

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name MANISTEE BLACKER AIRPORT AUTH.	County MANISTEE
Fiscal Year End 09/30/2007	Opinion Date 12/13/2007	Date Audit Report Submitted to State 03/26/08	

We affirm that

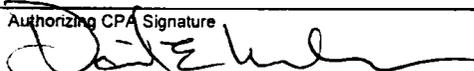
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) WILSON, WARD CPA FIRM	Telephone Number 231-276-7668		
Street Address PO BOX 205	City INTERLOCHEN	State MI	Zip 49643
Authorizing CPA Signature 	Printed Name DAVID E. WILSON		License Number 1101013769

MANISTEE BLACKER AIRPORT AUTHORITY

MANISTEE, MICHIGAN

Audit Report

For Year Ended
September 30, 2007

Wilson, Ward CPA Firm
PO Box 205
Interlochen, MI 49643
(231) 276-7668

MANISTEE BLACKER AIRPORT AUTHORITY
TABLE OF CONTENTS
For the Twelve Months Ended September 30, 2007

<u>Page</u>	
i	Table of Contents
1-2	Auditor's Report of Compliance and Internal Control in Accordance with Government Auditing Standards
3	Financial Section
4	Auditor's Opinion
5	Statement of Net Assets
6	Statement of Change in Activities
7	Statement of Financial Position
8	Statement of Revenues, Expenditures and Changes in Fund Balance
9	Reconciliation of Statement of Revenues and Statement of Activities
10	Budgeted Statement of Revenues and Expenditures
11-14	Footnotes to Financial Statements

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

To the Airport Authority
Manistee Blacker Airport
Manistee, Michigan

We have audited the financial statements of Manistee Blacker Airport Authority (a component unit) as of and for the year ended September 30, 2007, and have issued our report thereon dated December 13, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee Blacker Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manistee Blacker Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manistee Blacker Airport Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manistee Blacker Airport Authority's financial statements are free of 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 determination of financial statement amounts. 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.

This report is intended solely for the information and use of the management, others within the organization and the Authority Board and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Ward CPA Firm

Interlochen, MI
December 13, 2007

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Airport Authority
Manistee Blacker airport
Manistee, Michigan

We have audited the accompanying statement of net assets, activities, and the major fund of Manistee Blacker Airport Authority (a component unit) as of and for the year September 30, 2007, which collectively comprise Manistee Blacker Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manistee Blacker Airport Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective position of the governmental activities and the major fund of Manistee Blacker Airport Authority as of September 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2007 on our consideration of Manistee Blacker Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wilson, Ward CPA Firm

Interlochen, MI
December 13, 2007

MANISTEE BLACKER AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
September 30, 2007

ASSETS	
Cash, investments and cash equivalents	\$85,984
Receivables (net)	1,601
Prepaid Expenditures	0
Internal balances	0
Inventories	
Capital Assets, net	<u>8,130,491</u>
Total Assets	<u><u>8,218,077</u></u>
LIABILITIES	
Accounts payable	1,468
Prepaid Rent	1,500
Due to Other Agencies	0
Noncurrent liabilities:	
Due within one year	6,915
Due in greater than one year	<u>24,165</u>
Total Liabilities	34,048
NET ASSETS	
Restricted for:	
Capital projects	
Debt Service	
Unrestricted (deficit)	<u>8,184,029</u>
Total Net Assets	<u>8,184,029</u>
Total Liabilities and Net Assets	<u><u>\$8,218,077</u></u>

The footnotes are an integral part of these financial statements

MANISTEE BLACKER AIRPORT AUTHORITY
STATEMENT OF FINANCIAL POSITION
September 30, 2007

ASSETS

Current Assets

Cash	\$85,984
Accounts Receivable	<u>1,601</u>

Total Current Assets	<u>87,586</u>
----------------------	---------------

TOTAL ASSETS	<u><u>87,586</u></u>
---------------------	-----------------------------

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	1,468
Due To County	
Prepaid Hanger Rent	<u>1,500</u>

Total Liabilities	2,968
-------------------	-------

Fund Balance-

Fund Balance- Unrestricted	<u>84,618</u>
----------------------------	---------------

Total Fund Balance	<u>84,618</u>
--------------------	---------------

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$87,586</u></u>
---	-------------------------------

MANISTEE BLACKER AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended September 30, 2007

REVENUE

Rental and Landing Fees	\$239,685
Fuel Sales	7,300
Contributions from Governmental Units:	
Manistee County	186,357
State of Michigan	2,222,643
Miscellaneous	<u>14,843</u>
Total Revenue	<u>2,670,828</u>

EXPENSE

Personnel - Management	16,950
Personnel - Cost	207,132
Dues & Meetings	870
Supplies	2,696
Utilities	17,060
Repairs/Maint.	9,940
Professional Fees	6,290
Advertising	10,965
Telephone/Office	1,071
Insurance	17,885
Miscellaneous	2,557
Contracted Services	3,788
Equipment Purchases	2,339,000
Payment on Long Term Debt	<u>7,300</u>
Total Expense	2,643,504
Transfer In/(Out)	<u>0</u>
Net Revenue	27,323
Beginning Fund Balance	<u>57,295</u>
Ending Fund Balance	<u>\$84,618</u>

The footnotes are an integral part of these financial statements

MANISTEE BLACKER AIRPORT AUTHORITY
 Reconciliation of Statement of Revenues and
 Statement of Activities
 For the Twelve Months Ended September 30, 2007

Net Income (loss) Per Fund Income Statement		\$27,323
Add:		
Principal Payments	7,300	
Purchase of Assets	<u>2,339,000</u>	
Total Additions	2,346,300	
Subtractions		
Depreciation	<u>194,061</u>	
Total Differences		<u>2,152,239</u>
Net Change in Activities		<u><u>\$2,179,563</u></u>

MANISTEE BLACKER AIRPORT AUTHORITY
 Reconciliation of Statement of
 Statement of Net Assets and Fund Balance
 As of September 30, 2007

Fund Balance		\$84,618
Add: Net Assets		8,130,491
Less: Long Term Debt		<u>31,080</u>
Net Assets		<u><u>\$8,184,029</u></u>

The footnotes are an integral part of these financial statements

MANISTEE BLACKER AIRPORT AUTHORITY
BUDGETED STATEMENT OF REVENUE AND EXPENDITURES
GENERAL FUND

Year Ended September 30, 2007

	Original Budget	Budget	Actual	Variance
REVENUE				
Rental and Landing Fees	\$223,560	\$223,560	\$223,565	\$5
Hanger Rental	16,120	16,120	16,120	(0)
Fuel Sales	6,500	6,500	7,300	800
Contributions from Governmental Units:				
Manistee County	70,000	70,000	186,357	116,357
State of Michigan	0	2,490,000	2,222,643	(267,357)
Miscellaneous	14,600	14,600	14,843	243
Total Revenue	330,780	2,820,780	2,670,828	(149,952)
EXPENSE				
Personnel - Management	16,950	16,950	16,950	0
- Cost	206,250	206,250	207,132	(882)
Dues & Meetings	1,000	1,000	870	130
Supplies	2,500	2,500	2,696	(196)
Utilities	20,200	20,200	17,060	3,140
Repairs/Maint./Fuel	10,000	10,000	9,940	60
Professional Fees	6,430	6,430	6,290	140
Equipment	0	30,000	10,965	19,035
Telephone/Office	1,200	1,200	1,071	129
Insurance	20,000	20,000	17,885	2,115
Miscellaneous	950	950	2,557	(1,607)
Contracted Service	3,800	3,800	3,788	12
Terminal Improvements	5,000	2,495,000	2,339,000	156,000
Notes Payable	6,500	6,500	7,300	(800)
Total Expense	300,780	2,820,780	2,643,504	177,276
Changes in Fund Balance	\$30,000	\$0	\$27,323	\$27,323

The footnotes are an integral part of these financial statements

Manistee Blacker Airport Authority Footnotes to Financial Statements

The Manistee Blacker Airport Authority is a Michigan Corporation created pursuant to Act 206 of the Public Acts of 1957, as amended by Act 410 of the Public Acts of 1982 the "Airport Authority Act". The municipal corporations creating this Authority are the County of Manistee and City of Manistee. During the year ended December 31, 1988, the City and County of Manistee reached an agreement to have the control placed only with the County. However, the nature of the Airport Authority was to be maintained as an independent authority. During the year ended September 30, 2007 it was determined that in accordance with the criteria established by the County, the Airport is a blended component unit of the County for reporting purposes.

Summary of Significant Accounting Policies

The criteria established for determining the various agencies and boards to be included in the Authority's general purpose financial statements depends on the extent such agencies and boards are a part of, controlled by or dependent on the Authority. The governmental accounting standards board has stated that the primary criterion used to determine the reporting entity "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials."

