

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**FINANCIAL STATEMENTS
AND
OTHER FINANCIAL INFORMATION**

September 30, 2016

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Simmons Clubb & Hodges, CPA's, PLLC

Member American Institute of
Certified Public Accountants

Roger Clubb
Brad Hodges
Mary Kay Peterson

Independent Auditor's 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, 2016 and 2015, 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, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the basic 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 basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of revenue, expenditures and changes in net position – budget and actual and reconciliation of budgetary basis to GAAP and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2017, 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 Clubb & Hodges, CPAs, PLLC
Certified Public Accountants

Boise, Idaho
February 1, 2017

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, 2016. The information contained in the MD&A should be considered in conjunction with information contained in the Authority's financial statements.

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

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

The Authority has been committed to partnering with the community and the FAA to improve air service and safety at the current site while also maintaining that the airport may need to be relocated in the future. This philosophy has been deemed the "Dual Path Forward" and is the preferred approach to addressing the airport within our community. The dual path approach supports the communities desire to maintain or increase air service, improves safety and reliability at the existing airport and enables the Authority to continue researching other alternatives.

The Authority is in the final stages of an airport master plan update. In addition to studying and planning for the future at the existing site, the master plan also studied potential replacement sites and include the development of a 20 year capital development plan with cost estimates for maintaining and enhancing the current airport as well as a replacement site. The cost estimate for a replacement site indicates significant local investment will be required. 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.

As with fiscal year 2015, fiscal year 2016 proved to be a successful year for all three current air carriers that service Friedman. Expanded flight schedules in the summer of fiscal year 2016 saw increased enplanements. Increased service will also be realized during the 2016-2017 winter with additional flights between Friedman and Denver, Los Angeles, Salt Lake City, San Francisco, Seattle, and new direct service to Portland. The Portland service was made possible through the use of the DOT small community air service grant awarded in fiscal year 2016. With the assistance of a local non-profit air service organization, the Authority is committed to maintaining and improving air service at Friedman.

Operationally, fiscal year 2016 saw the Authority and staff focus on maintenance and upkeep of our new facilities. Our new and expanded facilities resulted in increased maintenance and operations (O&M) expenses. Adjustments in our budget to address these increased expenses are expected to continue into fiscal years 2017 and 2018.

Looking ahead, the airport master plan has identified immediate priorities for the Authority to focus on including potential acquisition of land south of the airport for runway approach protection and an additional air carrier apron aircraft parking space to accommodate our increased commercial air service activity. Additional reconfiguration and improvements to our access roads and vehicle parking lots are also planned.

All financial and operational indications are that the overall economy continues to stabilize and improve. Fiscal year 2016 reflects continued recovery and also demonstrates the need for a viable airport with reliable air service. Historically, inconvenience due to frequent flight cancellations and diversions is an often stated concern and the reason for travelers to be reluctant to return to SUN. This concern has not gone without consideration and the Authority and the community will continue to identify ways to improve service and reliability. Alaska Airlines has taken a major step in improving reliability at our airport with the implementation of a new proprietary instrument approach procedure allowing them to land in low ceiling and visibility conditions.

Overview of the Financial Statements

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

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

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

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

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

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

Financial Analysis of the Authority as a Whole

The changes in net position over time serve as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$57,751,744 as of September 30, 2016, a decrease of \$836 from September 30, 2015.

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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
ASSETS:				
Current Assets	\$ 2,479,364	\$ 5,353,058	\$(2,873,694)	-53.7%
Capital Assets	<u>55,637,540</u>	<u>55,248,643</u>	<u>388,897</u>	.7%
Total Assets	<u>58,116,904</u>	<u>60,601,701</u>	<u>(2,484,797)</u>	-4.1%
LIABILITIES:				
Current Liabilities	268,928	2,590,658	(2,321,730)	-89.6%
Noncurrent Liabilities	<u>96,232</u>	<u>258,463</u>	<u>(162,231)</u>	-62.8%
Total Liabilities	<u>365,160</u>	<u>2,849,121</u>	<u>(2,483,961)</u>	-87.2%
NET POSITION:				
Invested in capital assets	55,637,540	55,248,643	388,897	.7%
Restricted	6,189	13,913	(7,724)	-55.5%
Unrestricted	<u>2,108,015</u>	<u>2,490,024</u>	<u>(382,009)</u>	-15.3%
Net Position	<u>\$57,751,744</u>	<u>\$57,752,580</u>	<u>\$ (836)</u>	0.0%

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 (BLM) and Passenger Facility Charges (PFC) collections. The BLM funds are restricted as they must be held for the duration of the lease which terminates on December 31, 2031. The PFC funds are collected and are restricted to funding designated capital projects.

