

**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, 2013**



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GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
JUNE 30, 2013

**AUTHORITY MEMBERS AND APPOINTED OFFICERS**

<u>Authority Members</u>	<u>Position</u>	<u>Term Expires</u>
James Morin	Chairperson	December 31, 2013
Owen Robinson	Vice Chairperson	December 31, 2013
J.C. Kantorowicz	Commissioner	December 31, 2014
Richard Swensen	Commissioner	December 31, 2014
Brad Talcott	Commissioner	December 31, 2014
Debra Evans	Commissioner	December 31, 2015
Joe Tropila	Commissioner	December 31, 2015

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 business-type activities of Great Falls International Airport Authority (the Airport Authority), as of and for the year ended June 30, 2013, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Airport Authority, as of June 30, 2013, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

The prior year partial comparative information has been derived from the Airport Authority's June 30, 2012 financial statements and, in our report dated December 12, 2012, we expressed an unqualified opinion on the financial statements.

### *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 15 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.

### *Supplemental Schedules*

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 December 12, 2013 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.".

Great Falls, Montana  
December 12, 2013



# **GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **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 (CONTINUED)**

**FINANCIAL STATEMENTS (CONTINUED)**

The Basic Financial Statements include a *Notes to Financial Statements* section that provide the reader more detailed data. The Basic Financial Statements are followed by a *Supplemental Schedules* 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 increased by \$5.7 million over the prior fiscal year.

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

**TABLE 1**

	<b>2012/2013</b>	<b>2011/2012</b>
<b>ASSETS</b>		
Current	\$ 2,901,761	\$ 3,448,056
Non-current	<u>130,623,115</u>	<u>125,763,788</u>
<b>Total Assets</b>	<u>133,524,876</u>	<u>129,211,844</u>
<b>LIABILITIES</b>		
Current	2,229,445	1,877,656
Non-current	<u>14,487,872</u>	<u>15,887,830</u>
<b>Total Liabilities</b>	<u>16,717,317</u>	<u>17,765,486</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Service Concession Arrangement	<u>900,000</u>	<u>1,300,000</u>
<b>Total Deferred Inflows of Resources</b>	<u>900,000</u>	<u>1,300,000</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt.	112,111,606	105,282,529
Restricted	2,997	214
Unrestricted	<u>3,792,956</u>	<u>4,863,615</u>
<b>Total Net Position</b>	<u>\$ 15,907,559</u>	<u>\$ 10,146,358</u>

The largest portion of the Airport Authority's net position (96%) 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.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL POSITION SUMMARY (CONTINUED)**

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>2012/2013</b>	<b>2011/2012</b>
Operating Revenues <sup>(1)</sup>	\$ 3,611,986	\$ 3,651,721
Operating Expenses <sup>(2)</sup>	<u>(2,440,529)</u>	<u>(2,164,625)</u>
Excess before Depreciation and other non-operating revenues and expenses	1,171,457	1,487,096
Depreciation	<u>(1,699,372)</u>	<u>(1,366,270)</u>
Income (loss) before other non-operating revenue and expenses	(527,915)	120,826
Other non-operating revenues and (expenses), net	574,887	993,595
Income (loss) before Capital Contributions	46,972	1,114,421
Capital Contributions	<u>5,714,229</u>	<u>5,697,554</u>
Increase in Net Position	<u>\$ 5,761,201</u>	<u>\$ 6,811,975</u>

(1) Operating revenues decreased by \$ 39,735 or 1.09% in FY2013. See table 3 next page.

(2) Operating expenses increased by \$275,904 or 12.7% in FY2013. See chart/table, page 9-10.

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, 2013 and the amount and percentage of change in relation to prior year amounts:

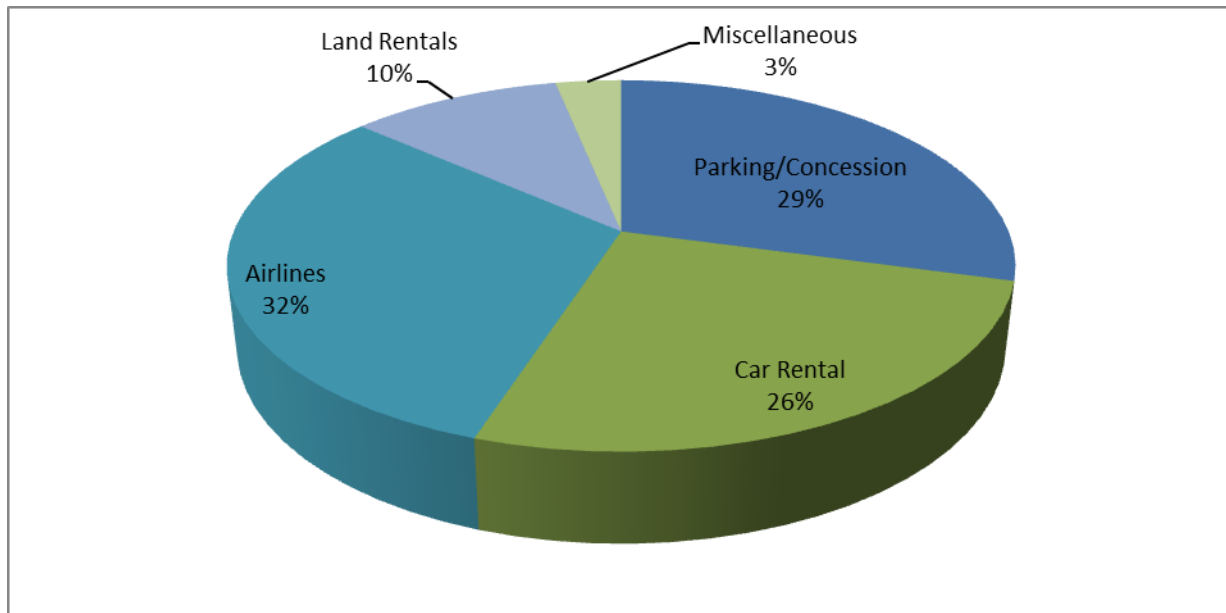
**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL POSITION SUMMARY (CONTINUED)**

