

Financial Statements

Friedman Memorial Airport Authority
Includes Supplementary Information
Years Ended September 30, 2020 and 2019



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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, 2020 and 2019, 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, 2020 and 2019, 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 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 this information is 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 5, 2021, 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 5, 2021



FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020 and 2019**

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, 2020. 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 2020 included Chicago (limited – winter only), Denver, Los Angeles, Salt Lake City, San Francisco, and Seattle. In 2019, enplanements were down 3% over 2018.

Through November 2020, calendar year 2020 passenger enplanements decreased 59% through the same period in 2019. The decrease in enplanements was a result of the global COVID 19 pandemic. The pandemic forced airlines to pull flights based on a sharp and sustained decline in passenger demand. The decline in air service demand was due to traveler's concern for health and safety along with domestic and international travel restrictions. That said, General Aviation activity, including charter and corporate jet demand, increased late spring through fall. The increase in General Aviation activity has resulting on overall operations counts (take-offs and landing) very close to 2019 levels through November 2020. Still, the pandemic has challenged the aviation sector unlike anything in aviation history, far surpassing the impact of the 9/11 terrorist attacks.

As has historically been the case at SUN, traveler inconvenience due to frequent flight cancellations and diversions as a result of high instrument approach weather minimums at the airport is an often-stated concern and reason for travelers to be reluctant to return to SUN. Alaska Airline's implementation of their new proprietary instrument approach procedure in the winter of 2016, allowing them to land in very low ceiling and visibility conditions, has proved to be a significant improvement. Since mid-2018, with the expertise of an instrument approach designer, the Authority has made significant progress in improving instrument approach capabilities for other air carriers, and some corporate jets operators, that should result in significantly improve reliability and less diversions. The new approach has been approved by the FAA and will be in use as of December 2020.

In partnership with 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

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020 and 2019

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 2020 saw the Authority and staff continue to focus on maintenance and upkeep of our facilities, with a conservative approach to expenditures given the reduction in activity as a result of the global pandemic. The effects of the global pandemic will spill into fiscal year 2021 and potentially beyond. The recovery is projected to take several years. However, the Authority is financially well positioned to sustain operations given financially prudent business decisions and the supplemental fund provided by the FAA via the CARES Act grant obtained in 2020.

The Authority completed significant capital improvements in 2020, including pavement maintenance and rehabilitation to various areas of the airfield along with re-striping the Runway and sections of Taxiway Bravo. Snow removal equipment is key to maintaining the airfield and bolstering/replacing an aged fleet has been a high priority for the Authority. The Authority took possession of a new piece of snow removal equipment in 2020, referred to as Multi-Tasking Equipment (MTE). This equipment will be a force multiplier for winter snow removal operations as it serves two functions (both plow and broom) with one operator. Also, in early Fiscal Year 2020, the Authority finalized the acquisition of approximately 64.21 acres of land south of the airport for purposes of Runway Protection Zone and obstruction removal (trees).

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.

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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020 and 2019**

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 \$57,868,757 as of September 30, 2020, an increase of \$2,881,712 from the prior year. A condensed summary of the Authority's financial position at September 30th is shown below.

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
ASSETS:				
Current Assets	\$ 7,324,295	\$ 4,204,487	\$ 3,119,808	74.2%
Capital Assets	<u>51,561,010</u>	<u>51,406,048</u>	<u>154,962</u>	.3%
Total Assets	<u>58,885,305</u>	<u>55,610,535</u>	<u>3,274,770</u>	5.9%
LIABILITIES:				
Current Liabilities	1,006,446	406,550	599,896	147.6%
Noncurrent Liabilities	<u>10,102</u>	<u>216,940</u>	<u>(206,838)</u>	-95.3%
Total Liabilities	<u>1,016,548</u>	<u>623,490</u>	<u>393,058</u>	63.0%
NET POSITION:				
Invested in capital assets	51,561,010	51,334,540	226,470	.4%
Restricted	5,500	5,500	-	-
Unrestricted	<u>6,302,247</u>	<u>3,647,005</u>	<u>2,655,242</u>	72.8%
Net Position	<u>\$ 57,868,757</u>	<u>\$ 54,987,045</u>	<u>\$ 2,881,712</u>	5.2%

The largest portion of the Authority's net position is invested in capital assets (e.g. land, buildings, improvements and equipment). 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.

