



Financial Statements

Friedman Memorial Airport Authority

Includes Supplementary Information

For the years ended September 30, 2025 and 2024



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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, 2025, 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, 2025, 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* (GAS), 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 and GAS, 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 December 19, 2025 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.

Sorren CPAs P.C.

Meridian, Idaho
December 19, 2025

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended September 30, 2025 and 2024

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, 2025 and 2024. 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, 2025 and 2024:

- The Authority's total assets exceeded its total liabilities and deferred inflows of resources at the close of fiscal years 2025 and 2024 by \$93,836,445 and \$90,232,291 (net position), respectively. Of these amounts, \$26,911,412 and \$21,003,879, 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 2025 by \$3,604,154 as compared to an increase in net position of \$3,096,616 during fiscal year 2024. The increase in net position in fiscal year 2025 was primarily due to a decrease in the operating loss of \$579,396 from fiscal year 2024.

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* relate 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.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended September 30, 2025 and 2024

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, 2025 and 2024 is shown below.

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
ASSETS:				
Current Assets	\$ 27,478,688	\$ 21,506,999	\$ 5,971,689	27.8%
Noncurrent Assets	<u>67,661,076</u>	<u>69,963,174</u>	<u>(2,302,098)</u>	-3.3%
Total Assets	<u>95,139,764</u>	<u>91,470,173</u>	<u>3,669,591</u>	4.0%
LIABILITIES:				
Current Liabilities	591,728	491,802	99,926	20.3%
Long-term Liabilities	<u>322,198</u>	<u>250,000</u>	<u>72,198</u>	28.9%
Total Liabilities	<u>913,926</u>	<u>741,802</u>	<u>172,124</u>	23.2%
DEFERRED INFLOWS OF RESOURCES	<u>389,393</u>	<u>496,080</u>	<u>(106,687)</u>	-21.5%
NET POSITION:				
Net investment in capital assets	66,919,533	69,222,912	(2,303,379)	-3.3%
Restricted	5,500	5,500	-	-
Unrestricted	<u>26,911,412</u>	<u>21,003,879</u>	<u>5,907,533</u>	28.1%
Net Position	<u>\$ 93,836,445</u>	<u>\$ 90,232,291</u>	<u>\$ 3,604,154</u>	4.0%

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, 2025 and 2024 is shown below.

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Operating Revenue	\$ 6,696,915	\$ 5,942,995	\$ 753,920	12.7%
Operating Expenses	<u>8,377,651</u>	<u>8,203,127</u>	<u>174,524</u>	2.1%
Operating (income/loss)	(1,680,736)	(2,260,132)	579,396	25.6%
Non-operating Revenue (Expenses)	4,023,178	3,269,908	753,270	23.0%
Capital Contributions	<u>1,261,712</u>	<u>2,086,840</u>	<u>(825,128)</u>	-39.5%
Changes in net position	3,604,154	3,096,616	507,538	16.4%
Beginning net position	<u>90,232,291</u>	<u>87,135,675</u>	<u>3,096,616</u>	3.6%
Ending net position	<u>\$93,836,445</u>	<u>\$90,232,291</u>	<u>\$ 3,604,154</u>	4.0%

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended September 30, 2025 and 2024

Operating revenue increased 12.7% from the prior fiscal year. Rents, fees, commissions and leases increased by \$300,632 or 12.2%; Fuel flowage fees increased by \$109,927 or 21.7%; and Other operating revenue increased by \$36,628 or 1,174.7%. All other sources of operating revenue increased from the prior fiscal year.

Operating expenses increased by 2.1% over the prior fiscal year. The operating expenses with the largest changes from the prior fiscal year were Insurance which increased by 36.9%; Repairs and maintenance which decreased by 20.1%; Amortization which increased by 13.7%; Utilities which decreased by 11.4%; Other operating expense that increased by 10.2%; and Depreciation that increased by 7.2%.

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, 2025. A summary of operating revenue and expenses based on the actual budgetary basis as compared to the final budget is shown below.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Operating Revenue	\$6,089,108	\$6,742,346	\$ 653,238
Total Operating Expenses	<u>5,159,091</u>	<u>4,712,245</u>	<u>(446,846)</u>
Operating Income (loss)	<u>\$ 930,017</u>	<u>\$ 2,030,101</u>	<u>\$ 1,100,084</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 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.

