

**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**



## CONTENTS

	<u>PAGE</u>
Authority Members and Appointed Officers .....	1
INDEPENDENT AUDITOR’S REPORT .....	2 through 4
Management’s Discussion and Analysis .....	5 through 18
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	19 and 20
Statement of Revenues, Expenses, and Changes in Net Position .....	21
Statement of Cash Flows .....	22 and 23
Notes to Financial Statements .....	24 through 41
<b>SUPPLEMENTAL SCHEDULES</b>	
Schedule of Revenues and Expenses - Operating Account - Budget and Actual .....	42 through 46
Summary/Cost Center Operating Schedule .....	47
<b>Cost Center Operating Schedules</b>	
Landing Area .....	48 and 49
Terminal Building .....	50 through 52
Aeronautical Area .....	53
Non-Aeronautical Area .....	54 and 55
Schedule of Allocated Expenses .....	56
<b>Cost Center Operating Schedules</b>	
Administration .....	57 and 58
Security Services .....	59
Aircraft Rescue and Fire Fighting .....	60
Schedule of Insurance Coverage .....	61 and 62

CONTENTS (CONTINUED)

PAGE

SINGLE AUDIT SECTION

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 <i>Government Auditing Standards</i> .....	63 and 64
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	65 and 66
Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on the Passenger Facility Charges Program and on Internal Control over Compliance in Accordance with the <i>Passenger Facility Charge Audit Guide for Public Agencies</i> Issued by the Federal Aviation Administration of the U.S. Department of Transportation .....	67 and 68
Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges Collected and Expended .....	69
Notes to Schedule of Expenditure of Federal Awards.....	70
Schedule of Findings and Questioned Costs .....	71
Status of Prior Audit Findings .....	72

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
JUNE 30, 2014

**AUTHORITY MEMBERS AND APPOINTED OFFICERS**

<u>Authority Members</u>	<u>Position</u>	<u>Term Expires</u>
Brad Talcott	Chairperson	December 31, 2014
Debra Evans	Vice Chairperson	December 31, 2015
J.C. Kantorowicz	Commissioner	December 31, 2014
Richard Swensen	Commissioner	December 31, 2014
Dan Rooney	Commissioner	December 31, 2015
Debbie Goetze	Commissioner	December 31, 2016
Sean Hoven	Commissioner	December 31, 2016

Appointed Member

John Faulkner                      Airport Director

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Great Falls International Airport Authority  
Great Falls, Montana

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

We have audited the accompanying financial statements of the Great Falls International Airport Authority (the Airport Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Airport 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 an opinion 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 respective financial position of the business-type activities of the Airport 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.

### **Report on Summarized Comparative Information**

We have previously audited the Airport Authority's June 30, 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 12, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport Authority's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 also not a required part of the basic financial statements. The schedule of passenger facility charges collected and expended is required by the *Passenger Facility Charges Audit Guide for Public Agencies* issued by the Federal Aviation Administration and is not a required part of the financial statements.

The supplemental schedules and the schedule of expenditures of federal awards and passenger facility charges collected and expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules and the schedule of expenditures of federal awards and passenger facility charges collected and expended are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Anderson Zurmuehlen & Co., P.C." The signature is written in black ink and is positioned above the typed address and date.

Great Falls, Montana  
January 27, 2015

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2014

**INTRODUCTION**

The Management's Discussion and Analysis (MD&A) is a required supplement to the audited financial statements and provides a narrative assessment of the financial position of the Great Falls International Airport Authority along with commentary of the operations and future prospects. Following this MD&A are the basic financial statements of the Airport Authority along with the notes which are essential to a full understanding of the data contained in the financial statements. We encourage readers to consider the data presented here in conjunction with additional information found within the body of the audit.

**OVERVIEW**

The Great Falls International Airport Authority is a regional airport authority and as such is a political subdivision of the City of Great Falls of Montana, Cascade County of Montana and State and acts as an independent form of government. The Airport Authority is governed by a board of seven commissioners appointed by the city and county serving staggered three year terms. Pursuant to its bylaws, the Airport is empowered to undertake the planning, acquisition, establishment, development, construction, enlargement, improvement, maintenance, equipment, operations, regulation, protection and policing of the Great Falls International Airport.

**FINANCIAL STATEMENTS**

The Airport Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Airport Authority is structured as a single enterprise fund. An enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises. Revenues are recognized when earned and expenses are recognized when incurred. Fixed assets are capitalized and (except land) depreciated over their useful lives. The three basic financial statements are described as follows:

The Statement of Net Position depicts the Airport Authority's financial position at June 30, the end of the fiscal year. The statement presents all the financial assets and liabilities of the Airport Authority. Net position represents the Airport Authority's assets after liabilities are deducted.

The Statement of Revenues, Expenses and Changes in Net Position reports operating revenues and expenses, non-operating revenues and expenses, capital contributions and the changes in net position during the fiscal years ending June 30<sup>th</sup>. The change in net position combined with the previous year's net position total, reconciles to the net position total for the reporting period.

The Statement of Cash Flows reports cash activities for the years presented resulting from operating activities, investing activities and capital and related financing activities. The net result of these activities added to the beginning of the year cash balance, reconciles to the total cash balance at the end of the year.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

The Basic Financial Statements include *Notes to Financial Statements* section providing the reader more detailed data. The Basic Financial Statements are followed by a *Supplemental Information* section which presents certain comparative data in the form of budget-to-actual information as well as cost center information used by the Airport Authority's management in the operation of the airport.

**FINANCIAL POSITION SUMMARY**

Total net position serves over time as a useful indicator of the Airport Authority's financial position. The Airport Authority's net position decreased by \$1,535,516 over the prior fiscal year.

A condensed summary of the Airport Authority's net position at June 30 is provided below:

**TABLE 1**

	<b>2013/2014</b>	<b>2012/2013</b>
<b>ASSETS</b>		
Current	\$ 2,695,424	\$ 2,901,761
Non-current	92,842,570	95,044,526
<b>Total Assets</b>	95,537,994	97,946,287
<b>LIABILITIES</b>		
Current	2,322,816	2,229,445
Non-current	13,921,724	14,487,872
<b>Total Liabilities</b>	16,244,340	16,717,317
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Service Concession Arrangement	500,000	900,000
<b>Total Deferred Inflows of Resources</b>	500,000	900,000
<b>NET POSITION</b>		
Net investment in capital assets	75,210,371	76,533,017
Restricted	695,850	2,997
Unrestricted	2,887,233	3,792,956
<b>Total Net Position</b>	\$ 78,793,454	80,328,970

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014**

The largest portion of the Airport Authority's net position (95.4%) represents our investment in capital assets (e.g., land, buildings, improvements, equipment, and net investment in lease). Consequently, these assets are not available for future spending. Although the Airport Authority's investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, lease revenue and PFC funds, since the capital assets cannot be used to liquidate liabilities.

The restricted portion of the net position represents resources subject to external restrictions on how they can be used under Federal regulations. The remaining unrestricted net position may be used to meet any of the Airport Authority's ongoing obligations.

**TABLE 2**

**SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION**

	<b>2013/2014</b>	<b>2012/2013</b>
Operating Revenues (1)	\$ 3,761,482	\$ 3,611,986
Operating Expenses (2)	(2,446,900)	(2,440,529)
Excess before Depreciation and other non-operating revenues and expenses	1,314,582	1,171,457
Depreciation	(1,635,576)	(1,699,372)
Income (loss) before other non-operating revenue and expenses	(320,994)	(527,915)
Non-operating revenues and (expenses), net	671,526	574,887
Income (loss) before Capital Contributions	350,532	46,972
Capital Contributions	2,322,064	5,714,229
Depreciation on federally funded property and equipment	(4,208,112)	(3,713,071)
Change in Net Position	\$ (1,535,516)	\$ 2,048,130

(1) Operating revenues increased by \$149,496 or 4.13% in FY2014. See table 3.

(2) Operating expenses increased by \$6,371 or 0.3% in FY2014. See table 5.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014**

The Airport Authority's revenues are primarily derived from three broad categories of activities:

- Passenger related activities including parking, concessions and rental cars
- Airline leases and fees received directly from the airline tenants
- Land and building rentals to non-airline parties

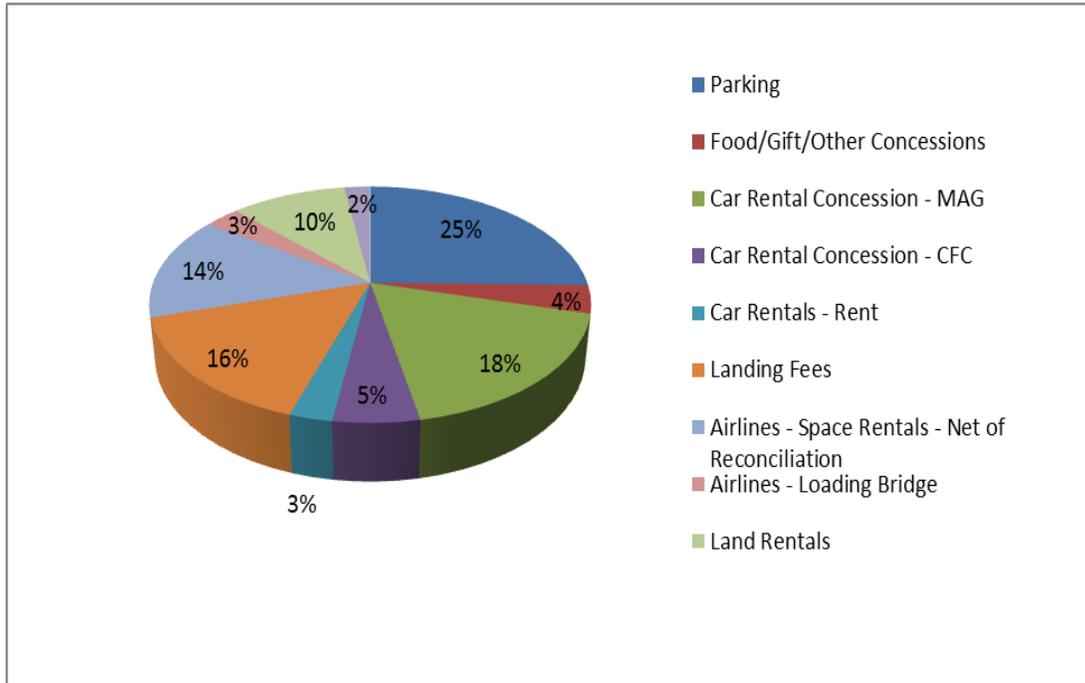
The following table and chart shows the summary of operating revenues for the year ended June 30, 2014 and the amount and percentage of change in relation to prior year amounts:

**TABLE 3**

<b>OPERATING REVENUE SOURCE</b>	<b>FY2014</b>	<b>Percent of Total</b>	<b>FY2013</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2013</b>	<b>Percent Increase (Decrease)</b>
Parking	\$ 951,953	25%	\$ 934,294	26%	\$ 17,659	1.9%
Food/Gift/Other Concessions	144,986	4%	121,589	3%	23,397	19.2%
Car Rental Concession - MAG	669,698	18%	617,753	17%	51,945	8.4%
Car Rental Concession - CFC	200,061	5%	212,870	6%	(12,809)	-6.0%
Car Rentals - Rent	100,244	3%	101,960	3%	(1,716)	-1.7%
Landing Fees	578,887	15%	554,533	15%	24,354	4.4%
Airlines - Space Rentals - Net of Reconciliation	536,352	14%	471,677	13%	64,675	13.7%
Airlines - Loading Bridge	115,280	3%	106,940	3%	8,340	7.8%
Land Rentals	378,764	10%	374,172	10%	4,592	1.2%
Miscellaneous	85,260	2%	116,199	3%	(30,939)	-26.6%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 3,761,485</b>	<b>100%</b>	<b>\$ 3,611,982</b>	<b>100%</b>	<b>\$ 149,498</b>	<b>4%</b>

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014**

**OPERATING REVENUE SOURCES**



- Parking revenue increased by 1.9% due to increased enplanements.
- Food/Gift/Other concessions and Car rental revenue grew 19.2% and 8.4% respectively during FY2014 due to increased passenger volume and the introduction of new terminal concessions.
- Aggregate airline revenues derived from landing fees, space rentals and loading bridge fees increased by \$ 97,368 or 8.6% in FY2014. This is due to increased terminal rentals and loading bridge revenues as a result of capital cost recovery associated with the Terminal Expansion Project and a significant increase in FedEx flights.
- Land rental revenue which is derived primarily from long-term leases increased by 1.2%.
- Miscellaneous revenues decreased by 26.6% due to reduced FBO fuel flowage revenues and uncollected security reimbursements expected to be received within two months of the next fiscal year.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014**