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>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Operating Revenue	\$ 3,795,867	\$ 3,982,333	\$ (186,466)	-4.7%
Operating Expenses	<u>7,125,369</u>	<u>7,060,752</u>	<u>64,617</u>	0.9%
Operating (income/loss)	(3,329,502)	(3,078,419)	(251,083)	-8.2%
Non-operating Revenue (Expenses)	2,891,095	449,364	2,441,731	543.4%
Capital Contributions	<u>3,320,119</u>	<u>1,580,903</u>	<u>1,739,216</u>	110.0%
Changes in net position	2,881,712	(1,048,152)	3,929,864	374.9%
Beginning net position	<u>54,987,045</u>	<u>56,035,197</u>	<u>(1,048,152)</u>	-1.9%
Ending net position	<u>\$57,868,757</u>	<u>\$54,987,045</u>	<u>\$ 2,881,712</u>	5.2%

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020 and 2019

Operating revenue decreased 4.7% from the prior fiscal year. The operating revenue item with the largest decrease was Auto parking revenue with a 40.9% decrease from the prior fiscal year. All other sources of operating revenue decreased from the prior fiscal year except for Rents, fees, commissions and leases as well as other Operating revenue.

Operating expenses increased by 0.9% over the prior fiscal year. There was a 15.4% increase in Supplies and a 19.5% decrease in Repairs and maintenance from the prior fiscal year. Additionally, all other operating expense categories increased over the prior fiscal year except for Other operating expenses which decreased by 6.2%.

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, 2020. 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	\$4,027,920	\$3,795,867	\$ (232,053)
Total Operating Expenses	<u>3,651,504</u>	<u>3,462,270</u>	<u>(189,234)</u>
Operating Income (loss)	<u>\$ 376,416</u>	<u>\$ 333,597</u>	<u>\$ (42,819)</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. Debt service for principal paid is budgeted but is not reported as an expense 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.

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, 2020, net capital assets totaled \$51,561,010. The Authority acquired or constructed almost \$3.8 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 consist of accrued compensated absences. 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, 2020, was \$163,077. Currently, the Authority has no long-term debt outstanding nor are there any plans to incur any long-term debt.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020 and 2019

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, 2020 and 2019**

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 3,584,325	\$ 2,974,973
Operating accounts receivable	344,694	381,447
Due from other governments	3,383,740	835,008
Interest receivable	1,439	2,636
Prepaid expenses	4,597	4,923
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Total Current Assets	<u>7,324,295</u>	<u>4,204,487</u>
Noncurrent Assets:		
Land	6,712,067	6,712,067
Construction in progress	4,224,509	704,532
Airfield, buildings, equipment, improvements, plans and studies	<u>71,274,957</u>	<u>71,012,527</u>
	82,211,533	78,429,126
Accumulated depreciation	<u>(30,650,523)</u>	<u>(27,023,078)</u>
Total Noncurrent Assets	<u>51,561,010</u>	<u>51,406,048</u>
 Total Assets	 <u>58,885,305</u>	 <u>55,610,535</u>
LIABILITIES		
Current Liabilities:		
Trade accounts payable	155,051	193,526
Payable City of Hailey	5,157	4,250
Accounts payable for capital improvements	686,362	47,768
Accrued payroll and benefits	5,201	4,040
Customer deposits	1,700	1,700
Current portion of long-term liabilities	<u>152,975</u>	<u>155,266</u>
Total Current Liabilities	<u>1,006,446</u>	<u>406,550</u>
Long-Term Liabilities:		
Accrued compensated absences	163,077	300,698
Loan payable	-	71,508
Current portion of long-term liabilities	<u>(152,975)</u>	<u>(155,266)</u>
Total Long-Term Liabilities	<u>10,102</u>	<u>216,940</u>
Total Liabilities	<u>1,016,548</u>	<u>623,490</u>
NET POSITION		
Net investment in capital assets	51,561,010	51,334,540
Restricted	5,500	5,500
Unrestricted	<u>6,302,247</u>	<u>3,647,005</u>
Total Net Position	<u>\$ 57,868,757</u>	<u>\$ 54,987,045</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

