

SUN VALLEY AIR SERVICE BOARD

BLAINE COUNTY, IDAHO

**Financial Statements
at September 30, 2020**

**SUN VALLEY AIR SERVICE BOARD
BLAINE COUNTY, IDAHO
For the year ended September 30, 2020**

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WORKMAN & COMPANY

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INDEPENDENT AUDITOR'S REPORT

January 6, 2021

Members of the Board
Sun Valley Air Service Board

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, of the Sun Valley Air Service Board, as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the Sun Valley Air Service Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 require 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the Sun Valley Air Service Board, as of September 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 11 be presented to supplement the basic financial statements. Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2021, on our consideration of the Sun Valley Air Service Board'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 the Sun Valley Air Service Board's internal control over financial reporting and compliance.

Workman & Company

WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho

SUN VALLEY AIR SERVICE BOARD
Statement of Net Position
at September 30, 2020

ASSETS

Cash in Checking	\$	0	
Cash in LGIP		211,379	
Total Cash and Deposits			\$ 211,379
Local Option Tax Receivables:			
City of Sun Valley		137,228	
City of Ketchum		661,295	
City of Hailey		18,897	
Total Tax Receivables			817,420
Total Assets			1,028,799

LIABILITIES

Cash in Checking Deficit			214,303
Accrued Contracts Payable:			
Fly Sun Valley		277,258	
Sun Valley Marketing		343,063	
Total Contracts Payable			620,321
Other Accounts Payable			0
Total Liabilities			834,624

NET POSITION

Invested in Capital Assets - net of related debt		0	
Restricted for Local Aviation Services		194,175	
Unrestricted		0	
Total Net Position			\$ 194,175

The accompanying notes are a part of these financial statements.

SUN VALLEY AIR SERVICE BOARD
Statement of Revenue, Expenses,
and Changes in Net Position
for the year ended September 30, 2020

Operating Revenues:

Local Option Tax Revenues:

City of Sun Valley \$ 608,190

City of Ketchum 2,161,876

City of Hailey 81,251

Total Tax Revenues \$ 2,851,317

Interest Income 3,818

Total Operating Revenue: 2,855,135

Operating Expenses:

Fly Sun Valley Contract 1,384,322

Sun Valley Marketing Contract 1,754,323

Professional Fees 2,860

Insurance 1,546

Administrative Expenses 388

Total Operating Expenses 3,143,439

Operating Income (288,304)

Total Net Position - Beginning 482,479

Total Net Position - Ending \$ 194,175

The accompanying notes are a part of these financial statements.

SUN VALLEY AIR SERVICE BOARD
Statement of Cash Flows
for the year ended September 30, 2020

Cash Flows From Operating Activities:

Receipts from other governments	\$ 2,893,590	
Payments to suppliers and vendors	(3,258,586)	
Other receipts	<u>0</u>	
Net cash provided (used) by operations		\$ (364,996)

Cash Flows From Capital Related Financing Activities:

Payment of Debts and Interest	<u>0</u>	
Net cash provided by capital and related financing activities		0

Cash Flows From Investing Activities:

Purchase of Capital Assets		
Interest Income	<u>3,818</u>	
Net cash used by investing activities		<u>3,818</u>

Net Increase (Decrease) in Cash and Equivalents (361,178)

Balances - Beginning of the year 358,254

Balances - Ending of the year \$ (2,924)

Displayed as:

Cash and Deposits		(214,303)
Cash in LGIP		<u>211,379</u>

Balances - Ending of the year \$ (2,924)

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities:

Operating Income	(288,304)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Net Interest Earnings/Expense	(3,818)	
Change in assets and liabilities:		
Local Option Taxes Receivable	42,273	
Accounts and Contracts Payable	<u>(115,147)</u>	

Net Cash Provided (Used) by Operating Activities: \$ (364,996)

The accompanying notes are a part of these financial statements.

