

**The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.**





**FINANCIAL REPORT**

**June 30, 2014**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bert Mooney Airport Authority  
Butte, Montana

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

We have audited the accompanying financial statements of Bert Mooney Airport Authority (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority'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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2014, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be 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, 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. 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.

## **Comparative Totals for June 30, 2013**

Comparative totals for the year ended June 30, 2013, are being presented for comparative purposes only and were extracted from the 2013 financial statements which we audited, and our report dated December 12, 2013, expressed an unmodified opinion on those statements.

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedule of insurance coverage is presented for the purpose of additional analysis. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of passenger facility charges collected and expended is required by the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration and is not a required part of the financial statements.

These schedules are presented for the purpose of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedules included in this paragraph 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 December 10, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Anderson Zurmuehlen & Co., P.C.*

Butte, Montana  
December 10, 2014

**BERT MOONEY AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2014

Our discussion and analysis of the Bert Mooney Airport Authority's (the Authority) financial performance provide an overview of the Authority's financial activities for the fiscal year ended June 30, 2014 compared to June 30, 2013. Please read it in conjunction with the Authority's financial statements beginning on page 9.

## **HIGHLIGHTS**

### **Financial Highlights:**

- The Authority's net position increased by \$205,134, or .9%, as a result of this year's operations.
- The Authority's operating revenues of \$965,451 increased by 9.9% when compared to the prior year, while operating expenses of \$1,939,380 increased by 5.9%. Non-operating revenue less non-operating expenses of \$1,179,063 decreased by (84%).
- The Authority's net investment in capital assets decreased by (\$3,258) to \$22,473,411, a decrease of (.01%) from last year.

### **Authority Highlights:**

- The Authority continues to work on the planning effort to correct approach problems. Part of the approach problem was addressed by a medium approach lighting project. The ongoing project is an integral part of reducing landing minimums. An AGIS survey is planned for late summer to identify any obstructions that may prevent our minimums to be lowered. This was an amendment to AIP 47. These reductions in landing minima will result in fewer diverted flights.
- Subsequent to year end the Authority was approved to participate in the Screening Partnership Program, which would privatize screening process at the airport. Request for Proposals have gone out and the contract was awarded to FirstLine Transportation Security, Inc. and began on September 1<sup>st</sup>, 2014.
- Subsequent to year end the Authority was awarded a new grant under the Airport Improvement Program, (AIP) 50 in the amount of \$1,373,148 and modified in July 2014 to \$1,802,650. The purpose of the grant is phase II of the utility relocation; phase II of the terminal parking lot project and new access road project. The project also includes maintenance to the apron, taxiway edge stripping, and relocation of the wind cone outside the object fee area. This project is scheduled to be completed in spring of 2015.
- The Authority is currently in preliminary design phase for a new terminal to be located adjacent to the existing terminal. The project is expected to be bid in January or February of 2016 and construction is expected to begin in the spring of 2016.

BERT MOONEY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2014

**USING THIS ANNUAL REPORT**

The annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

**Required Financial Statements:**

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the Authority's activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues and Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine profitability, credit worthiness and whether the Authority has successfully recovered all its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?"

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues and Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority and changes in them. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Authority's total net position increased from last year by \$205,134, or .9%, as a result of this year's operations. Our analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

BERT MOONEY AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2014

Table 1

	<u>2014</u>	<u>2013</u>
Capital assets	\$ 23,647,158	\$ 23,466,940
Current and other assets	<u>709,786</u>	<u>919,689</u>
Total assets	<u>24,356,944</u>	<u>24,386,629</u>
Long-term debt outstanding,		
Including current portion	1,173,747	1,124,242
Other liabilities	<u>170,760</u>	<u>455,084</u>
Total liabilities	<u>1,344,507</u>	<u>1,579,326</u>
Net position:		
Net investment in capital assets	22,473,411	22,476,669
Unrestricted	<u>539,026</u>	<u>330,634</u>
Total net position	<u>\$ 23,012,437</u>	<u>\$ 22,807,303</u>

Liabilities decreased due to a decrease in grant project payables and compensated absences payable. Assets decreased due to a decrease in grants receivable. Net investment in capital assets decreased due to an increase in related debt.

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

Table 2

	<u>2014</u>	<u>2013</u>
Net operating revenues	\$ 965,451	\$ 878,861
Non-operating revenue	<u>1,290,564</u>	<u>7,391,830</u>
Total revenues	<u>2,256,015</u>	<u>8,270,691</u>
Operating expenses	1,939,380	1,831,096
Non-operating expenses	<u>111,501</u>	<u>36,395</u>
Total expenses	<u>2,050,881</u>	<u>1,867,491</u>
Change in net position	205,134	6,403,200
Net position at beginning of year	<u>22,807,303</u>	<u>16,404,103</u>
Net position at end of year	<u>\$ 23,012,437</u>	<u>\$ 22,807,303</u>

Total operating revenues reflect a 9.9% increase in 2014 compared to 2013 and operating expenses increased by 5.9%. Operating revenues increased due to a rise in operating grants, landing fees, ground lease, and passenger facility charges. Operating expenses increased due to a rise in advertising and building and ground maintenance. Non-operating revenue less non-operating expenses decreased due to a decrease in federal, capital grants received for various Airport Improvement Program (AIP) Projects.

