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Financial Statements

Friedman Memorial Airport Authority

Includes Supplementary Information

Years Ended September 30, 2022 and 2021

Helping you succeed, financially and beyond.

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INDEPENDENT AUDITORS' REPORT

To the Board
Friedman Memorial Airport Authority
Hailey, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Friedman Memorial Airport Authority as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Friedman Memorial Airport Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Friedman Memorial Airport Authority as of September 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friedman Memorial Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Friedman Memorial Airport Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friedman Memorial Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friedman Memorial Airport Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming and opinion on the financial statements that collectively comprise Friedman Memorial Airport Authority's 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 presented for purposes of additional analysis and are not a required part of the basic financial statements *as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 12, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 12, 2023

As management of the Friedman Memorial Airport Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended September 30, 2022 and 2021. Please read it in conjunction with the accompanying financial statements and notes to the financial statements.

Financial Highlights

Following are the financial highlights of the Authority for the years ended September 30, 2022 and 2021:

- The Authority's total assets exceeded its total liabilities and deferred inflows of resources at the close of fiscal years 2022 and 2021 by $83,584,903 and $58,593,141 (net position), respectively. Of these amounts, $11,115,636 and $8,402,401, respectively, represent unrestricted net position which may be used to meet the Authority's ongoing obligations.

- The Authority's net position increased in fiscal year 2022 by $24,991,762 as compared to an increase in net position of $724,384 during fiscal year 2021. The increase in net position in fiscal year 2022 was due primarily to grant revenue and capital contributions which totaled $27,148,182 as compared to $3,503,414 in fiscal year 2021.

- During fiscal year 2022, the Authority recognized $5,457,122 in Coronavirus Aid, Relief, and Economic Security (CARES) Act federal grant revenues as compared to $2,000,000 in fiscal year 2021.

- During fiscal year 2022, the Authority implemented GASB Statement No. 87, *Leases*, which required restating the amounts previously reported on the Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position for fiscal year 2021.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the Authority's 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.

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. A condensed summary of the Authority's financial position at September 30, 2022 and 2021 is shown below.

	2022	2021	Increase (Decrease)	Percentage Change
ASSETS:				
Current Assets	$ 12,853,806	$ 9,393,405	$ 3,460,401	36.8%
Noncurrent Assets	73,341,637	50,185,240	23,156,397	46.1%
Total Assets	86,195,443	59,578,645	26,616,798	44.7%
LIABILITIES:				
Current Liabilities	1,727,098	399,995	1,327,103	331.8%
Long-term Liabilities	75,357	152,376	(77,019)	-50.5%
Total Liabilities	1,802,455	552,371	1,250,084	226.3%
DEFERRED INFLOWS OF RESOURCES	808,085	433,133	374,952	86.6%
NET POSITION:				
Invested in capital assets	72,463,767	50,185,240	22,278,527	44.4%
Restricted	5,500	5,500	-	-
Unrestricted	11,115,636	8,402,401	2,713,235	32.3%
Net Position	$ 83,584,903	$ 58,593,141	$ 24,991,762	42.7%

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 30, 2022 and 2021 is shown below.

	2022	2021	Increase (Decrease)	Percentage Change
Operating Revenue	$ 4,802,900	$ 4,349,698	$ 453,202	10.4%
Operating Expenses	7,409,771	7,511,877	(102,116)	-1.4%
Operating (income/loss)	(2,606,871)	(3,162,179)	555,308	17.6%
Non-operating Revenue (Expenses)	2,450,451	2,383,149	67,302	2.8%
Capital Contributions	25,148,182	1,503,414	23,644,768	1,572.7%
Changes in net position	24,991,762	724,384	24,267,378	3,350.1%
Beginning net position	58,593,141	57,868,757	724,384	1.3%
Ending net position	$83,584,903	$58,593,141	$24,991,762	42.7%

Operating revenue increased 10.4% from the prior fiscal year. The operating revenue item with the largest increase was Auto parking revenue with a 55.1% increase from the prior fiscal year. All other sources of operating revenue increased from the prior fiscal year except for Rents, fees, commissions and leases and Other operating revenue.

Operating expenses decreased by 1.4% over the prior fiscal year. There was a 6.1% increase in Employee wages, benefits and taxes; a 13.9% increase in Supplies; and a 47.1% decrease in Other operating expense from the prior fiscal year.

Comparison of Budget and Actual Results

The Authority amended its *Budgeted Revenue, Expenses and Changes in Net Position* during the fiscal year ending September 30, 2022. The amended budget increased operating revenue by $62,500; decreased operating expenses by $19,500; decreased nonoperating revenue and expenses by $17,930; increased capital contributions by $6,214,742; and increased capital expenditures by $8,714,617 for an overall decrease to change in net position of $2,435,805. A summary of operating revenue and expenses based on the actual budgetary basis as compared to the final budget is shown below.