**TABLE 3**

<b>OPERATING REVENUE SOURCE</b>	<b>FY2013</b>	<b>Percent of Total</b>	<b>FY2012</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2012</b>	<b>Percent Increase (Decrease)</b>
Concession	1,055,883	29.2%	1,031,022	28.2%	24,861	2.4%
Car Rental	932,582	25.8%	892,260	24.4%	40,322	4.5%
Airlines	1,133,150	31.4%	1,317,002	36.1%	(183,852)	-14.0%
Land Rentals	374,172	10.4%	317,187	8.7%	56,985	18.0%
Miscellaneous	116,199	3.2%	94,250	2.6%	21,949	23.3%
<b>TOTAL OPERATING REVENUES</b>	<b>3,611,986</b>	<b>100.0%</b>	<b>3,651,721</b>	<b>100.0%</b>	<b>(39,735)</b>	<b>-1.1%</b>

**OPERATING REVENUE SOURCES**



- Parking/concession revenue and car rental revenue grew 2.4% and 4.5% during FY2013 due to increased passenger volume.
- Airline revenue decreased by 14.0% due to reduced rates and reconciliation payment made to the airlines totaling \$90,664 from results related to the prior fiscal year.
- Land rental revenue which is derived primarily from long-term leases increased by 18.0% mostly due to a ground lease with a new tenant in the amount of \$45,600.
- Miscellaneous revenues increased by 23.3% as a result of additional prior year security reimbursements.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**TABLE 4**

<b>TOP PRODUCING CUSTOMERS</b>		
<b>TENANT</b>	<b>AMOUNT</b>	<b>AMOUNT</b>
	<b>FY 2012-13</b>	<b>FY 2011-12</b>
REPUBLIC PARKING	\$ 934,294	\$ 916,914
DELTA (LANDING FEES & SPACE RENT )	\$ 384,007	\$ 383,736
UNITED/SKYWEST (LANDING FEES & SPACE RENT)	\$ 227,306	\$ 235,171
HORIZON (LANDING FEES & SPACE RENT )	\$ 187,259	\$ 205,416
HERTZ ( CONCESSION FEES & SPACE RENT )	\$ 213,527	\$ 230,221
NATIONAL/ALAMO (CONCESSION FEES & SPACE RENT	\$ 178,972	\$ 184,056
FEDEX (LANDING FEES)	\$ 146,468	\$ 161,317
AVIS (CONCESSION FEES & SPACE RENT)	\$ 164,671	\$ 171,813
<b>TOTAL</b>	<b>\$ 2,436,504</b>	<b>\$ 2,488,644</b>

**OPERATING EXPENSES**

The following table shows the summary of operating expenses for the year ended June 30, 2013 and the amount and percentage of change in relation to prior year amounts:

**TABLE 5**

	<b>2013 Amount</b>	<b>Percent of Total</b>	<b>2012 Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2012</b>	<b>Percent Increase (Decrease)</b>
Personnel Services:						
Salaries & Wages	\$ 690,994	28.3%	\$ 628,533	29.0%	\$ 62,461	9.9%
Employee Benefits	248,274	10.2%	225,682	10.4%	22,592	10.0%
Contractual Services:						
Utilities	481,492	19.7%	468,457	21.6%	13,035	2.8%
Repairs & Maintenance	83,378	3.4%	67,992	3.1%	15,386	22.6%
Professional Services	521,800	21.4%	450,590	20.8%	71,210	15.8%
Other Operating Expenses	97,895	4.0%	107,275	5.0%	(9,380)	-8.7%
Materials & Supplies	316,696	13.0%	216,096	10.0%	100,600	46.6%
<b>Total Operating Expenses</b>	<b>\$2,440,529</b>	<b>100.0%</b>	<b>\$2,164,625</b>	<b>100.0%</b>	<b>\$ 275,904</b>	<b>12.7%</b>

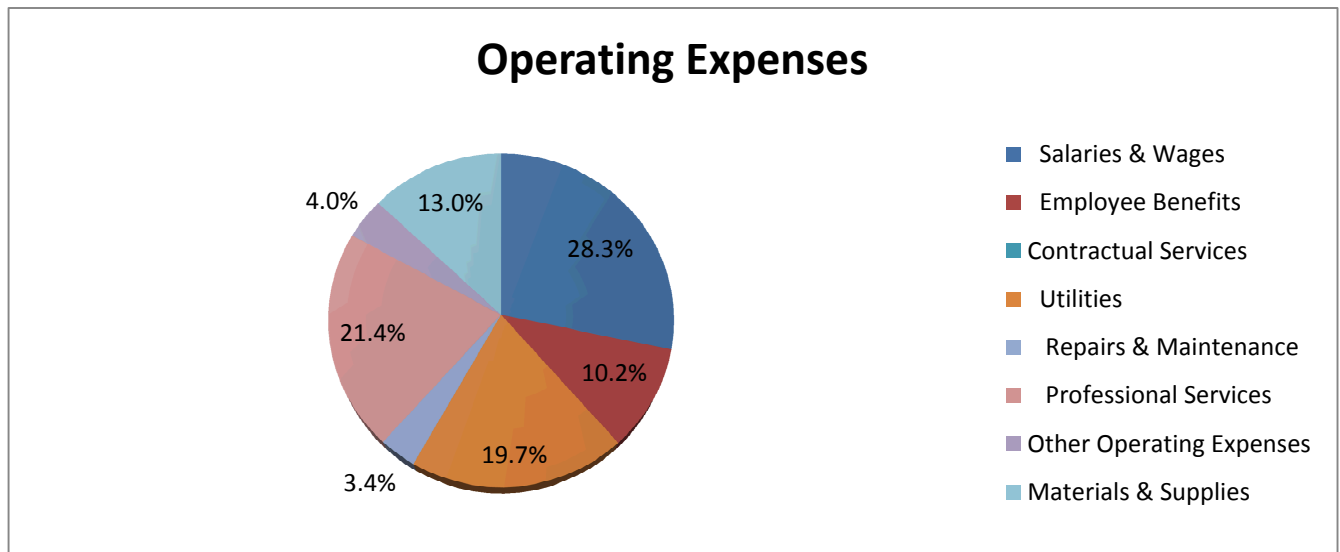
- Salaries increased because the Airport Authority had a mechanic vacancy for half of FY2012.
- Health Insurance, which is the largest contributor to Employee Benefits, increased by \$27,029 or 21.1%.
- Utilities were up by 2.8% mostly attributable to increase consumption of gas and water.
- There were more equipment repairs and maintenance in FY2013, as the Airport Authority completed deferred maintenance on its snow removal fleet.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**OPERATING EXPENSES (CONTINUED)**

- Professional services increased by 15.8% mostly due to aggressive marketing/advertising and promotions (\$51,281 more than FY2012), janitorial contract, and security services.
- Other expenses decreased by 8.7% due to less travel, training, and education expenses.
- Materials and Supplies increased due to purchase of reserve paints and chemicals for use in the first quarter of the next fiscal year.