**BERT MOONEY AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
 June 30, 2014

**THE AUTHORITY'S FUND**

The activities of the Authority are reported as an enterprise fund. An enterprise fund is operated in a manner similar to private business enterprises, where (a) the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; and (b) the governing body has decided that periodic determination of revenues earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2014, the Authority had \$23,647,158 invested in a broad range of capital assets. This amount represents a net increase (including additions and deductions) of \$180,218 or .8% when compared to last year.

The following table summarizes the Authority's capital assets, net of accumulated depreciation, for the years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Land	\$ 3,481,576	\$ 3,481,576
Buildings & improvements	19,000,745	11,402,536
Machinery and equipment	<u>549,384</u>	<u>101,145</u>
	23,031,705	14,985,257
Construction work in progress	<u>615,453</u>	<u>8,481,683</u>
	<u>\$ 23,647,158</u>	<u>\$ 23,466,940</u>

The following table summarizes the changes in capital assets. These changes are presented in detail in Note 3 to the financial statements.

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 23,466,940	\$ 16,507,397
Additions	8,917,746	6,141
Disposals	-	-
Depreciation	(871,298)	(872,868)
Increase (decrease) in construction work in progress	<u>(7,866,230)</u>	<u>7,826,270</u>
	<u>\$ 23,647,158</u>	<u>\$ 23,466,940</u>

The Authority's 2014/2015 capital budget plans to invest \$2,499,500 on the parking lot and terminal design.

**BERT MOONEY AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
 June 30, 2014

**Long - Term Liabilities**

As of June 30, 2014, the Authority had a total of \$1,233,333 in long - term liabilities outstanding, including the current portion of long-term debt, and compensated absences, versus \$1,210,800 last year, which is an increase of 22,533.

Table 5

	<u>2014</u>	<u>2013</u>
Notes payable	\$ 1,173,747	\$ 1,124,242
Compensated absences	<u>59,586</u>	<u>86,558</u>
Total outstanding long – term liabilities	1,233,333	1,210,800
Less: Current portion of long - term debt and compensated absences	<u>(86,268)</u>	<u>(52,077)</u>
Long – term liabilities	<u>\$ 1,147,065</u>	<u>\$ 1,158,723</u>

More detailed information about the Authority's long-term liabilities is presented in Note 8 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

**Economic Factors and Next Year's Budget:**

The Authority's seven year capital improvement calls for the use of \$7,227,573 of Airport Improvement Program (AIP) funds as well as an additional \$12,100,000 of AIP discretionary funds. Completing the funding sources for this plan is \$2,147,501 of local funds, including passenger facility charge revenue. The funds are contingent on Congressional approval and if funding is not received the projects will not be undertaken.

The plan consists of terminal design and construction to include terminal building including site work, foundation, and structure; terminal building and airfield security improvements; green terminal expansion; pavement maintenance of GA aprons and taxiway C; maintenance of concrete apron; acquisition of large and small snow removal equipment; environmental assessment for runway 15 extension; land acquisition; wildlife mitigation; animal control fence; eradication of wildlife habitat; extension of runway 15; and relocation of the instrument landing system, (ILS).

Operating revenue is expected to increase moderately in the upcoming year and a moderate increase on car rental revenue is expected.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Authority's manager at 101 Airport Road, Butte, Montana 59701.

FINANCIAL STATEMENTS

BERT MOONEY AIRPORT AUTHORITY  
STATEMENT OF NET POSITION  
June 30, 2014  
(With Comparative Totals as of June 30, 2013)

ASSETS	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 351,598	\$ 338,344
Accounts receivable	31,000	32,642
Taxes receivable	87,599	65,615
Grants receivable	132,664	321,989
Interest receivable	10	17
Prepaid insurance	<u>3,277</u>	<u>7,674</u>
Total current assets	<u>606,148</u>	<u>766,281</u>
 <b>PROPERTY AND EQUIPMENT, at cost</b>		
Land	3,481,576	3,481,576
Buildings and improvements	4,555,032	4,555,032
Improvements other than buildings	30,574,294	22,213,791
Machinery and equipment	<u>3,015,582</u>	<u>2,458,339</u>
	41,626,484	32,708,738
Less accumulated depreciation and amortization	(18,594,779)	(17,723,482)
Construction in progress	<u>615,453</u>	<u>8,481,683</u>
Total property and equipment	<u>23,647,158</u>	<u>23,466,939</u>
 <b>OTHER ASSETS</b>		
Loan fees, net of accumulated amortization	-	19,439
Software, net of accumulated amortization	<u>103,637</u>	<u>133,970</u>
Total other assets	<u>103,637</u>	<u>153,409</u>
 Total assets	 <u>\$ 24,356,943</u>	 <u>\$ 24,386,629</u>

The Notes to Financial Statements are an integral part of this statement.

BERT MOONEY AIRPORT AUTHORITY  
STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2014  
(With Comparative Totals as of June 30, 2013)

LIABILITIES AND NET POSITION	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 8,739	\$ 2,104
Accrued interest payable	15,840	2,796
Wages payable	16,238	16,173
Payroll taxes payable	925	1,616
Retirement plan payable	1,279	1,305
Benefits payable	8,161	9,281
Grant project payables	39,153	310,557
Unearned revenue	20,838	24,694
Current portion of compensated absences payable	20,829	26,000
Current portion of long-term debt	<u>65,439</u>	<u>26,077</u>
Total current liabilities	<u>197,441</u>	<u>420,603</u>
 <b>LONG-TERM LIABILITIES</b>		
Compensated absences payable, less current maturities	38,757	60,558
Long-term debt, less current maturities	<u>1,108,308</u>	<u>1,098,165</u>
Total long term liabilities	<u>1,147,065</u>	<u>1,158,723</u>
 Total liabilities	 <u>1,344,506</u>	 <u>1,579,326</u>
 <b>NET POSITION</b>		
Net investment in capital assets	22,473,411	22,476,669
Unrestricted	<u>539,026</u>	<u>330,634</u>
Total net position	<u>23,012,437</u>	<u>22,807,303</u>
 Total liabilities and net position	 <u>\$ 24,356,943</u>	 <u>\$ 24,386,629</u>

The Notes to Financial Statements are an integral part of this statement.

