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INDEPENDENT AUDITORS' REPORT

To the Board
Friedman Memorial Airport Authority
Hailey, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the Friedman Memorial Airport Authority which comprise the statements of net position as of September 30, 2018 and 2017, and the related statements revenue, expenses and changes in net position and cash flows for the years 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 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 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.

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, 2018 and 2017, 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 as listed in the table of contents 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 audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, 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 the schedule of revenue, expenditures and changes in net position – budget and actual and reconciliation of budgetary basis to GAAP is presented purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal expenditures and the schedule of revenue, expenditures and changes in net position – budget and actual and reconciliation of budgetary basis to GAAP 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of revenue, expenditures and changes in net position – budget and actual and reconciliation of budgetary basis to GAAP are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 8, 2019, 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 CPAs

Meridian, Idaho
January 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018 and 2017

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, 2018. 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 fiscal year 2017 when a new concession space was added to the departure lounge area.

The airport continues to be served by three air carriers – Delta, United, and Alaska Airlines. Delta Airlines remains the airport's only year-round carrier (direct service to Salt Lake City), with United and Alaska providing winter and summer seasonal service. Markets served by our three air carriers in 2018 included Denver, Los Angeles, Portland, Salt Lake City, San Francisco, and Seattle. Limited new winter service to Chicago was also available in 2017/2018 winter. Fiscal year 2018 was yet another successful year overall for our air service. Overall, enplanements were up nearly 16% over 2017. August 2018 set a record as the busiest month for passenger activity in airport history.

It should be noted that in the fall of 2018, Alaska Airlines pulled its Los Angeles service from the airport stating changes to their base of operations in Los Angeles which would no longer support Q400 aircraft operations. In addition, Alaska's Portland service was not continued due to poor performance. United Airlines is picking up the Los Angeles service starting in December of 2018. As of this time, no replacement service for Portland as been identified. More positively, Delta added a third flight to Salt Lake City in the fall of 2018. This new third flight will be available approximately 75% of the year and was highly requested by the local community.

In addition, the initiation of service of the new Embraer E-175 next generation regional jet has been very well received by our customers. The E-175 has replaced nearly all operations of the Bombardier CRJ700. The new aircraft provides an enhanced passenger service with increased seat space and overhead bin storage, among other upgrades. Its performance is also well suited for our airport. With the assistance of a local non-profit air service organization, the Authority is committed to maintaining and improving air service at Friedman. While commercial air service at the airport remains critical to our community both from an economic and transportation access standpoint, the airport also serves an extensive and important general aviation community. Our general aviation users are a significant contributor to the airport's annual revenue stream.

Operationally, fiscal year 2018 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. We believe we have a better handle on cost impacts of the new facilities after two years of operation and have adjusted according in 2019 budget adjustments.

In August 2018, the FAA approved the airport's Airport Layout Plan as part of the Airport Master Plan process started in 2014. FAA's approval finalized the master planning process.

Consistent with the master plan, the Authority started a major capital development project in spring 2018, completing it in November 2018. The project included an expansion of the air carrier parking apron adding a fourth air carrier aircraft parking position. In addition, the airport's access road system and passenger terminal parking lot were reconfigured. The total project cost was 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. The project was completed on time and underbudget.

Also consistent with the master plan, the Authority undertook significant efforts toward the acquisition of approximately 64 acres of land south of the airport for purposes of Runway Protection Zone and obstruction removal (trees). In November 2018, the Authority and landowner signed a Purchase and Sales Agreement specifying the terms of acquisition.

All financial and operational indications are that the healthy economy is having a direct positive impact on the airport. As has historically be the case at SUN, 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 Airline's implementation of their new proprietary instrument approach procedure in 2016, allowing them to land in very low ceiling and visibility conditions, has proved to be a significant improvement. 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 $56,035,197 as of September 30, 2018, a decrease of $521,596 from the prior year.

