

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS  
AND  
OTHER FINANCIAL INFORMATION**

**September 30, 2013**

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**Independent Auditors' Report**

To the Board  
Friedman Memorial Airport Authority  
Hailey, Idaho

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Friedman Memorial Airport Authority (Authority), as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

### *Changes in Accounting Principles*

As described in Note 1, effective October 1, 2012, the Airport adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

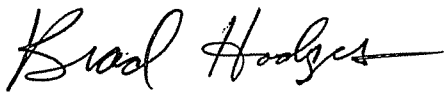
### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the Authority's financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of revenue, expenditures and changes in net position – budget and actual and reconciliation of budgetary basis to GAAP are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 10, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance

and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Simmons and Clubb  
Certified Public Accountants

Boise, Idaho  
January 10, 2014

## **Management's Discussion and Analysis**

The following Management's Discussion and Analysis (MD&A) of the Friedman Memorial Airport Authority's (the Authority) financial performance provides an introduction to the financial statements for the fiscal year ended September 30, 2013. The information contained in the MD&A should be considered in conjunction with information contained in the Authority's financial statements.

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

For the last six years, the Authority has been working in partnership with the FAA (Federal Aviation Administration) to improve air service reliability and comply with FAA design standards for commercial air service into the Wood River Valley by siting and constructing a replacement airport. In August 2011, the Authority encountered a significant impediment to this effort. The FAA, after what was described as "thoughtful deliberation and analysis", indefinitely suspended any further work on the draft environmental impact statement (DEIS). That decision resulted from new data arising from the study, suggesting significant, higher-than-anticipated project costs and problematic impacts to wildlife. The purpose of this suspension was to gather community input and technical information in order for the Authority to make the best informed decisions about a future replacement airport and allow for investigation, with cooperation from air carriers and the FAA, into any possible shorter term solutions meeting as many FAA design standards as possible and for increased reliability at the existing airport while a permanent solution is explored.

Accordingly, the Authority initiated a public process of discussions with the community to determine the community's preference moving forward. That determination was what came to be known as a "Dual Path Forward", which represented the community's desire to identify any possible short-term mitigation available at the existing site, while continuing the endeavor of identifying a mechanism for the ultimate goal of a replacement airport at another site. At the FAA's direction, the Authority conducted an Airport Alternatives Technical Analysis to identify all conceivable configurations and options that could be implemented at the existing airport site.

Early in fiscal year 2013, the Authority and the FAA agreed to the Authority's proposed dual path approach using Alternative 6 as the preferred alternative from the Alternatives Technical Analysis to meet congressional mandated safety standards required by December 2015. The FAA also, after completion of a Safety Risk Management process, granted five of six submitted Modification to Standards (MOS) to accommodate an achievable solution at the existing site. These modifications consider and limit the size of aircraft to those that currently utilize Friedman rather than making alterations that would fully achieve a C-III compliant airport.

At the conclusion of fiscal year 2013, the Authority kicked off the first series of Runway Safety Area (RSA) Implementation projects (Alternative 6). The RSA projects are expected to continue into fiscal year 2014-2015. The next step for the Authority will be to conduct a Master Planning process. The Authority has determined that an appropriate component of the Master Plan will be a site selection chapter. The

Authority would like that chapter to capture the Authority's scientific developed site study as well as the FAA's EIS Purpose and Need/Alternatives Working Paper.

Fiscal year 2013 included the announcement of additional Horizon flights into SUN, new SFO/SUN non-stop regional jet service beginning December 12, 2013 and Delta regional jet service beginning January 6, 2014.

In partnership with other community organizations, a DOT small community air service grant has been awarded for the purpose of identifying, securing and marketing improved east coast air service connectivity.

The entire Wood River community was adversely affected by the Beaver Creek Fire in August. The revenue potential and operations at the Airport were significantly reduced as a result and the effects are reflected in the financials.

### **Overview of the Financial Statements**

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

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

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

The *Statements of Revenue, Expenses and Changes in Net Position* present information showing how the Authority's net position changed during the most recent 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, revenue 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 Basis* and the *Reconciliation of Budgetary Basis to GAAP* as supplementary information.

## Financial Position Summary

The changes in net position over time serve as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$37.7 million as of September 30, 2013, a decrease of \$340 thousand from September 30, 2012.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>% Change 2013/2012</u>	<u>% Change 2012/2011</u>
<b>ASSETS:</b>					
Current Assets	5,765,334	5,805,084	5,844,570	-0.7%	-0.7%
Capital Assets	<u>32,489,050</u>	<u>32,872,962</u>	<u>33,847,683</u>	-1.2%	-2.9%
Total Assets	<u>38,254,384</u>	<u>38,678,046</u>	<u>39,692,253</u>	-1.1%	-2.6%
<b>LIABILITIES:</b>					
Current Liabilities	374,619	379,585	247,694	-1.3%	53.2%
Noncurrent Liabilities	171,381	157,664	159,553	8.7%	-1.2%
Deferred Inflows of resources	-	<u>91,530</u>	<u>16,854</u>	-100.0%	443.1%
Total Liabilities	<u>546,000</u>	<u>628,779</u>	<u>424,101</u>	-13.2%	48.3%
<b>NET ASSETS:</b>					
Invested in capital assets	32,489,050	32,872,962	33,847,683	-1.2%	-2.9%
Restricted	5,500	5,500	-	.0%	N/A
Unrestricted	<u>5,213,834</u>	<u>5,170,805</u>	<u>5,420,469</u>	0.8%	-4.6%
Net Position	<u>37,708,384</u>	<u>38,049,267</u>	<u>39,268,152</u>	-0.9%	-3.1%

