CUT BANK AIRPORT AUTHORITY

GLACIER COUNTY, MONTANA

FINANCIAL STATEMENT
AS OF
JUNE 30, 2014

Our reports are issued with the understanding that, without our consent, they may be reproduced only in their entirety. Should it be desired to issue or publish a condensation or a portion of this report and our name is to be used in connection therewith, our approval must first be secured.

Douglas Wilson & Company, P.C.

TABLE OF CONTENTS

CUT BANK AIRPORT AUTHORITY

GLACIER COUNTY, MONTANA

OFFICIALS
JUNE 30, 2014

BOARD OF DIRECTORS

Rick Kraft, *Chairman*

Bill Rose, *Member*

Bill Bandell, *Member*

Jim Suta, *Member*

Jim Newman, Member

OFFICIALS

David L. Anderson, *Secretary*

Certified Public Accountants
Since 1913

Douglas WILSON
and Company, PC

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

To the Board of Directors
Cut Bank Airport Authority
Glacier County, Montana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Cut Bank Airport Authority (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 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 Authority'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 Authority'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.

1000 First Avenue South P.O. Box 2845 Great Falls, MT 59403
T: 406/761-4645 F: 406/761-4619 E: yourcpa@dwcogf.com W: www.DouglasWILSONcpa.com

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 Cut Bank Airport Authority as of June 30, 2014, and the changes in financial position, and cash flows 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 6 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Douglas Wilson + Company, P.C

Great Falls, Montana
March 10, 2015

CUT BANK AIRPORT AUTHORITY

GLACIER COUNTY, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

As management of the Cut Bank Airport Authority (herein referred to as "Authority"), we offer readers of the Authority's financial statements this narrative overview of the financial activities of the Authority for the fiscal year ending June 30, 2014. Reading this narrative in conjunction with the Authority's financial statements should give you a complete overview of the activities and the financial status of the Authority.

The purpose of Authority is to operate, manage and maintain the Cut Bank Airport on behalf of the Sponsors and for the benefit of the citizens of Glacier County and the flying public at large. The Sponsors are the County of Glacier and the City of Cut Bank. The Sponsors jointly own the Cut Bank Airport and by appointment of the members of the Cut Bank Airport Authority Board entrust the Authority with all aspects of its operations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. All the funds for the Authority are considered Proprietary Funds (or Enterprise funds) for the sole purpose of Airport maintenance and operations. By and subject to Federal Aviation Assurances all funds generated by and for the Airport are required to be used for Airport uses and may not be used for any other purpose. These basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. These financial statements use the accrual basis of accounting.

Highlights

- The Authority had significant increases in revenues for fiscal 2014.
    - Due to the effects of a loss of contract by a major fuel purchaser, revenues from fuel sales fell from $449,033 to $295,938 in 2014. Some of the loss is fuel volume offset by higher fuel sale prices. Reduced purchases resulted in a net reduction in fuel purchases from $367,139 to $238,401.
    - The Authority also was the recipient of $113,988 in grant funds which was from Federal Airport Improvement funding. This is a reduction from the previous fiscal year due to the size of the project. There were corresponding grant revenue expenditures of $127,793. This activity was for engineering of the 2015 project that is now largely completed.
    - Revenues from operations were reduced from $138,289 to $69,375 due to the non-typical insurance payments processed in the prior year.
- The Authority continued to strengthen its cash and operating position in 2014. Strict controls over expenses allowed the growth in income to assist in future growth and maintenance projects.

- Maintenance projects and reconstruction projects engineered in 2013 were carried out in fiscal 2014. This keeps the airport ahead of the maintenance curve, assuring that this most important part of the operation receives first priority over all other aspects.

- Budget planning and budgetary differences are noted in the operations. The Authority establishes budgets based on anticipated revenues and expenditures for each fiscal year. Dramatic increases in fuel sales over planned budget items, delay or movement of Airport Improvement projects due to Federal or State funding issues, or construction season timing all serve to cause significant variations to the comparisons of actual to budgeted amounts.