SUN VALLEY AIR SERVICE BOARD
Balance Sheet
Governmental Funds
at September 30, 2020

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS:		
Cash and Deposits	\$ 211,379	\$ 211,379
City of Sun Valley LOT Receivable	137,228	137,228
City of Ketchum LOT Receivable	661,295	661,295
City of Hailey LOT Receivable	<u>18,897</u>	<u>18,897</u>
Total Assets	<u>\$ 1,028,799</u>	<u>\$ 1,028,799</u>
LIABILITIES:		
Cash in Checking Deficit	\$ 214,303	\$ 214,303
Accounts Payable	620,321	620,321
Due To Other Funds	<u>0</u>	<u>0</u>
Total Liabilities	<u>834,624</u>	<u>834,624</u>
FUND BALANCE:		
Non-spendable	0	0
Restricted	194,175	194,175
Committed	0	0
Assigned	0	0
Unassigned	<u>0</u>	<u>0</u>
Total Fund Balance	<u>194,175</u>	<u>194,175</u>
Total Liabilities and Fund Balance	<u>\$ 1,028,799</u>	<u>\$ 1,028,799</u>

The accompanying notes are a part of these financial statements.

SUN VALLEY AIR SERVICE BOARD
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the year ended September 30, 2020

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUE:		
Sun Valley 1% Local Option Tax Revenues	\$ 608,190	\$ 608,190
Ketchum 1% Local Option Tax Revenues	2,161,876	2,161,876
Hailey 1% Local Option Tax Revenues	81,251	81,251
Interest Earned	<u>3,818</u>	<u>3,818</u>
 Total Revenue	 <u>2,855,135</u>	 <u>2,855,135</u>
EXPENDITURES:		
Contracted Services	3,138,645	3,138,645
Administrative Services	388	388
Professional Fees	2,860	2,860
Insurance	<u>1,546</u>	<u>1,546</u>
 Total Expenditures	 <u>3,143,439</u>	 <u>3,143,439</u>
EXCESS REVENUE (EXPENDITURES)	(288,304)	(288,304)
OTHER FINANCING SOURCES (USES):		
Due (to) from other funds	<u>0</u>	<u>0</u>
 NET CHANGE IN FUND BALANCES	 (288,304)	 (288,304)
 FUND BALANCE - BEGINNING	 <u>482,479</u>	 <u>482,479</u>
 FUND BALANCE - ENDING	 <u>\$ 194,175</u>	 <u>\$ 194,175</u>

The accompanying notes are a part of these financial statements.

**SUN VALLEY AIR SERVICE BOARD
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Sun Valley Air Service Board (the Board) was established on November 16, 2013 under a Joint Powers Agreement among the municipal corporations of the CITY OF KETCHUM, IDAHO, the CITY OF SUN VALLEY, IDAHO, and the CITY OF HAILEY, IDAHO. The Board was created for the purpose of collecting the 1% local option tax levied in each City by voter approval and appropriating said option tax to provide for local air service, including minimum revenue guarantees for air service providers.

The financial statements of the Sun Valley Air Service Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net position) report information on all of the non-fiduciary activities of the Board.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Board's activities and general administrative services are classified as governmental activities. The Board has no business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All other revenue items are considered to be measurable and available only when the Board receives cash.

The Board reports the following major governmental fund:

- The *General Fund* is the Board's operating fund. It accounts for all financial resources of the Board.

Capital Assets

The Board currently owns no property held for future uses nor does it anticipate any such ownership.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SUN VALLEY AIR SERVICE BOARD
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

Continued—

2. LOCAL OPTION TAXES

Each City has legally adopted a 1% Local Option Sales Tax that is collected monthly. Each City collects said tax by the end of the calendar month following the collection period. Those collected taxes are conveyed to the Board by the end of the month following collection.

3. CASH AND DEPOSITS

Deposits: Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board has no deposit policy for custodial credit risk. At year end, \$ 0 of the Board's bank balance was exposed to custodial credit risk because it was not insured by the FDIC.

Investments: Custodial credit risk, in the case of investments, is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Board held the following investments:

Investment Type

Idaho State Local Government Investment Pool \$ 211,379.