The largest portion of the Authority's net position is invested in capital assets (e.g. land, buildings, improvements and equipment). No outstanding debt is attributable to these assets. The Authority uses its capital assets to provide services to its aviation partners, passengers and fixed-base operators. This requirement includes the obligation to preserve and maintain airport facilities in a safe and serviceable condition and includes the responsibility to operate the aeronautical facilities and common use areas for the benefit of the public. Consequently, these assets are not available for future spending.

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

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

The noncurrent liability increased due to an increase in accrued compensated absences.

## **Summary of Operations and Changes in Net Position**

Aircraft operations for the fiscal year ending September 30, 2013, increased approximately 10.8% from 28,713 to 31,824. General aviation increased by 11.6% and commercial airline increased 2.1%. Staff



attributes this increase to milder winter weather conditions, improving economic conditions and increased use of the local air pattern. It is also notable, even with the fire, that diversions and cancellations decreased by 4.6%.

Enplaned passengers for the fiscal year ending September 30, 2013 increased approximately 0.9% for the same period from 50,910 to 51,392. Horizon Air enplanements increased by 4.9% while SkyWest Airlines experienced a 12.9% decrease. The increases/decreases are primarily attributed to weather/reliability issues, increased marketing efforts and the Beaver Creek fire that resulted in a 71% increase in diversions/cancellations during the month of August.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>% Change 2013/2012</u>	<u>% Change 2012/2011</u>
Operating Revenue	2,184,610	2,199,031	2,227,328	-0.7%	-1.3%
Operating Expenses	<u>3,580,984</u>	<u>3,713,175</u>	<u>3,701,028</u>	-3.6%	0.3%
Operating (income/loss)	-1,396,374	-1,514,144	-1,473,700	7.8%	-2.7%
Non Operating Revenue					
(Expenses)	312,968	143,319	412,175	118.4%	-65.2%
Capital Contributions	<u>742,523</u>	<u>151,940</u>	<u>2,421,229</u>	388.7%	-93.7%
Changes in net position	-340,883	-1,218,885	1,359,704	72.0%	-189.6%
Beginning net position	<u>38,049,267</u>	<u>39,268,152</u>	<u>37,908,448</u>	-3.1%	3.6%
Ending net position	<u>37,708,819</u>	<u>38,049,267</u>	<u>39,268,152</u>	-0.9%	-3.1%

Operating revenue decreased 0.7% from the prior fiscal year. Highlights of the revenues are as follows:

- Automobile Parking revenue increased 21.3%. This increase is primarily attributed to the months of March, August & September. In March and September Horizon promoted fare specials and in August the Beaver Creek Fire mandated several evacuations which resulted in an increased number of locals and second home owners utilizing the terminal parking lot. The increase is also related to the method of calculating commissions once gross revenues collected exceed \$13,000.00. Once the \$13,000 is reached, the percent of commission due to the Airport escalates from 35% to 80% of the gross revenues collected.
- Automobile rental revenue experienced a 1.9% increase. This increase is the result of commission revenue received from an off-airport operator. It is notable that the on-airport auto rental decreased approximately 3.8%. This decrease is attributed to the Beaver Creek Fire. Several local events were cancelled and county-wide evacuations were mandated due to fire conditions. The auto rental concessionaires experienced a high level of cancellations during this time.

The auto rental concession leases were renegotiated during fiscal year 2013 with a commencement date of November 1, 2013. The new leases were entered into with two existing agencies and one off-site operator that will now be on-site. It is anticipated the addition of a third operator will increase revenues.

- Fuel Flowage Revenue increased 7.4%. This is primarily attributed to increased aircraft operations and improving national economic factors.
- Rents, fees, commissions and leases increased approximately 2.5%. The increase is a combination of increased transient landing and tiedown fees and adjustments made to FBO and hangar land lease rates. One notable item, tiedown fees, decreased approximately 20%. This decrease is attributed to the decrease in local small aircraft owners, an aging local pilot population and prolonged local economic factors.
- Miscellaneous revenue decreased 71.3%. The decrease is primarily attributed to the TSA discontinuing their law enforcement reimbursement contract with the Airport.