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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Operating Revenue	\$3,131,310	\$ 2,667,525	\$ 463,785	17.4%
Operating Expenses	<u>4,764,942</u>	<u>4,759,353</u>	<u>5,589</u>	.1%
Operating (income/loss)	(1,633,632)	(2,091,828)	458,196	21.9%
Non-operating Revenue (Expenses)	310,445	(4,199,037)	4,509,482	107.4%
Capital Contributions	<u>1,322,351</u>	<u>19,554,437</u>	<u>(18,232,086)</u>	-93.2%
Changes in net position	(836)	13,263,572	(13,264,408)	-100.0%
Beginning net position	<u>57,752,580</u>	<u>44,489,008</u>	<u>13,263,572</u>	29.8%
Ending net position	<u>\$57,751,744</u>	<u>\$57,752,580</u>	<u>\$ (836)</u>	0.0%

Operating revenue increased 17.4% from the prior fiscal year which is primarily due to an increase of 20.9% in Rents, fees, commissions and leases revenue; an increase of 18.1% in Fuel flowage fees revenue; and an increase of 16.4% in Automobile rental revenue.

Operating expenses increased by only .1% over the prior fiscal year.

Comparison of Budget and Actual Results

No amendments were made to the Authority's *Budgeted Revenue, Expenses and Changes in Net Position* during the fiscal year ending September 30, 2016. 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	\$2,951,419	\$3,131,310	\$ 179,891
Total Operating Expenses	<u>2,366,948</u>	<u>2,543,591</u>	<u>(176,643)</u>
Operating Income (loss)	<u>\$ 584,471</u>	<u>\$ 587,719</u>	<u>\$ 3,248</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.

Capital Acquisitions and Construction Activities

The capital assets of the Authority are those assets that are used in the performance of the Authority's functions. At September 30, 2016, net capital assets totaled \$55,637,540. The Authority acquired or constructed more than \$2.5 million in capital assets this year as detailed in Note 3 of the Notes to the Basic Financial Statements.

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, 2016, was \$172,599. The total liability decrease is related to benefits paid out to two longtime employees that ended their employment during the fiscal year. 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, 2016 and 2015**

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 2,025,885	\$ 2,449,757
Operating accounts receivable	171,292	145,337
Due from other governments	271,041	2,739,956
Interest receivable	770	287
Prepaid expenses	4,187	3,808
Restricted cash and cash equivalents:		
BLM	5,913	5,828
Passenger Facility Charges	276	8,085
Total Current Assets	2,479,364	5,353,058
Noncurrent Assets:		
Capital assets:		
Land	6,712,067	6,712,067
Construction in progress	12,603,136	32,751,280
Airfield, buildings, equipment, improvements, plans and studies	54,552,526	31,878,131
	73,867,729	71,341,478
Accumulated depreciation	(18,230,189)	(16,092,835)
Total Capital Assets	55,637,540	55,248,643
Total Assets	58,116,904	60,601,701
LIABILITIES		
Current Liabilities:		
Trade accounts payable	68,621	250,032
Payable City of Hailey	2,466	5,708
Accounts payable for capital improvements	117,337	2,229,289
Accrued payroll and benefits	3,137	6,565
Customer deposits	1,000	2,000
Accrued compensated absences	76,367	97,064
Total Current Liabilities	268,928	2,590,658
Noncurrent Liabilities:		
Long-term accrued compensated absences	96,232	258,463
Total Liabilities	365,160	2,849,121
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - Passenger Facility Charges	-	-
Total Deferred Inflows of Resources	-	-
NET POSITION		
Invested in capital assets	55,637,540	55,248,643
Restricted	6,189	13,913
Unrestricted	2,108,015	2,490,024
Total Net Position	\$ 57,751,744	\$ 57,752,580

