

Frankfort City – County Airport Authority

BASIC FINANCIAL STATEMENTS

September 30, 2025

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Frankfort City – County Airport Authority
Frankfort, Michigan 49635

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and major fund of the Frankfort City - County Airport Authority, as of and for the fifteen months ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Frankfort City - County Airport Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Frankfort City – County Airport Authority, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Frankfort City – County Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Frankfort City – County Airport Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and the *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Frankfort City – County Airport Authority’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Frankfort City – County Airport Authority’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4 through 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, 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.

Members of the Board
Frankfort City – County Airport Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026, on our consideration of the Frankfort City - County Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Frankfort City – County Airport Authority's 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 Frankfort City - County Airport Authority's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

January 22, 2026

Management's Discussion and Analysis

Using this Report

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide information about the activities of the Authority as a whole and present a longer-term view of the Authority’s finances.

The Authority as a Whole

The Authority’s combined net position decreased 8% from \$1,073,584 to \$983,649 primarily as a result of significant expenses in relation to debt payments towards the settlement of a judgement bond issued in fiscal year 2024. In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

	<u>Business-type Activity</u>	
	<u>2025</u>	<u>2024</u>
Assets:		
Current Assets	\$ 569,602	\$ 1,215,237
Noncurrent Assets	<u>1,770,875</u>	<u>1,682,365</u>
Total Assets	<u>2,340,477</u>	<u>2,897,602</u>
Liabilities:		
Current Liabilities	262,312	99,478
Noncurrent Liabilities	<u>850,000</u>	<u>1,590,000</u>
Total Liabilities	<u>1,112,312</u>	<u>1,689,478</u>
Deferred Inflows of Resources	<u>244,516</u>	<u>134,540</u>
Net Position:		
Net Investment in Capital Assets	1,497,803	1,559,657
Unrestricted	<u>(514,154)</u>	<u>(486,073)</u>
Total Net Position	<u>\$ 983,649</u>	<u>\$ 1,073,584</u>

The current level of unrestricted net position for our business-type activity stands at \$(514,154), or about (20)% of expenses. This is within the targeted range set by the Authority’s Board of Directors during its last budget process.

The following table shows the activities of the Authority.

	<u>Business-type Activity</u>	
	<u>2025</u>	<u>2024</u>
Revenues		
Charges for Services	\$ 295,056	\$ 166,718
Federal, State, & Local Sources	42,000	1,614,251
Interest and Other	<u>47,224</u>	<u>7,839</u>
Total Revenues	<u>384,280</u>	<u>1,788,808</u>
Expenses		
Operations	326,790	2,318,704
Depreciation Expense	61,854	50,583
Interest Expense	<u>85,571</u>	<u>27,129</u>
Total Expenses	<u>474,215</u>	<u>2,396,416</u>
Change in Net Position	(89,935)	(607,608)
Net Position, Beginning	<u>1,073,584</u>	<u>1,681,192</u>
Net Position, Ending	<u>\$ 983,649</u>	<u>\$ 1,073,584</u>

Business-Type Activity

The Authority's total business-type revenues decreased by \$1,404,528, primarily due to the receipt of State of Michigan grants in the prior year for the payment of settlement costs relation to litigation involving airport easements.

Expenses decreased by \$1,922,201 during the fifteen months ended. This was primarily the result of expenses in relation to the settlement of a lawsuit in the prior year.

Capital Asset and Debt Administration

At the end of 2025, the Authority had \$1,497,803 invested in a broad range of capital assets, including airport property, hangers, and a weather observation terminal. Depreciation expense for the period was \$61,854.

The Authority decreased its outstanding debt in the current year by \$545,000, resulting in an outstanding balance of \$1,090,000 at June 30, 2025.

Economic Factors and Next Year's Budgets and Rates

A direct reflection of a soft economy, the Authority's 2026 budget will be tight, essentially a "hold the line" document when compared to the 2025 program.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Authority at 448 Court Place, Beulah, Michigan or call 231-882-0011.