**TABLE 4**

<b>TOP PRODUCING CUSTOMERS</b>		
<b>TENANT</b>	<b>AMOUNT</b>	<b>AMOUNT</b>
	<b>FY2013-14</b>	<b>FY2012-13</b>
REPUBLIC PARKING	\$ 951,953	\$ 934,294
DELTA (LANDING FEES & SPACE RENT)	382,921	384,007
UNITED/SKYWEST (LANDING FEES & SPACE RENT)	226,743	227,306
HORIZON (LANDING FEES & SPACE RENT)	193,755	187,259
HERTZ (CONCESSION FEES & SPACE RENT)	206,750	213,527
NATIONAL/ALAMO (CONCESSION FEES & SPACE RENT)	191,405	178,972
FEDEX (LANDING FEES)	174,592	146,468
AVIS (CONCESSION FEES & SPACE RENT)	175,841	164,671
<b>TOTAL</b>	<b>\$ 2,503,960</b>	<b>\$ 2,436,504</b>

**OPERATING EXPENSES**

The following table shows the summary of operating expenses for the year ended June 30, 2014 and the amount and percentage of change in relation to prior year amounts:

**TABLE 5**

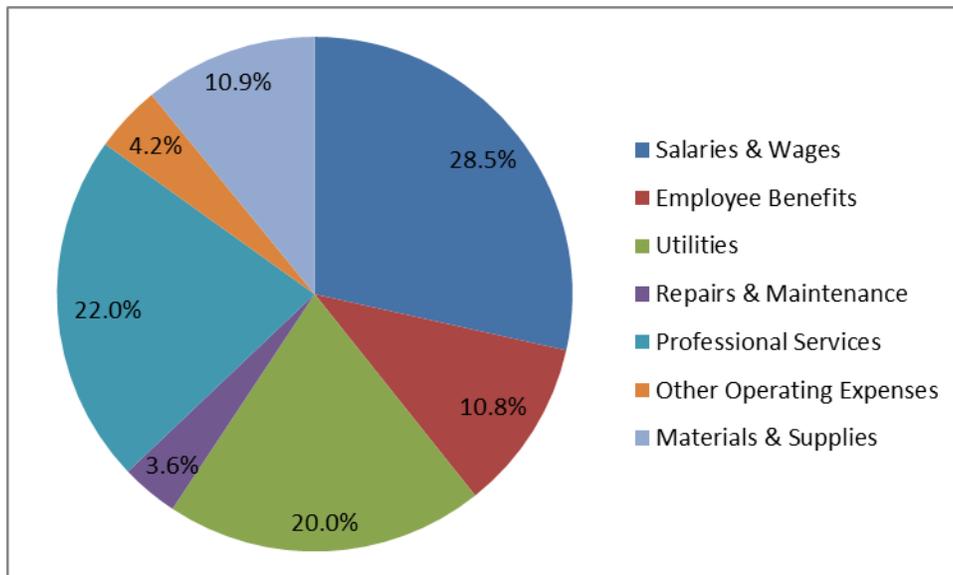
	<b>2014 Amount</b>	<b>Percent of Total</b>	<b>2013 Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2013</b>	<b>Percent Increase (Decrease)</b>
Personnel Services						
Salaries & Wages	\$ 697,625	28.5%	\$ 690,994	28.3%	\$ 6,631	1.0%
Employee Benefits	263,210	10.8%	248,274	10.2%	14,936	6.0%
Contractual Services						
Utilities	490,113	20.0%	481,492	19.7%	8,621	1.8%
Repairs & Maintenance	87,134	3.6%	83,378	3.4%	3,756	4.5%
Professional Services	538,656	22.0%	521,800	21.4%	16,856	3.2%
Other Operating Expenses	103,538	4.2%	97,895	4.0%	5,643	5.8%
Materials & Supplies	266,624	10.9%	316,696	13.0%	(50,072)	-15.8%
<b>Total Operating Expenses</b>	<b>\$2,446,900</b>	<b>100.0%</b>	<b>\$2,440,529</b>	<b>100.0%</b>	<b>\$ 6,371</b>	<b>0.3%</b>

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014**

- Employee benefits rose by 6% or \$14,936 due to increase in health insurance premiums, PERS contribution, unemployment, workers' compensation and corresponding FICA and Medicare contribution in relation to base wages.
- Utilities increased by 1.8% as a result of added electricity consumption due to an increase in space brought about by Terminal Expansion.
- Equipment repairs and maintenance increased by 5.8% due to the long and particularly snowy winter which required additional equipment usage and increased repair costs.
- Professional services increased by 3.2% mostly due to aggressive marketing/advertising and promotions.
- Materials and Supplies decreased by 15.8% or \$50,072 due to reserve paints and chemicals purchased in the prior year.

The following pie chart shows the composition of operating expenses with their corresponding percentages for the year ended June 30, 2014.

**OPERATING EXPENSES**



**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014**

**OTHER NOTEWORTHY INFORMATION**

Refinancing activities under Long Term Debt, Note 5, resulted in the Airport Authority changing banking institutions from US Bank to Wells Fargo Bank, NA. Transfer of managed investments from US Bank to Wells Fargo Bank, N.A. was completed in FY2014.

The Airport Authority Board approved the following in FY2014:

- Air Host Contract Amendment
- I-State Companies, Inc. Retail Contract
- Front Range Aviation – Lease Addition
- General Aviation Taxiway Development

The Airport Authority Board also approved the following capital purchases:

- Loading Bridge Refurbishment
- Front Drive Snow Removal Equipment
- Joint Seal Replacement of Cargo Ramp (in progress)
- Avmax Concrete Hanger Phase 1 Roof Repairs
- E-Z Liner Paint Machine

In FY2014, the Airport Authority initiated and corrected recording of depreciation of the AIP funded portion of property and equipment. Refer to Note 1 – Capital Assets. This resulted in a prior period adjustment of \$3,713,071 to depreciation expense for fiscal year ended 2013, in addition to \$31,865,518 for prior years, and current year depreciation of \$4,208,112. Refer to Note 3 and Note 13.

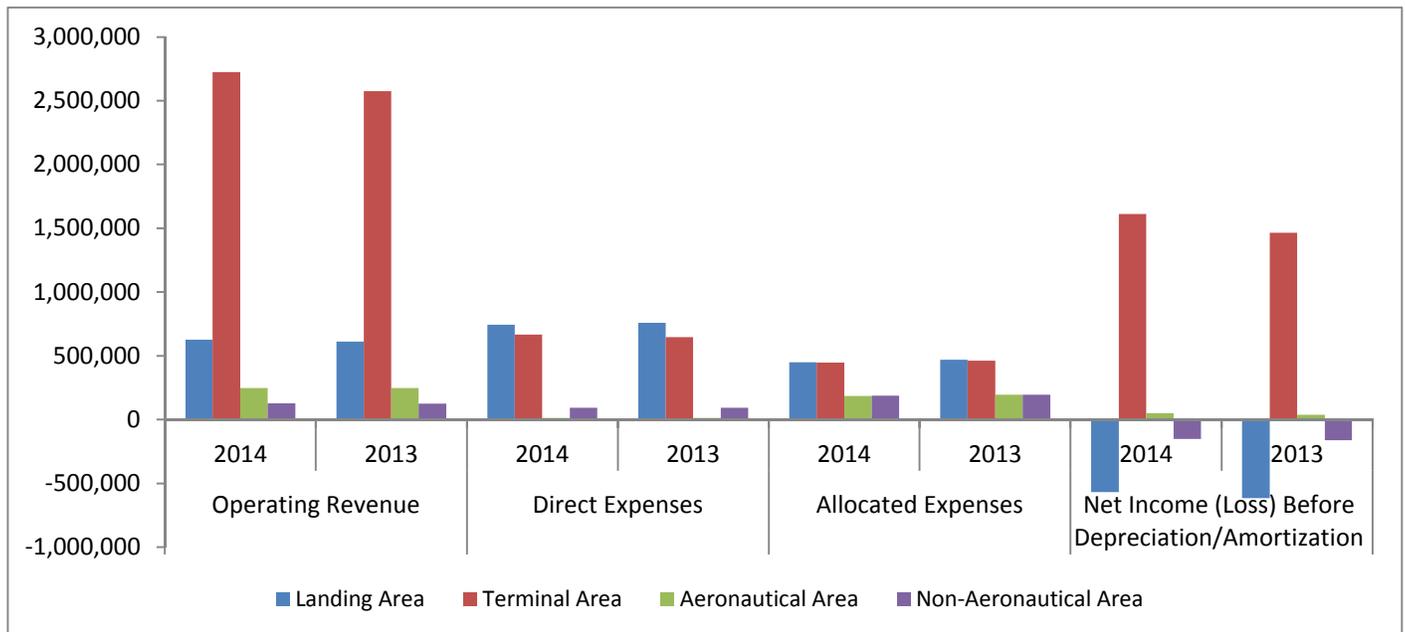
**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014**

**COST CENTERS**

The following table and chart shows the cost centers and operating revenues & expenses for the years ended June 30, 2014 and June 30, 2013.

**TABLE 6**

	Operating Revenue		Direct Expenses		Allocated Expenses		Net Income (Loss) Before Depreciation/Amortization	
	2014	2013	2014	2013	2014	2013	2014	2013
Landing Area	\$ 626,358	\$ 612,463	\$ 744,654	\$ 758,022	\$ 449,516	\$ 469,663	\$ (567,812)	\$ (615,222)
Terminal Area	2,725,475	2,573,945	666,544	647,165	447,049	462,699	1,611,882	1,464,081
Aeronautical Area	248,219	246,747	12,771	13,434	185,516	194,241	49,932	39,072
Non-Aeronautical Area	128,650	126,225	92,928	92,864	187,952	195,187	(152,230)	(161,826)
<b>Total</b>	<b>\$3,728,702</b>	<b>\$3,559,380</b>	<b>\$1,516,897</b>	<b>\$1,511,485</b>	<b>\$1,270,033</b>	<b>\$1,321,790</b>	<b>\$ 941,772</b>	<b>\$ 726,105</b>



GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

**SUMMARY OF CASH FLOW ACTIVITIES**

The following table shows a summary of the major sources and use of cash and cash equivalents for FY2014 and FY2013. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments.

**TABLE 7**

	<b>2013/2014</b>	<b>2012/2013</b>
Cash flows from:		
Operating Activities	\$ 1,413,477	\$ 1,209,125
Non-capital Financing Activities	20,075	1,855
Capital and Related Financing Activities	(2,228,845)	(2,755,048)
Investing Activities	1,486,497	1,731,205
Net increases / (decreases) in Cash and Cash and Cash Equivalents	691,204	187,137
Cash and Cash Equivalents:		
Beginning of year	202,861	15,724
<b>End of year</b>	<b>\$ 894,065</b>	<b>\$ 202,861</b>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

**CAPITAL IMPROVEMENT PROJECTS**

The Airport Authority expended \$2,535,689 and \$6,314,476 on FAA approved Airport Improvement Projects for FY2014 and FY2013, respectively. The table below shows the list of specific capital projects with their corresponding expenditures. Included in the list are airport funded projects amounting to \$1,767,075 and \$847,356 for FY2014 and FY2013 respectively.

<b>PROJECT DESCRIPTION</b>	<b>FY2014</b>	<b>FY2013</b>
AIP # 42, # 44, # 47– Residential Sound Insulation Project	\$ -	\$ 10,314
AIP # 50 – ARFF Vehicle & Master Plan Study	-	45,891
AIP # 51, # 52 – Residential Sound Insulation Project	28,847	1,588,256
AIP # 53 – SW Airfield Drainage Improvements	-	175,070
AIP # 54 – Terminal Expansion	310,887	4,201,284
AIP # 56 - SRE (Snow Removal Equipment) Building	1,883,837	293,661
AIP # 57- Residential Sound Insulation Project	312,118	-
<b>FAA Approved Capital Improvement Projects</b>	<b><u>2,535,689</u></b>	<b><u>6,314,476</u></b>
AvMax Hangar Phase I	75,134	-
Design Runway 16/34	320,358	-
Miscellaneous Projects	39,905	173
SRE (snow Removal Equipment) Building	218,918	-
Terminal /Parking Lot Expansion	138,577	226,570
Terminal Expansion	974,183	620,613
<b>Airport Funded Projects</b>	<b><u>1,767,075</u></b>	<b><u>847,356</u></b>
<b>Total</b>	<b><u>\$ 4,302,764</u></b>	<b><u>\$ 7,161,832</u></b>

The Airport Authority began construction of the Terminal Expansion in August of FY2013. The project was designed to accommodate growing passenger volumes. The project included an expanded and centralized security checkpoint, expanded restroom capacity and a new restaurant and gift shop inside the security checkpoint. The project was officially opened to the public, end of October 2013.

The Residential Sound Insulation Project (RSIP) completed construction of the 12 pilot homes in the program and began design on the 60 Phase I homes in spring of 2011. The Airport Authority Board voted in February 2012 to slow the program down to sound attenuate only 29 homes in FY2012. This change was largely made to maintain a consistent level of local match funding of Federal grants. The required local match for Federal grants increased from 5% to 10% during FY2012. In addition, in September, 2013, FAA awarded AIP 57 in the amount of \$738,000.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2014

In FY2014, most noise testing, calculations, electrical, acoustical and hazardous assessments were completed. To date, the RSIP program has completed work on 101 homes.