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

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

For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenue:		
Airlines	\$ 266,364	\$ 238,108
Automobile rental	595,982	512,038
Auto parking	197,501	199,841
Rents, fees, commissions and leases	1,814,634	1,500,520
Fuel flowage fees	254,836	216,149
Other operating revenue	1,993	869
Total Operating Revenue	<u>3,131,310</u>	<u>2,667,525</u>
Operating Expenses:		
Employee wages, benefits and taxes	1,313,193	1,394,176
Supplies	200,607	128,690
Utilities	120,081	99,796
Services and contracts	571,626	385,111
Repairs and maintenance	148,038	111,655
Insurance	58,768	67,173
Other operating expense	153,340	282,173
Depreciation	2,199,289	2,290,579
Total Operating Expenses	<u>4,764,942</u>	<u>4,759,353</u>
Operating Income (Loss)	<u>(1,633,632)</u>	<u>(2,091,828)</u>
Nonoperating Revenue (Expenses):		
Passenger Facility Charges	303,132	302,173
Interest income	7,313	6,319
Federal grants	-	279,354
Impairment loss	-	(4,786,883)
Total Nonoperating Revenue and (Expenses)	<u>310,445</u>	<u>(4,199,037)</u>
Income (Loss) before Capital Contributions	<u>(1,323,187)</u>	<u>(6,290,865)</u>
Capital Contributions	<u>1,322,351</u>	<u>19,554,437</u>
Change in Net Position	<u>(836)</u>	<u>13,263,572</u>
Net Position, Beginning of Year	<u>57,752,580</u>	<u>44,489,008</u>
Net Position, End of Year	<u>\$ 57,751,744</u>	<u>\$ 57,752,580</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**STATEMENTS OF CASH FLOWS
ENTERPRISE FUND**

For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,101,536	\$ 2,644,322
Cash payments for employees' services and benefits	(1,499,549)	(1,344,921)
Cash payments to suppliers for goods and services	<u>(1,437,492)</u>	<u>(1,181,182)</u>
Net cash provided (used) by operating activities	<u>164,495</u>	<u>118,219</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants	<u>194,206</u>	<u>305,795</u>
Net cash provided (used) by noncapital financing activities	<u>194,206</u>	<u>305,795</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(4,700,138)	(21,220,326)
Grants and other amounts received for the purchase of capital assets	3,599,879	18,215,313
Passenger facility charges received for the purchase of capital assets	<u>303,132</u>	<u>274,519</u>
Net cash provided (used) by capital and related financing activities	<u>(797,127)</u>	<u>(2,730,494)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	<u>6,830</u>	<u>6,032</u>
Net cash provided (used) by investing activities	<u>6,830</u>	<u>6,032</u>
Net increase (decrease) in cash and cash equivalents	(431,596)	(2,300,448)
Balances - beginning of the year	<u>2,463,670</u>	<u>4,764,118</u>
Balances - end of the year	<u>\$ 2,032,074</u>	<u>\$ 2,463,670</u>
RECONCILIATION OF CASH BALANCES TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 2,025,885	\$ 2,449,757
Restricted cash and cash equivalents:		
BLM	5,913	5,828
Passenger Facility Charges	276	8,085
Total cash balances on Statements of Net Position	<u>\$ 2,032,074</u>	<u>\$ 2,463,670</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (1,633,632)</u>	<u>\$ (2,091,828)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,199,289	2,290,579
Change in assets and liabilities:		
(Increase) decrease in operating accounts receivable	(25,955)	(22,803)
(Increase) decrease in due from other governments (non-capital portion)	(2,819)	-
(Increase) decrease in prepaid expenses	(379)	(702)
Increase (decrease) in accounts payable trade	(184,653)	(105,882)
Increase (decrease) in accrued payroll and benefits	(3,428)	1,344
Increase (decrease) in customer deposits	(1,000)	(400)
Increase (decrease) in accrued compensated absences	<u>(182,928)</u>	<u>47,911</u>
Total Adjustment and Changes	<u>1,798,127</u>	<u>2,210,047</u>
Net cash provided (used) by operating activities	<u>\$ 164,495</u>	<u>\$ 118,219</u>

See Accompanying Notes to Financial Statements

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2016

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 assets.

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

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

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.

Restricted Cash -- Passenger Facility Charges Funds

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

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 assets are 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. 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

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

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 estimates.

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 the date on the independent auditors' report, the date on which financial statements were available to be issued.