NET POSITION

	6/30/14	6/30/13
Current and Other Assets	$ 267,457	$ 264,159
Capital Assets	2,025,882	2,124,585
Total Assets	2,293,339	2,388,744
Other Liabilities	3,681	39,867
Non-Current Liabilities	-	-
Total Liabilities	3,681	39,867
Net Position:		
Net Investment in Capital Assets	2,025,882	2,124,585
Restricted	-	-
Unrestricted	263,776	224,292
Total Net Position	**$ 2,289,658**	**$ 2,348,877**

CHANGES IN NET POSITION

	6/30/14	6/30/13
Program Revenues		
State and Federal Grants	$ 113,988	$ 212,465
Sales of Inventory	295,938	449,033
Revenues from Operations	69,375	138,289
Tax and Non-Grant Government Revenue	76,501	85,391
Total Revenues	555,802	885,178
Cost of Sales		
Fuel	238,401	367,139
Desk	1,789	2,847
	240,190	369,986

CHANGES IN NET POSITION, *(CONTINUED)*

Expenses		
Grant Expenditures	127,793	218,599
Depreciation	199,072	189,251
Other Expenses	60,509	81,301
Repairs and Maintenance	8,939	82,790
Wages and Benefits	69,851	73,151
Total Expenses	466,164	645,092
Operating Income (Loss)	(150,552)	(129,900)
Capital Contributions from Grants	-	-
Change in Net Position	**$ (150,552)**	**$ (129,900)**

Economic Factors and Next Year's Budgets

- We expect significant reduction in fuel sales and fuel costs due to the extreme drop in fuel prices occurring within the next fiscal year. However, margins should be maintained and lower prices should cause a rise in traffic.
- The Authority will see a posting of long term debt with the receipt of a loan from Montana Aeronautics for the 2015 project. Accessing the loan and a corresponding grant generated the match for the Federal Airport Improvement Program Grant.
- The Authority's FAA Airport improvement project was awarded in April 2014 and began in the 2015 fiscal year. The project should be completed in 2015 and will increase total capital improvements to $3,610,000.

Contacting the Authority

The Authority had the financial report prepared in accordance with *Government Auditing Standards* to provide information to member systems and governmental regulatory agencies. If you should have any questions or need additional information contact David Anderson, Secretary, 406-873-8683.

CUT BANK AIRPORT AUTHORITY

GLACIER COUNTY, MONTANA

STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

ASSETS

Current Assets:	
Cash and Cash Equivalents	$ 167,048
Inventory	72,224
Accounts Receivable	28,185
Total Current Assets	267,457
Property, Plant and Equipment at Cost:	3,690,538
Less: Accumulated Depreciation	(1,664,656)
Net Property, Plant, and Equipment	2,025,882
Total Assets	**$ 2,293,339**

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts Payable	$ 227
Prepaid Fuel	3,454
Total Current Liabilities	3,681
Total Liabilities	3,681
Net Position:	
Net Investment in Capital Assets	2,025,882
Unrestricted	263,776
Total Liabilities and Net Position	**$ 2,293,339**

The accompanying notes are an
integral part of these financial statements.

CUT BANK AIRPORT AUTHORITY

GLACIER COUNTY, MONTANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

Operating Revenues:	
Lease and Rental Income	$ 36,203
Fuel Sales, Net of Cost of $238,401	56,129
Desk Sales, Net of Cost of $1,789	(381)
Miscellaneous	33,172
Total Operating Revenues	125,123
Operating Expenditures:	
Utilities	18,883
Repairs and Maintenance	8,939
Fees	8,702
Office Supplies	1,551
Vehicle	7,466
Supplies	2,007
Miscellaneous	10,509
Salaries and Benefits	69,851
Insurance	5,921
Payroll Taxes	5,470
Depreciation	199,072
Total Operating Expenditures	338,371
Change in Net Position from Operations	(213,248)
Non-Operating Revenue (Expense)	
City and County Taxes	71,120
Grant Income - Airport Improvement	113,988
Non-Government Income	5,381
Grant Expenditures	(127,793)
Total Non-Operating Revenue (Expense)	62,696
Change in Net Position	(150,552)
Net Position, Beginning of Year	2,348,877
Prior Period Adjustment	91,333
Revised Net Position, Beginning of Year	2,440,210
Net Position, End of Year	**$ 2,289,658**

The accompanying notes are an
integral part of these financial statements.