On August 1, 2013, the Airport Authority received a \$2,486,001 grant from FAA to construct a Snow Removal Equipment (SRE) Building. The project commenced on August 19, 2013 and officially opened on August 20, 2014. Grant closeout is expected in FY2015.

The Authority expanded the public parking lot by 25% in 2012. The lot overflowed several times in FY2013. The Airport Authority started construction of a 250 stall overflow lot during FY2014. The overflow economy lot was completed in 2014. The expanded parking lot contains 88 short-term stalls, 864 long-term stalls and 250 overflow stalls for a total of 1,202 stalls.

Additional information on the Airport Authority's capital assets and commitments can be found in Note 3 – Capital Assets, in the notes to the financial statements.

### **LONG – TERM DEBT ADMINISTRATION**

Please refer to Note 5 – Long-Term Debt, in notes to the financial statements for a full explanation of our debt administration.

### **PASSENGER FACILITY CHARGE (PFC)**

Enplanements affect the amount of PFC fees that are collected from the airlines each year. The more ticketed passengers flying from Great Falls, the greater the amount of PFCs collected. These funds can be used by the Airport Authority to pay for certain eligible capital costs. A description of PFCs is included in Note 1, Summary of Significant Accounting Policies. PFC revenue collected by the airport during fiscal years 2014 and 2013 were \$778,948 and \$755,783, respectively. In 2011, the Airport Authority filed a PFC application for \$8.5 million largely to cover the financing of the 2002 Apron Rehabilitation. Because the annual PFC collections are greater than the annual Apron note payments, the airport initiated a new PFC application for \$4.1 million. In April 2012, this application was approved. This application included several projects and assets for which the Airport Authority requested reimbursement in order to absorb the excess collections. The application also allows the Airport Authority to fund the future local share of its Residential Sound Insulation Program from PFC proceeds. From the PFC's program inception in November 1992 through June 2014 the Airport Authority has collected about \$10,341,561 in PFC fees. A new PFC application in the amount of \$900,000 is underway in FY2015.

### **AIRPORT ACTIVITIES AND HIGHLIGHTS**

During fiscal year 2011, the Airport Authority refinanced the FedEx Note through U.S. Bank with a very favorable rate. The note proceeds paid off the FedEx pre-existing note with Wells Fargo. With the refinancing, the Airport Authority borrowed an additional \$700,000 and these funds were used to purchase a new jet bridge in FY2012. In FY2013 efforts to further reduce interest costs commenced. The Airport Authority refinanced the majority of its long-term debt on July 29<sup>th</sup> 2013 through Wells Fargo Bank, NA. Refer to Note 5, Long Term Debt.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014

The Airport Authority saw increased passenger volumes for the fifth consecutive year during FY2014. Over 190,312 passengers boarded flights, which was a new all-time high for the Airport. This is the fourth consecutive record year of passenger boarding. Growth factors include the introduction of Frontier Airlines in FY2012, introduction of Los Angeles flights with Allegiant Air in the summer of 2014 and an increase in airport marketing activities targeting inbound tourism and outbound Canadian passengers.

The addition of low cost airline flights is the result of a targeted strategy. The Airport Authority formed partnerships with the Great Falls Chamber of Commerce, the Great Falls Tourism Business Improvement District and the Convention and Visitor Bureau to attract and market low cost airline flights. From 2011 to 2013, the average national airfare rose to 9 percent which was much faster than inflation. The average airfare from Great Falls declined 4 percent during the same period.

The Airport Authority has also adopted a revenue diversification strategy to reduce the overall portion of revenue derived from the airlines. As shown in Table 3, approximately 33 percent of operating revenue was derived from the airlines in FY2014. This was a slight increase from approximately 32 percent of operating revenue in FY2013. However, it is a significant decrease from FY2012 when the airlines funded over 36 percent of operating revenue. The 8.6 increase in FY2014 revenue was due primarily to cost recovery for airline supported capital improvements to the terminal area and loading bridges. A new weekly FedEx flight also contributed approximately a third of the increase. In FY2014 FedEx landing fees rose by 19 percent over FY2013.

Significant progress was made toward revenue diversification. New passenger food and gift concessions opened in October, 2013 as part of the Terminal Expansion Project. The new concessions generated approximately \$22,700 in new revenue during the partial year, which was a 35 percent increase.

The Airport Authority also leased a 7-acre parcel to I-State Trucking during FY2014. This new lease will generate nearly \$37,000 in new annual revenue. Only \$9,200 in new revenue was collected in FY2014 as rent payments began in April 1<sup>st</sup> of 2014. The I-State lease is the first parcel leased in a planned retail development that includes over 300 acres.

Referring to Table 3, during FY2014, the Airport Authority achieved growth in all revenue categories except for miscellaneous revenues which declined by 26.6% due to decrease in FBO flowage fees revenues and reduced reimbursed security collections. Security reimbursements will be received in FY2015.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2014**

**AIRPORT STATISTICS**

	<b>2013/2014</b>	<b>2012/2013</b>	<b>2011/2012</b>
Enplanements	190,312	185,349	184,301
Landed Weights:			
Scheduled Airlines	244,321	240,287	244,190
Mail Carriers	180,248	162,220	156,126
Airline Cargo	28,911	23,773	33,903

**CONTACTING THE AIRPORT AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Airport Authority's finances for all those with an interest. If you have any questions concerning any of the information provided in this report or would like to request additional information contact the Airport Accountant, Great Falls International Airport Authority, 2800 Terminal Drive, Great Falls, Montana 59404-5599.

FINANCIAL STATEMENTS

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF NET POSITION  
June 30, 2014  
(With Comparative Totals for June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
ASSETS		
CURRENT ASSETS		
Cash items	\$ 23,000	\$ 20,170
Cash - demand deposits	175,215	179,694
Investments	1,245,470	1,216,138
Accounts receivable	647,195	616,048
Grants receivable	154,852	421,419
Inventories	35,246	35,717
Current portion of concession contract receivable	400,000	400,000
Prepaid expenses	<u>14,446</u>	<u>12,575</u>
Total current assets	<u>2,695,424</u>	<u>2,901,761</u>
NONCURRENT ASSETS		
RESTRICTED CASH AND INVESTMENTS		
Cash - demand deposits	<u>695,850</u>	<u>2,997</u>
Total restricted cash and investments	<u>695,850</u>	<u>2,997</u>
CAPITAL ASSETS		
Property and equipment - net	75,254,360	78,398,949
Construction work in progress	<u>10,589,589</u>	<u>8,383,597</u>
Total capital assets	<u>85,843,949</u>	<u>86,782,546</u>
OTHER ASSETS		
Investments	1,198,144	2,051,199
Deposits	1,000	1,000
Net investment in lease	5,000,694	5,638,037
Long-term portion of concession contract receivable	100,000	500,000
Patronage credits	2,933	2,933
Debt issuance costs, net	<u>-</u>	<u>65,814</u>
Total other assets	<u>6,302,771</u>	<u>8,258,983</u>
Total assets	<u>\$ 95,537,994</u>	<u>\$ 97,946,287</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF NET POSITION (CONTINUED)

June 30, 2014

(With Comparative Totals for June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 164,417	\$ 47,141
Accounts payable - construction	306,105	591,389
Tenant deposits	3,805	3,805
Payroll and payroll taxes payable	24,687	25,251
Interest payable	29,426	95,067
Compensated absences payable	52,804	56,077
Unearned revenue	29,024	11,021
Current portion of long-term debt	<u>1,712,548</u>	<u>1,399,694</u>
Total current liabilities	<u>2,322,816</u>	<u>2,229,445</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	<u>13,921,724</u>	<u>14,487,872</u>
Total long-term liabilities	<u>13,921,724</u>	<u>14,487,872</u>
Total liabilities	<u>16,244,540</u>	<u>16,717,317</u>
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangement - Republic Parking	<u>500,000</u>	<u>900,000</u>
Total deferred inflows of resources	<u>500,000</u>	<u>900,000</u>
NET POSITION		
Net investment in capital assets	75,210,371	76,533,017
Restricted	695,850	2,997
Unrestricted	<u>2,887,233</u>	<u>3,792,956</u>
Total net position	<u>78,793,454</u>	<u>80,328,970</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 95,537,994</u>	<u>\$ 97,946,287</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	2013 <u>(As restated)</u>
Operating revenues	\$ <u>3,761,482</u>	\$ <u>3,611,986</u>
Operating expenses	<u>2,446,900</u>	<u>2,440,529</u>
Excess of operating revenues over operating expenses before depreciation and amortization	1,314,582	1,171,457
Less: Depreciation and amortization	<u>(1,635,576)</u>	<u>(1,699,372)</u>
Loss from operations	<u>(320,994)</u>	<u>(527,915)</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Investment income	42,977	3,419
Miscellaneous non-operating revenues (expenses)	20,075	(43,035)
Interest expense	(435,862)	(436,541)
Gain on sale of assets	-	30,805
Investment income from lease investment	619,798	668,293
Interest expense from lease investment	(354,409)	(403,837)
Passenger Facility Charges (PFC), net	<u>778,947</u>	<u>755,783</u>
Total non-operating revenues and (expenses)	<u>671,526</u>	<u>574,887</u>
Income before capital contributions and depreciation on federally funded property and equipment	350,532	46,972
Capital contributions	2,322,064	5,714,229
Depreciation on federally funded property and equipment	<u>(4,208,112)</u>	<u>(3,713,071)</u>
CHANGE IN NET POSITION	<u>(1,535,516)</u>	<u>2,048,130</u>
Net position, beginning of year	80,328,970	110,146,358
Prior period adjustment	<u>-</u>	<u>(31,865,518)</u>
Net position, beginning of year, as restated	<u>80,328,970</u>	<u>78,280,840</u>
Net position, end of year	<u>\$ 78,793,454</u>	<u>\$ 80,328,970</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from providing services	\$ 3,748,338	\$ 3,621,135
Cash payments to employees	(958,672)	(927,366)
Cash payments to suppliers	<u>(1,376,189)</u>	<u>(1,484,644)</u>
Net cash flows from operating activities	<u>1,413,477</u>	<u>1,209,125</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Miscellaneous non-operating revenues	<u>20,075</u>	<u>1,855</u>
Net cash flows from non-capital financing activities	<u>20,075</u>	<u>1,855</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from grants - FAA	2,578,631	5,585,385
Proceeds from grants - MDOT	10,000	11,500
Work-in-progress additions	(4,588,048)	(6,887,152)
Acquisition of property and equipment	(421,596)	(656,600)
Proceeds from sale of property and equipment	-	30,805
Interest paid	(855,912)	(848,260)
Debt issuance costs paid	(114,917)	-
Passenger Facility Charges (PFC), net	778,948	755,779
Proceeds from borrowings	814,250	-
Payment on long-term debt	(1,067,544)	(1,333,937)
Payment received under municipal lease	<u>637,343</u>	<u>587,432</u>
Net cash flows from capital and related financing activities	<u>(2,228,845)</u>	<u>(2,755,048)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	638,688	708,091
Purchase of investments	(328,040)	(492,270)
Redemption of investments	<u>1,175,849</u>	<u>1,515,384</u>
Net cash flows from investing activities	<u>1,486,497</u>	<u>1,731,205</u>
Net change in cash and cash equivalents	691,204	187,137
Cash and cash equivalents, beginning of year	<u>202,861</u>	<u>15,724</u>
Cash and cash equivalents, end of year	<u>\$ 894,065</u>	<u>\$ 202,861</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from operations	\$ (320,994)	\$ (527,915)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	1,454,845	1,690,970
Amortization	180,731	8,402
Changes in operating assets and liabilities:		
Accounts receivable	(31,147)	13,566
Inventories	471	(6,706)
Prepaid expenses	(1,871)	11,904
Accounts payable	117,276	17,419
Payroll and payroll taxes payable	(564)	1,889
Compensated absences payable	(3,273)	4,013
Unearned revenue	18,003	(4,417)
Net cash flows from operating activities	<u>\$ 1,413,477</u>	<u>\$ 1,209,125</u>

SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the Airport refinanced long-term debt of \$13,941,089 for \$14,238,450 in non-cash transactions. Prior year improvements of \$40,890 were reclassified to expense during the year ended June 30, 2013.

SCHEDULE OF INTEREST:

Interest Paid	<u>\$ 855,912</u>	<u>\$ 848,260</u>
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SCHEDULE OF CASH AND CASH EQUIVALENTS

AT END OF YEAR:

Cash items	\$ 23,000	\$ 20,170
Cash - demand deposits (unrestricted)	175,215	179,694
Cash - demand deposits (restricted)	<u>695,850</u>	<u>2,997</u>
	<u>\$ 894,065</u>	<u>\$ 202,861</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

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

The following is a summary of the Great Falls International Airport Authority's significant accounting policies:

**Reporting Entity**

The Great Falls International Airport Authority (Airport Authority) is a regional airport authority conducting operations at the Great Falls International Airport through powers granted under Title 67, Chapter 11 of the Montana Code Annotated. The Airport Authority is a primary government, meeting the criteria embodied in GASB Statement No. 14 "The Financial Reporting Entity," of a separately elected governing body, having a separate legal standing and being fiscally independent. There are no component units for which the Airport Authority's board is financially accountable.