	Budget	Actual	Variance
Total Operating Revenue	$4,186,320	$4,811,530	$ 625,210
Total Operating Expenses	4,233,749	3,674,565	(559,184)
Operating Income (loss)	$ (47,429)	$1,136,965	$ 1,184,394

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 and amortization 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. The interest portion of lease receivable payments received is budgeted as rent revenue but reported as interest income for GAAP.
5. Principal received on leases receivable is budgeted as rent revenue but reported as a reductio to leases receivable for GAAP.
6. Amortization of deferred inflow of resources for leases is not budgeted but is reported as rent revenue for GAAP.
7. The interest portion of lease payable payments paid is budgeted as operating expenses but reported as interest expense for GAAP.

8. Principal paid on leases payable is budgeted as operating expense but reported as a reduction to leases payable 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 the end of fiscal year 2022, capital assets (net of accumulated depreciation and amortization) totaled $72,593,360 as compared to $49,761,816 at the end of fiscal year 2021, an increase of $22,831,544. The Authority acquired or constructed $26.6 million in capital assets during fiscal year 2022 as detailed in Note 3 of the Notes to the Financial Statements.

Long-term Liabilities

At the end of fiscal year 2022, the Authority had $272,707 in total long-term liabilities as compared to $332,254 at the end of fiscal year 2021, a decrease of $59,547. The long-term liabilities include leases payable and accrued compensated absences and are detailed in Note 6 of the Notes to the Financial Statements.

Economic Factors

The Authority continues to be served by three air carriers – Delta, United, and Alaska Airlines. Delta and United Airlines remain year-round carriers (direct service to Salt Lake City and Denver) and Alaska providing seasonal service. Markets served by our three air carriers in 2022 included Chicago (limited – winter only), Denver, Los Angeles, Salt Lake City, San Francisco, and Seattle. During fiscal year 2022, enplanements were up 23% over fiscal year 2021. Through November 2022, calendar year 2022 passenger enplanements increased 6% through the same period in 2021. The increase in enplanements was a result of the global economic recovery still in progress and a continued demand by visitors to resort communities. Overall traffic operations (takeoffs and landings) have decreased this year. Through November 2022, total operations were down 10% compared to the same period for Calendar year 2021. The decrease in activity likely signals a return to pre-pandemic travel behaviors by General Aviation operators and is a consistent trend across the airport industry.

Operationally, fiscal year 2022 saw the Authority and staff continue to focus on maintenance and upkeep of our facilities, with a conservative approach to expenditures given the ongoing pandemic and future economic uncertainties. Airport revenue streams and passenger activity have rebounded to record levels in many cases; however, a conservative approach will be taken given the pandemic and economic uncertainties are still a factor. The Authority remains financially well positioned to sustain operations given financially prudent business decisions and the supplemental funds provided by the FAA.

This year, the Authority completed major runway, aircraft apron, and parking lot rehabilitation projects. The Authority also completed the Terminal Area Plan (TAP) to address passenger terminal needs. Snow removal equipment remains the 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 Aircraft Rescue Fire Fighting (ARFF) truck. This piece of equipment is paramount in maintaining our Federal Part 139 requirements.

Requests for Information

This financial report is designed to provide a general view of the Authority's finances for all those with an interest in the government's finances. Questions concerning any information contained provided in this report may be directed to the Airport Director, 1616 Airport Circle, Hailey, ID 83333.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

STATEMENTS OF NET POSITION
ENTERPRISE FUND
September 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,230,518	$ 8,370,054
Operating accounts receivable	446,140	440,812
Due from other governments	4,055,446	552,381
Leases receivable	106,434	19,633
Interest receivable	5,252	300
Prepaid expenses	4,516	4,725
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Total Current Assets	12,853,806	9,393,405
Noncurrent Assets:		
Leases receivable, noncurrent	748,277	423,424
Capital assets, net of accumulated depreciation	72,593,360	49,761,816
Total Noncurrent Assets	73,341,637	50,185,240
Total Assets	86,195,443	59,578,645
LIABILITIES		
Current Liabilities:		
Trade accounts payable	389,513	201,253
Payable City of Hailey	2,597	3,773
Accounts payable for capital improvements	1,123,240	1,748
Accrued payroll and benefits	13,398	12,143
Customer deposits	1,000	1,200
Current portion of long-term liabilities	197,350	179,878
Total Current Liabilities	1,727,098	399,995
Long-Term Liabilities:		
Leases payable	129,593	209,913
Accrued compensated absences	143,114	122,341
Current portion of long-term liabilities	(197,350)	(179,878)
Total Long-Term Liabilities	75,357	152,376
Total Liabilities	1,802,455	552,371
DEFERRED INFLOWS OF RESOURCES		
Leases	808,085	433,133
Total Deferred Inflows of Resources	808,085	433,133
NET POSITION		
Net investment in capital assets	72,463,767	50,185,240
Restricted	5,500	5,500
Unrestricted	11,115,636	8,402,401
Total Net Position	$ 83,584,903	$ 58,593,141