Basic Financial Statements

Frankfort City - County Airport Authority**Statement of Net Position****September 30, 2025****ASSETS**

Current Assets

Cash and Equivalents	524,369
Accounts Receivable	3,996
Lease Receivable - due in less than one year	23,688
Inventory	17,549
Subtotal	<u>569,602</u>

Noncurrent Assets

Lease Receivable - due in more than one year	273,072
Capital Assets - (Not Depreciated)	558,269
Capital Assets - (Net of Accumulated Depreciation)	939,534
Subtotal	<u>1,770,875</u>

TOTAL ASSETS

2,340,477**LIABILITIES**

Current Liabilities

Accounts Payable	71
Accrued Liabilities	1,278
Deferred Revenue	8,130
Accrued Interest	12,833
Bond Payable - due in less than one year	240,000
Subtotal	<u>262,312</u>

Noncurrent Liabilities

Bond Payable - due in more than one year	<u>850,000</u>
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TOTAL LIABILITIES

1,112,312**DEFERRED INFLOWS OF RESOURCES**

Lease Related Items	<u>244,516</u>
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NET POSITION

Net Investment in Capital Assets	1,497,803
Unrestricted	<u>(514,154)</u>

TOTAL NET POSITION

\$ 983,649

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

Frankfort City - County Airport Authority**Statement of Revenues, Expenses,
and Changes in Net Position
Fifteen Months Ended September 30, 2025****OPERATING REVENUE:**

Leases and Rentals	\$ 104,873
Parking and Landing Fees	13,075
Fuel Sales	57,802
Miscellaneous	119,306
	<hr/>
TOTAL OPERATING REVENUES	295,056

OPERATING EXPENSES:

Contract Management Services	57,012
Professional Services	19,357
Fuel	47,051
Insurance	29,510
Depreciation	61,854
Office Supplies	4,607
Repairs and Maintenance	20,162
Utilities	15,094
Weather Observation System	2,358
Communication Tower	28,829
Telephone	1,634
Miscellaneous	101,176
	<hr/>
TOTAL OPERATING EXPENSES	388,644

TOTAL OPERATING INCOME (LOSS) (93,588)

NON-OPERATING INCOME (EXPENSE):

Interest Earnings	47,224
State & Federal Sources	-
Local Government Appropriations	42,000
Interest Expense	(85,571)
	<hr/>

TOTAL NON-OPERATING INCOME (EXPENSE) 3,653

Change in Net Position (89,935)

NET POSITION, JULY 1 1,073,584

NET POSITION, SEPTEMBER 30 \$ 983,649

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

Frankfort City - County Airport Authority**Statement of Cash Flows
Fifteen Months Ended September 30, 2025****CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from Customers	\$ 1,320,169
Payments to Suppliers	<u>(270,790)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,049,379</u>

**CASH FLOWS FROM NONCAPITAL AND RELATED
FINANCING ACTIVITIES:**

Federal & State Sources	-
Appropriations	42,000
Repayment of Bond Principal	<u>(545,000)</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(503,000)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Earnings	47,224
Interest Expense	<u>(85,571)</u>
Net Cash Provided (Used) by Investing Activities	<u>(38,347)</u>
Net Cash Provided (Used) - All Activities	508,032
Cash and Equivalents at Beginning of the Year	<u>16,337</u>
Cash and Equivalents at End of the Year	<u><u>\$ 524,369</u></u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating Income (loss)	\$ (93,588)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation Expense	61,854
Change in Assets and Liabilities:	
Accounts Receivable	1,159,122
Lease Receivable	(146,842)
Prepaid Expense	-
Inventory	(8,977)
Accounts Payable	(27,189)
Accrued Liabilities	1,278
Accrued Interest	(19,088)
Deferred Revenues	12,833
Deferred Inflows of Resources	<u>109,976</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,049,379</u></u>

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

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Frankfort City - County Airport Authority, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Authority is classified as a business-type activity in accordance with GASB Statement #34. The following is a summary of the significant accounting policies used by the Authority:

A – Reporting Entity:

The financial statements of the Authority include the following operations: Airport management and hanger lease management. The operations listed above are included because the Authority has direct oversight responsibility over each operation.