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

	2018	2017	Increase (Decrease)	Percentage Change
ASSETS:				
Current Assets	$ 4,981,576	$ 3,013,364	$ 1,968,212	65.3%
Capital Assets	53,215,198	53,941,684	(726,486)	-1.3%
Total Assets	58,196,774	56,955,048	1,241,726	2.2%
LIABILITIES:				
Current Liabilities	1,932,856	262,225	1,670,631	637.1%
Noncurrent Liabilities	228,721	136,030	92,691	68.1%
Total Liabilities	2,161,577	398,255	1,763,322	442.8%
NET POSITION:				
Invested in capital assets	53,097,165	53,941,684	(844,519)	-1.6%
Restricted	46,530	7,163	39,367	549.6%
Unrestricted	2,891,502	2,607,946	283,556	10.9%
Net Position	$56,035,197	$56,556,793	$ (521,596)	-.9%

The largest portion of the Authority's net position is invested in capital assets (e.g. land, buildings, improvements and equipment). At September 30, 2018, there was $118,033 of outstanding debt 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.

	2018	2017	Increase (Decrease)	Percentage Change
Operating Revenue	$3,424,975	$ 3,282,526	$ 142,449	4.3%
Operating Expenses	6,446,640	5,455,752	990,888	18.2%
Operating (income/loss)	(3,021,665)	(2,173,226)	(848,439)	-39.0%
Non-operating Revenue (Expenses)	393,608	368,516	25,092	6.8%
Capital Contributions	2,106,461	609,759	1,496,702	245.5%
Changes in net position	(521,596)	(1,194,951)	673,355	56.4%
Beginning net position	56,556,793	57,751,744	(1,194,951)	-2.1%
Ending net position	$56,035,197	$56,556,793	$ (521,596)	-.9%

Operating revenue increased 4.3% over the prior fiscal year primarily due the increase in auto parking revenue.

Operating expenses increased by 18.2% over the prior fiscal year primarily due to an increase in depreciation and in services and contracts.

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, 2018. A summary of operating revenue and expenses based on the actual budgetary basis is shown below.

	Budget	Actual	Variance
Total Operating Revenue	$3,450,615	$3,424,975	$ (25,640)
Total Operating Expenses	3,146,830	2,935,705	(211,125)
Operating Income (loss)	$ 303,785	$ 489,270	$ 185,485

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.
5. Gain or loss on disposition of capital assets is not budgeted but is reported 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, 2018, net capital assets totaled $53,215,198. The Authority acquired or constructed almost $2.8 million in capital assets this year as detailed in Note 3 of the Notes to the Basic Financial Statements.

Long-term Liabilities

Long-term liabilities include a loan payable and accrued compensated absences. A loan payable related to the acquisition of parking equipment requires thirty-six monthly payments of $4,422 beginning on April 1, 2018. The total loan payable liability at September 30, 2018, was $118,033. Accrued compensated absences 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 accrued compensated absences liability at September 30, 2018, was $265,044. 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, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,291,801	$ 2,584,261
Operating accounts receivable	147,274	330,669
Nonoperating accounts receivable	171,563	-
Due from other governments	1,303,395	82,774
Interest receivable	4,374	1,882
Prepaid expenses	16,639	6,615
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Passenger Facility Charges	41,030	1,663
Total Current Assets	4,981,576	3,013,364
Noncurrent Assets:		
Land	6,712,067	6,712,067
Construction in progress	3,040,257	3,052,836
Airfield, buildings, equipment, improvements, plans and studies	66,916,587	64,790,576
	76,668,911	74,555,479
Accumulated depreciation	(23,453,713)	(20,613,795)
Total Noncurrent Assets	53,215,198	53,941,684
Total Assets	58,196,774	56,955,048
LIABILITIES		
Current Liabilities:		
Trade accounts payable	948,554	58,627
Payable City of Hailey	2,790	2,618
Accounts payable for capital improvements	823,371	95,816
Accrued payroll and benefits	2,385	3,933
Customer deposits	1,400	1,400
Current portion of long-term liabilities	154,356	99,831
Total Current Liabilities	1,932,856	262,225
Long-Term Liabilities:		
Accrued compensated absences	265,044	235,861
Loan payable	118,033	-
Current portion of long-term liabilities	(154,356)	(99,831)
Total Long-Term Liabilities	228,721	136,030
Total Liabilities	2,161,577	398,255
NET POSITION		
Net investment in capital assets	53,097,165	53,941,684
Restricted	46,530	7,163
Unrestricted	2,891,502	2,607,946
Total Net Position	$ 56,035,197	$ 56,556,793