The following pie chart shows the composition of operating expenses in their categories or classification with their corresponding percentages for the year ended June 30, 2013



**OTHER NOTEWORTHY INFORMATION**

Refinancing activities under Subsequent Event, Note 14, resulted in the Airport Authority changing banking institutions from US Bank to Wells Fargo, NA. Transition will be completed during FY2014.

The Airport Authority engaged a third party auditor to conduct and evaluate the operations and remittance agreed-upon procedures relating to the Parking Lot Concession Lease for their year ended September 30, 2012. The Airport Authority has a standard operating practice of auditing its large concession contracts periodically. The results of the parking audit were favorable.

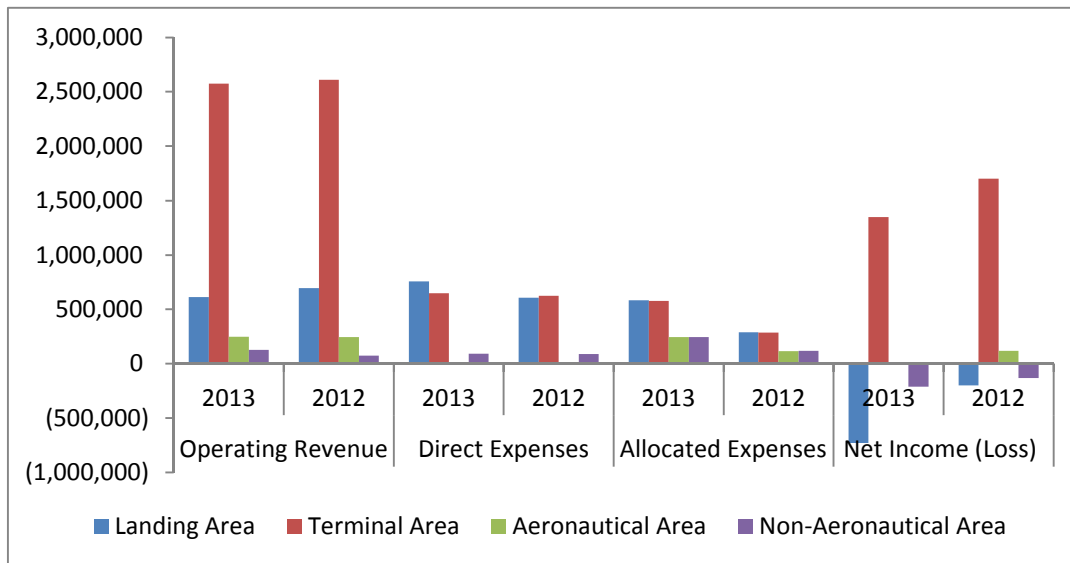
**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**COST CENTERS**

The following table and chart shows the cost centers and operating revenues & expenses for the years ended June 30, 2013 and June 30, 2012.

**TABLE 6**

	Operating Revenue		Direct Expenses		Allocated Expenses		Net Income (Loss)	
	2013	2012	2013	2012	2013	2012	2013	2012
Landing Area	612,463	696,445	758,022	606,865	469,663	290,150	(615,222)	(200,569)
Terminal Area	2,573,945	2,610,139	647,165	623,191	462,699	285,617	1,464,081	1,701,331
Aeronautical Area	246,747	244,054	13,434	11,886	194,241	114,377	39,072	117,791
Non-Aeronautical Area	<u>126,225</u>	<u>74,127</u>	<u>92,864</u>	<u>88,881</u>	<u>195,187</u>	<u>117,434</u>	<u>(161,826)</u>	<u>(132,179)</u>
Total	<u>3,559,380</u>	<u>3,624,765</u>	<u>1,511,485</u>	<u>1,330,823</u>	<u>1,321,790</u>	<u>807,578</u>	<u>726,105</u>	<u>1,486,375</u>



**SUMMARY OF CASH FLOW ACTIVITIES**

The following table shows a summary of the major sources and use of cash and cash equivalents for FY2013 and FY2012. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**TABLE 7**

	<b>2012/2013</b>	<b>2011/2012</b>
Cash flows from:		
Operating Activities	\$ 1,209,125	\$ 1,274,745
Non-capital Financing Activities	1,855	426,727
Capital and Related Financing Activities	(2,755,048)	(2,527,050)
Investing Activities	<u>1,731,205</u>	<u>(174,252)</u>
Net increases / (decreases) in Cash and Cash and Cash Equivalents	187,137	(999,830)
Cash and Cash Equivalents:		
Beginning of year	<u>15,724</u>	<u>1,015,554</u>
End of year	<u>\$ 202,861</u>	<u>\$ 15,724</u>

**CAPITAL IMPROVEMENT PROJECTS**

The Airport Authority expended \$6,314,476 and \$5,985,861 on FAA approved Airport Improvement Projects for FY2013 and FY2012, 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 \$847,183 and \$683,602 for FY2013 and FY2012, respectively.

	FY2013	FY2012
AIP #41 – Rehab Taxiway	-	27,877
AIP #42, #44, #47– Residential Sound Insulation Project	10,314	2,635,857
AIP #45, #46, #48 – Rehabilitate Taxiway Alpha	-	503,691
AIP #49 – Ramp Pavements and Drainage	-	1,048,170
AIP #50 – ARFF Vehicle & Master Plan Study	45,891	905,233
AIP # 51, # 52 – Residential Sound Insulation Project	1,588,256	399,852
AIP # 53 – SW Airfield Drainage Improvements	175,070	461,881
AIP # 54 – Terminal Expansion	4,201,284	3,300
AIP # 56 - SRE ( Snow Removal Equipment) Building	<u>293,661</u>	<u>-</u>
<b>FAA Approved Capital Improvement Projects</b>	<u>6,314,476</u>	<u>5,985,861</u>
AvMax Apron	-	92,072
Miscellaneous Projects	173	9,629
Taxiway Fixtures	-	85,949
Terminal /Parking Lot Expansion	226,570	505,581
Terminal Expansion	<u>620,613</u>	<u>-</u>
<b>Airport Funded Projects</b>	<u>847,356</u>	<u>693,231</u>
<b>Total</b>	<u><b>\$ 7,161,832</b></u>	<u><b>\$ 6,679,092</b></u>



**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**CAPITAL IMPROVEMENT PROJECTS (CONTINUED)**

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 that will replace the two existing checkpoints, expanded restroom capacity and a new restaurant and gift shop inside the security checkpoint. The project is expected to open to the public at the 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 30 homes in FY2012. This change was largely made to maintain a consistent level of Federal grants funding from the Airport Authority when the required local match for Federal grants increased from 5% to 10% during FY2012.