BERT MOONEY AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
For the Year Ended June 30, 2014  
(With Comparative Totals as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE		
Landing fees, leases and concessions	\$ 287,600	\$ 266,589
Ground lease	376,783	350,853
Operating grants	113,878	67,121
Miscellaneous revenue	-	30,580
Parking lot fees	69,155	60,936
Passenger facility charges	<u>118,035</u>	<u>102,782</u>
Total operating revenue	<u>965,451</u>	<u>878,861</u>
OPERATING EXPENSES		
Wages	247,561	241,746
Security wages	137,805	126,779
Parking wages	17,250	26,159
Employee benefits	166,325	183,107
Advertising	91,791	41,357
Building and ground maintenance	121,024	71,380
Training	8,117	7,364
Professional services	35,678	39,843
Maintenance and repairs	10,909	8,890
Office expense	27,383	25,390
Utilities	107,940	112,367
Insurance	45,462	37,816
Dues and subscriptions	1,066	4,000
Depreciation	871,297	872,868
Amortization	<u>49,772</u>	<u>32,030</u>
Total operating expenses	<u>1,939,380</u>	<u>1,831,096</u>
Operating deficit	<u>(973,929)</u>	<u>(952,235)</u>

The Notes to Financial Statements are an integral part of this statement.

BERT MOONEY AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION (CONTINUED)  
For the Year Ended June 30, 2014  
(With Comparative Totals as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
NON-OPERATING REVENUE AND (EXPENSE)		
Tax revenue	200,313	206,680
Grant revenue	986,651	7,184,876
Interest income	5,197	274
Miscellaneous revenue	98,403	-
Professional services/other	(61,844)	(382)
Interest expense	<u>(49,657)</u>	<u>(36,013)</u>
Total nonoperating revenue	<u>1,179,063</u>	<u>7,355,435</u>
Change in net position	205,134	6,403,200
Net position, beginning of year	<u>22,807,303</u>	<u>16,404,103</u>
Net position, end of year	<u>\$ 23,012,437</u>	<u>\$ 22,807,303</u>

The Notes to Financial Statements are an integral part of this statement.

**BERT MOONEY AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from fees, leases and concessions	\$ 658,500	\$ 617,347
Proceeds from passenger facility charges	121,709	95,907
Proceeds from operating grant	100,898	37,423
Proceeds from parking lot fees	69,155	60,936
Proceeds from miscellaneous revenue	-	30,580
Wages and benefits paid	(597,687)	(573,692)
Administrative expenses paid	<u>(438,335)</u>	<u>(363,853)</u>
Net cash from operating activities	<u>(85,760)</u>	<u>(95,352)</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from non-capital grants	10,000	11,500
Proceeds from non-operating miscellaneous revenue	98,403	-
Other purchases	(61,844)	-
Proceeds from property and other taxes	<u>178,329</u>	<u>196,116</u>
Net cash from non-capital financing activities	<u>224,888</u>	<u>207,616</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital grants	1,178,957	7,233,036
Purchases of capital assets	(1,322,920)	(7,897,243)
Principal and interest payments for long-term debt	(69,751)	(57,351)
Proceeds from issuance of note payable	<u>82,643</u>	<u>661,820</u>
Net cash from capital and related financing activities	<u>(131,071)</u>	<u>(59,738)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>5,197</u>	<u>285</u>
Net cash from investing activities	<u>5,197</u>	<u>285</u>
Net change in cash and cash equivalents	13,254	52,811
Cash and cash equivalents at beginning of year	<u>338,344</u>	<u>285,533</u>
Cash and cash equivalents at end of year	<u>\$ 351,598</u>	<u>\$ 338,344</u>

The Notes to Financial Statements are an integral part of this statement.

BERT MOONEY AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
For the Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

A reconciliation of operating income to cash provided by operating activities follows:

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating deficit	\$ (973,929)	\$ (952,235)
Adjustments to reconcile operating deficit to net cash from operating activities:		
Depreciation	871,297	872,868
Amortization	49,772	32,030
Changes in operating assets and liabilities:		
Accounts receivable	1,642	(9,588)
Prepaid expenses	4,397	(564)
Operating grant receivable	(12,975)	(29,698)
Accounts payable	6,635	(14,882)
Unearned revenue	(3,856)	2,618
Wages payable	65	720
Payroll taxes payable	(691)	165
Retirement plan payable	(26)	327
Benefits payable	(1,120)	1,801
Compensated absences payable	<u>(26,972)</u>	<u>1,086</u>
Net cash from operating activities	<u>\$ (85,761)</u>	<u>\$ (95,352)</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Loan fees acquired through long-term debt	<u>\$ -</u>	<u>\$ 15,496</u>

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Bert Mooney Airport Authority (the Authority) was designated an independent Airport Authority and exercises all the powers, duties and functions provided for in Chapter 11, Title 67, Montana Code Annotated. The Authority is governed by a Board of Directors. The day-to-day affairs of the Authority are conducted under the supervision of the airport manager. Control is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. The Authority is entitled to receive a minimum of 2-mill levy by certifying its request to the Council of Commissioners of Butte-Silver Bow each year. The Butte-Silver Bow Chief Executive each year appoints one member of the Board of Directors (the governing body) of the Authority to serve a five-year term. The Butte-Silver Bow Council of Commissioners confirms the appointment. The Authority provides air transportation for Butte, Montana and the surrounding area.

