



Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**Friedman Memorial Airport Authority**

**Financial Statements and Other Financial  
Information**

**September 30, 2017**

## CONTENTS

	Page
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1 - 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4 - 8
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position .....	9
Statements of Revenue, Expenses and Changes in Net Position.....	10
Statements of Cash Flows.....	11
Notes to Financial Statements.....	12 - 20
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenue, Expenditures and Changes in Net Position - Budget and Actual .....	21
Reconciliation of Budgetary Basis to GAAP.....	22
<b>OTHER INFORMATION</b>	
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 <i>Government Auditing Standards</i> .....	23 - 24



Harris & Co. PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

Helping our clients make sense of a changing and complex world

## INDEPENDENT AUDITORS' REPORT

To the Board  
Friedman Memorial Airport Authority  
Hailey, Idaho

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Friedman Memorial Airport Authority which comprise the statement of net position as of September 30, 2017, and the related statements revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

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

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

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

2289 S. Bonito Way, Ste 100  
Meridian, Idaho 83642

208 333-8965  
208 333-8966 FAX

[www.harriscpas.com](http://www.harriscpas.com)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friedman Memorial Airport Authority, as of September 30, 2017, and changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of Friedman Memorial Airport Authority as of September 30, 2016, were audited by other auditors whose report dated February 1, 2017, expressed an unmodified opinion on those statements.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The schedule of revenue, expenditures and changes in net position – budget and actual and reconciliation of budgetary basis to GAAP is presented for purposes of additional analysis and is 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 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Harris & Co. PLLC

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018, on our consideration of Friedman Memorial Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Friedman Memorial Airport Authority's internal control over financial reporting and compliance.

*Harris & Co. PLLC*

Meridian, Idaho  
January 9, 2018

## **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, 2017. 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. Additional improvements to the terminal were completed in the first quarter of FY 17 when a new concession space was added to the departure lounge area.

As with fiscal year 2016, fiscal year 2017 proved to be a successful year for all three current air carriers that serve the airport (Alaska, Delta, and United) in spite of one of the most harsh winters in 90 years in the Valley. Expanded flight schedules saw an approximate 8% increase in enplanements for the 2017 calendar year. Also exciting on the air services front was the initiation of service of with the new Embraer E-175 next generation regional jet. This new aircraft provides our customers an enhanced passenger service with increased seat space and overhead bin storage, among other upgrades. The E-175 will replace the Bombardier CRJ700 on certain routes. Also announced in late FY2017 was the start of direct, limited air service between Friedman and Chicago O'Hare during the 2017-2018 winter season. This new service to Chicago adds a seventh city to our direct air service in addition to Denver, Los Angeles, Portland, Salt Lake City, San Francisco, and Seattle. 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 2017 saw the Authority and staff continue to focus on maintenance and upkeep of our new facilities. Our new and expanded facilities again resulted in increased maintenance and operations (O&M) expenses. As previously stated, adjustments in our budget to address these increased expenses are expected to continue into fiscal year 2018. Due to the difficult winter, we also realized additional operations expenses in manpower, equipment, and airfield maintenance materials, as a result of increased snow removal efforts. This has also been accounted for in our 2018 budget.

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 completed a Draft airport master plan and submitted it to the FAA in early FY2017. 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.

Addressing the need to meet current air service demand at the existing site, the Authority approved moving forward with a substantial capital improvement project in FY2018. The project will be completed in two phases. Phase one will be a reconfiguration of the airport's access road system and passenger terminal parking lot which will be completed in the second and third quarters of FY218. Phase two will include the construction of a fourth air carrier aircraft parking spot to accommodate our growing air service and will be completed in the fourth quarter and first quarter of FY 2018/2019 respectively. The total project cost will be approximately \$4 million split between FAA grant funds and a significant amount of local funds for both FAA grant match and FAA ineligible portions of the project.

Looking ahead, the airport master plan has identified additional priorities for the Authority to focus on including potential acquisition of land south of the airport for runway approach protection areas and Aircraft Rescue Firefighting (ARFF) equipment acquisition. To this end, the Authority has contracted with a consultant and is coordinating with the land owner to complete a land acquisition/obstruction removal environmental assessment.