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

For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue:		
Airlines	\$ 525,949	\$ 555,206
Automobile rental	591,692	717,833
Auto parking	295,361	500,053
Rents, fees, commissions and leases	2,014,493	1,823,406
Fuel flowage fees	315,021	363,004
Other operating revenue	53,351	22,831
Total Operating Revenue	3,795,867	3,982,333
Operating Expenses:		
Employee wages, benefits and taxes	1,724,899	1,667,980
Supplies	163,828	142,025
Utilities	149,289	146,061
Services and contracts	796,353	754,936
Repairs and maintenance	362,009	449,698
Insurance	53,257	50,692
Other operating expense	248,289	264,724
Depreciation	3,627,445	3,584,636
Total Operating Expenses	7,125,369	7,060,752
Operating Income (Loss)	(3,329,502)	(3,078,419)
Nonoperating Revenue (Expenses):		
Passenger Facility Charges	236,652	411,321
Interest income	32,930	44,588
Interest expense	(2,904)	(6,545)
CARES Act revenue	2,624,417	-
Total Nonoperating Revenue (Expenses)	2,891,095	449,364
Income (Loss) before Capital Contributions	(438,407)	(2,629,055)
Capital Contributions	3,320,119	1,580,903
Change in Net Position	2,881,712	(1,048,152)
Net Position, Beginning of Year	54,987,045	56,035,197
Net Position, End of Year	\$ 57,868,757	\$ 54,987,045

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**STATEMENTS OF CASH FLOWS
ENTERPRISE FUND**

For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,832,620	\$ 3,748,460
Cash payments to employees for services and benefits	(1,861,359)	(1,630,671)
Cash payments to suppliers for goods and services	<u>(1,810,267)</u>	<u>(2,548,118)</u>
Net cash provided (used) by operating activities	<u>160,994</u>	<u>(430,329)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local match contributions	-	171,563
Noncapital financing	<u>149,165</u>	<u>500,000</u>
Net cash provided (used) by noncapital financing activities	<u>149,165</u>	<u>671,563</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,143,813)	(2,552,959)
Payments on long-term debt	(71,508)	(46,525)
Interest payments on long-term debt	(2,904)	(6,545)
Grants and other amounts received for the purchase of capital assets	3,246,639	1,549,290
Passenger Facility Charges received for the purchase of capital assets	<u>236,652</u>	<u>411,321</u>
Net cash provided (used) by capital and related financing activities	<u>265,066</u>	<u>(645,418)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	<u>34,127</u>	<u>46,326</u>
Net cash provided (used) by investing activities	<u>34,127</u>	<u>46,326</u>
Net increase (decrease) in cash and cash equivalents	609,352	(357,858)
Balances - beginning of the year	<u>2,980,473</u>	<u>3,338,331</u>
Balances - end of the year	<u>\$ 3,589,825</u>	<u>\$ 2,980,473</u>
RECONCILIATION OF CASH BALANCES TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 3,584,325	\$ 2,974,973
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Total cash balances on Statements of Net Position	<u>\$ 3,589,825</u>	<u>\$ 2,980,473</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (3,329,502)</u>	<u>\$ (3,078,419)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,627,445	3,584,636
Change in assets and liabilities:		
(Increase) decrease in operating accounts receivable	36,753	(234,173)
(Increase) decrease in prepaid expenses	326	11,716
(Increase) decrease in construction in progress treated as services and contracts	-	1,870
Increase (decrease) in accounts payable trade	(37,568)	(753,568)
Increase (decrease) in accrued payroll and benefits	1,161	1,655
Increase (decrease) in customer deposits	-	300
Increase (decrease) in accrued compensated absences	<u>(137,621)</u>	<u>35,654</u>
Total Adjustment and Changes	<u>3,490,496</u>	<u>2,648,090</u>
Net cash provided (used) by operating activities	<u>\$ 160,994</u>	<u>\$ (430,329)</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019