**Fund Accounting**

The activities of the Authority are reported as an enterprise fund. An enterprise fund is operated in a manner similar to private business enterprises, where (a) the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; and (b) the governing body has decided that periodic determination of revenues earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus, Basis of Accounting and Basis of Presentation**

The Authority follows proprietary fund reporting. Accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges, fees and leases generated from operations of the airport. Principal operating expenses are the costs of providing airport services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements**

The Authority has adopted the provisions of the following GASB pronouncements for fiscal year 2014:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement defines new financial statement items called deferred inflows of resources and deferred outflows of resources, and reclassifies certain items previously classified as asset or liabilities and deferred outflows or deferred inflows, respectively. The adoption of this statement does not have a material impact on the Authority's financial statements. Unamortized loan fees of \$19,439 were expensed during the year ended June 30, 2014 as a result of implementing GASB Statement No. 65.

**Postemployment Benefits other than Pension Plans**

The Authority has been required to adopt the provisions of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans." GASB 45 requires employers to calculate the actuarial liability for future retiree benefits and the annual required contribution for retirees. The Authority has reviewed the potential impact of this Standard and has determined any adjustment to the accompanying financial statements would not be material.

**Cash and Cash Equivalents**

Management considers all short-term high liquid investments with an original maturity of three months or less to be cash equivalents.

**Taxes and Accounts Receivable**

Receivables are recorded at face value and they are written off when they are determined to be uncollectible. Management of the Authority is of the opinion that all receivables are fully collectible and does not provide an allowance for uncollectible accounts. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

**Capital Assets**

Capital outlays for property, plant and equipment are recorded as capital assets when incurred. All fixed assets are valued at historical cost or estimated historical cost. The Authority maintains a capitalization threshold of \$5,000. Depreciation of fixed assets is calculated using the straight-line method with estimated useful lives as follows:

Buildings and improvements	20 – 50 years
Machinery and equipment	5 - 10 years
Improvements other than buildings	5 - 10 years

Maintenance and repair costs are expensed as incurred. Replacements that improve or extend the lives of fixed assets are capitalized. Amortization on capital leased equipment is included in depreciation expense.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Intangible Assets**

Capital outlays for intangible assets are recorded at cost. All expenditures for intangible assets in excess of \$5,000 are capitalized. In the instance where actual cost cannot be determined, estimated historical cost is used. Donated intangible assets are valued at their estimated fair value on the date donated. Amortization of intangible assets is calculated using the straight-line amortization method with an estimated useful life of seven years.

**Accrued Compensated Absences Policy**

Employees earn 15 to 24 days of vacation time per year, depending on length of service. Each year on March 31<sup>st</sup> the vacation accrual carry forward is calculated for each employee. The maximum vacation accrual carry forward is two years of vacation time plus the current year vacation earned from January 1<sup>st</sup> through March 31<sup>st</sup>. Upon termination, employees are paid 100% of the accrual. Employees earn 12 days of sick leave per year. There is no maximum for sick time that may be accrued, and upon termination, employees are paid 25% of the accrual.

**Grant Revenue**

The Authority recognizes grant income on government-mandated and voluntary non-exchange transactions when all eligibility requirements have been met. Cash or other assets provided in advance are reported as advances and as deferred revenue until all eligibility requirements have been met.

**Real and Personal Property Tax Assessment**

The Butte-Silver Bow local government assesses and collects real and personal taxes for the Bert Mooney Airport Authority. Real property taxes are assessed on November 1 of each year. Payments are due in two equal installments on November 10 and May 31. Taxes receivable are recorded on the first working day of December. Tax liens are filed in connection with real property that becomes three years delinquent.

Personal property taxes are assessed throughout the year with payments due approximately 30 days after the assessment.

**Tax Exempt Status**

The Authority is a municipal corporation and, therefore, is not liable for federal and state income taxes pursuant to Internal Revenue Code §501(c)(1).

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Prior Period Comparative Amounts**

The basic financial statements include certain prior year comparative amounts but the notes to the financial statements do not contain the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2013, from which the comparative information was derived.

**NOTE 2. CASH AND CASH EQUIVALENTS**

The Authority has adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and results in changes in disclosures for deposits and investments.

The Authority has not adopted a formal investment policy. As a Montana local government, the Authority is restricted to the deposits and investments set forth in Sections 7-6-202 & 206, MCA. Cash and cash equivalents may include cash and cash items, demand, money market, time savings and fiscal agent deposits; investment in the Montana Short-Term Investment Pool (STIP); repurchase agreements and direct obligations of the United States Government. STIP is considered an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment fund, but has a policy that does operate in a manner consistent with SEC's Rule 2a-7 of the Investment Company Act of 1940. The Authority's investment portion in STIP is determined by the Pool's share price, which is dollar dominated. The fair value of the position in the pool is the same as the value of pool shares.