Note 2. Deposits and Investments

The following is a reconciliation of the Authority's deposit and investment balances as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 50	\$ 50
Bank deposits	6,189	14,405
Repurchase agreement	430,852	860,238
State of Idaho Local Government Investment Pool	<u>1,594,983</u>	<u>1,588,977</u>
	<u>\$ 2,032,074</u>	<u>\$ 2,463,670</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 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, 2016 and 2015, the Authority's deposits and investment had the following credit ratings:

<u>Investment</u>	<u>2016</u> <u>Fair Value</u>	<u>2015</u> <u>Fair Value</u>	<u>Credit</u> <u>Rating</u>
Mountain West Checking	\$ 276	\$ 8,577	None
Mountain West Certificate of Deposit	5,913	5,828	None
Mountain West repurchase agreement	430,852	860,238	None
State of Idaho Local Government Investment Pool	1,594,983	1,588,977	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.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016**

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, 2016, the carrying amount of the Authority's bank deposits was \$437,041 and the respective bank balances totaled \$457,622. The Authority's deposits at September 30, 2016, were covered by \$6,167 of insurance from the Federal Depository Insurance Corporation and \$451,455 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, 2015, the carrying amount of the Authority's bank deposits was \$874,643 and the respective bank balances totaled \$917,680. The Authority's deposits at September 30, 2015, were covered by \$24,870 of insurance from the Federal Depository Insurance Corporation and \$892,810 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

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, 2016 and 2015, the Authority had more than 5% of its deposits and investments invested in a repurchase agreement with Mountain West Bank. At September 30, 2016, 100% of the repurchase agreement was invested in the Federal National Mortgage Association. At September 30, 2015, 100% of the repurchase agreement was invested in the Federal Home Loan Mortgage Corporation.

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, 2016 and 2015:

<u>Investment</u>	2016 <u>Fair Value</u>	Weighted Average <u>Duration</u>	2015 <u>Fair Value</u>	Weighted Average <u>Duration</u>
Repurchase agreement	\$ 430,852	1 day	\$ 860,238	1 day
Investment pool	1,594,983	90 days	1,588,977	96 days
Certificate of Deposit	5,913	16 days	5,828	1 years 16 days
Demand deposits	276	not applicable	8,577	not applicable

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016**

Note 3. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Balance</u> <u>9/30/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Balance</u> <u>9/30/2016</u>
Nondepreciable capital assets:					
Land	\$ 6,712,067	\$ -	\$ -	\$ -	\$ 6,712,067
Construction in progress	32,751,280	2,469,985	-	(22,618,129)	12,603,136
Depreciable capital assets:					
Buildings and improvements	5,498,640	-	-	(25,730)	5,472,910
Airfield and general improvements	14,539,833	16,130	-	22,449,976	37,005,939
Office equipment	143,142	1,965	(18,665)	(35,189)	91,253
Security	-	18,668	-	292,435	311,103
Maintenance equipment & vehicles	4,166,911	81,438	(43,270)	(63,363)	4,141,716
Assessments, plans & studies	<u>7,529,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,529,605</u>
	71,341,478	2,588,186	(61,935)	-	73,867,729
Accumulated depreciation	<u>(16,092,835)</u>	<u>(2,199,289)</u>	<u>61,935</u>	<u>-</u>	<u>(18,230,189)</u>
	<u>\$ 55,248,643</u>	<u>\$ 388,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,637,540</u>

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Balance</u> <u>9/30/2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Balance</u> <u>9/30/2015</u>
Nondepreciable capital assets:					
Land	\$ 6,712,067	\$ -	\$ -	\$ -	\$ 6,712,067
Construction in progress	10,400,417	22,350,863	-	-	32,751,280
Depreciable capital assets:					
Buildings and improvements	7,090,920	3,201	(1,595,481)	-	5,498,640
Airfield and general improvements	28,803,288	159,229	(14,422,684)	-	14,539,833
Office equipment	128,497	22,452	(7,807)	-	143,142
Maintenance equipment & vehicles	4,190,187	16,073	(39,349)	-	4,166,911
Assessments, plans & studies	<u>7,529,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,529,605</u>
	64,854,981	22,551,818	(16,065,321)	-	71,341,478
Accumulated depreciation	<u>(25,077,311)</u>	<u>(2,290,579)</u>	<u>11,275,055</u>	<u>-</u>	<u>(16,092,835)</u>
	<u>\$ 39,777,670</u>	<u>\$ 20,261,239</u>	<u>\$ (4,790,266)</u>	<u>\$ -</u>	<u>\$ 55,248,643</u>