**Basis of Presentation and Basis of Accounting**

The Airport Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, and follow proprietary fund accounting. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Airport Authority is characterized under GASB 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" as a special-purpose entity engaged only in business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties. As such, only those financial statements required for enterprise funds under GASB 34 are included in the basic financial statements. Those basic financial statements - the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows are presented in a format defined under GASB 34 as fund financial statements. The activity of the Airport Authority is accounted for within a single fund.

**Measurement Focus**

The basic financial statements of the Airport Authority are reported using the economic resources measurement focus under the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time incurred, regardless of when the related cash flows take place. Operating revenues, such as landing fees, concession fees, and rentals, result from exchange transactions associated with the principal activity of the Airport Authority. Non-operating revenues, such as investment income, passenger facility charges, and grant revenue, result from non-exchange transactions or ancillary activities. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Airport Authority uses a managerial cost accounting system which provides for operating and capital budgeting according to cost center. The system consists of four primary and three secondary cost centers. Indirect costs are posted to the secondary cost centers and then allocated to the primary cost centers. The Airport Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**New Accounting Pronouncement**

The Airport Authority has adopted the provisions of the following GASB pronouncements for the year ended June 30, 2014:

- 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 as deferred outflows or deferred inflows, respectively. Certain items also need to be reclassified as revenues or expenses in the period incurred, such as debt issuance costs. As a result, the Airport Authority expensed current year debt issuance costs of \$114,917 and \$65,814 of prior years' unamortized debt issuance costs.

**Accounting Standards Effective in a Future Period**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This Statement establishes standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for fiscal years beginning after June 15, 2014. The effect of adopting the Standard cannot be determined at this time.

**Cash and Investments**

Cash and investments include amounts in demand deposits, savings deposits, time deposits, U.S. Government securities, and the State Short-Term Investment Pool (S.T.I.P.). Investments in U.S. Government securities are shown at fair value in accordance with generally accepted accounting principles. The S.T.I.P. is classified as a "2a-7-like pool", which allows the investments to be reported at amortized cost.

Montana statutes authorize the Airport Authority to invest in direct obligations of the United States Government and securities issued by agencies of the United States if the investment is a direct obligation of the agency; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union located in Montana; in investments of the S.T.I.P. managed by the Montana Board of Investments; or in repurchase agreements.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Airport Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2014.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

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

**Accounts Receivable**

Accounts receivable are recorded at cost. All accounts are considered collectible; therefore no allowance for uncollectible accounts has been established.

**Grants Receivable**

Grants awarded to the Airport Authority become receivable by the Airport Authority when grant expenditures are incurred.

**Inventory**

Inventory consists of materials and supplies that are recorded at cost. Cost is determined using the first-in, first-out method.

**Capital Assets**

Property and equipment of the Airport Authority are recorded at historical cost. The Airport Authority does not maintain a specific capitalization policy threshold. Depreciation is computed using the straight-line method at rates considered sufficient to prorate the cost of the property and equipment over the estimated useful life of the asset. Useful lives are estimated to be as follows:

Buildings	10-20 years
Improvements	15-40 years
Equipment	3-20 years

Depreciation expense on federally funded capital assets is reported separately from depreciation on other capital assets on the Statements of Revenues, Expenses, and Changes in Net Position. Such depreciation is not included in the calculation of income (loss) from operations in order to be consistent with the reporting of the revenue source used to acquire those assets, capital contributions.

**Construction in Progress**

Project expenditures incurred to construct or expand Airport Authority property are recorded as construction work in progress until the project is completed and placed into service.

**Compensated Absences**

The Airport Authority accrues a liability for unused vacation and sick leave benefits earned by employees as of year-end. The amount payable to an employee for unused vacation benefits is limited to a maximum of two years' worth of accrual, while the amount due an employee for unused sick leave benefits is limited to 25% of the total unused sick leave. Amounts accumulated in the liability at year end are considered short-term liabilities for financial reporting purposes.

**Tax Revenue**

The Airport Authority may, under Montana statute, levy two mills at the municipal level, and two mills at the county level for airport operation purposes. The Airport Authority elected to waive this option for the year ended June 30, 2014.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

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

**Unearned Revenue**

The Airport Authority records unearned revenue for advance payments received from concessionaires. Revenue is recognized ratably throughout the year.

**Passenger Facility Charges (PFC)**

The Airport Authority is authorized to impose a four dollar and fifty cents (\$4.50) PFC per enplaned passenger to fund approved capital projects. The PFC fees are collected by carriers and remitted to the Airport Authority on a periodic basis. The carriers retain an administrative fee of \$.08 for each PFC remitted. PFCs are recorded in a manner similar to contributed capital. A separate bank account is used to receive and disburse funds. PFCs are restricted for FAA approved capital projects.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. CASH AND INVESTMENTS**

The composition of cash and investments on June 30, 2014, was as follows:

Cash items	\$ 23,000
Cash in banks:	
Demand deposits	871,065
Savings deposits	100,111
Time deposit	252,402
State Short-Term Investment Pool (S.T.I.P.)	976,574
U.S. Government securities	<u>1,114,527</u>
Total per balance sheet	<u>\$ 3,337,679</u>

**Cash Items**

Cash items consist of petty cash, cash maintained in two automated teller machines (ATMs) located at the Great Falls International Airport terminals, and cash held in Airport Authority safekeeping for use in the ATMs.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

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

**Cash in Banks**

At year-end, the carrying amount of the Airport Authority's deposits was \$1,223,578, and the bank balance was \$1,494,431. These deposits include demand, savings, and time deposits. The Airport Authority's bank account deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and its time deposits are covered up to \$250,000 in cash claims by Securities Investor Protection Corporation (SIPC). From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. As of June 30, 2014, the Airport Authority had \$891,918 of bank account deposits in excess of FDIC insurance and \$2,402 of time deposits in excess of SIPC coverage. As of June 30, 2014, the Airport Authority had \$100,111 in money market funds not covered by FDIC or SIPC insurance. However, the uninsured funds are invested in a government obligations money market fund that invests in short-term U.S. government securities and repurchase agreements secured by U.S. government securities.

Montana statutes require that the Airport Authority obtain pledged securities for the uninsured portion of the deposits as follows: 1) Securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2) Securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. The State statutes do not specify in whose custody or name the collateral is to be held.

**Investments**

As described in Note 1 to the financial statements, statutes authorize the Airport Authority to invest in direct obligations of the United States Government and securities issued by agencies of the United States if the investment is a direct obligation of the agency, time deposits, the State Short-Term Investment Pool (S.T.I.P.), and repurchase agreements. The Airport Authority has no investment policy that would further limit its investment choices.

As of June 30, 2014, the Airport Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities	
		1 Year	1-5 years
Money market	\$ 100,111	\$ 100,111	\$ -
Time deposit	252,402	-	252,402
S.T.I.P.	976,574	976,574	-
U.S. agencies	1,114,527	168,785	945,742
	<u>\$ 2,443,614</u>	<u>\$ 1,245,470</u>	<u>\$ 1,198,144</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair-value losses arising from rising interest rates, the Airport Authority's investment policy limits the maturity of investments to five years or less.

**Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Obligations of or guaranteed by the U.S. government do not require disclosure of credit quality. Investments within S.T.I.P. have credit risk as measured by major credit rating services. This risk is that the issuer of an S.T.I.P. investment may default in making timely principal and interest payments. The Montana Board of Investment's policy requires that S.T.I.P. investments have the highest investment grade rating in the short-term category by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The three NRSRO's recognized by S.T.I.P. include Standard and Poor's (S&P), Moody's, and Fitch. The short-term credit ratings presented below for the Airport Authority's share of S.T.I.P. are provided by S&P's rating services. An A1+ rating is the highest short-term rating by the S&P rating service.

If a S.T.I.P. investment received a long-term rating, such as AAA, this rating was converted to a short-term rating. If an S&P rating is not available, a Moody's rating has been used:

**Credit Risk (Continued)**

Credit Quality Ratings as of June 30, 2014:

Investment Type	Fair Value	Credit Quality Rating
Asset backed commercial paper	\$ 299,515	A1
Corporate commercial paper	53,516	A1
Corporate - variable rate	253,812	A1
Certificates of deposit - fixed rate	38,477	A1
Certificates of deposit - variable rate	150,978	A1+
Other asset backed investments	14,844	NR
U.S. government agency - fixed rate	28,907	A1+
U.S. government agency - variable rate	77,052	A1+
Money market funds (unrated)	51,368	NR
Money market funds (rated)	8,105	A1+
	<u>\$ 976,574</u>	<u>NR</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

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

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Airport Authority does not have a formal investment policy limiting the amount the Airport Authority may invest in any one issuer. As there is minimal credit risk associated with investments issued or guaranteed by the U.S. government, no disclosure of concentration of credit risk is required for these investments. The S.T.I.P. investment policy adopted by the Montana Board of Investments does not specifically address concentration of credit risk. Investments of the S.T.I.P. include certain derivative-type investments, such as asset-backed securities and variable-rate securities.

The asset-backed securities are collateralized by non-mortgage assets pledged by the issuer, and have one or more forms of credit enhancement to raise the quality of the security. Asset-backed securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar nonasset-backed securities. Asset-backed securities make up 30.67% of the total S.T.I.P. assets at June 30, 2014.

The variable-rate securities are designed to minimize the investors' interest rate risk by periodically resetting the interest rate to either the prime rate or the London Interbank Offering Rate. Variable-rate securities have credit risk identical to similar fixed-rate securities, while their market risk is 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. Variable-rate securities make up 49.34% of the total S.T.I.P. assets at June 30, 2014.

The valuation of investments at fair value - As previously mentioned, GAAP requires investment in U.S. Government securities to be reported at fair value while investment in S.T.I.P. is to be reported at cost.

	Cost	Fair Value
Money market	\$ 100,111	\$ 100,111
Time deposit	247,000	252,402
S.T.I.P.	976,574	976,574
U.S. agencies	<u>1,127,398</u>	<u>1,114,527</u>
	<u>\$ 2,451,083</u>	<u>\$ 2,443,614</u>

The net increase in the fair value of investments during the year ended June 30, 2014 was \$18,891. This amount is netted into investment income on the statement of revenues, expenses, and changes in net position.

**Restricted Cash and Investments**

Restricted cash and investments at June 30, 2014 consist of \$695,850 in the Passenger Facility Charge and Snow Removal Equipment (SRE) Building bank accounts.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 3. CAPITAL ASSETS**

**Property and Equipment**

A summary of the changes in property and equipment during the year ended June 30, 2014 is as follows:

	(Restated) Balance, July 1, 2013	Additions	Deletions	Balance, June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 1,501,248	\$ -	\$ -	\$ 1,501,248
Construction in progress	<u>8,383,597</u>	<u>4,302,764</u>	<u>(2,096,772)</u>	<u>10,589,589</u>
Total capital assets, not being depreciated	<u>9,884,845</u>	<u>4,302,764</u>	<u>(2,096,772)</u>	<u>12,090,837</u>
Capital assets, being depreciated:				
Buildings	24,608,175	22,245	-	24,630,420
Improvements	105,604,065	2,096,772	-	107,700,837
Furniture, fixtures and equipment	<u>6,397,395</u>	<u>399,351</u>	<u>(457,676)</u>	<u>6,339,070</u>
Total capital assets, being depreciated	<u>136,609,635</u>	<u>2,518,368</u>	<u>(457,676)</u>	<u>138,670,327</u>
Less accumulated depreciation:				
Buildings	(15,301,204) *	(895,969)	-	(16,197,173)
Improvements	(39,762,124) *	(4,376,579)	-	(44,138,703)
Furniture, fixtures and equipment	<u>(4,648,606) *</u>	<u>(390,409)</u>	<u>457,676</u>	<u>(4,581,339)</u>
	<u>(59,711,934)</u>	<u>(5,662,957)</u>	<u>457,676</u>	<u>(64,917,215)</u>
Capital assets being depreciated, net	<u>76,897,701</u>	<u>(3,144,589)</u>	<u>-</u>	<u>73,753,112</u>
Capital assets, net	<u>\$ 86,782,546</u>	<u>\$ 1,158,175</u>	<u>\$ (2,096,772)</u>	<u>\$ 85,843,949</u>

\* - Balances as of July 1, 2013 have been restated to reflect a prior period adjustment of \$3,713,071 to record depreciation expense for the year ended June 30, 2013, in addition to \$31,865,518 of depreciation expense for prior years.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 3. CAPITAL ASSETS (CONTINUED)**

**Construction Work in Progress**

A summary of the changes in construction work in progress during the year ended June 30, 2014 is as follows:

Project	Balance June 30, 2013	Project Additions	Close-Out/ Deletions	Balance June 30, 2014
AIP 50	\$ 956,227	\$ -	\$ (956,227)	\$ -
AIP 51	474,747	28,847	(503,594)	-
AIP 53	636,951	-	(636,951)	-
AIP 54	4,230,751	310,887	-	4,541,638
AIP 56	275,437	1,883,837	-	2,159,274
AIP 57	-	312,118	-	312,118
AVMAX Phase II	154,039	-	-	154,039
AVMAX Phase IV	97,215	-	-	97,215
AVMAX Apron	92,072	-	-	92,072
AVMAX Hangar Phase I	-	75,134	-	75,134
Design Runway 16/24	-	320,358	-	320,358
Miscellaneous projects	15,538	39,905	-	55,443
SRE	18,224	218,918	-	237,142
Taxiway Fixtures	85,949	-	-	85,949
Terminal Expansion	620,613	974,183	-	1,594,796
Terminal/Parking Lot Expansion	705,984	138,577	-	844,561
TIF program	19,850	-	-	19,850
	<u>\$ 8,383,597</u>	<u>\$ 4,302,764</u>	<u>\$ (2,096,772)</u>	<u>\$ 10,589,589</u>

The Airport Improvement Program (AIP) work in progress project additions include expenditures of \$223,790 from Airport Authority funds and \$2,311,899 from FAA funds. AIP work in progress project close-out/deletions consist of transfers to Capital Assets totaling \$2,096,772.

