

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



Years Ended
December 31,
2014 and 2013

Comprehensive
Annual Financial
Report

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



Years Ended
December 31,
2014 and 2013

Comprehensive
Annual Financial
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)

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	1
Elected Officers and Key Staff Members	2
Letter of Transmittal	3
Service Area	5
Organizational Chart	6
GFOA Certificate of Achievement	7
FINANCIAL SECTION	9
Independent Auditors' Report	11
Management's Discussion and Analysis	15
Basic Financial Statements:	
Statements of Net Position	26
Statements of Revenues, Expenses and Changes in Fund Net Position	27
Statements of Cash Flows	28
Notes to Financial Statements	31
STATISTICAL SECTION (UNAUDITED)	45
<u>SCHEDULE</u>	
Statistical Section Table of Contents	47
Financial Trends:	
A Net Assets / Net Position and Changes in Net Assets / Net Position	48
B Changes in Cash and Cash Equivalents	50
Revenue Capacity:	
C Passenger Activity	52
D Principal Revenue Sources and Revenues per Enplaned Passenger	54
Debt Capacity Information:	
E Ratios of Outstanding Debt, Debt Service, Debt Limits and Pledged Revenue Coverage	56
Demographic and Economic:	
F Principal Employers in the Primary Trade Area	58
G Population in the Primary Trade Area	60
Operating Information:	
H Department Employees	62
I Capital Asset Information	64

INTRODUCTORY SECTION

KENT COUNTY DEPARTMENT OF AERONAUTICS

ELECTED OFFICERS AND KEY STAFF MEMBERS

For the Year Ended December 31, 2014

AIRPORT BOARD

Roger Morgan*
Chair

Richard A. Vandermolen*
Vice Chair

Steven Heacock

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 Management Director

Tara M. Hernandez Marketing & Communications Manager

* Kent County Commissioner



June 4, 2015

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, 2014. This report was prepared by the Department's Finance and Administration Division, and the financial statements were audited by Rehmann Robson, LLC, 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' unmodified 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 15.

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 5 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 \$59,728,400.

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, 2013. 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 twenty-first 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,

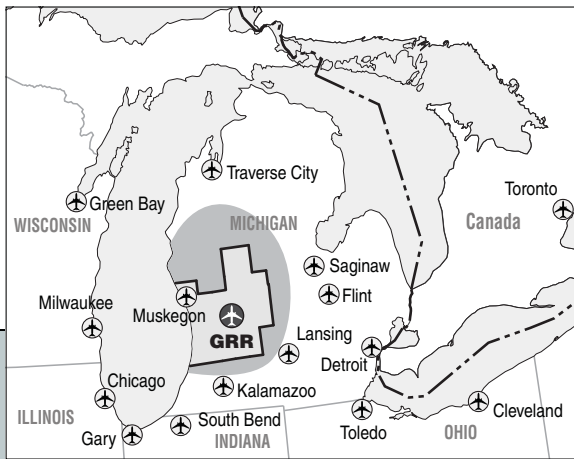


Brian D. Ryks, A.A.E.
Executive Director

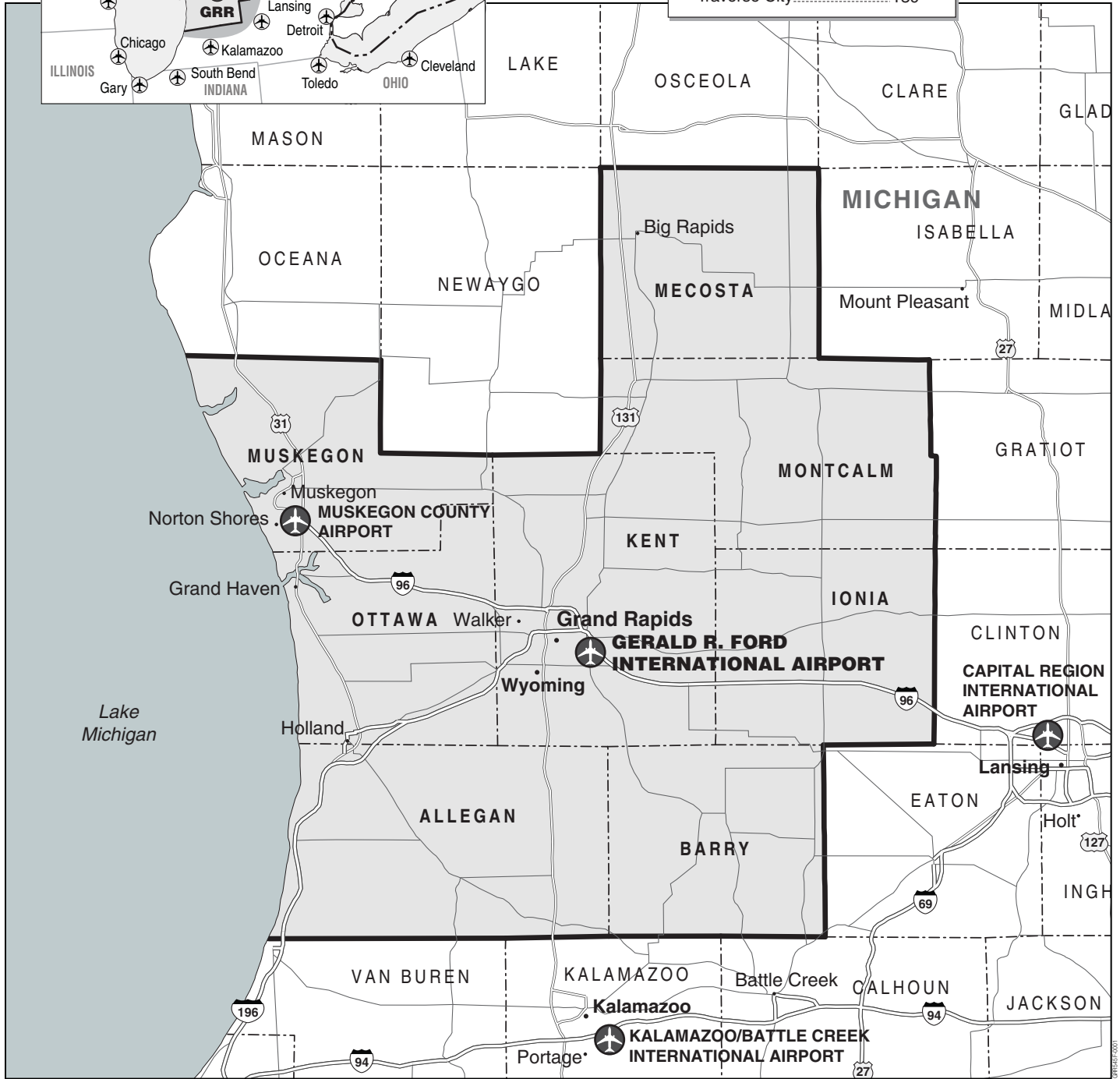


Brian Picardat, A.A.E.
Finance & Administration Director

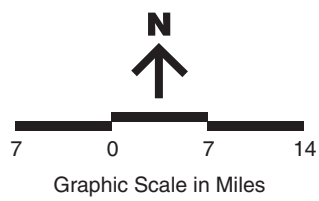
BP/lid



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

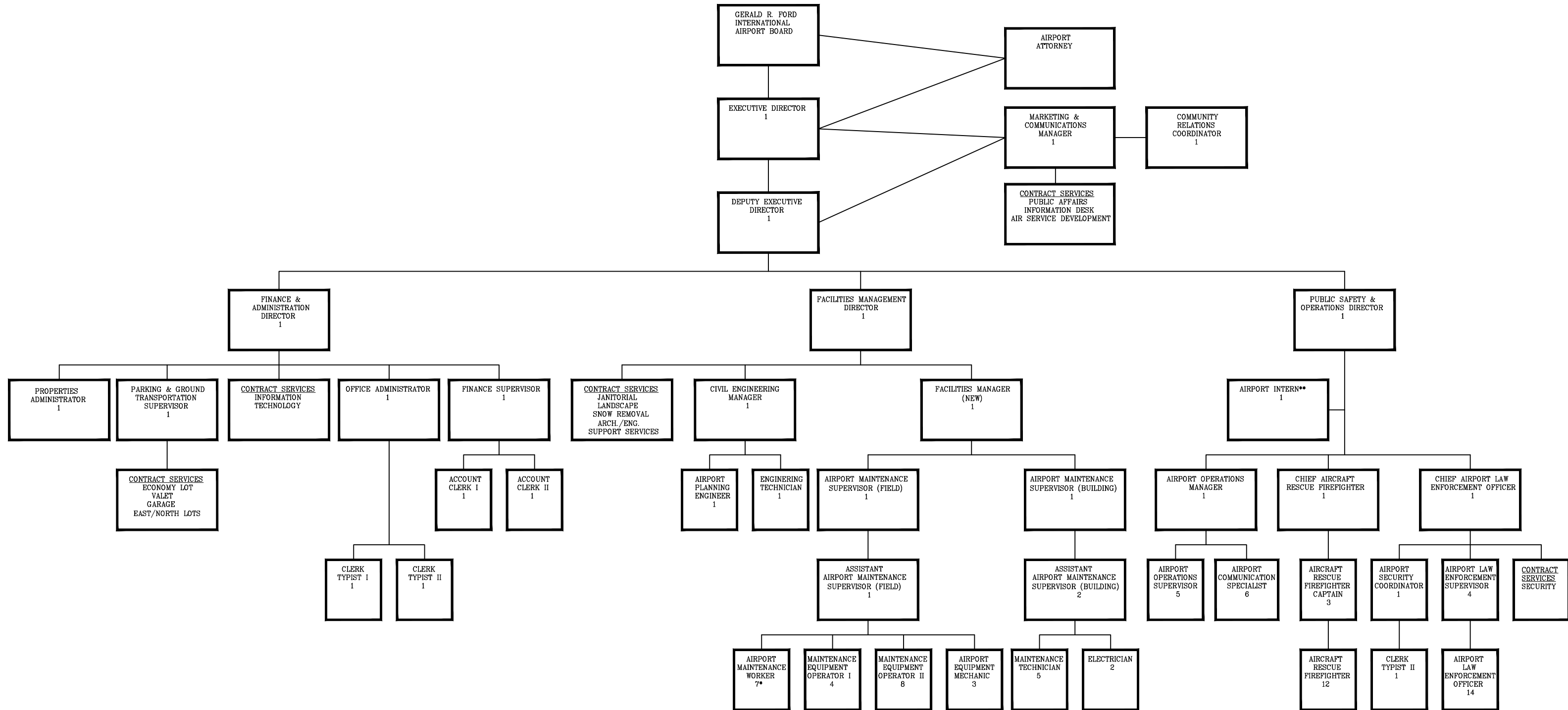


- LEGEND**
- Primary area
 - Approximate secondary area (shown on small inset map only)
 - Passenger air carrier service airport
 - International boundary
 - State boundary
 - County boundary