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, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Current	\$ 182,662	\$ 150,332
30-60 days	(11,427)	(4,960)
60-90 days	57	-
90 days and over	<u>-</u>	<u>(35)</u>
	<u>\$ 171,292</u>	<u>\$ 145,337</u>
Due from other governments	<u>\$ 271,041</u>	<u>\$ 2,739,956</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016**

Note 5. Long-term Liabilities

Changes in long-term obligations for the year ended September 30, 2016, are as follows:

	<u>Balance at</u> <u>10/01/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2016</u>	<u>Amount due</u> <u>within 1 year</u>
Compensated absences	\$ 258,463	\$ 21,387	\$ 183,618	\$ 96,232	\$ -

Changes in long-term obligations for the year ended September 30, 2015, are as follows:

	<u>Balance at</u> <u>10/01/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2015</u>	<u>Amount due</u> <u>within 1 year</u>
Compensated absences	\$ 216,493	\$ 41,970	\$ -	\$ 258,463	\$ -

Note 6. Pension Plan

The Authority adopted the Friedman Memorial Airport 401(a) Plan (Plan) on January 1, 2015, for its employees. The Plan is a defined contribution money purchase pension plan administered by the Authority. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Authority. The Authority is required to contribute 11.61% of each employee's annual gross compensation to individual employee accounts for each employee. No employee contributions are permitted. The Authority recognized pension expense of \$105,102 and \$84,799 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015.

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. Employees contributed \$94,537 and \$72,725 for the years ended September 30, 2016 and 2015.

Note 7. Risk Management

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

Note 8. Concentrations

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

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, 2016, 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:

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016**

<u>Year Ended September 30</u>	
2017	\$ 832,079
2018	843,559
2019	756,648
2020	744,694
2021	744,694
2022 to 2026	3,534,860
2027 to 2031	1,968,667
2032 to 2036	<u>552,350</u>
Total	<u>\$ 9,977,551</u>

Note 10. Passenger Facility Charges

Passenger Facility Charges (PFC) at the rate of \$4.50 per enplaned passenger have been imposed by the Authority under a Federal Aviation Administration (FAA) approved application, PFC 14-09-C-00-SUN, effective July 1, 2014 to July 1, 2028, in the amount of \$2,787,259. The total amount has been approved for use. PFC revenue is used as matching funds for capital projects funded with Airport Improvement Project funds. There was no deferred revenue at September 30, 2016 and 2015.

The following schedule shows the amounts collected and expended:

	<u>Receipts</u>	<u>2016 Expenditures</u>	<u>Receipts</u>	<u>2015 Expenditures</u>
PFC 12-08-C-00-SUN	\$ -	\$ -	\$ 56,732	\$ -
PFC 14-09-C-00-SUN	303,118	726,124	216,952	1,735,267

Note 11. Capital Contributions

During the years ended September 30, 2016 and 2015, the Authority received the following capital contributions:

	<u>2016</u>	<u>2015</u>
Federal grants	\$ 1,322,351	\$ 19,554,437
Other sources	<u>-</u>	<u>-</u>
	<u>\$ 1,322,351</u>	<u>\$ 19,554,437</u>

Note 12. Commitments

The Authority had two open grants from the U.S. Department of Transportation Airport Improvement Program (AIP) as of September 30, 2016. A summary of these projects is as follows:

Project Description

AIP 41 Construct runway safety areas which includes relocation of parallel Taxiway B; remodel of existing Terminal Building; relocation of ARFF/SRE Building; construction of replacement cargo apron; construction of replacement hangar access taxiway; removal of buildings; construction of bypass taxiways; and grading a portion of runway safety area

AIP 42 Expand Air Carrier Apron (Phase I – Design)

	<u>Total Budget</u>	<u>Federal Awards</u>	<u>Expenditures to date</u>
AIP 41	\$ 9,897,733	\$ 9,279,125	\$ 9,897,733
AIP 42	190,000	178,125	38,079
	<u>\$ 10,087,733</u>	<u>\$ 9,457,250</u>	<u>\$ 9,935,812</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2016

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.

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.