The Authority was incorporated on August 3, 1995, by the City of Frankfort, Michigan, under provisions of Act No. 206, of 1957, as amended, to plan, promote, acquire, construct, improve, enlarge, extend, own and maintain an airport. The Board consists of two members appointed by the City of Frankfort, two members appointed by the County of Benzie, two members appointed by Crystal Lake Township, and one member from the public.

B – Basic Financial Statements:

The basic financial statements (i.e., the statement of net position and the statement of revenues, expenses, and changes in net position) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

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

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The basic financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All other revenue items are considered to be available only when cash is received by the government.

Business-type activity funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for rent and sales. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. There is only one major fund, the operating fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position**

Cash and Equivalents – Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Deposits are recorded at cost.

Inventories and Prepaid Items – Fuel inventory is capitalized using the first-in first-out average cost method of valuation. All other inventories, including the cost of supplies, are expensed when purchased. Payments to certain vendors that cover a period not in the current fiscal year are recorded as prepaid, such as expenditures for insurance and similar services.

Leases (Lessee) – The lease liability is measured at the present value of the payments expected to be made during the lease term and subsequent extensions, if they are reasonably certain to be exercised. The lease liability is subsequently reduced by the principal portion of the lease payments.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any prepayments made at or before the commencement of the lease, less any lease incentives received from the lessor. Lease assets are amortized using the straight-line method over the shorter of the useful life of the underlying asset or the lease term, unless the lease contains an option to purchase the underlying asset at the end of the term. The useful life will be used to amortize the lease if a purchase option is present, and it is reasonably certain the entity will exercise that option.

Key estimates and judgements related to leases include the discount rate used to discount the expected lease payments to present value, the lease term, and lease payments. The Authority uses the interest rate charged by the lessor as the discount rate, when available. When this rate is not provided, the Authority generally uses the estimated incremental borrowing rate. The lease term is the non-cancellable period if the lease, which is the initial term of the lease and any options to extend if they are reasonably certain to be exercised. Payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that are reasonably certain to be exercised.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if changes occur that are anticipated to significantly affect the amount of the lease asset and liability. The Authority does not currently have any items that require reporting in this category.

Leases (Lessor) – The Authority recognizes leases receivable and deferred inflows related to lease items in the financial statements. Variable payments based on the future performance of the lessee are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are measured as the initial amount of the lease receivable and is subsequently adjusted for lease payments received at or before the commencement of the lease. Deferred inflows of resources related to lease items are recognized as revenue over the lease term in a systematic and rational method.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Key estimates and judgements related to lease receivables and deferred inflows include the discount rate used to discount the expected lease payments to present value and the lease term. The Authority uses its estimated incremental borrowing rate as the lease discount rate. The lease term is the non-cancellable period of the lease, which is the initial term of the lease and any options to extend if they are reasonably certain to be exercised. Payments included in the measurement of the lease receivable are composed of fixed payments expected to be received from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable if changes occur that are anticipated to significantly affect the amount of the lease receivable. The Authority does not have items that qualify for reporting in this category.

Capital Assets – Capital assets, which include property, plant, and equipment are reported. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation – Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	20-30 years
Equipment and Vehicles	5-10 years

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

Deferred Outflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for this category, it is classified as a lease-related item.

NOTE 2 - CASH AND EQUIVALENTS:

Statutory Authority:

Public Act 152, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers’ acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds’ investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 2 - CASH AND EQUIVALENTS: (Continued)

The Authority's deposits are in accordance with statutory authority. The Authority's deposits are located in a local financial institution. All deposits are carried at cost.

<u>Balance Sheet Account</u>		<u>Cash Items</u>	
Cash and Equivalents	\$ 355,619	Checking	\$ 640
Investments	<u>159,971</u>	Money Market	354,979
		Investments	<u>159,971</u>
	\$ <u>515,590</u>		\$ <u>515,590</u>

At September 30, the Authority had the following investments at fair value:

<u>Investments</u>	<u>Fair Value</u>	<u>Concentration</u>	<u>Rating</u>
MI Class Funds	\$ <u>159,971</u>	100%	Not assigned

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the above list of authorized investments. The Authority’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.

Credit risk. The Authority’s investment policy does not have specific limits in excess of state law on investment credit risk. The Authority has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year-end, \$503,960 of the Authority’s bank balance of \$518,370 was exposed to credit risk because it was uninsured and uncollateralized.

Fair value measurement. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

NOTE 3 - INVESTMENT IN EXTERNAL INVESTMENT POOL – MICHIGAN CLASS:

The Authority participates in the Michigan Cooperative Liquid Assets Securities System (Michigan CLASS), an external local government investment pool designed to provide local units of government in Michigan with a safe and competitive investment option for surplus funds. Michigan CLASS is managed by a professional investment advisor and is governed by a Board of Trustees elected by participating members.

NOTE 3 - INVESTMENT IN EXTERNAL INVESTMENT POOL – MICHIGAN CLASS: (Continued)

Michigan CLASS is not registered with the Securities and Exchange Commission (SEC) as an investment company but operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in Michigan CLASS are valued at amortized cost, which approximates fair value. The pool’s structure allows participants to deposit and withdraw funds on a daily basis without advance notice or penalties.

As of September 30, 2025, the County’s investment in Michigan CLASS totaled \$159,971.

The Michigan CLASS pool is rated ‘AAAm’ by Standard & Poor’s.

Michigan CLASS issues separately audited financial statements, which are available at <https://www.michiganclass.org> or by contacting Michigan CLASS directly.

NOTE 4 - CAPITAL ASSETS:

Capital Asset activity for the Authority for the fifteen months ended was as follows:

	Balance 07/01/24	Increases	Decreases/ Adjustments	Balance 09/30/25
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 558,269	\$ -	\$ -	\$ 558,269
<i>Capital Assets being Depreciated:</i>				
Buildings	835,074	-	-	835,074
Building Improvements	1,442,648	-	-	1,442,648
Equipment	435,505	-	-	435,505
Subtotal	2,713,227	-	-	2,713,227
<i>Less Accumulated Depreciation for:</i>				
Buildings	(573,967)	(21,877)	-	(595,844)
Building Improvements	(713,332)	(36,238)	-	(749,570)
Equipment	(424,540)	(3,739)	-	(428,279)
Subtotal	(1,711,839)	(61,854)	-	(1,773,693)
Net Capital Assets being Depreciated	1,001,388	(61,854)	-	939,534
Capital Assets – Net	\$ 1,559,657	\$ (61,854)	\$ -	\$ 1,497,803

Depreciation expense was charged to the airport business activity in the amount of \$61,854.

NOTE 5 - LEASE RECEIVABLE:

The Authority leases a tower to a communications business. Payments are variable, with a fixed payment increase at a rate of 10% every five years, which is included in the measurement of the lease receivable. The initial lease period ends in fiscal year 2029 and has a five-year renewal option which is reasonably certain to be exercised.

During the fifteen months ended September 30, 2025, the Authority recognized the following related to its lessor agreements:

	07/01/24	Increases	Decreases	09/30/25
Lease Receivable	\$ 149,918	\$ 170,641	\$ 23,799	\$ 296,760

NOTE 5 - LEASE RECEIVABLE: (Continued)

The subsequent payments made to the Township relating to the assets leased by other organizations are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2026	\$ 23,688	\$ 13,592	\$ 37,280
2027	26,228	12,407	38,635
2028	28,655	11,109	39,764
2029	31,199	9,693	40,892
2030	33,866	8,153	42,019
2031-2034	<u>153,124</u>	<u>14,577</u>	<u>167,701</u>
Total	<u>\$ 296,760</u>	<u>\$ 69,531</u>	<u>\$ 366,291</u>

During the fifteen months ended September 30, 2025, the Authority recognized the following related to its lessor agreements:

Lease Revenue	\$ 34,931
Interest Income Related to Leases	18,381

The remaining leases for hangar space are cancellable leases that are renewable annually and are paid on a monthly basis. Revenues from these leases totaled \$71,828 in the current year.

NOTE 6 - LONG-TERM DEBT:

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation bonds incurred by the Frankfort City-County Airport Authority. The Authority has pledged the general full faith and credit of the Authority for the payment of principal and interest on the bonds.