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
For the Years Ended September 30, 2022 and 2021

	2022	2021
Operating Revenue:		
Airlines	$ 579,808	$ 435,139
Automobile rental	966,849	799,547
Auto parking	631,913	407,517
Rents, fees, commissions and leases	2,176,479	2,260,058
Fuel flowage fees	445,112	430,541
Other operating revenue	2,739	16,896
Total Operating Revenue	4,802,900	4,349,698
Operating Expenses:		
Employee wages, benefits and taxes	1,732,829	1,633,382
Supplies	116,351	102,191
Utilities	143,847	143,079
Services and contracts	806,303	872,901
Repairs and maintenance	475,947	471,057
Insurance	52,409	53,124
Other operating expense	279,022	527,468
Depreciation	3,703,394	3,609,005
Amortization	99,669	99,670
Total Operating Expenses	7,409,771	7,511,877
Operating Income (Loss)	(2,606,871)	(3,162,179)
Nonoperating Revenue (Expenses):		
Passenger Facility Charges	389,413	301,066
Interest income	69,795	33,493
Interest expense	(8,757)	(66)
Gain (loss) on disposition of assets	-	48,656
CARES Act revenue	2,000,000	2,000,000
Total Nonoperating Revenue (Expenses)	2,450,451	2,383,149
Income (Loss) before Capital Contributions	(156,420)	(779,030)
Capital Contributions	25,148,182	1,503,414
Change in Net Position	24,991,762	724,384
Net Position, Beginning of Year	58,593,141	57,868,757
Net Position, End of Year	$ 83,584,903	$ 58,593,141

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
For the Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 4,760,670	$ 4,242,985
Cash payments to employees for services and benefits	(1,710,801)	(1,667,176)
Cash payments to suppliers for goods and services	(1,686,314)	(2,125,130)
Net cash provided (used) by operating activities	1,363,555	450,679
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital financing	2,000,000	4,475,252
Net cash provided (used) by noncapital financing activities	2,000,000	4,475,252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sales of capital assets	-	51,008
Acquisition and construction of capital assets	(25,513,387)	(2,297,991)
Payments on long-term debt	(80,320)	(88,543)
Interest payments on long-term debt	(8,757)	(66)
Grants and other amounts received for the purchase of capital assets	21,645,117	1,859,692
Passenger Facility Charges received for the purchase of capital assets	389,413	301,066
Net cash provided (used) by capital and related financing activities	(3,567,934)	(174,834)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	64,843	34,632
Net cash provided (used) by investing activities	64,843	34,632
Net increase (decrease) in cash and cash equivalents	(139,536)	4,785,729
Balances - beginning of the year	8,375,554	3,589,825
Balances - end of the year	$ 8,236,018	$ 8,375,554
RECONCILIATION OF CASH BALANCES TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	$ 8,230,518	$ 8,370,054
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Total cash balances on Statements of Net Position	$ 8,236,018	$ 8,375,554

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

	2022	2021
Operating income (loss)	$ (2,606,871)	$ (3,162,179)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,703,394	3,609,005
Amortization	99,669	99,670
Change in assets and liabilities:		
(Increase) decrease in operating accounts receivable	(5,328)	(96,289)
(Increase) decrease in leases receivable	(411,654)	20,650
(Increase) decrease in prepaid expenses	209	(128)
(Increase) decrease in construction in progress treated as services and contracts	272	-
Increase (decrease) in accounts payable trade	187,084	44,818
Increase (decrease) in accrued payroll and benefits	1,255	6,942
Increase (decrease) in customer deposits	(200)	(500)
Increase (decrease) in accrued compensated absences	20,773	(40,736)
Increase (decrease) in deferred inflows of resources - leases	374,952	(30,574)
Total Adjustment and Changes	3,970,426	3,612,858
Net cash provided (used) by operating activities	$ 1,363,555	$ 450,679

Note 1. Summary of Significant Accounting Policies

Organization

Effective May 16, 1994, Blaine County, Idaho, and the City of Hailey, Idaho, entered into a Joint Powers Agreement (JPA) creating the Friedman Memorial Airport Authority (Authority) for the purpose of operating and managing airport activities in Blaine County, Idaho. The JPA was amended and restated on May 18, 2021, and will remain valid through December 31, 2045. The JPA will automatically extend for successive ten year terms unless the City and County agree to terminate it.

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 accounting policies conform to generally accepted accounting principles applicable to proprietary funds of governmental units. Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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.

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.