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
For the Years Ended September 30, 2018 and 2017

	2018	2017
Operating Revenue:		
Airlines	$ 314,222	$ 297,045
Automobile rental	670,181	674,879
Auto parking	413,690	267,875
Rents, fees, commissions and leases	1,671,837	1,693,219
Fuel flowage fees	350,473	335,960
Other operating revenue	4,572	13,548
Total Operating Revenue	3,424,975	3,282,526
Operating Expenses:		
Employee wages, benefits and taxes	1,555,242	1,461,200
Supplies	131,429	91,345
Utilities	132,323	140,975
Services and contracts	618,222	345,773
Repairs and maintenance	284,713	325,798
Insurance	50,200	62,331
Other operating expense	192,759	187,750
Depreciation	3,481,752	2,840,580
Total Operating Expenses	6,446,640	5,455,752
Operating Income (Loss)	(3,021,665)	(2,173,226)
Nonoperating Revenue (Expenses):		
Passenger Facility Charges	370,768	353,944
Interest income	41,919	14,964
Gain (loss) on disposition of capital assets	(9,022)	13,237
Local match contributions	171,563	-
Operating grants	500,000	-
Federal grant expenditures	(681,620)	(13,629)
Total Nonoperating Revenue and (Expenses)	393,608	368,516
Income (Loss) before Capital Contributions	(2,628,057)	(1,804,710)
Capital Contributions	2,106,461	609,759
Change in Net Position	(521,596)	(1,194,951)
Net Position, Beginning of Year	56,556,793	57,751,744
Net Position, End of Year	$ 56,035,197	$ 56,556,793

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
For the Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 3,608,370	$ 3,123,549
Cash payments for employees' services and benefits	(1,527,607)	(1,397,142)
Cash payments to suppliers for goods and services	(1,171,623)	(1,166,242)
Net cash provided (used) by operating activities	909,140	560,165
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grant expenditures	(10,057)	(13,629)
Net cash provided (used) by noncapital financing activities	(10,057)	(13,629)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sales of capital assets	-	13,237
Acquisition and construction of capital assets	(1,922,484)	(1,166,245)
Payments on long-term debt	(25,727)	-
Grants and other amounts received for the purchase of capital assets	1,385,840	798,026
Passenger Facility Charges received for the purchase of capital assets	370,768	353,944
Net cash provided (used) by capital and related financing activities	(191,603)	(1,038)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	39,427	13,852
Net cash provided (used) by investing activities	39,427	13,852
Net increase (decrease) in cash and cash equivalents	746,907	559,350
Balances - beginning of the year	2,591,424	2,032,074
Balances - end of the year	$ 3,338,331	$ 2,591,424
RECONCILIATION OF CASH BALANCES TO STATEMENTS OF NET POSITION		
Cash and cash equivalents	$ 3,291,801	$ 2,584,261
Restricted cash and cash equivalents:		
BLM	5,500	5,500
Passenger Facility Charges	41,030	1,663
Total cash balances on Statements of Net Position	$ 3,338,331	$ 2,591,424

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

	2018	2017
Operating income (loss)	$ (3,021,665)	$ (2,173,226)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,481,752	2,840,580
Change in assets and liabilities:		
(Increase) decrease in operating accounts receivable	183,395	(159,377)
(Increase) decrease in prepaid expenses	(10,024)	(2,428)
(Increase) decrease in construction in progress treated as services and contracts	29,511	-
Increase (decrease) in accounts payable trade	218,536	(9,842)
Increase (decrease) in accrued payroll and benefits	(1,548)	796
Increase (decrease) in customer deposits	-	400
Increase (decrease) in accrued compensated absences	29,183	63,262
Total Adjustment and Changes	3,930,805	2,733,391
Net cash provided (used) by operating activities	$ 909,140	$ 560,165

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018 and 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.

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.
5. Gain or loss on disposition of capital assets is not budgeted but is reported for GAAP.

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.