On August 1, 2013, the Airport Authority received a grant from FAA in the amount of \$2,486,001 to construct a Snow Removal Equipment (SRE) Building. The project commenced on August 19, 2013 and is scheduled to be completed in April of 2014.

The Authority expanded the public parking lot by 25% in 2012. However, the lot overflowed several times in FY2013. The Airport Authority started construction of a 250 stall overflow lot during FY2013. The overflow lot will be completed in November 2013. The parking lot will contain 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.

# **GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

## **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 2013 and 2012 were \$755,779 and \$717,700 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 2013 the Airport Authority has collected about \$9,539,756 in PFC fees.

## **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 fiscal year 2013 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.

The Airport Authority saw increased passenger volumes for the fourth consecutive year during fiscal year 2013. Over 185,000 passengers boarded flights, which was a new all-time high for the Airport. This is the second consecutive record year of boardings. Growth factors include the introduction of Frontier Airlines in FY2012 and an increase in airport marketing activities targeting inbound tourism and outbound Canadian passengers.

The Great Falls Chamber of Commerce, in partnership with the Airport Authority, launched an initiative specifically to lower airline ticket prices. The effort resulted in summer flights from a Denver based low cost airline, Frontier Airlines in FY2012 and FY2013. Federal Aviation Administration data indicates that the average ticket price in Great Falls declined 4 percent since 2011 while the national average has increased 9 percent in the same period

The Airport Authority has a stated goal of diversifying its revenue stream to reduce the portion of its revenue that is derived from airlines. As shown in Table 3, airline revenue declined 14 percent from FY2012 to FY2013, while all other revenue categories increased. Airlines are charged on a cost-recovery basis so the decline in the airline revenue indicates the realization of the Authority's strategy.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)**

Referring to Table 3, during FY2013, the Airport Authority achieved growth in all non-airline revenue categories. Most noteworthy of the revenue increases during FY2013 is the 18% in Land Rentals. The Airport Authority believes land development represents the best opportunity for future revenue growth.

**AIRPORT STATISTICS**

	<b>2012/2013</b>	<b>2011/2012</b>	<b>2010/2011</b>
Enplanements	185,349	184,301	164,415
Landed Weights:			
-Scheduled Airlines	240,287	244,190	231,490
-Mail Carriers	162,220	156,126	145,280
Airline Cargo	23,773	33,903	17,970

**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.

BASIC FINANCIAL STATEMENTS

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF NET POSITION

June 30, 2013

(With Comparative Totals for June 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash items	\$ 20,170	\$ 15,510
Cash - demand deposits	179,694	-
Investments	1,216,138	2,045,433
Accounts receivable	616,048	629,614
Grants receivable	421,419	304,009
Inventories	35,717	29,011
Current portion of concession contract receivable	400,000	400,000
Prepaid expenses	<u>12,575</u>	<u>24,479</u>
Total current assets	<u>2,901,761</u>	<u>3,448,056</u>
<b>NONCURRENT ASSETS</b>		
<b>RESTRICTED CASH AND INVESTMENTS</b>		
Cash - demand deposits	<u>2,997</u>	<u>214</u>
Total restricted cash and investments	<u>2,997</u>	<u>214</u>
<b>CAPITAL ASSETS</b>		
Property and equipment - net	113,977,538	105,124,706
Construction work in progress	<u>8,383,597</u>	<u>11,153,857</u>
Total capital assets	<u>122,361,135</u>	<u>116,278,563</u>
<b>OTHER ASSETS</b>		
Investments	2,051,199	2,280,971
Deposits	1,000	1,000
Net investment in lease	5,638,037	6,225,469
Long-term portion of concession contract receivable	500,000	900,000
Patronage credits	2,933	3,355
Debt issuance costs, net	<u>65,814</u>	<u>74,216</u>
Total other assets	<u>8,258,983</u>	<u>9,485,011</u>
Total assets	<u>\$ 133,524,876</u>	<u>\$ 129,211,844</u>

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

	<u>2013</u>	<u>2012</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 47,141	\$ 29,722
Accounts payable - construction	591,389	316,709
Tenant deposits	3,805	3,805
Payroll and payroll taxes payable	25,251	23,362
Interest payable	95,067	102,883
Compensated absences payable	56,077	52,064
Unearned revenue	11,021	15,438
Current portion of long-term debt	<u>1,399,694</u>	<u>1,333,673</u>
Total current liabilities	<u>2,229,445</u>	<u>1,877,656</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	<u>14,487,872</u>	<u>15,887,830</u>
Total long-term liabilities	<u>14,487,872</u>	<u>15,887,830</u>
Total liabilities	<u>16,717,317</u>	<u>17,765,486</u>
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangement - Republic Parking	<u>900,000</u>	<u>1,300,000</u>
Total deferred inflows of resources	<u>900,000</u>	<u>1,300,000</u>
NET POSITION		
Invested in capital assets, net of related debt	112,111,606	105,282,529
Restricted	2,997	214
Unrestricted	<u>3,792,956</u>	<u>4,863,615</u>
Total net position	<u>115,907,559</u>	<u>110,146,358</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 133,524,876</u>	<u>\$ 129,211,844</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Year Ended June 30, 2013  
(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ <u>3,611,986</u>	\$ <u>3,651,721</u>
Operating expenses	<u>2,440,529</u>	<u>2,164,625</u>
Excess of operating revenues over operating expenses before depreciation and amortization	<u>1,171,457</u>	<u>1,487,096</u>
Less: Depreciation and amortization	<u>(1,699,372)</u>	<u>(1,366,270)</u>
Income (loss) from operations	<u>(527,915)</u>	<u>120,826</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Investment income	3,419	37,584
Miscellaneous non-operating revenues (expenses)	(43,035)	426,727
Interest expense	(436,541)	(465,489)
Gain on sale of assets	30,805	456
Investment income from lease investment	668,293	713,443
Interest expense from lease investment	(403,837)	(436,826)
Passenger Facility Charges (PFC), net	<u>755,783</u>	<u>717,700</u>
Total non-operating revenues and (expenses)	<u>574,887</u>	<u>993,595</u>
Income before capital contributions	46,972	1,114,421
Capital contributions	<u>5,714,229</u>	<u>5,697,554</u>
CHANGE IN NET POSITION	5,761,201	6,811,975
Net position, beginning of year	<u>110,146,358</u>	<u>103,334,383</u>
Net position, end of year	<u>\$ 115,907,559</u>	<u>\$ 110,146,358</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, 2013  
(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from providing services	\$ 3,621,135	\$ 3,486,787
Cash payments to employees	(927,366)	(847,285)
Cash payments to suppliers	<u>(1,484,644)</u>	<u>(1,364,757)</u>
Net cash flows from operating activities	<u>1,209,125</u>	<u>1,274,745</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Miscellaneous non-operating revenues	<u>1,855</u>	<u>426,727</u>
Net cash flows from non-capital financing activities	<u>1,855</u>	<u>426,727</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from grants - FAA	5,585,385	5,658,694
Proceeds from grants - MDOT	11,500	8,500
Work-in-progress additions	(6,887,152)	(6,639,756)
Acquisition of property and equipment	(656,600)	(634,651)
Proceeds from sale of property and equipment	30,805	-
Interest paid	(848,260)	(908,274)
Passenger Facility Charges (PFC), net	755,779	717,700
Payment on long-term debt	(1,333,937)	(1,270,043)
Payment received under municipal lease	<u>587,432</u>	<u>540,780</u>
Net cash flows from capital and related financing activities	<u>(2,755,048)</u>	<u>(2,527,050)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	708,091	749,040
Purchase of investments	(492,270)	(3,930,850)
Redemption of investments	<u>1,515,384</u>	<u>3,007,558</u>
Net cash flows from investing activities	<u>1,731,205</u>	<u>(174,252)</u>
Net change in cash and cash equivalents	187,137	(999,830)
Cash and cash equivalents, beginning of year	<u>15,724</u>	<u>1,015,554</u>
Cash and cash equivalents, end of year	<u>\$ 202,861</u>	<u>\$ 15,724</u>