Operating expenses decreased 3.6% over the prior fiscal year. Highlights of expenses are as follows:

- Employee wages, benefits and taxes increased 1.8%. This increase is attributed to employee merit increases and an anticipated increase in medical premiums.
- Travel increased 160.5%. This increase is related to the Airport being reassigned from the FAA regional office in Seattle to Helena, MT during the planning of a major airport reconfiguration program. This reassignment required travel to the new regional office with consultants to obtain FAA guidance and approval on proposed airport improvements. Travel expenses were also increased due to attendance at meetings with American Association of Airport Executives (AAAE) US Contract Tower (USCTA) and meetings with airline representatives.
- Contracts – COH LEO was dramatically reduced when the TSA discontinued their law enforcement (LEO) service reimbursement agreement with the Airport. The Airport has entered into a separate agreement with the City of Hailey Police Department to provide a minimal amount of LEO services during commercial flights.
- Service Provider – Weather – Increased 132.3% due to an upgrade in service. What was previously available on a stand-alone computer is now web-based. This upgrade includes additional features and increases accessibility.
- Professional Services – Litigation - increased due to the FAA's threat of cessation of FAA funding for the Airport Contract Control Tower (Tower). The Airport Authority hired Kaplan, Kirsch & Rockwell, LLP to defend the Airport's need to retain the Tower based on local conditions and safety concerns. To date, funding for the Tower remains funded through January 15, 2014; however, future FAA funding is not certain and the need for additional legal services may resurface.
- Contracts Security CMS (Credential Management Service) - The CMS system was implemented in March 2013. The subscription fees charged in fiscal year 2012 were credited in fiscal year 2013 due to an unanticipated delayed in the operational startup.
- R/M BLDGS – Terminal – Increased 44.5% due to an aging building and an evaluation of maintenance needs.
- R/M – Airfield decreased 99.5% due to asphalt repair material that was purchased in bulk in fiscal year 2012 and the need for asphalt repair was less in fiscal year 2013 due to reconstruction of the

transient tiedown ramp and the plan to eliminate taxiway A as part of the FAA mandated runway safety area improvement projects.

- R/M – Lights decreased 624% due to repairs and spare parts purchased in fiscal year 2012 that were not required in fiscal year 2013.
- Fuel/Lubricants decreased 63.9%. This decrease is attributed to a winter of low snowfall which resulted in a reduced amount of snow removal efforts.
- Supplies/Equipment–Deicer did not reflect an expense in fiscal year 2013. This is the result of mild winter weather conditions and a bulk purchase of de-icing fluid in fiscal year to avoid a price increase.

### **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, 2013. A summary of operating revenue and expenses based on the actual budgetary basis is shown below.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Operating Revenue	2,133,373	2,184,610	51,237
Total Operating Expenses	<u>2,032,702</u>	<u>1,922,568</u>	<u>-110,134</u>
Operating Income (loss)	<u>100,671</u>	<u>262,042</u>	<u>161,371</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.
2. Depreciation is a non-cash item and therefore not budgeted.
3. Passenger Facility Charges (PFC) are budgeted based on receipts but may be deferred for GAAP.
4. Interest earned on PFCs are budgeted as interest but reportable as PFC revenue for GAAP.
5. Capital asset purchases are budgeted but are an asset instead of an expense for GAAP.

The Authority's budget philosophy is to conservatively estimate revenue while, at the same time, making certain that budgeted operating expenses are not understated. The fiscal year 2013 budget process was a direct reflection of the economy and the Authority's conscientious approach to estimating revenues and expenses.

### **Capital Acquisitions and Construction Activities**

The decrease to *Buildings and Improvements* includes the disposal of terminal security system equipment and the installation of an air conditioning unit in the air passenger terminal.

The increase to *Airfield and General Improvements* includes the acquisition of window shades, an air conditioning unit and a security camera for the air traffic control tower and installation of a fiber optic data line between the air passenger terminal and administration office to improve data throughput.

A decrease was recorded due to a refund received from the FAA on AIP '30 for the VASI installation .

The increase to *Office Equipment* includes the acquisition of a copier, disposal of a copier, disposal and acquisition of computer equipment and an upgrade and redesign of the Airport's website.

The increase to *Maintenance Equipment/Vehicles* is related to the disposal of maintenance equipment and acquisition of driver's training software, snow removal equipment, operation equipment, operations radio, and security upgrades.

The increase to *Assessments/Plans & Studies* is related to the AIP '37 90-Day Study.

The increase to Construction in Progress is related to the Runway Safety Improvements completed (AIP '038/'039). During fiscal year 2011, the FAA suspended the Environmental Impact Study (EIS) Phase I/II. At the end of fiscal year 2013, this study had been terminated; however, remained to be in a suspended status as the grant final reports have not been completed by the FAA. This project remains in *Construction in Progress*.

### **Long-term Liabilities**

The only long-term liability is for compensated absences, which represents vacation, comp time and 25% of sick leave, which has been accrued but will be paid in future periods as used or on termination of employment. The total liability at September 30, 2013, was \$171,381. The total liability increase is related to the amount of benefits accrued but not used. Currently, the Authority has no other long-term debt outstanding nor are there any plans to incur any long-term debt.