Beginning in fiscal year 2013, the Authority initiated substantial steps to improve the existing airport. These improvements were the culmination of an aggressive approach to the implementation of "Alternative 6" of the Airport Alternatives Technical Analysis, which included an FAA Safety Risk Management study and the approval of five Modification to Standards (MOS) to accommodate an achievable solution to the congressional mandated safety standards at the airport by the end of calendar year 2015. These modifications consider and limit the size of aircraft to those that currently utilize Friedman rather than making alterations that would fully achieve a C-III compliant airport. \$34 million dollars in improvements were completed at the airport by the end of fiscal year 2015 to meet this mandate and include a standard Runway Safety Area (RSA), a full length parallel Taxiway Bravo, and an expansion of the airport passenger terminal and associated air carrier aircraft parking apron. Substantial construction was complete by the end of the first quarter of fiscal year 2016. In the fourth quarter of fiscal year 2016, the Authority approved additional funds for construction of a new concession space inside the terminal. Construction rolled into fiscal year 2017 with full project close out expected in fiscal year 2017.

The Authority is in the final stages of an airport master plan update. In addition to studying and planning for the future at the existing site, the master plan also studied potential replacement sites and include the development of a 20 year capital development plan with cost estimates for maintaining and enhancing the current airport as well as a replacement site. The cost estimate for a replacement site indicates significant local investment will be required. The Authority will continue the endeavor to relocate the airport when and if an acceptable site can be identified and funding can be secured.

Note 14. Impairments

An impairment loss was recognized at September 30, 2015. In relation to various AIP grant projects, the Authority demolished multiple existing assets which had not yet been fully depreciated. The remaining undepreciated cost in these assets was recognized as an impairment loss at September 30, 2015, of \$4,786,883.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2016

Note 15. Related Party Transactions

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

	<u>2016</u>	<u>2015</u>
Security services	\$ 3,264	\$ 3,264
Utilities for FMAA	18,025	12,244
Construction-related utilities fully reimbursed by the construction companies	1,803	24,950
Infrastructure engineering reimbursement	-	4,143

The amount due to the City of Hailey at September 30, 2016, is \$2,466 and was paid within 60 days. The amount due to the City of Hailey at September 30, 2015, is \$5,708 and was paid within 60 days. During the year ended September 30, 2015, the City of Hailey reimbursed the Authority \$800 for the overassessment of permit fees.

Blaine County, Idaho is one of the entities that created the Authority by entering into a Joint Powers Agreement. The Authority contracts with the Blaine County for an antenna at the Blaine County Public Safety Facility to enhance broadband access. The amounts paid for these services are as follows:

	<u>2016</u>	<u>2015</u>
Contracts	\$ 200	\$ 200

There was nothing due to Blaine County at September 30, 2016 or 2015.

Note 16. Restatement

The Authority has determined that certain transactions were recorded incorrectly in the prior fiscal year. Cash was understated by \$388; amounts due from other governments was overstated by \$10,932; interest receivable was understated by \$287; accounts payable was overstated by \$47; accrued compensated absences was understated by \$9,282. Accordingly, the Authority restated its financial statements for the year ended September 30, 2015. The effect of the restatement was to decrease the Authority's net position and change in net position by \$19,492.

The Authority has determined that a certain transactions were recorded incorrectly in the year ended September 30, 2014. Accounts payable was understated by \$100. Accordingly, the Authority's net position was decreased by \$100.

SUPPLEMENTARY INFORMATION

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
For the Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	<u>Under</u> <u>Budget</u>
Operating Revenue:				
Airlines	\$ 251,762	\$ 251,762	\$ 266,364	\$ 14,602
Automobile rental	571,785	571,785	595,982	24,197
Auto parking	200,000	200,000	197,501	(2,499)
Rents, fees, commissions and leases	1,717,872	1,717,872	1,814,634	96,762
Fuel flowage fees	210,000	210,000	254,836	44,836
Other operating revenue	-	-	1,993	1,993
Total Operating Revenue	<u>2,951,419</u>	<u>2,951,419</u>	<u>3,131,310</u>	<u>179,891</u>
Operating Expenses:				
Employee wages, benefits and taxes	1,390,174	1,390,174	1,291,131	(99,043)
Supplies	83,000	83,000	200,607	117,607
Utilities	105,507	105,507	120,081	14,574
Services and contracts	538,200	538,200	571,626	33,426
Repairs and maintenance	97,000	97,000	148,038	51,038
Insurance	59,167	59,167	58,768	(399)
Other operating expense	93,900	93,900	153,340	59,440
Total Operating Expenses	<u>2,366,948</u>	<u>2,366,948</u>	<u>2,543,591</u>	<u>176,643</u>
Operating Income	<u>584,471</u>	<u>584,471</u>	<u>587,719</u>	<u>3,248</u>
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	301,500	301,500	303,147	1,647
Interest income	3,080	3,080	7,298	4,218
Federal grants	150,000	150,000	-	(150,000)
Total Nonoperating Revenue and (Expenses)	<u>454,580</u>	<u>454,580</u>	<u>310,445</u>	<u>(144,135)</u>
Capital Contributions	<u>2,860,000</u>	<u>2,860,000</u>	<u>1,322,351</u>	<u>(1,537,649)</u>
Capital Expenditures	<u>(4,405,465)</u>	<u>(4,405,465)</u>	<u>(2,588,186)</u>	<u>1,817,279</u>
Change in Net Position	<u>\$ (506,414)</u>	<u>\$ (506,414)</u>	<u>\$ (367,671)</u>	<u>\$ 138,743</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