AIRPORT SERVICE REGION
 Gerald R. Ford International Airport
 May 2014

**KENT COUNTY DEPARTMENT OF AERONAUTICS
ORGANIZATIONAL CHART
FEBRUARY 2014**



* Positions are Seasonal
** Position is Temporary

95 Full Time Permanent
8 Seasonal/Temporary
102 Total Positions
97.7 FTE



Government Finance Officers Association

**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, 2013

Executive Director/CEO

This page intentionally left blank

FINANCIAL SECTION

This page intentionally left blank

INDEPENDENT AUDITORS' REPORT

June 4, 2015

Gerald R. Ford International Airport Board
Kent County Department of Aeronautics
Grand Rapids, 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, 2014 and 2013, 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.

Independent 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 Kent County Department of Aeronautics as of December 31, 2014 and 2013, 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.

Reporting Entity

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, 2014 and 2013, and the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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 any assurance.

Other 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 audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated June 4, 2015 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.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

This page intentionally left blank

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 (the "Department"), an enterprise fund of the County of Kent, Michigan for the fiscal years ended December 31, 2014 and December 31, 2013. The information contained in this MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introductory 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 \$204.6 million at December 31, 2014, a \$14.5 million increase from December 31, 2013, compared to a \$1.2 million increase in 2013.

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

	2014	2013	2012
Assets			
Current and other assets	\$ 60,528,101	\$ 57,344,294	\$ 53,262,050
Capital assets, net	<u>323,988,894</u>	<u>319,819,509</u>	<u>326,346,165</u>
Total assets	<u>384,516,995</u>	<u>377,163,803</u>	<u>379,608,215</u>
Deferred outflows of resources			
Deferred charges on refunding, net	<u>2,487,691</u>	<u>2,721,185</u>	<u>2,954,676</u>
Liabilities			
Long-term liabilities	175,527,055	181,614,311	187,206,566
Other liabilities	<u>6,844,641</u>	<u>8,178,297</u>	<u>6,506,531</u>
Total liabilities	<u>182,371,696</u>	<u>189,792,608</u>	<u>193,713,097</u>
Net position			
Net investment in capital assets	150,949,530	140,926,383	142,094,275
Restricted	26,522,875	22,662,138	18,177,331
Unrestricted	<u>27,160,585</u>	<u>26,503,859</u>	<u>28,578,188</u>
Total net position	<u>\$ 204,632,990</u>	<u>\$ 190,092,380</u>	<u>\$ 188,849,794</u>

The largest portion of the Department's net position each year (73.8% and 74.1% at December 31, 2014 and 2013, 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.

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

Management's Discussion and Analysis

An additional portion of the Department's net position (13.0% and 11.9% at December 31, 2014 and 2013, 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 (13.2% and 14.0% at December 31, 2014 and 2013, 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:

	2014	2013	2012
Operating revenues	\$ 35,842,430	\$ 33,189,919	\$ 31,873,145
Operating expenses	<u>(34,951,671)</u>	<u>(34,666,050)</u>	<u>(33,624,049)</u>
Operating income (loss)	<u>890,759</u>	<u>(1,476,131)</u>	<u>(1,750,904)</u>
Nonoperating revenues (expenses)			
Investment earnings	135,832	121,789	159,398
Interest expense	(7,970,969)	(8,164,418)	(8,321,170)
Gain on sale of capital assets	<u>50,363</u>	<u>50,622</u>	<u>22,793</u>
Total nonoperating revenues (expenses)	<u>(7,784,774)</u>	<u>(7,992,007)</u>	<u>(8,138,979)</u>
Loss before capital contributions	(6,894,015)	(9,468,138)	(9,889,883)
Capital contributions	<u>21,434,625</u>	<u>10,710,724</u>	<u>15,452,306</u>
Change in net position	14,540,610	1,242,586	5,562,423
Net position, beginning of year	<u>190,092,380</u>	<u>188,849,794</u>	<u>183,287,371</u>
Net position, end of year	<u>\$ 204,632,990</u>	<u>\$ 190,092,380</u>	<u>\$ 188,849,794</u>

FINANCIAL OPERATIONS HIGHLIGHTS

- Operating revenues increased 8.0% from \$33.2 million in 2013 to \$35.8 million in 2014 principally due to an increase in passenger airline and parking revenues. In 2013, operating revenues increased from 2012 principally due to a increase in parking revenues.
- Operating expenses increased by 0.8% from \$34.7 million in 2013 to \$35.0 million in 2014 principally due to an increase in salaries and fringe benefits. In 2013, operating expenses increased from 2012 due to an increase in contractual services costs.
- As a result of the above, operating loss decreased by 160.3% from a loss of \$1.5 million in 2013 to an income of \$0.9 million in 2014. This was after a 15.7% operating loss decrease from 2012 to 2013.

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

Management's Discussion and Analysis

- Net nonoperating revenues (expenses) decreased 2.6% from (\$8.0) million in 2013 to (\$7.8) million in 2014. This follows a 1.8% decrease in net nonoperating revenues (expenses) from 2012 to 2013.
- Capital contributions received in the form of grants from federal and state governments increased from \$10.7 million in 2013 to \$21.4 million in 2014. In 2013 capital contributions decreased from 2012. The amount of capital contributions will vary year to year based on availability of grant funding and the timing of federally funded capital projects.

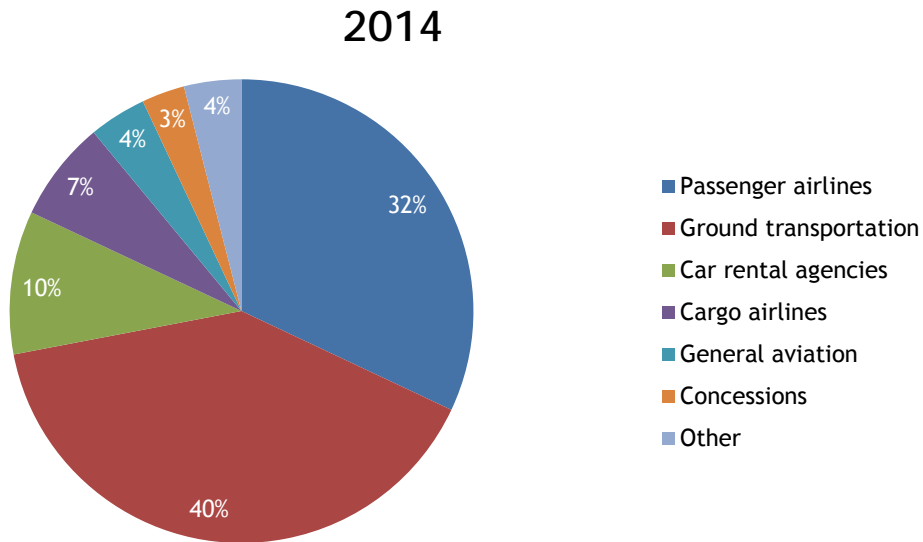
AIRLINE RATES AND CHARGES

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:

	2014	2013	2012
Landing fees (per 1,000 lbs)	\$ 2.84	\$ 2.64	\$ 2.61
Terminal rental rates (per square foot)	52.62	50.95	52.19
Airline apron fee (per 1,000 lbs)	1.73	1.57	1.46

REVENUES

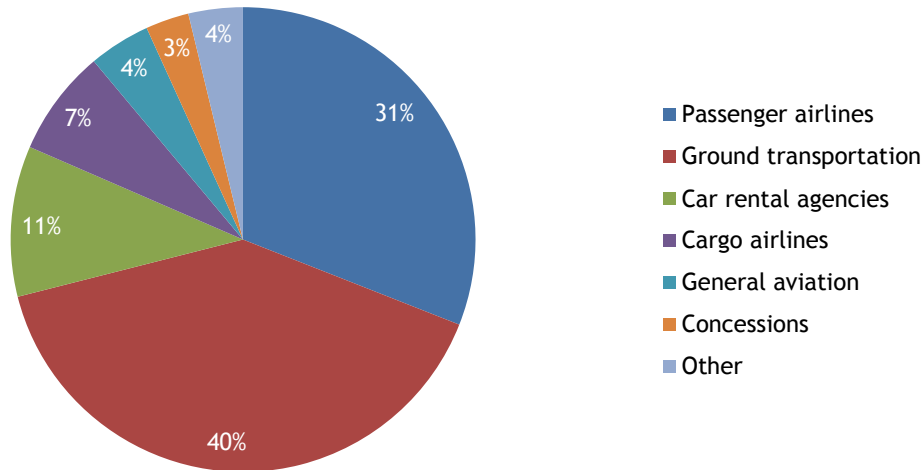
The following chart shows the major sources and the percentage of operating revenues for the year ended December 31:



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

Management's Discussion and Analysis

2013



A summary of operating revenues for the year ended December 31, 2014 and 2013, and the amount and percentage of change in relation to prior year amounts is as follows:

	2014 Amount	Percent of Total	Increase/ (Decrease) From 2013	Percent Increase/ (Decrease)
Operating revenues				
Charges for services:				
Passenger airlines	\$ 11,475,779	32.0 %	\$ 1,208,288	11.8 %
Ground transportation	14,276,394	39.8	970,745	7.3
Car rental agencies	3,544,348	9.9	69,508	2.0
Cargo airlines	2,493,862	7.0	34,474	1.4
General aviation	1,511,647	4.2	90,466	6.4
Other concessions	1,241,664	3.5	236,114	23.5
Other	1,298,736	3.6	42,916	3.4
Total operating revenues	<u>\$ 35,842,430</u>	<u>100.0 %</u>	<u>\$ 2,652,511</u>	<u>8.0 %</u>
Operating revenues				
Charges for services:				
Passenger airlines	\$ 10,267,491	30.9 %	\$ (632,229)	(5.8) %
Ground transportation	13,305,649	40.1	1,498,779	12.7
Car rental agencies	3,474,840	10.5	403,298	13.1
Cargo airlines	2,459,388	7.4	(178,796)	(6.8)
General aviation	1,421,181	4.3	39,143	2.8
Other concessions	1,005,550	3.0	142,504	16.5
Other	1,255,820	3.8	44,075	3.6
Total operating revenues	<u>\$ 33,189,919</u>	<u>100.0 %</u>	<u>\$ 1,316,774</u>	<u>4.1 %</u>

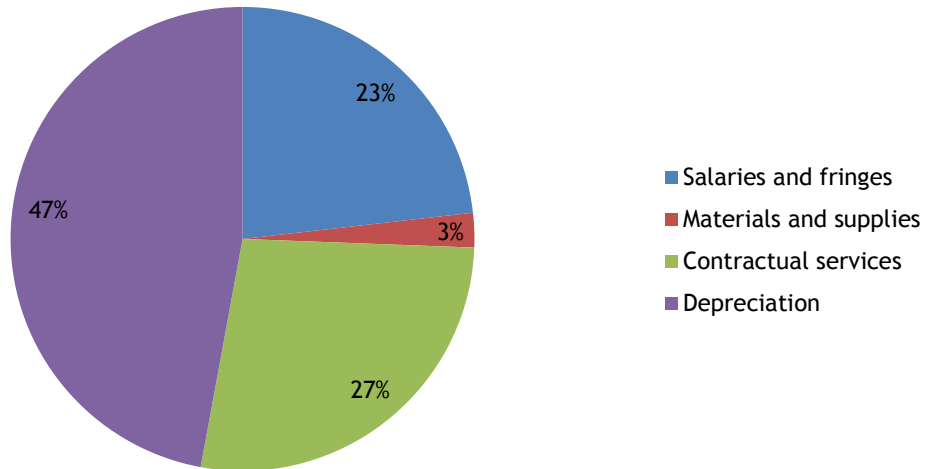
KENT COUNTY DEPARTMENT OF AERONAUTICS
(AN ENTERPRISE FUND OF THE COUNTY OF KENT, MICHIGAN)

Management's Discussion and Analysis

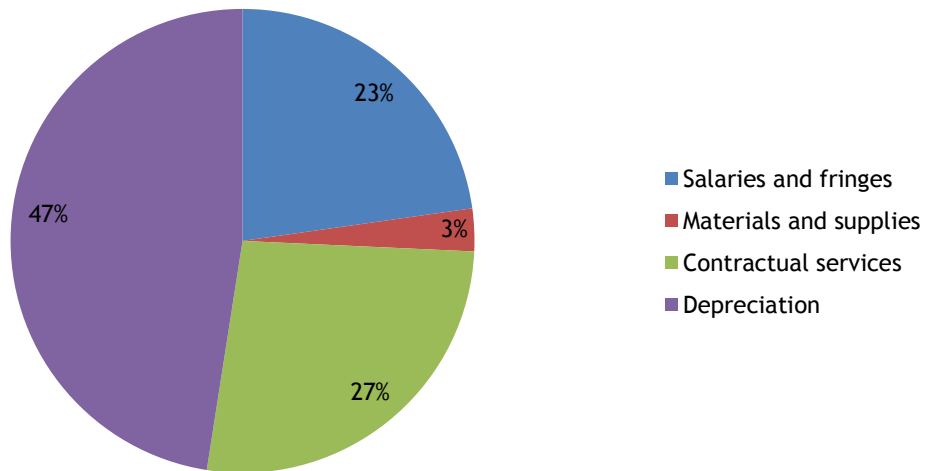
EXPENSES

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

2014



2013



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

Management's Discussion and Analysis

A summary of operating expenses for the year ended December 31, 2014 and 2013, and the amount and percentage of change in relation to prior year amounts is as follows:

	2014 Amount	Percent of Total	Increase/ (Decrease) From 2013	Percent Increase/ (Decrease)
Operating expenses				
Salaries and fringes	\$ 8,094,182	23.2 %	\$ 269,299	3.4 %
Materials and supplies	854,578	2.4	(43,942)	(4.9)
Contractual services	9,556,585	27.3	153,846	1.6
Depreciation	16,446,326	47.1	(93,582)	(0.6)
Total operating expenses	\$ 34,951,671	100.0 %	\$ 285,621	0.8 %
	2013 Amount	Percent of Total	Increase/ (Decrease) From 2012	Percent Increase/ (Decrease)
Operating expenses				
Salaries and fringes	\$ 7,824,883	22.6 %	\$ (92,959)	(1.2) %
Materials and supplies	898,520	2.6	170,187	23.4
Contractual services	9,402,739	27.1	947,990	11.2
Depreciation	16,539,908	47.7	16,783	0.1
Total operating expenses	\$ 34,666,050	100.0 %	\$ 1,042,001	3.1 %

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

	2014	2013	2012
Net cash provided by operating activities	\$ 16,790,169	\$ 15,590,214	\$ 15,378,570
Net cash used in capital and related financing activities	(20,646,690)	(14,526,808)	(6,599,008)
Net cash provided by investing activities	130,447	129,355	159,524
Net increase (decrease) in cash and cash equivalents	(3,726,074)	1,192,761	8,939,086
Cash and cash equivalents, beginning of year	49,968,991	48,776,230	39,837,144
Cash and cash equivalents, end of year	\$ 46,242,917	\$ 49,968,991	\$ 48,776,230

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

Management's Discussion and Analysis

The Department's available cash and cash equivalents decreased from \$50.0 million at the end of 2013 to \$46.2 million at the end of 2014 due principally to an increase in net cash used in capital and related financing activities. This compares to a increase from \$48.8 million at the end of 2012 to \$50.0 million at the end of 2013 due principally to a decrease in net cash used in capital and related financing activities.

FINANCIAL STATEMENTS

The Department's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. The Department is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their useful lives. Amounts are restricted for debt service and, where applicable, for construction purposes. See Note 1 to the financial statements for a summary of the Department's significant accounting policies.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During 2014 and 2013, the Department had capital additions totaling \$20,659,233 and \$10,013,252, respectively. The major construction projects were:

2014:		
Storm Water Project	\$	9,291,725
Concourse B Expansion		6,251,253
Security Checkpoint Expansion - Design		2,666,136
Other		2,450,119
2013:		
Storm Water Project	\$	3,061,278
Concourse B Expansion		4,795,710
Other		2,156,264

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.

LONG-TERM DEBT ADMINISTRATION

As a department of the County of Kent, Michigan, 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.

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

Management's Discussion and Analysis

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 March 2015.

See Note 5 to the financial statements for more detailed information on the Department's revenue bonds payable.

Requests for Information

This financial report is designed to provide general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Finance & Administration Director, Gerald R. Ford International Airport, 5500 44th Street SE, Grand Rapids, Michigan 49512-4055.

Respectfully submitted,



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

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

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

Statements of Net Position

December 31

	2014	2013
Assets		
Current assets:		
Cash, investments, and accrued interest	\$ 16,227,931	\$ 23,702,711
Accounts receivable, less allowance for uncollectible of \$247,159 in 2014 and \$246,558 in 2013	1,437,028	1,236,294
Due from other governments	11,873,595	5,174,574
Inventories	169,260	202,477
Prepaid expenses	242,546	214,509
Restricted assets:		
Cash, investments, and accrued interest	26,464,165	22,716,116
Accounts receivable	562,755	547,449
Total current assets	<u>56,977,280</u>	<u>53,794,130</u>
Noncurrent assets:		
Restricted cash, investments and accrued interest, net of current portion	3,550,821	3,550,164
Capital assets not being depreciated	48,247,851	29,991,803
Capital assets being depreciated, net	275,741,043	289,827,706
Total noncurrent assets	<u>327,539,715</u>	<u>323,369,673</u>
Total assets	<u>384,516,995</u>	<u>377,163,803</u>
Deferred outflows of resources		
Deferred charges on refunding, net	<u>2,487,691</u>	<u>2,721,185</u>
Liabilities		
Current liabilities:		
Accounts payable	856,655	1,486,259
Construction contracts payable	827,268	1,663,929
Accrued liabilities	790,978	807,032
Due to other funds of the County of Kent, Michigan	2,213	-
Unearned revenue	312,661	69,486
Payable from restricted assets - accrued interest	4,054,866	4,151,591
Current maturities of revenue bonds payable and bond premium	6,662,256	6,087,256
Total current liabilities	<u>13,506,897</u>	<u>14,265,553</u>
Noncurrent liabilities - revenue bonds payable and bond premium	<u>168,864,799</u>	<u>175,527,055</u>
Total liabilities	<u>182,371,696</u>	<u>189,792,608</u>
Net position		
Net investment in capital assets	150,949,530	140,926,383
Restricted for:		
Debt service	13,253,481	13,355,429
Capital improvements	13,269,394	9,306,709
Unrestricted	27,160,585	26,503,859
Total net position	<u>\$ 204,632,990</u>	<u>\$ 190,092,380</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 Fund Net Position
For the Year Ended December 31