All financial and operational indications are that the overall economy continues to stabilize and improve. Fiscal year 2017 continued to reflect recovery and continues to demonstrate the need for a viable airport with reliable air service in our community. Historically, inconvenience due to frequent flight cancellations and diversions due to less than ideal instrument approach capabilities at the airport is an often-stated concern and the reason for travelers to be reluctant to return to SUN. This remains a concern for the Authority. Alaska Airlines was able to demonstrate safety and accessibility improvements of new approach technology with the implementation of their new proprietary instrument approach procedure this last winter allowing them to land in very low ceiling and visibility conditions, even during this bad, past winter. The Authority continues to seek a similar solution for other airport users.

### **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 \$56,556,793 as of September 30, 2017, a decrease of \$1,194,951 from September 30, 2016.

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

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>ASSETS:</b>				
Current Assets	\$ 3,013,364	\$ 2,479,364	\$ 534,000	21.5%
Capital Assets	<u>53,941,684</u>	<u>55,637,540</u>	<u>(1,695,856)</u>	-3.0%
Total Assets	<u>56,955,048</u>	<u>58,116,904</u>	<u>(1,161,856)</u>	-2.0%
<b>LIABILITIES:</b>				
Current Liabilities	262,225	268,928	(6,703)	-2.5%
Noncurrent Liabilities	<u>136,030</u>	<u>96,232</u>	<u>39,798</u>	41.4%
Total Liabilities	<u>398,255</u>	<u>365,160</u>	<u>33,095</u>	9.1%
<b>NET POSITION:</b>				
Invested in capital assets	53,941,684	55,637,540	(1,695,856)	-3.0%
Restricted	7,163	5,776	1,387	24.0%
Unrestricted	<u>2,607,946</u>	<u>2,108,428</u>	<u>499,518</u>	23.7%
Net Position	<u>\$56,556,793</u>	<u>\$57,751,744</u>	<u>\$(1,194,951)</u>	-2.1%

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 (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 30<sup>th</sup> is shown below.

	<u>2017</u>	<u>2016</u>	Increase (Decrease)	Percentage Change
Operating Revenue	\$3,282,526	\$ 3,131,310	\$ 151,216	4.8%
Operating Expenses	<u>5,455,752</u>	<u>4,764,942</u>	<u>690,810</u>	14.5%
Operating (income/loss)	(2,173,226)	(1,633,632)	(539,594)	-33.0%
Non-operating Revenue (Expenses)	368,516	310,445	58,071	18.7%
Capital Contributions	<u>609,759</u>	<u>1,322,351</u>	<u>(712,592)</u>	-53.9%
Changes in net position	(1,194,951)	(836)	(1,194,115)	-142,836.7%
Beginning net position	<u>57,751,744</u>	<u>57,752,580</u>	(836)	0.0%
Ending net position	<u>\$56,556,793</u>	<u>\$57,751,744</u>	<u>\$(1,194,951)</u>	-2.1%

Operating revenue increased 4.8% from the prior fiscal year. While Rents, fees, commissions and leases revenue decreased by 6.7% from the prior year, all other operating revenue categories increased by 20.7% over the prior year.

Operating expenses increased by 14.5% over the prior fiscal year. While all other operating expense categories decreased by 11% from the prior year, repairs and maintenance increased by 120% over the prior 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, 2017. 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	\$3,167,000	\$3,282,526	\$ 115,526
Total Operating Expenses	<u>2,836,383</u>	<u>2,551,911</u>	<u>284,472</u>
Operating Income (loss)	<u>\$ 330,617</u>	<u>\$ 730,615</u>	<u>\$ 399,998</u>

Actual results reported above may differ from the actual results as reported in the *Statement of Revenue, Expenses and Changes in Net Position* for the following reasons:

1. Accruals of compensated absences are not budgeted but are reported for GAAP.
2. Depreciation expense is not budgeted but is reported for GAAP.
3. Interest earned on PFCs is budgeted as interest income but is reportable as PFC revenue for GAAP.
4. Capital asset purchases are budgeted as an expense but are reported as an asset 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, 2017, net capital assets totaled \$53,941,684. The Authority acquired or constructed more than \$1.1 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 long-term liability at September 30, 2017, was \$136,030. 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, 2017 and 2016

