

Financial Statements

Friedman Memorial Airport Authority
Includes Supplementary Information
Years Ended September 30, 2019 and 2018



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INDEPENDENT AUDITORS' REPORT

To the Board
Friedman Memorial Airport Authority
Hailey, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the Friedman Memorial Airport Authority which comprise the statements of net position as of September 30, 2019 and 2018, and the related statements revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friedman Memorial Airport Authority, as of September 30, 2019 and 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The schedule of revenue, expenditures and changes in net position – budget and actual and reconciliation of budgetary basis to GAAP, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of federal expenditures and the schedule of revenue, expenditures and changes in net position – budget and actual and reconciliation of budgetary basis to GAAP and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 schedule of expenditures of federal awards and the schedule of revenue, expenditures and changes in net position – budget and actual and reconciliation of budgetary basis to GAAP 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 our report dated January 7, 2020, on our consideration of Friedman Memorial Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Friedman Memorial Airport Authority's internal control over financial reporting and compliance.

Harris CPAs

Meridian, Idaho
January 7, 2020



FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended September 30, 2019 and 2018

The following Management's Discussion and Analysis (MD&A) of the Friedman Memorial Airport Authority's (the Authority) financial performance provides an introduction to the financial statements for the fiscal year ended September 30, 2019. The information contained in the MD&A should be considered in conjunction with information contained in the Authority's financial statements.

Friedman Memorial Airport is located in the City of Hailey, within Blaine County. Blaine County is located in central Idaho, in an area known as the Wood River Valley. The Big Wood River runs from north to south between the Smoky, Pioneer and Boulder Mountains. Friedman Memorial Airport is located immediately south of the central business district of Hailey and approximately two miles north of the City of Bellevue. State Highway 75 runs directly adjacent to the east side of the Airport, southeast to northwest through the cities of Bellevue and Hailey, with Ketchum/Sun Valley 11 miles to the north and Twin Falls 75 miles to the south.

As has been discussed in previous MD&A, beginning in fiscal year 2013, the Authority initiated substantial steps to improve the existing airport. These improvements were the culmination of an aggressive approach to the implementation of "Alternative 6", which included a Federal Aviation Administration (FAA) Safety Risk Management study and the approval of five Modification to Standards (MOS) to accommodate an achievable solution to the congressional mandated safety standards at the airport by the end of calendar year 2015. These modifications consider and limit the size of aircraft to those that currently utilize Friedman rather than making alterations that would fully achieve a C-III compliant airport. \$34 million dollars in improvements were completed at the airport by the end of fiscal year 2015 to meet this mandate and include a standard Runway Safety Area (RSA), a full-length parallel Taxiway Bravo, and an expansion of the airport passenger terminal and associated air carrier aircraft parking apron. Substantial construction was complete by the end of the first quarter of fiscal year 2016. Additional improvements to the terminal were completed in the first quarter of fiscal year 2017 when a new concession space was added to the departure lounge area.

The airport continues to be served by three air carriers – Delta, United, and Alaska Airlines. Delta Airlines remains the airport's only year-round carrier (direct service to Salt Lake City), with United and Alaska providing winter and summer seasonal service. Markets served by our three air carriers in 2019 included Chicago (limited – winter only), Denver, Los Angeles, Salt Lake City, San Francisco, and Seattle. In 2018, enplanements were up nearly 16% over 2017. August 2018 set a record as the busiest month for passenger activity in airport history.

2019 enplanements decreased from 2018 down approximately -2.5%. The decrease in enplanements was a result of two primary factors; the loss of the Alaska Airline's Los Angeles and Portland flights in the fall of 2018, and a challenging February with record snow at the airport resulting in numerous diversions. This downward trend is not expected to continue.

As noted last year, in fall of 2018 Alaska Airlines pulled its Los Angeles service from the airport stating changes to their base of operations in Los Angeles which would no longer support Q400 aircraft operations. In addition, Alaska's Portland service was not continued due to poor performance. United Airlines picked up the Los Angeles service starting in December of 2018. Delta also added a third flight to Salt Lake City in the fall of 2018. This new third flight is available approximately 75% of the year and has been successful.

As has historically been the case at SUN, inconvenience due to frequent flight cancellations and diversions due to less than ideal instrument approach capabilities at the airport is an often-stated concern and the reason for travelers to be reluctant to return to SUN. Alaska Airline's implementation of their new proprietary instrument approach procedure in 2016, allowing them to land in very low ceiling and visibility conditions, has proved to be a significant improvement. In 2019, with the expertise of an instrument approach designer, the Authority has made significant progress in developing new instrument approach procedures that should result in significantly less diversions for the other air carriers. The new approach is expected to be available for the winter 2020/2021.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended September 30, 2019 and 2018

With the assistance of a local non-profit air service organization, the Authority is committed to maintaining and improving air service at Friedman. While commercial air service at the airport remains critical to our community both from an economic and transportation access standpoint, the airport also serves an extensive and important general aviation community. Our general aviation users are a significant contributor to the airport's annual revenue stream.

Operationally, fiscal year 2019 saw the Authority and staff continue to focus on maintenance and upkeep of our new facilities. The new and expanded facilities resulted in increased maintenance and operations (O&M) expenses in 2017 and 2018. 2019 budget adjustments better reflected the O&M costs of the new facilities.

In August 2018, the FAA approved the airport's Airport Layout Plan as part of the Airport Master Plan process started in 2014. FAA's approval finalized the master planning process.

