department of Aeronautics as of December 31, 2006 and 2005, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

*BDO Seidman, LLP*

Grand Rapids, Michigan  
May 17, 2007

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Gerald R. Ford International Airport's activities and financial performance provide an introduction to the financial statements of the Kent County Department of Aeronautics (Department) for the fiscal year ended December 31, 2006. 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 \$169.1 million at December 31, 2006, a \$5.7 million increase from December 31, 2005.

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

	2006	2005	2004
<b>Assets</b>			
Current	\$ 37,352,338	\$ 36,815,807	\$ 33,193,092
Capital assets	222,337,701	219,577,168	223,794,894
Other non-current	6,632,832	6,366,521	3,244,281
<b>Total assets</b>	<b>266,322,871</b>	<b>262,759,496</b>	<b>260,232,267</b>
<b>Liabilities</b>			
Current liabilities	12,108,091	10,880,851	7,208,189
Revenue bonds payable	85,128,048	88,497,955	91,727,117
<b>Total liabilities</b>	<b>97,236,139</b>	<b>99,378,806</b>	<b>98,935,306</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	139,941,301	134,898,921	136,939,800
Restricted	9,483,604	7,594,026	6,945,574
Unrestricted	19,661,827	20,887,743	17,411,587
<b>Total Net Assets</b>	<b>\$ 169,086,732</b>	<b>\$ 163,380,690</b>	<b>\$ 161,296,961</b>

The largest portion of the Department's net assets each year (82.8% at December 31, 2006) 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 (5.6% at December 31, 2006) 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* (11.6% at December 31, 2006) may be used to meet any of the Department's ongoing obligations.

### **FINANCIAL OPERATIONS HIGHLIGHTS**

- Operating revenues were up (2.9% increase) from \$26.1 million in 2005 to \$26.8 million in 2006 principally due to rate increases in our parking operations.
- Operating expenses increased by only 0.3% from \$25.8 million in 2005 to \$25.9 million in 2006 principally due to an increase in depreciation as the remaining expenses were flat.
- As a result of the above, operating income in 2006 increased 251.1% or \$0.7 million from 2005.
- Net non-operating revenue increased from \$0.5 million expense in 2005 to \$2.6 million revenue in 2006 due principally to increase in Passenger Facility Charges and Customer Facility Charges in 2006.
- Capital contributions received in the form of grants from federal and state governments decreased from \$2.3 million in 2005 to \$2.2 million in 2006.

### **SUMMARY OF CHANGES IN NET ASSETS**

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

<i>Year ended December 31,</i>	<b>2006</b>	2005	2004
Total operating revenues	<b>\$ 26,831,253</b>	\$ 26,080,153	\$ 24,880,390
Total operating expenses	<b>(25,901,630)</b>	(25,815,354)	(23,304,853)
<b>Operating income</b>	<b>929,623</b>	264,799	1,575,537
Non-operating revenues (expenses)			
Passenger facility charges	<b>4,058,959</b>	2,889,520	2,881,425
Customer facility charges	<b>1,263,045</b>	256,083	-
Interest revenue	<b>1,801,318</b>	1,034,357	422,841
Interest expense	<b>(4,539,294)</b>	(4,680,223)	(4,888,166)
Gain on sale of capital assets	<b>12,471</b>	3,932	23,990
<b>Total non-operating revenues (expenses)</b>	<b>2,596,499</b>	(496,331)	(1,559,910)
Income (loss) before capital contributions	<b>3,526,122</b>	(231,532)	15,627
Capital contributions	<b>2,179,920</b>	2,315,261	4,976,275
<b>Increase in Net Assets</b>	<b>\$ 5,706,042</b>	\$ 2,083,729	\$ 4,991,902

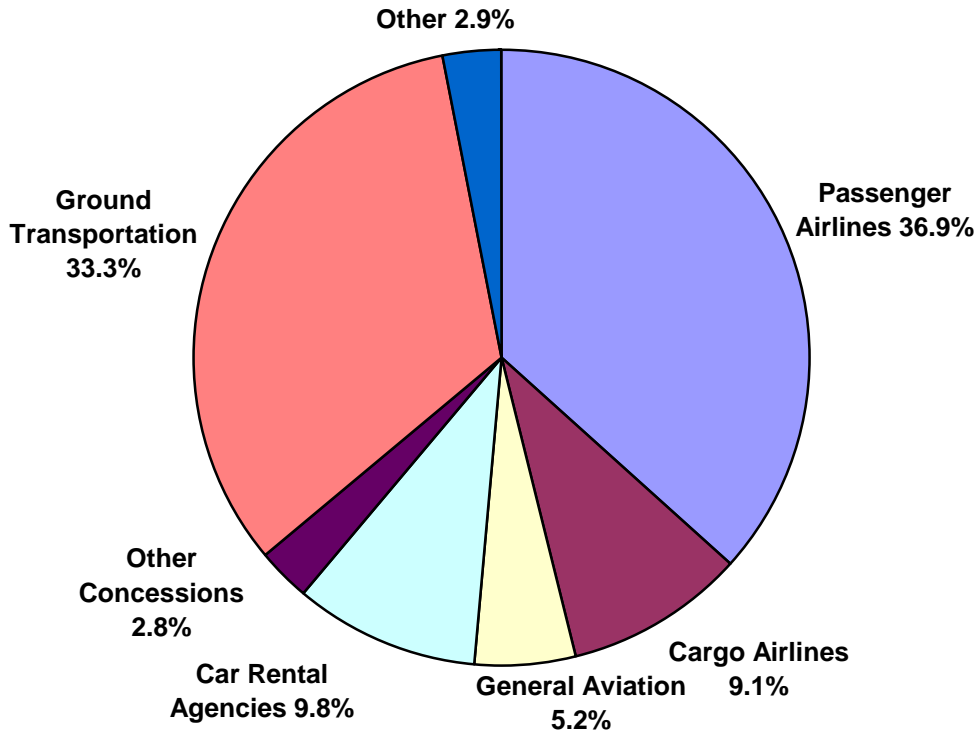
## AIRLINE RATES AND CHARGES

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

<i>Year ended December 31,</i>	<b>2006</b>	2005	2004
Landing fees (per 1,000 lbs.)	\$ <b>2.04</b>	\$ 2.07	\$ 2.13
Terminal rental rates (per square foot)	<b>50.77</b>	51.35	52.38
Airline apron fee (per 1,000 lbs.)	<b>1.32</b>	1.20	1.07

## REVENUES

The following chart shows the major sources and the percentage of operating revenues for the year ended December 31, 2006:

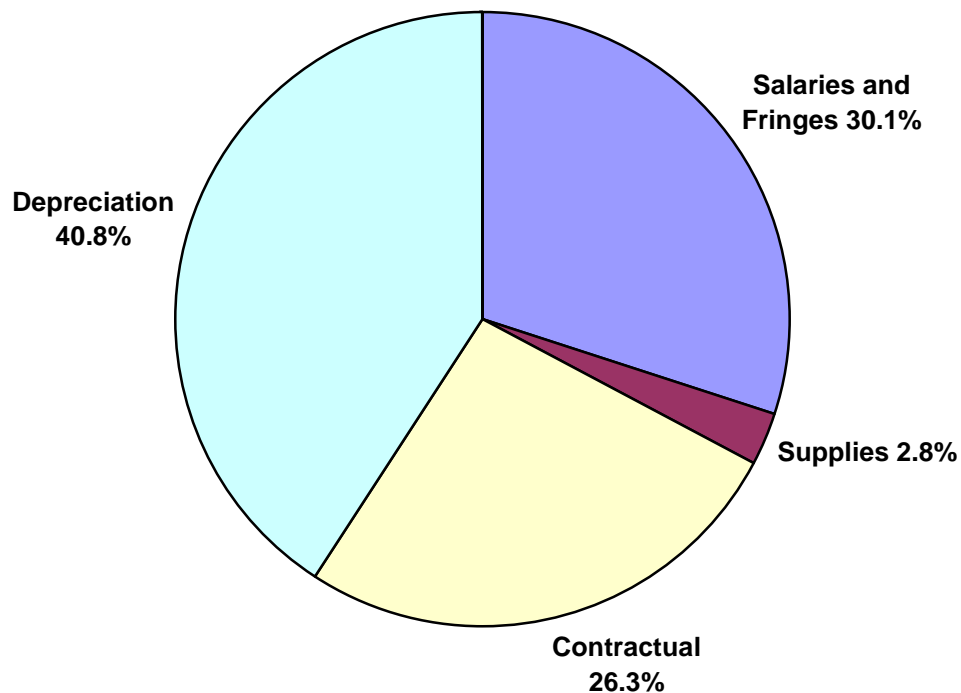


A summary of operating revenues for the year ended December 31, 2006, and the amount and percentage of change in relation to prior year amounts is as follows:

<i>Year ended December 31,</i>	2006 Amount	Percent of Total	Increase/ (Decrease) From 2005	Percent Increase/ (Decrease)
<b>Revenues</b>				
Charges for services:				
Passenger airlines	\$ 9,892,673	36.9%	\$ 189,692	2.0%
Cargo airlines	2,455,920	9.1	(65,523)	(2.6)
General aviation	1,388,140	5.2	(5,578)	(0.4)
Car rental agencies	2,626,383	9.8	140,001	5.6
Other concessions	747,251	2.8	(33,226)	(4.3)
Ground transportation	8,936,391	33.3	582,799	7.0
Other	784,495	2.9	(57,065)	(6.8)
<b>Total Operating Revenues</b>	<b>\$ 26,831,253</b>	<b>100.0%</b>	<b>\$ 751,100</b>	<b>2.9%</b>

### EXPENSES

The following chart shows the major operating categories and the percentage of operating expenses for the year ended December 31, 2006:



A summary of operating expenses for the year ended December 31, 2006 and the amount and percentage of change in relation to prior year amounts is as follows:

<i>Year ended December 31,</i>	2006 Amount	Percent of Total	Increase/ (Decrease) From 2005	Percent Increase/ (Decrease)
<b>Operating Expenses</b>				
Salaries and fringes	\$ 7,801,658	30.1%	\$ 222,729	2.9%
Supplies	723,028	2.8	(36,323)	(4.8)
Contractual	6,823,512	26.3	(696,800)	(9.3)
Depreciation	10,553,432	40.8	596,670	6.0
<b>Total Operating Expenses</b>	<b>\$ 25,901,630</b>	<b>100.0%</b>	<b>\$ 86,276</b>	<b>0.3%</b>

### **SUMMARY OF CASH FLOW ACTIVITIES**

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

<i>Year ended December 31,</i>	2006	2005	2004
Net cash provided by operating activities	\$ 11,625,579	\$ 12,000,337	\$ 10,635,237
Net cash provided by investing activity	1,869,242	1,012,504	422,481
Net cash used for capital and related financing activities	(13,644,244)	(8,264,308)	(11,849,771)
Net increase (decrease) in cash and cash equivalents	(149,423)	4,748,533	(792,053)
Cash and cash equivalents, beginning of year	37,753,189	33,004,656	33,796,709
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 37,603,766</b>	<b>\$ 37,753,189</b>	<b>\$ 33,004,656</b>

The Department's available cash and cash equivalents decreased from \$37.8 million at the end of 2005 to \$37.6 million at the end of 2006 due to the increase in net cash used for capital and related financing activities.

### **FINANCIAL STATEMENTS**

The Department's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. The Department is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their useful lives. Amounts are restricted for debt service and, where applicable, for construction purposes. See footnote number one to the financial statements for a summary of the Department's significant accounting policies.



## **CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES**

During 2006, completed projects totaling \$5,556,384 were closed from construction-in-progress to their respective capital accounts. The major completed projects were:

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Security system	\$ 3,209,505
Snow removal equipment	1,227,145
Other	1,119,734

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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 footnote number four to the financial statements for more detailed information on the Department's Capital Assets.

### **LONG-TERM DEBT ADMINISTRATION**

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

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

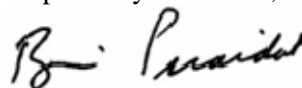
In January 1998, the Department issued \$56.2 million of Airport Revenue Bonds without the limited tax general obligation of the County. The Department's bond rating was A- with Standard & Poor's and A2 with Moody for this issue. However, this issue was insured by MBIA Insurance Corporation, qualifying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

In March 1999, the Department issued \$37.5 million of Airport Revenue Refunding Bonds to advance refund the 1995 Bonds mentioned above. This bond issue, like the 1995 issue, was sold with the limited tax general obligation of the County and utilized the County's bond rating. Their rating for this issue was AAA from Standard & Poor's and Aa1 from Moody's.

On September 20, 2001 Standard & Poor's placed all of its North American airport ratings on credit watch with negative implications, including the Gerald R. Ford International Airport. Airports were put on credit watch due to uncertainties and the financial repercussions to the airports and airlines from prolonged decline in activity, increased security costs and effects of economic recession. On March 1, 2002 Standard & Poor's affirmed the Gerald R. Ford International Airport's rating at A- with a stable outlook. The rating has not changed since that time.

See footnote number six to the financial statements for more detailed information on the Department's Revenue Bonds Payable.

Respectfully submitted,



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



**Basic  
Financial Statements**



<i>December 31,</i>	<b>2006</b>	2005
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	<b>\$ 22,492,651</b>	\$ 25,588,829
Accounts receivable, less allowances of \$779,134 and \$946,654 for possible losses	<b>1,380,470</b>	1,460,354
Due from restricted funds (Note 3)	<b>4,055,702</b>	2,971,670
Inventories	<b>57,445</b>	59,437
Prepaid expenses	<b>65,173</b>	68,750
Restricted assets (Note 3):		
Cash and cash equivalents	<b>8,793,043</b>	6,131,039
Accounts receivable	<b>507,854</b>	535,728
<b>Total Current Assets</b>	<b>37,352,338</b>	36,815,807
<b>Non-Current Assets</b>		
Restricted assets - cash and cash equivalents, net (Note 3)	<b>6,318,072</b>	6,033,321
Capital assets (Note 4):		
Land and construction in progress	<b>33,423,805</b>	25,666,224
Other capital assets, net of accumulated depreciation	<b>188,913,896</b>	193,910,944
Bond issue costs, less accumulated amortization of \$148,161 and \$129,721	<b>314,760</b>	333,200
<b>Total Non-Current Assets</b>	<b>228,970,533</b>	225,943,689
<b>Total Assets</b>	<b>\$266,322,871</b>	\$262,759,496

# Kent County Department of Aeronautics Kent County, Michigan

## Statements of Net Assets

<i>December 31,</i>	<b>2006</b>	2005
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 474,528	\$ 561,351
Construction contracts payable	1,274,402	1,248,231
Accrued liabilities	739,175	621,452
Current maturity of note payable to related party (Note 5)	969,620	928,755
Payable from restricted assets:		
Accrued interest	2,079,664	2,134,392
Due to unrestricted fund	4,055,702	2,971,670
Current maturities of revenue bonds payable (Note 6)	2,515,000	2,415,000
<b>Total Current Liabilities</b>	<b>12,108,091</b>	10,880,851
<b>Non-Current Liabilities</b>		
Note payable to related party, less current maturity (Note 5)	4,931,888	5,901,508
Revenue bonds payable, less current maturities and deferred loss (Note 6)	80,196,160	82,596,447
<b>Total Non-Current Liabilities</b>	<b>85,128,048</b>	88,497,955
<b>Total Liabilities</b>	<b>97,236,139</b>	99,378,806
<b>Net Assets (Note 8)</b>		
Invested in capital assets, net of related debt	139,941,301	134,898,921
Restricted for debt service	9,483,604	7,594,026
Unrestricted	19,661,827	20,887,743
<b>Total Net Assets</b>	<b>169,086,732</b>	163,380,690
<b>Total Liabilities and Net Assets</b>	<b>\$266,322,871</b>	\$262,759,496