Changes in long-term debt during the fifteen months ending September 30, 2025 are summarized as follows:

	<u>Balance 07/01/24</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 09/30/25</u>	<u>Due Within One Year</u>
Business-type Activities:					
2025 Judgement Bonds (Limited Tax General Obligation), maturing in annual payments of \$240,000 to \$355,000, bearing interest at 7.000%, payable in semi-annual installments through November 2030.	\$ 1,635,000	\$ -	\$ 545,000	\$ 1,090,000	\$ 240,000

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 240,000	\$ 68,600
2027	250,000	51,450
2028	120,000	38,500
2029	125,000	29,925
2030	<u>355,000</u>	<u>12,775</u>
Total	<u>\$ 1,090,000</u>	<u>\$ 201,250</u>

NOTE 7 - RELATED PARTIES:

The County of Benzie, Michigan – Treasurer’s Office provides accounting and related financial services to the Frankfort City - County Airport Authority at no charge. The Treasurer of the Authority is also the Treasurer of the County who performs transactions in the normal course of operations for the Authority.

NOTE 8 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority was able to obtain commercial general liability insurance at a cost it considered to be economically justifiable. The government pays an annual premium for its automobile, property, general liability, and Worker’s Compensation insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - FEDERAL GRANTS:

The Michigan Department of Transportation (MDOT) requires that all Airport Authority’s report all federal and state grants pertaining to their agency. During the fifteen months ended September 30, 2025, the federal aid received and expended by the Authority was \$0 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT’s single audit). Local force account projects are projects where the Authority performs the work and would be subject to single audit requirements if they expended \$1,000,000 or more.

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, CPA, PRINCIPAL

AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MICPA
OFFICES IN MICHIGAN

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
Frankfort City - County Airport Authority
Frankfort, Michigan 49635

We have audited, in accordance with the 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, the financial statements of the business-type activities and major fund of the Frankfort City - County Airport Authority, as of and for the fifteen months ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Frankfort City - County Airport Authority's basic financial statements and have issued our report thereon dated January 22, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Frankfort City - County Airport Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Frankfort City - County Airport Authority Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Frankfort City - County Airport Authority, Michigan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Members of the Board
Frankfort City - County Airport Authority

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Frankfort City - County Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Frankfort City-County Airport Authority, Michigan's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Frankfort City-County Airport Authority, Michigan's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Frankfort City-County Airport Authority, Michigan's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

January 22, 2026

Internal Control over Financial Reporting

Significant Deficiencies

Segregation of Duties Finding 2025-001

Condition/Criteria: The Manager performs several functions of receipting, disbursing, and posting to the general ledger as well as authorizations. To provide a system of checks and balances, these functions are generally assigned to separate positions to minimize the potential for unauthorized transactions.

Effect: Lack of segregation of duties provides opportunities for inaccurate or unauthorized disbursements or transfers from funds and increases the potential for inaccurate reporting of account activity.

Cause: Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the added personnel.

Recommendation: The Board should be aware of the potential weaknesses in the system and provide appropriate oversight or assistance to personnel when cost beneficial.

Planned Corrective Action: The Board has implemented compensating controls to reduce the risks discussed above. Additionally, significant accounts payable must be approved by the president prior to data entry. The finance committee does approve detailed check registers.

- Contact Person(s) Responsible for Correction:
Cory Carland, Chair



ANDERSON, TACKMAN & COMPANY, PLC
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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Board
Frankfort City – County Airport Authority
Frankfort, Michigan 49635

We have audited the financial statements of the business-type activities and major fund of the Frankfort City - County Airport Authority for the fifteen months ended September 30, 2025, and have issued our report thereon dated January 22, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 5, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Frankfort City - County Airport Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2025. We noted no transactions entered into by Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the discount rate used in the present value of leases were based on the interest rate charged by the lessor, when available. If unavailable, the estimated incremental borrowing rate is used.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustment to Bond Payable in the amount of \$15,000
- Adjustment to Accrued Interest in the amount of \$14,296
- Adjustment to Deferred Revenue in the amount of \$6,630
- Adjustment to Inventory in the amount of \$2,406

Disagreement with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 22, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Frankfort City – County Airport Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This report is intended solely for the information and use of the members of the board and management of the Frankfort City-County Airport Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

January 22, 2026