Compensated Absences

The Authority accrues accumulated unpaid vacation, comp time and sick leave along with associated employer-related costs when earned by the employee. Upon termination, employees are paid full value for any accrued vacation and comp time earned and 25% of sick leave time.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position may include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, there are no items that qualify for reporting in this category.

In addition to liabilities, the statements of financial position may include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The statement of financial position reports the deferred portion of leases receivable as deferred inflows of resources.

Budget

The Authority is required by state law to adopt an annual budget. The budgetary basis differs from the basis of accounting used for the financial statements in multiple ways that are identified on the Reconciliation of Budgetary Basis to GAAP statement.

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.

New Accounting Pronouncements

GASB Statement No. 87, Leases - During the year ended September 30, 2022, the Authority implemented GASB Statement No. 87, *Leases*, which enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. 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. These changes were incorporated in the Authority's September 30, 2022, financial statements and required the restatement of the comparative September 30, 2021, financial statements. The implementation of GASB Statement No. 87 had the following effect on net position as reported at September 30, 2020:

Net Position at September 30, 2020	$57,868,757
Adjustments:	
Leases receivable	463,707
Deferred inflows – leases	(463,707)
Right to use leased assets	298,456
Lease liabilities	(298,456)
Restated Net Position at September, 30, 2020	$57,868,757

GASB Statement No. 92, Omnibus 2020 – During the year ended September 30, 2022, the Authority implemented GASB Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. No restatement of prior year financial statements was required.

Upcoming Accounting Pronouncements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will be effective for reporting periods beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) governments. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

GASB Statement No. 101, *Compensated Absences*, will be effective for reporting periods beginning after December 15, 2023. This Statement updates the recognition and measurement guidance for compensated absences. It requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability, as long as it is identified as a net change.

The Authority is evaluating the impact that the above GASB statements will have on its financial reporting.

Note 2. Deposits and Investments

The following is a reconciliation of the Authority's deposit and investment balances as of September 30, 2022 and 2021:

	2022	2021
Cash on hand	$ -	$ -
Bank deposits	137,499	119,342
Repurchase agreement	5,053,767	5,227,142
State of Idaho Local Government Investment Pool	3,044,752	3,029,070
	$ 8,236,018	$ 8,375,554

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, 2022 and 2021, the Authority's deposits and investment had the following credit ratings:

Investment	2022 Fair Value	2021 Fair Value	Credit Rating
Mountain West Checking	$ 131,237	$ 113,098	None
Mountain West Certificate of Deposit	6,262	6,244	None
Mountain West Repurchase Agreement	5,053,767	5,227,142	None
State of Idaho Local Government Investment Pool	3,044,752	3,029,070	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' 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, 2022, the carrying amount of the Authority's bank deposits was $5,191,266 and the respective bank balances totaled $5,315,336. The Authority's deposits at September 30, 2022, were covered by $157,272 of insurance from the Federal Depository Insurance Corporation and $5,158,064 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, 2021, the carrying amount of the Authority's bank deposits was $5,346,484 and the respective bank balances totaled $5,370,965. The Authority's deposits at September 30, 2021, were covered by $138,728 of insurance from the Federal Depository Insurance Corporation and $5,232,237 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, 2022 and 2021, the Authority had more than 5% of its deposits and investments invested in a repurchase agreement with Mountain West Bank. At September 30, 2022, 100% of the repurchase agreement was invested in the Federal National Mortgage Association. At September 30, 2021, 100% of the repurchase agreement was invested in a JP Morgan Chase bond.

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, 2022 and 2021:

Investment	2022 Fair Value	Weighted Average Duration	2021 Fair Value	Weighted Average Duration
Repurchase agreement	$ 5,053,767	3 days	$ 5,227,142	1 day
Investment pool	3,044,752	115 days	3,029,070	133 days
Certificate of Deposit	6,262	5 yrs 16 days	6,244	16 days
Demand deposits	131,237	not applicable	113,098	not applicable

Note 3. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance 9/30/2021	Increase	Decrease	Transfer	Balance 9/30/2022
Capital Assets not being Depreciated:					
Land	$ 6,712,067	$ 15,600,462	$ -	$ -	$ 22,312,529
Construction in progress*	5,730,682	8,282,654	-	(4,069,849)	9,943,487
Total Capital Assets not being Depreciated	12,442,749	23,883,116	-	(4,069,849)	32,256,016
Capital Assets being Depreciated:					
Buildings and improvements	5,715,166	67,091	-	-	5,782,257
Airfield and general improvements	54,297,463	421,993	-	4,062,377	58,781,833
Office equipment	69,369	-	(10,256)	-	59,113
Security	167,703	17,171	(14,816)	-	170,058
Maintenance equipment & vehicles	3,927,328	2,107,871	(230,099)	2,093	5,807,193
Assessments, plans & studies	7,166,384	137,365	-	5,379	7,309,128
Right to use leased assets – Equipment	298,456	-	-	-	298,456
Total Capital Assets being Depreciated	71,641,869	2,751,491	(255,171)	4,069,849	78,208,038