**NOTE 4. NET INVESTMENT IN LEASE**

On November 9, 1999 the Airport Authority entered into a direct financing lease with Federal Express Corporation to lease airport land, building, and premises for a term of twenty years beginning June 1, 2000. Federal Express Corporation has the right to renew the lease for three successive renewal terms of sixty months each. The lease calls for monthly payments as follows:

Building	\$ 66,182
Ground (increases 3% on each annual anniversary date)	4,546
Ramp	<u>17,976</u>
	<u>\$ 88,704</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

**NOTE 4. NET INVESTMENT IN LEASE (CONTINUED)**

A schedule of the net investment in lease as of June 30, 2014 is as follows:

Total minimum lease payments	
receivable	\$ 6,324,970
Less: unearned revenue	<u>(1,324,276)</u>
Net investment in direct financing lease	<u>\$ 5,000,694</u>

A schedule of minimum lease payments is as follows:

	<u>Building</u>	<u>Ground</u>	<u>Ramp</u>	<u>Total</u>
2015	\$ 794,179	\$ 54,688	\$ 215,715	\$ 1,064,582
2016	794,179	56,328	215,715	1,066,222
2017	794,179	58,018	215,715	1,067,912
2018	794,179	59,759	215,715	1,069,653
2019	794,179	61,551	215,715	1,071,445
Thereafter	<u>729,447</u>	<u>57,970</u>	<u>197,739</u>	<u>985,156</u>
	<u>\$ 4,700,342</u>	<u>\$ 348,314</u>	<u>\$ 1,276,314</u>	<u>\$ 6,324,970</u>

**NOTE 5. LONG-TERM DEBT**

On May 19, 2011, long-term financing from U.S. Bank National Association was obtained. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate from 4.19% to 2.46% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$6,595,036. This obligation (Series 2013A) calls for principal of \$6,620,650 to be repaid with variable monthly payments ranging from \$59,000 to \$78,300 for 93 months. The balance of this note payable at June 30, 2014 is \$5,973,450.

On September 4, 2003, long-term financing to be used toward the Apron project was obtained from Wells Fargo Brokerage Services, which was refinanced on July 29, 2013 to reduce the interest rate from 5.38% to 2.46% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$3,191,761. This obligation (Series 2013B) calls for principal of \$3,335,600 to be repaid with variable monthly payments ranging from \$28,250 to \$37,950 for 96 months. The balance of this note payable at June 30, 2014 is \$3,024,350.

On October 27, 2009, long-term financing to be used toward the construction of a carwash facility was obtained from Wells Fargo Brokerage Services. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate from 6.58% to 4.58% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$1,098,514. This obligation (Series 2013C) calls for principal of \$1,103,800 to be repaid with variable monthly payments ranging from \$4,550 to \$10,550 for 132 months. The balance of this note payable at June 30, 2014 is \$1,041,200.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

**NOTE 5. LONG-TERM DEBT (CONTINUED)**

On July 29, 2013, new long-term financing to be used for construction of the SRE building was obtained from Wells Fargo Brokerage Services. This obligation (Series 2013D) calls for principal of \$814,200 to be repaid with variable monthly payments ranging from \$5,200 to \$7,800 for 120 months, with interest at 2.73% per annum. The balance of this note payable at June 30, 2014 is \$754,700.

On September 4, 2003, long-term financing to be used toward the Terminal project was obtained from Wells Fargo Brokerage Services, which was refinanced on September 20, 2013 to reduce the interest rate from 5.44% to 2.92% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$3,055,778. This obligation (Series 2013E) calls for principal of \$3,170,300 to be repaid with variable monthly payments ranging from \$21,000 to \$29,600 for 120 months. The balance of this note payable at June 30, 2014 is \$2,983,650.

On March 30, 2007, long-term financing to be used toward the Avmax hangar remodel was obtained from the Montana Board of Investments. This obligation calls for principal of \$1,070,612 to be repaid with monthly payments of \$7,003 for 240 months, with interest at 4.89% per annum. The balance of this note payable at June 30, 2014 is \$795,782.

On October 1, 2008, long-term financing to be used toward the Avmax hangar remodel was obtained from the Montana Board of Investments. This obligation calls for principal of \$1,288,605 to be repaid with monthly payments of \$9,187 for 240 months, with interest at 5.95% per annum. The balance of this note payable at June 30, 2014 is \$1,061,140.

**Long-term Debt Transactions**

The following is a summary of long-term debt transactions of the Airport Authority for the fiscal year ended June 30, 2014:

Note payable to:	(Restated) Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Wells Fargo Brokerage	\$ 3,191,761	\$ -	\$ (3,191,761)	\$ -	\$ -
Wells Fargo Brokerage	3,055,778	-	(3,055,778)	-	-
Montana Board of Investments	839,722	-	(43,940)	795,782	45,953
Montana Board of Investments	1,106,755	-	(45,615)	1,061,140	48,295
Wells Fargo Brokerage	1,098,514	-	(1,098,514)	-	-
U.S. Bank National Association	6,595,036	-	(6,595,036)	-	-
Wells Fargo-Fedex Note Series 2013A	-	6,620,850	(647,400)	5,973,450	801,300
Wells Fargo-Apron Note Series 2013B	-	3,335,600	(311,250)	3,024,350	385,450
Wells Fargo-Car Rental Note Series 2013C	-	1,103,800	(62,600)	1,041,200	80,350
Wells Fargo-SRE Note Series 2013D	-	814,250	(59,550)	754,700	74,100
Wells Fargo-Terminal Note Series 2013E	-	3,178,200	(194,550)	2,983,650	277,100
	<u>\$ 15,887,566</u>	<u>\$ 15,052,700</u>	<u>\$ (15,305,994)</u>	<u>\$ 15,634,272</u>	<u>\$ 1,712,548</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

**NOTE 5. LONG-TERM DEBT (CONTINUED)**

**Requirement to Amortize Debt**

The annual debt service requirements to maturity for long-term debt outstanding as of June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,712,548	\$ 456,265	\$ 2,168,813
2016	1,760,501	408,312	2,168,813
2017	1,811,941	357,085	2,169,026
2018	1,863,800	305,162	2,168,962
2019	1,917,189	251,629	2,168,818
2020-2024	5,887,940	551,023	6,438,963
2025-2029	680,353	74,961	755,314
	<u>\$ 15,634,272</u>	<u>\$ 2,404,437</u>	<u>\$ 18,038,709</u>

**NOTE 6. SERVICE CONCESSION ARRANGEMENT**

The Airport Authority has entered into a concession agreement expiring September 30, 2015 with Republic Parking System, Inc. (RPS) to operate the Airport Authority's public parking facility located in and about the main terminal at Great Falls International Airport (the Airport). The Airport Authority entered into the arrangement as a means to provide parking facilities to members of the public visiting the Airport in a more efficient, cost-effective manner.

The terms of the agreement include:

- RPS shall use the facility solely to operate a public parking facility at the Airport for incoming/outgoing passengers using the Airport during the term of the agreement.
- The Airport Authority retains the right to further develop, modify, and improve the area currently used for public parking at the Airport during the agreement term.
- RPS is responsible for parking lot maintenance while the Airport Authority is responsible for structural modifications and substantial repairs.
- The Airport Authority and RPS have mutually agreed to the parking rates charged for use of the facility during the term of the agreement and rate changes shall go into effect only when approved by the Airport Authority.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014

**NOTE 6. SERVICE CONCESSION ARRANGEMENT (CONTINUED)**

Under the terms of the agreement, RPS is required to pay the Airport Authority as follows:

Fiscal Year Ended	Minimum Annual Guarantee	Percentage of Annual Gross Receipts (calculated for the contract years ended September 30)
June 30, 2013	\$400,000	50% of RPS's annual gross receipts >\$ 0 but <\$ 150,000
June 30, 2014	\$400,000	70% of RPS's annual gross receipts >\$ 150,000 but <\$ 200,000
June 30, 2015	\$400,000	80% of RPS's annual gross receipts >\$ 200,000 but <\$ 300,000
June 30, 2016	\$100,000	91% of RPS's annual gross receipts >\$1,200,000

The facility is reported by the Airport Authority as a capital asset of \$2,093,307 and is being depreciated over its useful life. For the amount to be received under the agreement, the Airport Authority has recorded a receivable and deferred inflow of resources in the amount of \$500,000. The deferred inflow of resources will be amortized to revenue over the term of the agreement.

**NOTE 7. PASSENGER FACILITY CHARGES (PFC)**

Changes in the passenger facility charges account for the year ended June 30, 2014 are as follows:

Balance at beginning of year	\$ (2,274,250)
Additions:	
Collections from carriers	778,947
Interest	<u>1</u>
Balance at end of year	<u>\$ (1,495,302)</u>

The PFC account owes the Surplus account \$1,504,247 as of June 30, 2014. These funds will be repaid monthly as PFC revenues are collected. A total of \$773,000 was repaid to the Surplus account during the current fiscal year. The inter-account balances have been eliminated in the accompanying financial statements.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 8. NET INVESTMENT IN CAPITAL ASSETS**

Changes in the net position category of "net investment in capital assets" for the year ended June 30, 2014, are as follows:

**Capital assets**

Balance at beginning of year, as restated	\$ 78,398,949
Additions:	
Transfers from Work in Progress account and acquisition of capital assets	2,518,368
Deductions:	
Depreciation expense	<u>(5,662,957)</u>
Balance at end of year	<u>75,254,360</u>

**Construction work in progress**

Balance at beginning of year	8,383,597
Additions:	
Contributions - Airport funds	1,990,700
FAA grants	2,312,064
Deductions:	
Projects closed and transferred to fixed assets	<u>(2,096,772)</u>
Balance at end of year	<u>10,589,589</u>

**Net investment in lease**

Balance at beginning of year	5,638,037
Deductions:	
Principal payments received	<u>(637,343)</u>
Balance at end of year	<u>5,000,694</u>

**Related debt**

Balance at beginning of year	(15,887,566)
Additions:	
Loan proceeds	(15,052,700)
Deductions:	
Principal payments	<u>15,305,994</u>
Balance at end of year	<u>(15,634,272)</u>

Net investment in capital assets at June 30, 2014	<u>\$ 75,210,371</u>
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GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

**NOTE 9. RESTRICTED NET POSITION**

Restricted net position at June 30, 2014 consists of the following:

Restricted for passenger facility charges	\$ 8,945
Restricted bond proceeds held in a Wells Fargo Bank account to be used for Snow Removal Equipment building costs	<u>686,905</u>
	<u>\$ 695,850</u>

**NOTE 10. RETIREMENT PLANS**

The Airport Authority participates in the following retirement plan:

**Plan Description**

*Public Employees' Retirement System (PERS)*

All employees of the Airport Authority that work the equivalent of 120 working days or more in any fiscal year participate in the Public Employees' Retirement System (PERS). The PERS is a statewide retirement plan established in 1945 and is governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated providing retirement services for substantially all public employees. The PERS is a mandatory multiple-employer, cost sharing plan administered by the Public Employees' Retirement Division (PERD), consisting of a defined benefit plan and a defined contribution plan. New employees to the system have twelve months to decide whether to participate in the defined contribution plan or the defined benefit plan. If an election is not made within the twelve months, the employee must then participate in the defined benefit plan.