### **Requests for Information**

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

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**STATEMENTS OF NET POSITION  
ENTERPRISE FUND  
September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 5,451,576	\$ 5,433,041
Operating accounts receivable	148,180	191,847
Due from other governments	156,233	78,314
Interest receivable	533	968
Prepaid expenses	3,312	3,884
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Passenger Facility Charges	-	91,530
Total Current Assets	<u>5,765,334</u>	<u>5,805,084</u>
<b>Noncurrent Assets:</b>		
Capital assets:		
Land	6,712,067	6,712,067
Construction in progress	8,760,396	8,017,410
Airfield, buildings, equipment, improvements, plans and studies	<u>39,983,509</u>	<u>39,575,929</u>
	55,455,972	54,305,406
Accumulated depreciation	<u>(22,966,922)</u>	<u>(21,432,444)</u>
Total Capital Assets	<u>32,489,050</u>	<u>32,872,962</u>
 Total Assets	 <u>38,254,384</u>	 <u>38,678,046</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	56,640	108,739
Payable City of Hailey	1,487	14,065
Accounts payable for capital improvements	223,671	163,511
Accrued payroll and benefits	3,029	3,403
Customer deposits	7,400	7,300
Accrued compensated absences	<u>82,392</u>	<u>82,567</u>
Total Current Liabilities	374,619	379,585
<b>Noncurrent Liabilities:</b>		
Long-term accrued compensated absences	<u>171,381</u>	<u>157,664</u>
Total Liabilities	<u>546,000</u>	<u>537,249</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue - Passenger Facility Charges	-	91,530
Total Deferred Inflows of Resources	<u>-</u>	<u>91,530</u>
<b>NET POSITION</b>		
Invested in capital assets	32,489,050	32,872,962
Restricted	5,500	5,500
Unrestricted	5,213,834	5,170,805
Total Net Position	<u>\$ 37,708,384</u>	<u>\$ 38,049,267</u>

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

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

**For the Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Revenue:</b>		
Airlines	\$ 176,753	\$ 171,072
Automobile rental	389,427	381,889
Auto parking	85,789	70,711
Rents, fees, commissions and leases	1,306,635	1,274,265
Fuel flowage fees	190,494	177,287
Other operating revenue	35,512	123,807
Total Operating Revenue	2,184,610	2,199,031
<b>Operating Expenses:</b>		
Employee wages, benefits and taxes	1,190,186	1,169,218
Supplies	59,234	101,429
Utilities	80,711	76,357
Services and contracts	378,053	486,109
Repairs and maintenance	90,988	98,970
Insurance	67,930	61,073
Other operating expense	69,009	69,614
Depreciation	1,644,873	1,650,405
Total Operating Expenses	3,580,984	3,713,175
Operating Income (Loss)	(1,396,374)	(1,514,144)
<b>Nonoperating Revenue (Expenses):</b>		
Passenger Facility Charges	304,284	131,824
Interest income	8,684	11,495
Contribution income	-	-
Total Nonoperating Revenue and (Expenses)	312,968	143,319
Income (Loss) before Capital Contributions	(1,083,406)	(1,370,825)
<b>Capital Contributions</b>	742,523	151,940
Change in Net Position	(340,883)	(1,218,885)
<b>Net Position, Beginning of Year</b>	38,049,267	39,268,152
<b>Net Position, End of Year</b>	\$ 37,708,384	\$ 38,049,267

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**STATEMENTS OF CASH FLOWS  
ENTERPRISE FUND  
For the Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,228,641	\$ 2,143,931
Cash payments for employees' services and benefits	(1,177,018)	(1,154,139)
Cash payments to suppliers for goods and services	<u>(810,030)</u>	<u>(824,112)</u>
Net cash provided (used) by operating activities	<u>241,593</u>	<u>165,680</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,201,065)	(634,186)
Grants and other amounts received for the purchase of capital assets	664,604	113,402
Passenger facility charges received for the purchase of capital assets	<u>212,754</u>	<u>206,500</u>
Net cash provided (used) by capital and related financing activities	<u>(323,707)</u>	<u>(314,284)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts of interest	<u>9,119</u>	<u>11,671</u>
Net cash provided (used) by investing activities	<u>9,119</u>	<u>11,671</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(72,995)</u>	<u>(136,933)</u>
<b>Balances - beginning of the year</b>	<u>5,530,071</u>	<u>5,667,004</u>
<b>Balances - end of the year</b>	<u>\$ 5,457,076</u>	<u>\$ 5,530,071</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income (loss)	<u>\$(1,396,374)</u>	<u>\$ (1,514,144)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,644,873	1,650,405
Noncash transactions - undepreciated cost in assets disposed of	264	-
Change in assets and liabilities:		
(Increase) decrease in trade accounts receivable	43,667	(59,600)
(Increase) decrease in prepaid expenses	572	515
Increase (decrease) in accounts payable trade	(64,677)	68,925
Increase (decrease) in accrued payroll and benefits	(374)	123
Increase (decrease) in customer deposits	100	4,500
Increase (decrease) in accrued compensated absences	13,542	14,956
Total Adjustment and Changes	<u>1,637,967</u>	<u>1,679,824</u>
Net cash provided (used) by operating activities	<u>\$ 241,593</u>	<u>\$ 165,680</u>

# FRIEDMAN MEMORIAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2013

### Note 1. Summary of Significant Accounting Policies

#### 1-A. Organization and Reporting Entity

##### Organization

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

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

##### Reporting Entity

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

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

#### 1-B. Measurement Focus, Basis of Accounting

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

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

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



# FRIEDMAN MEMORIAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2013

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures, which does not conflict with or contradict other GASB pronouncements. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the resulting measure as net position rather than net assets. The provisions of this statement are effective for the financial statements for periods beginning after December 15, 2011. As of October 1, 2012, the Authority adopted the above GASB statements, which did not have a significant impact on its financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of October 1, 2012, the Authority adopted the provisions of GASB Statement No. 65 and restated deferred revenues from PFCs from noncurrent liabilities to deferred inflows of resources.