	2014	2013
Operating revenues		
Charges for services:		
Passenger airlines	\$ 11,475,779	\$ 10,267,491
Ground transportation	14,276,394	13,305,649
Car rental agencies	3,544,348	3,474,840
Cargo airlines	2,493,862	2,459,388
General aviation	1,511,647	1,421,181
Concessions	1,241,664	1,005,550
Other	1,298,736	1,255,820
Total operating revenues	35,842,430	33,189,919
Operating expenses		
Salaries and fringes	8,094,182	7,824,883
Materials and supplies	854,578	898,520
Contractual services	9,556,585	9,402,739
Depreciation	16,446,326	16,539,908
Total operating expenses	34,951,671	34,666,050
Operating income (loss)	890,759	(1,476,131)
Nonoperating revenues (expenses)		
Investment earnings	135,832	121,789
Interest expense	(7,970,969)	(8,164,418)
Gain on sale of capital assets	50,363	50,622
Total nonoperating revenues (expenses)	(7,784,774)	(7,992,007)
Loss before capital contributions	(6,894,015)	(9,468,138)
Capital contributions		
Passenger facility charges	4,787,816	4,598,620
Customer facility charges	1,829,376	1,699,053
Other capital contributions	14,817,433	4,413,051
Total capital contributions	21,434,625	10,710,724
Change in net position	14,540,610	1,242,586
Net position, beginning of year	190,092,380	188,849,794
Net position, end of year	\$ 204,632,990	\$ 190,092,380

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

	2014	2013
Cash flows from operating activities		
Receipts from customers and users	\$ 36,550,244	\$ 33,941,530
Payments to suppliers	(11,090,798)	(10,021,947)
Payments to employees	(8,107,987)	(7,842,852)
Internal activity - cash payments to other funds of the County of Kent, Michigan	(561,290)	(486,517)
Net cash provided by operating activities	<u>16,790,169</u>	<u>15,590,214</u>
Cash flows from capital and related financing activities		
Passenger facility charges collected	4,776,875	4,705,309
Customer facility charges collected	1,825,011	1,682,190
Other capital contributions received	8,118,412	1,479,569
Proceeds from sale of capital assets	50,363	50,622
Purchase of capital assets	(21,495,894)	(8,842,941)
Principal paid on revenue bonds	(5,715,000)	(5,220,000)
Interest paid on revenue bonds	(8,206,457)	(8,381,557)
Net cash used in capital and related financing activities	<u>(20,646,690)</u>	<u>(14,526,808)</u>
Cash flows from investing activities		
Interest received on investments	<u>130,447</u>	<u>129,355</u>
Net increase (decrease) in cash and cash equivalents	(3,726,074)	1,192,761
Cash and cash equivalents, beginning of year	<u>49,968,991</u>	<u>48,776,230</u>
Cash and cash equivalents, end of year	<u>\$ 46,242,917</u>	<u>\$ 49,968,991</u>
Classified on the statement of net position as		
Cash, investments, and accrued interest	\$ 16,227,931	\$ 23,702,711
Current restricted cash, investments, and accrued interest	26,464,165	22,716,116
Noncurrent restricted cash, investments, and accrued interest	<u>3,550,821</u>	<u>3,550,164</u>
	<u>\$ 46,242,917</u>	<u>\$ 49,968,991</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

	2014	2013
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 890,759	\$ (1,476,131)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	16,446,326	16,539,908
Change in:		
Accounts receivable	(200,734)	27,364
Inventories	33,217	(42,419)
Prepaid expenses	(28,037)	(30,785)
Accounts payable	(580,696)	633,360
Accrued liabilities	(16,054)	(13,151)
Due to other funds of the County of Kent, Michigan	2,213	-
Unearned revenue	243,175	(47,932)
Net cash provided by operating activities	<u>\$ 16,790,169</u>	<u>\$ 15,590,214</u>

concluded

Non-cash transactions

Other capital contributions received is net of the change in amounts due from other governments of \$6,699,021 and \$2,933,482 for the years ended December 31, 2014 and December 31, 2013, respectively.

Purchase of capital assets is net of the change in contracts payable of \$(836,661) and \$1,170,311 for the years ended December 31, 2014 and December 31, 2013, respectively.

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

This page intentionally left blank

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 accounting principles as applied to enterprise funds of governmental units. The following is a summary of the significant policies.

Reporting Entity

The Department is an enterprise 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 generally accepted accounting principles.

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 is reported for assets that are subject to restrictions beyond the Department’s control, less any liabilities payable from such restricted assets. 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.

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.

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

Notes to Financial Statements

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. treasuries and agencies, 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.

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.

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

Notes to Financial Statements

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 straight-line method 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 a per item cost exceeding \$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 the asset life are not capitalized.

Construction in progress, consisting primarily of expenditures for 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:

Asset Type	Years
Land improvements	20-30
Buildings and improvements	30-50
Equipment	3-12
Office furniture	5-15
Vehicles	3-7

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

Notes to Financial Statements

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 deferred charges on refunding. This amount is being amortized using the straight-line method over the life of the related bonds. Amortization expense for the years ending December 31, 2014 and 2013 were \$233,494 and \$233,491, 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 \$852,405 and \$197,186 for the years ended December 31, 2014 and December 31, 2013, respectively.

Capital contributions

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. Revenue is recognized when earned and is classified as capital contributions.

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

Notes to Financial Statements

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 Gerald R. Ford International 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 capital contributions.

The Department received a significant amount of funding 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 and reimbursement has been requested. 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 other 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.

2. DEPOSITS AND INVESTMENTS

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

	2014	2013
Statement of Net Position		
Current assets:		
Cash, investments, and accrued interest	\$ 16,227,931	\$ 23,702,711
Restricted cash, investments, and accrued interest	26,464,165	22,716,116
Noncurrent assets:		
Restricted cash, investments, and accrued interest	3,550,821	3,550,164
Total	\$ 46,242,917	\$ 49,968,991

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

Notes to Financial Statements

These amounts are further classified as follows:

	Fair Value		Credit Ratings
	2014	2013	
Cash, investments, and accrued interest			
Cash and cash equivalents	\$ 17,324,260	\$ -	n/a
Money market mutual funds	-	17,507,020	S&P AAA
County investment pool	28,917,057	32,460,371	Various
Total cash, investments, and accrued interest	<u>46,241,317</u>	<u>49,967,391</u>	
Cash on hand	<u>1,600</u>	<u>1,600</u>	
Total investments and cash on hand	<u>\$ 46,242,917</u>	<u>\$ 49,968,991</u>	

The Department participates in the County's Investment Pool. The value of the Department's shares in the investment pool is equal to the fair value of its position in the pool.

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.

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 - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. 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. As of year-end, none of the Authority's bank balance of \$17,324,260 was exposed to credit risk because it was fully collateralized by U.S. securities and treasury obligations. Custodial credit risk for the balance held in the County investment pool cannot be determined because the Department's balance does not correspond to specific bank accounts. Additional information regarding custodial credit 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

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. Information on concentration of credit risk for the County Investment Pool can be found in the notes to the financial statements of the County's Comprehensive Annual Financial Report.

3. RESTRICTED ASSETS

Restricted assets are maintained as part of the Department's equity in the County Investment Pool and restricted bond accounts and are reported as follows:

	2014	2013
Current restricted cash, investments and accrued interest:		
Debt service	\$ 13,773,439	\$ 13,956,856
Capital improvements	<u>12,690,726</u>	<u>8,759,260</u>
Total current restricted cash, investments and accrued interest	<u>\$ 26,464,165</u>	<u>\$ 22,716,116</u>
Current restricted accounts receivable:		
Capital improvements:		
Passenger facility charges	\$ 441,654	\$ 430,713
Customer facility charges	<u>121,101</u>	<u>116,736</u>
Total current restricted accounts receivable	<u>\$ 562,755</u>	<u>\$ 547,449</u>
Noncurrent restricted cash, investments and accrued interest:		
Debt service	<u>\$ 3,550,821</u>	<u>\$ 3,550,164</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, 2014, 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	8,807,727	20,293,109	(43,522)	(1,993,539)	27,063,775
	<u>29,991,803</u>	<u>20,293,109</u>	<u>(43,522)</u>	<u>(1,993,539)</u>	<u>48,247,851</u>
Capital assets, being depreciated:					
Land improvements	217,807,691	-	(754,918)	1,505,905	218,558,678
Buildings and improvements	245,709,978	-	(170,575)	170,887	245,710,290
Equipment	21,449,649	-	(1,002,064)	305,053	20,752,638
Equipment-systems	4,897,893	247,856	-	-	5,145,749
Office furniture	2,087,227	-	(134,036)	11,694	1,964,885
Vehicles	546,803	118,268	(75,827)	-	589,244
	<u>492,499,241</u>	<u>366,124</u>	<u>(2,137,420)</u>	<u>1,993,539</u>	<u>492,721,484</u>
Less accumulated depreciation for:					
Land improvements	(115,717,657)	(6,946,383)	754,918	-	(121,909,122)
Buildings and improvements	(72,621,793)	(8,082,953)	170,575	-	(80,534,171)
Equipment	(9,431,956)	(793,633)	1,002,064	-	(9,223,525)
Equipment-systems	(3,226,497)	(445,225)	-	-	(3,671,722)
Office furniture	(1,338,328)	(102,367)	134,036	-	(1,306,659)
Vehicles	(335,304)	(75,765)	75,827	-	(335,242)
	<u>(202,671,535)</u>	<u>(16,446,326)</u>	<u>2,137,420</u>	<u>-</u>	<u>(216,980,441)</u>
Total capital assets being depreciated, net	<u>289,827,706</u>	<u>(16,080,202)</u>	<u>-</u>	<u>1,993,539</u>	<u>275,741,043</u>
Capital assets, net	<u>\$ 319,819,509</u>	<u>\$ 4,212,907</u>	<u>\$ (43,522)</u>	<u>\$ -</u>	<u>\$ 323,988,894</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, 2013, 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	1,655,744	9,934,193	-	(2,782,210)	8,807,727
	<u>22,839,820</u>	<u>9,934,193</u>	<u>-</u>	<u>(2,782,210)</u>	<u>29,991,803</u>
Capital assets, being depreciated:					
Land improvements	216,518,111	-	-	1,289,580	217,807,691
Buildings and improvements	245,116,601	-	-	593,377	245,709,978
Equipment	20,847,150	-	(98,029)	700,528	21,449,649
Equipment-systems	4,793,381	-	-	104,512	4,897,893
Office furniture	2,177,222	39,143	(129,138)	-	2,087,227
Vehicles	477,720	39,916	(65,046)	94,213	546,803
	<u>489,930,185</u>	<u>79,059</u>	<u>(292,213)</u>	<u>2,782,210</u>	<u>492,499,241</u>
Less accumulated depreciation for:					
Land improvements	(108,728,112)	(6,989,545)	-	-	(115,717,657)
Buildings and improvements	(64,543,979)	(8,077,814)	-	-	(72,621,793)
Equipment	(8,665,999)	(863,986)	98,029	-	(9,431,956)
Equipment-systems	(2,786,497)	(440,000)	-	-	(3,226,497)
Office furniture	(1,378,219)	(89,247)	129,138	-	(1,338,328)
Vehicles	(321,034)	(79,316)	65,046	-	(335,304)
	<u>(186,423,840)</u>	<u>(16,539,908)</u>	<u>292,213</u>	<u>-</u>	<u>(202,671,535)</u>
Total capital assets being depreciated, net	<u>303,506,345</u>	<u>(16,460,849)</u>	<u>-</u>	<u>2,782,210</u>	<u>289,827,706</u>
Capital assets, net	<u>\$ 326,346,165</u>	<u>\$ (6,526,656)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,819,509</u>