The 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 1/56 times the number of years of service times the highest average salary for employees with less than 25 years of service or 1/50 times the number of years of service times the highest average salary for those employees with at least 25 years of service. Members' rights become vested after five years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

The PERS financial information is reported in the Public Employees' Retirement Board's published "Comprehensive Annual Financial Report" for the fiscal year end. It is available from PERD at 1712 Ninth Avenue, P.O. Box 200131, Helena, MT 59620-0131, 406-444-3154.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014

**NOTE 10. RETIREMENT PLANS (CONTINUED)**

**Funding Policy**

Authority to establish and amend contribution rates to the plan:	State legislature
Required plan member contributions:	7.9% of monthly compensation
Required employer contributions:	8.07% of monthly compensation
Required state contributions:	.10% of monthly compensation

Required employer contributions received and % of required amount:

June 30, 2014	\$ 54,074 100%
June 30, 2013	\$ 44,537 100%
June 30, 2012	\$ 43,818 100%

On-behalf payments made by the State of Montana totaled \$670 for the year ended June 30, 2014.

**NOTE 11. RISK MANAGEMENT**

The Airport Authority faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability (i.e. errors and omissions), environmental damage, workers' compensation (i.e. employee injuries), and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. During the year ended June 30, 2014, the Airport Authority, based on eligibility, qualified and acquired insurance coverage of \$1,000,000 through the State of Montana Petroleum Release Compensation Fund (PTRCB) for environmental damages. If a claim were to occur, the co-payment liability for the Airport Authority is \$17,500 under the Montana Certificate of Financial Responsibility. The Airport Authority participates in the workers' compensation program administered by the State of Montana. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

**NOTE 12. MAJOR CUSTOMERS**

During the year ended June 30, 2014, revenue from four air carriers and four concessionaires amounted to \$2,503,964, and represents 67% of total operating revenue. Accounts receivable for these four major air carriers amounted to \$28,463 or 32% of other accounts receivable in aggregate as of June 30, 2014.

Accounts receivable for the four major concessionaires amounted to \$1,039,707 or 98%, (of which \$500,000, or 48%, represents the Republic Parking concession contract receivable (refer to Note 6) of concessionaires' accounts receivable in aggregate as of June 30, 2014. Generally, all but one of the four major concessionaires are invoiced monthly and had current balances as of June 30, 2014.

**NOTE 13. PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2014, the Airport Authority corrected the calculation of depreciation of the cost of capital assets acquired with federal funds. Previously, the Airport Authority had been following the guidance provided in Code of Federal Regulations, Title 2, Chapter II, Part 200, paragraph 200.436, as directed by the Federal Aviation Administration. Such guidance specified no depreciation of the cost of capital assets acquired with federal funds should be calculated and charged against a federal grant until a twenty-year period (grant assurance obligation period) had passed. This method of calculating depreciation was not in accordance with GAAP. The correction in the depreciation calculation as of July 1, 2012 resulted in an increase in accumulated depreciation and decrease in beginning net position of \$31,865,518, and in increase in depreciation expense of \$3,713,071 for the year ended June 30, 2013.

**NOTE 14. RELATED PARTIES**

During the year ended June 30, 2014, construction of a Snow Removal Equipment Storage Building was bid for the Airport Authority through a third party consultant, CH2M Hill, in accordance with the Airport Authority's existing procurement and conflict of interest policies. Part of the project was awarded to the lowest bidder, James Talcott Construction, Inc. During the year ended June 30, 2014, the Airport Authority's Chairman of the Board is the president/owner of James Talcott Construction, Inc., Brad Talcott. Recognizing the related party relationship, the Airport Authority exercised due diligence for all payments and transactions relating to the project. All documents and checks were co-signed by the Vice Chairperson of the Board, Debra Evans. Brad Talcott abstained from voting on the consent agenda and related transactions to the project. During the year ended June 30, 2014, the Airport Authority paid James Talcott Construction, Inc. a total of \$1,221,521 (Refer to Note 3 – Construction Work in Progress). The project is expected to be finished by June 30, 2015.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

**NOTE 15. SUBSEQUENT EVENT**

On October 28, 2014, the Airport Authority approved a six year extension of RPS's concession agreement to operate the Airport Authority's public parking facility. The new agreement expires September 30, 2021. Terms of the extension include RPS managing and funding the construction of a new toll plaza. The estimated project costs are \$400,000. The minimum annual guarantee RPS must pay the Airport Authority each year will increase to \$600,000 during the last year of the current contract ending September 30, 2015 and for the first four years of the extended contract. The minimum annual guarantee will increase to \$750,000 for the last two years of the extended contract.

SUPPLEMENTAL SCHEDULES

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES  
OPERATING ACCOUNT - BUDGET AND ACTUAL  
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Landing fees			
Airlines - itinerant - non-signator	\$ 30,799	\$ 17,377	\$ (13,422)
Mail carrier/cargo - signator	148,857	174,449	25,592
Mail carriers/cargo - non-signatory	80,533	62,773	(17,760)
Passenger airlines - signator	237,431	231,219	(6,212)
Passenger airlines - non-signatory - scheduled	<u>95,078</u>	<u>93,068</u>	<u>(2,010)</u>
Total landing fees	<u>592,698</u>	<u>578,886</u>	<u>(13,812)</u>
Fuel flowage fees			
Fixed base operators	<u>39,300</u>	<u>21,769</u>	<u>(17,531)</u>
Concession fees			
Advertising	45,000	45,500	500
ATM income	10,000	7,679	(2,321)
Auto parking	1,175,000	951,953	(223,047)
Rental car concessions - MAG/CFC	951,000	869,759	(81,241)
Food and alcoholic beverages	70,000	65,610	(4,390)
Gift shops	15,000	21,937	6,937
Internet kiosk	<u>4,000</u>	<u>4,260</u>	<u>260</u>
Total concession fees	<u>2,270,000</u>	<u>1,966,698</u>	<u>(303,302)</u>
Space rentals			
Airlines	553,387	536,352	(17,035)
Concessionaires	<u>35,000</u>	<u>33,530</u>	<u>(1,470)</u>
Total space rentals	<u>588,387</u>	<u>569,882</u>	<u>(18,505)</u>
Miscellaneous rentals			
Agricultural land income	5,080	880	(4,200)
Allegiant and Frontier per turn/office space	72,046	73,784	1,738
Badge income	5,000	5,006	6
Building rental	74,040	77,041	3,001
Fuel farm license fees	25,704	25,703	(1)
Gate rental	1,000	856	(144)
Ground rental	303,300	307,115	3,815
Hangar rental	50,986	50,986	-
Loading bridge fees	48,580	40,596	(7,984)
Ramp rental	<u>900</u>	<u>900</u>	<u>-</u>
Total miscellaneous rentals	<u>586,636</u>	<u>582,867</u>	<u>(3,769)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)  
OPERATING ACCOUNT - BUDGET AND ACTUAL  
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES (CONTINUED)</b>			
Reimbursed security costs	39,500	32,780	(6,720)
Reimbursed utilities costs	<u>8,600</u>	<u>8,600</u>	<u>-</u>
Total reimbursed expenses	<u>48,100</u>	<u>41,380</u>	<u>(6,720)</u>
Total operating revenues	<u>4,125,121</u>	<u>3,761,482</u>	<u>(363,639)</u>
<b>NON-OPERATING REVENUES</b>			
Investment income - operating account	41,000	42,977	1,977
Miscellaneous non-operating revenues	<u>-</u>	<u>20,075</u>	<u>20,075</u>
Total non-operating revenues	<u>41,000</u>	<u>63,052</u>	<u>22,052</u>
Total revenue	<u>4,166,121</u>	<u>3,824,534</u>	<u>(341,587)</u>
<b>OPERATING EXPENSES</b>			
Personnel services			
Salaries and wages			
Director benefit	7,524	7,469	55
Overtime	15,000	21,081	(6,081)
Regular	<u>670,000</u>	<u>669,075</u>	<u>925</u>
Total salaries and wages	<u>692,524</u>	<u>697,625</u>	<u>(5,101)</u>
Employee fringe benefits			
FICA/Medicare	50,873	50,042	831
Health and life insurance	129,245	131,619	(2,374)
Public employees retirement	48,238	54,935	(6,697)
Unemployment	3,071	3,134	(63)
Vehicle lease	7,200	6,000	1,200
Workers' compensation	<u>22,232</u>	<u>17,480</u>	<u>4,752</u>
Total employee fringe benefits	<u>260,859</u>	<u>263,210</u>	<u>(2,351)</u>
Total personnel services	<u>953,383</u>	<u>960,835</u>	<u>(7,452)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)  
OPERATING ACCOUNT - BUDGET AND ACTUAL  
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING EXPENSES (CONTINUED)			
Contractual services			
Utilities			
Electricity	338,550	315,674	22,876
Gas	125,000	110,160	14,840
Internet services	15,000	14,027	973
Refuse disposal	5,900	5,175	725
Telephone	16,000	13,589	2,411
Water and sewer	<u>31,080</u>	<u>31,488</u>	<u>(408)</u>
Total utilities	<u>531,530</u>	<u>490,113</u>	<u>41,417</u>
Repairs and maintenance			
Equipment	58,000	72,506	(14,506)
Jet bridges	9,200	5,794	3,406
Minor equipment and tools	<u>10,880</u>	<u>8,832</u>	<u>2,048</u>
Total repairs and maintenance	<u>78,080</u>	<u>87,132</u>	<u>(9,052)</u>
Professional services			
Accounting fees	11,500	10,350	1,150
Consulting fees	35,000	44,346	(9,346)
Insurance	77,280	72,783	4,497
Janitorial contract	86,680	89,041	(2,361)
Legal fees	12,000	3,418	8,582
Marketing	135,032	140,954	(5,922)
Other professional fees	10,100	-	10,100
Recruiting	500	-	500
Security services	<u>180,000</u>	<u>177,764</u>	<u>2,236</u>
Total professional services	<u>548,092</u>	<u>538,656</u>	<u>9,436</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)  
OPERATING ACCOUNT - BUDGET AND ACTUAL  
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING EXPENSES (CONTINUED)</b>			
Other expenses			
Advertising and promotional expenses	2,000	596	1,404
Board meeting/member expense	2,000	696	1,304
Drug tests and physical exams	800	393	407
Dues and subscriptions	5,000	4,500	500
Employee recognition	4,000	5,960	(1,960)
Equipment rental	2,500	205	2,295
Licenses, permits, and inspection fees	6,000	6,528	(528)
Street maintenance assessments	8,500	4,720	3,780
Travel, training, and education	40,000	19,633	20,367
U.S. Customs building lease	<u>49,736</u>	<u>58,025</u>	<u>(8,289)</u>
Total other expenses	<u>120,536</u>	<u>101,256</u>	<u>19,280</u>
Total contractual services	<u>1,278,238</u>	<u>1,217,157</u>	<u>61,081</u>
Materials and supplies			
Agricultural supplies	5,000	4,589	411
Broom fill and poly blades	21,400	19,299	2,101
Cleaning and janitorial supplies	23,300	26,841	(3,541)
Electrical, plumbing, and hardware	27,000	31,763	(4,763)
Equipment, parts, and supplies	30,000	19,988	10,012
Fire fighting supplies	8,750	8,026	724
Fuel, oil, and lubricants	62,000	94,909	(32,909)
Lawn/landscaping	8,500	6,277	2,223
Minor equipment and tools	10,000	10,247	(247)
Office materials and supplies	7,200	7,543	(343)
Other materials and supplies	19,000	18,301	699
Paints, chemicals, and gases	12,000	12,146	(146)
Paving supplies	4,000	4,858	(858)
Security supplies	5,000	3,306	1,694
Uniform allowance	<u>1,200</u>	<u>815</u>	<u>385</u>
Total materials and supplies	<u>244,350</u>	<u>268,908</u>	<u>(24,558)</u>
Total operating expenses	<u>2,475,971</u>	<u>2,446,900</u>	<u>29,071</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES  
OPERATING ACCOUNT - BUDGET AND ACTUAL (CONTINUED)  
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
NON-OPERATING EXPENSES			
Depreciation	5,662,957	5,662,957	-
Amortization	180,731	180,731	-
Interest expense	<u>563,837</u>	<u>435,862</u>	<u>127,975</u>
Total non-operating expenses	<u>6,407,525</u>	<u>6,279,550</u>	<u>127,975</u>
Total expenses	<u>8,883,496</u>	<u>8,726,450</u>	<u>157,046</u>
Net loss	<u>\$ (4,717,375)</u>	<u>\$ (4,901,916)</u>	<u>\$ (184,541)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY/COST CENTER OPERATING SCHEDULE  
Year Ended June 30, 2014