Consistent with the master plan, the Authority completed a major capital development project in November 2018. The project included an expansion of the air carrier parking apron adding a fourth air carrier aircraft parking position. Also in 2019, the Authority received grant funds from the Federal Aviation Administration for the acquisition of approximately 64.21 acres of land south of the airport for purposes of Runway Protection Zone and obstruction removal (trees). In November 2018, the Authority and landowner signed a Purchase and Sales Agreement specifying the terms of acquisition for the acquisition. With receipt of the FAA grant, closing on the property was scheduled for November 2019.

All financial and operational indications continue to reflect the healthy economy is having a direct positive impact on the airport.

Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Following this MD&A are the basic financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Statements of Net Position* present information on all the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as useful indicators of whether the Authority's financial position is improving or deteriorating.

The *Statements of Revenue, Expenses and Changes in Net Position* present information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the *Statements of Cash Flows* to assist in understanding the difference between cash flows, operating activities and operating income.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended September 30, 2019 and 2018

In addition to the basic financial statements and accompanying notes, this report also presents the *Schedule of Revenue, Expenditures and Changes in Net Position Budget & Actual* and the *Reconciliation of Budgetary Basis to GAAP* as supplementary information.

Financial Analysis of the Authority as a Whole

The changes in net position over time serve as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$54,987,045 as of September 30, 2019, a decrease of \$1,048,152 from the prior year.

A condensed summary of the Authority's financial position at September 30th is shown below.

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
ASSETS:				
Current Assets	\$ 4,204,487	\$ 4,981,576	\$ (777,089)	-15.6%
Capital Assets	<u>51,406,048</u>	<u>53,215,198</u>	<u>(1,809,150)</u>	-3.4%
Total Assets	<u>55,610,535</u>	<u>58,196,774</u>	<u>(2,586,239)</u>	-4.5%
LIABILITIES:				
Current Liabilities	406,550	1,932,856	(1,526,306)	-79.0%
Noncurrent Liabilities	<u>216,940</u>	<u>228,721</u>	<u>(11,781)</u>	-5.2%
Total Liabilities	<u>623,490</u>	<u>2,161,577</u>	<u>(1,538,087)</u>	-71.2%
NET POSITION:				
Invested in capital assets	51,334,540	53,097,165	(1,762,625)	-3.3%
Restricted	5,500	5,500	-	-
Unrestricted	<u>3,647,005</u>	<u>2,932,532</u>	<u>714,473</u>	24.4%
Net Position	<u>\$ 54,987,045</u>	<u>\$ 56,035,197</u>	<u>\$(1,048,152)</u>	-1.9%

The largest portion of the Authority's net position is invested in capital assets (e.g. land, buildings, improvements and equipment). At September 30, 2019, there was \$71,508 of outstanding debt attributable to these assets. The Authority uses its capital assets to provide services to its aviation partners, passengers and fixed-base operators. This requirement includes the obligation to preserve and maintain airport facilities in a safe and serviceable condition and includes the responsibility to operate the aeronautical facilities and common use areas for the benefit of the public. Consequently, these assets are not available for future spending.

The Authority's unrestricted net position is available to meet current and future obligations. The Authority anticipates that these funds will be needed to pay future capital expenditures and maintain adequate levels of working capital.

The Authority's restricted net position represents an amount required to be set aside as a performance bond by a communications use lease with the Bureau of Land Management (BLM). The BLM funds are restricted as they must be held for the duration of the lease which terminates on December 31, 2031.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended September 30, 2019 and 2018

A condensed summary of the Authority's revenue, expenses and changes in net position for the fiscal year ending September 30th is shown below.

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Operating Revenue	\$ 3,982,333	\$ 3,424,975	\$ 557,358	16.3%
Operating Expenses	<u>7,060,752</u>	<u>6,441,410</u>	<u>619,342</u>	9.6%
Operating (income/loss)	(3,078,419)	(3,016,435)	(61,984)	-2.1%
Non-operating Revenue (Expenses)	449,364	388,378	60,986	15.7%
Capital Contributions	<u>1,580,903</u>	<u>2,106,461</u>	<u>(525,558)</u>	-24.9%
Changes in net position	(1,048,152)	(521,596)	(526,556)	-101.0%
Beginning net position	<u>56,035,197</u>	<u>56,556,793</u>	<u>(521,596)</u>	-0.9%
Ending net position	<u>\$54,987,045</u>	<u>\$56,035,197</u>	<u>\$(1,048,152)</u>	-1.9%

Operating revenue increased 16.3% over the prior fiscal year. This was primarily due to a 76.7% increase in revenue from airlines. Additionally, all sources of operating revenue increased over the prior fiscal year.

Operating expenses increased by 9.6% over the prior fiscal year. This was primarily due to a 57.9% increase in repairs and maintenance and a 22.1% increase in services and contracts. Additionally, all other operating expense categories increased over the prior fiscal year.

Comparison of Budget and Actual Results

No amendments were made to the Authority's *Budgeted Revenue, Expenses and Changes in Net Position* during the fiscal year ending September 30, 2019. A summary of operating revenue and expenses based on the actual budgetary basis is shown below.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Operating Revenue	\$4,028,935	\$3,982,333	\$ (46,602)
Total Operating Expenses	<u>3,441,438</u>	<u>3,440,462</u>	<u>(976)</u>
Operating Income (loss)	<u>\$ 587,497</u>	<u>\$ 541,871</u>	<u>\$ (45,626)</u>

Actual results reported above may differ from the actual results as reported in the *Statement of Revenue, Expenses and Changes in Net Position* for the following reasons:

1. Accruals of compensated absences are not budgeted but are reported for GAAP.
2. Depreciation expense is not budgeted but is reported for GAAP.
3. Capital asset purchases are budgeted as an expense but are reported as an asset for GAAP.
4. Gain or loss on disposition of capital assets is not budgeted but is reported for GAAP.