### 1-C. Assets, Liabilities and Equity

#### Cash and Cash Equivalents

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

#### Accounts Receivable

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

#### Prepaid Expenses

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

#### Capital Assets

Capital assets are stated at cost. Donated capital assets are recorded at their estimated fair market value when received. Only assets with a value over \$1,500 are capitalized. 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	4 to 50 years
Airfield and general improvements	4 to 25 years
Office equipment	2 to 10 years
Maintenance equipment and vehicles	2 to 20 years
Assessments, plans and studies	4 to 20 years

#### Restricted Cash – BLM

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

## FRIEDMAN MEMORIAL AIRPORT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2013

#### Restricted Cash – Passenger Facility Charges Funds

This cash represents PFC collections based on an approved FAA application to "impose" such charges on enplaned passengers at the Airport. These funds are restricted to funding designated capital projects.

#### Use of Restricted Resources

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

#### Budget

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

1. Accruals of compensated absences are not budgeted.
2. Depreciation is a non-cash item and therefore not budgeted.
3. PFCs are budgeted based on receipts but may be deferred for GAAP.
4. Interest earned on PFCs is budgeted as interest but reportable as PFC revenue for GAAP.
5. Capital asset purchases are budgeted but are reported as an asset instead of as an expense for GAAP.

#### Compensated Absences

All employees receive 96 hours of sick leave per year with no maximum accrual. Vacation is received based on years of service. Those having one to two years of service receive 80 hours of vacation annually and the hours received increase 8 hours per year for every two years of service. Compensated absences consist of accrued vacation, comp time and 25% of accrued sick leave that would be paid upon termination of employment.

#### 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 estimated.

#### Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

#### 1-D. Subsequent Events

Management has evaluated subsequent events through January 10, 2014, the date on which financial statements were available to be issued.

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2013**

**Note 2. Deposits and Investments**

The following is a reconciliation of the Authority's deposit and investment balances as of September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 50	\$ 50
Bank deposits	22,970	97,203
Repurchase agreement	181,511	238,999
State of Idaho Local Government		
Investment Pool	<u>5,252,545</u>	<u>5,193,819</u>
	<u>\$ 5,457,076</u>	<u>\$ 5,530,071</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

The Authority's Investment Policy limits investments to interest-bearing accounts through approved and chosen 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's investment policy limits investment choices to interest-bearing accounts at approved banks or the State of Idaho Local Government Investment Pool. As of September 30, 2013 and 2012, the Authority's deposits and investment had the following credit ratings:

<u>Investment</u>	<u>2013</u> <u>Fair Value</u>	<u>2012</u> <u>Fair Value</u>	<u>Credit</u> <u>Rating</u>
Mountain West Savings	\$ 17,308	\$ 91,623	None
Mountain West Certificate of Deposit	5,662	5,580	None
Mountain West repurchase agreement	181,511	238,999	None
State of Idaho Local Government Investment Pool	5,252,545	5,193,819	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

The Authority's investment policy does not limit the amount of deposits in approved and chosen financial institutions.

As of September 30, 2013, the carrying amount of the Authority's bank deposits was \$204,481 and the respective bank balances totaled \$290,577. The Authority's deposits at September 30, 2013, were covered by \$250,000 of insurance from the Federal Depository Insurance Corporation and \$275,896 of collateral. None of these deposits were 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, 2012, the carrying amount of the Authority's bank deposits was \$336,202 and the respective bank balances totaled \$376,657. The Authority's deposits at September 30, 2012, were covered by \$250,000 of insurance from the Federal Depository Insurance Corporation and \$280,388 of collateral. None of these deposits were 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

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 of credit risk. On September 30, 2013 and 2012, the Authority did not have 5% or more of its deposits and investments with one issuer.

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2013**

**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's investment policy limits their investments and deposits to interest-bearing accounts at approved and chosen financial institutions. The Authority had the following deposits and investments as of September 30, 2013 and 2012:

<u>Investment</u>	2013 <u>Fair Value</u>	Weighted Average <u>Duration</u>	2012 <u>Fair Value</u>	Weighted Average <u>Duration</u>
Repurchase agreement	\$ 181,511	1 day	\$ 238,999	1 day
Investment pool	5,252,545	121 days	5,193,819	121 days
Certificate of Deposit	5,662	2 years 16 days	5,580	3 years 16 days
Demand deposits	17,308	not applicable	91,623	not applicable