RECONCILIATION OF BUDGETARY BASIS TO GAAP

For the Year Ended September 30, 2016

	<u>Actual Budgetary Basis</u>	<u>GAAP Basis</u>	<u>Difference</u>	<u>Number of Explanation</u>
Operating Revenue:				
Airlines	\$ 266,364	\$ 266,364	\$ -	
Automobile rental	595,982	595,982	-	
Auto parking	197,501	197,501	-	
Rents, fees, commissions and leases	1,814,634	1,814,634	-	
Fuel flowage fees	254,836	254,836	-	
Other operating revenue	1,993	1,993	-	
Total Operating Revenue	<u>3,131,310</u>	<u>3,131,310</u>	<u>-</u>	
Operating Expenses:				
Employee wages, benefits and taxes	1,291,131	1,313,193	22,062	1
Supplies	200,607	200,607	-	
Utilities	120,081	120,081	-	
Services and contracts	571,626	571,626	-	
Repairs and maintenance	148,038	148,038	-	
Insurance	58,768	58,768	-	
Other operating expense	153,340	153,340	-	
Depreciation	-	2,199,289	2,199,289	2
Total Operating Expenses	<u>2,543,591</u>	<u>4,764,942</u>	<u>2,221,351</u>	
Operating Income	<u>587,719</u>	<u>(1,633,632)</u>	<u>(2,221,351)</u>	
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	303,147	303,132	(15)	3, 4
Interest income	7,298	7,313	15	4
Federal Grants	-	-	-	
Total Nonoperating Revenue and (Expenses)	<u>310,445</u>	<u>310,445</u>	<u>-</u>	
Capital Contributions	<u>1,322,351</u>	<u>1,322,351</u>	<u>-</u>	
Capital Expenditures	<u>(2,588,186)</u>	<u>-</u>	<u>2,588,186</u>	5
Change in Net Position	<u>\$ (367,671)</u>	<u>\$ (836)</u>	<u>\$ 366,835</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

**UNIFORM GUIDANCE
SUPPLEMENTARY FINANCIAL REPORT**

September 30, 2016

**UNIFORM GUIDANCE
SUPPLEMENTARY FINANCIAL REPORT**

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Simmons Clubb & Hodges, CPA's, PLLC

Member American Institute of
Certified Public Accountants

Roger Clubb
Brad Hodges
Mary Kay Peterson

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, 2016, 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 February 1, 2017.

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 Clubb & Hodges, CPAs, PLLC
Certified Public Accountants

Boise, Idaho
February 1, 2017

Simmons Clubb & Hodges, CPA's, PLLC

Member American Institute of
Certified Public Accountants

Roger Clubb
Brad Hodges
Mary Kay Peterson

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

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Friedman Memorial Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for 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, 2016.

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 for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Simmons Clubb & Hodges, CPAs, PLLC
Certified Public Accountants

Boise, Idaho
February 1, 2017

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year Ended September 30, 2016

	Federal CFDA <u>Number</u>	<u>Expenditures</u>
Federal Grantor Program Title: <u>U.S. Department of Transportation</u> Airport Improvement Program	20.106	\$ <u>1,322,351</u>
Total Federal Financial Assistance		\$ <u>1,322,351</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016**

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, 2016. 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

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Friedman Memorial Airport Authority has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified opinion

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Reportable conditions identified that are not considered to be material weaknesses? Yes 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 2 CFR section 200. 516(a). Yes No

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016

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 Costs – Major Federal Awards Program Audit

There were no findings and questioned costs 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, 2016

There are no audit findings of Friedman Memorial Airport Authority which were reported for the year ended September 30, 2015.