The STIP portfolio includes asset backed securities and variable rate securities, which are described below.

*Corporate asset-backed securities* based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

*Variable rate (floating rate) securities* have credit risk identical to similar fixed rate securities; their interest rate risk is more sensitive to interest rate change. However, their face value may be less volatile than fixed rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

The State of Montana STIP credit quality ratings by the S&P rating service as of June 30, 2014 are:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>
Asset backed commercial paper	\$ 777,417,680	A1
Corporate commercial paper	138,958,389	A1
Corporate variable rate	658,894,083	A1
Certificates of deposit fixed rate	100,000,000	A1
Certificates of deposit variable rate	391,996,239	A1+
Other assets backed	38,440,281	NR
U.S. government agency fixed	75,003,275	A1+
U.S. government agency variable rate	200,003,406	A1+
Money market funds (unrated)	133,439,814	NR
Money market funds (rated)	<u>21,000,000</u>	A1+
Total investments	<u>\$ 2,535,153,167</u>	A1
Securities lending collateral investment pool	<u>\$ 1,861,748</u>	NR

Cash and cash equivalents are stated at cost and at June 30, 2014 consist of the following:

	<u>Balance</u>
Petty cash	\$ 100
Interest-bearing checking accounts	240,433
Payroll checking account	1,229
Montana Short-Term Investment Pool	<u>109,837</u>
Total	<u>\$ 351,599</u>

The Authority maintains cash balances at various financial institutions. Bank accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. These accounts are covered by \$1,806,907 of collateral held in the bank's name.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 3. PROPERTY AND EQUIPMENT**

Activity for property and equipment for the fiscal year ended June 30, 2014 is summarized below:

	<u>Balance, July 1, 2013</u>	<u>Additions and Transfers</u>	<u>Disposals</u>	<u>Balance, June 30, 2014</u>
Non-depreciable assets:				
Land	\$ 3,481,576	\$ -	\$ -	\$ 3,481,576
Construction in progress	8,481,683	1,032,245	(8,898,475)	615,453
Total non-depreciable assets	<u>11,963,259</u>	<u>1,032,245</u>	<u>(8,898,475)</u>	<u>4,097,029</u>
Depreciable assets:				
Buildings and improvements	4,555,032	-	-	4,555,032
Improvements, other than buildings	22,213,791	8,360,503	-	30,574,294
Machinery and equipment	2,458,339	557,243	-	3,015,582
Less: accumulated depreciation	<u>(17,723,482)</u>	<u>(871,298)</u>	<u>-</u>	<u>(18,594,780)</u>
Total depreciable assets	<u>11,503,680</u>	<u>8,046,448</u>	<u>-</u>	<u>19,550,128</u>
Total property and equipment	<u>\$ 23,466,939</u>	<u>\$ 9,078,693</u>	<u>\$ (8,898,475)</u>	<u>\$ 23,647,157</u>

**NOTE 4. SOFTWARE**

Software costs relate to the Authority's perimeter security enhancement system. These costs are being amortized using the straight-line method over a seven year useful life. Amortization expense was \$49,772 for the year ending June 30, 2014, and accumulated amortization was \$108,693 as of June 30, 2014. The projected amortization expense for the next three years is \$30,333 per year and the projected amortization expense for the fourth year is \$12,638.

**NOTE 5. ACCOUNTS RECEIVABLE**

Balances due for charges for landing fees, rents, commissions, and other fees due to the Authority are recorded as accounts receivable. All receivables are considered fully collectible.

**NOTE 6. GRANTS RECEIVABLE**

The Authority had \$132,664 due from the federal government for work completed on construction projects and other costs incurred as of June 30, 2014.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 7. UNEARNED REVENUE**

Unearned revenue of \$20,838 relates to that portion of income received by the Authority for lease agreements which was not earned as of June 30, 2014.

**NOTE 8. LONG-TERM DEBT**

Long-term debt and related current maturities consist of the following:

Note payable to Glacier Bank, due in monthly principal and interest payments of \$586, beginning November 5, 2009 through October 5, 2014, including interest at 6.75% per annum; secured by a security agreement dated October 5, 2009.	\$ 2,280
Note payable to Granite Mountain Bank, due in semi-annual principal and interest payments of \$51,800, beginning February 5, 2014 through August 5, 2028. The note's variable interest rate is adjusted every three years based on the NYP rate plus 0.5%, with a minimum interest rate of 3.5% per annum (3.5% at June 30, 2014). The note is secured by equipment.	<u>1,171,467</u> 1,173,747
Less: current maturities	<u>(65,439)</u>
Total long-term notes	<u>\$ 1,108,308</u>
Compensated absences	\$ 59,586
Less current maturities	<u>(20,829)</u>
Total long-term compensated absences	<u>\$ 38,757</u>

The following is a reconciliation of beginning and ending long-term debt:

	Balance, July 1, 2013	Accrued/ Issued	Paid	Balance, June 30, 2014	Due Within One Year
Long-term debt	\$ 1,124,242	\$ 82,643	\$ (33,138)	\$ 1,173,747	\$ 65,439
Compensated absences	<u>86,558</u>	<u>23,201</u>	<u>(50,173)</u>	<u>59,586</u>	<u>20,829</u>
Total	<u>\$ 1,210,800</u>	<u>\$ 105,844</u>	<u>\$ (83,311)</u>	<u>\$ 1,233,333</u>	<u>\$ 86,268</u>