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

Less Accumulated Depreciation and Amortization:					
Buildings and improvements	(4,407,795)	(193,977)	-	-	(4,601,772)
Airfield and general improvements	(20,546,413)	(2,723,980)	-	-	(23,270,393)
Office equipment	(63,100)	(3,856)	10,256	-	(56,700)
Security	(154,164)	(3,328)	14,816	-	(142,676)
Maintenance equipment & vehicles	(3,068,515)	(239,539)	230,099	-	(3,077,955)
Assessments, plans & studies	(5,983,145)	(538,714)	-	-	(6,521,859)
Right to use leased assets – Equipment	(99,670)	(99,669)	-	-	(199,339)
Total Accumulated Depreciation and Amortization	(34,322,802)	(3,803,063)	255,171	-	(37,870,694)
Total Capital Assets being Depreciated, Net	37,319,067	(1,051,572)	-	4,069,849	40,337,344
Total Capital Assets, net	$ 49,761,816	$ 22,831,544	$ -	$ -	$ 72,593,360

*Construction in progress includes amounts for seven airport improvement projects, as listed in Note 13, that were not completed as of September 30, 2022. The largest of these projects totals $14,000,000.

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance 9/30/2020	Increase	Decrease	Transfer	Balance 9/30/2021
Capital Assets not being Depreciated:					
Land	$ 6,712,067	$ -	$ -	$ -	$ 6,712,067
Construction in progress*	4,224,510	1,596,615	-	(90,443)	5,730,682
Total Capital Assets not being Depreciated	10,936,577	1,596,615	-	(90,443)	12,442,749
Capital Assets being Depreciated:					
Buildings and improvements	5,715,166	-	-	-	5,715,166
Airfield and general improvements	54,196,872	10,148	-	90,443	54,297,463
Office equipment	69,369	-	-	-	69,369
Security	167,703	-	-	-	167,703
Maintenance equipment & vehicles	3,959,462	6,614	(38,748)	-	3,927,328
Assessments, plans & studies	7,166,384	-	-	-	7,166,384
Right to use leased assets – Equipment	298,456	-	-	-	298,456
Total Capital Assets being Depreciated	71,573,412	16,762	(38,748)	90,443	71,641,869
Less Accumulated Depreciation and Amortization:					
Buildings and improvements	(4,199,755)	(208,040)	-	-	(4,407,795)
Airfield and general improvements	(17,876,746)	(2,669,667)	-	-	(20,546,413)
Office equipment	(59,047)	(4,053)	-	-	(63,100)
Security	(148,075)	(6,089)	-	-	(154,164)
Maintenance equipment & vehicles	(2,939,079)	(165,832)	36,396	-	(3,068,515)
Assessments, plans & studies	(5,427,821)	(555,324)	-	-	(5,983,145)
Right to use leased assets – Equipment**	-	(99,670)	-	-	(99,670)
Total Accumulated Depreciation and Amortization	(30,650,523)	(3,708,675)	36,396	-	(34,322,802)
Total Capital Assets being Depreciated, Net	40,922,889	(3,691,913)	(2,352)	90,443	37,319,067
Total Capital Assets, net	$ 51,859,466	$ (2,095,298)	$ (2,352)	$ -	$ 49,761,816

*Construction in progress includes amounts for seven various airport improvement projects that were not completed as of September 30, 2021. The largest of these projects totals $2,452,724.

Note 4. Accounts Receivable

The Airport Director, 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, 2022 and 2021, are as follows:

	2022	2021
Current	$ 313,599	$ 340,740
30-60 days	1,145	30
60-90 days	81,377	67,026
90 days and over	50,019	33,016
	$ 446,140	$ 440,812
Due from other governments	$ 4,055,446	$ 552,381

Note 5. Leases Receivable

At September 30, 2022, the Authority reported leases receivable of $854,711 of which $106,434 was current and $748,277 was noncurrent. It also reported lease revenue of $95,254 and lease interest revenue of $45,331 related to lease payments received. These leases are summarized as follows:

	Lease Receivable	Lease Revenue	Lease Interest Revenue
TSA	$ 423,425	$ 19,633	$ 22,792
Avis Budget	128,916	22,603	6,737
Hertz	173,455	30,415	9,065
Enterprise	128,915	22,603	6,737
Total	$ 854,711	$ 95,254	$ 45,331

At September 30, 2021, the Authority reported leases receivable of $443,057 of which $19,633 was current and $423,424 was noncurrent. It also reported lease revenue of $20,650 and lease interest revenue of $21,775 related to lease payments received. These leases are summarized as follows:

	Lease Receivable	Lease Revenue	Lease Interest Revenue
TSA	$ 443,057	$ 20,650	$ 21,775

TSA Lease – On December 22, 2015, the Authority entered into a ten-year lease with the Transportation Security Administration (TSA) for the lease of office space in the terminal. The lease specifies a set monthly lease amount for each five-year period of the lease. After the first ten years, the lease may be renewed for two terms of five years at the option of the TSA, and the Authority believes that it is reasonably certain that they will do so. Based on this agreement, the Authority is receiving monthly payments through 2035.