	<u>Total Airport</u>	<u>Landing Area</u>	<u>Terminal Building</u>	<u>Aeronautical Area</u>	<u>Non-Aeronautical</u>
Operating revenue less reimbursed security costs and AFSS expenses	\$ 3,728,702	\$ 626,358	\$ 2,725,475	\$ 248,219	\$ 128,650
Expenses					
Direct expenses					
Personnel services	410,100	396,116	699	-	13,285
Contractual services	870,963	179,460	605,902	12,771	72,830
Materials and supplies	<u>235,834</u>	<u>169,078</u>	<u>59,943</u>	<u>-</u>	<u>6,813</u>
<b>TOTAL DIRECT EXPENSES</b>	<u>1,516,897</u>	<u>744,654</u>	<u>666,544</u>	<u>12,771</u>	<u>92,928</u>
Allocated expenses					
Administration	1,210,567	423,699	423,698	181,585	181,585
ARFF services	31,913	17,552	9,574	2,553	2,234
Security services	<u>27,553</u>	<u>8,265</u>	<u>13,777</u>	<u>1,378</u>	<u>4,133</u>
<b>TOTAL ALLOCATED EXPENSES</b>	<u>1,270,033</u>	<u>449,516</u>	<u>447,049</u>	<u>185,516</u>	<u>187,952</u>
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<u>2,786,930</u>	<u>1,194,170</u>	<u>1,113,593</u>	<u>198,287</u>	<u>280,880</u>
Net income (loss) before depreciation and amortization	941,772	(567,812)	1,611,882	49,932	(152,230)
Depreciation and amortization	<u>(5,843,688)</u>	<u>(4,087,263)</u>	<u>(871,962)</u>	<u>(537,879)</u>	<u>(346,584)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (4,901,916)</u>	<u>\$ (4,655,075)</u>	<u>\$ 739,920</u>	<u>\$ (487,947)</u>	<u>\$ (498,814)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 LANDING AREA  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
<b>REVENUE</b>		
Landing fees		
Airlines - itinerant - non-signator	\$ 17,377	\$ 29,149
Mail carrier/cargo - signator	174,449	146,468
Mail carriers/cargo - non-signatory	62,773	64,990
Passenger airlines - signator	231,219	221,848
Passenger airlines - nonsignatory - scheduled	<u>93,068</u>	<u>92,078</u>
Total landing fees	<u>578,886</u>	<u>554,533</u>
Fuel flowage fees		
Fixed base operators	21,769	32,226
Fuel farm license fees	<u>25,703</u>	<u>25,704</u>
Total fuel flowage fees	<u>47,472</u>	<u>57,930</u>
Total revenue	<u>626,358</u>	<u>612,463</u>
<b>EXPENSES</b>		
Direct expenses		
Personnel services		
Employee fringe benefits	103,307	91,116
Salaries and benefits	<u>292,809</u>	<u>279,896</u>
Total personnel expenses	<u>396,116</u>	<u>371,012</u>
Contractual services		
Utilities		
Electricity	43,709	40,868
Gas	<u>2,162</u>	<u>1,636</u>
Total utilities	<u>45,871</u>	<u>42,504</u>
Repairs and maintenance		
Equipment	25,595	30,635
Other contractual services	2,724	4,377
Radios	<u>5,794</u>	<u>4,600</u>
Total repairs and maintenance	<u>34,113</u>	<u>39,612</u>
Professional services		
Insurance	39,782	39,467
Security services	<u>55,996</u>	<u>54,425</u>
Total professional services	<u>95,778</u>	<u>93,892</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 LANDING AREA  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Other expenses		
Drug tests and physical exams	490	384
Equipment rental	205	332
Licenses, permits, and inspection fees	1,993	1,240
Travel, training, and education	<u>1,010</u>	<u>84</u>
Total other expenses	<u>3,698</u>	<u>2,040</u>
Total contractual services	<u>179,460</u>	<u>178,048</u>
Materials and supplies		
Agricultural supplies	4,309	7,368
Electrical, plumbing, and hardware	16,798	18,345
Equipment, parts, and supplies	37,243	42,637
Fire fighting supplies	195	-
Fuel, oil, and lubricants	86,698	62,880
Minor equipment and tools	10,069	2,158
Other materials and supplies	6,966	10,124
Paints, chemicals, and gases	6,800	65,489
Paving supplies	-	31
Security supplies	<u>-</u>	<u>(70)</u>
Total materials and supplies	<u>169,078</u>	<u>208,962</u>
Total direct expenses	<u>744,654</u>	<u>758,022</u>
Allocated expenses		
Administration	423,699	444,483
ARFF services	17,552	21,185
Security services	<u>8,265</u>	<u>3,995</u>
Total allocated expenses	<u>449,516</u>	<u>469,663</u>
Total expenses before depreciation	<u>1,194,170</u>	<u>1,227,685</u>
Net loss before depreciation	<u>(567,812)</u>	<u>(615,222)</u>
Depreciation		
Allocated	136,978	76,983
Direct	<u>3,950,285</u>	<u>3,339,088</u>
Total depreciation	<u>4,087,263</u>	<u>3,416,071</u>
Net loss	<u>\$ (4,655,075)</u>	<u>\$ (4,031,293)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 TERMINAL BUILDING  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	2013 <u>(As restated)</u>
<b>REVENUE</b>		
Concession fees		
ATM income	\$ 7,679	\$ 7,858
Advertising	45,500	44,504
Auto parking	951,953	934,294
Rental car concessions - CFC	200,061	212,870
Rental car concessions - MAG	669,698	617,753
Food and alcoholic beverages	65,610	48,391
Gift shops	21,937	16,456
Ground rental	32,514	32,927
Miscellaneous	<u>44,856</u>	<u>24,852</u>
Total concession fees	<u>2,039,808</u>	<u>1,939,905</u>
Space rentals		
Airlines	536,352	471,677
Concessionaires	<u>33,530</u>	<u>34,833</u>
Total space rentals	<u>569,882</u>	<u>506,510</u>
Miscellaneous rentals		
Building rental	42,001	41,962
Office rental	<u>73,784</u>	<u>85,568</u>
Total miscellaneous rentals	<u>115,785</u>	<u>127,530</u>
Total revenue	<u>2,725,475</u>	<u>2,573,945</u>
<b>EXPENSES</b>		
Direct expenses		
Personnel services		
Employee fringe benefits	<u>699</u>	<u>656</u>
Total personnel services	<u>699</u>	<u>656</u>
Contractual services		
Utilities		
Electricity	242,475	225,645
Gas	90,095	103,550
Refuse disposal	5,175	5,185
Water and sewer	<u>26,145</u>	<u>24,869</u>
Total utilities	<u>363,890</u>	<u>359,249</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES (CONTINUED)  
 TERMINAL BUILDING  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Repairs and maintenance		
Equipment	36,048	33,772
Minor equipment and tools	1,106	1,500
Other contractual services	<u>2,134</u>	<u>1,072</u>
Total repairs and maintenance	<u>39,288</u>	<u>36,344</u>
Professional services		
Insurance	17,864	17,376
Janitorial contract	89,041	81,141
Marketing	-	98
Security services	<u>95,429</u>	<u>92,436</u>
Total professional services	<u>202,334</u>	<u>191,051</u>
Other expenses		
Equipment rental	-	700
Licenses, permits, and inspection fees	<u>390</u>	<u>-</u>
Total other expenses	<u>390</u>	<u>700</u>
Total contractual services	<u>605,902</u>	<u>587,344</u>
Materials and supplies		
Agricultural supplies	280	120
Cleaning and janitorial supplies	26,168	17,964
Electrical, plumbing, and hardware	14,965	12,627
Equipment, parts, and supplies	1,634	2,000
Minor equipment and tools	78	457
Other materials and supplies	11,472	14,086
Paints, chemicals, and gases	<u>5,346</u>	<u>11,911</u>
Total materials and supplies	<u>59,943</u>	<u>59,165</u>
Total direct expenses	<u>666,544</u>	<u>647,165</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES (CONTINUED)  
 TERMINAL BUILDING  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	2013 <u>(As restated)</u>
EXPENSES (CONTINUED)		
Allocated expenses		
Administration	423,698	444,484
ARFF services	9,574	11,556
Security services	<u>13,777</u>	<u>6,659</u>
Total allocated expenses	<u>447,049</u>	<u>462,699</u>
Total expenses before depreciation	<u>1,113,593</u>	<u>1,109,864</u>
Net income before depreciation	<u>1,611,882</u>	<u>1,464,081</u>
Depreciation		
Allocated	115,008	53,868
Direct	<u>756,954</u>	<u>771,072</u>
Total depreciation	<u>871,962</u>	<u>824,940</u>
Net income	<u>\$ 739,920</u>	<u>\$ 639,141</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 AERONAUTICAL AREA  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	2013 <u>(As restated)</u>
<b>REVENUE</b>		
Building rental	\$ 840	\$ 840
Gate rental	856	1,284
Ground rental	186,037	184,137
Hangar rental	50,986	50,986
Ramp rental	900	900
Reimbursed costs - utilities	<u>8,600</u>	<u>8,600</u>
Total revenue	<u>248,219</u>	<u>246,747</u>
<b>EXPENSES</b>		
Direct expenses		
Contractual services		
Utilities		
Electricity	3,268	3,069
Water and sewer	<u>940</u>	<u>1,726</u>
Total utilities	<u>4,208</u>	<u>4,795</u>
Professional services		
Security services	<u>8,563</u>	<u>8,639</u>
Total professional services	<u>8,563</u>	<u>8,639</u>
Total contractual services	<u>12,771</u>	<u>13,434</u>
Total direct expenses	<u>12,771</u>	<u>13,434</u>
Allocated expenses		
Administration	181,585	190,493
ARFF services	2,553	3,082
Security services	<u>1,378</u>	<u>666</u>
Total allocated expenses	<u>185,516</u>	<u>194,241</u>
Total expenses before depreciation	<u>198,287</u>	<u>207,675</u>
Net income before depreciation	<u>49,932</u>	<u>39,072</u>
Depreciation		
Allocated	44,054	17,219
Direct	<u>493,825</u>	<u>494,572</u>
Total depreciation	<u>537,879</u>	<u>511,791</u>
Net loss	<u>\$ (487,947)</u>	<u>\$ (472,719)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 NON-AERONAUTICAL AREA  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
<b>REVENUE</b>		
Agricultural land income	\$ 880	\$ 9,316
Badge income	5,006	5,662
Building rental	34,200	34,200
Ground rental	<u>88,564</u>	<u>77,047</u>
Total revenue	<u>128,650</u>	<u>126,225</u>
<b>EXPENSES</b>		
Direct expenses		
Personnel services		
Employee fringe benefits	<u>13,285</u>	<u>14,246</u>
Total personnel services	<u>13,285</u>	<u>14,246</u>
Contractual services		
Utilities		
Electricity	25,997	26,059
Gas	17,903	19,132
Water and sewer	<u>4,403</u>	<u>3,822</u>
Total utilities	<u>48,303</u>	<u>49,013</u>
Professional services		
Insurance	5,560	5,560
Security services	<u>17,776</u>	<u>17,278</u>
Total professional services	<u>23,336</u>	<u>22,838</u>
Other expenses		
Drug tests and physical exams	(147)	431
Licenses, permits, and inspection fees	<u>1,338</u>	<u>1,338</u>
Total other expenses	<u>1,191</u>	<u>1,769</u>
Total contractual services	<u>72,830</u>	<u>73,620</u>
Materials and supplies		
Other materials and supplies	<u>6,813</u>	<u>4,998</u>
Total materials and supplies	<u>6,813</u>	<u>4,998</u>
Total direct expenses	<u>92,928</u>	<u>92,864</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES (CONTINUED)  
 NON-AERONAUTICAL AREA  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	2013 <u>(As restated)</u>
Allocated expenses		
Administration	181,585	190,493
ARFF services	2,234	2,696
Security services	<u>4,133</u>	<u>1,998</u>
Total allocated expenses	<u>187,952</u>	<u>195,187</u>
Total expenses before depreciation	<u>280,880</u>	<u>288,051</u>
Net income before depreciation	<u>(152,230)</u>	<u>(161,826)</u>
Depreciation		
Allocated	43,613	16,918
Direct	<u>302,971</u>	<u>642,723</u>
Total depreciation	<u>346,584</u>	<u>659,641</u>
Net loss	<u>\$ (498,814)</u>	<u>\$ (821,467)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 SCHEDULE OF ALLOCATED EXPENSES  
 Year Ended June 30, 2014