*See accompanying notes to financial statements.*

# Kent County Department of Aeronautics

## Kent County, Michigan

### Statements of Revenues, Expenses and Changes in Net Assets

<i>Year ended December 31,</i>	<b>2006</b>	<b>2005</b>
<b>Operating Revenues</b> (Notes 7 and 10)		
Charges for services:		
Passenger airlines	\$ 9,892,673	\$ 9,702,981
Cargo airlines	2,455,920	2,521,443
General aviation	1,388,140	1,393,718
Car rental agencies	2,626,383	2,486,382
Other concessions	747,251	780,477
Ground transportation	8,936,391	8,353,592
Other	784,495	841,560
<b>Total Operating Revenues</b>	<b>26,831,253</b>	<b>26,080,153</b>
<b>Operating Expenses</b>		
Salaries and fringes	7,801,658	7,578,929
Supplies	723,028	759,351
Contractual	6,823,512	7,520,312
Depreciation	10,553,432	9,956,762
<b>Total Operating Expenses</b>	<b>25,901,630</b>	<b>25,815,354</b>
<b>Operating Income</b>	<b>929,623</b>	<b>264,799</b>
<b>Non-Operating Revenues (Expenses)</b>		
Passenger facility charges	4,058,959	2,889,520
Customer facility charges	1,263,045	256,083
Interest revenue	1,801,318	1,034,357
Interest expense	(4,539,294)	(4,680,223)
Gain on sale of capital assets	12,471	3,932
<b>Total Non-Operating Revenues (Expenses)</b>	<b>2,596,499</b>	<b>(496,331)</b>
<b>Income (Loss) Before Capital Contributions</b>	<b>3,526,122</b>	<b>(231,532)</b>
<b>Capital Contributions</b>	<b>2,179,920</b>	<b>2,315,261</b>
<b>Increase in Net Assets</b>	<b>5,706,042</b>	<b>2,083,729</b>
<b>Net Assets, beginning of year</b>	<b>163,380,690</b>	<b>161,296,961</b>
<b>Net Assets, end of year</b>	<b>\$ 169,086,732</b>	<b>\$ 163,380,690</b>

*See accompanying notes to financial statements.*

# Kent County Department of Aeronautics Kent County, Michigan

## Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2006</b>	2005
<b>Operating Activities</b>		
Cash received from providing services	\$ 27,368,970	\$ 27,527,648
Cash paid to suppliers	(7,457,596)	(7,578,958)
Cash paid to employees	(7,836,948)	(7,471,743)
Internal activity - cash payments to other funds	(448,847)	(476,610)
Net cash provided by operating activities	<b>11,625,579</b>	12,000,337
<b>Capital and Related Financing Activities</b>		
Customer facility charges	1,263,807	172,896
Capital contributions	2,179,920	2,054,998
Passenger facility charges	4,086,070	2,765,144
Proceeds from sale of capital assets	145,471	42,911
Purchase of capital assets	(13,514,887)	(5,495,899)
Principal paid on capital debt	(3,343,755)	(3,199,612)
Interest paid on capital debt	(4,460,870)	(4,604,746)
Net cash used for capital and related financing activities	<b>(13,644,244)</b>	(8,264,308)
<b>Investing Activity</b>		
Investment earnings	1,869,242	1,012,504
Net Increase (Decrease) in Cash and Cash Equivalents	<b>(149,423)</b>	4,748,533
Cash and Cash Equivalents, beginning of year	<b>37,753,189</b>	33,004,656
Cash and Cash Equivalents, end of year	<b>\$ 37,603,766</b>	\$ 37,753,189
<b>Displayed as</b>		
Cash, investments and accrued interest	\$ 22,492,651	\$ 25,588,829
Current restricted cash, investments and accrued interest	8,793,043	6,131,039
Non-current restricted cash, investments and accrued interest	6,318,072	6,033,321
	<b>\$ 37,603,766</b>	\$ 37,753,189

*Continued on the following page.*

# Kent County Department of Aeronautics

## Kent County, Michigan

### Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2006</b>	2005
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 929,623	\$ 264,799
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,553,432	9,956,762
Changes in assets and liabilities:		
Accounts receivable	79,884	1,184,233
Inventory	1,992	(21,562)
Prepaid expenses	3,577	1,580
Accounts payable and contracts payable	(60,652)	597,527
Accrued liabilities	117,723	16,998
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 11,625,579</b>	<b>\$ 12,000,337</b>

*See accompanying notes to financial statements.*

# Kent County Department of Aeronautics Kent County, Michigan

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### *Basis of Accounting*

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

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

#### *Cash and Cash Equivalents*

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

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

#### *Accounts Receivable*

Accounts receivable are customer obligations generally due under normal trade terms. The allowance for possible losses is determined by reviewing known customer exposures and applying historical credit loss experience to the current receivable accounts with



# Kent County Department of Aeronautics

## Kent County, Michigan

### Notes to Financial Statements

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

#### *Inventories*

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

#### *Capital Assets*

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

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

Construction in progress, consisting primarily of expenditures on ground transportation improvements, is capitalized as incurred. As of December 31, 2006 and 2005, estimated costs to complete were approximately \$126,130,000 and \$17,300,000, respectively.

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

# Kent County Department of Aeronautics Kent County, Michigan

## Notes to Financial Statements

### *Compensated Absences*

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

### *Long-Term Obligations*

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

### *Passenger Airline Charges*

The Department sets rates and charges for landing fees, terminal rental rates and apron fees that are charged to the airlines annually based on the adopted operating and capital budgets. These rates and charges are adopted by the Aeronautics Board in October and are effective January 1. At the end of the year, the Department does a re-calculation of the rates based on actual activity and audited information. The difference of the rates and charges is then either credited to the airlines if they have overpaid during the course of the year, or billed to the airlines if they underpaid during the year. The Department billed the airlines \$518,936 in fiscal year 2006 and credited the airlines \$105,677 in fiscal year 2005.

### *Passenger Facility Charges*

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

# Kent County Department of Aeronautics

## Kent County, Michigan

### Notes to Financial Statements

#### *Customer Facility Charges*

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

#### *Capital Contributions*

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration, with certain matching funds provided by the Department and the State of Michigan. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

#### *Risk Management*

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

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### *Budgets*

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

# Kent County Department of Aeronautics Kent County, Michigan

## Notes to Financial Statements

### 2. Cash, Investments and Accrued Interest

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

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

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

#### *Interest Rate Risk*

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. Additional information regarding interest rate risk can be found in the notes to the financial statements of Kent County's Comprehensive Annual Financial Report. At December 31, 2006, the Department had the following investments:

<i>Investment Type</i>	Fair Value	Investment Maturity  Less Than 1 Year
Money market mutual fund	\$ 15,633,621	\$ 15,633,621
Kent County investment pool	21,970,145	21,970,145
	\$ 37,603,766	\$ 37,603,766

# Kent County Department of Aeronautics

## Kent County, Michigan

### Notes to Financial Statements

#### *Credit Risk*

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. Additional information regarding credit risk can be found in the notes to the financial statements of Kent County's Comprehensive Annual Financial Report. At December 31, 2006, the Department had the following credit ratings:

<i>Rated Investments</i>	Fair Value	Quality Ratings	
		AAA	Unrated
Money market mutual fund	\$ 15,633,621	\$ 15,633,621	\$ -
Kent County investment pool	21,970,145	-	21,970,145
<b>Totals by Ratings</b>	<b>\$ 37,603,766</b>	<b>\$ 15,633,621</b>	<b>\$ 21,970,145</b>

### 3. Restricted Assets

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

<i>December 31,</i>	2006	2005
Current restricted assets		
Cash and cash equivalents	<b>\$ 8,793,043</b>	\$ 6,131,039
Accounts receivable		
Passenger facility charges	<b>\$ 425,429</b>	\$ 452,541
Customer facility charges	<b>82,425</b>	83,187
	<b>\$ 507,854</b>	\$ 535,728
Non-current restricted assets		
Cash and cash equivalents	<b>\$ 6,318,072</b>	\$ 6,033,321
Due from restricted funds		
Advance from General Fund for PFC projects	<b>\$ 4,055,702</b>	\$ 2,971,670