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, 2018 and 2017:

	2018	2017
Cash on hand	$ 200	$ 50
Bank deposits	294,712	9,303
Repurchase agreement	347,417	274,119
State of Idaho Local Government Investment Pool	2,696,002	2,307,952
	$ 3,338,331	$ 2,591,424

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, 2018 and 2017, the Authority's deposits and investment had the following credit ratings:

Investment	2018 Fair Value	2017 Fair Value	Credit Rating
Mountain West Checking	$ 288,662	$ 3,322	None
Mountain West Certificate of Deposit	6,050	5,981	None
Mountain West Repurchase Agreement	347,417	274,119	None
State of Idaho Local Government Investment Pool	2,696,002	2,307,952	None

Investment by the Authority in State of Idaho Local Government Investment Pool is considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. The type of investments allowed is regulated by *Idaho Code* and oversight is provided by the Idaho State Treasurer's Office.

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of a bank failure, the Authority' bank deposits will not be returned to it. The Authority's investment policy does not limit the amount of deposits in approved and chosen financial institutions.

As of September 30, 2018, the carrying amount of the Authority's bank deposits was $642,129 and the respective bank balances totaled $749,603. The Authority's deposits at September 30, 2018, were covered by $256,050 of insurance from the Federal Depository Insurance Corporation and $438,428 of collateral leaving $55,125 as unsecured or uninsured. The securities serving as collateral are held in the name of the financial institution and not that of the Authority.

As of September 30, 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.

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, 2018 and 2017, the Authority had more than 5% of its deposits and investments invested in a repurchase agreement with Mountain West Bank. At September 30, 2018, 100% of the repurchase agreement was invested in the Federal National Mortgage Association. At September 30, 2017, 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, 2018 and 2017:

Investment	2018 Fair Value	Weighted Average Duration	2017 Fair Value	Weighted Average Duration
Repurchase agreement	$ 347,417	1 day	$ 274,119	1 day
Investment pool	2,696,002	106 days	2,307,952	153 days
Certificate of Deposit	6,050	3 yrs 16 days	5,981	4 yrs 16 days
Demand deposits	288,662	not applicable	3,322	not applicable

Note 3. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 9/30/2017	Increase	Decrease	Transfer	Balance 9/30/2018
Nondepreciable capital assets:					
Land	$ 6,712,067	$ -	$ -	$ -	$ 6,712,067
Construction in progress*	3,052,836	2,570,193	(29,511)	(2,553,261)	3,040,257
Depreciable capital assets:					
Buildings and improvements	5,602,585	150,072	(37,491)	-	5,715,166
Airfield and general improvements	47,443,824	3,337	(15,377)	2,538,621	49,970,405
Office equipment	58,264	13,061	-	-	71,325
Security	307,886	-	(159,423)	-	148,463
Maintenance equipment & vehicles	3,848,412	17,783	(18,774)	-	3,847,421
Assessments, plans & studies	7,529,605	39,353	(419,791)	14,640	7,163,807
	74,555,479	2,793,799	(680,367)	-	76,668,911
Accumulated depreciation	(20,613,795)	(3,481,752)	641,834	-	(23,453,713)
	$ 53,941,684	$ (687,953)	$ (38,533)	$ -	$ 53,215,198

*Construction in progress includes amounts for various airport improvement projects that were not completed as of September 30, 2018.

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)
	$ 55,637,540	$ (1,695,856)	$ -	$ -	$ 53,941,684

*Construction in progress includes amounts for various airport improvement projects that were not completed as of September 30, 2017.

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.

The Authority's uncollected accounts as of September 30, 2018 and 2017, are as follows:

	2018	2017
Current	$ 146,403	$ 330,105
30-60 days	885	217
60-90 days	6	(52)
90 days and over	(20)	399
	$ 147,274	$ 330,669
Nonoperating accounts receivable	$ 171,563	$ -
Due from other governments	$ 1,303,395	$ 82,774

Note 5. Long-term Liabilities

Changes in long-term obligations for the year ended September 30, 2018, are as follows:

	Balance at 10/01/2017	Additions	Reductions	Balance 9/30/2018	Amount due within 1 year
Loan payable	$ -	$ 143,760	$ 25,727	$ 118,033	$ 46,525
Compensated absences	235,861	29,183	-	265,044	107,831
	$ 235,861	$ 172,943	$ 25,727	$ 383,077	$ 154,356

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

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

Loan payable: Under an agreement dated March 1, 2018, the Authority agreed to pay $143,760 for parking equipment. The agreement calls for thirty-six monthly payments of $4,422 beginning April 1, 2018. The agreement carries an interest rate of 6.5% per annum and is secured by the parking equipment. The principal balance at September 30, 2018, was $118,033.