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



	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (527,915)	\$ 120,826
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	1,690,970	1,357,868
Amortization	8,402	8,402
Changes in operating assets and liabilities:		
Accounts receivable	13,566	(175,458)
Inventories	(6,706)	(7,995)
Prepaid expenses	11,904	(11,598)
Accounts payable	17,419	(28,754)
Payroll and payroll taxes payable	1,889	192
Compensated absences payable	4,013	738
Unearned revenue	(4,417)	10,524
Net cash flows from operating activities	<u>\$ 1,209,125</u>	<u>\$ 1,274,745</u>

SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES:

Prior year improvements of \$40,890 were reclassified to expense during the year ended June 30, 2013. There were no noncash capital and financing activities during the year ended June 30, 2012.

SCHEDULE OF INTEREST:

Interest Paid	<u>\$ 848,260</u>	<u>\$ 908,274</u>
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SCHEDULE OF CASH AND CASH EQUIVALENTS

AT END OF YEAR:		
Cash items	\$ 20,170	\$ 15,510
Cash - demand deposits (unrestricted)	179,694	-
Cash - demand deposits (restricted)	<u>2,997</u>	<u>214</u>
	<u>\$ 202,861</u>	<u>\$ 15,724</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**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**

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/Basis of Accounting**

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.

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

June 30, 2013

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

**Measurement Focus/Basis of Accounting (Continued)**

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.

**New Accounting Pronouncements**

The Airport Authority has adopted the provisions of the following GASB pronouncements for the year ended June 30, 2013:

- Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*. This statement changes the accounting and financial reporting of certain service contracts and requires certain amounts related to these contracts to be reported as deferred inflows.
- Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement clarifies the applicability of certain FASB and AICPA pronouncements for business-type activities.
- Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the definitions of certain assets and liabilities, provides guidance for the reporting of deferred inflows and outflows, and redefines the residual measure as net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. 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. The Airport Authority has elected not to implement Statement No. 65 before its effective date. When implemented, Statement No. 65 will require the restatement of certain previously reported amounts in the financial statements.

**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 market 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.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2013

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

**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, 2013.

**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

**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, 2013.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2013

**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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. CASH AND INVESTMENTS**

The composition of cash and investments on June 30, 2013, was as follows:

Cash items	\$ 20,170
Cash in banks:	
Demand deposits	182,691
Savings deposits	89,806
Time deposit	251,113
State Short-Term Investment	
Pool (S.T.I.P.)	925,395
U.S. Government securities	<u>2,001,023</u>
Total per balance sheet	<u>\$ 3,470,198</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, 2013

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

**Cash in Banks**

At year-end, the carrying amount of the Airport Authority's deposits is \$523,610, and the bank balance is \$646,950. 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, 2013, the Airport Authority had \$56,031 of bank account deposits in excess of FDIC insurance and \$1,113 of time deposits in excess of SIPC coverage. As of June 30, 2013, the Airport Authority had \$89,806 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, 2013, the Airport Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities	
		1 Year	1-5 years
Money market	\$ 89,806	\$ 89,806	\$ -
Time deposit	251,113	-	251,113
S.T.I.P.	925,395	925,395	-
U.S. agencies	<u>2,001,023</u>	<u>200,937</u>	<u>1,800,086</u>
	<u>\$ 3,267,337</u>	<u>\$ 1,216,138</u>	<u>\$ 2,051,199</u>

**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.

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

June 30, 2013

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

**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 Quality Ratings as of June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>
Asset backed commercial paper	\$ 317,503	A1
Corporate commercial paper	52,748	A1
Corporate - variable rate	231,904	A3
Certificates of deposit - fixed rate	17,490	A1
Certificates of deposit - variable rate	152,505	A2
Other asset backed investments	6,293	BBB-
U.S. government agency - fixed rate	8,699	A1
U.S. government agency - variable rate	63,852	A1
Money market funds (unrated)	58,855	NR
Money market funds (rated)	5,182	A1+
Structured investment vehicles (SIV)	<u>10,364</u>	<u>NR</u>
	<u>\$ 925,395</u>	<u>A2</u>

**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.

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

June 30, 2013

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

**Concentration of Credit Risk (Continued)**

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 34.99% of the total S.T.I.P. assets at June 30, 2013.

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 48.44% of the total S.T.I.P. assets at June 30, 2013.

The valuation of investments at fair market value - As previously mentioned, generally accepted accounting principles require investment in U.S. Government securities to be reported at fair market value while investment in S.T.I.P. is to be reported at cost.