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,584,261	\$ 2,026,298
Operating accounts receivable	330,669	171,292
Due from other governments	82,774	271,041
Interest receivable	1,882	770
Prepaid expenses	6,615	4,187
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Passenger Facility Charges	1,663	276
Total Current Assets	<u>3,013,364</u>	<u>2,479,364</u>
<b>Noncurrent Assets:</b>		
Capital assets:		
Land	6,712,067	6,712,067
Construction in progress	3,052,836	12,603,136
Airfield, buildings, equipment, improvements, plans and studies	<u>64,790,576</u>	<u>54,552,526</u>
	74,555,479	73,867,729
Accumulated depreciation	<u>(20,613,795)</u>	<u>(18,230,189)</u>
Total Capital Assets	<u>53,941,684</u>	<u>55,637,540</u>
 Total Assets	 <u>56,955,048</u>	 <u>58,116,904</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	58,627	68,621
Payable City of Hailey	2,618	2,466
Accounts payable for capital improvements	95,816	117,337
Accrued payroll and benefits	3,933	3,137
Customer deposits	1,400	1,000
Current portion of long-term accrued compensated absences	99,831	76,367
Total Current Liabilities	<u>262,225</u>	<u>268,928</u>
<b>Noncurrent Liabilities:</b>		
Long-term accrued compensated absences	235,861	172,599
Current portion of long-term accrued compensated absences	<u>(99,831)</u>	<u>(76,367)</u>
Total noncurrent liabilities	<u>136,030</u>	<u>96,232</u>
Total Liabilities	<u>398,255</u>	<u>365,160</u>
<b>NET POSITION</b>		
Invested in capital assets	53,941,684	55,637,540
Restricted	7,163	5,776
Unrestricted	<u>2,607,946</u>	<u>2,108,428</u>
Total Net Position	<u>\$ 56,556,793</u>	<u>\$ 57,751,744</u>

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

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

For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Operating Revenue:</b>		
Airlines	\$ 297,045	\$ 266,364
Automobile rental	674,879	595,982
Auto parking	267,875	197,501
Rents, fees, commissions and leases	1,693,219	1,814,634
Fuel flowage fees	335,960	254,836
Other operating revenue	13,548	1,993
Total Operating Revenue	<u>3,282,526</u>	<u>3,131,310</u>
<b>Operating Expenses:</b>		
Employee wages, benefits and taxes	1,461,200	1,313,193
Supplies	91,345	200,607
Utilities	140,975	120,081
Services and contracts	345,773	571,626
Repairs and maintenance	325,798	148,038
Insurance	62,331	58,768
Other operating expense	187,750	153,340
Depreciation	2,840,580	2,199,289
Total Operating Expenses	<u>5,455,752</u>	<u>4,764,942</u>
Operating Income (Loss)	<u>(2,173,226)</u>	<u>(1,633,632)</u>
<b>Nonoperating Revenue (Expenses):</b>		
Passenger Facility Charges	353,944	303,132
Interest income	14,964	7,313
Gain (loss) on sale of fixed assets	13,237	-
Federal grant expenditures	(13,629)	-
Total Nonoperating Revenue and (Expenses)	<u>368,516</u>	<u>310,445</u>
Income (Loss) before Capital Contributions	(1,804,710)	(1,323,187)
<b>Capital Contributions</b>	<u>609,759</u>	<u>1,322,351</u>
Change in Net Position	(1,194,951)	(836)
<b>Net Position, Beginning of Year</b>	<u>57,751,744</u>	<u>57,752,580</u>
<b>Net Position, End of Year</b>	<u>\$ 56,556,793</u>	<u>\$ 57,751,744</u>

See Accompanying Notes to Financial Statements

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**STATEMENTS OF CASH FLOWS  
ENTERPRISE FUND**