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 2025, capital assets (net of accumulated depreciation and amortization) totaled \$67,329,163 as compared to \$69,494,662 at the end of fiscal year 2024, a decrease of \$2,165,499. The Authority acquired or constructed \$1,871,049 in capital assets during fiscal year 2025 as detailed in Note 3 of the Notes to the Financial Statements.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended September 30, 2025 and 2024

Long-term Liabilities

At the end of fiscal year 2025, the Authority had \$537,856 in total long-term liabilities as compared to \$454,898 at the end of fiscal year 2024, an increase of \$82,958. 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 2025 included Chicago (limited – winter only), Denver, Los Angeles, Salt Lake City, San Francisco, and Seattle. During fiscal year 2025, enplanements were up 14.3% over fiscal year 2024. Through October 2025, calendar year 2025 passenger enplanements increased 17.1% through the same period in 2024. The increase in enplanements was a result of the global economic recovery still in progress and a continued demand for travel to resort communities. Overall traffic operations (takeoffs and landings) have decreased this year. Through October 2025, total operations were up 8.4% compared to the same period for Calendar year 2024. 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 2025 saw the Authority and staff continue to focus on maintenance and upkeep of our facilities, with a conservative approach to expenditures. Airport revenue streams and passenger activity continue to grow in many cases; however, a conservative approach will be taken as a matter of basic fiscal responsibility. 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 did not complete any major capital projects but focused on basic pavement and facility maintenance needs. During this fiscal year, two new pieces of equipment were delivered including an M-B Companies MB5 multi-task combo unit, and an Oshkosh Aircraft Rescue Fire Fighting (ARFF) truck. Acquisition of new snow removal equipment remains key to maintaining the airfield and bolstering/replacing an aged fleet and has been a high priority for the Authority. The new ARFF truck 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, 2025 and 2024**

ASSETS	<u>2025</u>	<u>2024</u>
Current Assets:		
Cash and cash equivalents	\$ 25,027,375	\$ 20,224,199
Operating accounts receivable	819,287	432,739
Due from other governments	1,293,548	657,134
Leases receivable	138,852	126,037
Interest receivable	49,322	56,369
Prepaid expenses	144,804	5,021
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Total Current Assets	<u>27,478,688</u>	<u>21,506,999</u>
Noncurrent Assets:		
Leases receivable, noncurrent	331,913	468,512
Capital assets, net of accumulated depreciation and amortization	67,329,163	69,494,662
Total Noncurrent Assets	<u>67,661,076</u>	<u>69,963,174</u>
Total Assets	<u>95,139,764</u>	<u>91,470,173</u>
LIABILITIES		
Current Liabilities:		
Trade accounts payable	137,116	140,276
Payable City of Hailey	8,988	5,573
Accounts payable for capital improvements	211,998	121,900
Accrued payroll and benefits	17,968	18,155
Customer deposits	-	1,000
Current portion of long-term liabilities	215,658	204,898
Total Current Liabilities	<u>591,728</u>	<u>491,802</u>
Long-Term Liabilities:		
Leases payable	409,630	271,750
Accrued compensated absences	128,226	183,148
Current portion of long-term liabilities	(215,658)	(204,898)
Total Long-Term Liabilities	<u>322,198</u>	<u>250,000</u>
Total Liabilities	<u>913,926</u>	<u>741,802</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	389,393	496,080
Total Deferred Inflows of Resources	<u>389,393</u>	<u>496,080</u>
NET POSITION		
Net investment in capital assets	66,919,533	69,222,912
Restricted	5,500	5,500
Unrestricted	26,911,412	21,003,879
Total Net Position	<u>\$ 93,836,445</u>	<u>\$ 90,232,291</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

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

For the Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenue:		
Airlines	\$ 917,312	\$ 800,708
Automobile rental	988,771	904,909
Auto parking	1,045,984	962,186
Rents, fees, commissions and leases	2,767,703	2,467,071
Fuel flowage fees	617,335	507,408
CFC passthrough revenue	320,064	297,595
Other operating revenue	39,746	3,118
Total Operating Revenue	<u>6,696,915</u>	<u>5,942,995</u>
Operating Expenses:		
Employee wages, benefits and taxes	2,112,166	2,047,330
Supplies	157,399	147,546
Utilities	230,708	260,277
Services and contracts	1,026,465	1,060,583
Repairs and maintenance	623,994	780,650
Insurance	118,832	86,828
Other operating expense	251,642	228,422
Depreciation	3,735,087	3,484,793
Amortization	121,358	106,698
Total Operating Expenses	<u>8,377,651</u>	<u>8,203,127</u>
Operating Income (Loss)	<u>(1,680,736)</u>	<u>(2,260,132)</u>
Nonoperating Revenue (Expenses):		
Passenger Facility Charges	453,891	440,810
Interest income	875,800	829,711
Interest expense	(17,639)	(2,083)
Gain (loss) on disposition of assets	21,904	13,048
Donation of asset	(159,257)	-
Impairment of assets	-	(46,068)
CRRSA/ARPA grants	2,848,479	2,034,490
Total Nonoperating Revenue (Expenses)	<u>4,023,178</u>	<u>3,269,908</u>
Income (Loss) before Capital Contributions	2,342,442	1,009,776
Capital Contributions	<u>1,261,712</u>	<u>2,086,840</u>
Change in Net Position	3,604,154	3,096,616
Net Position, Beginning of Year	<u>90,232,291</u>	<u>87,135,675</u>
Net Position, End of Year	<u><u>\$ 93,836,445</u></u>	<u><u>\$ 90,232,291</u></u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**STATEMENTS OF CASH FLOWS
ENTERPRISE FUND**