The Authority's budget philosophy is to conservatively estimate revenue while, at the same time, making certain that budgeted operating expenses are not understated.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended September 30, 2019 and 2018

Capital Acquisitions and Construction Activities

The capital assets of the Authority are those assets that are used in the performance of the Authority's functions. At September 30, 2019, net capital assets totaled \$51,406,048. The Authority acquired or constructed almost \$1.8 million in capital assets this year as detailed in Note 3 of the Notes to the Basic Financial Statements.

Long-term Liabilities

Long-term liabilities include a loan payable and accrued compensated absences. A loan payable related to the acquisition of parking equipment requires thirty-six monthly payments of \$4,422 beginning on April 1, 2018. The total loan payable liability at September 30, 2019, was \$71,508. Accrued compensated absences represents vacation, comp time and 25% of sick leave, which has been accrued but will be paid in future periods as used or on termination of employment. The total accrued compensated absences liability at September 30, 2019, was \$300,698. Currently, the Authority has no other long-term debt outstanding nor are there any plans to incur any long-term debt.

Requests for Information

This financial report is designed to provide the Authority's Board, management, investors, creditors and customers with a general view of the Authority's net position and results of operations. Questions concerning any information contained in this report may be directed to the Airport Manager, 1616 Airport Circle, Hailey, ID 83333.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**STATEMENTS OF NET POSITION
ENTERPRISE FUND
September 30, 2019 and 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 2,974,973	\$ 3,332,831
Operating accounts receivable	381,447	147,274
Nonoperating accounts receivable	-	171,563
Due from other governments	835,008	1,303,395
Interest receivable	2,636	4,374
Prepaid expenses	4,923	16,639
Restricted cash and cash equivalents:		
BLM	<u>5,500</u>	<u>5,500</u>
Total Current Assets	<u>4,204,487</u>	<u>4,981,576</u>
Noncurrent Assets:		
Land	6,712,067	6,712,067
Construction in progress	704,532	3,040,257
Airfield, buildings, equipment, improvements, plans and studies	<u>71,012,527</u>	<u>66,916,587</u>
	78,429,126	76,668,911
Accumulated depreciation	<u>(27,023,078)</u>	<u>(23,453,713)</u>
Total Noncurrent Assets	<u>51,406,048</u>	<u>53,215,198</u>
 Total Assets	 <u>55,610,535</u>	 <u>58,196,774</u>
LIABILITIES		
Current Liabilities:		
Trade accounts payable	193,526	948,554
Payable City of Hailey	4,250	2,790
Accounts payable for capital improvements	47,768	823,371
Accrued payroll and benefits	4,040	2,385
Customer deposits	1,700	1,400
Current portion of long-term liabilities	<u>155,266</u>	<u>154,356</u>
Total Current Liabilities	<u>406,550</u>	<u>1,932,856</u>
Long-Term Liabilities:		
Accrued compensated absences	300,698	265,044
Loan payable	71,508	118,033
Current portion of long-term liabilities	<u>(155,266)</u>	<u>(154,356)</u>
Total Long-Term Liabilities	<u>216,940</u>	<u>228,721</u>
Total Liabilities	<u>623,490</u>	<u>2,161,577</u>
NET POSITION		
Net investment in capital assets	51,334,540	53,097,165
Restricted	5,500	5,500
Unrestricted	<u>3,647,005</u>	<u>2,932,532</u>
Total Net Position	<u>\$ 54,987,045</u>	<u>\$ 56,035,197</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND**

For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenue:		
Airlines	\$ 555,206	\$ 314,222
Automobile rental	717,833	670,181
Auto parking	500,053	413,690
Rents, fees, commissions and leases	1,823,406	1,671,837
Fuel flowage fees	363,004	350,473
Other operating revenue	22,831	4,572
Total Operating Revenue	<u>3,982,333</u>	<u>3,424,975</u>
Operating Expenses:		
Employee wages, benefits and taxes	1,667,980	1,555,242
Supplies	142,025	131,429
Utilities	146,061	132,323
Services and contracts	754,936	618,222
Repairs and maintenance	449,698	284,713
Insurance	50,692	50,200
Other operating expense	264,724	187,529
Depreciation	3,584,636	3,481,752
Total Operating Expenses	<u>7,060,752</u>	<u>6,441,410</u>
Operating Income (Loss)	<u>(3,078,419)</u>	<u>(3,016,435)</u>
Nonoperating Revenue (Expenses):		
Passenger Facility Charges	411,321	370,768
Interest income	44,588	41,919
Interest expense	(6,545)	(5,230)
Gain (loss) on disposition of capital assets	-	(9,022)
Local match contributions	-	171,563
Federal grants	-	500,000
Federal grant expenditures	-	(681,620)
Total Nonoperating Revenue and (Expenses)	<u>449,364</u>	<u>388,378</u>
Income (Loss) before Capital Contributions	(2,629,055)	(2,628,057)
Capital Contributions	<u>1,580,903</u>	<u>2,106,461</u>
Change in Net Position	(1,048,152)	(521,596)
Net Position, Beginning of Year	<u>56,035,197</u>	<u>56,556,793</u>
Net Position, End of Year	<u>\$ 54,987,045</u>	<u>\$ 56,035,197</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**STATEMENTS OF CASH FLOWS
ENTERPRISE FUND**

For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,748,460	\$ 3,608,370
Cash payments to employees for services and benefits	(1,630,671)	(1,527,607)
Cash payments to suppliers for goods and services	(2,548,118)	(1,166,393)
Net cash provided (used) by operating activities	<u>(430,329)</u>	<u>914,370</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local match contributions	171,563	-
Noncapital financing	500,000	-
Operating grant expenditures	-	(10,057)
Net cash provided (used) by noncapital financing activities	<u>671,563</u>	<u>(10,057)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,552,959)	(1,922,484)
Payments on long-term debt	(46,525)	(25,727)
Interest payments on long-term debt	(6,545)	(5,230)
Grants and other amounts received for the purchase of capital assets	1,549,290	1,385,840
Passenger Facility Charges received for the purchase of capital assets	411,321	370,768
Net cash provided (used) by capital and related financing activities	<u>(645,418)</u>	<u>(196,833)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	46,326	39,427
Net cash provided (used) by investing activities	<u>46,326</u>	<u>39,427</u>
Net increase (decrease) in cash and cash equivalents	(357,858)	746,907
Balances - beginning of the year	3,338,331	2,591,424
Balances - end of the year	<u><u>\$ 2,980,473</u></u>	<u><u>\$ 3,338,331</u></u>
RECONCILIATION OF CASH BALANCES TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 2,974,973	\$ 3,332,831
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Total cash balances on Statements of Net Position	<u><u>\$ 2,980,473</u></u>	<u><u>\$ 3,338,331</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (3,078,419)	\$ (3,016,435)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,584,636	3,481,752
Change in assets and liabilities:		
(Increase) decrease in operating accounts receivable	(234,173)	183,395
(Increase) decrease in prepaid expenses	11,716	(10,024)
(Increase) decrease in construction in progress treated as services and contracts	1,870	29,511
Increase (decrease) in accounts payable trade	(753,568)	218,536
Increase (decrease) in accrued payroll and benefits	1,655	(1,548)
Increase (decrease) in customer deposits	300	-
Increase (decrease) in accrued compensated absences	35,654	29,183
Total Adjustment and Changes	<u>2,648,090</u>	<u>3,930,805</u>
Net cash provided (used) by operating activities	<u><u>\$ (430,329)</u></u>	<u><u>\$ 914,370</u></u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies

Organization

Effective October 1, 1994, Blaine County, Idaho, and the City of Hailey, Idaho, entered into a Joint Powers Agreement creating the Friedman Memorial Airport Authority (Authority) for the purpose of operating and managing airport activities in Blaine County, Idaho. The Authority is a public entity of the State of Idaho and therefore the Authority's income is exempt from Federal and Idaho income taxes. The Authority is governed by a seven-member board with three members representing Blaine County, three members representing the City of Hailey and one member who is unanimously selected by the other six members. The Authority has hired employees to provide for the day-to-day operations and management.

Pursuant to the Joint Powers Agreement, all buildings, improvements, facilities, equipment, and personal property used by the Authority were conveyed by Blaine County and the City of Hailey to the Authority for use and benefit of the Authority and title thereof shall be held by the Authority. Upon termination of this Agreement, title to all buildings, improvements, facilities, equipment and personal property held by the Authority shall vest jointly in Blaine County and the City of Hailey.

Reporting Entity

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Authority does not have component units. Accordingly, the accompanying financial statements include only the operations of the Authority.

Measurement Focus and Basis of Accounting

The Authority's financial statements have been prepared using the accrual basis of accounting. Under this method, revenue and receivables are recognized when services are provided and expense and liabilities are recorded at the time goods and services are received.

The Authority's accounting policies conform to generally accepted accounting principles applicable to proprietary funds of governmental units. Proprietary funds use the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position.

Proprietary operating revenue, such as charges for services, result from exchange transactions associated with the principal activity of the operating unit. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest or capital contributions, result from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) value in exchange, include grants, donations and passenger facility charges (PFC's). Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. PFC's along with related interest earnings are recorded as deferred revenue until authorized for matching payments on construction projects under an FAA approved Application to Use. Once authorized to use, PFC receipts are recognized and recorded as nonoperating revenue in the year collected.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019 and 2018

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash in bank accounts and funds deposited in the State Treasurer's Local Government Investment Pool. Because the State Treasurer's Local Government Investment Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is deemed to be a cash equivalent. These funds are carried at cost which is not materially different than fair value.

Accounts Receivable

Based upon past experience, uncollectible receivables are deemed immaterial by management and no allowance has been provided.

Prepaid Expenses

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

Capital Assets

Prior to October 1, 2018, only assets with a value over \$1,500 were capitalized. As of October 1, 2018, the Authority adopted a new policy to capitalize assets with a value over \$5,000. Capital assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market value when received. The Authority does include the cost of all infrastructure assets in capital assets. Assets held under capital leases are recorded at the lower of fair market value or the present value of future lease payments and amortized over the estimated life of the asset. Depreciation is calculated by the straight-line method over the estimated useful life of the depreciable property as follows:

Building and improvements	5 to 40 years
Airfield and general improvements	3 to 25 years
Office equipment	5 years
Security	3 to 5 years
Maintenance equipment and vehicles	5 to 20 years
Assessments, plans and studies	4 to 20 years

Restricted Cash – BLM

This cash represents an amount required to be set aside as a performance bond by a communications use lease with the Bureau of Land Management. These funds are restricted as they must be held for the duration of the lease which terminates on December 31, 2031.

Restricted Cash – Passenger Facility Charges Funds

For the year ended September 30, 2018, this cash represents Passenger Facility Charges (PFC) collections based on an approved FAA application to "impose" such charges on enplaned passengers at the Airport. These funds are restricted to funding designated capital projects.

For the year ended September 30, 2019, this cash represents PFC collections based on an approved FAA application to "use" such charges on enplaned passengers at the airport and is not considered restricted.

Use of Restricted Resources

The Authority's policy is to first apply restricted resources when an eligible expenditure is made for which both restricted and unrestricted net position are available.