**For the Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,123,549	\$ 3,101,536
Cash payments for employees' services and benefits	(1,397,142)	(1,499,549)
Cash payments to suppliers for goods and services	<u>(1,166,242)</u>	<u>(1,437,492)</u>
Net cash provided (used) by operating activities	<u>560,165</u>	<u>164,495</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grant revenue	-	194,206
Operating grant expenditures	<u>(13,629)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(13,629)</u>	<u>194,206</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sales of capital assets	13,237	-
Acquisition and construction of capital assets	(1,166,245)	(4,700,138)
Grants and other amounts received for the purchase of capital assets	798,026	3,599,879
Passenger facility charges received for the purchase of capital assets	<u>353,944</u>	<u>303,132</u>
Net cash provided (used) by capital and related financing activities	<u>(1,038)</u>	<u>(797,127)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	<u>13,852</u>	<u>6,830</u>
Net cash provided (used) by investing activities	<u>13,852</u>	<u>6,830</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	559,350	(431,596)
<b>Balances - beginning of the year</b>	<u>2,032,074</u>	<u>2,463,670</u>
<b>Balances - end of the year</b>	<u>\$ 2,591,424</u>	<u>\$ 2,032,074</u>
<b>RECONCILIATION OF CASH BALANCES TO STATEMENTS OF NET POSITION</b>		
Cash and cash equivalents	\$ 2,584,261	\$ 2,026,298
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Passenger Facility Charges	1,663	276
Total cash balances on Statements of Net Position	<u>\$ 2,591,424</u>	<u>\$ 2,032,074</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (2,173,226)	\$ (1,633,632)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,840,580	2,199,289
Change in assets and liabilities:		
(Increase) decrease in operating accounts receivable	(159,377)	(25,955)
(Increase) decrease in due from other governments (non-capital portion)	-	(2,819)
(Increase) decrease in prepaid expenses	(2,428)	(379)
Increase (decrease) in accounts payable trade	(9,842)	(184,653)
Increase (decrease) in accrued payroll and benefits	796	(3,428)
Increase (decrease) in customer deposits	400	(1,000)
Increase (decrease) in accrued compensated absences	63,262	(182,928)
Total Adjustment and Changes	<u>2,733,391</u>	<u>1,798,127</u>
Net cash provided (used) by operating activities	<u>\$ 560,165</u>	<u>\$ 164,495</u>

See Accompanying Notes to Financial Statements

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2017

**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, 2017

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
Security	3 to 20 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 Authority is required by state law to adopt an annual budget. The budgetary basis is accrual but differs from the basis of accounting used for the financial statements in the following ways:

1. Accruals of compensated absences are not budgeted but are reported for GAAP.
2. Depreciation expense is not budgeted but is reported for GAAP.
3. Interest earned on PFCs is budgeted as interest income but is reportable as PFC revenue for GAAP.
4. Capital asset purchases are budgeted as an expense but are reported as an asset for GAAP.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2017

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. The reclassifications did not affect Net Position for the prior year.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 50	\$ 50
Bank deposits	9,303	6,189
Repurchase agreement	274,119	430,852
State of Idaho Local Government Investment Pool	<u>2,307,952</u>	<u>1,594,983</u>
	<u>\$ 2,591,424</u>	<u>\$ 2,032,074</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, 2017 and 2016, the Authority's deposits and investment had the following credit ratings:

<u>Investment</u>	<u>2017</u> <u>Fair Value</u>	<u>2016</u> <u>Fair Value</u>	<u>Credit</u> <u>Rating</u>
Mountain West Checking	\$ 3,322	\$ 276	None
Mountain West Certificate of Deposit	5,981	5,913	None
Mountain West Repurchase Agreement	274,119	430,852	None
State of Idaho Local Government Investment Pool	2,307,952	1,594,983	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, 2017

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, 2017, the carrying amount of the Authority's bank deposits was \$283,422 and the respective bank balances totaled \$529,779. The Authority's deposits at September 30, 2017, were covered by \$9,303 of insurance from the Federal Depository Insurance Corporation and \$520,476 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, 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.

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, 2017 and 2016, the Authority had more than 5% of its deposits and investments invested in a repurchase agreement with Mountain West Bank. At September 30, 2017, 100% of the repurchase agreement was invested in the Federal Home Loan Mortgage Corporation. At September 30, 2016, 100% of the repurchase agreement was invested in the Federal National Mortgage Association.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Authority had the following deposits and investments as of September 30, 2017 and 2016:

<u>Investment</u>	<u>2017</u> <u>Fair Value</u>	<u>Weighted</u> <u>Average</u> <u>Duration</u>	<u>2016</u> <u>Fair Value</u>	<u>Weighted</u> <u>Average</u> <u>Duration</u>
Repurchase agreement	\$ 274,119	1 day	\$ 430,852	1 day
Investment pool	2,307,952	90 days	1,594,983	90 days
Certificate of Deposit	5,981	4 yrs 16 days	5,913	16 days
Demand deposits	3,322	not applicable	276	not applicable