Principal and interest payments in subsequent years:

Year	Principal	Interest
2019	$ 46,525	$ 6,539
2020	49,764	3,300
2021	21,744	366
	$ 118,033	$ 10,205

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. The balances at September 30, 2018 and 2017, respectively, were $265,044 and $235,861.

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 $125,471 and $120,820 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017.

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 $85,214 and $77,664 for the years ended September 30, 2018 and 2017.

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.

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, 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 Authority cannot determine the cost of property held for leasing and the accumulated depreciation thereon as there are multiple leases of portions of specific assets.

The projected lease revenue at current rates is as follows:

Year Ended September 30	
2019	$ 904,251
2020	902,480
2021	862,788
2022	773,813
2023	747,706
2024 to 2028	3,606,150
2029 to 2033	1,727,222
2034 to 2038	602,662
Total	$ 10,127,072

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/PFC 15-10-U-00-SUN, effective July 1, 2014 to July 1, 2028, in the amount of $2,787,259. The total amount has been approved for use. PFC revenue is used as matching funds for capital projects funded with Airport Improvement Project funds. There was no deferred revenue at September 30, 2018 and 2017.

The following schedule shows the amounts collected and expended:

	2018		2017	
	Receipts	Expenditures	Receipts	Expenditures
PFC 14-09-C-00-SUN/ PFC 15-10-U-00-SUN	$ 370,768	$ 331,402	$ 353,944	$ 352,557

Note 11. Capital Contributions

During the years ended September 30, 2018 and 2017, the Authority received the following capital contributions:

	2018	2017
Federal grants	$ 2,106,461	$ 493,119
Other sources	-	116,640
	$ 2,106,461	$ 609,759

Note 12. Commitments

The Authority had four open grants from the U.S. Department of Transportation Airport Improvement Program (AIP) as of September 30, 2018. 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
AIP 45	Expand North Terminal Apron
AIP 46	Acquire Aircraft Rescue & Fire Fighting Vehicle and protective clothing; Acquire Snow Removal Equipment

	Total Budget	Federal Awards	Expenditures to date
AIP 43	$ 2,799,038	$ 2,624,098	$ 2,339,867
AIP 44	111,980	104,981	98,798
AIP 45	908,250	851,484	164,771
AIP 46	204,086	191,331	17,528
	$ 4,023,354	$ 3,771,894	$ 2,620,964

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 "Dual Path Forward" is the preferred approach to addressing the airport within the community. The dual path approach supports the community's desire to maintain or increase air service, improves safety and reliability at the existing airport and enables the Authority to continue researching other alternatives.

In August 2018, the FAA approved the airport's Airport Layout Plan as part of the Airport Master Plan process started in 2014. FAA's approval finalized the master planning process. 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.

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:

	2018	2017
Security services	$ 3,264	$ 3,264
Utilities for FMAA	18,263	24,331
ARFF Training	964	-

The amount due to the City of Hailey at September 30, 2018, is $2,790 and was paid within 60 days. The amount due to the City of Hailey at September 30, 2017, is $2,618 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:

	2018	2017
Contracts	$ -	$ 200

There was nothing due to Blaine County at September 30, 2018 or 2017.

Note 15. Significant Non-cash Transactions
The Authority engaged in a significant non-cash financing activity during the year ended September 30, 2018. Equipment was purchased by incurring a loan for $143,760. There were no significant non-cash financing activities during the year ended September 30, 2017.

Note 16. Subsequent Event
On November 10, 2018, the Authority signed an agreement to acquire real property for a total purchase price of $2,261,000. The purchase is contingent on the Authority obtaining grant funding from the FAA.