Budget

The Authority is required by state law to adopt an annual budget. The budgetary basis is accrual but differs from the basis of accounting used for the financial statements in the following ways:

1. Accruals of compensated absences are not budgeted but are reported for GAAP.
2. Depreciation expense is not budgeted but is reported for GAAP.
3. Capital asset purchases are budgeted as an expense but are reported as an asset for GAAP.
4. Gain or loss on disposition of capital assets is not budgeted but is reported for GAAP.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019 and 2018

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Net position and change in net position are unchanged due to these reclassifications.

Note 2. Deposits and Investments

The following is a reconciliation of the Authority's deposit and investment balances as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 200	\$ 200
Bank deposits	79,160	294,712
Repurchase agreement	1,511,284	347,417
State of Idaho Local Government Investment Pool	<u>1,389,829</u>	<u>2,696,002</u>
	<u>\$ 2,980,473</u>	<u>\$ 3,338,331</u>

The Authority invests in the State of Idaho Local Government Investment Pool. These funds can be liquidated at cost as needed and are carried at cost which is not materially different than fair value. The invested amounts at year end are as listed above.

Deposit and Investment Policy

Idaho statute authorizes the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States; general obligation or revenue bonds of the state of Idaho, any Idaho taxing district, or public corporations of the state of Idaho; repurchase agreements; tax anticipation bonds or notes; time deposit accounts and savings accounts in state depositories; and the State of Idaho's Local Government Investment Pool. The Authority's Investment Policy limits investment choices to interest-bearing accounts at approved financial institutions and the State of Idaho Local Government Investment Pool. The accounts are to be reviewed monthly by the Board's financial review committee.

Credit Risk

The Authority has no formal policy on managing credit risk. As of September 30, 2019 and 2018, the Authority's deposits and investment had the following credit ratings:

<u>Investment</u>	<u>2019 Fair Value</u>	<u>2018 Fair Value</u>	<u>Credit Rating</u>
Mountain West Checking	\$ 73,058	\$ 288,662	None
Mountain West Certificate of Deposit	6,102	6,050	None
Mountain West Repurchase Agreement	1,511,284	347,417	None
State of Idaho Local Government Investment Pool	1,389,829	2,696,002	None

Investment by the Authority in State of Idaho Local Government Investment Pool is considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. The type of investments allowed is regulated by *Idaho Code* and oversight is provided by the Idaho State Treasurer's Office.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's bank deposits will not be returned to it. The Authority's investment policy does not limit the amount of deposits in approved and chosen financial institutions.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019 and 2018**

As of September 30, 2019, the carrying amount of the Authority's bank deposits was \$1,590,444 and the respective bank balances totaled \$1,675,551. The Authority's deposits at September 30, 2019, were covered by \$81,927 of insurance from the Federal Depository Insurance Corporation and \$1,593,624 of collateral leaving none as unsecured or uninsured. The securities serving as collateral are held in the name of the financial institution and not that of the Authority.

As of September 30, 2018, the carrying amount of the Authority's bank deposits was \$642,129 and the respective bank balances totaled \$749,603. The Authority's deposits at September 30, 2018, were covered by \$256,050 of insurance from the Federal Depository Insurance Corporation and \$438,428 of collateral leaving \$55,125 as unsecured or uninsured. The securities serving as collateral are held in the name of the financial institution and not that of the Authority.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of an investment in a single issuer. The Authority's investment policy does not place limits on amounts invested in any one issuer. Pooled investments and investments issued or explicitly guaranteed by the U.S. Government are not considered a concentration credit risk. At September 30, 2019 and 2018, the Authority had more than 5% of its deposits and investments invested in a repurchase agreement with Mountain West Bank. At September 30, 2019, 100% of the repurchase agreement was invested in the Federal Home Loan Mortgage Corporation. At September 30, 2018, 100% of the repurchase agreement was invested in the Federal National Mortgage Association.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Authority had the following deposits and investments as of September 30, 2019 and 2018:

Investment	2019 Fair Value	Weighted Average Duration	2018 Fair Value	Weighted Average Duration
Repurchase agreement	\$ 1,511,284	1 day	\$ 347,417	1 day
Investment pool	1,389,829	127 days	2,696,002	106 days
Certificate of Deposit	6,102	2 yrs 16 days	6,050	3 yrs 16 days
Demand deposits	73,058	not applicable	288,662	not applicable

Note 3. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 9/30/2018	Increase	Decrease	Transfer	Balance 9/30/2019
Nondepreciable capital assets:					
Land	\$ 6,712,067	\$ -	\$ -	\$ -	\$ 6,712,067
Construction in progress*	3,040,257	578,228	(1,870)	(2,912,083)	704,532
Depreciable capital assets:					
Buildings and improvements	5,715,166	-	-	-	5,715,166
Airfield and general improvements	49,970,405	1,114,362	(4,031)	2,912,083	53,992,819
Office equipment	71,325	6,218	(8,174)	-	69,369
Security	148,463	10,160	-	-	158,623
Maintenance equipment & vehicles	3,847,421	65,812	(3,067)	-	3,910,166
Assessments, plans & studies	7,163,807	2,577	-	-	7,166,384
	76,668,911	1,777,357	(17,142)	-	78,429,126
Accumulated depreciation	(23,453,713)	(3,584,636)	15,272	-	(27,023,077)
	<u>\$ 53,215,198</u>	<u>\$ (1,807,279)</u>	<u>\$ (1,870)</u>	<u>\$ -</u>	<u>\$ 51,406,049</u>

*Construction in progress includes amounts for various airport improvement projects that were not completed as of September 30, 2019.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019 and 2018