BERT MOONEY AIRPORT AUTHORITY  
 FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014

**NOTE 8. LONG-TERM DEBT (CONTINUED)**

Annual debt service requirements for each of the remaining years are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 65,439	\$ 40,504	\$ 105,943
2016	65,389	38,211	103,600
2017	67,698	35,902	103,600
2018	70,088	33,512	103,600
2019	72,562	31,038	103,600
Thereafter	<u>832,571</u>	<u>28,766</u>	<u>985,630</u>
	<u>\$ 1,173,747</u>	<u>\$ 207,933</u>	<u>\$ 1,505,973</u>

**NOTE 9. PENSION PLANS**

**Montana Public Employees' Retirement System**

The Authority participates in the Montana Public Employees' Retirement System (PERS). PERS is a statewide retirement plan established in 1945 and governed by Title 19, chapters 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. The plan is a mandatory multi-employer defined benefit, cost-sharing pension plan required by state statute. All Authority employees, except certain part time employees, are provided pension benefits by this plan. The legal plan name is Montana Public Employees' Retirement Board; EIN: 81-600166.

PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56th times the number of years of service times the final average salary. eMembers' rights become vested after five years of service. Eligibility for the defined Members' rights become vested after five years of service. Eligibility for the defined contribution retirement plan is upon termination of service. Vesting is immediate for member's contributions and earnings and 5 years of service for the employer's contributions and earnings. Benefits are dependent upon the individual account balance. The right to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

The State Legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 7.9% of their monthly gross pay and the Authority is required to contribute 8.17% of monthly gross pay to the plan. The Authority's contributions to this plan for the years ended June 30, 2014, 2013, and 2012, were \$34,075, \$27,199, and \$28,132, respectively, equal to the required contributions for each year.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 9. PENSION PLANS (CONTINUED)**

**Montana Public Employees' Retirement System (Continued)**

The Public Employees' Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. The report can be requested from PERS at 1712 Ninth Avenue, P.O. Box 200131, Helena, Montana 59620-0131, or by calling (406) 444-3154

The funded percentage of the plan as of June 30, 2014 was 83.9%. Total plan assets as of June 30, 2014 were \$4,595,805,330 and total plan liabilities were \$5,480,701,888.

**Western Conference of Teamsters Pension Plan**

Certain of the Authority's union employees also participate in the Western Conference of Teamsters Pension Plan. The plan is a multi-employer defined benefit pension plan. The plan provides for retirement, disability, and surviving spouse benefits. The legal plan name is Western Conference of Teamsters Pension Plan; EIN: 91-0615047; Plan No. 001.

No single contributing employer contributes more than 5% of the total contributions to the plan. The collective bargaining agreement remains in effect until May 31, 2015. The most recent certification of zone status by the Plan's actuary as of January 1, 2013 was Green Zone. The funded percentage as of January 1, 2013 was 90.1%. Total plan assets as of January 1, 2013 were \$34,132,485,000 and total plan liabilities were \$37,865,447,000.

Contribution rates for the Western Conference of Teamsters Pension Plan are \$3.91 per hour, with limits placed on the number of eligible hours worked per month. Contributions to the multi-employer plan for fiscal years ended June 30, 2014, 2013, and 2012 were \$8,819, \$8,376, and \$10,747, respectively, equal to the required contributions for the year.

The Multi-Employer Pension Plan Amendments Act of 1980 amended ERISA to establish funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans.

The Authority may be liable on termination or withdrawal from the plan for an allocated share of the plan's unfunded vested liabilities. Separate actuarial calculations of the Authority's position are not available with respect to the multi-employer plan. An annual financial report can be requested from the Western Conference of Teamsters Pension Plan, 2323 Eastlake Avenue East, Seattle, Washington 98102.

**Laborers AGC Pension Plan**

Certain of the Authority's union employees also participate in the Laborer's - AGC Pension Plan. The plan is a multi-employer defined benefit pension plan. The plan provides for retirement, disability, and surviving spouse benefits. The legal plan name is Laborers - A.G.C Pension Trust of Montana; EIN 91-6068929; Plan No. 001.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 9. PENSION PLANS (CONTINUED)**

**Laborers AGC Pension Plan (Continued)**

No single contributing employer contributes more than 5% of the total contributions to the plan. The collective bargaining agreement remains in effect until May 31, 2015. The funded percentage as of March 31, 2013 was 57%. Total plan assets as of March 31, 2013 were \$115,678,163.

Contribution rates for the Laborer's AGC Pension Plan are \$6.35 per hour. Contributions to the multi-employer plan for fiscal years ended June 30, 2014, 2013, and 2012 were \$58,207, \$53,701, and \$46,942, respectively, equal to the required contributions for the year.

The Multi-Employer Pension Plan Amendments Act of 1980 amended ERISA to establish funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans.

The Authority may be liable on termination or withdrawal from the plan for an allocated share of the plan's unfunded vested liabilities. Separate actuarial calculations of the Authority's position are not available with respect to the multi-employer plan. An annual financial report can be requested from the Laborer's AGC Trust of Montana, care of First Interstate Bank of Billings, PO Box 31278, Billings, Montana 59107.