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 (GASB), 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 Years Ended September 30, 2020 and 2019

Components of Net Position

GASB establishes standards for external financial reporting for state and local governments and components thereof. The Authority's net position is classified into three categories according to external restrictions or availability of assets for satisfaction of the Authority's obligations. The Authority's net position is classified as follows:

- *Net Investment in Capital Assets* – This represents the Authority's total investment in capital assets, net of outstanding obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- *Restricted* - This represents resources which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Unrestricted* – This represents resources derived from operations that may be used at the discretion of the board of directors for any purpose.

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

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.

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.

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

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019

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. Debt service for principal paid is budgeted but is not reported as an expense for GAAP.

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.

Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2022.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Authority does not believe this pronouncement will have a significant impact on their financial statements but are still making a full evaluation.

Note 2. Deposits and Investments

The following is a reconciliation of the Authority's deposit and investment balances as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 200	\$ 200
Bank deposits	16,101	79,160
Repurchase agreement	553,611	1,511,284
State of Idaho Local Government Investment Pool	<u>3,019,913</u>	<u>1,389,829</u>
	<u>\$ 3,589,825</u>	<u>\$ 2,980,473</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.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019**

Credit Risk

The Authority has no formal policy on managing credit risk. As of September 30, 2020 and 2019, the Authority's deposits and investment had the following credit ratings:

<u>Investment</u>	2020 <u>Fair Value</u>	2019 <u>Fair Value</u>	<u>Credit Rating</u>
Mountain West Checking	\$ 9,928	\$ 73,058	None
Mountain West Certificate of Deposit	6,173	6,102	None
Mountain West Repurchase Agreement	553,611	1,511,284	None
State of Idaho Local Government Investment Pool	3,019,913	1,389,829	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.

As of September 30, 2020, the carrying amount of the Authority's bank deposits was \$569,712 and the respective bank balances totaled \$628,162. The Authority's deposits at September 30, 2020, were covered by \$38,520 of insurance from the Federal Depository Insurance Corporation and \$589,642 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, 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.

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, 2020 and 2019, the Authority had more than 5% of its deposits and investments invested in a repurchase agreement with Mountain West Bank. At September 30, 2020, 100% of the repurchase agreement was invested in a Delano California Union Elementary School District Refunding Series A municipal bond. At September 30, 2019, 100% of the repurchase agreement was invested in the Federal Home Loan 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, 2020 and 2019:

<u>Investment</u>	2020 <u>Fair Value</u>	Weighted Average <u>Duration</u>	2019 <u>Fair Value</u>	Weighted Average <u>Duration</u>
Repurchase agreement	\$ 553,611	1 day	\$ 1,511,284	1 day
Investment pool	3,019,913	158 days	1,389,829	127 days
Certificate of Deposit	6,173	1 yrs 16 days	6,102	2 yrs 16 days
Demand deposits	9,928	not applicable	73,058	not applicable