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2017

**Note 3. Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 9/30/2016	Increase	Decrease	Transfer	Balance 9/30/2017
Nondepreciable capital assets:					
Land	\$ 6,712,067	\$ -	\$ -	\$ -	\$ 6,712,067
Construction in progress*	12,603,136	537,851	-	(10,088,151)	3,052,836
Depreciable capital assets:					
Buildings and improvements	5,472,910	129,675	-	-	5,602,585
Airfield and general improvements	37,005,939	359,111	(9,377)	10,088,151	47,443,824
Office equipment	91,253	-	(32,989)	-	58,264
Security	311,103	-	(3,217)	-	307,886
Maintenance equipment & vehicles	4,141,716	118,087	(411,391)	-	3,848,412
Assessments, plans & studies	7,529,605	-	-	-	7,529,605
	73,867,729	1,144,724	(456,974)	-	74,555,479
Accumulated depreciation	(18,230,189)	(2,840,580)	456,974	-	(20,613,795)
	<u>\$ 55,637,540</u>	<u>\$ (1,695,856)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,941,684</u>

\*Construction in progress includes amounts for parking lot improvements, airline ticketing office improvements, a noise modeling agreement, and various airport improvement projects that were not completed as of September 30, 2017.

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

	Balance 9/30/2015	Increase	Decrease	Transfer	Balance 9/30/2016
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	7,529,605	-	-	-	7,529,605
	71,341,478	2,588,186	(61,935)	-	73,867,729
Accumulated depreciation	(16,092,835)	(2,199,289)	61,935	-	(18,230,189)
	<u>\$ 55,248,643</u>	<u>\$ 388,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,637,540</u>

\*Construction in progress includes amounts for parking lot improvements, airline ticketing office improvements, and various airport improvement projects that were not completed as of September 30, 2016.

**Note 4. Accounts Receivable**

The Airport manager, under the direction of the Authority, charges fees and rents for parking (aircraft and automobiles), landing of aircraft, fuel flowage, hangars and concession commissions. Landing fees are based on the weight of the aircraft while parking fees are based on the class and weight of each aircraft. Auto parking is on a commission basis. The Authority clerk posts these charges on a regular basis and bills each user.

Based upon past experience, uncollectible receivables are deemed immaterial by management.

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2017**

The Authority's uncollected accounts as of September 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Current	\$ 330,105	\$ 171,235
30-60 days	217	57
60-90 days	(52)	-
90 days and over	399	-
	<u>\$ 330,669</u>	<u>\$ 171,292</u>

Due from other governments	<u>\$ 82,774</u>	<u>\$ 271,041</u>
----------------------------	------------------	-------------------

**Note 5. Long-term Liabilities**

Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	<u>Balance at 10/01/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2017</u>	<u>Amount due within 1 year</u>
Compensated absences	<u>\$ 172,599</u>	<u>\$ 63,262</u>	<u>\$ -</u>	<u>\$ 235,861</u>	<u>\$ 99,831</u>

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

	<u>Balance at 10/01/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2016</u>	<u>Amount due within 1 year</u>
Compensated absences	<u>\$ 355,527</u>	<u>\$ 20,197</u>	<u>\$ 203,125</u>	<u>\$ 172,599</u>	<u>\$ 76,367</u>

**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 \$120,820 and \$105,102 for the years ended September 30, 2017 and 2016, 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, 2017 and 2016.

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 \$77,664 and \$94,537 for the years ended September 30, 2017 and 2016.

**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 concessionaire, one parking management company and three rental car agencies.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2017

**Note 9. Lease Revenue**

The Authority leases portions of its property to commercial airlines, car rental companies, concessionaires, fixed base operator(s) who provide support services to the airlines and general aviation users of the airport, and private hangar owners/operators. Hangars owned by the Authority are also leased out. The airlines and some concessionaires lease on a month to month basis. The long-term leases can only be terminated by buying out the lease and vary from 3 to 20 years. Some of these leases are increased annually by an inflation factor based on the CPI. These inflation rates are unknown and have not been included in amounts calculated. The net book value of property held for operating lease as of September 30, 2017 and 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:

Year Ended September 30	
2018	\$ 792,790
2019	687,082
2020	677,004
2021	677,004
2022	677,004
2023 to 2027	3,224,619
2028 to 2032	1,624,520
2033 to 2035	<u>435,418</u>
Total	<u>\$ 8,795,441</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, 2017 and 2016.