	Carrying Value	Market Value
Money market	\$ 89,806	\$ 89,806
Time deposit	251,113	251,113
S.T.I.P.	925,395	925,395
U.S. agencies	<u>2,001,023</u>	<u>2,001,023</u>
	<u>\$ 3,267,337</u>	<u>\$ 3,267,337</u>

The net decrease in the fair market value of investments during the year ended June 30, 2013 was \$36,375. 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, 2013 consist of \$2,997 in the Passenger Facility Charge bank account.



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

June 30, 2013

**NOTE 3. CAPITAL ASSETS**

**Property and Equipment**

A summary of the changes in property and equipment during the year ended June 30, 2013 is as follows:

	Balance, June 30, 2012	Additions	Deletions	Balance, June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 1,501,248	\$ -	\$ -	\$ 1,501,248
Construction in progress	<u>11,153,857</u>	<u>7,161,832</u>	<u>(9,932,092)</u>	<u>8,383,597</u>
Total capital assets, not being depreciated	<u>12,655,105</u>	<u>7,161,832</u>	<u>(9,932,092)</u>	<u>9,884,845</u>
Capital assets, being depreciated:				
Buildings	24,608,175	-	-	24,608,175
Improvements	95,716,863	9,932,092	(44,890)	105,604,065
Furniture, fixtures and equipment	<u>6,108,531</u>	<u>656,600</u>	<u>(367,736)</u>	<u>6,397,395</u>
Total capital assets, being depreciated	<u>126,433,569</u>	<u>10,588,692</u>	<u>(412,626)</u>	<u>136,609,635</u>
Less accumulated depreciation:				
Buildings	(10,180,638)	(769,835)	-	(10,950,473)
Improvements	(10,233,350)	(468,994)	-	(10,702,344)
Furniture, fixtures and equipment	<u>(2,396,123)</u>	<u>(452,141)</u>	<u>367,736</u>	<u>(2,480,528)</u>
	<u>(22,810,111)</u>	<u>(1,690,970)</u>	<u>367,736</u>	<u>(24,133,345)</u>
Capital assets being depreciated, net	<u>103,623,458</u>	<u>8,897,722</u>	<u>(44,890)</u>	<u>112,476,290</u>
Capital assets, net	<u>\$ 116,278,563</u>	<u>\$ 16,059,554</u>	<u>\$ (9,976,982)</u>	<u>\$ 122,361,135</u>

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

June 30, 2013

**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, 2013 is as follows:

Project	Balance June 30, 2012	Project Additions	Close-Out/ Deletions	Transfers	Balance June 30, 2013
AIP 42	\$ 1,968,720	\$ -	\$ (1,968,720)	\$ -	\$ -
AIP 44	621,069	-	(621,069)	-	-
AIP 46	937,599	-	(937,599)	-	-
AIP 47	2,649,048	10,314	(2,659,362)	-	-
AIP 48	940,137	-	(940,137)	-	-
AIP 49	1,291,844	-	(1,291,844)	-	-
AIP 50	910,336	45,891	-	-	956,227
AIP 51	369,364	105,383	-	-	474,747
AIP 52	30,488	1,482,873	(1,513,361)	-	-
AIP 53	461,881	175,070	-	-	636,951
AIP 54	3,300	4,201,284	-	26,167	4,230,751
AIP 56	-	275,437	-	-	275,437
Miscellaneous projects	15,365	173	-	-	15,538
AVMAX Phase II	154,039	-	-	-	154,039
AVMAX Phase IV	97,215	-	-	-	97,215
AVMAX Apron	92,072	-	-	-	92,072
SRE	-	18,224	-	-	18,224
TIF program	19,850	-	-	-	19,850
Taxiway Fixtures	85,949	-	-	-	85,949
Terminal/Parking Lot Expansion	505,581	226,570	-	(26,167)	705,984
Terminal Expansion	-	620,613	-	-	620,613
	<u>\$ 11,153,857</u>	<u>\$ 7,161,832</u>	<u>\$ (9,932,092)</u>	<u>\$ -</u>	<u>\$ 8,383,597</u>

The Airport Improvement Program (AIP) work in progress project additions include expenditures of \$617,008 from Airport Authority funds and \$5,679,243 from FAA funds. AIP work in progress project close-out/deletions consist of transfers to Capital Assets totaling \$9,932,092.

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

June 30, 2013

**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)	4,414
Ramp	<u>17,976</u>
	<u>\$ 88,572</u>

A schedule of the net investment in lease as of June 30, 2013 is as follows:

Total minimum lease payments receivable	\$ 7,387,827
Less: unearned income	<u>(1,749,790)</u>
Net investment in direct financing lease	<u>\$ 5,638,037</u>

A schedule of minimum lease payments is as follows:

	<u>Building</u>	<u>Ground</u>	<u>Ramp</u>	<u>Total</u>
2014	\$ 794,179	\$ 53,095	\$ 215,715	\$ 1,062,989
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
Thereafter	<u>1,523,494</u>	<u>119,521</u>	<u>413,454</u>	<u>2,056,469</u>
	<u>\$ 5,494,389</u>	<u>\$ 401,409</u>	<u>\$ 1,492,029</u>	<u>\$ 7,387,827</u>

**NOTE 5. LONG-TERM DEBT**

On September 4, 2003, long-term financing to be used toward the Apron project was obtained from Wells Fargo Brokerage Services. This obligation calls for principal of \$5,400,000 to be repaid with semi-annual payments of \$236,412 for eighteen years, with interest at 5.38% per annum. The balance of this note payable at June 30, 2013 is \$3,191,761. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate to 2.46%.

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

June 30, 2013

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

On September 4, 2003, long-term financing to be used toward the Terminal project was obtained from Wells Fargo Brokerage Services. This obligation calls for principal of \$4,600,000 to be repaid with semi-annual payments of \$192,925 for twenty years, with interest at 5.44% per annum. The balance of this note payable at June 30, 2013 is \$3,055,778. This debt was refinanced through Wells Fargo Bank, N.A. on September 4, 2013 to reduce the interest rate to 2.73%.

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, 2013 is \$839,722.

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, 2013 is \$1,106,755.

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 obligation calls for principal of \$1,300,000 to be repaid with semi-annual payments of \$68,835 for fifteen years, with interest at 6.58% per annum. The balance of this note payable at June 30, 2013 is \$1,098,514. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate to 4.58%.