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY
PASSENGER FACILITY CHARGE PROGRAM
FINANCIAL REPORT**

September 30, 2016

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Simmons Clubb & Hodges, CPA's, PLLC

Member American Institute of
Certified Public Accountants

Roger Clubb
Brad Hodges
Mary Kay Peterson

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, 2016, 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 February 1, 2017.

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 Authority's internal control.

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

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

Compliance and Other 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, Clubb & Hodges, PLLC
Certified Public Accountants

Boise, Idaho
February 1, 2017

Simmons Clubb & Hodges, CPA's, PLLC

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of
Friedman Memorial Airport Authority
Hailey, Idaho

Report on Compliance for the Passenger Facility Charge Program

We have audited the Friedman Memorial Airport Authority's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2016.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Friedman Memorial Airport Authority's passenger facility charge 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 the *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the 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 passenger facility charge program. However, our audit does not provide a legal determination of Friedman Memorial Airport Authority's compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, Friedman Memorial Airport Authority's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2016.

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 Friedman Memorial Airport Authority's internal control over

compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the passenger facility charge 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 the passenger facility charge 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 the passenger facility charge 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 the Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charges Collected and Expended – Cash Basis

We have audited the financial statements of Friedman Memorial Airport Authority as of and for the year ended September 30, 2016, and have issued our report thereon dated February 1, 2017 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the Guide and is 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 schedule of passenger facility charges collected and expended – cash basis is fairly stated in all material respects in relation to the financial statements as a whole.



Simmons and Clubb
Certified Public Accountants

Boise, Idaho
February 1, 2017

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED – CASH BASIS
For the Year Ended September 30, 2016**

<u>Description</u>	<u>Application Number</u>	<u>Total Grant Award</u>	<u>Accrued (Deferred) PFC Revenue 9/30/15</u>	<u>Cash Received 10/1/15 thru 9/30/16</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Accrued (Deferred) PFC Revenue 9/30/16</u>
<u>U.S. Department of Transportation</u>							
Passenger Facility Charge	14-09-C-00-SUN	\$ 2,787,259	\$ 856,171	\$ 303,132	\$ 746,214	\$ 0	\$ 1,299,253

See Accompanying Notes to Financial Statements

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
For the Year Ended September 30, 2016**

Note 1. Basis of Presentation

The accompanying schedule of passenger facility charges collected and expended is presented on the cash basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2. Restatement

The Authority has determined that certain transactions were recorded incorrectly in the prior two fiscal years relating to the Schedule of Passenger Facility Charges Collected and Expended – Cash Basis.

For the 2014 fiscal year, the schedule for Passenger Facility Charge 12-08-C-00-SUN understated transfers by \$316; accrued (deferred) PFC revenue 9/30/14 for this individual PFC was understated by \$316. The schedule for Passenger Facility Charge 14-09-C-00-SUN overstated expenditures by \$914; transfers were understated by \$1,076; and accrued (deferred) PFC revenue 9/30/14 for this individual PFC was understated by \$163. This overstated the schedule's totals for expenditures by \$914; transfers were understated by \$1,393; and accrued (deferred) PFC revenue 9/30/14 was understated by \$479. This resulted in a restated ending accrued (deferred) PFC revenue 9/30/14 of \$472,689.

For the 2015 fiscal year, the Schedule of Passenger Facility Charges Collected and Expended-Cash Basis the beginning accrued (deferred) PFC revenue 9/30/14 was understated by \$163; expenditures were overstated by \$279; and accrued (deferred) PFC revenue 9/30/15 was overstated by \$117. This understated the schedule's totals for accrued (deferred) PFC revenue 9/30/14 by \$163; expenditures were overstated by \$279; accrued (deferred) PFC revenue 9/30/15 was overstated by \$117. This resulted in a restated ending accrued (deferred) PFC revenue 9/30/15 of \$856,171.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

**PASSENGER FACILITY CHARGES SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016**

Findings Relating to Passenger Facility Charges

There are no audit findings for the year ended September 30, 2016.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY
PASSENGER FACILITY CHARGES SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2016

Prior Year Findings to Passenger Facility Charges

There are no audit findings for the year ended September 30, 2015.