Avis Budget Lease – On October 1, 2021, the Authority entered into a three-year lease with Avis Budget Rent-A-Car for the lease of a customer service counter and parking spaces. The lease agreement requires that the lease amount be adjusted annually for inflation. The initial term of the lease is for three years with an option for the Authority to extend the lease for an additional two years, and the Authority believes that it is reasonably certain that it will do so. Based on this agreement, the Authority is receiving monthly payments through 2026.

Hertz Lease – On October 1, 2021, the Authority entered into a three-year lease with Hertz Rent-A-Car for the lease of a customer service counter and parking spaces. The lease agreement requires that the lease amount be adjusted annually for inflation. The initial term of the lease is for three years with an option for the Authority to extend the lease for an additional two years, and the Authority believes that it is reasonably certain that it will do so. Based on this agreement, the Authority is receiving monthly payments through 2026.

Enterprise Lease – On October 1, 2021, the Authority entered into a three-year lease with Enterprise Rent-A-Car for the lease of a customer service counter and parking spaces. The lease agreement requires that the lease amount be adjusted annually for inflation. The initial term of the lease is for three years with an option for the Authority to extend the lease for an additional two years, and the Authority believes that it is reasonably certain that it will do so. Based on this agreement, the Authority is receiving monthly payments through 2026.

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2022, are as follows:

	Balance at 10/01/2021	Additions	Reductions	Balance 9/30/2022	Amount due within 1 year
Leases	$ 209,913	$ -	$ 80,320	$ 129,593	$ 82,911
Compensated absences	122,341	20,773	-	143,114	114,439
	$ 332,254	$ 20,773	$ 80,320	$ 272,707	$ 197,350

Changes in long-term liabilities for the year ended September 30, 2021, are as follows:

	Balance at 10/01/2020	Additions	Reductions	Balance 9/30/2021	Amount due within 1 year
Leases	$ 298,456	$ -	$ 88,543	$ 209,913	$ 80,321
Compensated absences	163,077	-	40,736	122,341	99,557
	$ 461,533	$ -	$ 129,279	$ 332,254	$ 179,878

Leases:

Lease agreements at September 30, 2022, are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance at Year End
Postage Meter	10/1/2020	2.5 Years	$ 1,171	5.25%	$ 2,762	$ 574
279D Cat Compact Track Loader	10/1/2020	4 Years	9,659	4.95%	35,987	17,972
2018 Cat 972M Wheel Loader	10/1/2020	3 Years	38,901	3.85%	112,432	37,460
2019 Cat 972M Wheel Loader	10/1/2020	4 Years	38,899	3.79%	147,275	73,587
Total Lease Agreements						$129,593

Lease agreements at September 30, 2021, are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance at Year End
Postage Meter	10/1/2020	2.5 Years	$ 1,171	5.25%	$ 2,762	$ 1,678
279D Cat Compact Track Loader	10/1/2020	4 Years	9,659	4.95%	35,987	26,328
2018 Cat 972M Wheel Loader	10/1/2020	3 Years	38,901	3.85%	112,432	73,532
2019 Cat 972M Wheel Loader	10/1/2020	4 Years	38,899	3.79%	147,275	108,375
Total Lease Agreements						$209,913

Postage Meter Lease - The postage meter was leased for a term of two and a half years at a fixed interest rate of 5.25% and requires quarterly payments of $292.65. The lease is not renewable and the Authority will not acquire the equipment at the end of the lease.

279D Cat Compact Track Loader Lease - The 279D Cat Compact Track Loader was leased for a term of four years at a fixed interest rate of 4.95% and requires annual payments of $9,659. The lease is not renewable and the Authority will not acquire the equipment at the end of the lease.

2018 Cat 972M Wheel Loader Lease - The 2018 Cat 972M Wheel Loader was leased for a term of three years at a fixed interest rate of 3.85% and requires annual lease payments of $38,901. The lease is not renewable and the Authority will not acquire the equipment at the end of the lease.

2019 Cat 972M Wheel Loader Lease - The 2019 Cat 972M Wheel Loader was leased for a term of four years at a fixed interest rate of 3.79% and requires annual lease payments of $38,899. The lease is not renewable and the Authority will not acquire the equipment at the end of the lease.