**NOTE 10. COMMITMENTS AND CONTINGENCIES**

**Leased Facilities**

The Authority has entered into various lease arrangements with rental car agencies and miscellaneous other entities stationed at the airport. The lease arrangements with rental car agencies are based on a percentage of gross sales. The Authority has also entered into a long-term lease with the SkyWest Airlines based on variable payments, which are adjusted annually based on the cost of operations.

The amounts from airline ground leases and rental car agencies are excluded from the summary below, which were approximately \$376,783 and \$115,190, respectively, for fiscal year which ended June 30, 2014. The Authority has entered into various lease arrangements with rental car agencies and miscellaneous other entities stationed at the airport. The lease arrangements with rental car agencies are based on a percentage of gross sales. The Authority has also entered into a long-term lease with the SkyWest Airlines based on variable payments, which are adjusted annually based on the cost of operations. The amounts from airline ground leases and rental car agencies are excluded from the summary below, which were approximately \$376,783 and \$115,190, respectively, for fiscal year which ended June 30, 2014.

BERT MOONEY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014

**NOTE 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Leased Facilities (Continued)**

The following is a summary of approximate long-term lease payments to be received during the succeeding five years:

<u>Fiscal year ending</u>	<u>Total Lease Income</u>
2015	\$ 66,828
2016	63,719
2017	62,876
2018	62,876
2019	32,645

Properties owned under long-term leases are as follows:

Land	\$ 35,570
Building and improvements	3,468,086
Less: accumulated depreciation	<u>(2,991,285)</u>
	<u>\$ 512,371</u>

**Passenger Facility Charge**

The Authority's application to impose a passenger facility charge (PFC) was approved by the Federal Aviation Administration (FAA) on April 17, 1994. The Authority is authorized to impose a PFC until the date on which the net PFC revenue collected plus interest equals the allowable cost of approved projects. The latest approved project started on July 12, 2012, and the approved amount is \$397,526. The FAA estimates that the PFC expiration date for this project will be March 1, 2017. For the year ended June 30, 2014, PFC revenue amounted to \$118,035.

**Concentrations**

Revenue from SkyWest Airlines was 57% of the total landing fees, leases, concessions, and ground lease revenue earned by the Authority for the year ended June 30, 2014. A reduction of revenues from SkyWest Airlines could have a significant impact on the Authority. However, management is of the opinion that a replacement airline would utilize the Authority's facilities thus mitigating this risk.

The Authority received 99% of its grant revenue from the Department of Transportation through the Federal Aviation Administration. The amount of funds available for the FAA to distribute to airports is dictated by Congress. A reduction in revenues from the FAA could have a significant impact on the Authority.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Construction in Progress**

Construction in progress at June 30, 2014 consists of rehabilitation of runways, parking lot reconstruction, and perimeter road work.

**Construction Contracts**

The Authority has active AIP construction projects as of June 30, 2014. The projects include rehabilitation of runways, perimeter road work, and acquisition of an airport fire truck, parking lot reconstruction, and preliminary terminal design. At year end, the Authority has commitments on these projects totaling \$2,166,126.

**NOTE 11. RISK MANAGEMENT**

The Authority maintains commercial insurance for all its programs. There has been no significant reduction in insurance coverage. The Airport Authority faces a number of risks of losses, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) automobile liability, (e) workers compensation, (f) general liability, (g) liquor liability, (h) workers compensation, and (i) medical insurance costs of employees.

The Authority has joined with other Montana counties to form a self-insurance pool to cover the property and liability exposures. This pool, named the Montana Association of Counties Joint Powers Insurance Authority (JPIA), has entered into an agreement with a private management firm to provide claim administration services. The JPIA has also entered into an agreement with the Montana Association of Counties to provide general administration services. The Counties do not exercise specific control over the budgeting and financing of the Trust's activities.

Additionally, the Authority purchases commercial insurance to provide excess liability coverage, liquor liability, workers compensation, and employee medical coverage. Settlement amounts have historically not exceeded insurance coverage.

**NOTE 12. RELATED PARTY TRANSACTION**

As described in Note 1 to the financial statements, the Authority is entitled to receive a minimum of 2-mill levy from Butte-Silver Bow each year and the Butte-Silver Bow Chief Executive each year appoints one member of the Board of Directors of the Authority to serve a five-year term. The Butte-Silver Bow Council of Commissioners confirms the appointment. During the year the Authority accrued \$200,313 of tax revenue from Butte-Silver Bow and as of June 30, 2014, Butte-Silver Bow owed the Authority \$87,599.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 13. SOCIAL SECURITY ELECTION AND REFUND**

On July 10, 2013, the Authority's employees voted to elect out of the social security retirement program. The results of the vote allowed the employees and the Authority to request a refund of previous social security withholdings from January 1, 2010 through June 30, 2013, and social security withholdings will not be withheld from future payroll checks. Based on the results of the vote the Authority has requested a refund of \$149,270 from the IRS, and of that amount, \$66,749 is paid to employees.

**NOTE 14. SUBSEQUENT EVENTS**

**Grant Approval**

On September 15, 2014, the U.S. Department of Transportation Federal Aviation Administration approved the Authority's grant application for AIP #51 in the amount of \$600,218. This grant is for the final design of the airport terminal expansion.

**Note Payable**

On October 14, 2014, the Authority entered into a loan agreement with Granite Mountain Bank in the amount of \$303,007. The loan will have an interest rate of 4% and is payable over one year.