These investments are unrated external investment pools sponsored by the Idaho State Treasurer's Office. They are classified as "Investments in an External Investment Pool" and are exempt from custodial credit risk and concentration of credit risk reporting. Interest rate risk is summarized as follows: Asset-backed securities are reported using weighted average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

The elected Idaho State Treasurer, following Idaho Code, Section 67-2328, is authorized to sponsor an investment pool in which the Board voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body - oversight is with the State Treasurer, and Idaho Code defines allowable investments. All investments are entirely insured or collateralized with securities held by the Pool or by its agent in the Pool's name. And the fair value of the Board's position in the external investment pool is the same as the value of the pool shares.

Credit Risk: The Board's policy is to comply with Idaho State statutes which authorize the Board to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

Interest rate risk and concentration of credit risk: The Board has no policy regarding these two investment risk categories.

Cash and Deposits are comprised of the following at the financial statement date:

Cash on Hand	\$ 0
Deposits with financial institutions:	
Demand deposits deficit	(214,303)
State of Idaho Investment Pooled Cash	<u>211,379</u>
Total	<u>\$ (2,924)</u>

**SUN VALLEY AIR SERVICE BOARD
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

Continued—

4. RESTRICTED NET POSITON

Under the Joint Powers Agreement the Board is only to provide for the local air service activities. This restricts the available net position for that expressed purpose.

5. GENERAL FIXED ASSETS

The Board has no fixed assets.

6. CONTRACTS PAYABLE

The Board has entered into two contracts with local vendors to provide for its express purpose in the air service industry. These two contracts are between the Board and Fly Sun Valley Alliance, Inc. (an Idaho nonprofit corporation) and Sun Valley Marketing Alliance, Inc. (an Idaho nonprofit corporation.) Additionally, these two corporations have the express purpose of a) maintaining and increasing commercial air service to Friedman Memorial Airport through the use of Minimum Revenue Guarantees (MRG's) or other inducements to providers; b) promoting and marketing the existing service and any future service to increase passengers; and c) for all ancillary costs which are associated with the ongoing effort to maintain and increase commercial air service.

7. RETIREMENT PLAN

The Board has no employees and therefore no retirement plan.

8. LITIGATION

The Board, at the financial statement date, is not involved in any material disputes as either plaintiff or defendant.

9. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the fiscal year, the Board contracted with Idaho County Risk Management Program (ICRMP) for property, crime and fleet insurance. Under the terms of the ICRMP policy, the Board's liability is limited to the amount of annual financial membership contributions, including a per occurrence deductible. There has been no significant reduction in insurance coverage in the current year. Settlement amounts have not exceeded insurance coverage for the current year.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY INFORMATION**

SUN VALLEY AIR SERVICE BOARD
Budgetary Comparison Schedule
Government-Wide Statement of Activities
for the year ended September 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES:			
City of Hailey 1% Local Option Tax	\$ 96,051	\$ 81,251	\$ (14,800)
City of Ketchum 1% Local Option Tax	2,155,589	2,161,876	6,287
City of Sun Valley 1% Local Option Tax	645,707	608,190	(37,517)
Earnings on investments	1,000	3,818	2,818
Total revenues	<u>2,898,347</u>	<u>2,855,135</u>	<u>(43,212)</u>
EXPENDITURES:			
Contracts for Services	3,170,000	3,138,645	31,355
Administrative Costs	900	388	512
Professional	2,100	2,860	(760)
Insurance	1,450	1,546	(96)
Total expenditures	<u>3,174,450</u>	<u>3,143,439</u>	<u>31,011</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(276,103)</u>	<u>(288,304)</u>	<u>(12,201)</u>
FUND BALANCE - BEGINNING	<u>482,479</u>	<u>482,479</u>	
FUND BALANCE - ENDING	<u>\$ 206,376</u>	<u>\$ 194,175</u>	

The accompanying notes are a part of these financial statements.

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**INDEPENDENT AUDITOR'S 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**

January 6, 2021

Member of the Board
Sun Valley Air Service Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Sun Valley Air Service Board, as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the Sun Valley Air Service Board's basic financial statements, and have issued our report thereon dated January 6, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sun Valley Air Service Board'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 the Sun Valley Air Service Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sun Valley Air Service Board'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.

Compliance and Other Matters

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

Report Continued—

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.

Workman & Company

WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho