

Years Ended
December 31, 2025
and 2024

Financial Statements

Rehmann

This page intentionally left blank

MBS INTERNATIONAL AIRPORT

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Fund Net Position	16
Statements of Cash Flows	17
Statements of Fiduciary Net Position - Fiduciary Fund - Postemployment Health Benefits Trust Fund	19
Statements of Changes in Fiduciary Net Position - Fiduciary Fund - Postemployment Health Benefits Trust Fund	20
Notes to Financial Statements	21
Required Supplementary Information	
MERS Agent Multiple-Employer Defined Benefit Pension Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	52
Schedule of Contributions	54
Notes to Required Supplementary Information	55
Single-Employer Defined Benefit Other Postemployment Benefits Plan:	
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios	58
Schedule of Contributions	60
Schedule of Investment Returns	61
Notes to Required Supplementary Information	62
Supplementary Information	
Detail Schedules of Operating Revenues	66
Detail Schedules of Operating Expenses	67

This page intentionally left blank

Rehmann

INDEPENDENT AUDITORS' REPORT

May 18, 2026

Board of Commissioners
MBS International Airport
Freeland, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the major fund, and the remaining fund information of the ***MBS International Airport*** (the "Airport"), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the remaining fund information of the Airport, as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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.

HLB We are an independent member of THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

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 the Airport'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.

Independent Auditors' 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 auditors' 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 GAAS and *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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- exercise professional judgment 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 Airport'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport'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 and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport's basic financial statements. The detail schedules of operating revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detail schedule of operating revenues and expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated May 18, 2026, on our consideration of the Airport'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 the Airport'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 Airport's internal control over financial reporting and compliance.



MANAGEMENT'S DISCUSSION AND ANALYSIS

MBS INTERNATIONAL AIRPORT

Management's Discussion and Analysis

These financial statements are the responsibility of the MBS International Airport's management. We offer readers this narrative overview and analysis for the years ended December 31, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Following this MD&A are the basic financial statements of the Airport together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

2025 AT A GLANCE

In 2025, there was an increase in the daily airline flights at MBS compared to the numbers in 2024. This increase was due to Delta adding a fourth daily flight for most of 2025. Total passengers for 2025 was 229,132.

MBS experienced an uptick in revenue generated from parking and rental car concessions. This increase can primarily be attributed to the increased passenger activity and the corresponding increase at the rental car facilities.

AIP projects reflected a decrease from 2024 amounts due to the design of the Taxiway A project. The taxiway rehabilitation project is expected to begin in the spring of 2026.

Every year, approximately 50% of the airport's operating revenue comes from three variable sources***, which are directly influenced by passenger traffic volume. As a result, MBS is highly susceptible to fluctuations in passenger numbers. Passenger traffic increased approximately 5% from 2024, but we are still down 14% from the 2019 passenger level.

*Passenger Statistics provided by The US Bureau of Transportation Statistics (bts.gov).

**Systemwide passengers are those on all U.S. scheduled airline flights (domestic & international) and foreign airline flights to and from the U.S. Domestic passengers are those on flights from one U.S. airport to another U.S. airport. International passengers are those on flights between a U.S. airport and a foreign airport.

***Parking Concession fees, rental car concessions and landing fees.

Financially speaking the Airport finished the year with operating revenues of $5,000,084 and operating expenses of $7,800,167.

AIRPORT ACTIVITY HIGHLIGHTS

Airline passenger traffic at MBS in 2025 saw a year over year increase of 5% compared to 2024. Passenger levels still remain 14.05% lower than pre-COVID year 2019. This increase in passenger traffic is directly attributable to Delta adding a fourth daily flight to Detroit from April through November.

Management's Discussion and Analysis

Below is a summary schedule of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31:

	2025	2024	2023
Assets			
Current and other assets	$ 14,735,289	$ 15,105,095	$ 12,173,111
Capital assets, net	80,384,944	70,873,833	67,871,063
	95,120,233	85,978,928	80,044,174
Deferred outflows of resources			
Deferred pension amounts	1,218,087	1,297,648	1,838,438
Liabilities			
Other liabilities	1,992,361	651,646	167,531
Other long-term liabilities	5,725,853	171,024	91,207
Net pension & OPEB liabilities	6,600,652	6,570,825	6,902,830
	14,318,866	7,393,495	7,161,568
Deferred inflows of resources			
Deferred pension amounts	95,993	159,585	256,043
Deferred OPEB amounts	138,819	9,648	9,193
Deferred lease amounts	988,171	539,496	731,894
	1,222,983	708,729	997,130
Net position			
Net investment in capital assets	74,191,182	70,449,463	67,871,063
Restricted	4,716,494	3,945,926	3,037,712
Unrestricted	1,888,795	4,778,963	2,815,139
Total net position	$ 80,796,471	$ 79,174,352	$ 73,723,914

As of December 31, 2025, current and other assets totaled $14,735,289, which is consistent with the balance of $15,105,095 as of December 31, 2024.

As of December 31, 2024, current and other assets totaled $15,105,095, which is 24.09% higher than the balance of $12,173,111 as of December 31, 2023. This is mainly the result of $2.4 million of ARPA grant funds expended in 2024.

As of December 31, 2025, other long-term liabilities totaled $5,725,853, which is 3,247.98% higher than the balance of $171,027 as of December 31, 2024. This is mainly the result of the issuance of the Airport Revenue Bonds during 2025.

MBS INTERNATIONAL AIRPORT

Management's Discussion and Analysis

Below is a summary of revenues, expenses, and changes in net position for the years ended December 31:

	2025	2024	2023
Total operating revenues	$ 5,000,084	$ 4,744,735	$ 4,287,391
Total operating expenses	7,800,167	7,700,486	8,324,808
Operating loss	(2,800,083)	(2,955,751)	(4,037,417)
Nonoperating revenues (expenses)	(179,043)	183,458	116,713
Capital contributions	4,601,245	8,222,731	1,454,017
Change in net position	1,622,119	5,450,438	(2,466,687)
Net position:			
Beginning of year	79,174,352	73,723,914	76,190,601
End of year	$ 80,796,471	$ 79,174,352	$ 73,723,914

REVENUES

The financial statements of the Airport conform to accounting principles generally accepted in the United States of America. The statements of net position include information on the Airport's assets, deferred outflows of resources, liabilities and deferred inflow of resources with the difference between the four reported as net position. The statements of revenues, expenses and changes in fund net position identify the Airport's revenues and expenses for the fiscal years ended December 31, 2025 and 2024.

Total operating revenues for 2025 were $5,000,084, which was approximately 5.38% higher than in 2024:

- Total concession fees for 2025 were $2,104,442, which was 7% higher than 2024. This was mainly due to increased passenger traffic.

Capital contributions for 2025 decreased 44% from 2024 to $4,601,245 due to 2025 being a design year for the Taxiway A rehab.

MBS INTERNATIONAL AIRPORT

Management's Discussion and Analysis

Total operating revenues for 2024 were $4,744,735, which was approximately 10.67% higher than in 2023:

- Total terminal rental was $1,318,068 in 2024, which was consistent compared to 2023.

- Total concession fees for 2024 were $1,965,689, which was 15.64% higher than 2023. This was mainly due to increased passenger traffic netted with Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and Americal Rescue Plan Act (ARPA) concession grants which reduced the amount of rent revenue from concessionaires.

Capital contributions for 2024 increased 465.52% from 2023 to $8,222,731 due to the runway 14/32 rehab.

EXPENSES

Total operating expenses for 2025 increased by 1.29% to $7,800,167:

- Pension & OPEB expenses experienced a decrease of $687,580 in 2025. This is due to market fluctuations.

- Depreciation expenses experienced an increase of $233,894 in 2025. This is primarily due to the addition of two high-dollar pieces of snow removal equipment.

- Utilities expenses experienced an increase of $256,597 in 2025. This is due to increased passenger counts and the corresponding usage of utilities.

Total operating expenses for 2024 decreased by 7.50% to $7,700,486:

- Salaries and fringes expenses experienced an increase of $257,922 in 2024. This is due to new collective bargaining agreements in 2024.

- Pension & OPEB expenses experienced a decrease of $764,657 in 2024. This is due to the changes in the GASB 68 & 75 adjustments.

- Maintenance and repairs expenses experienced a decrease of $125,243 in 2024. This is due to newer equipment and decreased snow activity.

- Insurance expenses experienced a decrease of $142,304 in 2024. This is due to changes with employees and a switch from Blue Cross to Blue Care Network.