Subsequent events were evaluated through December 10, 2014, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BERT MOONEY AIRPORT AUTHORITY  
 SCHEDULE OF INSURANCE COVERAGE  
 June 30, 2014

	<b>Expiration Date</b>	<b>Amount of Coverage</b>	<b>Type of Coverage</b>
Ace Property and Casualty Insurance	1/15/2015	\$25,000,000	Airport Liability
MACo/JPIA	7/1/2014	\$750,000 per Claim/ \$1,500,000 per Occurrence	Directors & Officers including Employment Practices
MACo/JPIA	7/1/2014	\$750,000 per Claim/ \$1,500,000 per Occurrence	Automobile Liability
MACo/JPIA	7/1/2014	\$10,037,056	Blanket Building, Contents, Boiler, Business Income
MACo/JPIA	7/1/2014	\$2,241,000	Equipment
MACo/JPIA	7/1/2014	\$500,000	Employee Dishonesty/ Crime
Montana State Fund	1/1/2015	Statutory Benefits	Worker's Compensation

BERT MOONEY AIRPORT AUTHORITY  
 SCHEDULE OF PASSENGER FACILITY CHARGES (PFC)  
 COLLECTED AND EXPENDED  
 Year Ended June 30, 2014

**Application Numbers:**  
 06-07-C-00-BTM  
 10-09-C-00-BTM  
 12-10-C-00-BTM

<b>Quarter Ended</b>	<b>PFC Revenue Collected</b>	<b>Expenditures on PFC Projects</b>
September 2013	\$ 25,648	\$ 30,443
December 2013	34,287	9,005
March 2014	33,088	4,628
June 2014	<u>31,503</u>	<u>24,296</u>
Total	<u>\$ 124,526</u>	<u>\$ 68,372</u>
Total PFC collections authorized		\$ 2,216,267
Cumulative PFC collections		<u>(1,978,181)</u>
Remaining PFC collection authorized		<u>\$ 238,086</u>

The Schedule of Passenger Facility Charges (PFC) Collected and Expended is presented on the cash basis of accounting. All passenger facility charges are part of the local share of the Authority's match for airport improvements.

SINGLE AUDIT SECTION

BERT MOONEY AIRPORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Amount Awarded</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration			
AIP 3-30-0012-43	20.106	\$ 500,000	\$ 21,108
AIP 3-30-0012-44		500,000	75,062
AIP 3-30-0012-45		3,095,767	77,918
AIP 3-30-0012-47		5,139,056	50,290
AIP 3-30-0012-48		247,500	55,659
AIP 3-30-0012-49		772,427	660,640
AIP 3-30-0012-50		1,622,385	<u>35,975</u>
			976,652
Small Community Air Space			
Development Program	20.930	\$ 150,000	<u>81,558</u>
Total U.S. Department of Transportation			<u>1,058,210</u>
Total Federal Expenditures			<u>\$ 1,058,210</u>

See Notes to Schedule of Expenditures of Federal Awards.

BERT MOONEY AIRPORT AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2014

**NOTE 1. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**NOTE 2. MATCHING FUNDS**

In accordance with the terms of the grants, the Authority has expended cash and in-kind matching contributions during the year ended June 30, 2013 for the following programs:

U.S. Department of Transportation

Federal Aviation Administration:

Small Community Air Service	\$ 5,659
Development Program	
AIPs	<u>98,338</u>
Total	<u>\$ 103,997</u>

**NOTE 3. LOANS OUTSTANDING**

Of the federal expenditures presented in the schedule, the Authority had no outstanding loans during the year ended June 30, 2014.

**NOTE 4. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the Authority provided no federal awards to subrecipients.

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*

To the Board of Directors  
Bert Mooney Airport Authority  
Butte, Montana

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 Bert Mooney Airport Authority (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 10, 2014.

**Internal Control Over Financial Reporting**

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

*Anderson Zurmuehlen & Co., P.C.*

Butte, Montana  
December 10, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB  
CIRCULAR A-133

To the Board of Directors  
Bert Mooney Airport Authority  
Butte, Montana

**Report on Compliance for Major Federal Program**

We have audited Bert Mooney Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2014. The Authority's major federal program is 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 grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

**Opinion on Major Federal 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 major federal program for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances 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 OMB Circular A-133, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

### **Purpose of This Report**

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

*Anderson Zurmuehlen & Co., P.C.*

Butte, Montana  
December 10, 2014

BERT MOONEY AIRPORT AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2014

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statement noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	US Department of Transportation - Federal Aviation Administration Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

BERT MOONEY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2014

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Awards Findings and Questioned Costs**

None reported.

**Summary Schedule of Prior Audit Findings**

None noted.

INDEPENDENT AUDITOR'S 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 APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM

Board of Commissioners  
Bert Mooney Airport Authority  
Butte, Montana

**Report on Compliance for the Passenger Facility Charge Program**

We have audited Bert Mooney Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) that could have a direct and material effect on its passenger facility charge (PFC) program for the year ended June 30, 2014.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Authority's PFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States; and the *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures and we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the PFC program. However, our audit does not provide a legal determination on the Authority's compliance.

**Opinion**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the 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 requirements that could have a direct and material effect on its PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the PFC program and to test and report on internal control over compliance in accordance with the *Passenger Facility Charge Audit Guide for Public Agencies*, 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 PFC compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over PFC compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the PFC program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over PFC compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the PFC 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance with the results of our testing based on the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

*Anderson Zurmuehlen & Co., P.C.*

Butte, Montana  
December 10, 2014



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