As of December 31, 2014 and 2013, estimated costs to complete the construction in progress were approximately \$17,500,000 and \$39,550,000, respectively.

5. REVENUE BONDS PAYABLE

Long-term debt activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 174,580,000	\$ -	\$ (5,715,000)	\$ 168,865,000	\$ 6,290,000
Premium on revenue bonds	7,034,311	-	(372,256)	6,662,055	372,256
	<u>\$ 181,614,311</u>	<u>\$ -</u>	<u>\$ (6,087,256)</u>	<u>\$ 175,527,055</u>	<u>\$ 6,662,256</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, 2013, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 179,800,000	\$ -	\$ (5,220,000)	\$ 174,580,000	\$ 5,715,000
Premium on revenue bonds	7,406,566	-	(372,255)	7,034,311	372,256
	<u>\$ 187,206,566</u>	<u>\$ -</u>	<u>\$ (5,592,255)</u>	<u>\$ 181,614,311</u>	<u>\$ 6,087,256</u>

	2014	2013
Revenue bonds		
\$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.	\$ 110,310,000	\$ 112,510,000
\$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.	23,490,000	25,180,000
\$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.	35,065,000	36,890,000
Total revenue bonds	<u>\$ 168,865,000</u>	<u>\$ 174,580,000</u>

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

Year Ended December 31,	Principal	Interest
2015	\$ 6,290,000	\$ 7,995,281
2016	6,525,000	7,758,456
2017	6,770,000	7,486,006
2018	7,070,000	7,159,181
2019	7,425,000	6,796,806
2020-2024	42,940,000	28,050,803
2025-2029	39,005,000	17,533,850
2030-2034	30,575,000	9,536,875
2035-2037	22,265,000	1,705,875
	<u>\$ 168,865,000</u>	<u>\$ 94,023,133</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 \$3,550,821 and \$3,550,164 for the years ended December 31, 2014 and 2013, respectively. In addition, all the 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 that revenues of the Department are insufficient to meet requirements.

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
2015	\$ 7,485,418
2016	6,806,077
2017	6,408,393
2018	3,979,612
2019	2,682,186
2020-2024	6,697,121
2025-2029	5,160,680
2030-2034	5,160,680
2035-2039	4,788,978
2040-2044	4,444,931
	<u>\$ 53,614,076</u>

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.

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

Notes to Financial Statements

8. NET INVESTMENT IN CAPITAL ASSETS

The Department's net investment in capital assets was comprised of the following at December 31:

	2014	2013
Capital assets:		
Capital assets not being depreciated	\$ 48,247,851	\$ 29,991,803
Capital assets being depreciated, net	<u>275,741,043</u>	<u>289,827,706</u>
	<u>323,988,894</u>	<u>319,819,509</u>
Related debt:		
Current maturities of revenue bonds payable and bond premium	(6,662,256)	(6,087,256)
Revenue bonds payable and bond premium, net of current portion	(168,864,799)	(175,527,055)
Deferred charges on refunding, net	<u>2,487,691</u>	<u>2,721,185</u>
	<u>(173,039,364)</u>	<u>(178,893,126)</u>
Net investment in capital assets	<u>\$ 150,949,530</u>	<u>\$ 140,926,383</u>

9. BENEFIT PLANS

The Department's employees participate in the Kent County 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 Department's contributions to the plan for the years ended December 31, 2014 and 2013, which were equal to the annual required contributions, were \$525,264 and \$549,083, respectively. Applicable disclosures for this plan can be found in the Comprehensive Annual Financial Report for the County.

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

10. MAJOR CUSTOMERS

Rentals and fees earned from passenger air carriers accounted for approximately 32.0% and 30.9% of operating revenues in 2014 and 2013, respectively.

11. CONCENTRATED CREDIT RISK

The Department provides gate access to sixteen 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.

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

■ Notes to Financial Statements

■ 12. SUBSEQUENT EVENTS

On February 19, 2015, the Department issued Airport Revenue Refunding Bonds, Series 2015, in the amount of \$93,930,000 to refund \$101,895,000 of the Airport Revenue Bonds, Series 2007.

On April 9, 2015, the Department issued Airport Revenue Bonds, Series 2015, in the amount of \$14,595,000 to finance a parking deck roof.



STATISTICAL SECTION

This page intentionally left blank

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.	48
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.	52
Debt Capacity Schedule E	Debt capacity information is intended to show a governmental unit's debt burden and its ability to issue additional debt.	56
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.	58
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.	62

**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)

	December 31,		
	2005	2006	2007
Operating revenues			
Airfield	\$ 8,182	\$ 8,596	\$ 8,502
Terminal	6,839	6,549	6,582
Ground transportation	10,658	11,326	11,417
Other	401	360	333
Total operating revenues	<u>26,080</u>	<u>26,831</u>	<u>26,834</u>
Operating expenses			
Salaries and fringes	7,579	7,802	8,804
Services and supplies	8,279	7,547	8,659
Depreciation	9,957	10,553	10,781
Total operating expenses	<u>25,815</u>	<u>25,902</u>	<u>28,244</u>
Operating income (loss)	<u>265</u>	<u>929</u>	<u>(1,410)</u>
Nonoperating revenue (expenses)			
Interest income	1,034	1,801	1,447
Interest expense	(4,680)	(4,539)	(4,159)
Other	4	13	95
Total nonoperating revenue (expenses)	<u>(3,642)</u>	<u>(2,725)</u>	<u>(2,617)</u>
Loss before capital contributions	<u>(3,377)</u>	<u>(1,796)</u>	<u>(4,027)</u>
Capital contributions			
Passenger facility charges	2,890	4,059	3,949
Customer facility charges	256	1,263	1,291
Other capital contributions	2,315	2,180	8,711
Total capital contributions	<u>5,461</u>	<u>7,502</u>	<u>13,951</u>
Change in net assets / net position	<u>\$ 2,084</u>	<u>\$ 5,706</u>	<u>\$ 9,924</u>
Net assets / net position			
Invested in capital assets, net of related debt / net investment in capital assets	\$ 134,899	\$ 139,941	\$ 147,818
Restricted for:			
Debt service	7,594	8,989	15,527
Capital improvements	-	495	4,401
Unrestricted	20,888	19,662	11,265
Total net assets / net position	<u>\$ 163,381</u>	<u>\$ 169,087</u>	<u>\$ 179,011</u>

GASBs 63 and 65 were implemented for the year ended December 31, 2012. 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. Comparative information for the year ended December 31, 2011 was restated. Data for years 2010 and prior were not restated retroactively.