Management's Discussion and Analysis

Below is a summary of capital assets as of December 31:

	2025	2024	2023
Capital assets			
Land and land improvements	$ 15,069,166	$ 15,058,734	$ 15,058,734
Buildings	50,555,629	50,210,475	50,149,350
Runways and taxiways	69,236,137	66,398,138	60,872,838
Equipment	10,304,350	8,568,190	8,411,626
Construction in progress	8,663,443	583,252	37,923
Total	153,828,725	140,818,789	134,530,471
Less accumulated depreciation	(73,443,781)	(69,944,956)	(66,659,408)
Total capital assets, net	$ 80,384,944	$ 70,873,833	$ 67,871,063

Significant capital asset additions during 2025 mainly consisted of the Rental Car Canopy project. In 2024, a majority of the capital asset additions related to the Rehab Runway 14/32 project.

Additional information on the Airport's capital assets can be found in Note 4 of this report.

Long-term Debt. At the end of the current fiscal year, the Airport had total installment debt outstanding with a face amount of $5,280,000.

	Revenue Bonds		
	2025	2024	2023
Airport Revenue Bonds, Series 2025	$ 5,280,000	$ -	$ -
Bond premium	308,556	-	-
Total	$ 5,588,556	$ -	$ -

Additional information on the Airport's bonds and other long-term liabilities can be found in Note 5 of this report.

The Airport’s total revenue bonds increased by $5,280,000 during the current fiscal year due to the Airport entering in to a bond during the year to fund costs for the acquisition and installation of energy conversation measures related to electrical consumption, including LED lighting at various locations at the airport, EV charging stations at the airport terminal and Administration building, solar photovoltaic canopies at the terminal parking lots, and a solar photovoltaic array at the Administration building.

ECONOMIC CONDITION AND OUTLOOK

Return of Flights: MBS hopes to see the return of additional daily flights with both Delta and United, but airlines remain dedicated to hub-only improvements. United is also decreasing Chicago operations for the summer of 2025 due to and FAA directive.

MBS INTERNATIONAL AIRPORT

Management's Discussion and Analysis

Evaluating Rates and Charges: MBS is constantly assessing the renewal of rates and charges to stay in line with inflation trends in the economy. This indicates a proactive approach to ensuring the airport remains financially sustainable. Our Costs per enplanements are approximately 100% higher than our competitors, hindering our overall airline growth at MBS. Discussions are ongoing with legacy and ULCC carriers to provide additional service at MBS.

General Outlook: Much of the region remains dedicated to using MBS for flight service. Public awareness and use of MBS continues to increase, and the airport will remain dedicated to increasing our service to the public.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Airport's finances for all those with an interest in the Airport's finances. Questions concerning any of the information provided in this report, or requests for additional information may be addressed to the Airport Manager, 8500 Garfield Rd, Suite 1010, Freeland, Michigan 48623.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

MBS INTERNATIONAL AIRPORT

Statements of Net Position
December 31, 2025

	December 31,	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	$ 5,453,965	$ 8,427,175
Receivables:		
Trade, net of allowance	466,038	552,670
Passenger facility charges	56,788	63,202
Leases, current portion	329,094	188,301
Grants	1,971,723	1,472,159
Inventories	54,512	34,802
Prepaids	222,749	132,867
Total current assets	8,554,869	10,871,176
Noncurrent assets:		
Restricted cash and cash equivalents - PFC	2,354,029	1,867,015
Restricted cash and cash equivalents - CFC	445,993	1,646,433
Restricted cash and cash equivalents - Bonds	1,333,328	-
Leases, net of current portion	659,077	351,195
Net OPEB asset	1,387,993	369,276
Capital assets not being depreciated	14,940,229	6,864,336
Capital assets being depreciated, net	65,444,715	64,009,497
Total noncurrent assets	86,565,364	75,107,752
Total assets	95,120,233	85,978,928
Deferred outflows of resources		
Deferred pension amounts	1,218,087	1,297,648
Liabilities		
Current liabilities:		
Accounts payable	1,876,973	610,444
Accrued liabilities	115,388	41,202
Bonds and other long-term liabilities, current portion	11,157	34,205
Total current liabilities	2,003,518	685,851
Noncurrent liabilities:		
Bonds and other long-term liabilities, net of current portion	5,714,696	136,819
Net pension liability	6,600,652	6,570,825
Total noncurrent liabilities	12,315,348	6,707,644
Total liabilities	14,318,866	7,393,495

continued…

MBS INTERNATIONAL AIRPORT

Statements of Net Position
December 31, 2025

	December 31,	
	2025	2024
Deferred inflows of resources		
Deferred pension amounts	$ 95,993	$ 159,585
Deferred OPEB amounts	138,819	9,648
Deferred lease amounts	988,171	539,496
Total deferred inflows of resources	1,222,983	708,729
Net position		
Net investment in capital assets	74,191,182	70,449,463
Restricted:		
Passenger facility charges	2,410,817	1,930,217
Customer facility charges	445,993	1,646,433
Postemployment health benefits	1,387,993	369,276
Debt service	471,691	-
Unrestricted	1,888,795	4,778,963
Total net position	$ 80,796,471	$ 79,174,352

concluded

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

MBS INTERNATIONAL AIRPORT

Statements of Revenues, Expenses and Changes in Fund Net Position

December 31, 2025

	Year Ended December 31,	
	2025	2024
Operating revenues		
Charges for services:		
Landing fees	$ 419,256	$ 378,944
Concession fees	2,104,442	1,965,689
Rentals	1,969,940	1,762,312
Fuel flowage fees	73,131	106,390
Other	433,315	531,400
Total operating revenues	5,000,084	4,744,735
Operating expenses		
Salaries and fringes (excluding pension and other postemployment benefits)	2,202,530	2,199,757
Pension	768,612	867,978
OPEB	(840,155)	(251,941)
Depreciation	3,519,442	3,285,548
Utilities	578,151	321,554
Maintenance and repairs	212,387	163,691
Insurance	132,946	50,063
Security police	491,000	405,305
Other	735,254	658,531
Total operating expenses	7,800,167	7,700,486
Operating loss	(2,800,083)	(2,955,751)
Nonoperating revenues (expenses)		
Interest earnings	137,030	183,458
Bond issuance costs	(254,050)	-
Bond interest	(57,725)	-
Loss on disposal of capital assets	(4,298)	-
Total nonoperating revenues (expenses)	(179,043)	183,458
Loss before capital contributions	(2,979,126)	(2,772,293)
Capital contributions		
Passenger facility charges	463,081	449,205
Customer facility charges	243,386	225,563
Federal aid projects	2,985,637	7,002,190
State/local aid projects	909,141	545,773
Total capital contributions	4,601,245	8,222,731
Change in net position	1,622,119	5,450,438
Net position, beginning of year	79,174,352	73,723,914
Net position, end of year	$ 80,796,471	$ 79,174,352

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

MBS INTERNATIONAL AIRPORT

Statements of Cash Flows
For the Year Ended December 31, 2025

	Year Ended December 31,	
	2025	2024
Cash flows from operating activities		
Receipts from customers and users	$ 4,764,445	$ 4,735,066
Payments to suppliers	(3,029,686)	(2,149,875)
Payments to employees	(1,915,561)	(2,609,805)
Net cash provided by (used in) operating activities	(180,802)	(24,614)
Cash flows from capital and related financing activities		
Passenger facility charges collected	343,091	435,959
Customer facility charges collected	243,386	225,563
Federal aid received	2,486,073	6,856,328
State/local aid received	909,141	545,773
Purchase of capital assets	(11,568,008)	(5,863,948)
Proceeds on issuance of debt and other long-term liabilities	5,588,556	-
Bond issuance costs	(254,050)	-
Bond interest	(57,725)	-
Net cash provided by (used in) capital and related financing activities	(2,309,536)	2,199,675
Cash flows from investing activities		
Interest received	137,030	183,458
Net change in cash and cash equivalents	(2,353,308)	2,358,519
Cash and cash equivalents, beginning of year	11,940,623	9,582,104
Cash and cash equivalents, end of year	$ 9,587,315	$ 11,940,623
Classified on the statement of net position as:		
Cash and cash equivalents	$ 5,453,965	$ 8,427,175
Restricted cash and cash equivalents - PFC	2,354,029	1,867,015
Restricted cash and cash equivalents - CFC	445,993	1,646,433
Restricted cash and cash equivalents - Bonds	1,333,328	-
	$ 9,587,315	$ 11,940,623

continued…

MBS INTERNATIONAL AIRPORT

Statements of Cash Flows

For the Year Ended December 31, 2025

	Year Ended December 31,	
	2025	2024
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (2,800,083)	$ (2,955,751)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	3,519,442	3,285,548
Change in operating assets and liabilities that provided (used) cash:		
Trade receivable	213,036	(202,067)
Inventories	(19,710)	(3,371)
Prepaids	(89,882)	(32,041)
Net OPEB asset	(1,018,717)	(369,276)
Deferred outflows of resources - pension amounts	79,561	540,790
Accounts payable	(200,314)	46,355
Accrued liabilities	74,186	13,390
Compensated absences	(33,727)	79,817
Net pension liability	29,827	(257,271)
Net OPEB liability	-	(74,734)
Deferred inflows of resources - pension amounts	(63,592)	(96,458)
Deferred inflows of resources - OPEB amounts	129,171	455
Net cash provided by (used in) operating activities	$ (180,802)	$ (24,614)
Noncash transactions:		
Capital assets purchased with accounts payable	$ 1,466,843	$ 424,370

concluded

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

MBS INTERNATIONAL AIRPORT

Statements of Fiduciary Net Position

Fiduciary Fund - Postemployment Health Benefits Trust Fund
December 31, 2025

	December 31,	
	2025	2024
Assets		
Cash and cash equivalents	$ 33,958	$ 47,825
Investments:		
Equities:		
Common stock	639,484	628,875
Mutual funds	1,400,147	329,263
Fixed income	583,103	1,429,756
Total assets (equal to net position restricted for postemployment health benefits)	$ 2,656,692	$ 2,435,719

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

MBS INTERNATIONAL AIRPORT

Statements of Changes in Fiduciary Net Position

Fiduciary Fund - Postemployment Health Benefits Trust Fund
For the Year Ended December 31, 2025

	Year Ended December 31,	
	2025	2024
Additions		
Contributions:		
Current premium payments:		
Employer	$ 70,166	$ 183,895
Investment earnings:		
Investment income	316,502	260,325
Total additions	386,668	444,220
Deductions		
Retiree healthcare premium payments	153,666	183,895
Administrative expense	12,029	13,664
Total deductions	165,695	197,559
Change in net position	220,973	246,661
Net position, beginning of year	2,435,719	2,189,058
Net position, end of year	$ 2,656,692	$ 2,435,719

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

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The MBS International Airport (the "Airport") was organized on August 18, 1941 by the cities of Midland, Bay City, and Saginaw to operate a municipal airport under Act 344, Public Acts of 1939, as amended. On July 21, 1961, all interests of the City of Bay City in the MBS International Airport were transferred to Bay County.

The governing board of the Airport is appointed by the respective governmental units. Each governmental unit appoints three members to the Board of Commissioners and each serves a term in accordance with the terms of the governmental unit. The Board controls the employment of the Airport Manager, who is responsible for overseeing the day-to-day operations of the Airport.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Airport have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred.

The Airport follows Governmental Accounting Standards Board (GASB) guidance as applicable to enterprise funds as prescribed in GASB Statements.

Separate financial statements are provided for the proprietary fund and fiduciary fund. The proprietary fund accounts for the operations of the Airport. The postemployment health benefits fiduciary component unit (Trust Fund) accounts for the accumulation of resources to be used for retiree healthcare benefit payments. The Airport Board functions as the Board of the Trust Fund and the Airport is required to provide the funding for the Trust Fund. As a result, the Trust Fund is reported as a fiduciary component unit of the Airport.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, restricted cash, interest and noninterest bearing deposits, and short-term investments with an original maturity of three months or less.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Deposits and Investments

State statutes and the Airport's policies allow the Airport to deposit or 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.

Notes to Financial Statements

- 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 Airport 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.

OPEB trust investments are in accordance with Public Act 314 of 1965 and allows for the following investments:

- Certain obligations issued, assumed or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States, which are not in default as to principal or interest.

- Certain obligations secured by a security interest in real or personal property and a lease obligation given by a solvent entity whose obligations would be qualified investments under Act 314.

- Obligations issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises.

- Certain obligations of a possession, territory, or public instrumentality of the United States, or of any state, city, county, township, village, school district, authority, or any other governmental unit having the power to levy taxes, or in obligations of other similar political units of the United States.

- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 national rating services, and which matures within 270 days after the date of issue.

- Repurchase agreements for the purchase of securities issued by the United States government or its agencies and executed by a bank or trust company or by members of the association of primary dealers or other recognized dealers in United States government securities.

- Reverse repurchase agreements for the sale of securities issued by the United States government or its agencies and executed with a bank or trust company or with members of the association of primary dealers or other recognized dealers in United States government securities.

- Any investment otherwise permitted by MCL 38.1137 in which the interest rate varies from time to time.

- Dollar denominated obligations issued in the United States by foreign governments, supranationals, banks, or corporations. These investments shall be of investment grade.

Notes to Financial Statements

- Invest in certain real estate or mortgages on real property leased or to be leased to the United States government, or to a state, territory, agency, authority, or public instrumentality of the United States.

- Invest in publicly or privately issued real estate investment trusts or certain qualified real or personal property.

- Invest in certain loans and derivatives.

Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for any charge-offs. Management closely monitors outstanding balances and writes off receivables when they are deemed uncollectible. At December 31, 2025 and 2024, there is an allowance for uncollectible accounts of $7,000 recorded.

Inventory

Inventory, which consists principally of various supplies, is valued at the lower of market or cost, on the first-in, first-out method.

Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available less accumulated depreciation. Donated capital assets are recorded at their estimated acquisition cost as of the date of donation. Capital assets are defined by the Airport as assets having a useful life in excess of two years and whose costs equal or exceed $5,000. There is no capital minimum for land or land improvements.

Notes to Financial Statements

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	3-40
Buildings	3-40
Runways and taxiways	5-30
Equipment	2-15

Capital Contributions in Federal Aid Projects

Certain expenses for Airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA) with certain matching funds provided by the State of Michigan and the Airport, or from various state or federal grant programs. Capital funding provided under government grants is considered earned as the related allowable expenses are incurred and reported by the State of Michigan. Capital contributions arising from federal and state funding of Airport capital projects are presented separate from operating and nonoperating revenues. As of December 31, 2025 and 2024, these capital projects consists of the Runway 14/32 project, Design of Taxiway A Rehab project, and construction of a new wind cone. In addition, capital projects starting in 2025 also included the Rehabilitate Txwy A and Lighting; Install Airfield Guidance Signs project, and Snow Removal Equipment (SRE) and Facility Addition Design project as well.

Compensated Absences

The Airport recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick. The liability for compensated absences includes salary-related benefits, where applicable.

Leases

Lessor. The Airport is a lessor for a noncancellable lease of multiple agreements. The Airport recognizes a lease receivable and a deferred inflow of resources in the proprietary fund financial statements.

At the commencement of a lease, the Airport initially measures the lease receivable 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 inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Notes to Financial Statements

Key estimates and judgments include how the Airport determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Airport uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Airport monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position 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 assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows and inflows of resources consists of amounts that relate to the Airport's net pension and other postemployment benefit asset/liabilities. Deferred amounts are amortized over the actuarial expected remaining service life of the members, with the exception of the investment returns, which are amortized over 5 years. Further, the Airport reports deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

Pension and OPEB Plans

For purposes of measuring the net pension and OPEB assets/liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS

The Airport's deposits are included in the statement of net position and the statement of fiduciary net position under the following classifications as of December 31:

	2025	2024
Statement of Net Position		
Cash and cash equivalents	$ 5,453,965	$ 8,427,175
Restricted cash and cash equivalents	4,133,350	3,513,448
Statement of Fiduciary Net Position		
Cash and cash equivalents	33,958	47,825
Investments	2,622,734	2,387,894
Total	$ 12,244,007	$ 14,376,342
Deposits and Investments		
Deposits:		
Checking and savings accounts	$ 9,621,023	$ 11,988,198
Investments	2,622,734	2,387,894
Cash on hand	250	250
Total	$ 12,244,007	$ 14,376,342

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified below. The Airport'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.

2025	Fair Value	No Maturity	Due in 1-5 years	Due in 6-10 years
Equities:				
Common stock	$ 639,484	$ 639,484	$ -	$ -
Mutual funds	1,400,147	1,400,147	-	-
Fixed income:				
U.S. treasury bonds	583,103	269,007	227,405	86,691
Total	$ 2,622,734	$ 2,308,638	$ 227,405	$ 86,691

Notes to Financial Statements

2024	Fair Value	No Maturity	Due in 1-5 years	Due in 6-10 years
Equities:				
Common stock	$ 628,875	$ 628,875	$ -	$ -
Mutual funds	329,263	329,263	-	-
Fixed income:				
U.S. treasury bonds	1,429,756	973,603	373,158	82,995
Total	$ 2,387,894	$ 1,931,741	$ 373,158	$ 82,995

Credit risk. The Airport's investment policy does not have specific limits in excess of state law on investment credit risks. All U.S. treasury bonds are rated AAA on the Moody's rating scale.

Custodial credit risk – deposits. Certain funds not required in day-to-day operations are invested in cash equivalent products. As of December 31, 2025, the Airport's bank balances totaling $9,773,153 ($11,935,018 as of December 31, 2024) were on deposit in interest-bearing accounts in well-capitalized, sound financial institutions which are covered by federal depository insurance of $250,000 for each depositor. As of December 31, 2025, $9,023,153 ($11,435,018 as of December 31, 2024) of such deposits are uninsured and uncollateralized, thereby subjecting the Airport to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Airport’s deposits may not be returned. The Airport does not believe that this deposit concentration represents any undue custodial credit risk.

Custodial credit risk – investments. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Airport 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 Airport does not have a policy for investment custodial credit risk. None of the Airport's investments were exposed to custodial credit risk at year end.

Concentration of credit risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The Airport's investment policy does not have specific limits in excess of state law on concentration of credit.

Fair value. The Airport 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. For 2025 and 2024, the Airport's investments in equity investments and U.S. treasury bonds were considered to be Level 1 and Level 2 (fair value determined based on matrix pricing method), respectively.

Notes to Financial Statements

3. GRANTS RECEIVABLE

The Airport is participating in several capital projects whereby the federal and state governments have agreed to pay for a portion of the project with the remainder to be paid by the Airport. The Airport has received less than its portion of the outstanding commitments to date on these projects. The balances of these grants receivable were $1,971,723 and $1,472,159 at December 31, 2025 and 2024, respectively.

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance January 1, 2025	Additions	Disposals	Transfers	Balance December 31, 2025
Capital assets, not being depreciated:					
Land	$ 6,281,084	$ -	$ (4,298)	$ -	$ 6,276,786
Construction in progress	583,252	8,080,191	-	-	8,663,443
Total capital assets not being depreciated	6,864,336	8,080,191	(4,298)	-	14,940,229
Capital assets, being depreciated:					
Land improvements	8,777,650	14,730	-	-	8,792,380
Buildings	50,210,475	345,154	-	-	50,555,629
Runways and taxiways	66,398,138	2,837,999	-	-	69,236,137
Equipment	8,568,190	1,756,777	(20,617)	-	10,304,350
	133,954,453	4,954,660	(20,617)	-	138,888,496
Less accumulated depreciation for:					
Land improvements	(5,834,884)	(223,048)	-	-	(6,057,932)
Buildings	(19,059,031)	(1,156,321)	-	-	(20,215,352)
Runways and taxiways	(37,926,984)	(1,794,681)	-	-	(39,721,665)
Equipment	(7,124,057)	(345,392)	20,617	-	(7,448,832)
	(69,944,956)	(3,519,442)	20,617	-	(73,443,781)
Total capital assets being depreciated, net	64,009,497	1,435,218	-	-	65,444,715
Capital assets, net	$ 70,873,833	$ 9,515,409	$ (4,298)	$ -	$ 80,384,944

Notes to Financial Statements

	Balance January 1, 2024	Additions	Disposals	Transfers	Balance December 31, 2024
Capital assets, not being depreciated:					
Land	$ 6,281,084	$ -	$ -	$ -	$ 6,281,084
Construction in progress	37,923	545,329	-	-	583,252
Total capital assets not being depreciated	6,319,007	545,329	-	-	6,864,336
Capital assets, being depreciated:					
Land improvements	8,777,650	-	-	-	8,777,650
Buildings	50,149,350	61,125	-	-	50,210,475
Runways and taxiways	60,872,838	5,525,300	-	-	66,398,138
Equipment	8,411,626	156,564	-	-	8,568,190
	128,211,464	5,742,989	-	-	133,954,453
Less accumulated depreciation for:					
Land improvements	(5,612,668)	(222,216)	-	-	(5,834,884)
Buildings	(17,912,097)	(1,146,934)	-	-	(19,059,031)
Runways and taxiways	(36,214,734)	(1,712,250)	-	-	(37,926,984)
Equipment	(6,919,909)	(204,148)	-	-	(7,124,057)
	(66,659,408)	(3,285,548)	-	-	(69,944,956)
Total capital assets being depreciated, net	61,552,056	2,457,441	-	-	64,009,497
Capital assets, net	$ 67,871,063	$ 3,002,770	$ -	$ -	$ 70,873,833

At December 31, 2025, the Airport has outstanding commitments related to Phase Two of the Rental Car Parking Lot Canopy project in the amount of $578,468.

Notes to Financial Statements

5. BONDS AND OTHER LONG-TERM LIABILITIES

Bonds and other long-term liabilities activity for the Airport for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Airport Revenue Bonds, Series 2025	$ -	$ 5,280,000	$ -	$ 5,280,000	$ -
Bond premium	-	308,556	-	308,556	-
Total bonds	-	5,588,556	-	5,588,556	-
Compensated absences	171,024	-	(33,727)	137,297	11,157
Total bonds and other long-term liabilities	$ 171,024	$ 5,588,556	$ (33,727)	$ 5,725,853	$ 11,157

The addition or deduction reported above for compensated absences is the net change for the year.

Business-type Activities

$5,280,000 Airport Revenue Bonds, due in annual installments of $100,000 to $455,000 plus interest ranging from 4.25 to 6.00%, payable annually, through June 1, 2045.	$ 5,280,000

Annual debt service requirements to maturity for the bonds payable are as follows:

	Bonds Payable	
Year Ended December 31,	Principal	Interest
2026	$ -	$ 323,037
2027	100,000	297,100
2028	175,000	289,881
2029	185,000	280,431
2030	190,000	270,588
2031-2035	1,130,000	1,185,463
2036-2040	1,490,000	827,250
2041-2045	2,010,000	316,500
	$ 5,280,000	$ 3,790,250

The 2025 revenue bonds above had a restriction at year end of principal and interest based on a percentage of amounts due. As of December 31, 2025, there is no principal due within one year.

Notes to Financial Statements

The outstanding revenue bonds contain a provision that, in an event of default and upon the filing of a suit by the owners of 20 percent or more of the principal amount of the bonds outstanding, any court having jurisdiction of the action may appoint a receiver to administer the system on behalf of the Airport with power to charge and collect rates sufficient to provide for the payment of the bonds, for the payment of operation expenses, and to apply income and revenue in accordance with the bond resolution and the laws of the State of Michigan.

Pledged Revenue

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. The Airport has pledged substantially all of the proprietary fund, net of operating expenses, to repay the revenue bonds listed above. Proceeds from the bonds provided financing for the cost of acquiring, constructing, furnishing and equipping improvements to the Airport. The bonds are payable from the net revenue of the Airport. As additional security, the Airport has also pledged to the payment of the bonds any grants received by the Airport available for such purposes and any other funds of the Airport that are available and legally authorized to be used for such purposes. The remaining principal and interest to be paid on the bonds were $9,070,250 as of December 31, 2025. Net revenue of the Airport was $5,199,285 in 2025, compared to annual debt requirements of $323,037 as of December 31, 2025.

Compensated absences activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Compensated absences	$ 91,207	$ 79,817	$ -	$ 171,024	$ 34,205

The addition or deduction reported above for compensated absences is the net change for the year.

6. LEASES

Lessor - The Airport is involved in multiple agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the Airport will not surrender control of the assets at the end of the term and the noncancelable term of the agreements surpasses one year. Total lease revenue for the year ended December 31, 2025 was $464,523, consisting of interest of $85,929. Total lease revenue for the year ended December 31, 2024 was $216,254, consisting of interest of $21,619.

The Airport leases certain assets to various third parties. The assets leased include land, building facilities, and office/operating space inside the airport terminal. Payments of leases of land and buildings outside the terminal are most often received as a fixed monthly amount. Leases with businesses that conduct sales directly with passengers most often are set up as variable rent based on a percentage of gross revenues, with a Minimum Annual Guarantee (MAG) to provide a certain amount of revenue regardless of operational success of the lessee. Lease terms vary from month-to-month, but the majority of leases are under 5 years in length.

Notes to Financial Statements

Regulated Leases

The Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration, regulated aviation leases between airports and air carriers and other aeronautical users, and local regulations for fire and other.

During the years ended December 31, 2025 and 2024, the Airport recognized lease revenue related to its regulated lease agreements in the amount of $199,308 and $194,271, respectively.

Future expected minimum payments related to the Airport's regulated leases at December 31, 2025 are as follows:

Year Ended December 31,	Future Amounts
2026	$ 201,463
2027	122,020
2028	45,322
2029	43,555
2030	29,516
	$ 441,876

7. OPERATING REVENUES

The operating revenues of the Airport consist primarily of landing fees, concession fees, and rentals. Operating revenue by customer is approximately as follows for the year ended December 31:

	2025	2024
Standard Parking (parking lot concessionaire)	$ 321,000	$ 1,373,000
Laz Parking (parking lot concessionaire)	972,000	-
Avflight	111,000	147,000
Delta Airlines/Delta Global Services	1,345,000	1,153,000
Dow Chemical	204,000	202,000
SkyWest Airlines/United	878,000	812,000
Car rental companies	1,142,000	902,000
All other customers	27,084	155,735
	$ 5,000,084	$ 4,744,735

Revenues from rental of terminal facilities to commercial airlines was approximately $1,201,000 for 2025 and $1,106,000 for 2024. Landing fee revenues from these airlines was approximately $419,000 for 2025 and $379,000 for 2024, which are included in the above amounts.

Notes to Financial Statements

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan description. In addition to the retirement benefits discussed in Note 9, the Airport provides postemployment health benefits to eligible Airport retirees as part of a single employer defined benefit plan. Nonunion employees hired prior to November 1, 2012 may become eligible for these benefits. Currently there are two nonunion employees that meet the eligibility requirements. The net periodic costs are expensed as employees render the services necessary to earn the postemployment benefits. In general, retirees who are at least 60 years of age with 10 years of service or age 55 with 25 years of service are eligible.

Benefits provided. Benefits provided include access to employer medical, dental and vision plans with the following limits: retirees hired prior to February 2008 - full medical, dental, and vision premiums, and retirees hired between February 2008 and November 2012 - $1,500 per year (no current or future retirees). Spouses are covered to earlier of death or death of retiree. The plan is closed to new employees.

Funding policy. The contribution requirements of the Airport are established in accordance with various labor agreements. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined through the annual actuarial valuation. For the year ended December 31, 2025, the Airport contributed $70,166 to the plan, which were all pay-as-you-go payments. For the year ended December 31, 2024, the Airport contributed $183,895 which were all pay-as-you-go payments. There are no employee contributions.

Plan membership consisted of the following as of the valuation date December 31:

	2025	2024
Inactive participants receiving benefits	7	9
Active participants	1	1
Total participants	8	10

Net OPEB liability (asset). For 2025, the Airport's net OPEB liability (asset) was measured as of December 31, 2025, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an annual actuarial valuation as of that date. For 2024, the Airport's net OPEB liability (asset) was measured as of December 31, 2024, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an annual actuarial valuation as of December 31, 2023 rolled forward to December 31, 2024.

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial assumptions. The total OPEB liability was calculated as of December 31, 2025 and 2024 using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Notes to Financial Statements

Rate of return. For the year ended September 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 11.91 percent. For the year ended September 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 10.67 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Mortality. The mortality rates used were the 2016 Employee and Healthy Retiree, Headcount weighted for 2025. The mortality rates used were the 2010 Public General Employees and Healthy Retirees, Headcount weighted for 2024.

Healthcare cost trend rate. In 2025, a pre-65 rate of 7.50% and a post-65 rate of 5.75% were used down grading 0.25% per year to an ultimate rate of 4.5%. In 2024 , a pre-65 rate of 7.25% and a post-65 rate of 5.50% were used down grading 0.25% per year to an ultimate rate of 4.5%.

Inflation rate. The expected long-term inflation assumption used was implicit in expected payroll increases.

Payroll growth rate. In 2025, the expected long-term payroll growth was 3.0% and 5.0% in 2024.

Rate of Return. For the year ended December 31, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 11.91 percent. For the year ended December 31, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 10.67 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Notes to Financial Statements

Long-term expected rate of return. The long-term expected rate of return on OPEB plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for 2025:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Large cap (U.S. equity)	28.70%	3.40%	0.98%
Small cap (U.S. equity)	1.80%	3.40%	0.06%
International equity	10.70%	4.50%	0.48%
Global real estate	2.60%	3.90%	0.10%
Short-term bond	5.90%	0.90%	0.05%
Intermediate-term bond	42.70%	2.30%	0.98%
Inflation-protection bond (U.S. tips)	5.60%	2.10%	0.12%
Cash	2.00%	0.90%	0.02%
	100.00%		
Inflation			2.40%
Investment rate of return			5.19%

Notes to Financial Statements

Long-term expected rate of return. The long-term expected rate of return on OPEB plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for 2024:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Large cap (U.S. equity)	30.20%	5.50%	1.66%
Small cap (U.S. equity)	2.00%	5.70%	0.12%
International equity	10.90%	6.60%	0.72%
Diversified emerging markets	1.00%	6.40%	0.06%
Global real estate	3.30%	6.20%	0.20%
Short-term bond	6.30%	3.00%	0.19%
Intermediate-term bond	36.70%	3.30%	1.21%
Global bond-USD hedged	2.70%	3.00%	0.08%
Inflation-protection bond (U.S. tips)	5.00%	3.70%	0.19%
Cash	1.90%	3.50%	0.07%
	100.00%		
Inflation			2.50%
Investment rate of return			7.00%

Discount rate. The discount rate used to measure the total OPEB liability was 5.19% for 2025 and 7.00% for 2024. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Airport contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Notes to Financial Statements

Changes in Net OPEB Liability (Asset)

The components of the change in net OPEB liability (asset) are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at December 31, 2024	$ 2,066,443	$ 2,435,719	$ (369,276)
Changes for the year:			
Service cost	8,110	-	8,110
Interest	139,841	-	139,841
Difference between expected and actual experience	(1,046,461)	-	(1,046,461)
Change in benefits	66,116		66,116
Change in assumptions	188,316	-	188,316
Employer contributions	-	70,166	(70,166)
Net investment income	-	316,502	(316,502)
Benefit payments	(153,666)	(153,666)	-
Administrative expense	-	(12,029)	12,029
Net changes	(797,744)	220,973	(1,018,717)
Balance at December 31, 2025	$ 1,268,699	$ 2,656,692	$ (1,387,993)

Changes in assumptions. In 2025, amounts reported as changes in assumptions resulted primarily from the following: (1) discount rate changed from 7.00% in 2024 to 5.19% in 2025; (2) trend rates were updated such that second-year trend increases by 0.25% rather than decreasing by the anticipated 0.25%; (3) mortality was updated from Public General 2010 Employee and Healthy Retiree, Headcount weighted to Public General 2016 Employee and Healthy Retiree, Headcount weighted; and (4) salary scale changed from 5.00% to 3.00%.

Notes to Financial Statements

Changes in benefits. In 2025, dental and vision are now covered.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at December 31, 2023	$ 2,263,792	$ 2,189,058	$ 74,734
Changes for the year:			
Service cost	5,986	-	5,986
Interest	130,452	-	130,452
Difference between expected and actual experience	17,726	-	17,726
Change in assumptions	(167,618)	-	(167,618)
Employer contributions	-	183,895	(183,895)
Net investment income	-	260,325	(260,325)
Benefit payments	(183,895)	(183,895)	-
Administrative expense	-	(13,664)	13,664
Net changes	(197,349)	246,661	(444,010)
Balance at December 31, 2024	$ 2,066,443	$ 2,435,719	$ (369,276)

Changes in assumptions. In 2024, amounts reported as changes in assumptions resulted primarily from the discount rate changing from 5.99% in 2023 to 7.00% in 2024. The medical trend rate updated such that the initial trend does not decrease by the anticipated 0.25% after the first year and the termination rate assumption was eliminated in 2024.

Sensitivity of the net OPEB liability (asset) to changes in the discount rate. The following presents the net OPEB liability (asset) of the Airport, calculated using the discount rate of 5.19% as well as what the Airport's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (4.19%)	Current Discount Rate (5.19%)	1% increase (6.19%)
December 31, 2025	$ (1,270,424)	$ (1,387,993)	$ (1,489,008)

Notes to Financial Statements

Sensitivity of the net OPEB liability (asset) to changes in the discount rate. The following presents the net OPEB liability (asset) of the Airport, calculated using the discount rate of 7.00% as well as what the Airport's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (4.99%)	Current Discount Rate (5.99%)	1% increase (6.99%)
December 31, 2024	$ (190,274)	$ (369,276)	$ (524,206)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rate. The following presents the net OPEB liability (asset) of the Airport, calculated using a pre-65 healthcare cost trend rate of 7.50% and a post-65 healthcare cost trend rate of 5.75%, as well as what the Airport's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
December 31, 2025	$ (1,492,400)	$ (1,387,993)	$ (1,268,098)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rate. The following presents the net OPEB liability (asset) of the Airport, calculated using a pre-65 healthcare cost trend rate of 7.25% and a post-65 healthcare cost trend rate of 5.50%, as well as what the Airport's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
December 31, 2024	$ (550,045)	$ (369,276)	$ (161,914)

Notes to Financial Statements

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The Airport recognized OPEB benefit of $840,155 as of December 31, 2025 and $251,941 as of December 31, 2024. The Airport reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources as of December 31:

	2025		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 138,819	$ (138,819)

	2024		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 9,648	$ (9,648)

Amounts reported as deferred outflows/inflows of resources related to the OPEB as of December 31, 2025 and 2024, respectively, will be recognized in OPEB expense as follows:

Year Ended December 31,	2025	2024
2025	$ -	$ 9,694
2026	881	30,750
2027	(54,040)	(24,171)
2028	(55,790)	(25,921)
2029	(29,870)	-
Total	$ (138,819)	$ (9,648)

Payable to the OPEB Plan. There was no payable to the OPEB plan for the years ended December 31, 2025 and 2024.

Notes to Financial Statements

9. DEFINED BENEFIT PENSION PLAN

General Information About the Plan

Plan Description. The Airport's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Airport participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 or 5 year period) and multipliers at 1.25% to 2.50%. Participants are considered to be fully vested in the plan after 6 or 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, or age 55 with 15 years of service, depending on division/bargaining unit.

Employees Covered by Benefit Terms. At December 31, 2024 and 2023 valuation date, plan membership consisted of the following:

	2024	2023
Inactive employees or beneficiaries currently receiving benefits	27	26
Inactive employees entitles to but not yet receiving benefits	9	10
Active employees	24	23
Total membership	60	59

Contributions. The Airport is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, the employer may establish contribution rates to be paid by its covered employees.

In 2024, the Airport contributions range from 31.68% to 74.05% based on payroll for open divisions. Two divisions that are closed to new employees have annual employer contributions of $21,418 and $23,625, respectively. In 2023, the Airport contributions range from 30.20% to 71.42% based on payroll for open divisions. Two divisions that are closed to new employees have annual employer contributions of $20,524 and $22,500, respectively.

Net Pension Liability. The Airport's net pension liability was measured as of December 31, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Notes to Financial Statements

Actuarial Assumptions. The total pension liability in the December 31, 2024 and 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense including inflation

The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study of 2019-2023. The actuarial assumptions used in the December 31, 2023 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

Notes to Financial Statements

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for 2024 and 2023:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	100.00%		
Inflation			2.50%
Dedicated gains adjustment			-0.07%
Administrative expenses netted above			0.25%
Investment rate of return			7.18%

In February 2022, the MERS Retirement Board adopted a Dedicated Gains Policy. The purpose of the Policy is to automatically reduce the assumed rate of investment return for annual actuarial valuation purposes if the plan year's market value of investment income exceeds the expected investment income.

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2024 and 2023 was 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Financial Statements

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2024	$ 14,765,983	$ 8,195,158	$ 6,570,825
Changes for the year:			
Service cost	128,428	-	128,428
Interest	1,031,745	-	1,031,745
Differences between expected and actual experience	183,902	-	183,902
Changes in assumptions	(43,820)	-	(43,820)
Employer contributions	-	680,418	(680,418)
Net investment income	-	608,014	(608,014)
Benefit payments, including refunds of employee contributions	(921,014)	(921,014)	-
Administrative expense	-	(18,004)	18,004
Net changes	379,241	349,414	29,827
Balances at December 31, 2025	$ 15,145,224	$ 8,544,572	$ 6,600,652

Notes to Financial Statements

Changes in assumptions. In 2025, a 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2023	$ 14,398,139	$ 7,570,043	$ 6,828,096
Changes for the year:			
Service cost	116,074	-	116,074
Interest	1,016,258	-	1,016,258
Differences between expected and actual experience	6,398	-	6,398
Changes in assumptions	106,776	-	106,776
Employer contributions	-	670,225	(670,225)
Net investment income	-	850,201	(850,201)
Benefit payments, including refunds of employee contributions	(877,662)	(877,662)	-
Administrative expense	-	(17,649)	17,649
Net changes	367,844	625,115	17,649
Balances at December 31, 2024	$ 14,765,983	$ 8,195,158	$ 6,570,825

Changes in assumptions. In 2024, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.00% to 6.93%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Airport, calculated using the discount rate of 7.18%, as well as what the Airport's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate:

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
December 31, 2025	$ 8,287,358	$ 6,600,652	$ 5,173,031
December 31, 2024	8,245,852	6,570,825	5,158,073

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

Notes to Financial Statements

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The Airport recognized pension expense of $768,612 as of December 31, 2025 and $867,978 as of December 31, 2024. The Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of December 31:

	2025		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$ 140,058	$ 63,128	$ 76,930
Changes in assumptions	35,591	32,865	2,726
Net difference between projected and actual earnings on pension plan investments	330,316	-	330,316
	505,965	95,993	409,972
Contributions subsequent to the measurement date	712,122	-	712,122
Total	$ 1,218,087	$ 95,993	$ 1,122,094

	2024		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$ 4,266	$ 159,585	$ (155,319)
Changes in assumptions	198,886	-	198,886
Net difference between projected and actual earnings on pension plan investments	424,230	-	424,230
	627,382	159,585	467,797
Contributions subsequent to the measurement date	670,266	-	670,266
Total	$ 1,297,648	$ 159,585	$ 1,138,063

Notes to Financial Statements

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2025 and 2024, respectively. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended December 31,	2025	2024
2025	$ -	$ 139,779
2026	165,697	136,451
2027	282,717	253,474
2028	(32,662)	(61,907)
2029	(5,780)	-
	$ 409,972	$ 467,797

Payable to the pension plan. The Airport reported a payable of $57,538 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2025. At December 31, 2024, the Airport reported a payable of $54,944 for the outstanding amount of contributions to the pension plan.

10. DEFERRED COMPENSATION PLAN

The Airport established a deferred compensation plan to provide retirement income and other deferred benefits to its employees in accordance with the provisions of Section 457 of the Internal Revenue Code of 1986, as amended. Employee contributions to the plan totaled $45,360 in 2025 and $36,203 in 2024. Additionally, there were employer contributions totaling $5,932 in 2025 and $5,759 in 2024.

11. PASSENGER FACILITY CHARGES

Effective June 28, 1991, Federal Aviation Regulation 158 established a Passenger Facility Program. Under this regulation, airports may be authorized to impose an airport Passenger Facility Charge (PFC) of $1, $2, $3, or $4.50 per enplaned passenger at a commercial service airport it controls. The proceeds from such PFCs are to be used to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers.

The regulation sets forth procedures for public agency applications for authority to impose PFCs for FAA processing of such applications, for collection, handling, and remittance of PFCs by air carriers, for recordkeeping and auditing by air carriers and public agencies, for terminating PFC authority, and for reducing Federal grant funds apportioned to large and medium hub airports imposing a PFC.

Notes to Financial Statements

The Airport received $463,081 (plus $17,519 of interest income on excess PFC revenue) in PFC revenue in 2025 and $449,205 (plus $24,272 of interest income on excess PFC revenue) in PFC revenue in 2024. The Airport has received $2,410,817 as of December 31, 2025 and $1,930,217 as of December 31, 2024 in PFC revenues in excess of eligible expenses, which are reported as restricted net position.

The Airport had $2,354,029 in restricted cash related to Passenger Facility Charges as of December 31, 2025 and $1,867,015 as of December 31, 2024, which are maintained in separate cash accounts. The Airport had $56,788 in accounts receivable related to Passenger Facility Charges as of December 31, 2025 and $63,202 as of December 31, 2024.