Annual requirements to amortize lease liabilities and related interest are as follows:

Year Ending September 30	Principal	Interest
2023	$ 82,912	$ 5,133
2024	46,681	1,877
	$129,593	$ 7,010

Compensated Absences:
The total liability was $143,114 and $122,341 at September 30, 2022 and 2021, respectively.

Note 7. 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 $137,186 and $147,829 for the years ended September 30, 2022 and 2021, 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, 2022 and 2021, respectively.

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan requires all eligible employees to defer a minimum of 6.97% of their salary until future years. Employees contributed $153,286 and $118,193 for the years ended September 30, 2022 and 2021.

Note 8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters 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 9. 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 and three rental car agencies.

Note 10. Lease Revenue

The Authority leases portions of its property to commercial airlines and 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 lease payments are paid quarterly. The long-term leases can only be terminated by buying out the lease and vary from 5 to 35 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 cost of the leased space is not determinable because the leased portions of assets are not significant to the total square footage of the facility. These leases are regulated by the Federal Aviation Administration (FAA) and, as such, are excluded from the reporting requirements of GASB Statement No. 87, *Leases.*

Future minimum lease payments are as follows:

Year Ended September 30	
2023	$ 858,276
2024	848,765
2025	847,899
2026	847,899
2027	847,899
2028 to 2032	2,567,176
2033 to 2037	1,061,366
2038	47,918
Total	$ 7,927,198

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, 2022 and 2021.

The following schedule shows the amounts collected and expended:

	2022		2021	
	Receipts	Expenditures	Receipts	Expenditures
PFC 14-09-C-00-SUN/ PFC 15-10-U-00-SUN	$ 389,384	$ 341,515	$ 301,033	$ 262,999

Note 12. Capital Contributions

During the years ended September 30, 2022 and 2021, the Authority received the following capital contributions:

	2022	2021
Federal grants	$ 24,948,182	$ 1,503,414
Other sources	200,000	-
	$ 25,148,182	$ 1,503,414

Note 13. Commitments

The Authority had seven open grants from the U.S. Department of Transportation Airport Improvement Program (AIP) as of September 30, 2022. A summary of these projects is as follows:

Project Description	
AIP 49	Acquire SRE, seal/crack repair existing pavement apron and taxilane
AIP 50	Conduct Miscellaneous Study (Terminal Area Narrative Plan)
AIP 52	CARES Act funding for operating expenses and equipment
AIP 53	Rehabilitate Runway 13/31 Phase I; Rehabilitate Apron; Seal Taxiway & Pavement; Install Perimeter Fencing
AIP 56	Rehabilitate Runway 13/31 Phase II
AIP 58	Rehabilitate Runway 13/31 Phase III
AIP 59	Acquire Land for Approaches

	Total Budget	Federal Awards	Expenditures to date
AIP 49	$ 1,005,481	$ 1,005,481	$ 908,465
AIP 50	297,367	297,367	295,868
AIP 52	18,476,130	18,476,130	10,081,539
AIP 53	1,470,987	1,470,987	1,470,987
AIP 56	2,379,943	2,379,943	2,290,663
AIP 58	4,757,099	4,757,099	4,101,599
AIP 59	14,000,000	14,000,000	14,000,000
	$ 42,387,007	$ 42,387,007	$ 33,149,121

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:

	2022	2021
Security services	$ 6,475	$ -
Utilities for FMAA	25,134	27,537

The amount due to the City of Hailey at September 30, 2022, is $2,597 and was paid within 60 days. The amount due to the City of Hailey at September 30, 2021, is $3,773 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 impacted thousands of individuals worldwide. In response, many countries implemented measures to combat the outbreak that 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 significantly declined. The pandemic and the resulting restrictions 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 $18,476,130, of which $10,081,539 of the funding was used as of September 30, 2022.

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.

Note 17. Subsequent Event

Subsequent to year end, the Authority made a decision to request an additional $2,311,157 reimbursement from the AIP 52 CARES Act grant for operational expenses incurred during the year ended September 30, 2022. This decision was made in order to ensure that the full $18,476,130 grant award could be received by the grant deadline of April 2024. The additional grant reimbursement will affect agreements between the Authority and the airlines, and will result in the Authority being required to refund the airlines between $339,000 and $579,000 depending on the results of negotiations with the airlines.