# Kent County Department of Aeronautics Kent County, Michigan

## Notes to Financial Statements

### 4. Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Increases	Decreases	Balance December 31, 2006
<b>Capital assets not being depreciated</b>				
Land	\$ 21,317,076	\$ -	\$ 133,000	\$ 21,184,076
Construction in progress	4,349,148	13,541,059	5,650,478	12,239,729
<b>Total</b>	<b>\$ 25,666,224</b>	<b>\$ 13,541,059</b>	<b>\$ 5,783,478</b>	<b>\$ 33,423,805</b>
<b>Capital assets being depreciated</b>				
Land improvements	\$ 192,411,318	\$ 886,823	\$ 1,712,954	\$ 191,585,187
Buildings	92,641,762	232,912	-	92,874,674
Equipment	9,206,613	1,227,145	256,412	10,177,346
Equipment - systems	3,081,051	3,209,504	2,538,720	3,751,835
Office equipment	2,232,086	-	140,536	2,091,550
Vehicles	471,549	-	60,578	410,971
<b>Total</b>	<b>300,044,379</b>	<b>5,556,384</b>	<b>4,709,200</b>	<b>300,891,563</b>
<b>Less accumulated depreciation for</b>				
Land improvements	65,984,189	6,409,653	1,712,954	70,680,888
Buildings	30,368,765	3,035,510	-	33,404,275
Equipment	5,881,938	534,574	256,412	6,160,100
Equipment - systems	2,793,690	336,155	2,538,720	591,125
Office equipment	771,240	153,908	140,536	784,612
Vehicles	333,613	83,632	60,578	356,667
<b>Total</b>	<b>106,133,435</b>	<b>10,553,432</b>	<b>4,709,200</b>	<b>111,977,667</b>
<b>Capital Assets Being Depreciated, net</b>	<b>\$ 193,910,944</b>	<b>\$ (4,997,048)</b>	<b>\$ -</b>	<b>\$ 188,913,896</b>

# Kent County Department of Aeronautics

## Kent County, Michigan

### Notes to Financial Statements

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

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

# Kent County Department of Aeronautics Kent County, Michigan

## Notes to Financial Statements

Depreciation expense was charged to functions as follows:

<i>December 31,</i>	<b>2006</b>	2005
Airfield	\$ 5,002,310	\$ 4,859,793
Other land and buildings	230,517	153,398
General aviation	70,307	70,824
Terminal building	2,378,707	2,185,521
Airline apron	370,583	368,494
Maintenance	252,911	257,931
Administration	190,534	182,025
Air cargo	1,005,127	1,005,127
Ground transportation	1,052,436	873,649
<b>Total Depreciation Expense</b>	<b>\$ 10,553,432</b>	<b>\$ 9,956,762</b>

### 5. Note Payable to Related Party

In fiscal year 2003, the County advanced \$9,775,000 to the Department for the purchase of 169 acres of land adjacent to runway 17/35. The note is payable over 10 years in equal annual payments of \$1,229,286, including interest of 4.4%.

Note payable activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Increases	Decreases	Balance December 31, 2006
<b>Note Payable Related Party</b>	\$ 6,830,263	\$ -	\$ 928,755	\$ 5,901,508

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# Kent County Department of Aeronautics

## Kent County, Michigan

### Notes to Financial Statements

The annual requirement to pay principal and interest on this note payable to maturity is as follows:

<i>Year ending December 31,</i>	Interest Payments	Principal Payments	Total Interest and Principal Payments
2007	\$ 259,666	\$ 969,620	\$ 1,229,286
2008	217,003	1,012,283	1,229,286
2009	172,462	1,056,824	1,229,286
2010	125,962	1,103,324	1,229,286
2011	77,416	1,151,870	1,229,286
2012	26,734	607,587	634,321
	<b>\$ 879,243</b>	<b>\$ 5,901,508</b>	<b>\$ 6,780,751</b>

## 6. Revenue Bonds Payable

Revenue bonds payable consists of the following:

<i>December 31,</i>	2006	2005
Airport Revenue Bonds, Series 1998, 4.4%-5.0%, annual principal ranges from \$1,310,000 in 2007 to \$3,560,000 in 2028, plus interest	<b>\$49,360,000</b>	\$50,615,000
Airport Revenue Refunding Bonds, Series 1999, 4.0%-5.0%, annual principal ranges from \$1,205,000 in 2007 to \$2,750,000 in 2025, plus interest	<b>35,300,000</b>	36,460,000
	<b>84,660,000</b>	87,075,000
Less net deferred loss on advance refunding of Series 1995 Bonds	<b>(1,948,840)</b>	(2,063,553)
Less current maturities	<b>(2,515,000)</b>	(2,415,000)
<b>Revenue Bonds Payable, less current maturities and net deferred loss</b>	<b>\$80,196,160</b>	\$82,596,447

# Kent County Department of Aeronautics Kent County, Michigan

## Notes to Financial Statements

Revenue bonds payable activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Increases	Decreases	Balance December 31, 2006
Airport Revenue Bonds, Series 1998	\$ 50,615,000	\$ -	\$ 1,255,000	\$ 49,360,000
Airport Revenue Bonds, Series 1999	36,460,000	-	1,160,000	35,300,000
	<b>\$ 87,075,000</b>	<b>\$ -</b>	<b>\$ 2,415,000</b>	<b>\$ 84,660,000</b>

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

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

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# Kent County Department of Aeronautics

## Kent County, Michigan

### Notes to Financial Statements

The annual requirement to pay principal and interest on revenue bonds payable to maturity is as follows:

<i>Year ending December 31,</i>	Airport Revenue Bonds Series 1998	Airport Revenue Bonds Series 1999	Total Annual Requirement
2007	\$ 3,709,453	\$ 2,862,156	\$ 6,571,609
2008	3,709,808	2,859,819	6,569,627
2009	3,706,092	2,857,106	6,563,198
2010	3,703,070	2,856,806	6,559,876
2011	3,705,650	2,853,806	6,559,456
2012-2016	18,479,668	14,241,679	32,721,347
2017-2021	18,408,875	14,179,075	32,587,950
2022-2026	18,330,625	11,294,750	29,625,375
2027-2028	7,306,875	-	7,306,875
	<b>\$ 81,060,116</b>	<b>\$ 54,005,197</b>	<b>\$ 135,065,313</b>

Revenue bonds payable:

#### Airport Revenue Bonds, Series 1998

<i>Year ending December 31,</i>	Interest Payments	Principal Payments	Total Interest and Principal Payments
2007	\$ 2,399,453	\$ 1,310,000	\$ 3,709,453
2008	2,339,808	1,370,000	3,709,808
2009	2,276,092	1,430,000	3,706,092
2010	2,208,070	1,495,000	3,703,070
2011	2,135,650	1,570,000	3,705,650
2012-2016	9,439,668	9,040,000	18,479,668
2017-2021	6,903,875	11,505,000	18,408,875
2022-2026	3,645,625	14,685,000	18,330,625
2027-2028	351,875	6,955,000	7,306,875
	<b>\$ 31,700,116</b>	<b>\$ 49,360,000</b>	<b>\$ 81,060,116</b>

# Kent County Department of Aeronautics Kent County, Michigan

## Notes to Financial Statements

### Airport Revenue Bonds, Series 1999

<i>Year ending December 31,</i>	Interest Payments	Principal Payments	Total Interest and Principal Payments
2007	\$ 1,657,156	\$ 1,205,000	\$ 2,862,156
2008	1,604,819	1,255,000	2,859,819
2009	1,547,106	1,310,000	2,857,106
2010	1,486,806	1,370,000	2,856,806
2011	1,423,806	1,430,000	2,853,806
2012-2016	6,056,679	8,185,000	14,241,679
2017-2021	3,874,075	10,305,000	14,179,075
2022-2025	1,054,750	10,240,000	11,294,750
	<b>\$ 18,705,197</b>	<b>\$ 35,300,000</b>	<b>\$ 54,005,197</b>

All revenue bonds outstanding and interest thereon are secured by a statutory first lien, subject only to prior liens, on the net revenues of the Department. In compliance with the Series 1999 Bond agreement, the Department has available a letter of credit totaling \$2,892,000 which has not been drawn upon. The Series 1998 Bond reserve requirement is funded with cash in the amount of \$6,291,781. In addition, the Series 1999 Bonds bear the pledge of the full faith and credit of the County to advance necessary amounts to meet principal and interest payments in the event Department revenues are insufficient to meet requirements. The Series 1998 Bonds are not additionally secured by the County.