SUPPLEMENTARY INFORMATION

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Over
	Original	Final	Budgetary Basis	(Under) Budget
Operating Revenue:				
Airlines	$ 348,920	$ 348,920	$ 314,222	$ (34,698)
Automobile rental	753,080	753,080	670,181	(82,899)
Auto parking	289,200	289,200	413,690	124,490
Rents, fees, commissions and leases	1,729,400	1,729,400	1,671,837	(57,563)
Fuel flowage fees	330,015	330,015	350,473	20,458
Other operating revenue	-	-	4,572	4,572
Total Operating Revenue	3,450,615	3,450,615	3,424,975	(25,640)
Operating Expenses:				
Employee wages, benefits and taxes	1,739,185	1,739,185	1,526,059	(213,126)
Supplies	166,600	166,600	131,429	(35,171)
Utilities	125,171	125,171	132,323	7,152
Services and contracts	383,635	383,635	618,222	234,587
Repairs and maintenance	403,210	403,210	284,713	(118,497)
Insurance	64,509	64,509	50,200	(14,309)
Other operating expense	264,520	264,520	192,759	(71,761)
Total Operating Expenses	3,146,830	3,146,830	2,935,705	(211,125)
Operating Income	303,785	303,785	489,270	185,485
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	386,680	386,680	370,752	(15,928)
Interest income	10,940	10,940	41,935	30,995
Local match contributions	-	-	171,563	171,563
Federal grants	275,000	275,000	500,000	225,000
Federal grant expenditures	-	-	(681,620)	(681,620)
Total Nonoperating Revenue and (Expenses)	672,620	672,620	402,630	(269,990)
Capital Contributions	2,564,631	2,564,631	2,106,461	(458,170)
Capital Expenditures	(3,960,257)	(3,960,257)	(2,793,799)	1,166,458
Change in Net Position	$ (419,221)	$ (419,221)	$ 204,562	$ 623,783

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

RECONCILIATION OF BUDGETARY BASIS TO GAAP
For the Year Ended September 30, 2018

	Actual Budgetary Basis	GAAP Basis	Difference	Number of Explanation
Operating Revenue:				
Airlines	$ 314,222	$ 314,222	$ -	
Automobile rental	670,181	670,181	-	
Auto parking	413,690	413,690	-	
Rents, fees, commissions and leases	1,671,837	1,671,837	-	
Fuel flowage fees	350,473	350,473	-	
Other operating revenue	4,572	4,572	-	
Total Operating Revenue	3,424,975	3,424,975	-	
Operating Expenses:				
Employee wages, benefits and taxes	1,526,059	1,555,242	29,183	1
Supplies	131,429	131,429	-	
Utilities	132,323	132,323	-	
Services and contracts	618,222	618,222	-	
Repairs and maintenance	284,713	284,713	-	
Insurance	50,200	50,200	-	
Other operating expense	192,759	192,759	-	
Depreciation	-	3,481,752	3,481,752	2
Total Operating Expenses	2,935,705	6,446,640	3,510,935	
Operating Income	489,270	(3,021,665)	(3,510,935)	
Nonoperating Revenue and (Expenses):				
Passenger Facility Charges	370,752	370,768	16	3
Interest income	41,935	41,919	(16)	3
Gain (loss) on disposition of capital assets	-	(9,022)	(9,022)	5
Local match contributions	171,563	171,563	-	
Federal grants	500,000	500,000	-	
Federal grant expenditures	(681,620)	(681,620)	-	
Total Nonoperating Revenue and (Expenses)	402,630	393,608	(9,022)	
Capital Contributions	2,106,461	2,106,461	-	
Capital Expenditures	(2,793,799)	-	2,793,799	4
Change in Net Position	$ 204,562	$ (521,596)	$ (726,158)	

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.
5. Gain or loss on disposition of capital assets is not budgeted but is reported for GAAP.

FEDERAL REPORTS

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

To the Board
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, 2018, 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 8, 2019.

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.

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 CPAs

Meridian, Idaho
January 8, 2019

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

To the Board
Friedman Memorial Airport Authority
Hailey, Idaho

Report on Compliance for Each Major Federal Program

We have audited Friedman Memorial Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Friedman Memorial Airport Authority's major federal programs 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 requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 each 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 each of its major federal programs for the year ended September 30, 2018.