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019**

Note 3. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 9/30/2019	Increase	Decrease	Transfer	Balance 9/30/2020
Nondepreciable capital assets:					
Land	\$ 6,712,067	\$ -	\$ -	\$ -	\$ 6,712,067
Construction in progress*	704,532	3,519,978	-	-	4,224,510
Depreciable capital assets:					
Buildings and improvements	5,715,166	-	-	-	5,715,166
Airfield and general improvements	53,992,819	204,053	-	-	54,196,872
Office equipment	69,369	-	-	-	69,369
Security	158,623	9,080	-	-	167,703
Maintenance equipment & vehicles	3,910,166	49,296	-	-	3,959,462
Assessments, plans & studies	7,166,384	-	-	-	7,166,384
	<u>78,429,126</u>	<u>3,782,407</u>	<u>-</u>	<u>-</u>	<u>82,211,533</u>
Accumulated depreciation	<u>(27,023,078)</u>	<u>(3,627,445)</u>	<u>-</u>	<u>-</u>	<u>(30,650,523)</u>
	<u>\$ 51,406,048</u>	<u>\$ 154,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,561,010</u>

*Construction in progress includes amounts for six airport improvement projects, as listed in Note 13, that were not completed as of September 30, 2020. The largest of these projects totals \$2,457,025.

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
	<u>76,668,911</u>	<u>1,777,357</u>	<u>(17,142)</u>	<u>-</u>	<u>78,429,126</u>
Accumulated depreciation	<u>(23,453,713)</u>	<u>(3,584,636)</u>	<u>15,271</u>	<u>-</u>	<u>(27,023,078)</u>
	<u>\$ 53,215,198</u>	<u>\$ (1,807,279)</u>	<u>\$ (1,871)</u>	<u>\$ -</u>	<u>\$ 51,406,048</u>

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

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, 2020 and 2019, are as follows:

	2020	2019
Current	\$ 327,334	\$ 200,417
30-60 days	3,061	2,070
60-90 days	16,835	31,209
90 days and over	<u>(2,536)</u>	<u>147,751</u>
	<u>\$ 344,694</u>	<u>\$ 381,447</u>
Due from other governments	<u>\$ 3,383,740</u>	<u>\$ 835,008</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019**

Note 5. Long-term Liabilities

Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Balance at 10/01/2019	Additions	Reductions	Balance 9/30/2020	Amount due within 1 year
Loan payable	\$ 71,508	\$ -	\$ 71,508	\$ -	\$ -
Compensated absences	300,698	-	137,621	163,077	152,975
	<u>\$ 372,206</u>	<u>\$ -</u>	<u>\$ 209,129</u>	<u>\$ 163,077</u>	<u>\$ 152,975</u>

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>

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, 2020 and 2019, respectively, were \$0 and \$71,508.

Compensated Absences: All employees receive 120 hours of sick leave per year up to a maximum accrual of 480 hours. Vacation is received based on years of service. Those with up to two years of service receive 80 hours of vacation annually and the hours received increase 10 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, 2020 and 2019, respectively, were \$163,077 and \$300,698.

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 \$149,833 and \$133,144 for the years ended September 30, 2020 and 2019, 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, 2020 and 2019, respectively.

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 \$146,374 and \$124,324 for the years ended September 30, 2020 and 2019.

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 Years Ended September 30, 2020 and 2019**

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 September 30</u>	
2021	\$ 954,238
2022	863,006
2023	834,279
2024	830,463
2025	830,463
2026 to 2030	3,378,304
2031 to 2035	1,465,842
2036 to 2038	<u>133,762</u>
Total	<u>\$ 9,290,357</u>

Note 10. Operating Leases

Total operating lease expenditures for the years ended September 30, 2020 and 2019, were \$88,930 and \$49,711, 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 September 30,</u>	<u>Total</u>
2021	\$ 1,171
2022	1,171
2023	<u>292</u>
	<u>\$ 2,634</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, 2020 and 2019.