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# Kent County Department of Aeronautics

## Kent County, Michigan

### Notes to Financial Statements

#### 7. Leases

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

<i>Year ending December 31,</i>	
2007	\$ 6,227,384
2008	4,299,762
2009	3,623,357
2010	3,487,891
2011	3,321,473
2012-2037	13,968,925

#### 8. Net Assets

Net assets at December 31, 2006 and 2005 were comprised of the following:

<i>December 31,</i>	<b>2006</b>	2005
Invested in capital assets, net of related debt		
Land	\$ 21,184,076	\$ 21,317,076
Construction in progress	12,239,729	4,349,148
Land improvements	191,585,187	192,411,318
Buildings	92,874,674	92,641,762
Machinery and equipment	16,431,702	14,991,299
Accumulated depreciation	(111,977,667)	(106,133,435)
Net bond issue costs	314,760	333,200
Current maturities of revenue bonds payable	(2,515,000)	(2,415,000)
Long-term maturities of revenue bonds payable	(80,196,160)	(82,596,447)
	<b>139,941,301</b>	134,898,921
Restricted for debt service	9,483,604	7,594,026
Unrestricted	19,661,827	20,887,743
<b>Total Net Assets</b>	<b>\$ 169,086,732</b>	<b>\$ 163,380,690</b>

# Kent County Department of Aeronautics Kent County, Michigan

## Notes to Financial Statements

### 9. Retirement Plan and Other Postemployment Benefits

Substantially all of the employees of the Department are covered by the Kent County Employees' Retirement Plan (Plan). The Plan is a single-employer defined benefit pension plan that was established and may be amended by the Kent County Board of Commissioners. The Plan is administered by the Kent County Employees' Retirement Plan Board. The Plan provides retirement, disability and death benefits to Plan members and their beneficiaries. At December 31, 2005, the date of the most recent actuarial valuation, membership consisted of 1,088 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 1,831 current active employees. The Department's proportionate share of the actuarial value of the assets and the actuarial accrued liability are not determinable.

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

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

<i>Year ended December 31,</i>	<i>Contribution</i>
2006	\$462,179
2005	437,022
2004	260,844

The contribution requirements of Plan members are established and may be amended through union agreements. All member contributions are one-half (1/2) of the normal cost plus the amortized unfunded actuarial liability not to exceed a contribution rate of 6.50%. The Department is required to contribute to actuarially determined rates expressed as a percentage of covered payroll. The contribution expensed as a percentage of covered payroll was 7.90% and 8.03% in 2006 and 2005, respectively.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Other postemployment benefits ("OPEB") include postemployment healthcare insurance as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. GASB Statement No. 45 establishes standards for the measurement,

# Kent County Department of Aeronautics

## Kent County, Michigan

### Notes to Financial Statements

recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

The County currently provides a postemployment healthcare insurance subsidy for the life of the retiree. The monthly subsidy ranges from a low of \$200 to a high of \$350 per month based on the respective employee bargaining unit contract. In order to receive the full benefit, the employee must have attained 25 years of service. The subsidy is prorated if the retiree has less than 25 years of service at the time of retirement. Similar to other governmental units, the County has funded its OPEB program on a pay-as-you-go basis, but will begin funding OPEB on an actuarial basis in its fiscal year beginning January 1, 2007.

The County completed its first actuarial valuation of Other Postemployment Benefits as of December 31, 2005. The unfunded actuarial accrued liability attributable to service accrued by plan members as of December 31, 2005 was \$48,808,992. As of December 31, 2006, there were no valuation assets available to offset the liabilities of the plan. The December 31, 2005 actuarial study resulted in the determination of a fiscal year 2007 (year beginning January 1, 2007) employer contribution requirement of \$2,253,843 to a trust in order to meet the Annual Required Contribution and avoid any net OPEB obligation. The required County contribution equates to 3.1% of active employee payroll costs. The Department's share of the fiscal year 2007 contribution is \$180,682.

#### *Termination Benefits*

The GASB has also issued Statement No. 47, *Accounting for Termination Benefits*, effective for fiscal periods beginning after June 15, 2005. The Department has no terminations subject to this statement.

#### **10. Major Customers**

Rentals and fees earned from passenger air carriers accounted for approximately 36.9% and 37.2% of total revenues in 2006 and 2005, respectively.

#### **11. Concentration of Credit Risk**

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



**Statistical Section  
(unaudited)**





	1997	1998	1999	2000	2001
<b>Operating Revenues</b>					
Airfield	\$ 3,748	\$ 3,940	\$ 5,366	\$ 6,354	\$ 6,718
Terminal	4,338	4,650	2,853	4,609	5,446
Ground transportation	4,933	5,162	7,072	7,659	8,104
Other	644	694	316	340	353
<b>Total operating revenues</b>	<b>13,663</b>	<b>14,446</b>	<b>15,607</b>	<b>18,962</b>	<b>20,621</b>
<b>Non-Operating Revenues</b>					
Interest income	1,861	3,905	2,077	1,947	1,313
Passenger facility charges	2,366	2,395	2,407	2,632	2,506
Improvement charges	-	-	-	-	-
Other	31	21	15	35	13
<b>Total non-operating revenues</b>	<b>4,258</b>	<b>6,321</b>	<b>4,499</b>	<b>4,614</b>	<b>3,832</b>
<b>Total Revenues</b>	<b>17,921</b>	<b>20,767</b>	<b>20,106</b>	<b>23,576</b>	<b>24,453</b>
<b>Operating Expenses</b>					
Salaries and benefits	3,787	4,211	4,882	5,011	5,374
Services and supplies	2,863	2,837	3,137	4,269	4,680
Depreciation	3,429	5,666	5,809	8,398	9,072
<b>Total operating expenses</b>	<b>10,079</b>	<b>12,714</b>	<b>13,828</b>	<b>17,678</b>	<b>19,126</b>
<b>Non-Operating Expenses</b>					
Interest	2,344	5,058	3,229	4,204	4,739
Other	-	-	-	-	-
<b>Total non-operating expenses</b>	<b>2,344</b>	<b>5,058</b>	<b>3,229</b>	<b>4,204</b>	<b>4,739</b>
<b>Total Expenses</b>	<b>12,423</b>	<b>17,772</b>	<b>17,057</b>	<b>21,882</b>	<b>23,865</b>
<b>Capital Contributions</b>	<b>22,361</b>	<b>-</b>	<b>2,892</b>	<b>806</b>	<b>23,485</b>
<b>Increase in Net Assets</b>	<b>\$ 27,859</b>	<b>\$ 2,995</b>	<b>\$ 5,941</b>	<b>\$ 2,500</b>	<b>\$ 24,073</b>
<b>Net Assets at Year-End</b>					
Invested in capital assets, net of related debt	\$ 85,979	\$ 63,251	\$ 96,549	\$ 101,389	\$ 127,448
Restricted	26,455	48,558	18,486	14,478	7,042
Unrestricted	760	4,380	7,095	8,763	14,213
<b>Total Net Assets</b>	<b>\$ 113,194</b>	<b>\$ 116,189</b>	<b>\$ 122,130</b>	<b>\$ 124,630</b>	<b>\$ 148,703</b>