For the Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 6,326,464	\$ 5,857,184
Cash payments to employees for services and benefits	(2,167,275)	(2,038,393)
Cash payments to suppliers for goods and services	(2,548,568)	(2,628,549)
Net cash provided (used) by operating activities	<u>1,610,621</u>	<u>1,190,242</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital financing	<u>2,848,479</u>	<u>2,468,051</u>
Net cash provided (used) by noncapital financing activities	<u>2,848,479</u>	<u>2,468,051</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sales of capital assets	42,750	23,671
Acquisition and construction of capital assets	(1,524,593)	(3,566,615)
Payments on long-term debt	(118,478)	(116,440)
Interest payments on long-term debt	(17,639)	(2,083)
Grants and other amounts received for the purchase of capital assets	625,298	4,672,404
Passenger Facility Charges received for the purchase of capital assets	453,891	440,810
Net cash provided (used) by capital and related financing activities	<u>(538,771)</u>	<u>1,451,747</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	<u>882,847</u>	<u>807,266</u>
Net cash provided (used) by investing activities	<u>882,847</u>	<u>807,266</u>
Net increase (decrease) in cash and cash equivalents	4,803,176	5,917,306
Balances - beginning of the year	<u>20,229,699</u>	<u>14,312,393</u>
Balances - end of the year	<u><u>\$ 25,032,875</u></u>	<u><u>\$ 20,229,699</u></u>
RECONCILIATION OF CASH BALANCES TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 25,027,375	\$ 20,224,199
Restricted cash and cash equivalents:		
BLM	<u>5,500</u>	<u>5,500</u>
Total cash balances on Statements of Net Position	<u><u>\$ 25,032,875</u></u>	<u><u>\$ 20,229,699</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (1,680,736)</u>	<u>\$ (2,260,132)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,735,087	3,484,793
Amortization	121,358	106,698
Change in assets and liabilities:		
(Increase) decrease in operating accounts receivable	(386,548)	(59,489)
(Increase) decrease in leases receivable	123,784	153,728
(Increase) decrease in prepaid expenses	(139,783)	462
Increase (decrease) in accounts payable trade	255	(64,705)
Increase (decrease) in accrued payroll and benefits	(187)	573
Increase (decrease) in customer deposits	(1,000)	-
Increase (decrease) in accrued compensated absences	(54,922)	8,364
Increase (decrease) in deferred inflows of resources - leases	(106,687)	(180,050)
Total Adjustment and Changes	<u>3,291,357</u>	<u>3,450,374</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,610,621</u></u>	<u><u>\$ 1,190,242</u></u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2025 and 2024

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.

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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
Right of use assets	Lease term

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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.

Leases

The Authority is a lessor for noncancelable leases of office space. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for the lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The Authority is a lessee for noncancelable leases of equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The right-to-use asset is initially measured as the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Right-to-use lease assets useful lives are determined by the length of the lease period and are amortized using the straight-line method. The Authority has elected to use the same capitalization thresholds for leased assets that it uses for those assets purchased.

Key estimates and judgments include how the Authority determines the discount rate and lease term it uses to discount the expected lease receipts/payments to present value. The Authority uses the market rate of interest at lease inception as the discount rate for leases. Lease term includes the noncancelable period of the lease. Lease receipts/payments included in the measurement of the lease receivable/payable are composed of fixed payments as outlined in the lease agreements.

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.

Adoption of New Accounting Pronouncements

During the fiscal year ended September 30, 2025, the following Governmental Accounting Standards Board (GASB) pronouncement was effective and implemented by the Authority.

Statement No. 101, Compensated Absences: 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

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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 implementation of this new statement did not have a material effect on the financial statements.

The GASB has issued several statements implemented by the Authority. The Standards which will impact the Authority are as follows:

GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024 is effective for the Authority's fiscal year ending September 30, 2026. Statement No. 103 provides revised guidance for the MD&A, unusual or infrequent items, the proprietary fund operating statement format, expanded definitions for subsidies, reporting major discretely presented component units, budgetary comparisons, and certain financial trends information in the statistical section. This standard is not likely to have a financial impact on the Authority's net position, but will require the Authority to reorganize some elements of financial reporting.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued September 2024, is effective for the Authority's fiscal year ending September 30, 2026. Statement No. 104 requires separate reporting for certain right-to-use assets and the related amortization in the capital assets table. In addition, capital assets that are held for sale will be required to have additional disclosures, which outline the historical cost, accumulated depreciation, and debt that is secured by these assets. This standard will not have a financial impact on the Authority but will require expanded note disclosures for capital assets.