December 31,						
2008	2009	2010	2011	2012	2013	2014
\$ 9,023	\$ 8,729	\$ 9,372	\$ 9,811	\$ 9,608	\$ 8,878	\$ 9,456
7,425	6,960	7,321	5,715	6,746	6,832	7,813
10,886	9,818	14,745	15,511	14,878	16,780	17,821
405	516	544	593	641	700	752
<u>27,739</u>	<u>26,023</u>	<u>31,982</u>	<u>31,630</u>	<u>31,873</u>	<u>33,190</u>	<u>35,842</u>
8,840	8,588	8,925	8,263	7,918	7,825	8,094
9,125	9,050	9,148	9,793	9,183	10,301	10,411
10,948	11,555	16,009	16,275	16,523	16,540	16,446
<u>28,913</u>	<u>29,193</u>	<u>34,082</u>	<u>34,331</u>	<u>33,624</u>	<u>34,666</u>	<u>34,951</u>
(1,174)	(3,170)	(2,100)	(2,701)	(1,751)	(1,476)	891
898	429	148	154	159	122	136
(4,053)	(3,684)	(9,147)	(8,187)	(8,321)	(8,165)	(7,971)
15	66	22	50	22	51	50
<u>(3,140)</u>	<u>(3,189)</u>	<u>(8,977)</u>	<u>(7,983)</u>	<u>(8,140)</u>	<u>(7,992)</u>	<u>(7,785)</u>
(4,314)	(6,359)	(11,077)	(10,684)	(9,891)	(9,468)	(6,894)
3,448	3,466	4,505	4,636	4,339	4,599	4,788
1,384	1,188	1,374	1,543	1,473	1,699	1,829
7,076	2,164	5,727	1,440	9,641	4,413	14,818
<u>11,908</u>	<u>6,818</u>	<u>11,606</u>	<u>7,619</u>	<u>15,453</u>	<u>10,711</u>	<u>21,435</u>
<u>\$ 7,594</u>	<u>\$ 459</u>	<u>\$ 529</u>	<u>\$ (3,065)</u>	<u>\$ 5,562</u>	<u>\$ 1,243</u>	<u>\$ 14,541</u>
\$ 147,665	\$ 155,704	\$ 150,727	\$ 146,699	\$ 142,094	\$ 140,926	\$ 150,950
9,390	10,643	11,294	11,790	12,387	13,355	13,253
11,769	2,923	3,418	2,684	5,791	9,307	13,269
<u>17,781</u>	<u>17,794</u>	<u>22,154</u>	<u>22,114</u>	<u>28,578</u>	<u>26,504</u>	<u>27,161</u>
<u>\$ 186,605</u>	<u>\$ 187,064</u>	<u>\$ 187,593</u>	<u>\$ 183,287</u>	<u>\$ 188,850</u>	<u>\$ 190,092</u>	<u>\$ 204,633</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)

	December 31,		
	2005	2006	2007
Cash flows from operating activities			
Receipts from customers and users	\$ 27,528	\$ 27,369	\$ 27,801
Cash paid to suppliers	(8,056)	(7,906)	(8,473)
Cash paid to employees	(7,472)	(7,837)	(8,680)
Net cash provided by operating activities	<u>12,000</u>	<u>11,626</u>	<u>10,648</u>
Capital and related financing activities			
Passenger facility charges collected	2,765	4,086	3,996
Customer facility charges collected	173	1,264	1,286
Capital contributions received	2,055	2,180	8,711
Proceeds from sale of capital assets	43	146	95
Proceeds from sale of bonds	-	-	122,210
Cash transferred to escrow for defeased bonds	-	-	-
Purchase of capital assets	(5,496)	(13,515)	(26,750)
Principal paid on revenue bonds	(3,199)	(3,344)	(8,416)
Interest paid on revenue bonds	(4,605)	(4,461)	(4,144)
Net cash provided by (used in) capital and related financing activities	<u>(8,264)</u>	<u>(13,644)</u>	<u>96,988</u>
Cash flow from investing activities			
Interest received on investments	<u>1,012</u>	<u>1,869</u>	<u>3,094</u>
Net increase (decrease) in cash and cash equivalents	4,748	(149)	110,730
Cash and cash equivalents, beginning of year	<u>33,005</u>	<u>37,753</u>	<u>37,604</u>
Cash and cash equivalents, end of year	<u>\$ 37,753</u>	<u>\$ 37,604</u>	<u>\$ 148,334</u>

December 31,						
2008	2009	2010	2011	2012	2013	2014
\$ 27,825	\$ 26,721	\$ 31,964	\$ 32,652	\$ 33,058	\$ 33,942	\$ 36,550
(9,604)	(9,628)	(9,370)	(11,428)	(10,686)	(10,509)	(11,652)
(8,709)	(8,565)	(8,807)	(8,302)	(6,994)	(7,843)	(8,108)
<u>9,512</u>	<u>8,528</u>	<u>13,787</u>	<u>12,922</u>	<u>15,378</u>	<u>15,590</u>	<u>16,790</u>
3,559	3,364	4,303	4,689	4,319	4,705	4,777
1,388	1,200	1,358	1,544	1,460	1,682	1,825
3,221	1,103	3,900	1,154	7,105	1,480	8,119
15	66	22	30	28	51	50
-	30,619	-	41,049	-	-	-
-	(31,112)	-	(41,555)	-	-	-
(80,745)	(47,245)	(5,476)	(7,416)	(6,879)	(8,843)	(21,496)
(2,625)	(2,740)	(3,595)	(4,180)	(4,645)	(5,220)	(5,715)
(8,390)	(9,035)	(9,220)	(9,059)	(7,987)	(8,382)	(8,206)
<u>(83,577)</u>	<u>(53,780)</u>	<u>(8,708)</u>	<u>(13,744)</u>	<u>(6,599)</u>	<u>(14,527)</u>	<u>(20,646)</u>
<u>4,664</u>	<u>1,546</u>	<u>148</u>	<u>205</u>	<u>160</u>	<u>130</u>	<u>130</u>
(69,401)	(43,706)	5,227	(617)	8,939	1,193	(3,726)
<u>148,334</u>	<u>78,933</u>	<u>35,227</u>	<u>40,454</u>	<u>39,837</u>	<u>48,776</u>	<u>49,969</u>
<u>\$ 78,933</u>	<u>\$ 35,227</u>	<u>\$ 40,454</u>	<u>\$ 39,837</u>	<u>\$ 48,776</u>	<u>\$ 49,969</u>	<u>\$ 46,243</u>

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

Passenger Activity

Enplaned Passengers
Last Ten Fiscal Years

	December 31,				
	2005	2006	2007	2008	2009
Airline					
American Eagle	130,640	126,225	118,146	100,075	104,240
Delta Connection (Atlantic Southeast)	80,153	63,926	61,087	63,375	61,335
Delta Connection (Endeavor)	-	-	-	-	-
Delta Connection (Comair)	66,730	61,873	62,996	46,508	22,524
Delta Connection (Chautauqua)	-	-	-	-	12,256
Delta Connection (Freedom)	-	-	-	-	15,227
Delta Connection (Skywest)	-	-	-	-	459
Delta Connection (GoJet)	-	-	-	-	-
Continental Connection	624	678	2,922	6,490	2,381
Continental Express (Express Jet)	75,601	97,811	96,081	87,745	87,601
United Express (Go Jet)	-	875	23,040	29,358	20,314
United Express (Mesa)	1,939	13,009	1,977	8,340	40,700
United Express (Commutair)	-	-	-	-	-
United Express (Trans States)	-	-	-	-	-
Delta Connection (Mesaba)	17,791	9,649	7,065	23,101	21,902
Delta Airlines Inc.	439,010	414,513	356,506	302,849	204,988
Delta Connection (Pinnacle)	14,643	39,621	74,034	68,889	70,472
Delta Connection (Compass)	-	-	-	3,378	43,137
Delta Connection (Express Jet)	-	-	-	-	-
United Express (Shuttle America)	8,036	13,033	23,714	8,763	37,810
Midwest Connect (Skyway)	36,073	35,893	41,047	10,850	-
Frontier Airlines (Chautauqua)	-	-	-	-	9,260
Midwest Connect (Skywest)	-	-	-	35,276	25,118
United Express (Skywest Airlines)	6,816	25,641	45,243	24,837	9,467
United Airlines Inc.	80,265	108,665	84,215	83,609	33,715
Allegiant Air	-	-	-	271	59,372
AirTran	-	-	-	-	-
Southwest	-	-	-	-	-
American Connection (Chautauqua)	-	-	-	-	-
Air Canada (Air Georgian)	-	-	-	2,630	4,003
Delta Connection (Shuttle America)	-	-	-	-	-
Frontier Airlines (Republic)	-	-	-	-	-
United Express (Express Jet)	-	-	-	-	-
United Express (Air Wisconsin)	38,049	-	-	-	-
US Airways Express (Air Wisconsin)	770	-	-	-	-
United Express (Chautauqua)	12,705	-	-	-	-
Chicago Express (ATA Connection)	8,055	-	-	-	-
US Airways Express (Mesa)	29,033	-	-	-	-
American Eagle (Trans States)	-	-	-	-	-
Charters	290	865	846	816	1,524
Total	1,047,223	1,012,277	998,919	907,160	887,805

December 31,					December 31,	
2010	2011	2012	2013	Share of Total 2013	2014	Share of Total 2014
81,540	68,948	68,008	67,708	6.0%	125,534	10.7%
27,436	41,171	25,838	-	0.0%	-	0.0%
-	-	-	80,374	7.1%	66,410	5.7%
52,317	81,236	35,909	-	0.0%	-	0.0%
23,993	13,776	26,165	43,827	3.9%	14,734	1.3%
11,831	-	-	-	0.0%	-	0.0%
2,305	12,547	18,961	30,919	2.7%	29,335	2.5%
-	-	-	3,938	0.4%	8,943	0.8%
6,341	12,368	-	-	0.0%	-	0.0%
86,571	79,578	11,245	24,390	2.2%	-	0.0%
34,087	16,370	36,684	37,199	3.3%	42,122	3.6%
10,360	837	11,055	-	0.0%	-	0.0%
-	-	-	2,332	0.2%	1,926	0.2%
-	-	-	44,453	4.0%	47,197	4.0%
31,978	20,429	125	-	0.0%	-	0.0%
236,343	207,147	223,783	248,038	22.0%	304,962	26.0%
77,584	69,247	102,544	-	0.0%	-	0.0%
27,481	22,287	11,789	6,063	0.5%	18,727	1.6%
-	-	-	48,550	4.3%	37,860	3.2%
30,374	29,817	18,939	12,499	1.1%	17,960	1.5%
-	-	-	-	0.0%	-	0.0%
32,842	35,929	6,575	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
23,044	19,033	3,965	9,224	0.8%	13,752	1.2%
39,270	44,916	44,842	45,170	4.0%	53,525	4.6%
117,609	87,193	76,759	76,409	6.8%	79,810	6.8%
76,644	134,606	123,465	81,096	7.2%	402	0.0%
-	-	-	72,603	6.5%	201,816	17.2%
21,626	45,874	55,309	55,789	5.0%	12,378	1.1%
3,940	3,764	4,502	3,033	0.3%	-	0.0%
1,599	5,616	451	9,010	0.8%	6,645	0.6%
23,432	42,148	46,614	31,052	2.8%	-	0.0%
15,330	41,901	99,911	89,588	8.0%	60,931	5.2%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	17,852	1.5%
-	-	11,556	-	0.0%	7,455	0.6%
-	-	-	-	0.0%	-	0.0%
-	-	-	-	0.0%	-	0.0%
-	-	3,678	-	0.0%	-	0.0%
1,783	1,710	1,123	1,705	0.2%	1,519	0.1%
<u>1,097,660</u>	<u>1,138,448</u>	<u>1,069,795</u>	<u>1,124,969</u>	<u>100.0%</u>	<u>1,171,795</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)