# Kent County Department of Aeronautics Kent County, Michigan

## Net Assets and Changes in Net Assets, Last Ten Years (dollars in thousands) (unaudited)

	2002	2003	2004	2005	2006
\$	8,055	\$ 9,030	\$ 8,271	\$ 8,182	\$ 8,596
	5,909	7,012	6,790	6,839	6,549
	8,218	8,708	9,475	10,658	11,326
	327	325	344	401	360
	<u>22,509</u>	<u>25,075</u>	<u>24,880</u>	<u>26,080</u>	<u>26,831</u>
	579	328	423	1,034	1,801
	2,581	2,687	2,881	2,890	4,059
	-	-	-	256	1,263
	-	57	25	4	13
	<u>3,160</u>	<u>3,072</u>	<u>3,329</u>	<u>4,184</u>	<u>7,136</u>
	<u>25,669</u>	<u>28,147</u>	<u>28,209</u>	<u>30,264</u>	<u>33,967</u>
	6,002	6,508	7,018	7,579	7,802
	6,380	6,694	6,571	8,279	7,547
	9,668	9,647	9,716	9,957	10,553
	<u>22,050</u>	<u>22,849</u>	<u>23,305</u>	<u>25,815</u>	<u>25,902</u>
	4,649	4,553	4,888	4,680	4,539
	1,123	-	-	-	-
	<u>5,772</u>	<u>4,553</u>	<u>4,888</u>	<u>4,680</u>	<u>4,539</u>
	<u>27,822</u>	<u>27,402</u>	<u>28,193</u>	<u>30,495</u>	<u>30,441</u>
	<u>4,807</u>	<u>4,202</u>	<u>4,976</u>	<u>2,315</u>	<u>2,180</u>
\$	<u>2,654</u>	<u>\$ 4,947</u>	<u>\$ 4,992</u>	<u>\$ 2,084</u>	<u>\$ 5,706</u>
\$	126,746	\$ 133,912	\$ 136,940	\$ 134,899	\$ 139,941
	6,776	6,772	6,945	7,594	9,484
	17,836	15,621	17,412	20,888	19,662
\$	<u>151,358</u>	<u>\$ 156,305</u>	<u>\$ 161,297</u>	<u>\$ 163,381</u>	<u>\$ 169,087</u>

	1997	1998	1999	2000	2001
<b>Airline Revenues</b>					
Landing fees	\$ 1,982	\$ 2,108	\$ 2,068	\$ 2,063	\$ 2,437
Apron fees	262	272	905	1,086	1,004
Terminal rents	1,927	1,975	2,046	3,728	4,542
Total airline revenues	4,171	4,355	5,019	6,877	7,983
Percentage of total revenues	23.3%	21.0%	25.0%	29.2%	32.6%
<b>Non-Airline Revenues</b>					
Parking	4,933	5,162	5,257	5,783	6,309
Rental car	1,661	1,897	1,933	2,021	1,944
Other	2,898	3,032	3,398	4,281	4,385
Total non-airline revenues	9,492	10,091	10,588	12,085	12,638
Percentage of total revenues	53.0%	48.6%	52.7%	51.3%	51.7%
<b>Non-Operating Revenues</b>					
Passenger facility charges	2,366	2,395	2,407	2,632	2,506
Interest	1,861	3,905	2,077	1,947	1,313
Other	31	21	15	35	13
Total non-operating revenues	4,258	6,321	4,499	4,614	3,832
Percentage of total revenues	23.8%	30.4%	22.4%	19.6%	15.7%
<b>Total Revenues</b>	<b>\$ 17,921</b>	<b>\$ 20,767</b>	<b>\$ 20,106</b>	<b>\$ 23,576</b>	<b>\$ 24,453</b>
Enplaned passengers	881,638	896,731	907,055	968,265	921,694
Total revenue per enplaned passenger	\$ 20.33	\$ 23.16	\$ 22.17	\$ 24.35	\$ 26.53
Airline revenue per enplaned passenger	\$ 4.73	\$ 4.86	\$ 5.53	\$ 7.10	\$ 8.66
<b>Revenue Rates</b>					
Landing Fee (per 1,000 lbs MGLW)	\$ 1.40	\$ 1.54	\$ 1.42	\$ 1.51	\$ 1.77
Apron Fee (per 1,000 lbs MGLW)	\$ 0.61	\$ 0.64	\$ 0.61	\$ 0.70	\$ 0.69
Annual Terminal Rental Rate (per sq. ft.)	\$ 17.57	\$ 18.01	\$ 18.63	\$ 34.69	\$ 42.58

Notes: The Department uses a compensatory (cost of services) methodology to calculate rates and charges. Operating agreements with signatory airlines are cancellable within thirty days. The revenue bases to which these rates are applied and their principle payers can be found on pages 36 and 37. MGLW=maximum gross landed weight.

# Kent County Department of Aeronautics Kent County, Michigan

## Principle Revenue Sources and Revenues per Enplaned Passenger, Last Ten Years (dollars in thousands, except amounts per enplaned passenger) (unaudited)

	2002	2003	2004	2005	2006
	\$ 3,753	\$ 2,957	\$ 3,120	\$ 2,723	\$ 2,576
	1,024	1,711	1,567	1,640	1,803
	4,898	6,714	5,575	5,340	5,513
	9,675	11,382	10,262	9,703	9,892
	37.7%	40.4%	36.4%	32.1%	29.1%
	6,343	6,618	7,331	8,354	8,937
	2,027	2,296	2,321	2,486	2,626
	4,464	4,779	4,966	5,537	5,376
	12,834	13,693	14,618	16,377	16,939
	50.0%	48.6%	51.8%	54.1%	49.9%
	2,581	2,687	2,881	2,890	4,059
	579	328	423	1,034	1,801
	-	57	25	260	1,276
	3,160	3,072	3,329	4,184	7,136
	12.3%	10.9%	11.8%	13.8%	21.0%
	\$ 25,669	\$ 28,147	\$ 28,209	\$ 30,264	\$ 33,967
	968,540	995,719	1,077,580	1,047,223	1,012,277
	\$ 26.50	\$ 28.27	\$ 26.18	\$ 28.90	\$ 33.56
	\$ 9.99	\$ 11.43	\$ 9.52	\$ 9.27	\$ 9.77
	\$ 1.90	\$ 2.13	\$ 2.13	\$ 2.07	\$ 2.04
	\$ 0.70	\$ 1.07	\$ 1.07	\$ 1.20	\$ 1.32
	\$ 45.88	\$ 53.57	\$ 52.38	\$ 51.35	\$ 50.77

	Passengers 2006	Share of Total 2006	Passengers 2005	Share of Total 2005	2004
<b>Airlines</b>					
American Eagle	126,225	12.5%	130,640	12.5%	104,529
Delta Connection (Atlantic Southeast)	63,926	6.3%	80,153	7.7%	14,907
Delta Connection (Comair)	61,873	6.1%	66,730	6.4%	110,479
Continental Connection	678	0.1%	624	0.1%	92
Continental Express (Express Jet)	97,811	9.7%	75,601	7.2%	73,362
United Express (Go Jet)	875	0.1%	-	0.0%	-
United Express (Mesa)	13,009	1.3%	1,939	0.2%	-
Northwest Airlink (Mesaba)	9,649	1.0%	17,791	1.7%	27,669
Northwest Airlines Inc.	414,513	40.9%	431,470	41.2%	420,365
Northwest Airlink (Pinnacle)	39,621	3.9%	14,643	1.4%	13,397
United Express (Shuttle America)	13,033	1.3%	8,036	0.8%	-
Midwest Connect (Skyway)	35,893	3.5%	36,073	3.4%	31,732
United Express (Skywest Airlines)	25,641	2.5%	6,816	0.7%	7,083
United Airlines Inc.	108,665	10.7%	80,265	7.7%	107,607
United Express (Air Wisconsin)	-	-	38,049	3.6%	25,191
US Airways Express (Air Wisconsin)	-	-	770	0.1%	-
United Express (Chautauqua)	-	-	12,705	1.2%	-
Chicago Express (ATA Connection)	-	-	8,055	0.8%	53,872
Delta Airlines Inc.	-	-	7,540	0.7%	30,300
US Airways Express (Mesa)	-	-	29,033	2.8%	8,867
Delta Connection (Atlantic Coast)	-	-	-	-	649
United Express (Atlantic Coast)	-	-	-	-	15,906
US Airways Express (Trans States)	-	-	-	-	31,236
Air Canada (Air Georgian)	-	-	-	-	-
American Eagle (Trans States)	-	-	-	-	-
US Airways Express (Chautauqua)	-	-	-	-	-
TWE (Trans States)	-	-	-	-	-
US Airways Inc.	-	-	-	-	-
PSA Airlines, Inc	-	-	-	-	-
Midwest Express Airlines Inc	-	-	-	-	-
Charters	865	0.1%	290	0.0%	337
<b>Total</b>	<b>1,012,277</b>	<b>100.0%</b>	<b>1,047,223</b>	<b>100.0%</b>	<b>1,077,580</b>