The following schedule shows the amounts collected and expended:

	<u>2017</u>		<u>2016</u>	
	<u>Receipts</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>Expenditures</u>
PFC 14-09-C-00-SUN	\$ 353,944	\$ 352,557	\$ 303,132	\$ 310,941

**Note 11. Capital Contributions**

During the years ended September 30, 2017 and 2016, the Authority received the following capital contributions:

	<u>2017</u>	<u>2016</u>
Federal grants	\$ 493,119	\$ 1,322,351
Other sources	<u>116,640</u>	<u>-</u>
	<u>\$ 609,759</u>	<u>\$ 1,322,351</u>

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2017**

**Note 12. Commitments**

The Authority had two open grants from the U.S. Department of Transportation Airport Improvement Program (AIP) as of September 30, 2017. A summary of these projects is as follows:

Project Description

AIP 43 Rehabilitate Runway; Acquire Snow Removal Equipment; Apron Expansion

AIP 44 Conduct Environmental Study

	<u>Total Budget</u>	<u>Federal Awards</u>	<u>Expenditures to date</u>
AIP 43	\$ 2,799,038	\$ 2,624,098	\$ 299,695
AIP 44	111,980	104,981	74,378
	<u>\$ 2,911,018</u>	<u>\$ 2,729,079</u>	<u>\$ 374,073</u>

**Note 13. Contingencies**

The Authority has been committed to partnering with the community and the FAA to improve air service and safety at the current site while also maintaining that the airport may need to be relocated in the future. This 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.

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 completed a Draft airport master plan and submitted it to the FAA in early FY2017. 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.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2017

**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>2017</u>	<u>2016</u>
Security services	\$ 3,264	\$ 3,264
Utilities for FMAA	24,331	18,025
Construction-related utilities fully reimbursed by the construction companies	-	1,803

The amount due to the City of Hailey at September 30, 2017, is \$2,618 and was paid within 60 days. The amount due to the City of Hailey at September 30, 2016, is \$2,466 and was paid within 60 days.

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>2017</u>	<u>2016</u>
Contracts	\$ 200	\$ 200

There was nothing due to Blaine County at September 30, 2017 or 2016.

**SUPPLEMENTARY INFORMATION**

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN  
NET POSITION - BUDGET AND ACTUAL  
For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>(Under)</u>
			<u>Basis</u>	<u>Budget</u>
<b>Operating Revenue:</b>				
Airlines	\$ 298,700	\$ 298,700	\$ 297,045	\$ (1,655)
Automobile rental	594,000	594,000	674,879	80,879
Auto parking	250,000	250,000	267,875	17,875
Rents, fees, commissions and leases	1,724,300	1,724,300	1,693,219	(31,081)
Fuel flowage fees	300,000	300,000	335,960	35,960
Other operating revenue	-	-	13,548	13,548
Total Operating Revenue	<u>3,167,000</u>	<u>3,167,000</u>	<u>3,282,526</u>	<u>115,526</u>
<b>Operating Expenses:</b>				
Employee wages, benefits and taxes	1,584,683	1,584,683	1,397,939	(186,744)
Supplies	148,000	148,000	91,345	(56,655)
Utilities	126,550	126,550	140,975	14,425
Services and contracts	568,650	568,650	345,773	(222,877)
Repairs and maintenance	139,000	139,000	325,798	186,798
Insurance	63,500	63,500	62,331	(1,169)
Other operating expense	206,000	206,000	187,750	(18,250)
Total Operating Expenses	<u>2,836,383</u>	<u>2,836,383</u>	<u>2,551,911</u>	<u>(284,472)</u>
Operating Income	<u>330,617</u>	<u>330,617</u>	<u>730,615</u>	<u>399,998</u>
<b>Nonoperating Revenue and (Expenses):</b>				
Passenger Facility Charges	325,000	325,000	353,928	28,928
Interest income	1,500	1,500	14,980	13,480
Gain (loss) on sale of fixed assets	-	-	13,237	13,237
Federal grants	500,000	500,000	-	(500,000)
Federal grant expenditures	(534,000)	(534,000)	(13,629)	520,371
Total Nonoperating Revenue and (Expenses)	<u>292,500</u>	<u>292,500</u>	<u>368,516</u>	<u>76,016</u>
Capital Contributions	<u>2,179,700</u>	<u>2,179,700</u>	<u>609,759</u>	<u>(1,569,941)</u>
Capital Expenditures	<u>(2,650,300)</u>	<u>(2,650,300)</u>	<u>(1,028,084)</u>	<u>1,622,216</u>
Change in Net Position	<u>\$ 152,517</u>	<u>\$ 152,517</u>	<u>\$ 680,806</u>	<u>\$ 528,289</u>