	December 31,			
	2005	2006	2007	2008
Airline revenues				
Landing fees	\$ 2,723	\$ 2,576	\$ 2,847	\$ 3,102
Apron fees	1,640	1,803	2,025	1,941
Terminal rents	5,340	5,513	5,165	5,865
Total airline revenues	9,703	9,892	10,037	10,908
Percentage of total revenues	32.1%	29.1%	29.9%	32.6%
Nonairline revenues				
Parking	8,354	8,937	8,851	8,121
Rental car	2,486	2,626	2,788	3,053
Other	5,537	5,376	5,158	5,657
Total nonairline revenues	16,377	16,939	16,797	16,831
Percentage of total revenues	54.1%	49.9%	50.0%	50.3%
Nonoperating revenues				
Passenger facility charges	2,890	4,059	3,949	3,448
Interest	1,034	1,801	1,447	898
Other	260	1,276	1,386	1,399
Total nonoperating revenues	4,184	7,136	6,782	5,745
Percentage of total revenues	13.8%	21.0%	20.2%	17.2%
Total revenues	\$ 30,264	\$ 33,967	\$ 33,616	\$ 33,484
Enplaned passengers	1,012,277	998,919	907,160	887,805
Total revenue per enplaned passenger	\$ 29.90	\$ 34.00	\$ 37.06	\$ 37.72
Airline revenue per enplaned passenger	\$ 9.59	\$ 9.90	\$ 11.06	\$ 12.29
Revenue rates				
Landing fee (per 1,000 lbs MGLW)	\$ 2.07	\$ 2.04	\$ 2.34	\$ 2.40
Apron fee (per 1,000 lbs MGLW)	\$ 1.20	\$ 1.32	\$ 1.58	\$ 1.59
Annual terminal rental rate (per sq. ft.)	\$ 51.35	\$ 50.77	\$ 49.32	\$ 49.96

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. Operating agreements with signatory airlines are cancellable within thirty days.
MGLW=maximum gross landed weight.

Schedule D - Unaudited

December 31,						
2009	2010	2011	2012	2013	2014	
\$ 2,998	\$ 3,198	\$ 3,586	\$ 3,335	\$ 3,135	\$ 3,495	
1,823	2,220	2,409	2,252	1,863	1,956	
5,433	5,908	4,302	5,313	5,270	6,025	
<u>10,254</u>	<u>11,326</u>	<u>10,297</u>	<u>10,900</u>	<u>10,268</u>	<u>11,476</u>	
32.9%	29.8%	27.1%	28.4%	25.9%	26.9%	
7,437	11,492	12,301	11,766	13,275	14,245	
2,683	3,521	3,512	3,413	3,821	3,892	
5,649	5,643	5,520	5,794	526	526	
<u>15,769</u>	<u>20,656</u>	<u>21,333</u>	<u>20,973</u>	<u>22,922</u>	<u>24,366</u>	
50.6%	54.3%	56.1%	54.7%	57.8%	57.1%	
3,466	4,505	4,636	4,599	4,599	4,788	
429	148	154	122	122	136	
1,254	1,396	1,593	1,750	1,750	1,879	
<u>5,149</u>	<u>6,049</u>	<u>6,383</u>	<u>6,471</u>	<u>6,471</u>	<u>6,803</u>	
16.5%	15.9%	16.8%	16.9%	16.3%	16.0%	
<u>\$ 31,172</u>	<u>\$ 38,031</u>	<u>\$ 38,013</u>	<u>\$ 38,344</u>	<u>\$ 39,661</u>	<u>\$ 42,645</u>	
1,097,660	1,138,448	1,069,795	1,124,969	1,124,969	1,171,795	
\$ 28.40	\$ 33.41	\$ 35.53	\$ 34.08	\$ 35.26	\$ 36.39	
\$ 9.34	\$ 9.95	\$ 9.63	\$ 9.69	\$ 9.13	\$ 9.79	
\$ 2.66	\$ 2.85	\$ 2.42	\$ 2.61	\$ 2.64	\$ 2.84	
\$ 1.62	\$ 1.83	\$ 1.43	\$ 1.46	\$ 1.57	\$ 1.73	
\$ 50.00	\$ 48.98	\$ 51.34	\$ 52.19	\$ 50.95	\$ 52.62	

**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**

	December 31,		
	2005	2006	2007
Outstanding debt per enplaned passenger			
Outstanding debt by type (in thousands):			
Revenue bonds (all airport net operating revenues pledged)	\$ 85,011	\$ 82,711	\$ 202,913
Notes payable	6,831	5,902	-
Total outstanding debt	\$ 91,842	\$ 88,613	\$ 202,913
Outstanding debt per enplaned passenger	\$ 90.73	\$ 88.71	\$ 223.68
Outstanding debt ratio for service area (total outstanding debt/(per capita income*trade area population))	N/A	\$ 0.00	0.64%
Outstanding debt ratio for Kent County (total outstanding debt/(per capita income*county population))	N/A	\$ 0.01	1.42%
Net revenues			
Revenues	\$ 30,264	\$ 33,967	\$ 33,616
Less: operating expenses, less depreciation	15,859	15,348	17,463
Net revenues	\$ 14,405	\$ 18,619	\$ 16,153
Debt service			
Principal paid on revenue bonds	\$ 2,310	\$ 2,415	\$ 2,515
Interest expense on revenue bonds	4,340	4,238	4,056
Principal paid on notes payable	889	929	5,902
Interest expense on notes payable	341	301	88
Total debt service	\$ 7,880	\$ 7,883	\$ 12,561
Revenue bonds debt service coverage	2.2	2.8	2.5
Total debt service coverage	1.8	2.4	1.3
Debt service per enplaned passenger	\$ 7.52	\$ 7.79	\$ 12.57

Debt limit information

The Department is an enterprise fund of the County of Kent, Michigan. No debt limit information is available for the Department. Debt limits apply to the County as a whole, see the County of Kent, Michigan Comprehensive Annual Financial Report.

GASBs 63 and 65 were implemented for the year ended December 31, 2012. This resulted in reclassing deferred charges on refunding from revenue bonds to deferred outflows of resources. Comparative information for the year ended December 31, 2011 was restated. Data for years 2010 and prior were not restated retroactively.

⁽¹⁾ Other capital contributions has been included in revenue, prior years have not been restated.

December 31,						
2008	2009	2010	2011	2012	2013 ⁽¹⁾	2014
\$ 200,410	\$ 197,434	\$ 193,780	\$ 192,224	\$ 187,207	\$ 181,614	\$ 175,527
-	-	-	-	-	-	-
\$ 200,410	\$ 197,434	\$ 193,780	\$ 192,224	\$ 187,207	\$ 181,614	\$ 175,527
\$ 225.74	\$ 179.87	\$ 170.21	\$ 179.68	\$ 166.41	\$ 161.44	\$ 149.79
0.66%	0.64%	0.64%	0.64%	0.56%	0.54%	0.51%
1.44%	1.39%	1.40%	1.41%	1.27%	1.22%	1.16%
\$ 33,484	\$ 31,172	\$ 38,031	\$ 38,013	\$ 37,866	\$ 44,074	\$ 57,463
17,965	17,638	18,073	17,101	17,101	18,126	18,505
\$ 15,519	\$ 13,534	\$ 19,958	\$ 20,912	\$ 20,765	\$ 25,948	\$ 38,958
\$ 2,625	\$ 2,740	\$ 3,595	\$ 4,180	\$ 4,645	\$ 5,220	\$ 5,715
4,052	3,684	9,147	9,059	7,987	8,382	8,206
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 6,677	\$ 6,424	\$ 12,742	\$ 13,239	\$ 12,632	\$ 13,602	\$ 13,921
2.3	2.1	1.6	1.6	1.6	1.9	2.8
2.3	2.1	1.6	1.6	1.6	1.9	2.8
\$ 7.36	\$ 7.24	\$ 11.61	\$ 11.63	\$ 11.81	\$ 12.09	\$ 11.88

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

Principal Employers in the Primary Trade Area

Calendar Years 2014 and 2005

Employer	County	Product or Service
Spectrum Health	Kent	Healthcare
Axios Incorporated	Kent	Human resource and employment services
Meijer Inc.	Kent	Retail food and merchandise
Mercy General Health Partners	Muskegon	Healthcare
Amway Corporation	Kent	Personal and household products
Johnson Controls Inc.	Kent	Manufacturing - auto parts
Grand Valley State University	Ottawa	Education
Perrigo Company	Allegan	Manufacturing - pharmaceuticals
Spartan Stores Inc.	Kent	Retail food
Herman Miller Inc.	Ottawa	Office furniture
Steelcase Inc.	Kent	Office furniture
Wal-Mart Stores Inc.	Various	Retail food and merchandise
Grand Rapids Public Schools	Kent	Education
Gentex Corporation	Ottawa	Manufacturing - auto parts
Fifth Third Bank	Kent	Banking and financial services
Farmers Insurance Group	Kent	Insurance
Magna International	Various	Manufacturing - auto parts
Haworth Inc.	Ottawa	Manufacturing - furniture
Metro Health Hospital	Kent	Healthcare
Lacks Enterprises Inc.	Kent	Manufacturing - auto parts
Grand Rapids Community College	Kent	Education
City of Grand Rapids	Kent	Government
Holland Community Hospital	Ottawa	Healthcare
Howmet Corporation/Alcoa	Muskegon	Manufacturing - castings
Hope Network Industries	Kent	Packaging
GE Aviation Systems	Kent	Manufacturing - avionics systems
Pine Rest Christian Hospital	Kent	Healthcare
Gordon Food Services	Kent	Food services wholesaler
Kent County	Kent	Government
Wolverine World Wide	Kent	Manufacturing - footwear
U. S. Postal Service	Kent	Postal delivery
Shape Corporation	Ottawa	Manufacturing - fabricated metal
Consumers Energy	Various	Public utility
Forest Hills Public Schools	Kent	Education

Total employment

Source: The Right Place Inc.