SUPPLEMENTARY INFORMATION

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
For the Year Ended September 30, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Budgetary Basis	Over (Under) Budget
Operating Revenue:				
Airlines	$ 497,860	$ 560,360	$ 579,808	$ 19,448
Automobile rental	663,000	663,000	963,648	300,648
Auto parking	475,000	475,000	631,913	156,913
Rents, fees, commissions and leases	2,107,960	2,107,960	2,188,310	80,350
Fuel flowage fees	375,000	375,000	445,112	70,112
Other operating revenue	5,000	5,000	2,739	(2,261)
Total Operating Revenue	4,123,820	4,186,320	4,811,530	625,210
Operating Expenses:				
Employee wages, benefits and taxes	1,989,564	2,032,064	1,712,056	(320,008)
Supplies	203,000	208,000	203,810	(4,190)
Utilities	152,750	152,750	143,847	(8,903)
Services and contracts	997,400	985,400	806,303	(179,097)
Repairs and maintenance	558,350	508,350	475,947	(32,403)
Insurance	55,920	55,920	52,409	(3,511)
Other operating expense	296,265	291,265	280,193	(11,072)
Total Operating Expenses	4,253,249	4,233,749	3,674,565	(559,184)
Operating Income	(129,429)	(47,429)	1,136,965	1,184,394
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	351,000	351,000	389,413	38,413
Interest income	32,930	15,000	24,464	9,464
Interest expense	(250)	(250)	(448)	(198)
Federal grants	2,000,000	2,000,000	2,000,000	-
Total Nonoperating Revenue and (Expenses)	2,383,680	2,365,750	2,413,429	47,679
Capital Contributions	20,503,776	26,718,518	25,148,182	(1,570,336)
Capital Expenditures	(21,049,213)	(29,763,830)	(26,634,879)	3,128,951
Change in Net Position	$ 1,708,814	$ (726,991)	$ 2,063,697	$ 2,790,688

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

RECONCILIATION OF BUDGETARY BASIS TO GAAP
For the Year Ended September 30, 2022

	Actual Budgetary Basis	GAAP Basis	Difference	Number of Explanation
Operating Revenue:				
Airlines	$ 579,808	$ 579,808	$ -	
Automobile rental	963,648	966,849	3,201	4,5,6
Auto parking	631,913	631,913	-	
Rents, fees, commissions and leases	2,188,310	2,176,479	(11,831)	4,5,6
Fuel flowage fees	445,112	445,112	-	
Other operating revenue	2,739	2,739	-	
Total Operating Revenue	4,811,530	4,802,900	(8,630)	
Operating Expenses:				
Employee wages, benefits and taxes	1,712,056	1,732,829	20,773	1
Supplies	203,810	116,351	(87,459)	8
Utilities	143,847	143,847	-	
Services and contracts	806,303	806,303	-	
Repairs and maintenance	475,947	475,947	-	
Insurance	52,409	52,409	-	
Other operating expense	280,193	279,022	(1,171)	8
Depreciation	-	3,703,394	3,703,394	2
Amortization	-	99,669	99,669	2
Total Operating Expenses	3,674,565	7,409,771	3,735,206	
Operating Income	1,136,965	(2,606,871)	(3,743,836)	
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	389,413	389,413	-	
Interest income	24,464	69,795	45,331	4
Interest expense	(448)	(8,757)	(8,309)	7
Federal grants	2,000,000	2,000,000	-	
Total Nonoperating Revenue and (Expenses)	2,413,429	2,450,451	37,022	
Capital Contributions	25,148,182	25,148,182	-	
Capital Expenditures	(26,634,879)	-	26,634,879	3
Change in Net Position	$ 2,063,697	$ 24,991,762	$ 22,928,065	

1. Accruals of compensated absences are not budgeted but are reported for GAAP.
2. Depreciation and amortization 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. The interest portion of lease receivable payments received is budgeted as rent revenue but reported as interest income for GAAP.
5. Principal received on leases receivable is budgeted as rent revenue but reported as a reduction to leases receivable for GAAP.
6. Amortization of deferred inflow of resources for leases is not budgeted but is reported as rent revenue for GAAP.
7. The interest portion of lease payable payments paid is budgeted as operating expenses but reported as interest expense for GAAP.
8. Principal paid on leases payable is budgeted as operating expense but reported as a reduction to leases payable 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, 2022, 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 12, 2023.

Report on 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) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The 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.

Report on Compliance and Other Matters

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

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 12, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR A 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 Airport Improvement Program

Opinion on Compliance for Airport Improvement 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 Airport Improvement Program for the year ended September 30, 2022.

In our opinion, The Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Airport Improvement Program for the year ended September 30, 2022.

Basis for Opinion on Airport Improvement Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Airport Improvement Program. Our audit does not provide a legal determination of The Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's Airport Improvement Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Authority's compliance with the requirements of the Airport Improvement Program.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 The Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on The Authority's Airport Improvement Program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on The Authority's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on The Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 12, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year Ended September 30, 2022

Federal Grantor Program Title:	Federal CFDA Number	Total Federal Expenditures
Department of Transportation Programs		
Airport Improvement Program	20.106	$ 21,491,060
COVID-19 Airports Programs	20.106	5,457,122
Total Department of Transportation Programs		26,948,182
Total Expenditures of Federal Awards		$ 26,948,182

See accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2022

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, 2022. 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

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	Name of Federal Program
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?	X	yes	____	no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

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).

SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2021

There were no prior audit findings