12. CUSTOMER FACILITY CHARGES

On October 17, 2013, the Airport approved an ordinance establishing a customer facility charge (CFC) that is charged by the Airport's car rental concessionaires. Under the agreement, the car rental concessionaires are required to charge a CFC to their customers in the amount of $2.75 per rental day and remit these funds to the Airport. These funds are required to be used for planning, design and construction of future eligible projects. The unspent CFCs are reported by the Airport as restricted net position.

The Airport received $243,386 (plus $6,864 of interest income on excess CFC revenue) in CFC revenue in 2025 and $225,563 in CFC revenue in 2024. The Airport has received $445,993 as of December 31, 2025 and $1,646,433 as of December 31, 2024 in CFC revenues in excess of eligible expenditures, which are reported as restricted net position.

The Airport had $445,993 in restricted cash related to Customer Facility Charges as of December 31, 2025 and $1,646,433 as of December 31, 2024, which are maintained in separate cash accounts.

13. NET INVESTMENT IN CAPITAL ASSETS

The composition of the Airport's net investment in capital assets as of year-end was as follows:

	2025	2024
Capital assets:		
Capital assets not being depreciated	$ 14,940,229	$ 6,864,336
Capital assets being depreciated, net	65,444,715	64,009,497
	80,384,944	70,873,833
Related debt:		
Revenue bonds and premium	5,588,556	-
Capital related payables and retainage	1,466,843	424,370
Less:		
Unspent bond proceeds	(861,637)	-
	6,193,762	424,370
Net investment in capital assets	$ 74,191,182	$ 70,449,463

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

MBS INTERNATIONAL AIRPORT

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios

	Year Ended December 31,			
	2025	2024	2023	2022
Total pension liability				
Service cost	$ 128,428	$ 116,074	$ 123,955	$ 123,512
Interest	1,031,745	1,016,258	1,013,822	1,010,734
Differences between expected and actual experience	183,902	6,398	(252,512)	(133,319)
Changes in assumptions	(43,820)	106,776	-	510,808
Benefit payments, including refunds of employee contributions	(921,014)	(877,662)	(817,791)	(836,892)
Net change in total pension liability	379,241	367,844	67,474	674,843
Total pension liability, beginning of year	14,765,983	14,398,139	14,330,665	13,655,822
Total pension liability, end of year	15,145,224	14,765,983	14,398,139	14,330,665
Plan fiduciary net position				
Employer contributions	680,418	670,225	672,500	637,192
Net investment income (loss)	608,014	850,201	(953,131)	1,046,613
Benefit payments, including refunds of employee contributions	(921,014)	(877,662)	(817,791)	(836,892)
Administrative expense	(18,004)	(17,649)	(15,808)	(12,404)
Net change in plan fiduciary net position	349,414	625,115	(1,114,230)	834,509
Plan fiduciary net position, beginning of year	8,195,158	7,570,043	8,684,273	7,849,764
Plan fiduciary net position, end of year	8,544,572	8,195,158	7,570,043	8,684,273
Airport's net pension liability	$ 6,600,652	$ 6,570,825	$ 6,828,096	$ 5,646,392
Plan fiduciary net position as a percentage of total pension liability	56.42%	55.50%	52.58%	60.60%
Covered payroll	$ 1,502,864	$ 1,372,032	$ 1,328,394	$ 1,355,535
Airport's net pension liability as a percentage of covered payroll	439.20%	478.91%	514.01%	416.54%

See notes to required supplementary information.

Year Ended December 31,					
2021	2020	2019	2018	2017	2016
$ 119,513	$ 151,875	$ 147,435	$ 144,829	$ 133,348	$ 130,113
937,165	919,579	905,523	866,787	855,354	795,925
320,182	115,832	(192,783)	150,264	(171,189)	194,533
391,619	400,586	-	-	-	572,884
(768,028)	(702,562)	(670,847)	(687,152)	(673,513)	(627,931)
1,000,451	885,310	189,328	474,728	144,000	1,065,524
12,655,371	11,770,061	11,580,733	11,106,005	10,962,005	9,896,481
13,655,822	12,655,371	11,770,061	11,580,733	11,106,005	10,962,005
578,195	536,958	508,674	509,734	342,799	329,731
984,730	861,507	(264,067)	812,739	655,185	(91,559)
(768,028)	(702,562)	(670,847)	(687,152)	(673,513)	(627,931)
(14,124)	(14,840)	(13,136)	(12,875)	(12,950)	(13,554)
780,773	681,063	(439,376)	622,446	311,521	(403,313)
7,068,991	6,387,928	6,827,304	6,204,858	5,893,337	6,296,650
7,849,764	7,068,991	6,387,928	6,827,304	6,204,858	5,893,337
$ 5,806,058	$ 5,586,380	$ 5,382,133	$ 4,753,429	$ 4,901,147	$ 5,068,668
57.48%	55.86%	54.27%	58.95%	55.87%	53.76%
$ 1,228,294	$ 1,342,007	$ 1,296,417	$ 1,280,545	$ 1,174,637	$ 1,120,263
472.69%	416.27%	415.15%	371.20%	417.25%	452.45%

MBS INTERNATIONAL AIRPORT

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions

Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2025	$ 689,037	$ 721,634	$ (32,597)	$ 1,626,803	44.36%
2024	658,309	670,266	(11,957)	1,481,562	45.24%
2023	653,788	670,225	(16,437)	1,372,032	48.85%
2022	672,048	672,500	(452)	1,328,394	50.63%
2021	631,177	637,192	(6,015)	1,355,535	47.01%
2020	504,466	578,195	(73,729)	1,228,294	47.07%
2019	488,664	536,958	(48,294)	1,342,007	39.80%
2018	431,124	508,674	(77,550)	1,296,417	39.49%
2017	327,418	509,734	(182,316)	1,280,545	39.99%
2016	342,799	342,799	-	1,174,637	29.38%

See notes to required supplementary information.

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Notes to Schedule of Changes in the Net Pension Liability and Related Ratios

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Changes in Assumptions. In 2025, a 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates. In 2024, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.00% to 6.93%.

In 2024, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.00% to 6.93%.

In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

In 2021, amounts reported as changes of assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

Notes to Schedule of Contributions

Valuation Date	Actuarially determined contribution rates are calculated as of the December 31 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2025, based on the 12/31/2023 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	15 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense including inflation
Retirement age	Age 60
Mortality	Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Notes to Schedule of Changes in the Net Pension Liability and Related Ratios

Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120

Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

This page intentionally left blank.

Required Supplementary Information

Single-Employer Defined Benefit Other Postemployment Benefits Plan
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios

	Year Ended December 31,			
	2025	2024	2023	2022
Total OPEB liability				
Service cost	$ 8,110	$ 5,986	$ 4,421	$ 3,943
Interest	139,841	130,452	126,151	128,710
Differences between expected and actual experience	(1,046,461)	17,726	114,587	1,903
Change in benefits	66,116	-	31,734	-
Change in assumptions	188,316	(167,618)	(34,021)	20,562
Benefit payments	(153,666)	(183,895)	(161,367)	(150,890)
Other changes	-	-	-	-
Net change in total OPEB liability	(797,744)	(197,349)	81,505	4,228
Total OPEB liability, beginning of year	2,066,443	2,263,792	2,182,287	2,178,059
Total OPEB liability, end of year	1,268,699	2,066,443	2,263,792	2,182,287
Plan fiduciary net position				
Employer contributions	70,166	183,895	161,367	150,890
Net investment income (loss)	316,502	260,325	115,621	(138,726)
Benefit payments, including refunds of employee contributions	(153,666)	(183,895)	(161,367)	(150,890)
Administrative expense	(12,029)	(13,664)	(6,172)	(10,501)
Net change in plan fiduciary net position	220,973	246,661	109,449	(149,227)
Plan fiduciary net position, beginning of year	2,435,719	2,189,058	2,079,609	2,228,836
Plan fiduciary net position, end of year	2,656,692	2,435,719	2,189,058	2,079,609
Airport's net OPEB liability (asset)	$ (1,387,993)	$ (369,276)	$ 74,734	$ 102,678
Plan fiduciary net position as a percentage of total OPEB liability	209.40%	117.87%	96.70%	95.29%
Covered-employee payroll	$ 61,222	$ 58,318	$ 55,736	$ 50,830
Airport's net OPEB liability (asset) as a percentage of covered-employee payroll	-2267.15%	-633.21%	134.09%	202.00%

See notes to required supplementary information.