# Kent County Department of Aeronautics Kent County, Michigan

## Passenger Activity Enplaned Passengers, Last Ten Years (unaudited)

2003	2002	2001	2000	1999	1998	1997
93,998	100,299	109,691	113,451	93,783	102,047	82,019
37,879	49,553	42,159	31,938	-	-	-
69,972	59,207	49,513	72,689	30,629	30,847	24,650
-	-	-	-	-	-	-
58,676	48,291	39,911	32,962	32,944	30,659	27,089
-	-	-	-	-	-	-
-	-	-	-	-	-	-
17,862	-	-	-	-	-	-
380,551	374,730	368,485	384,889	336,910	293,821	342,321
8,593	-	-	-	-	-	-
-	-	-	-	-	-	-
30,009	28,011	37,051	37,711	24,599	20,586	17,987
-	-	-	-	-	-	-
114,699	139,932	128,708	124,002	141,992	149,786	128,529
25,623	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
57,004	50,030	41,889	25,672	16,474	12,503	11,075
14,231	13,370	-	30,001	115,400	116,041	106,365
-	4,980	2,348	-	-	-	-
13,426	6,593	-	-	-	-	-
25,872	6,660	3,444	-	-	-	-
43,764	52,126	28,465	-	-	-	-
2,459	9,148	8,394	4,484	-	-	-
-	24,724	1,832	-	-	-	-
-	-	5,500	27,805	24,470	23,788	21,688
-	-	18,048	15,574	18,270	19,986	20,496
-	-	32,738	53,934	47,365	67,587	69,575
-	-	-	7,763	9,438	9,955	7,865
-	-	-	-	13,386	18,242	15,790
1,101	886	3,518	5,390	1,395	883	6,189
995,719	968,540	921,694	968,265	907,055	896,731	881,638

	1997	1998	1999	2000
<b>Operating Activities</b>				
Cash received from providing services	\$ 14,258	\$ 14,577	\$ 17,312	\$ 19,244
Cash paid to suppliers	(2,863)	(2,837)	(3,138)	(6,197)
Cash paid to employees	(3,787)	(4,211)	(4,882)	(5,027)
<b>Net cash provided by operating activities</b>	<b>7,608</b>	<b>7,529</b>	<b>9,292</b>	<b>8,020</b>
<b>Capital and Related Financing Activities</b>				
Passenger facility charges	2,366	2,395	2,407	2,553
Customer facility charges	-	-	-	-
Capital contributions	22,361	-	2,892	806
Proceeds from sale of capital assets	31	21	15	35
Proceeds from issuance of note payable	-	-	-	-
Bond proceeds	-	56,180	37,480	-
Bond issue costs and deferred loss on advance refundings	-	-	(3,196)	-
Purchase of capital assets	(39,959)	(39,117)	(38,661)	(11,760)
Principle paid on capital debt	-	-	(35,175)	(825)
Interest paid on capital debt	(2,344)	(5,058)	(3,229)	(4,452)
<b>Net cash provided by (used in) capital and related activities</b>	<b>(17,545)</b>	<b>14,421</b>	<b>(37,467)</b>	<b>(13,643)</b>
<b>Investing Activity</b>				
Investment earnings	1,861	3,905	2,077	1,947
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(8,076)</b>	<b>25,855</b>	<b>(26,098)</b>	<b>(3,676)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>37,003</b>	<b>28,927</b>	<b>54,782</b>	<b>28,684</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 28,927</b>	<b>\$ 54,782</b>	<b>\$ 28,684</b>	<b>\$ 25,008</b>

# Kent County Department of Aeronautics Kent County, Michigan

## Changes in Cash and Cash Equivalents, Last Ten Years (dollars in thousands) (unaudited)

	2001	2002	2003	2004	2005	2006
\$	19,545	\$ 23,649	\$ 25,043	\$ 25,028	\$ 27,528	\$ 27,369
	(5,461)	(7,093)	(7,451)	(7,192)	(8,056)	(7,906)
	(5,316)	(5,915)	(6,153)	(7,201)	(7,472)	(7,837)
	8,768	10,641	11,439	10,635	12,000	11,626
	2,545	2,673	2,634	2,855	2,765	4,086
	-	-	-	-	173	1,264
	21,836	6,457	4,202	1,740	2,055	2,180
	13	21	63	24	43	146
	-	-	9,775	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(31,676)	(8,243)	(14,790)	(7,435)	(5,496)	(13,515)
	(1,935)	(2,025)	(2,110)	(4,260)	(3,199)	(3,344)
	(4,691)	(4,561)	(4,468)	(4,773)	(4,605)	(4,461)
	(13,908)	(5,678)	(4,694)	(11,849)	(8,264)	(13,644)
	1,313	579	329	422	1,012	1,869
	(3,827)	5,542	7,074	(792)	4,748	(149)
	25,008	21,181	26,723	33,797	33,005	37,753
\$	21,181	\$ 26,723	\$ 33,797	\$ 33,005	\$ 37,753	\$ 37,604



	1997	1998	1999
<b>Outstanding Debt per Enplaned Passenger</b>			
Outstanding debt by type (in thousands):			
Revenue bonds (all airport net operating revenues pledged)	\$ 40,000	\$ 96,180	\$ 95,734
Notes payable	-	-	-
<b>Total Outstanding Debt</b>	<b>\$ 40,000</b>	<b>\$ 96,180</b>	<b>\$ 95,734</b>
<b>Outstanding Debt per Enplaned Passenger</b>	<b>\$ 45.37</b>	<b>\$ 107.26</b>	<b>\$ 105.54</b>
Outstanding debt ratio for service area (total outstanding debt/(per capita income x trade area population))			
Outstanding debt ratio for Kent County (total outstanding debt/(per capita income x county population))			
<b>Net Revenues</b>			
Revenues	\$ 17,921	\$ 20,767	\$ 20,106
Less operating expenses, less depreciation	6,650	7,048	8,020
<b>Net Revenues</b>	<b>\$ 11,271</b>	<b>\$ 13,719</b>	<b>\$ 12,086</b>
<b>Debt Service</b>			
Principle paid on capital debt	\$ -	\$ -	\$ -
Interest	2,344	5,058	4,782
Principle paid on notes payable	-	-	-
Interest	-	-	-
<b>Total Debt Service</b>	<b>\$ 2,344</b>	<b>\$ 5,058</b>	<b>\$ 4,782</b>
<b>Revenue Bonds Debt Service Coverage</b>	<b>4.8</b>	<b>2.7</b>	<b>2.5</b>
<b>Total Debt Service Coverage</b>	<b>4.8</b>	<b>2.7</b>	<b>2.5</b>
<b>Debt Service per Enplaned Passenger</b>	<b>\$ 2.66</b>	<b>\$ 5.64</b>	<b>\$ 5.27</b>

#### Debt Limit Information

The Department is an enterprise fund of the County of Kent. No debt limit information is available for the Airport's trade area. For information about Kent County only, please see the County of Kent Comprehensive Annual Financial Report.