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 9/30/2017	Increase	Decrease	Transfer	Balance 9/30/2018
Nondepreciable capital assets:					
Land	\$ 6,712,067	\$ -	\$ -	\$ -	\$ 6,712,067
Construction in progress*	3,052,836	2,570,193	(29,511)	(2,553,261)	3,040,257
Depreciable capital assets:					
Buildings and improvements	5,602,585	150,072	(37,491)	-	5,715,166
Airfield and general improvements	47,443,824	3,337	(15,377)	2,538,621	49,970,405
Office equipment	58,264	13,061	-	-	71,325
Security	307,886	-	(159,423)	-	148,463
Maintenance equipment & vehicles	3,848,412	17,783	(18,774)	-	3,847,421
Assessments, plans & studies	7,529,605	39,353	(419,791)	14,640	7,163,807
	74,555,479	2,793,799	(680,367)	-	76,668,911
Accumulated depreciation	(20,613,795)	(3,481,752)	641,834	-	(23,453,713)
	<u>\$ 53,941,684</u>	<u>\$ (687,953)</u>	<u>\$ (38,533)</u>	<u>\$ -</u>	<u>\$ 53,215,198</u>

*Construction in progress includes amounts for various airport improvement projects that were not completed as of September 30, 2018.

Note 4. Accounts Receivable

The Airport manager, under the direction of the Authority, charges fees and rents for parking (aircraft and automobiles), landing of aircraft, fuel flowage, hangars and concession commissions. Landing fees are based on the weight of the aircraft while parking fees are based on the class and weight of each aircraft. Auto parking is on a commission basis. The Authority clerk posts these charges on a regular basis and bills each user.

Based upon past experience, uncollectible receivables are deemed immaterial by management.

The Authority's uncollected accounts as of September 30, 2019 and 2018, are as follows:

	2019	2018
Current	\$ 200,417	\$ 146,403
30-60 days	2,070	885
60-90 days	31,209	6
90 days and over	147,751	(20)
	<u>\$ 381,447</u>	<u>\$ 147,274</u>
Nonoperating accounts receivable	<u>\$ -</u>	<u>\$ 171,563</u>
Due from other governments	<u>\$ 835,008</u>	<u>\$ 1,303,395</u>

Note 5. Long-term Liabilities

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

	Balance at 10/01/2018	Additions	Reductions	Balance 9/30/2019	Amount due within 1 year
Loan payable	\$ 118,033	\$ -	\$ 46,525	\$ 71,508	\$ 49,764
Compensated absences	265,044	35,654	-	300,698	105,502
	<u>\$ 383,077</u>	<u>\$ 35,654</u>	<u>\$ 46,525</u>	<u>\$ 372,206</u>	<u>\$ 155,266</u>

Changes in long-term obligations for the year ended September 30, 2018, are as follows:

	Balance at 10/01/2017	Additions	Reductions	Balance 9/30/2018	Amount due within 1 year
Loan payable	\$ -	\$ 143,760	\$ 25,727	\$ 118,033	\$ 46,525
Compensated absences	235,861	29,183	-	265,044	107,831
	<u>\$ 235,861</u>	<u>\$ 172,943</u>	<u>\$ 25,727</u>	<u>\$ 383,077</u>	<u>\$ 154,356</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2019 and 2018

Loan payable: Under an agreement dated March 1, 2018, the Authority agreed to pay \$143,760 for parking equipment. The agreement calls for thirty-six monthly payments of \$4,422 beginning April 1, 2018. The agreement carries an interest rate of 6.5% per annum and is secured by the parking equipment. The principal balances at September 30, 2019 and 2018, respectively, were \$71,508 and \$118,033.

Principal and interest payments in subsequent years:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 49,764	\$ 3,300
2021	21,744	366
	<u>\$ 71,508</u>	<u>\$ 3,666</u>

Compensated Absences: All employees receive 96 hours of sick leave per year with no maximum accrual. Vacation is received based on years of service. Those having one to two years of service receive 80 hours of vacation annually and the hours received increase 8 hours per year for every two years of service. Compensated absences consist of accrued vacation, comp time and 25% of accrued sick leave that would be paid upon termination of employment. The balances at September 30, 2019 and 2018, respectively, were \$300,698 and \$265,044.

Note 6. Pension Plan

The Authority adopted the Friedman Memorial Airport 401(a) Plan (Plan) on January 1, 2015, for its employees. The Plan is a defined contribution money purchase pension plan administered by the Authority. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Authority. The Authority is required to contribute 11.61% of each employee's annual gross compensation to individual employee accounts for each employee. No employee contributions are permitted. The Authority recognized pension expense of \$133,144 and \$125,471 for the years ended September 30, 2019 and 2018, respectively. Employees are immediately vested in the contributions they receive and the earnings on those contributions. The Authority had no liability to the Plan at September 30, 2019 and 2018.

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. Employees contributed \$124,324 and \$85,214 for the years ended September 30, 2019 and 2018.

Note 7. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. There has been no significant reduction in insurance coverage in the current year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 8. Concentrations

The Authority enters into contracts with service providers at the Airport. Because of physical space limitations at the airfield, there are limited facilities available for service providers. During the current year, there were three airlines that provide scheduled commercial service, one fixed-base operator which is the sole fuel provider, one concessionaire, one parking management company and three rental car agencies.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019 and 2018

Note 9. Lease Revenue

The Authority leases portions of its property to commercial airlines, car rental companies, concessionaires, fixed base operator(s) who provide support services to the airlines, general aviation users of the airport, and private hangar owners/operators. Hangars owned by the Authority are also leased out. The airlines and some concessionaires lease on a month to month basis. The long-term leases can only be terminated by buying out the lease and vary from 3 to 20 years. Some of these leases are increased annually by an inflation factor based on the CPI. These inflation rates are unknown and have not been included in amounts calculated. The Authority cannot determine the cost of property held for leasing and the accumulated depreciation thereon as there are multiple leases of portions of specific assets.