CUT BANK AIRPORT AUTHORITY

GLACIER COUNTY, MONTANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities:		
Receipts from Customers	$	295,221
Miscellaneous Receipts		33,172
Payment for Fuel and Desk Items		(240,190)
Payments to Employees		(69,851)
Payment for Utilities		(18,883)
Payment for Supplies and Repairs		(12,497)
Payments for Administrative Expenditures		(74,555)
Net Cash Provided (Used) by Operating Activities		(87,583)
Cash flows from Capital and Related Financing Activities:		
Purchase of Capital Assets		(9,036)
Receipts from City and County Taxes		71,120
Government Grant Expenditures		(127,793)
Non-Government Grant Income		5,381
Receipts from Government Grants		113,988
Net Cash Provided (Used) by Capital and Related Financing Activities		53,660
Net Increase (Decrease) in Cash and Cash Equivalents		(33,923)
Cash and Cash Equivalents, Beginning of Year		200,971
Cash and Cash Equivalents, End of Year	**$**	**167,048**

Reconciliation of Net Position to Net Cash Provided by Operating Activities		
Change in Net Position from Operations	$	(213,248)
Adjustments to Reconcile Net Position to Net Cash from Operating Activities:		
Depreciation		199,072
(Increase) Decrease in Receivables		(5,046)
(Increase) Decrease in Inventory Asset		(32,175)
Increase (Decrease) in Accounts Payable		(36,487)
Increase (Decrease) in Prepaid Fuel		301
Total Adjustments		125,665
Net Cash Provided (Used) by Operating Activities	**$**	**(87,583)**

The accompanying notes are an
integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Cut Bank Airport Authority ("Authority") operates and maintains the airport in Glacier County. The Authority is managed by a Board of Trustees, which is appointed by Glacier County Commissioners and the Cut Bank City Council.

The county government of the Authority provides substantial services to the airport. Taxes are levied and collected by the county. Cash is maintained and invested by the County Treasurer. The Authority is a legally separate entity and the County does not appoint the voting majority of the Board. The County is not able to impose its will on the Authority and there is no financial burden or benefit relationship between the County and the Authority; the Authority is not a component unit of the County.

Fund Accounting

The financial activity of the Authority is accounted for within a single fund, treated for financial purposes as an Enterprise Fund. Enterprise funds are primarily used to account for operations that are financed and operated in a manner similar to private business enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The accounts of the Authority are maintained, and the accompanying financial statements have been prepared, on the accrual method of accounting to record revenues and expenses. Therefore, revenues are recognized when earned and expenses are recognized when incurred without regard to time or receipt of payment.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity date of three months or less to be cash equivalents. This includes cash on hand and cash held with the County Treasurer.

Fixed Assets

Fixed assets purchased are recorded at historical cost. Depreciation on assets is computed on a straight-line basis over the useful lives of the assets. Useful lives for equipment is five to seven years, and for buildings and runway improvements the useful lives are 20 years. All acquisitions of property and equipment in excess of $5,000 are capitalized.

Inventory

Inventory consists of fuel for airplanes held for resale to customers and is stated at the lower of cost or market using the first-in, first-out method.

Receivables

The Authority's receivables consist of both rent and fuel revenue that was earned at year-end, but had not yet been received. Management has deemed all receivables collectible. Fuel revenue received in advance of the costs being incurred is recorded as prepaid fuel in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Revenue and Expense Classification

The Authority distinguishes operating revenues and expenses from non-operating items in preparation of its financial statements. Operating revenues and expenses result from providing fuel sales and rentals in connection with the Authority's principal on-going operations. The Authority's operating expenses include those items directly related to the airport operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.*

Net Position

GASB Statement No. 34 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

A. **Net Investment in Capital Assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

B. **Restricted -** This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

C. **Unrestricted Net Position -** This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” 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 they are needed.

Correction of an Error

The Statement of Revenues, Expenses, and Changes of Fund Net Position includes a correction of an error adjustment due to correct an error made in the prior year. Amounts for construction were expensed in the prior year and should have been capitalized as construction in progress. This adjustment increased the beginning net position amount and property, plant, and equipment amount by $91,333.

NOTE 2: PROPERTY TAXES:

The County Treasurer collects property taxes, which are assessed by the Authority against property located within its taxing jurisdiction. The revenues are recorded as an asset only after the County Treasurer collects the monies and distributes them to the Authority fund. The City of Cut Bank also provides two mills for the operation of the airport.

Property taxes are assessed by the County. Valuations are determined under state law and submitted to the County Treasurer for the preparation of tax notices. Property taxes are assessed against the owner of record as of January 1st with the taxes generally being levied in August and billed as of November 1st. Property taxes are due in two payments, generally November 30th and May 31st. Unpaid taxes become delinquent on December 1st and June 1st. After three years of delinquency, the County may proceed to take title of the property and sell it to pay the taxes.

NOTE 3: CAPITAL ASSETS:

The Authority's capital assets are composed of the following:

	Balance 6/30/13	Additions	Prior Year Correction	Deletions	Balance 6/30/14
Building Improvements	$ 243,200	$ -	$ -	$ -	$ 243,200
Equipment	385,089	9,036	-	-	394,125
Other	2,961,880	-	91,333	-	3,053,213
	$ 3,590,169	**$ 9,036**	**$ 91,333**	**$ -**	**$ 3,690,538**

	Accumulated Depreciation			
	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Building Improvements	$ (157,257)	$ (10,035)	$ -	$ (167,292)
Equipment	(282,831)	(35,172)	-	(318,003)
Other	(1,025,496)	(153,865)	-	(1,179,361)
	$ (1,465,584)	**$ (199,072)**	**$ -**	**$ (1,664,656)**

NOTE 4: LEASES:

The Authority has agricultural leases requiring annual payments for a term of five years, building leases for a term of five years, and ground leases term of ten years. The FAA also leases office space on an annual basis. In addition, the Authority leases land, on an annual basis, to the Glacier County Road Department. Total lease income in 2014 was $20,468.

The following is a schedule of minimum future rental income for the next five years and thereafter on non-cancelable operating leases.

Fiscal Year End	Lease Amount
2015	$ 8,343
2016	5,230
2017	5,230
2018	5,230
2019	5,230
Thereafter	31,280
Total	**$ 60,543**

NOTE 5: AIRPORT IMPROVEMENT PROJECTS:

The Authority is undergoing construction improvements. The total costs incurred on this project in 2014, and the funding sources of these improvements are as follows:

Federal Aviation Administration (FAA)-Airport Improvement Grant	**$ 127,793**

NOTE 6: RELATED PARTIES:

The Authority has leases with members of the Board. These leases are ten-year terms and expire in December of 2015. The annual lease payments are $517.

NOTE 7: ENVIRONMENTAL REMEDIATION:

In the years leading up to the 1995 action, the board became aware of a petroleum release on the airport. This release was corrected at that time but no mitigation was required by the EPA. In 2012, the EPA determined the scope of the mitigation effort, under the UST testing and mitigation efforts were begun. The Petroleum Tank Release Compensation Fund and the Authority were responsible for paying for the clean-up of the leakage. The co-pay amount required by the Authority totaled $17,500, which was paid in full as of June 30, 2014. The Authority will have no more future obligations in regards to the clean-up.

NOTE 8: SUBSEQUENT EVENTS:

In accordance with ASC No. 855, the Authority evaluated subsequent events through March 10, 2015, the date the financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure in these financial statements.

Certified Public Accountants
Since 1913

Douglas WILSON
and Company, PC

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

Board of Trustees
Cut Bank Airport Authority
Cut Bank, Montana

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*

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 Cut Bank Airport Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements and have issued our report thereon dated March 10, 2015.