PH: (208) 333-8965 | FAX: (208) 333-8966 | 2289 S. BONITO WAY STE 100 - MERIDIAN, IDAHO 83642 | HARRISCPAS.COM

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, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our 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 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 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 considered to be material weaknesses. However, material weaknesses may exit 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.

Harris CPAs

Meridian, Idaho
January 8, 2019

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year Ended September 30, 2018

Federal Grantor Program Title:	Federal CFDA Number	Total Federal Expenditures
Department of Transportation Programs		
Airport Improvement Program	20.106	$ 2,106,461
Small Community Air Service Development Program	20.930	500,000
Total Department of Transportation Programs		2,606,461
Total Expenditures of Federal Awards		$ 2,606,461

See accompanying notes to schedule of expenditures of federal awards.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2018

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, 2018. The Information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Friedman Memorial Airport Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Friedman Memorial Airport Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Friedman Memorial Airport Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness identified?	_____	yes	X	no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____	yes	X	none reported
Noncompliance material to the financial statements noted?	_____	yes	X	no

Federal Awards

Internal control over major programs:				
• Material weakness identified?	_____	yes	X	no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____	yes	X	none reported
Type of auditors' report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?	_____	yes	X	no

Identification of major programs:

CFDA Number	Name of Federal Program
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as a low-risk auditee?	_____	yes	X	no

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2017

There were no prior audit findings

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

To the Board
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, 2018, 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 8, 2019.

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.

PH: (208) 333-8965 | FAX: (208) 333-8966 | 2289 S. BONITO WAY STE 100 - MERIDIAN, IDAHO 83642 | 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 CPAs

Meridian, Idaho
January 8, 2019

HARRIS
CPAs

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, 2018.

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, 2018.

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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, 2018, and have issued our report thereon dated January 8, 2019 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 CPAs

Meridian, Idaho
January 8, 2019

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
Year Ended September 30, 2018 and Each Quarter During the Year Ended September 30, 2018
With Cumulative Totals as of September 30, 2018

	September 30, 2017 Program Total	Quarter 1 October to December	Quarter 2 January to March	Quarter 3 April to June	Quarter 4 July to September	Year Ended September 30, 2018 Total	September 30, 2018 Program Total
Revenue:							
Collections	$ 873,222	$ 85,890	$ 94,862	$ 78,292	$ 111,707	$ 370,751	$ 1,243,973
Rollover from prior PFC	84,403	-	-	-	-	-	84,403
Interest	848	4	4	2	6	16	864
Total Revenue	958,473	85,894	94,866	78,294	111,713	370,767	1,329,240
Disbursements:							
Application 14-09-C-00-SUN/15-10-U-00-SUN							
001 RSA Formulation	44,375	-	-	-	-	-	44,375
002 Acquire SRE	189,631	57,400	123,000	77,000	25,248	282,648	472,279
003 Master Tax Plan	550,000	-	-	-	-	-	550,000
004 Relocate SW Taxilane Bypass	83,480	-	-	-	-	-	83,480
005 Relocate GA Apron	67,208	-	-	-	-	-	67,208
006 Perimeter Fence Relocation	-	-	-	-	11,365	11,365	11,365
007 RSA Grading	-	-	-	-	37,387	37,387	37,387
009 Relocate Power to PAPI	5,196	-	-	-	-	-	5,196
019 PFC Administration	16,920	-	-	-	-	-	16,920
Total Disbursements	956,810	57,400	123,000	77,000	74,000	331,400	1,288,210
Net PFC Revenue	$ 1,663	$ 28,494	$ (28,134)	$ 1,294	$ 37,713	$ 39,367	$ 41,030
PFC Account Balance	$ 1,663	$ 30,157	$ 2,023	$ 3,317	$ 41,030	$ 41,030	$ 41,030

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, 2018

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.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

PASSENGER FACILITY CHARGES SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

Findings Relating to Passenger Facility Charges

There are no audit findings for the year ended September 30, 2018.

FRIEDMAN MEMORIAL AIRPORT AUTHORITY

PASSENGER FACILITY CHARGES SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2018

Findings Relating to Passenger Facility Charges

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