Note 2. Deposits and Investments

The following is a reconciliation of the Authority's deposit and investment balances as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Bank deposits	\$ 2,725,527	\$ 1,502,699
Repurchase agreement	8,393,714	5,435,440
State of Idaho Local Government		
Investment Pool	<u>13,913,634</u>	<u>13,291,560</u>
	<u>\$ 25,032,875</u>	<u>\$ 20,229,699</u>

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

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

Credit Risk - The Authority has no formal policy on managing credit risk. As of September 30, 2025 and 2024, the Authority's deposits and investment had the following credit ratings:

<u>Investment</u>	<u>2025</u> <u>Fair Value</u>	<u>2024</u> <u>Fair Value</u>	<u>Credit</u> <u>Rating</u>
Mountain West Checking	\$ 2,719,218	\$ 1,496,405	None
Mountain West Certificate of Deposit	6,309	6,294	None
Mountain West Repurchase Agreement	8,393,714	5,435,440	None
State of Idaho Local Government Investment Pool	13,913,634	13,291,560	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

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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, 2025, the carrying amount of the Authority's bank deposits was \$11,119,241 and the respective bank balances totaled \$11,361,287. The Authority's deposits at September 30, 2025, were covered by \$250,000 of insurance from the Federal Depository Insurance Corporation and \$8,608,837 of collateral leaving \$2,502,450 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, 2024, the carrying amount of the Authority's bank deposits was \$6,938,139 and the respective bank balances totaled \$7,235,320. The Authority's deposits at September 30, 2024, were covered by \$250,000 of insurance from the Federal Depository Insurance Corporation and \$5,709,705 of collateral leaving \$1,275,615 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, 2025 and 2024, the Authority had more than 5% of its deposits and investments invested in a repurchase agreement with Mountain West Bank. At September 30, 2025, 100% of the repurchase agreement was invested in the Federal Home Loan Mortgage Association. At September 30, 2024, 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, 2025 and 2024:

<u>Investment</u>	2025 <u>Fair Value</u>	Weighted Average <u>Duration</u>	2024 <u>Fair Value</u>	Weighted Average <u>Duration</u>
Repurchase agreement	\$ 8,608,837	1 day	\$ 5,435,440	1 day
Investment pool	13,913,634	68 days	13,291,560	84 days
Certificate of Deposit	6,309	2 yrs 16 days	6,294	3 yrs 16 days
Demand deposits	2,719,218	not applicable	1,496,405	not applicable

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Note 3. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Balance 9/30/2024	Increase	Decrease	Transfer	Balance 9/30/2025
Capital Assets not being Depreciated:					
Land	\$ 22,344,463	\$ 1,672	\$ -	\$ -	\$ 22,346,135
Construction in progress*	9,104,022	1,096,506	-	(8,688,068)	1,512,460
Total Capital Assets not being Depreciated	<u>31,448,485</u>	<u>1,098,178</u>	<u>-</u>	<u>(8,688,068)</u>	<u>23,858,595</u>
Capital Assets being Depreciated:					
Buildings and improvements	6,848,916	74,618	-	-	6,923,534
Airfield and general improvements	60,342,546	192,155	-	8,678,796	69,213,497
Office equipment	89,103	33,350	-	-	122,453
Security	226,143	22,289	-	-	248,432
Maintenance equipment & vehicles	6,898,059	118,370	(727,948)	-	6,288,481
Assessments, plans & studies	7,604,996	75,731	-	9,272	7,689,999
Right to use leased assets – Equipment	<u>350,712</u>	<u>256,358</u>	<u>-</u>	<u>-</u>	<u>607,070</u>
Total Capital Assets being Depreciated	<u>82,360,475</u>	<u>772,871</u>	<u>(727,948)</u>	<u>8,688,068</u>	<u>91,093,466</u>
Less Accumulated Depreciation and Amortization:					
Buildings and improvements	(5,095,695)	(263,862)	-	-	(5,359,557)
Airfield and general improvements	(28,846,808)	(3,140,588)	-	-	(31,987,396)
Office equipment	(38,417)	(16,591)	-	-	(55,008)
Security	(145,975)	(18,830)	-	-	(164,805)
Maintenance equipment & vehicles	(2,942,430)	(268,294)	547,845	-	(2,662,879)
Assessments, plans & studies	(7,174,887)	(26,922)	-	-	(7,201,809)
Right to use leased assets – Equipment	<u>(70,086)</u>	<u>(121,358)</u>	<u>-</u>	<u>-</u>	<u>(191,444)</u>
Total Accumulated Depreciation and Amortization	<u>(44,314,298)</u>	<u>(3,856,445)</u>	<u>547,845</u>	<u>-</u>	<u>(47,622,898)</u>
Total Capital Assets being Depreciated, Net	<u>38,046,177</u>	<u>(3,083,574)</u>	<u>(180,103)</u>	<u>8,688,068</u>	<u>43,470,568</u>
Total Capital Assets, net	<u>\$ 69,494,662</u>	<u>\$ (1,985,396)</u>	<u>\$ (180,103)</u>	<u>\$ -</u>	<u>\$ 67,329,163</u>