The following schedule shows the amounts collected and expended:

	<u>2020</u>		<u>2019</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	\$ 236,629	\$ 271,053	\$ 411,321	\$ 416,748

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019**

Note 12. Capital Contributions

During the years ended September 30, 2020 and 2019, the Authority received the following capital contributions:

	<u>2020</u>	<u>2019</u>
Federal grants	\$ 3,305,119	\$ 1,540,903
Other sources	<u>15,000</u>	<u>40,000</u>
	<u>\$ 3,320,119</u>	<u>\$ 1,580,903</u>

Note 13. Commitments

The Authority had six open grants from the U.S. Department of Transportation Airport Improvement Program (AIP) as of September 30, 2020. 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
AIP 49	Acquire SRE, seal/crack repair existing pavement apron and taxiway
AIP 50	Conduct Miscellaneous Study (Terminal Area Narrative Plan)
AIP 51	Conduct Environmental Study

	<u>Total Budget</u>	<u>Federal Awards</u>	<u>Expenditures to date</u>
AIP 46	\$ 99,470	\$ 93,253	\$ 89,314
AIP 47	1,343,087	1,259,144	648,374
AIP 48	2,490,667	2,335,000	2,452,724
AIP 49	1,005,481	1,005,481	906,355
AIP 50	297,367	297,367	16,658
AIP 51	<u>212,101</u>	<u>212,101</u>	<u>34,922</u>
	<u>\$ 5,448,173</u>	<u>\$ 5,202,346</u>	<u>\$ 4,148,347</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.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019

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>2020</u>	<u>2019</u>
Security services	\$ 6,064	\$ 4,474
Utilities for FMAA	29,988	25,738
ARFF Training	-	854
Capital outlay	75	-

The amount due to the City of Hailey at September 30, 2020, is \$5,157 and was paid within 60 days. The amount due to the City of Hailey at September 30, 2019, is \$4,250 and was paid within 60 days.

Note 16. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. These measures included international travel restrictions and, in some states, orders to stay home. As a result, domestic travel across the United States has significantly declined. The pandemic and the resulting restrictions have caused disruption in aviation activity and passenger traffic at Friedman Memorial Airport Authority and at airports around the world.

On March 25, 2020, Congress and the White House agreed to a COVID-19 assistance package, which includes \$10 billion from the federal General Fund to remain available until expended for airports to prevent, prepare for, and respond to coronavirus. Through the assistance package, which was signed into law as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Authority received a grant award of \$11,400,000, of which \$2,624,417 of the funding was used as of September 30, 2020.

The Authority cannot predict the duration of COVID-19, the duration or expansion of travel restrictions and warnings, whether additional countries or destinations, will be added to the travel restrictions or warnings, what effect such travel restrictions and warnings may have on air travel to and from the Airport, and whether and to what extent COVID-19 may disrupt global supply chains and manufacturing operations around the world. No impairments were recorded as of the statement of net position date, as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Authority's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
For the Year Ended September 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	<u>(Under)</u> <u>Budget</u>
Operating Revenue:				
Airlines	\$ 550,000	\$ 550,000	\$ 525,949	\$ (24,051)
Automobile rental	714,600	714,600	591,692	(122,908)
Auto parking	525,000	525,000	295,361	(229,639)
Rents, fees, commissions and leases	1,868,320	1,868,320	2,014,493	146,173
Fuel flowage fees	365,000	365,000	315,021	(49,979)
Other operating revenue	5,000	5,000	53,351	48,351
Total Operating Revenue	<u>4,027,920</u>	<u>4,027,920</u>	<u>3,795,867</u>	<u>(232,053)</u>
Operating Expenses:				
Employee wages, benefits and taxes	1,750,769	1,750,769	1,689,245	(61,524)
Supplies	200,600	200,600	163,828	(36,772)
Utilities	167,850	167,850	149,289	(18,561)
Services and contracts	650,800	650,800	796,353	145,553
Repairs and maintenance	514,600	514,600	362,009	(152,591)
Insurance	55,000	55,000	53,257	(1,743)
Other operating expense	311,885	311,885	248,289	(63,596)
Total Operating Expenses	<u>3,651,504</u>	<u>3,651,504</u>	<u>3,462,270</u>	<u>(189,234)</u>
Operating Income	<u>376,416</u>	<u>376,416</u>	<u>333,597</u>	<u>(42,819)</u>
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	395,000	395,000	236,652	(158,348)
Interest income	45,000	45,000	32,930	(12,070)
Interest expense	(6,600)	(6,600)	(2,904)	3,696
Debt service	(55,000)	(55,000)	(71,508)	(16,508)
Federal grants	-	-	2,624,417	2,624,417
Total Nonoperating Revenue and (Expenses)	<u>378,400</u>	<u>378,400</u>	<u>2,819,587</u>	<u>2,441,187</u>
Capital Contributions	<u>2,865,422</u>	<u>2,865,422</u>	<u>3,320,119</u>	<u>454,697</u>
Capital Expenditures	<u>(3,356,950)</u>	<u>(3,356,950)</u>	<u>(3,782,407)</u>	<u>(425,457)</u>
Change in Net Position	<u>\$ 263,288</u>	<u>\$ 263,288</u>	<u>\$ 2,690,896</u>	<u>\$ 2,427,608</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**RECONCILIATION OF BUDGETARY BASIS TO GAAP
For the Year Ended September 30, 2020**