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 opinions 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material

1000 First Avenue South P.O. Box 2845 Great Falls, MT 59403
T: 406/761-4645 F: 406/761-4619 E: yourcpa@dwcogf.com W: www.DouglasWILSONcpa.com

weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: finding #2014-001.

Compliance and Other Matters

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

Cut Bank Airport Authority's Response to Findings

Cut Bank Airport Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Cut Bank Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Douglas Wilson + Company, P.C

Great Falls, Montana
March 10, 2015

CUT BANK AIRPORT AUTHORITY

CUT BANK, MONTANA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

The following is a schedule of findings which arose during the audit for the year ended June 30, 2014:

CURRENT YEAR

2014-001: ACCOUNT CODING ENTRIES

CRITERIA: Generally accepted accounting principles.

CONDITION: Accounting errors were noted as part of audit testing. Listed below are the errors noted:

- A correction of an error in the prior beginning net position amount and property, plant and equipment was incorrectly coded to an expense account rather than a direct entry to net position totaling $91,333.

QUESTIONED COSTS: None

CAUSE: Incorrect application of prior period adjustments.

EFFECT: As a result of the errors noted above:

- Expenses and net position were understated by $91,333.

RECOMMENDATION: We recommend the Authority record prior period adjustments to net position.

AUTHORITY RESPONSE: The Cut Bank Airport Authority agrees with the findings as presented in the current year and has adjusted its records for the fiscal year as demonstrated by the findings.

CUT BANK AIRPORT AUTHORITY

CUT BANK, MONTANA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

The following is a schedule of prior audit findings which arose during the audit for the year ended June 30, 2013:

13-1 ACCOUNT CODING ENTRIES

CONDITION: Accounting errors were noted as part of audit testing. Listed below are the errors noted:

- Grant revenues received was incorrectly coded to grant expenditures totaling $43,542;
- Prepaid fuel and accounts receivable had errors totaling $5,723;
- Inventory balances did not agree to subsidiary ledgers totaling $1,977.

RECOMMENDATION: We recommend the Authority agree subsidiary ledgers to the trial balance prior to close at year end and make adjustments as needed.

Implementation Status: Implemented

13-2 PLANT AND EQUIPMENT

CONDITION: The information reported on the accounting records for plant and equipment and accumulated depreciation did not agree to the depreciation schedule maintained by the Authority. Assets that were disposed of in prior periods were still reflected in the accounting records, therefore inflating the cost and accumulated depreciation amounts reflected on the Authority's trial balance by $2,198,285.

RECOMMENDATION: We recommend the Authority periodically review the amounts reported for plant and equipment and accumulated depreciation and agree these to supporting schedules, and at year-end make adjustments as needed to properly reflect the amounts on the accounting records.

Implementation Status: Implemented

Certified Public Accountants
Since 1913

Douglas WILSON
and Company, PC

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

March 10, 2015

To the Board of Directors
Cut Bank Airport Authority
P.O. Box 130
Cut Bank, MT 59427

We have audited the financial statements of Cut Bank Airport Authority ("Authority") for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibility under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 16, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the depreciation expense is based on the estimated life of the assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

1000 First Avenue South P.O. Box 2845 Great Falls, MT 59403
T: 406/761-4645 F: 406/761-4619 E: yourcpa@dwcogf.com W: www.DouglasWILSONcpa.com

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Attached are material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 10, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Auditing Standards Disclosures

In planning and performing our audit of the financial statements of the financial statements of the Authority as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies in internal control noted in finding 2014-001 to be a significant deficiency.

Other Matters

None.

* * * * *

This communication is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Douglas Wilson & Company, P.C

DOUGLAS WILSON & COMPANY, P.C.

Client: ***27003 - Cut Bank Airport Authority***
Engagement: ***Cut Bank Airport Authority***
Trial Balance: ***TB***
Workpaper: ***3700.01 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To move amount that should have CIP in PY				
5031	Purchase of Fixed Asset/ To Be		91,333.00	
3000	Retained Earnings			91,333.00
Total			**91,333.00**	**91,333.00**