**Note 3. Capital Assets**

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Balance</u> <u>9/30/2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Balance</u> <u>9/30/2013</u>
Nondepreciable capital assets:					
Land	\$ 6,712,067	\$	\$	\$	\$ 6,712,067
Construction in progress	8,017,411	817,105		(74,120)	8,760,396
Depreciable capital assets:					
Buildings and improvements	7,038,565	2,680	(3,970)		7,037,275
Airfield and general improvements	26,458,626	22,662	(72,952)		26,408,336
Office equipment	138,942	19,321	(18,326)		139,937
Maintenance equipment & vehicles	3,815,025	419,868	(74,209)	11,917	4,172,601
Assessments, plans & studies	<u>2,124,770</u>	<u>38,387</u>		<u>62,203</u>	<u>2,225,360</u>
	54,305,406	1,320,023	(169,457)	-	55,455,972
Accumulated depreciation	<u>(21,432,444)</u>	<u>(1,644,873)</u>	<u>110,395</u>		<u>(22,966,922)</u>
	<u>\$ 32,872,962</u>	<u>\$ (324,850)</u>	<u>\$ (59,062)</u>	<u>\$ -</u>	<u>\$ 32,489,050</u>

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Balance</u> <u>9/30/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Balance</u> <u>9/30/2012</u>
Nondepreciable capital assets:					
Land	\$ 6,712,067	\$	\$	\$	\$ 6,712,067
Construction in progress	7,671,572	355,996		(10,157)	8,017,411
Depreciable capital assets:					
Depreciating capital assets:					
Buildings and improvements	6,949,110	89,455			7,038,565
Airfield and general improvements	26,274,696	173,773		10,157	26,458,626
Office equipment	100,585	43,621	(5,264)		138,942
Maintenance equipment & vehicles	3,802,186	12,839			3,815,025
Assessments, plans & studies	<u>2,124,770</u>				<u>2,124,770</u>
	53,634,986	675,684	(5,264)	-	54,305,406
Accumulated depreciation	<u>(19,787,303)</u>	<u>(1,650,405)</u>	<u>5,264</u>		<u>(21,432,444)</u>
	<u>\$ 33,847,683</u>	<u>\$ (974,721)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,872,962</u>

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2013**

**Note 4. Accounts Receivable**

The Airport manager, under the direction of the Airport, 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 Airport 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, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Current	\$ 147,385	\$ 191,277
30-60 days	72	253
60-90 days	738	194
90 days and over	<u>(15)</u>	<u>123</u>
	<u>\$ 148,180</u>	<u>\$ 191,847</u>
Government grants receivable	<u>\$ 156,233</u>	<u>\$ 78,314</u>

**Note 5. Long-term Liabilities**

Changes in long-term obligations for the year ended September 30, 2013, are as follows:

	<u>Balance at</u> <u>10/01/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2013</u>	<u>Amount due</u> <u>within 1 year</u>
Compensated absences	<u>\$ 157,664</u>	<u>\$ 13,717</u>	<u>\$ -</u>	<u>\$ 171,381</u>	<u>\$ -</u>

Changes in long-term obligations for the year ended September 30, 2012, are as follows:

	<u>Balance at</u> <u>10/01/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2012</u>	<u>Amount due</u> <u>within 1 year</u>
Compensated absences	<u>\$ 159,553</u>	<u>\$ -</u>	<u>\$ 1,889</u>	<u>\$ 157,664</u>	<u>\$ -</u>

**Note 6. Pension Plan**

The Authority adopted a Simplified Employee Pension Plan (SEP) which became effective January 1, 1998. Vesting in the plan is immediate and all employees whose compensation exceeds \$450 and have performed services in at least one of the immediately preceding 5 years receive contributions. Plan contributions were \$98,328 for the year ended September 30, 2013, and \$97,111 for the year ended September 30, 2012.

**Note 7. Risk Management**

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

**Note 8. Concentrations**

The Authority enters into contracts with service providers at the Airport. Because of physical space limitations at the airfield, there are limited facilities available for service providers. During the current year, there were two airlines that provide scheduled commercial service, one fuel supplier, one fixed-base operator, one gift shop, one car park and two rental car agencies.

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2013**

**Note 9. Lease Revenue**

The Airport leases its property to commercial airlines, car rental companies, concessionaires, fixed base operators who service the airline industry and hanger operations. The airlines have annual renewal dates and some concessionaires are month to month. The long-term leases can only be terminated by buying out the lease and vary from 3 to 20 years. Some of these leases are increased annually by an inflation factor based on the CPI. These inflation rates are unknown and have not been included in amounts calculated. The net book value of property held for operating lease as of September 30, 2013, is \$563,333, not including the value of the land leased by hangar owners/operators. No allocation of land values between leased and utilized land has been done. The projected lease revenue at current rates is as follows:

<u>Year Ended September 30</u>	
2014	\$ 982,073
2015	668,381
2016	660,218
2017	246,828
2018	301,841
2019 to 2023	1,299,137
2024 to 2028	<u>486,553</u>
Total	<u>\$ 4,645,031</u>

**Note 10. Passenger Facility Charges**

PFCs at the rate of \$4.50 per enplaned passenger have been imposed by the Authority under a Federal Aviation Administration (FAA) approved application effective January 1, 2014 until the later of collecting \$527,500 or January 1, 2016. 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 deferred revenue of \$91,530 at September 30, 2012, and \$0 at September 30, 2013.