On May 19, 2011, long-term financing from U.S. Bank National Association was obtained. This obligation calls for principal of \$8,000,000 to be repaid with monthly payments of \$81,880 for 120 months, with interest at 4.19% per annum. A portion of the proceeds from this financing were used to pay off the balance remaining on long-term financing due to Wells Fargo Brokerage Services. The balance of this note payable at June 30, 2013 is \$6,595,036. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate to 2.46%.

**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, 2013:

Note payable to:	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Wells Fargo Brokerage	\$ 3,481,140	\$ -	\$ (289,379)	\$ 3,191,761	\$ 305,156
Wells Fargo Brokerage	3,266,747	-	(210,969)	3,055,778	222,602
Montana Board of Investments	881,569	-	(41,847)	839,722	43,764
Montana Board of Investments	1,149,742	-	(42,987)	1,106,755	45,513
Wells Fargo Brokerage	1,160,811	-	(62,297)	1,098,514	66,464
U.S. Bank National Association	7,281,494	-	(686,458)	6,595,036	716,195
	<u>\$ 17,221,503</u>	<u>\$ -</u>	<u>\$ (1,333,937)</u>	<u>\$ 15,887,566</u>	<u>\$ 1,399,694</u>

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

June 30, 2013

**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, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,399,694	\$ 773,492	\$ 2,173,186
2015	1,469,048	704,138	2,173,186
2016	1,541,266	631,920	2,173,186
2017	1,618,424	554,762	2,173,186
2018	1,698,843	474,343	2,173,186
2019-2023	6,985,772	1,123,923	8,109,695
2024-2028	1,140,138	132,656	1,272,794
2029	34,381	523	34,904
	<u>\$ 15,887,566</u>	<u>\$ 4,395,757</u>	<u>\$ 20,283,323</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, 2013

**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	84% of RPS's annual gross receipts >\$ 300,000 but <\$1,200,000
		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 \$900,000. 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, 2013 are as follows:

Balance at beginning of year	\$ (3,030,033)
Additions:	
Collections from carriers	755,779
Interest	<u>4</u>
Balance at end of year	<u>\$ (2,274,250)</u>

The PFC account owes the Surplus account \$2,277,247 as of June 30, 2013. These funds will be repaid monthly as PFC revenues are collected. A total of \$753,000 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, 2013

**NOTE 8. INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT**

Changes in the net position category of "invested in capital assets, net of related debt" for the year ended June 30, 2013, are as follows:

**Capital assets**

Balance at beginning of year	\$ 105,124,706
Additions:	
Transfers from Work in Progress account and acquisition of capital assets	10,588,692
Deductions:	
Deletions from capital assets	(44,890)
Depreciation expense	<u>(1,690,970)</u>
Balance at end of year	<u>\$ 113,977,538</u>

**Construction work in progress**

Balance at beginning of year	\$ 11,153,857
Additions:	
Contributions - Airport funds	1,459,103
FAA grants	5,702,729
Deductions:	
Projects closed and transferred to fixed assets	<u>(9,932,092)</u>
Balance at end of year	<u>\$ 8,383,597</u>

**Net investment in lease**

Balance at beginning of year	\$ 6,225,469
Deductions:	
Principal payments received	<u>(587,432)</u>
Balance at end of year	<u>\$ 5,638,037</u>

**Related debt**

Balance at beginning of year	\$ (17,221,503)
Deductions:	
Principal payments	<u>1,333,937</u>
Balance at end of year	<u>\$ (15,887,566)</u>

Invested in capital assets, net of related debt at June 30, 2013	<u>\$ 112,111,606</u>
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**NOTE 9. RESTRICTED NET POSITION**

Restricted net position of \$2,997 at June 30, 2013 are restricted for passenger facility charges.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2013

**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.

**Funding Policy**

Authority to establish and amend contribution rates to the plan:	State legislature
Required plan member contributions:	6.9% to 7.9% of monthly compensation (1)
Required employer contributions:	7.07% of monthly compensation
Required state contributions:	.10% of monthly compensation

(1) 6.9% for members hired prior to July 1, 2011  
7.9% for members hired on or after July 1, 2011



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

June 30, 2013

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

Required employer contributions received and % of required amount:

June 30, 2013	\$ 44,537 100%
June 30, 2012	\$ 43,818 100%
June 30, 2011	\$ 43,682 100%

On-behalf payments made by the State of Montana totaled \$630 for the year ended June 30, 2013.

**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, 2013, 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.

**NOTE 12. MAJOR CUSTOMERS**

During the year ended June 30, 2013, revenue from four air carriers and four concessionaires amounted to \$2,436,504, and represents 67% of total operating revenue. Accounts receivable for these four major air carriers amounted to \$97,775 or 73% of other accounts receivable in aggregate as of June 30, 2013.

Accounts receivable for the four major concessionaires amounted to \$1,370,513 or 99%, (of which \$900,000, or 65%, represents the Republic Parking concession contract receivable. (Refer to Note 6.) of concessionaires' accounts receivable in aggregate as of June 30, 2013. Generally, all but one of the four major concessionaires are invoiced monthly and had current balances as of June 30, 2013.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2013

**NOTE 13. RETROACTIVE ADJUSTMENT DUE TO ADOPTION OF NEW ACCOUNTING STANDARD**

During fiscal year 2013, the Airport Authority implemented the provisions of GASB 60, *Service Concession Arrangements*, whereby a receivable and corresponding deferred inflow of resources have been recorded to reflect future consideration to be received by the Airport Authority under its concession arrangement for operation of its parking facility. In the year of implementation, all prior periods presented are required to be restated for comparison purposes. The balance sheet as of June 30, 2012 has been restated to reflect this change. Implementation of GASB 60 had no material effect on the net position for the Airport Authority or its operations in the Statement of Activities for the year ended June 30, 2012.

**NOTE 14. SUBSEQUENT EVENT**

As indicated in Note 5, on July 29, 2013 or September 4, 2013, four of the Airport Authority's existing long-term debt obligations at June 30, 2013 were subsequently refinanced through Wells Fargo Bank, N.A. to reduce the interest rates. The Airport Authority incurred additional long-term debt of \$814,250 to fund costs beyond FAA allotment in the construction of the snow removal equipment facility. This debt will be repaid with monthly payments of principal with interest at 2.73% per annum. The Airport Authority's cost of refinancing was \$122,546.