Year Ended December 31,			
2021	2020	2019	2018
$ 10,127	$ 11,167	$ 29,863	$ 20,054
128,105	119,410	128,877	98,711
155,860	7,670	(727,092)	316,634
-	-	-	-
(128,662)	(72,779)	(641,333)	276,821
(145,904)	(129,618)	(125,295)	(143,793)
(5,997)	-	-	-
13,529	(64,150)	(1,334,980)	568,427
2,164,530	2,228,680	3,563,660	2,995,233
2,178,059	2,164,530	2,228,680	3,563,660
145,904	129,618	1,985,500	-
237,826	153,241	(2,666)	-
(145,904)	(129,618)	(125,295)	-
(10,509)	(9,261)	-	-
227,317	143,980	1,857,539	-
2,001,519	1,857,539	-	-
2,228,836	2,001,519	1,857,539	-
$ (50,777)	$ 163,011	$ 371,141	$ 3,563,660
102.33%	92.47%	83.35%	0.00%
$ 41,770	$ 144,674	$ 198,683	$ 184,879
-121.56%	112.64%	186.80%	1927.56%

MBS INTERNATIONAL AIRPORT

Required Supplementary Information

Single-Employer Defined Benefit Other Postemployment Benefits Plan
Schedule of Contributions

Fiscal Year Ending December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2025	$ -	$ 70,166	$ (70,166)	$ 61,222	114.61%
2024	24,081	183,895	(159,814)	58,318	315.33%
2023	25,561	161,367	(135,806)	55,736	289.52%
2022	-	150,890	(150,890)	50,830	296.85%
2021	43,667	145,904	(102,237)	41,770	349.30%
2020	77,065	129,618	(52,553)	144,674	89.59%
2019	425,712	1,985,500	(1,559,788)	198,683	999.33%
2018	584,368	143,793	440,575	184,879	77.78%

See notes to required supplementary information.

MBS INTERNATIONAL AIRPORT

Required Supplementary Information

Single-Employer Defined Benefit Other Postemployment Benefits Plan
Schedule of Investment Returns

Year Ended December 31,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2025	11.91%
2024	10.67%
2023	6.93%
2022	-6.75%
2021	11.33%
2020	7.24%
2019	0.33%

See notes to required supplementary information.

Notes to Required Supplementary Information

Single-Employer Defined Benefit Other Postemployment Benefits Plan

Notes to Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Changes in benefits

In 2025, dental and vision are now covered benefits under the plan.

In 2023, the Plan was modified to allow new participants to enter the plan and receive benefits for 18 months as an incentive for them to retiree.

Changes in assumptions

In 2025, amounts reported as changes in assumptions resulted primarily from the following: (1) discount rate changed from 7.00% in 2024 to 5.19% in 2025; (2) trend rates were updated such that second-year trend increases by $0.25% rather than decreasing by the anticipated 0.25%; (3) mortality was updated from Public General 2010 Employee and Healthy Retiree, Headcount weighted to Public General 2016 Employee and Healthy Retiree, Headcount weighted; and (4) salary scale changed from 5.00% to 3.00%.

In 2024, amounts reported as changes in assumptions resulted primarily from the discount rate changing from 5.99% in 2023 to 7.00% in 2024. The medical trend updated such that the initial trend does not decrease by the anticipated 0.25% after the first year and the termination rate assumption was eliminated in 2024.

In 2023, amounts reported as changes in assumptions resulted primarily from the salary scale increasing from 3.0% to 5.0% per plan sponsor input.

In 2022, amounts reported as changes in assumptions resulted primarily from (1) medical trend updated from initial rate of 7.50% to 7.25% for pre-65 and 5.75% to 5.50% post-65; and (2) discount rate changed from 6.11% to 5.99%.

In 2021, amounts reported as changes in assumptions resulted primarily from (1) medical trend updated from initial rate of 8.25% to 7.5% for pre-65 and 6.5% to 5.75% post-65 (2) mortality improvement updated from MP 2019 to 2021 (3) Discount rate changed from 5.81% to 6.11%.

In 2020, (1) mortality table used was updated to be consistent with results of recent Society of Actuaries study of general employees of public employers (2) blended discount rate increased from 5.49% to 5.81% consistent with changes in the 20-year AA Municipal bond rate and effective rate of return on newly established OPEB trust (3) a pre-65 health care trend rate of 8.5% and a post-65 rate of 7.0% was used.

In 2019, (1) mortality table used was updated to be consistent with results of recent Society of Actuaries study of general employees of public employers (2) discount rate increased from 3.65% to 5.49% consistent with changes in the 20-year AA Municipal bond rate and effective rate of return on newly established OPEB trust (3) a pre-65 health care trend rate of 8.25% and a post-65 rate of 6.75% was used.

MBS INTERNATIONAL AIRPORT

Notes to Required Supplementary Information

Single-Employer Defined Benefit Other Postemployment Benefits Plan

In 2018, (1) mortality table used was updated to be consistent with results of recent Society of Actuaries study of general employees of public employers (2) discount rate raised from 3.35% to 3.65% consistent with changes in the 20-year AA Municipal bond rate (3) a pre-65 health care trend rate of 8.5% and a post-65 rate of 7.0% was used.

Notes to Schedule of Contributions

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Valuation Date	Actuarial determined contribution rates are calculated as of December 31 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percent)
Amortization method	Level percent closed
Remaining amortization period	5 years
Asset valuation method	Market value of assets
Health care inflation rates	Pre-65 rate of 7.50% and a post-65 rate of 5.75% were used down grading 0.25% per year to an ultimate rate of 4.50%.
Salary increases	3.00%
Investment rate of return	7.00%
Retirement age	Rates are based on the retirement rates used in the most recent MERS pension valuation
Mortality	Public General 2016 Employees and Healthy Retirees, Headcount weighted, IRS 2024 Adjusted Scale MP-2021

Notes to the Schedule of Investment Returns

Note: GASB 75 was implemented in fiscal year 2018 and the Airport created and began funding the trust in fiscal year 2019. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

This page intentionally left blank

SUPPLEMENTARY INFORMATION

MBS INTERNATIONAL AIRPORT

Detail Schedules of Operating Revenues

	Year Ended December 31,	
	2025	2024
Operating revenue		
Airfield area		
Landing fees	$ 419,256	$ 378,944
Fuel flowage fees	73,131	106,390
Farm land rental	187,618	100,531
Total airfield area	680,005	585,865
Hanger area		
Fixed base operators' concession fees	2,536	3,104
Ground rental:		
Hanger	55,501	32,081
Noncommercial	146,029	144,922
Commercial	151,320	151,006
	352,850	328,009
Total hanger area	355,386	331,113
Terminal area		
Rentals:		
Airline	1,200,808	1,105,827
Car rental companies	100,986	100,823
Other	112,086	111,418
	1,413,880	1,318,068
Concession fees:		
Car rental companies	772,738	555,322
Parking lot	1,293,526	1,372,758
Restaurant	20,753	16,916
Advertising	14,916	16,684
Limousine service	2,509	4,009
	2,104,442	1,965,689
Other revenue	433,315	531,400
Total terminal area	3,951,637	3,815,157
Administration building		
Office space rental	13,056	12,600
Total operating revenue	$ 5,000,084	$ 4,744,735

MBS INTERNATIONAL AIRPORT

Detail Schedules of Operating Expenses

	Year Ended December 31,	
	2025	2024
Salaries and fringes		
Maintenance	$ 738,548	$ 682,328
Crash, fire and rescue	449,229	353,690
Administration	456,080	439,126
Payroll taxes and fringe benefits	558,673	724,613
Pension	768,612	867,978
OPEB	(840,155)	(251,941)
Total salaries and fringes	2,130,987	2,815,794
Other operating expenses		
Depreciation	3,519,442	3,285,548
Utilities	578,151	321,554
Maintenance and repairs	212,387	163,691
Insurance	132,946	50,063
Security police	491,000	405,305
Other expenses:		
Professional fees	152,664	133,704
Operating supplies	262,494	229,031
Dues and subscriptions	47,817	35,094
Custodial supplies	26,961	25,910
Equipment rental	1,734	16,967
Gasoline and oil	89,948	48,033
Travel	25,221	16,711
Telephone	16,375	16,658
Public relations	76,903	89,180
Shop tools and equipment	10,025	13,533
Uniforms	18,270	25,183
Landscaping	-	1,749
Demolition	6,842	6,778
Total other operating expenses	5,669,180	4,884,692
Total operating expenses	$ 7,800,167	$ 7,700,486

This page intentionally left blank