The projected lease revenue at current rates is as follows:

<u>Year Ended</u> <u>September 30</u>	
2020	\$ 994,250
2021	954,238
2022	863,006
2023	834,279
2024	830,463
2025 to 2029	3,908,131
2030 to 2034	1,503,182
2035 to 2038	<u>397,058</u>
Total	<u>\$ 10,284,607</u>

Note 10. Operating Leases

Total operating lease expenditures for the years ended September 30, 2019 and 2018, were \$49,711 and \$60,940, respectively.

The Authority leases postage equipment under a noncancelable operating lease agreement with a term in excess of one year. Annual aggregate lease payments remaining under the terms of the operating lease agreement are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Total</u>
2020	\$ 1,171
2021	1,171
2022	1,171
2023	<u>292</u>
	<u>\$ 3,805</u>

Note 11. Passenger Facility Charges

Passenger Facility Charges (PFC) at the rate of \$4.50 per enplaned passenger have been imposed by the Authority under a Federal Aviation Administration (FAA) approved application, PFC 14-09-C-00-SUN/PFC 15-10-U-00-SUN, effective July 1, 2014 to July 1, 2028, in the amount of \$2,787,259. The total amount has been approved for use. PFC revenue is used as matching funds for capital projects funded with Airport Improvement Project funds. There was no deferred revenue at September 30, 2019 and 2018.

The following schedule shows the amounts collected and expended:

	<u>2019</u>		<u>2018</u>
	<u>Receipts</u>	<u>Expenditures</u>	<u>Receipts</u> <u>Expenditures</u>
PFC 14-09-C-00-SUN/ PFC 15-10-U-00-SUN	\$ 411,321	\$ 416,748	\$ 370,768 \$ 331,402

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019 and 2018

Note 12. Capital Contributions

During the years ended September 30, 2019 and 2018, the Authority received the following capital contributions:

	<u>2019</u>	<u>2018</u>
Federal grants	\$ 1,540,903	\$ 2,106,461
Other sources	<u>40,000</u>	<u>-</u>
	<u>\$ 1,580,903</u>	<u>\$ 2,106,461</u>

Note 13. Commitments

The Authority had three open grants from the U.S. Department of Transportation Airport Improvement Program (AIP) as of September 30, 2019. A summary of these projects is as follows:

Project Description

AIP 46 Acquire Aircraft Rescue & Fire Fighting Vehicle and protective clothing; Acquire Snow Removal Equipment

AIP 47 Remove Obstructions; Acquire Aircraft Rescue

AIP 48 Acquire Land for Approaches

	<u>Total Budget</u>	<u>Federal Awards</u>	<u>Expenditures to date</u>
AIP 46	\$ 99,470	\$ 93,253	\$ 82,029
AIP 47	710,018	665,642	67,049
AIP 48	<u>2,335,000</u>	<u>2,276,625</u>	<u>549,871</u>
	<u>\$ 3,144,488</u>	<u>\$ 3,035,520</u>	<u>\$ 698,949</u>

Note 14. Contingencies

The Authority has been committed to partnering with the community and the FAA to improve air service and safety at the current site while also maintaining that the airport may need to be relocated in the future. This "Dual Path Forward" is the preferred approach to addressing the airport within the community. The dual path approach supports the community's desire to maintain or increase air service, improves safety and reliability at the existing airport and enables the Authority to continue researching other alternatives. The Authority is committed to continue the endeavor to relocate the airport when and if an acceptable site can be identified and funding can be secured.

Note 15. Related Party Transactions

The City of Hailey, Idaho, is one of the entities that created the Authority by entering into a Joint Powers Agreement. The Authority contracts with the City of Hailey for certain security services and reimburses the City for the cost of these services. The Authority also pays the City of Hailey for sewer, water and garbage collection at the same rates as other customers. Other services may also be contracted for at comparable rates as others are charged. The amounts paid for these services are as follows:

	<u>2019</u>	<u>2018</u>
Security services	\$ 4,474	\$ 3,264
Utilities for FMAA	25,738	18,263
ARFF Training	854	964

The amount due to the City of Hailey at September 30, 2019, is \$4,250 and was paid within 60 days. The amount due to the City of Hailey at September 30, 2018, is \$2,790 and was paid within 60 days.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019 and 2018

Blaine County, Idaho, is one of the entities that created the Authority by entering into a Joint Powers Agreement. The Authority paid Blaine County for a grant filing fee related to AIP 47. The amounts paid are as follows:

	<u>2019</u>	<u>2018</u>
Contracts	\$ 108	\$ -

There was nothing due to Blaine County at September 30, 2019 or 2018.

Note 16. Subsequent Event

On November 10, 2018, the Authority signed an agreement to acquire real property for a total purchase price of \$2,261,000. The grant funding was obtained from the FAA and the closing occurred on November 22, 2019.