*Construction in progress includes amounts for five airport improvement projects, as listed in Note 13, that were not completed as of September 30, 2025. The largest of these projects totals \$743,897.

Capital asset activity for the year ended September 30, 2024, was as follows:

	Balance 9/30/2023	Increase	Decrease	Transfer	Balance 9/30/2024
Capital Assets not being Depreciated:					
Land	\$ 22,340,734	\$ 3,729	\$ -	\$ -	\$ 22,344,463
Construction in progress*	9,677,491	734,458	-	(1,307,927)	9,104,022
Total Capital Assets not being Depreciated	<u>32,018,225</u>	<u>738,187</u>	<u>-</u>	<u>(1,307,927)</u>	<u>31,448,485</u>
Capital Assets being Depreciated:					
Buildings and improvements	6,837,189	-	-	11,727	6,848,916
Airfield and general improvements	58,242,570	1,102,349	(2,705)	1,000,332	60,342,546
Office equipment	65,401	25,860	(2,158)	-	89,103
Security	194,077	32,066	-	-	226,143
Maintenance equipment & vehicles	5,937,809	1,603,715	(643,465)	-	6,898,059
Assessments, plans & studies	7,309,128	-	-	295,868	7,604,996
Right to use leased assets – Equipment	<u>298,456</u>	<u>350,712</u>	<u>(298,456)</u>	<u>-</u>	<u>350,712</u>
Total Capital Assets being Depreciated	<u>78,884,630</u>	<u>3,114,702</u>	<u>(946,784)</u>	<u>1,307,927</u>	<u>82,360,475</u>

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Less Accumulated Depreciation and Amortization:

Buildings and improvements	(4,832,454)	(263,241)	-	-	(5,095,695)
Airfield and general improvements	(26,007,705)	(2,841,808)	2,705	-	(28,846,808)
Office equipment	(26,800)	(13,775)	2,158	-	(38,417)
Security	(132,098)	(13,877)	-	-	(145,975)
Maintenance equipment & vehicles	(3,289,419)	(239,785)	586,774	-	(2,942,430)
Assessments, plans & studies	(7,062,580)	(112,307)	-	-	(7,174,887)
Right to use leased assets – Equipment	<u>(252,641)</u>	<u>(115,901)</u>	<u>298,456</u>	<u>-</u>	<u>(70,086)</u>
Total Accumulated Depreciation and Amortization	<u>(41,603,697)</u>	<u>(3,600,694)</u>	<u>890,093</u>	<u>-</u>	<u>(44,314,298)</u>
Total Capital Assets being Depreciated, Net	<u>37,280,933</u>	<u>(485,992)</u>	<u>(56,691)</u>	<u>1,307,927</u>	<u>38,046,177</u>
Total Capital Assets, net	<u>\$ 69,299,158</u>	<u>\$ 252,195</u>	<u>\$ (56,691)</u>	<u>\$ -</u>	<u>\$ 69,494,662</u>

*Construction in progress includes amounts for five airport improvement projects that were not completed as of September 30, 2024. The largest of these projects totals \$4,576,912.

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, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Current	\$ 549,229	\$ 315,349
30-60 days	8,715	853
60-90 days	245,140	98,845
90 days and over	<u>16,203</u>	<u>17,692</u>
	<u>\$ 819,287</u>	<u>\$ 432,739</u>
 Due from other governments	 <u>\$ 1,293,548</u>	 <u>\$ 657,134</u>

Note 5. Leases Receivable

At September 30, 2025, the Authority reported leases receivable of \$470,765 of which \$138,852 was current and \$331,913 was noncurrent. It also reported lease revenue of \$123,784 and lease interest revenue of \$28,334 related to lease payments received. These leases are summarized as follows:

	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
TSA	\$ 357,962	\$ 22,974	\$ 19,452
Avis Budget	33,717	30,863	2,655
Hertz	45,369	41,527	3,572
Enterprise	<u>33,717</u>	<u>30,863</u>	<u>2,655</u>
Total	<u>\$ 470,765</u>	<u>\$ 126,227</u>	<u>\$ 28,334</u>

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At September 30, 2024, the Authority reported leases receivable of \$594,549 of which \$126,037 was current and \$468,512 was noncurrent. It also reported lease revenue of \$117,657 and lease interest revenue of \$35,016 related to lease payments received. These leases are summarized as follows:

	Lease Receivable	Lease Revenue	Lease Interest Revenue
TSA	\$ 380,935	\$ 21,801	\$ 20,624
Avis Budget	64,035	28,721	4,232
Hertz	85,806	38,513	5,828
Enterprise	63,773	28,622	4,332
Total	<u>\$ 594,549</u>	<u>\$ 117,657</u>	<u>\$ 35,016</u>

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, 2025, are as follows:

	Balance at 10/01/2024	Additions	Reductions	Balance 9/30/2025	Amount due within 1 year
Leases	\$ 271,750	\$ 256,358	\$ 118,478	\$ 409,630	\$ 111,532
Compensated absences	183,148	-	54,922	128,226	104,126
	<u>\$ 454,898</u>	<u>\$ 256,358</u>	<u>\$ 173,400</u>	<u>\$ 537,856</u>	<u>\$ 215,658</u>

Changes in long-term liabilities for the year ended September 30, 2024, are as follows:

	Balance at 10/01/2023	Additions	Reductions	Balance 9/30/2024	Amount due within 1 year
Leases	\$ 46,681	\$ 350,712	\$ 125,643	\$ 271,750	\$ 61,585
Compensated absences	174,784	8,364	-	183,148	143,313
	<u>\$ 221,465</u>	<u>\$ 359,076</u>	<u>\$ 125,643</u>	<u>\$ 454,898</u>	<u>\$ 204,898</u>

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Leases:

Lease agreements at September 30, 2025, are summarized as follows:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Balance at Year End</u>
Postage Meter 2024	10/1/2023	4.25 Years	\$ 1,321	6.50%	\$ 6,934	\$ 3,842
2023 Cat 972	10/6/2023	5 Years	58,964	6.50%	294,823	156,166
2024 Cat Compact Track Loader	4/22/2024	5 Years	18,938	6.50%	94,641	50,157
2024 Cat 972-14 Wheel Loader	11/21/2024	5 Years	56,893	5.49%	284,466	199,465
Total Lease Agreements						<u>\$409,630</u>

Lease agreements at September 30, 2024, are summarized as follows:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Balance at Year End</u>
Postage Meter 2024	10/1/2023	4.25 Years	\$ 1,321	6.50%	\$ 6,934	\$ 4,871
279D Cat Compact Track Loader	10/1/2020	4 Years	9,659	4.95%	35,987	-
2019 Cat 972M Wheel Loader	10/1/2020	4 Years	38,899	3.79%	147,275	-
2023 Cat 972	10/6/2023	5 Years	58,964	6.50%	294,823	202,001
2024 Cat Compact Track Loader	4/22/2024	5 Years	18,938	6.50%	94,641	64,878
Total Lease Agreements						<u>\$271,750</u>

Postage Meter Lease 2024 - The postage meter was leased for a term of four and a quarter years at a fixed interest rate of 6.50% and requires quarterly payments of \$330. 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.

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.

2023 Cat 972 Lease - The 2019 Cat 972 was leased for a term of five years at a fixed interest rate of 6.50% and requires annual lease payments of \$58,964. The lease is not renewable and the Authority will not acquire the equipment at the end of the lease.

2024 Cat Compact Track Loader Lease - The 2024 Cat Compact Track Loader was leased for a term of five years at a fixed interest rate of 6.50% and requires annual lease payments of \$18,938. The lease is not renewable and the Authority will not acquire the equipment at the end of the lease.

2024 Cat 972-14 Wheel Loader Lease - The 2024 Cat 972-14 Wheel Loader was leased for a term of five years at a fixed interest rate of 5.49% and requires annual lease payments of \$56,893. 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:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 111,532	\$ 24,585
2027	118,319	17,798
2028	125,522	10,594
2029	54,257	2,966
	<u>\$ 409,630</u>	<u>\$ 55,943</u>

Compensated Absences:

The total liability was \$128,226 and \$183,148 at September 30, 2025 and 2024, respectively.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2025 and 2024

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 \$166,650 and \$162,881 for the years ended September 30, 2025 and 2024, 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, 2025 and 2024, 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 to future years. Employees contributed \$208,599 and \$173,338 for the years ended September 30, 2025 and 2024.

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. 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 <u>September 30</u>	
2026	\$ 1,060,798
2027	1,060,798
2028	1,060,798
2029	883,025
2030	425,972
2031 to 2035	2,306,991
2036 to 2038	<u>168,003</u>
Total	<u>\$ 6,966,385</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2025 and 2024

Note 11. Passenger Facility Charges

PFC 14-09-C-00-SUN/PFC 15-10-U-00-SUN: 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 \$3,389,855. 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, 2025 and 2024. Funds remaining for this PFC Application of \$164,390 were transferred to the new application, PFC 25-11-C-00-SUN, on December 31, 2024.

The following schedule shows the amounts collected and expended (excluding transferred funds):

	<u>2025</u>		<u>2024</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	\$ 37,853	\$ 44,330	\$ 440,810	\$ 270,000

PFC 25-11-C-00-SUN: 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 25-11-C-00-SUN, effective December 1, 2024 to April 1, 2026, in the amount of \$608,550. 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, 2025. Funds remaining for PFC Application 14-09-C-00-SUN/15-10-U-00-SUN of \$164,390 were transferred to this PFC application on December 31, 2024.

The following schedule shows the amounts collected (excluding transferred funds) and expended:

	<u>2025</u>		<u>2024</u>	
	<u>Receipts</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>Expenditures</u>
PFC 25-11-C-00-SUN	\$ 580,429	\$ 421,717	\$ -	\$ -

Note 12. Capital Contributions

During the years ended September 30, 2025 and 2024, the Authority received the following capital contributions:

	<u>2025</u>	<u>2024</u>
Federal grants	\$ 1,261,712	\$ 1,086,840
Other sources	-	1,000,000
	<u>\$ 1,261,712</u>	<u>\$ 2,086,840</u>

Note 13. Commitments

The Authority had seven open grants from the U.S. Department of Transportation Airport Improvement Program (AIP) as of September 30, 2025. A summary of these projects is as follows:

Project Description

AIP 54 Airport coronavirus Relief Grant Program (ACRGP)

AIP 57 Airport Rescue Grant

AIP 61 Reconstruct Airport Rotating Beacon, etc.

AIP 62 Airfield AGIS

AIP 63 Conduct Master Plan Study

AIP 64 Construct General Aviation Terminal

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2025 and 2024**

	<u>Total Budget</u>	<u>Federal Awards</u>	<u>Expenditures to date</u>
AIP 54	\$ 1,219,368	\$ 1,219,368	\$ 1,219,368
AIP 57	1,629,111	1,629,111	1,629,111
AIP 61	927,430	869,466	743,897
AIP 62	151,641	142,163	151,641
AIP 63	760,000	722,000	228,458
AIP 64	<u>1,672,945</u>	<u>1,589,298</u>	<u>252,018</u>
	<u>\$ 6,360,495</u>	<u>\$ 6,171,406</u>	<u>\$ 4,224,493</u>

Note 14. Contingencies

The Authority has been committed to partnering with the community and the FAA to improve air service and maintain an acceptable level of 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, maintains an acceptable level of 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 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>2025</u>	<u>2024</u>
Utilities for FMAA	\$ 65,648	\$ 42,767
Security	4,787	-
AIP 64 Expenditures	38,167	-

The amount due to the City of Hailey at September 30, 2025, is \$8,988 and was paid within 60 days. The amount due to the City of Hailey at September 30, 2024, is \$5,573 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 grant awards of \$2,848,479, of which 100% of the funding was used as of September 30, 2025.

SUPPLEMENTARY INFORMATION

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
For the Year Ended September 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>(Under)</u>
			<u>Basis</u>	<u>Budget</u>
Operating Revenue:				
Airlines	\$ 816,600	\$ 816,600	\$ 917,312	\$ 100,712
Automobile rental	836,800	836,800	1,022,351	185,551
Auto parking	900,600	900,600	1,045,984	145,384
Rents, fees, commissions and leases	2,668,608	2,668,608	2,779,554	110,946
Fuel flowage fees	464,500	464,500	617,335	152,835
CFC Passthrough revenue	400,000	400,000	320,064	(79,936)
Other operating revenue	2,000	2,000	39,746	37,746
Total Operating Revenue	<u>6,089,108</u>	<u>6,089,108</u>	<u>6,742,346</u>	<u>653,238</u>
Operating Expenses:				
Employee wages, benefits and taxes	2,193,246	2,193,246	2,167,088	(26,158)
Supplies	290,764	290,764	292,195	1,431
Utilities	258,500	258,500	230,708	(27,792)
Services and contracts	1,194,765	1,194,765	1,026,465	(168,300)
Repairs and maintenance	808,350	808,350	623,994	(184,356)
Insurance	120,000	120,000	118,832	(1,168)
Other operating expense	293,466	293,466	252,963	(40,503)
Total Operating Expenses	<u>5,159,091</u>	<u>5,159,091</u>	<u>4,712,245</u>	<u>(446,846)</u>
Operating Income	<u>930,017</u>	<u>930,017</u>	<u>2,030,101</u>	<u>1,100,084</u>
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	440,000	440,000	453,891	13,891
Interest income	250,000	250,000	847,466	597,466
Gain (loss) on disposition of assets	-	-	21,904	21,904
Donation of Assets	-	-	(159,257)	(159,257)
Federal grants	900,000	900,000	2,848,479	1,948,479
Total Nonoperating Revenue and (Expenses)	<u>1,590,000</u>	<u>1,590,000</u>	<u>4,012,483</u>	<u>2,422,483</u>
Capital Contributions	<u>200,000</u>	<u>200,000</u>	<u>1,261,712</u>	<u>1,061,712</u>
Capital Expenditures	<u>(4,825,000)</u>	<u>(4,825,000)</u>	<u>(1,614,692)</u>	<u>3,210,308</u>
Change in Net Position	<u>\$ (2,104,983)</u>	<u>\$ (2,104,983)</u>	<u>\$ 5,689,604</u>	<u>\$ 7,794,587</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**RECONCILIATION OF BUDGETARY BASIS TO GAAP
For the Year Ended September 30, 2025**

	<u>Actual Budgetary Basis</u>	<u>GAAP Basis</u>	<u>Difference</u>	<u>Number of Explanation</u>
Operating Revenue:				
Airlines	\$ 917,312	\$ 917,312	\$ -	
Automobile rental	1,022,351	988,771	(33,580)	4,5,6
Auto parking	1,045,984	1,045,984	-	
Rents, fees, commissions and leases	2,779,554	2,767,703	(11,851)	4,5,6
Fuel flowage fees	617,335	617,335	-	
CFC passthrough revenue	320,064	320,064	-	
Other operating revenue	39,746	39,746	-	
Total Operating Revenue	<u>6,742,346</u>	<u>6,696,915</u>	<u>(45,431)</u>	
Operating Expenses:				
Employee wages, benefits and taxes	2,167,088	2,112,166	(54,922)	1
Supplies	292,195	157,399	(134,796)	8
Utilities	230,708	230,708	-	
Services and contracts	1,026,465	1,026,465	-	
Repairs and maintenance	623,994	623,994	-	
Insurance	118,832	118,832	-	
Other operating expense	252,963	251,642	(1,321)	8
Depreciation	-	3,735,087	3,735,087	2
Amortization	-	121,358	121,358	2
Total Operating Expenses	<u>4,712,245</u>	<u>8,377,651</u>	<u>3,665,406</u>	
Operating Income	<u>2,030,101</u>	<u>(1,680,736)</u>	<u>(3,710,837)</u>	
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	453,891	453,891	-	
Interest income	847,466	875,800	28,334	4
Interest expense	-	(17,639)	(17,639)	7
Gain (loss) on disposition of assets	21,904	21,904	-	
Donation of asset	(159,257)	(159,257)	-	
Federal grants	2,848,479	2,848,479	-	
Total Nonoperating Revenue and (Expenses)	<u>4,012,483</u>	<u>4,023,178</u>	<u>10,695</u>	
Capital Contributions	<u>1,261,712</u>	<u>1,261,712</u>	<u>-</u>	
Capital Expenditures	<u>(1,614,692)</u>	<u>-</u>	<u>1,614,692</u>	3
Change in Net Position	<u>\$ 5,689,604</u>	<u>\$ 3,604,154</u>	<u>\$ (2,085,450)</u>	

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, 2025, 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 December 19, 2025.

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.

Sorren CPAs P.C.

Meridian, Idaho
December 19, 2025

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, 2025.

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, 2025.

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.

Sorren CPAs P.C.

Meridian, Idaho
December 19, 2025

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year Ended September 30, 2025

Federal Grantor Program Title:	Federal Assistance Listing Number	Total Federal Expenditures
<u>Department of Transportation Programs</u>		
Airport Improvement Program	20.106	\$ 1,261,712
COVID-19 Airport Improvement Program (ACRGP)	20.106	1,219,368
COVID-19 Airport Improvement Program (ARPA)	20.106	<u>1,629,111</u>
<i>Total Department of Transportation Programs</i>		<u>4,110,191</u>
Total Expenditures of Federal Awards		<u><u>\$ 4,110,191</u></u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2025

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, 2025. 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, 2025

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 Uniform Guidance 2 CFR 200.516? _____ yes X no

Identification of major programs:

<u>Assistance Listing 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:	\$ 1,000,000
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, 2025**

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 schedule of expenditures of federal awards were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS) and the Uniform Guidance.