	<u>Total Airport</u>		<u>Landing Area</u>		<u>Terminal Building</u>		<u>Aeronautical Area</u>		<u>Non-Aeronautical Area</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Allocated expense before depreciation and amortization										
Administration	\$ 1,210,567	100%	\$ 423,699	35%	\$423,698	35%	\$181,585	15%	\$181,585	15%
Security services	27,553	100%	8,265	30%	13,777	50%	1,378	5%	4,133	15%
ARFF services	<u>31,913</u>	<u>100%</u>	<u>17,552</u>	<u>55%</u>	<u>9,574</u>	<u>30%</u>	<u>2,553</u>	<u>8%</u>	<u>2,234</u>	<u>7%</u>
Total allocated expense before depreciation and amortization	<u>\$ 1,270,033</u>	<u>100%</u>	<u>\$ 449,516</u>	<u>35%</u>	<u>\$447,049</u>	<u>35%</u>	<u>\$185,516</u>	<u>15%</u>	<u>\$187,952</u>	<u>15%</u>
Allocated depreciation and amortization										
Administration	243,204	100%	\$ 85,121	35%	\$ 85,121	35%	\$ 36,481	15%	\$ 36,481	15%
Security services	4,757	100%	1,426	30%	2,379	50%	238	5%	714	15%
ARFF services	<u>91,692</u>	<u>100%</u>	<u>50,431</u>	<u>55%</u>	<u>27,508</u>	<u>30%</u>	<u>7,335</u>	<u>8%</u>	<u>6,418</u>	<u>7%</u>
Total allocated depreciation and amortization	<u>\$ 339,653</u>	<u>100%</u>	<u>\$ 136,978</u>	<u>40%</u>	<u>\$ 115,008</u>	<u>34%</u>	<u>\$ 44,054</u>	<u>13%</u>	<u>\$ 43,613</u>	<u>13%</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 ADMINISTRATION  
 Year Ended June 30, 2014  
 (With comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u> <u>(As restated)</u>
<b>EXPENSES</b>		
Personnel services		
Employee fringe benefits	\$ 117,612	\$ 114,817
Salaries and wages	<u>355,772</u>	<u>358,868</u>
Total personnel services	<u>473,384</u>	<u>473,685</u>
Contractual services		
Utilities		
Electricity	225	265
Internet services	14,027	12,698
Telephone	<u>13,589</u>	<u>12,968</u>
Total utilities	<u>27,841</u>	<u>25,931</u>
Repairs and maintenance		
Equipment	10,863	6,662
Minor equipment and tools	<u>7,726</u>	<u>6,209</u>
Total repairs and maintenance	<u>18,589</u>	<u>12,871</u>
Professional services		
Accounting fees	10,350	11,600
Consulting fees	185,300	172,125
Insurance	8,030	10,472
Legal fees	<u>3,418</u>	<u>7,136</u>
Total professional services	<u>207,098</u>	<u>201,333</u>
Other expenses		
Advertising and promotional expenses	596	554
Board meeting/member expense	696	1,007
Drug tests and physical exams	50	-
Dues and subscriptions	4,500	4,285
Employee recognition	5,960	5,466
Licenses, permits, and inspection fees	2,807	3,438
Postage and freight	2,282	2,668
Street maintenance assessments	4,720	8,867
Travel, training, and education	18,623	29,899
U.S. Customs building lease	58,025	39,696
Vehicle lease	<u>6,000</u>	<u>6,000</u>
Total other expenses	<u>104,259</u>	<u>101,880</u>
Total contractual services	<u>357,787</u>	<u>342,015</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES (CONTINUED)  
 ADMINISTRATION  
 Year Ended June 30, 2014  
 (With comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
EXPENSES (CONTINUED)		
Materials and supplies		
Cleaning and janitorial supplies	-	108
Equipment, parts, and supplies	410	121
Minor equipment and tools	100	1,799
Office materials and supplies	5,261	5,770
Other materials and supplies	<u>815</u>	<u>1,103</u>
Total material and supplies	<u>6,586</u>	<u>8,901</u>
Total expenses before depreciation and amortization	<u>837,757</u>	<u>824,601</u>
NON-OPERATING (REVENUE) AND EXPENSES		
(Gain) loss on sale of assets	-	(30,805)
Interest expense	435,862	436,541
Interest on investments - operating account	(42,977)	(3,419)
Miscellaneous non-operating (revenue) expense	<u>(20,075)</u>	<u>43,035</u>
Total non-operating (revenue) and expenses	<u>372,810</u>	<u>445,352</u>
Net expense before depreciation and amortization allocated to primary cost centers	<u>\$ 1,210,567</u>	<u>\$ 1,269,953</u>
Depreciation and amortization allocated to primary cost centers	<u>\$ 243,204</u>	<u>\$ 60,335</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 SECURITY SERVICES  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u> (As restated)
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 16,244	\$ 15,598
Salaries and wages	<u>34,331</u>	<u>36,234</u>
Total personnel services	<u>50,575</u>	<u>51,832</u>
Contractual services		
Professional services:		
Insurance	<u>1,547</u>	<u>1,547</u>
Total professional services	<u>1,547</u>	<u>1,547</u>
Total contractual expenses	<u>1,547</u>	<u>1,547</u>
Materials and supplies		
Fuel, oil, and lubricants	8,211	12,431
Other materials and supplies	-	25
Security supplies	<u>-</u>	<u>89</u>
Total materials and supplies	<u>8,211</u>	<u>12,545</u>
Total expenses before depreciation	<u>60,333</u>	<u>65,924</u>
Less reimbursed security costs	<u>(32,780)</u>	<u>(52,606)</u>
Net expense before depreciation allocated to primary care cost centers	<u>\$ 27,553</u>	<u>\$ 13,318</u>
Depreciation allocated to primary care cost centers	<u>\$ 4,757</u>	<u>\$ 6,773</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 AIRCRAFT RESCUE AND FIRE FIGHTING  
 Year Ended June 30, 2014  
 (With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	2013 <u>(As restated)</u>
<b>EXPENSES</b>		
Personnel services		
Employee fringe benefits	\$ 6,063	\$ 5,841
Salaries and wages	<u>14,713</u>	<u>15,996</u>
Total personnel services	<u>20,776</u>	<u>21,837</u>
Contractual services		
Other expenses		
Travel, training, and education	<u>-</u>	<u>6</u>
Total other expenses	<u>-</u>	<u>6</u>
Total contractual expenses	<u>-</u>	<u>6</u>
Materials and supplies		
Firefighting supplies	7,831	7,769
Security supplies	<u>3,306</u>	<u>8,907</u>
Total materials and supplies	<u>11,137</u>	<u>16,676</u>
Total expenses before depreciation	<u>31,913</u>	<u>38,519</u>
Net expense before depreciation allocated to primary cost centers	<u>\$ 31,913</u>	<u>\$ 38,519</u>
Depreciation allocated to primary cost centers	<u>\$ 91,692</u>	<u>\$ 97,880</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF INSURANCE COVERAGE  
Year Ended June 30, 2014

**Basic Property Coverage**

Airport Authority properties are covered under Policy No. CPP1070545 by Cincinnati Insurance Company through July 1, 2014, covering property, machinery and boilers, contractors' equipment, and automobile liability up to the following amounts:

**Fire and Extended Coverage**

The Airport Authority's real and personal property is covered on a blanket basis in the aggregate amount of \$40,987,339 as per the schedule on file in the policy with a \$50,000 per loss deductible. The properties are covered for replacement coverage.

**Earthquake**

The Airport Authority's real and personal property are covered by a sub-limit of \$5,000,000 for the perils of earthquake and volcanic eruption, subject to a \$50,000 deductible.

**Equipment Coverage**

Equipment, as listed in the schedule on file with the company, is covered on a broad perils basis, including replacement cost coverage, with a \$40,987,339 limit per accident and \$50,000 per loss deductible.

**Contractors' Equipment**

The Airport Authority contractors' equipment, as listed in the policy schedule, is covered on a "special" form basis subject to "actual cash" valuation, a 90% co-insurance requirement and a \$1,000 per loss deductible.

**Automobile Liability**

The Airport Authority's automobile liability is provided with a limit of liability of \$1,000,000 per loss for all automobiles appearing on the policy schedule. An excess automobile liability policy has been obtained with a limit of liability of \$5,000,000 per occurrence.

**Comprehensive General Liability**

The Airport Authority's comprehensive general liability coverage is provided by ACE, USA under Policy No. N00978863010 through July 1, 2014. The policy provides premises and operations liability coverage with an occurrence limit of liability of \$50,000,000.

**Employee Accident**

Workers' compensation coverage for employees' injuries is carried with the Montana State Fund under Policy No. 03-057374-5 through July 1, 2014.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)  
Year Ended June 30, 2014

**Directors and Officers Liability**

The Airport Authority's directors and officers liability coverage is provided by Cincinnati Insurance Company under Policy No. BCP0008777 through July 1, 2014. The policy provides a \$1,000,000 limit of liability in the aggregate subject to a \$10,000 deductible.

**Police Professional Liability**

The Airport Authority's police professional liability coverage is provided by Scottsdale under Policy No. PK10000193 through July 1, 2014. The policy provides a \$1,000,000 limit of liability per person/occurrence and a \$1,000,000 annual aggregate subject to a \$10,000 per occurrence deductible.

SINGLE AUDIT SECTION

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  
Great Falls International Airport Authority  
Great Falls, 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 the Great Falls International Airport Authority (the Airport Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements, and have issued our report thereon dated January 27, 2015. **Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**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.

A handwritten signature in cursive script that reads "Anderson Zurmuehlen & Co., P.C." The signature is written in dark ink and is positioned above the typed name of the firm.

Great Falls, Montana  
January 27, 2015

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

To the Board of Directors  
Great Falls International Airport Authority  
Great Falls, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Great Falls International Airport Authority's (the Airport 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 Airport Authority's major federal program for the year ended June 30, 2014. The Airport 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 the Airport Authority's major federal 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 *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 Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

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

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

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport 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 an opinion on compliance for the 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 Airport Authority's internal control over compliance.

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

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

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



Great Falls, Montana  
January 27, 2015

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 IN ACCORDANCE WITH  
*THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES*  
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION  
OF THE U.S. DEPARTMENT OF TRANSPORTATION

To the Board of Directors  
Great Falls International Airport Authority  
Great Falls, Montana

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

We have audited Great Falls International Airport Authority's (the Airport 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 (the 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**

Compliance with the requirements of laws and regulations applicable to passenger facility charges is the responsibility of the Airport Authority's management.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Airport Authority's PFC compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on the Passenger Facility Charge Program**

In our opinion, the Airport Authority, complied, in all material respects, with the PFC 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 Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of 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 an opinion on compliance for the PFC program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over PFC compliance.

*A deficiency in internal control over PFC compliance* exists when the design or operation of a control over PFC 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 PFC 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 PFC compliance requirement 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 PFC compliance with a type of PFC compliance requirement that is less severe than a material weakness in internal control over PFC compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over PFC 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 PFC compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over PFC compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over PFC compliance is solely to describe the scope of our testing of internal control over PFC compliance and the results of that testing based on the requirements of the Guide, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Anderson Zurmuehlen & Co., P.C." The signature is written in dark ink and is positioned above the typed name and date.

Great Falls, Montana  
January 27, 2015

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF**  
**PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED**  
 June 30, 2014

Department of Transportation Federal Aviation Administration  
 Airport Improvement Program  
 CFDA # 20.106

Program Title	Award Amount	Federal Funds Received as of 6/30/13	Federal Funds Received During Current Year	Federal Funds Receivable as of 6/30/14	Federal Funds Recognized as of 6/30/14	Federal Expenditures as of 6/30/13	Federal Expenditures During Current Year	Federal Expenditures as of 6/30/14	Cumulative Airport Expenditures	Total Program Expenditures
AIP 3-30-0036-50	\$ 853,870	\$ 897,467	\$ -	\$ -	\$ 897,467	\$ 897,467	\$ 165	\$ 897,632	\$ 58,760	\$ 956,392
AIP 3-30-0036-51	500,000	449,999	28,353	-	478,352	449,999	28,353	478,352	25,242	503,594
AIP 3-30-0036-53	605,709	543,276	75,547	-	618,823	618,658	-	618,658	18,128	636,786
AIP 3-30-0036-54	4,145,156	3,631,339	410,349	-	4,041,688	3,730,801	310,887	4,041,688	499,950	4,541,638
AIP 3-30-0036-56	2,148,001	-	1,836,776	101,552	1,938,328	246,575	1,691,753	1,938,328	220,945	2,159,273
AIP 3-30-0036-57	738,000	-	227,606	53,300	280,906	-	280,906	280,906	31,213	312,119
<b>TOTAL</b>	<b>\$ 8,990,736</b>	<b>\$ 5,522,081</b>	<b>\$ 2,578,631</b>	<b>\$ 154,852</b>	<b>\$ 8,255,564</b>	<b>\$ 5,943,500</b>	<b>\$ 2,312,064</b>	<b>\$ 8,255,564</b>	<b>\$ 854,238</b>	<b>\$ 9,109,802</b>

**PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED**

Revenues	<u>\$ 778,947</u>
Interest Income	<u>\$ 1</u>
Expenditures	<u>\$ -</u>

See accompanying notes to schedule.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
June 30, 2014

**NOTE 1. REPORTING ENTITY**

The accompanying Schedule of Expenditure of Federal Awards presents the activity of all federal financial assistance of Great Falls International Airport Authority, Great Falls, Montana. The Airport Authority's reporting entity is defined in Note 1 to the Airport Authority's financial statements. Federal financial assistance received directly from federal agencies is included in the schedule. No federal financial assistance received was passed through other government agencies.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditure of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Airport Authority's financial statements.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2014

**Summary of Auditor Results:**

Financial Statements:

Type of auditor report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statement? No

Federal Awards:

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified that are 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? None

The major program for the year ended June 30, 2014, was as follows:

<u>Program</u>	<u>CFDA#</u>
Airport Improvement Program	20.106

Dollar threshold for Type A program: \$300,000

Auditee qualified as low-risk auditee? Yes

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
STATUS OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014

There were no audit findings reported in the prior year which required action to be taken by Great Falls International Airport Authority.



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