The following schedule shows the amounts collected and expended:

	<u>2013</u>		<u>2012</u>	
	<u>Receipts</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>Expenditures</u>
PFC 11-07-C-00-SUN	\$ 129,932	\$ -	\$ 206,500	\$ 131,824
PFC 12-08-C-00-SUN	82,822	400,103	-	-

**Note 11. Capital Contributions**

During the years ended September 30, 2013 and 2012, the Authority received the following capital contributions:

	<u>2013</u>	<u>2012</u>
Federal grants	\$ 742,523	\$ 131,940
State grants	-	20,000
Other sources	-	-
	<u>\$ 742,523</u>	<u>\$ 151,940</u>

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2013**

**Note 12. Commitments**

The Authority had four open grants from the U.S. Department of Transportation Airport Improvement Program (AIP) as of September 30, 2013. A summary of these projects is as follows:

<u>Project Description</u>		<u>Total</u>	<u>Federal</u>	<u>Expenditures</u>
		<u>Budget</u>	<u>Awards</u>	<u>to date</u>
AIP 38	Construct runway safety areas planning	\$ 737,984	\$ 691,860	\$ 582,414
AIP 39	Construct access road, apron, taxiway, install perimeter fence, remove obstructions and rehabilitate apron	2,383,738	2,234,754	234,237
AIP 03	Conduct environmental study for replacement airport for Friedman Memorial Airport, Hailey, Idaho (Phase 3)	477,703	453,818	477,703
AIP 04	Conduct environmental study for replacement airport for Friedman Memorial Airport, Hailey, Idaho (Phase 4)	2,631,579	2,500,000	2,631,579
		<u>\$ 6,231,004</u>	<u>\$ 5,880,432</u>	<u>\$ 3,925,933</u>

**Note 13. Contingencies**

The 2004 Master Plan adopted by the Authority and accepted by the FAA on August 12, 2004, concluded that a new airport is the best long-term solution for aviation safety and for meeting the air transportation needs of the Wood River Valley and surrounding communities. The Authority agreed that new airport issues would be addressed in various future feasibility studies. Conclusions also indicated that interim improvements would need to be made to the current facility. Both safety and capacity improvements will continue to be made at the current site so that it may continue to function at the highest levels. AIP 38 through AIP 04 are all projects developed to implement the 2004 Master Plan vision and to search for a new airport location to resolve aviation safety and air transport needs and to make interim improvements while the relocation is studied and implemented. On August 22, 2011, the FAA notified the Authority that the Replacement Airport Environmental Impact Statement was suspended indefinitely due to increased anticipated costs and potential impacts to wildlife. Specifically, the FAA was concerned that the replacement airport project may not be affordable for either the FAA or the local community. The Authority held public discussions with the community and determined that there was a desire to identify any possible short-term mitigation available at the existing site while continuing to pursue the ultimate goal of a replacement airport at another site. At the FAA's direction, the Authority conducted an Airport Alternatives Technical Analysis to identify all conceivable configurations and options that could be implemented at the existing airport site. At the end of the current fiscal year, the Authority began a series of construction projects to implement Alternative 6 of the Airport Alternatives Technical Analysis. The Authority will continue to determine the need to locate a site for a replacement airport.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2013

**Note 14. Related Party Transactions**

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

	<u>2013</u>	<u>2012</u>
Security services	\$ 4,012	\$ 160,292
Utilities	8,818	9,009

The amount due to the City of Hailey at September 30, 2013, was \$1,487 and was paid within 30 days.



**SUPPLEMENTARY INFORMATION**

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	<u>Positive</u> <u>(Negative)</u>
<b>Operating Revenue:</b>				
Airlines	\$ 185,400	\$ 185,400	\$ 176,753	\$ (8,647)
Automobile rental	401,800	401,800	389,427	(12,373)
Auto parking	70,000	70,000	85,789	15,789
Rents, fees, commissions and leases	1,304,173	1,304,173	1,306,635	2,462
Fuel flowage fees	172,000	172,000	190,494	18,494
Other operating revenue	-	-	35,512	35,512
<b>Total Operating Revenue</b>	<u>2,133,373</u>	<u>2,133,373</u>	<u>2,184,610</u>	<u>51,237</u>
<b>Operating Expenses:</b>				
Employee wages, benefits and taxes	1,207,597	1,207,597	1,176,643	30,954
Supplies	93,500	93,500	59,234	34,266
Utilities	89,510	89,510	80,711	8,799
Services and contracts	355,145	355,145	378,053	(22,908)
Repairs and maintenance	108,000	108,000	90,988	17,012
Insurance	68,150	68,150	67,930	220
Other operating expense	110,800	110,800	69,009	41,791
<b>Total Operating Expenses</b>	<u>2,032,702</u>	<u>2,032,702</u>	<u>1,922,568</u>	<u>110,134</u>
<b>Operating Income</b>	<u>100,671</u>	<u>100,671</u>	<u>262,042</u>	<u>161,371</u>
<b>Nonoperating Revenue and (Expenses):</b>				
Passenger Facility Charges	213,000	213,000	212,542	(458)
Interest income	14,000	14,000	8,896	(5,104)
Contribution income	-	-	-	-
<b>Total Nonoperating Revenue and (Expenses)</b>	<u>227,000</u>	<u>227,000</u>	<u>221,438</u>	<u>(5,562)</u>
<b>Capital Contributions</b>	<u>4,660,000</u>	<u>4,660,000</u>	<u>742,523</u>	<u>(3,917,477)</u>
<b>Capital Expenditures</b>	<u>5,427,771</u>	<u>5,427,771</u>	<u>1,320,023</u>	<u>4,107,748</u>
<b>Change in Net Position</b>	<u>\$ (440,100)</u>	<u>\$ (440,100)</u>	<u>\$ (94,020)</u>	<u>\$ 346,080</u>

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**  
**RECONCILIATION OF BUDGETARY BASIS TO GAAP**  
For the Year Ended September 30, 2013

	<u>Actual Budgetary Basis</u>	<u>GAAP Basis</u>	<u>Difference</u>	<u>Number of Explanation</u>
<b>Operating Revenue:</b>				
Airlines	\$ 176,753	\$ 176,753	\$ 0	
Automobile rental	389,427	389,427	0	
Auto parking	85,789	85,789	0	
Rents, fees, commissions and leases	1,306,635	1,306,635	0	
Fuel flowage fees	190,494	190,494	0	
Other operating revenue	35,512	35,512	0	
Total Operating Revenue	<u>2,184,610</u>	<u>2,184,610</u>	<u>-</u>	
<b>Operating Expenses:</b>				
Employee wages, benefits and taxes	1,176,643	1,190,186	13,543	1
Supplies	59,234	59,234	0	
Utilities	80,711	80,711	0	
Services and contracts	378,053	378,053	0	
Repairs and maintenance	90,988	90,988	0	
Insurance	67,930	67,930	0	
Other operating expense	69,009	69,009	0	
Depreciation	-	1,644,873	1,644,873	2
Total Operating Expenses	<u>1,922,568</u>	<u>3,580,984</u>	<u>1,658,416</u>	
Operating Income	<u>262,042</u>	<u>(1,396,374)</u>	<u>(1,658,416)</u>	
<b>Nonoperating Revenue and (Expenses):</b>				
Passenger Facility Charges	212,542	304,284	91,742	3, 4
Interest income	8,896	8,684	(212)	4
Total Nonoperating Revenue and (Expenses)	<u>221,438</u>	<u>312,968</u>	<u>91,530</u>	
Capital Contributions	<u>742,523</u>	<u>742,523</u>	<u>-</u>	
Capital Expenditures	<u>1,320,023</u>	<u>-</u>	<u>1,320,023</u>	5
	<u>\$ (94,020)</u>	<u>\$ (340,883)</u>	<u>\$ (246,863)</u>	

1. Accruals of compensated absences are not budgeted.
2. Depreciation is a noncash item and therefore not budgeted.
3. Passenger facility charges (PFC) are budgeted based on receipts but may be deferred for GAAP.
4. Interest earned on PFCs is budgeted as interest but reportable as PFC revenue for GAAP.
5. Capital asset purchases are budgeted but are reported as an asset instead of as an expense for GAAP.

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**OMB CIRCULAR A-133  
SUPPLEMENTARY FINANCIAL REPORT**

**September 30, 2013**

**OMB CIRCULAR A-133  
SUPPLEMENTARY FINANCIAL REPORT**

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**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 of  
Freidman 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 *Government 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, 2013, 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 10, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Friedman Memorial Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friedman Memorial Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matter**

As part of obtaining reasonable assurance about whether Friedman Memorial Airport 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Simmons and Clubb  
Certified Public Accountants

Boise, Idaho  
January 10, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of  
Friedman Memorial Airport Authority  
Hailey, Idaho

**Report on Compliance for Each Major Federal Program**

We have audited Friedman Memorial Airport Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Friedman Memorial Airport Authority's major federal program for the year ended September 30, 2013. Friedman Memorial Airport Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of Friedman Memorial Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Friedman Memorial Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Friedman Memorial Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.




## Report on Internal Control Over Compliance

Management of Friedman Memorial Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Friedman Memorial Airport Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Simmons and Clubb  
Certified Public Accountants

Boise, Idaho  
January 10, 2014

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2013**

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation Airport Improvement Program</u>	20.106	<u>\$ 742,523</u>
Total Federal Financial Assistance		<u>\$ 742,523</u>

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2013**

**Note 1.      Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Friedman Memorial Airport Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2013**

Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued: unqualified opinion

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes      X      No
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X      No
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X      No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes      X      No
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X      None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X      No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

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Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X      No

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2013**

Findings Relating to the Financial Statements

There were no findings relating to the financial statements which were required to be reported in accordance with GAGAS.

Findings and Questioned Cost for Federal Awards

There were no findings and questioned cost for Federal award which we are required to report under § \_\_\_\_.510(a)

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended September 30, 2013**

There are no audit findings of Friedman Memorial Airport Authority which were reported for the year ended September 30, 2012.