FRIEDMAN MEMORIAL AIRPORT AUTHORITY

RECONCILIATION OF BUDGETARY BASIS TO GAAP  
For the Year Ended September 30, 2017

	<u>Actual Budgetary Basis</u>	<u>GAAP Basis</u>	<u>Difference</u>	<u>Number of Explanation</u>
<b>Operating Revenue:</b>				
Airlines	\$ 297,045	\$ 297,045	\$ -	
Automobile rental	674,879	674,879	-	
Auto parking	267,875	267,875	-	
Rents, fees, commissions and leases	1,693,219	1,693,219	-	
Fuel flowage fees	335,960	335,960	-	
Other operating revenue	13,548	13,548	-	
Total Operating Revenue	<u>3,282,526</u>	<u>3,282,526</u>	<u>-</u>	
<b>Operating Expenses:</b>				
Employee wages, benefits and taxes	1,397,939	1,461,200	63,261	1
Supplies	91,345	91,345	-	
Utilities	140,975	140,975	-	
Services and contracts	345,773	345,773	-	
Repairs and maintenance	325,798	325,798	-	
Insurance	62,331	62,331	-	
Other operating expense	187,750	187,750	-	
Depreciation	-	2,840,580	2,840,580	2
Total Operating Expenses	<u>2,551,911</u>	<u>5,455,752</u>	<u>2,903,841</u>	
Operating Income	<u>730,615</u>	<u>(2,173,226)</u>	<u>(2,903,841)</u>	
<b>Nonoperating Revenue and (Expenses):</b>				
Passenger Facility Charges	353,928	353,944	16	3
Interest income	14,980	14,964	(16)	3
Gain (loss) on sale of fixed assets	13,237	13,237	-	
Federal grants	-	-	-	
Federal grant expenditures	(13,629)	(13,629)	-	
Total Nonoperating Revenue and (Expenses)	<u>368,516</u>	<u>368,516</u>	<u>-</u>	
<b>Capital Contributions</b>	<u>609,759</u>	<u>609,759</u>	<u>-</u>	
<b>Capital Expenditures</b>	<u>(1,028,084)</u>	<u>-</u>	<u>1,028,084</u>	4
<b>Change in Net Position</b>	<u>\$ 680,806</u>	<u>\$ (1,194,951)</u>	<u>\$ (1,875,757)</u>	

1. Accruals of compensated absences are not budgeted but are reported for GAAP.
2. Depreciation expense is not budgeted but is reported for GAAP.
3. Interest earned on PFCs is budgeted as interest income but is reportable as PFC revenue for GAAP.
4. Capital asset purchases are budgeted as an expense but are reported as an asset for GAAP.



Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Helping our clients make sense of a changing and complex world

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board  
Friedman Memorial Airport Authority  
Hailey, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General fund of Friedman Memorial Airport Authority, as of and for the year ended September 30, 2017, 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 9, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Friedman Memorial Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friedman Memorial Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

2289 S. Bonito Way, Ste 100  
Meridian, Idaho 83642

208 333-8965  
208 333-8966 FAX

[www.harriscpas.com](http://www.harriscpas.com)

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Harris & Co. PLLC*

Meridian, Idaho  
January 9, 2018



**Harris & Co.** PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**Friedman Memorial Airport Authority**

**Passenger Facility Charge Program Financial  
Report**

**September 30, 2017**



Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Helping our clients make sense of a changing and complex world

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board  
Friedman Memorial Airport Authority  
Hailey, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General fund of Friedman Memorial Airport Authority, as of and for the year ended September 30, 2017, 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 9, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Friedman Memorial Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Friedman Memorial Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

2289 S. Bonito Way, Ste 100  
Meridian, Idaho 83642

208 333-8965  
208 333-8966 FAX

[www.harriscpas.com](http://www.harriscpas.com)

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Harris & Co. PLLC*

Meridian, Idaho  
January 9, 2018



**Harris & Co.** PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

Helping our clients make sense of a changing and complex world

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of  
Friedman Memorial Airport Authority  
Hailey, Idaho

### **Report on Compliance**

We have audited the compliance of Friedman Memorial Airport Authority (the Authority) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2017.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Authority's compliance 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 Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 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 the Authority's compliance.

### **Opinion on the Passenger Facility Charge Program**

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2017.