SUPPLEMENTARY INFORMATION

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
For the Year Ended September 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>(Under)</u>
			<u>Basis</u>	<u>Budget</u>
Operating Revenue:				
Airlines	\$ 580,000	\$ 580,000	\$ 555,206	\$ (24,794)
Automobile rental	764,745	764,745	717,833	(46,912)
Auto parking	475,000	475,000	500,053	25,053
Rents, fees, commissions and leases	1,854,190	1,854,190	1,823,406	(30,784)
Fuel flowage fees	355,000	355,000	363,004	8,004
Other operating revenue	-	-	22,831	22,831
Total Operating Revenue	<u>4,028,935</u>	<u>4,028,935</u>	<u>3,982,333</u>	<u>(46,602)</u>
Operating Expenses:				
Employee wages, benefits and taxes	1,775,046	1,775,046	1,632,326	(142,720)
Supplies	161,000	161,000	142,025	(18,975)
Utilities	152,650	152,650	146,061	(6,589)
Services and contracts	592,925	592,925	754,936	162,011
Repairs and maintenance	418,450	418,450	449,698	31,248
Insurance	50,692	50,692	50,692	-
Other operating expense	290,675	290,675	264,724	(25,951)
Total Operating Expenses	<u>3,441,438</u>	<u>3,441,438</u>	<u>3,440,462</u>	<u>(976)</u>
Operating Income	<u>587,497</u>	<u>587,497</u>	<u>541,871</u>	<u>(45,626)</u>
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	380,000	380,000	411,321	31,321
Interest income	24,550	24,550	44,588	20,038
Interest expense	(6,600)	(6,600)	(6,545)	55
Local match contributions	-	-	-	-
Federal grants	369,700	369,700	-	(369,700)
Federal grant expenditures	(365,000)	(365,000)	-	365,000
Total Nonoperating Revenue and (Expenses)	<u>402,650</u>	<u>402,650</u>	<u>449,364</u>	<u>46,714</u>
Capital Contributions	<u>4,877,610</u>	<u>4,877,610</u>	<u>1,580,903</u>	<u>(3,296,707)</u>
Capital Expenditures	<u>(6,561,633)</u>	<u>(6,561,633)</u>	<u>(1,777,357)</u>	<u>4,784,276</u>
Change in Net Position	<u>\$ (693,876)</u>	<u>\$ (693,876)</u>	<u>\$ 794,781</u>	<u>\$ 1,488,657</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**RECONCILIATION OF BUDGETARY BASIS TO GAAP
For the Year Ended September 30, 2019**

	<u>Actual Budgetary Basis</u>	<u>GAAP Basis</u>	<u>Difference</u>	<u>Number of Explanation</u>
Operating Revenue:				
Airlines	\$ 555,206	\$ 555,206	\$ -	
Automobile rental	717,833	717,833	-	
Auto parking	500,053	500,053	-	
Rents, fees, commissions and leases	1,823,406	1,823,406	-	
Fuel flowage fees	363,004	363,004	-	
Other operating revenue	22,831	22,831	-	
Total Operating Revenue	<u>3,982,333</u>	<u>3,982,333</u>	<u>-</u>	
Operating Expenses:				
Employee wages, benefits and taxes	1,632,326	1,667,980	35,654	1
Supplies	142,025	142,025	-	
Utilities	146,061	146,061	-	
Services and contracts	754,936	754,936	-	
Repairs and maintenance	449,698	449,698	-	
Insurance	50,692	50,692	-	
Other operating expense	264,724	264,724	-	
Depreciation	-	3,584,636	3,584,636	2
Total Operating Expenses	<u>3,440,462</u>	<u>7,060,752</u>	<u>3,620,290</u>	
Operating Income	<u>541,871</u>	<u>(3,078,419)</u>	<u>(3,620,290)</u>	
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	411,321	411,321	-	
Interest income	44,588	44,588	-	
Interest expense	(6,545)	(6,545)	-	
Gain (loss) on disposition of capital assets	-	-	-	4
Local match contributions	-	-	-	
Federal grants	-	-	-	
Federal grant expenditures	-	-	-	
Total Nonoperating Revenue and (Expenses)	<u>449,364</u>	<u>449,364</u>	<u>-</u>	
Capital Contributions	<u>1,580,903</u>	<u>1,580,903</u>	<u>-</u>	
Capital Expenditures	<u>(1,777,357)</u>	<u>-</u>	<u>1,777,357</u>	3
Change in Net Position	<u>\$ 794,781</u>	<u>\$ (1,048,152)</u>	<u>\$ (1,842,933)</u>	

1. Accruals of compensated absences are not budgeted but are reported for GAAP.
2. Depreciation expense is not budgeted but is reported for GAAP.
3. Capital asset purchases are budgeted as an expense but are reported as an asset for GAAP.
4. Gain or loss on disposition of capital assets is not budgeted but is reported for GAAP.

FEDERAL REPORTS

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

To the Board
Friedman Memorial Airport Authority
Hailey, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Friedman Memorial Airport Authority, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Friedman Memorial Airport Authority's basic financial statements, and have issued our report thereon dated January 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Friedman Memorial Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friedman Memorial Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





Compliance and Other Matters

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

Purpose of this Report

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

Harris CPAs

Meridian, Idaho
January 7, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board
Friedman Memorial Airport Authority
Hailey, Idaho

Report on Compliance for Each Major Federal Program

We have audited Friedman Memorial Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Friedman Memorial Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Friedman Memorial Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Friedman Memorial Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Friedman Memorial Airport Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.





Report on Internal Control over Compliance

Management of Friedman Memorial Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harris CPAs

Meridian, Idaho
January 7, 2020

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year Ended September 30, 2019

Federal Grantor Program Title:	Federal CFDA Number	Total Federal Expenditures
<u>Department of Transportation Programs</u>		
Airport Improvement Program	20.106	\$ 1,540,903
<i>Total Department of Transportation Programs</i>		<u>1,540,903</u>
Total Expenditures of Federal Awards		\$ <u>1,540,903</u>

See accompanying notes to schedule of expenditures of federal awards.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2019**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Friedman Memorial Airport Authority under programs of the federal government for the year ended September 30, 2019. The Information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Friedman Memorial Airport Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Friedman Memorial Airport Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Friedman Memorial Airport Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? _____ yes X no

Identification of major programs:

CFDA Number

20.106
Dollar threshold used to distinguish between type A and type B programs:

Name of Federal Program

Airport Improvement Program
\$ 750,000

Auditee qualified as a low-risk auditee? _____ yes X no

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2018**

There were no prior audit findings