# Kent County Department of Aeronautics Kent County, Michigan

## Ratios of Outstanding Debt, Debt Service, Debt Limits and Pledged Revenue Coverage, Last Ten Years (unaudited)



2000	2001	2002	2003	2004	2005	2006
\$ 95,023	\$ 93,203	\$ 91,293	\$ 89,297	\$ 87,207	\$ 85,011	\$ 82,711
-	-	-	9,775	7,720	6,831	5,902
\$ 95,023	\$ 93,203	\$ 91,293	\$ 99,072	\$ 94,927	\$ 91,842	\$ 88,613
\$ 98.14	\$ 101.12	\$ 94.26	\$ 99.50	\$ 88.09	\$ 87.70	\$ 87.54
\$ 0.0037						\$ 0.0028
\$ 0.0080						\$ 0.0059
\$ 23,576	\$ 24,453	\$ 25,669	\$ 28,147	\$ 28,209	\$ 30,264	\$ 33,967
9,279	10,054	12,382	13,202	13,589	15,859	15,348
\$ 14,297	\$ 14,399	\$ 13,287	\$ 14,945	\$ 14,620	\$ 14,405	\$ 18,619
\$ 825	\$ 1,935	\$ 2,025	\$ 2,110	\$ 2,205	\$ 2,310	\$ 2,415
4,824	4,739	4,649	4,553	4,485	4,340	4,238
-	-	-	-	2,055	889	929
-	-	-	-	403	341	301
\$ 5,649	\$ 6,674	\$ 6,674	\$ 6,663	\$ 9,148	\$ 7,880	\$ 7,883
2.5	2.2	2.0	2.2	2.2	2.2	2.8
2.5	2.2	2.0	2.2	1.6	1.8	2.4
\$ 5.83	\$ 7.24	\$ 6.89	\$ 6.69	\$ 8.49	\$ 7.52	\$ 7.79

# Kent County Department of Aeronautics Kent County, Michigan

## Principle Employers in the Primary Trade Area (unaudited)

<i>December 31, 2006</i>	County	Number	Percentage of Total Employment	Product or Service
<b>Employer</b>				
Spectrum Health	Kent	13,000	1.96%	Healthcare
Meijer Inc	Kent	7,000	1.06%	Retail food and merchandise
Herman Miller Inc.	Ottawa	5,920	0.89%	Office furniture
Steelcase Inc.	Kent	5,000	0.75%	Office furniture
Alticor Inc.	Kent	3,900	0.59%	Personal and household products
Axios Incorporated	Kent	3,886	0.59%	Human resource and employment services
Wal-Mart Stores Inc.	Various	3,432	0.52%	Retail food and merchandise
Johnson Controls Inc.	Ottawa	3,250	0.49%	Manufacturing - auto parts
Spartan Stores Inc.	Kent	2,989	0.45%	Retail food
Grand Rapids Public Schools	Kent	2,885	0.44%	Education
Saint Mary's Health Care	Kent	2,700	0.41%	Healthcare
General Motors Corp.	Kent	2,500	0.38%	Manufacturing - auto parts
Perrigo Company	Allegan	2,500	0.38%	Manufacturing - pharmaceuticals
U. S. Postal Service	Various	2,500	0.38%	Postal delivery
City of Grand Rapids	Kent	2,491	0.38%	Government
Metropolitan Hospital	Kent	2,200	0.33%	Healthcare
Gentex Corporation	Ottawa	2,186	0.33%	Manufacturing - auto parts
Lacks Enterprises Inc.	Kent	2,175	0.33%	Manufacturing - auto parts
Kent County	Kent	2,128	0.32%	Government
Grand Valley State University	Ottawa	2,023	0.31%	Education
Other	Various	588,368	88.74%	Various
<b>Total Employment</b>		663,033		

Source: The Right Place Inc.

# Kent County Department of Aeronautics Kent County, Michigan

## Population in the Primary Trade Area (unaudited)

	2006	2000	1990	Percentage Change	
				2000-2006	1990-2000
Allegan County	114,813	105,665	90,509	8.7%	16.7%
Barry County	60,211	56,755	50,057	6.1%	13.4%
Ionia County	65,365	61,518	57,024	6.3%	7.9%
Kent County	599,667	574,335	500,631	4.4%	14.7%
Muskegon County	175,959	170,200	158,983	3.4%	7.1%
Newaygo County	50,543	47,874	38,202	5.6%	25.3%
Ottawa County	256,729	238,314	187,768	7.7%	26.9%
	1,323,287	1,254,661	1,083,174	5.5%	15.8%
<b>Per Capita Income</b>	\$ 23,714	\$ 20,570	\$ 13,348	15.3%	54.1%
	2006	2005	2004		
<b>Employment Information</b>					
Civilian labor force	704,023	686,948	624,094		
Employed	663,033	645,753	581,637		
Unemployed	40,990	41,195	42,457		
<b>Unemployment Rate</b>	5.8%	6.0%	6.8%		

Source: Claritas, 2006

	1997	1998	1999	2000
Administration	19	19	18	19
Maintenance	21	24	29	31
Parking	26	26	26	26
Firefighting	15	15	15	15
Public safety	22	27	28	28
<b>Total</b>	<b>103</b>	<b>111</b>	<b>116</b>	<b>119</b>
<b>Ratio of Enplaned Passengers per Employee</b>	<b>8,560</b>	<b>8,079</b>	<b>7,819</b>	<b>8,137</b>
Operating revenues (in thousands)	13,663	14,446	15,607	18,962
Operating expenses (in thousands)	10,080	12,714	13,828	17,677
Salaries and fringes (in thousands)	3,787	4,211	4,882	5,011
<b>Payroll Percentage of Operating Revenues</b>	<b>27.7%</b>	<b>29.1%</b>	<b>31.3%</b>	<b>26.4%</b>
<b>Payroll Percentage of Operating Expenses</b>	<b>37.6%</b>	<b>33.1%</b>	<b>35.3%</b>	<b>28.3%</b>

# Kent County Department of Aeronautics Kent County, Michigan

## Department Employees, Last Ten Years (unaudited)



2001	2002	2003	2004	2005	2006
22	22	22	22	22	22
31	31	30	31	31	31
26	26	29	29	29	29
16	16	17	16	16	16
28	28	28	36	36	36
123	123	126	134	134	134
7,493	7,874	7,903	8,042	7,815	7,554
20,621	22,509	25,075	24,880	26,080	26,831
19,126	22,050	22,849	23,305	25,815	25,902
5,374	6,002	6,508	7,018	7,579	7,802
26.1%	26.7%	26.0%	28.2%	29.1%	29.1%
28.1%	27.2%	28.5%	30.1%	29.4%	30.1%

	1997	1998	1999	2000
<b>Runways</b>				
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	143,755	137,738	138,332	136,465
Annual capacity	277,500	277,500	277,500	277,500
<b>Runway Utilization Percentage</b>	51.80%	49.64%	49.85%	49.18%
<b>Terminal Building</b>				
Exclusive area leased	63,657	63,657	63,657	65,157
Exclusive area available	73,230	73,230	73,230	85,295
<b>Terminal Occupancy Percentage</b>	86.93%	86.93%	86.93%	76.39%
Enplanements	881,638	896,731	907,055	968,265
Planned capacity	1,800,000	1,800,000	1,800,000	1,800,000
<b>Terminal Utilization Percentage</b>	48.98%	49.82%	50.39%	53.79%
<b>Parking Areas</b>				
Number of annual long-term exits (a)	-	-	214,499	234,630
Average long-term stay (days) (b)	-	-	3.9	4.0
Average annual long-term occupancy ((a x b)/365)	-	-	2,292	2,571
Number of long-term spaces available	-	-	3,733	3,733
<b>Average Annual Long-Term Occupancy Rate</b>	-	-	61.40%	68.88%

# Kent County Department of Aeronautics Kent County, Michigan

## Capital Asset Information, Last Ten Years (unaudited)



2001	2002	2003	2004	2005	2006
126,224	125,622	110,128	116,455	112,314	112,608
277,500	277,500	277,500	277,500	277,500	277,500
45.49%	45.27%	39.69%	41.97%	40.47%	40.58%
67,464	65,996	62,741	71,729	67,500	63,750
85,295	83,712	83,712	95,325	96,200	95,365
79.09%	78.84%	74.95%	75.25%	70.17%	66.85%
921,694	968,540	995,719	1,077,580	1,047,223	1,012,277
1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
51.21%	53.81%	55.32%	59.87%	58.18%	56.24%
262,315	233,662	216,878	245,024	191,377	185,503
3.2	3.7	3.7	4.0	3.4	3.8
2,300	2,369	2,198	2,685	1,783	1,931
3,733	4,733	4,733	5,483	5,483	5,483
61.61%	50.04%	46.45%	48.97%	32.51%	35.22%



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