2289 S. Bonito Way, Ste 100  
Meridian, Idaho 83642

208 333-8965  
208 333-8966 FAX

[www.harriscpas.com](http://www.harriscpas.com)

**Report on Internal Control over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance 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 the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of 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 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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, 2017, and have issued our report thereon dated January 9, 2018 which contained an unmodified opinion on those 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 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.

*Harris & Co. PLLC*

Meridian, Idaho  
January 9, 2018



FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES  
 Year Ended September 30, 2017 and Each Quarter During the Year Ended September 30, 2017  
 With Cumulative Totals as of September 30, 2017

	September 30, 2016 <u>Program Total</u>	Quarter 1 October to <u>December</u>	Quarter 2 January to <u>March</u>	Quarter 3 April to <u>June</u>	Quarter 4 July to <u>September</u>	Year Ended September 30, 2017 Total	September 30, 2017 <u>Program Total</u>
<b>Revenue:</b>							
Collections	\$ 519,294	\$ 78,765	\$ 95,263	\$ 75,310	\$ 104,590	\$ 353,928	\$ 873,222
Rollover from prior PFC	84,403	-	-	-	-	-	84,403
Interest	832	2	5	3	6	16	848
<b>Total Revenue</b>	<u>604,529</u>	<u>78,767</u>	<u>95,268</u>	<u>75,313</u>	<u>104,596</u>	<u>353,944</u>	<u>958,473</u>
<b>Disbursements:</b>							
<b>Application 14-09-C-00-SUN/15-10-U-00-SUN</b>							
001 RSA Formulation	-	-	17,252	27,123	-	44,375	44,375
002 Acquire SRE	-	-	-	86,631	103,000	189,631	189,631
003 Master Tax Plan	431,449	54,522	64,029	-	-	118,551	550,000
004 Relocate SW Taxilane Bypass	83,480	-	-	-	-	-	83,480
005 Relocate GA Apron	67,208	-	-	-	-	-	67,208
009 Relocate Power to PAPI	5,196	-	-	-	-	-	5,196
019 PFC Administration	16,920	-	-	-	-	-	16,920
<b>Total Disbursements</b>	<u>604,253</u>	<u>54,522</u>	<u>81,281</u>	<u>113,754</u>	<u>103,000</u>	<u>352,557</u>	<u>956,810</u>
<b>Net PFC Revenue</b>	<u>\$ 276</u>	<u>\$ 24,245</u>	<u>\$ 13,987</u>	<u>\$ (38,441)</u>	<u>\$ 1,596</u>	<u>\$ 1,387</u>	<u>\$ 1,663</u>
<b>PFC Account Balance</b>	<u>\$ 276</u>	<u>\$ 24,521</u>	<u>\$ 38,508</u>	<u>\$ 67</u>	<u>\$ 1,663</u>	<u>\$ 1,663</u>	<u>\$ 1,663</u>

See accompanying notes to Schedule of Expenditures of Passenger Facility Charges

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**NOTE TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES  
For the Year Ended September 30, 2017**

**Note 1. Program Description**

The Schedule of Expenditures of Passenger Facility Charges presents only the activity of the Passenger Facility Charges Program of the Friedman Memorial Airport Authority. Passenger Facility Charges are fees imposed by the Authority on enplaned passengers for the purpose of generating revenue for Authority projects that increase capacity, increase safety, and/or mitigate noise impact.

**Note 2. Basis of Accounting**

The Schedule of Expenditures of Passenger Facility Charges presents the revenues received from Passenger Facility Charges and expenditures incurred on approved projects on the cash basis of accounting.



**Harris & Co.** PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

Helping our clients make sense of a changing and complex world

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**

**PASSENGER FACILITY CHARGES SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2017**

Findings Relating to Passenger Facility Charges

There are no audit findings for the year ended September 30, 2017.

2289 S. Bonito Way, Ste 100  
Meridian, Idaho 83642

208 333-8965  
208 333-8966 FAX

[www.harriscpas.com](http://www.harriscpas.com)



**Harris & Co.** PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

Helping our clients make sense of a changing and complex world

**FRIEDMAN MEMORIAL AIRPORT AUTHORITY**  
**PASSENGER FACILITY CHARGES SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended September 30, 2017**

Findings Relating to Passenger Facility Charges

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

2289 S. Bonito Way, Ste 100  
Meridian, Idaho 83642

208 333-8965  
208 333-8966 FAX

[www.harriscpas.com](http://www.harriscpas.com)