Based on the independent financial nature of the Authority, the method of the selection of the governing authority and the overall authority of that agency, no agencies outside the Authority were considered for inclusion in this report.

The basis of presentation for the financial activities of the Authority are as recorded in the governmental fund. The General Fund is a self balancing, budgeted, operating fund which controls all expenditures of the Authority and is used for reporting all financial transactions. The emphasis of this fund is on expendables and focuses on the determination of changes in financial position rather than income determination.

The General Fund of the Authority currently uses the modified accrual basis of accounting. Under this method, revenues are recognized only when received in cash except those easily recognized and recorded as receivables, particularly when such transactions are reimbursements for previously expended funds.

The Government-wide statements, Statement of Net Assets and Statement of Changes in Activities are present on a full accrual basis. Under the method, revenues are recognized when earned and expenses when they are owed.

The Authority operates on an annual appropriated budget. However, this also requires that funds are not expended beyond the appropriated limits and that any transfers within the fund be formally approved by the Board.

The Authority does not maintain an inventory.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of

assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Financial Control of Funds

Investments

Act 217, PA 1982, as amended authorizes the Authority to deposit and invest in 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, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that 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 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 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 either 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.
- i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121.

Cash and Cash Equivalents

Cash equivalents include all items which will mature within 60 days of the statement date. As of year end, no such cash equivalents were present. The cash deficit present at year end is as follows:

	Insured, not Collateralized
Checking	<u>\$85,984</u>
Total	\$85,984

This cash is a part of the central cash fund of Manistee County.

Contingent Liabilities

Authority officials are not aware of any contingent liabilities.

Expenditures of Budget

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Authority's actual expenditures and budget expenditures for the budgetary fund have been shown on a functional basis. The approved budgets of the Authority for these budgetary funds were adopted to the fund level.

Disclosure of any amounts which have an excess expenditure over budget at year end is required. As such, no material accounts which were overexpended for the year end.

Pension Plans

There are no pension plans as there are no employees of the Manistee Blacker Airport Authority.

Compensated Absences

There are no vacation or sick pay provisions for compensated absences.

Construction and Capital Outlay

Construction of the new airport terminal was completed by the summer of 2007. Payment for the new terminal was made by a combination of a State of Michigan grant and the Manistee County Public Improvement Fund. Total Cost for the project was \$2,339,000 with the State and Manistee County contributions being \$2,222,643 and \$116,357 respectively.

Fixed Assets and Accumulated Depreciation

Assets	Beginning	Additions	Subtractions	End
Land	\$ 800,000	0	0	\$ 800,000
Runways, taxiways & ramps	5,411,372	0	0	5,411,372
Buildings and Improvements	254,255	2,339,000	0	2,593,255
Airport Equipment	146,750	0	0	146,750
Vehicles and Equipment	<u>407,737</u>	<u>0</u>	<u>0</u>	<u>407,737</u>
Total	7,020,114	2,339,000	0	9,359,114

Depreciation

Runways, taxiways & ramps	410,167	\$107,000	0	517,167
Buildings and Improvements	147,440	21,475	0	168,915
Airport Equipment	112,539	7,338	0	119,877
Vehicles and Equipment	<u>364,416</u>	<u>58,248</u>	<u>0</u>	<u>422,664</u>
Total Accum. Deprec.	<u>\$1,034,562</u>	<u>\$194,061</u>	<u>0</u>	<u>\$1,228,623</u>

Depreciation is based on straight line with lives of 50 years for runways, 30 years for buildings, 20 years for equipment and 7 years for vehicles.

Long Term Debt

The "Long Term Debt" is an internal loan from the County for the fuel system at the Airport. It is being repaid through the sales of fuels at the rate of .15 per gallon with a maximum payout of 10 years. Historically the annual payoff has been between \$5,500 and \$8,200. The balance as of September 30, 2007 is \$31,080. Given the historical paydowns the debt should be extinguished in approximately five years.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Prior Period Adjustment

The Statement of Activities indicates a Prior Period Adjustment which is for a correction to actual for the liability for the Fuel System. Only the Statement of Net Assets and Statement of Activities are affected by this adjustment as the Governmental Fund statements do not reflect long term liabilities. This adjustment does not affect the operational viability of the Airport Authority.