	Actual Budgetary Basis	GAAP Basis	Difference	Number of Explanation
Operating Revenue:				
Airlines	\$ 525,949	\$ 525,949	\$ -	
Automobile rental	591,692	591,692	-	
Auto parking	295,361	295,361	-	
Rents, fees, commissions and leases	2,014,493	2,014,493	-	
Fuel flowage fees	315,021	315,021	-	
Other operating revenue	53,351	53,351	-	
Total Operating Revenue	<u>3,795,867</u>	<u>3,795,867</u>	<u>-</u>	
Operating Expenses:				
Employee wages, benefits and taxes	1,689,245	1,724,899	35,654	1
Supplies	163,828	163,828	-	
Utilities	149,289	149,289	-	
Services and contracts	796,353	796,353	-	
Repairs and maintenance	362,009	362,009	-	
Insurance	53,257	53,257	-	
Other operating expense	248,289	248,289	-	
Depreciation	-	3,627,445	3,627,445	2
Total Operating Expenses	<u>3,462,270</u>	<u>7,125,369</u>	<u>3,663,099</u>	
Operating Income	<u>333,597</u>	<u>(3,329,502)</u>	<u>(3,663,099)</u>	
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	236,652	236,652	-	
Interest income	32,930	32,930	-	
Interest expense	(2,904)	(2,904)	-	
Debt service	(71,508)	-	71,508	4
Federal grants	2,624,417	2,624,417	-	
Total Nonoperating Revenue and (Expenses)	<u>2,819,587</u>	<u>2,891,095</u>	<u>71,508</u>	
Capital Contributions	<u>3,320,119</u>	<u>3,320,119</u>	<u>-</u>	
Capital Expenditures	<u>(3,782,407)</u>	<u>-</u>	<u>3,782,407</u>	3
Change in Net Position	<u>\$ 2,690,896</u>	<u>\$ 2,881,712</u>	<u>\$ 190,816</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. Debt service for principal paid is budgeted but is not reported as an expense 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, 2020, 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 5, 2021.

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 5, 2021



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 the Authority's major federal program for the year ended September 30, 2020. 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 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 its major federal program for the year ended September 30, 2020.





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 the major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for the 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 5, 2021

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year Ended September 30, 2020

Federal Grantor Program Title:	Federal CFDA Number	Total Federal Expenditures
<u>Department of Transportation Programs</u>		
Airport Improvement Program	20.106	\$ 5,929,536
<i>Total Department of Transportation Programs</i>		<u>5,929,536</u>
Total Expenditures of Federal Awards		\$ <u>5,929,536</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020**

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, 2020. 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, 2020

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:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low-risk auditee?	<u> X </u> yes _____ no

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

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, 2019**

There were no prior audit findings