⁽¹⁾ Data as of June 2013, most current information available

Schedule F - Unaudited



Number of Employees 2014 ⁽¹⁾	Percentage of Total Employment	Number of Employees 2005	Percentage of Total Employment
19,100	2.78%	12,000	1.85%
8,000	1.16%		0.00%
7,725	1.12%	8,441	1.30%
6,446	0.94%		0.00%
5,233	0.76%	3,900	0.60%
4,050	0.59%		0.00%
3,991	0.58%	2,645	0.41%
3,800	0.55%		0.00%
3,608	0.52%	3,040	0.47%
3,300	0.48%		0.00%
3,227	0.47%	5,000	0.77%
3,131	0.46%		0.00%
2,907	0.42%	3,392	0.52%
2,730	0.40%		0.00%
2,729	0.40%		0.00%
2,500	0.36%		0.00%
2,500	0.36%	4,225	0.65%
2,450	0.36%	3,000	0.46%
2,383	0.35%		0.00%
2,300	0.33%		0.00%
2,254	0.33%		0.00%
2,050	0.30%	2,688	0.42%
2,044	0.30%		0.00%
2,000	0.29%		0.00%
2,000	0.29%		0.00%
1,953	0.28%		0.00%
1,694	0.25%		0.00%
1,669	0.24%		0.00%
1,668	0.24%		0.00%
1,640	0.24%		0.00%
1,633	0.24%		0.00%
1,500	0.22%		0.00%
1,493	0.22%		0.00%
1,277	0.19%		0.00%
687,736		647,319	

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

**Population in the Primary Trade Area
Last Ten Fiscal Years**

	2005	2006	2007	2008
Allegan County	110,865	111,156	111,427	113,625
Barry County	59,621	59,610	59,969	59,501
Ionia County	64,745	65,157	65,189	64,269
Kent County	592,210	595,191	598,077	609,235
Mecosta County	-	-	-	-
Montcalm County	-	-	-	-
Muskegon County	173,608	173,710	173,738	174,854
Newaygo County	49,452	49,287	49,328	49,118
Ottawa County	255,261	258,003	260,037	262,556
	<u>1,305,762</u>	<u>1,312,114</u>	<u>1,317,765</u>	<u>1,333,158</u>
Per capita income	Not Available	\$ 23,916	\$ 23,900	\$ 22,880
Total personal income (<i>dollars in thousands</i>)	Not Available	\$ 31,380,518	\$ 31,494,584	\$ 30,502,655
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Employment information:				
Civilian labor force	687,829	697,005	694,247	685,728
Employed	647,319	656,197	652,107	636,723
Unemployed	40,510	40,808	42,140	49,005
Unemployment rate	5.9%	5.9%	6.1%	7.1%

⁽¹⁾ Effective 2013, the Office of Management and Budget changed the combined statistical area to include Mecosta and Montcalm and exclude Newaygo counties.

Source: U. S. Department of Labor OMB

Schedule G - Unaudited

2009	2010	2011	2012	2013 ⁽¹⁾	2014
112,975	111,408	111,845	111,895	112,531	113,847
58,890	59,173	58,937	59,004	59,907	59,281
63,833	63,905	64,156	63,903	64,073	64,294
608,315	602,622	608,077	614,079	621,700	629,237
-	-	-	43,229	43,108	43,186
-	-	-	63,081	63,105	62,893
174,344	172,188	172,864	170,112	171,008	172,344
48,897	48,460	48,650	-	-	-
260,364	263,801	266,171	269,329	272,701	276,292
<u>1,327,618</u>	<u>1,321,557</u>	<u>1,330,700</u>	<u>1,394,632</u>	<u>1,408,133</u>	<u>1,421,374</u>

\$ 23,320 \$ 22,908 \$ 22,496 \$ 24,078 \$ 23,982 \$ 23,989

\$ 30,960,052 \$ 30,274,228 \$ 29,935,416 \$ 33,579,949 \$ 33,769,550 \$ 34,097,909

2009	2010	2011	2012	2013	2014
657,164	645,390	644,039	684,253	693,742	727,023
579,485	573,505	589,045	631,033	650,465	687,736
77,679	71,885	54,994	53,220	43,277	39,287
11.8%	11.1%	8.5%	7.8%	6.2%	5.4%

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

Department Employees

Last Ten Fiscal Years

	December 31,			
	2005	2006	2007	2008
Administration	22	22	21	20
Maintenance	31	31	31	31
Parking	29	29	31	29
Firefighting	16	16	16	16
Public safety	36	36	33	33
Total	134	134	132	129
Enplaned passengers per employee	7,554	7,455	6,872	6,882
Operating revenues (in thousands)	\$ 26,080	\$ 26,831	\$ 26,834	\$ 27,739
Operating expenses (in thousands)	\$ 25,815	\$ 25,902	\$ 28,244	\$ 28,913
Salaries and fringes (in thousands)	\$ 7,579	\$ 7,802	\$ 8,804	\$ 8,840
Payroll percentage of operating revenues	29.1%	29.1%	32.8%	31.9%
Payroll percentage of operating expenses	29.4%	30.1%	31.2%	30.6%

Schedule H - Unaudited

December 31,					
2009	2010	2011	2012	2013	2014
20	20	20	20	17	18
31	31	31	31	31	32
24	24	1	1	1	1
16	16	16	16	16	16
33	33	33	33	33	33
<u>124</u>	<u>124</u>	<u>101</u>	<u>101</u>	<u>98</u>	<u>100</u>
<u>8,852</u>	<u>9,181</u>	<u>10,592</u>	<u>11,138</u>	<u>11,479</u>	<u>11,718</u>
\$ 26,023	\$ 31,982	\$ 31,630	\$ 33,190	\$ 33,190	\$ 35,842
\$ 29,193	\$ 34,082	\$ 34,331	\$ 34,666	\$ 34,666	\$ 34,951
\$ 8,588	\$ 8,925	\$ 8,263	\$ 7,825	\$ 7,825	\$ 8,094
<u>33.0%</u>	<u>27.9%</u>	<u>26.1%</u>	<u>23.6%</u>	<u>23.6%</u>	<u>22.6%</u>
<u>29.4%</u>	<u>26.2%</u>	<u>24.1%</u>	<u>22.6%</u>	<u>22.6%</u>	<u>23.2%</u>

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

Capital Asset Information

Last Ten Fiscal Years

	December 31,		
	2005	2006	2007
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	112,314	112,608	101,378
Annual capacity	<u>277,500</u>	<u>277,500</u>	<u>277,500</u>
Runway utilization percentage	<u>40.47%</u>	<u>40.58%</u>	<u>36.53%</u>
Terminal building			
Exclusive area leased (sq. ft)	67,500	63,750	64,444
Exclusive area available (sq. ft)	<u>96,200</u>	<u>95,365</u>	<u>95,365</u>
Terminal occupancy percentage	<u>70.17%</u>	<u>66.85%</u>	<u>67.58%</u>
Enplanements	1,047,223	1,012,277	998,919
Planned capacity	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
Terminal utilization percentage	<u>58.18%</u>	<u>56.24%</u>	<u>55.50%</u>
Parking areas			
Number of annual long-term exits (a)	191,377	185,503	229,531
Average long-term stay (days) (b)	<u>3.4</u>	<u>3.8</u>	<u>4.4</u>
Average annual long-term occupancy ((a*b)/365)	1,783	1,931	2,767
Number of long-term spaces available	<u>5,483</u>	<u>5,483</u>	<u>4,708</u>
Average annual long-term occupancy rate	<u>32.51%</u>	<u>35.22%</u>	<u>58.77%</u>

December 31,						
2008	2009	2010	2011	2012	2013	2014
97,501	87,883	87,073	87,545	85,306	75,998	75,128
<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>35.14%</u>	<u>31.67%</u>	<u>31.38%</u>	<u>31.55%</u>	<u>30.74%</u>	<u>27.39%</u>	<u>27.07%</u>
68,615	61,338	65,064	65,260	65,260	60,832	72,089
<u>95,365</u>	<u>95,365</u>	<u>100,666</u>	<u>100,666</u>	<u>100,666</u>	<u>97,796</u>	<u>97,944</u>
<u>71.95%</u>	<u>64.32%</u>	<u>64.63%</u>	<u>64.83%</u>	<u>64.83%</u>	<u>62.20%</u>	<u>73.60%</u>
907,160	887,805	1,097,660	1,138,448	1,124,969	1,124,969	1,171,795
<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>50.40%</u>	<u>49.32%</u>	<u>60.98%</u>	<u>63.25%</u>	<u>62.50%</u>	<u>62.50%</u>	<u>65.10%</u>
207,982	200,106	241,858	257,110	240,871	258,745	274,552
<u>3.8</u>	<u>4.0</u>	<u>3.8</u>	<u>4.0</u>	<u>4.4</u>	<u>4.3</u>	<u>4.5</u>
2,165	2,193	2,518	2,818	2,877	3,048	3,385
<u>4,708</u>	<u>4,708</u>	<u>6,509</u>	<u>6,509</u>	<u>6,509</u>	<u>6,918</u>	<u>6,918</u>
<u>45.99%</u>	<u>46.58%</u>	<u>38.68%</u>	<u>43.29%</u>	<u>44.20%</u>	<u>44.06%</u>	<u>48.93%</u>