SUPPLEMENTAL SCHEDULES

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES  
OPERATING ACCOUNT - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Landing fees			
Mail carriers	\$ 207,270	\$ 211,458	\$ 4,188
Non-scheduled airlines	132,584	122,877	(9,707)
Scheduled airlines	<u>229,203</u>	<u>220,198</u>	<u>(9,005)</u>
Total landing fees	<u>569,057</u>	<u>554,533</u>	<u>(14,524)</u>
Fuel flowage fees			
Fixed base operators	<u>45,000</u>	<u>32,226</u>	<u>(12,774)</u>
Concession fees			
Advertising	44,500	44,504	4
ATM income	6,800	7,858	1,058
Auto parking	950,000	934,294	(15,706)
Auto rental	595,000	590,793	(4,207)
Food and alcoholic beverages	52,000	48,391	(3,609)
Gift shops	21,000	16,456	(4,544)
Internet kiosk	<u>4,320</u>	<u>4,380</u>	<u>60</u>
Total concession fees	<u>1,673,620</u>	<u>1,646,676</u>	<u>(26,944)</u>
Space rentals			
Airlines	560,004	471,677	(88,327)
Concessionaires	<u>35,000</u>	<u>34,833</u>	<u>(167)</u>
Total space rentals	<u>595,004</u>	<u>506,510</u>	<u>(88,494)</u>
Miscellaneous rentals			
Agricultural land income	5,000	9,316	4,316
Allegiant and Frontier per turn/office space	90,112	85,568	(4,544)
Badge income	4,500	5,662	1,162
Building rental	73,963	77,002	3,039
Fuel farm license fees	25,620	25,704	84
Gate rental	1,000	1,284	284
Ground rental	283,800	294,111	10,311
Hangar rental	50,986	50,986	-
Loading bridge fees	20,470	20,472	2
M.A.G./C.F.C. income - car rentals	225,000	239,830	14,830
Ramp rental	<u>900</u>	<u>900</u>	<u>-</u>
Total miscellaneous rentals	<u>781,351</u>	<u>810,835</u>	<u>29,484</u>

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING REVENUES (CONTINUED)</b>			
Reimbursed expenses			
Reimbursed security costs	\$ 45,416	\$ 52,606	\$ 7,190
Reimbursed utilities costs	<u>8,600</u>	<u>8,600</u>	<u>-</u>
Total reimbursed expenses	<u>54,016</u>	<u>61,206</u>	<u>7,190</u>
Total operating revenues	<u>3,718,048</u>	<u>3,611,986</u>	<u>(106,062)</u>
<b>NON-OPERATING REVENUES</b>			
Gain on sale of assets	-	30,805	30,805
Investment income	<u>28,000</u>	<u>3,419</u>	<u>(24,581)</u>
Total non-operating revenues	<u>28,000</u>	<u>34,224</u>	<u>6,224</u>
Total revenue	<u>3,746,048</u>	<u>3,646,210</u>	<u>(99,838)</u>
<b>OPERATING EXPENSES</b>			
Personnel services			
Salaries and wages			
Director benefit	7,166	7,188	(22)
Overtime	22,000	10,774	11,226
Regular	<u>650,510</u>	<u>673,032</u>	<u>(22,522)</u>
Total salaries and wages	<u>679,676</u>	<u>690,994</u>	<u>(11,318)</u>
Employee fringe benefits			
FICA/Medicare	50,299	48,745	1,554
Health and life insurance	128,345	127,877	468
Public employees retirement	46,486	46,242	244
Unemployment	1,689	2,372	(683)
Vehicle lease	7,200	6,000	1,200
Wellness program	-	627	(627)
Workers' compensation	<u>20,585</u>	<u>16,411</u>	<u>4,174</u>
Total employee fringe benefits	<u>254,604</u>	<u>248,274</u>	<u>6,330</u>
Total personnel services	<u>934,280</u>	<u>939,268</u>	<u>(4,988)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES  
OPERATING ACCOUNT - BUDGET AND ACTUAL (CONTINUED)  
Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING EXPENSES (CONTINUED)			
Contractual services			
Utilities			
Electricity	\$ 305,000	\$ 295,906	\$ 9,094
Gas	135,000	124,318	10,682
Internet services	15,000	12,698	2,302
Refuse disposal	5,900	5,185	715
Telephone	17,700	12,968	4,732
Water and sewer	<u>20,250</u>	<u>30,417</u>	<u>(10,167)</u>
Total utilities	<u>498,850</u>	<u>481,492</u>	<u>17,358</u>
Repairs and maintenance			
Equipment	58,300	71,069	(12,769)
Jet bridges	9,200	4,600	4,600
Minor equipment and tools	<u>5,600</u>	<u>7,709</u>	<u>(2,109)</u>
Total repairs and maintenance	<u>73,100</u>	<u>83,378</u>	<u>(10,278)</u>
Professional services			
Accounting fees	10,600	11,600	(1,000)
Consulting fees	35,000	28,635	6,365
Insurance	73,600	74,422	(822)
Janitorial contract	78,800	81,141	(2,341)
Legal fees	15,000	7,136	7,864
Marketing	110,000	143,588	(33,588)
Other professional fees	9,000	-	9,000
Recruiting	1,000	2,500	(1,500)
Security services	<u>173,800</u>	<u>172,778</u>	<u>1,022</u>
Total professional services	<u>506,800</u>	<u>521,800</u>	<u>(15,000)</u>

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING EXPENSES (CONTINUED)</b>			
Other expenses			
Advertising and promotional expenses	\$ 2,500	\$ 554	\$ 1,946
Board meeting/member expense	5,000	1,007	3,993
Drug tests and physical exams	750	815	(65)
Dues and subscriptions	5,000	4,285	715
Employee recognition	2,500	5,466	(2,966)
Equipment rental	2,500	1,032	1,468
Licenses, permits, and inspection fees	5,000	6,016	(1,016)
Postage and freight	-	2,668	(2,668)
Street maintenance assessments	10,000	8,867	1,133
Travel, training, and education	30,000	27,489	2,511
U.S. Customs building lease	40,892	39,696	1,196
Total other expenses	<u>104,142</u>	<u>97,895</u>	<u>6,247</u>
Total contractual services	<u>1,182,892</u>	<u>1,184,565</u>	<u>(1,673)</u>
Materials and supplies			
Agricultural supplies	7,000	7,488	(488)
Broom fill and poly blades	8,500	18,715	(10,215)
Cleaning and janitorial supplies	20,000	19,512	488
Electrical, plumbing, and hardware	27,000	30,972	(3,972)
Equipment, parts, and supplies	29,000	26,043	2,957
Fire fighting supplies	9,877	7,769	2,108
Fuel, oil, and lubricants	65,000	75,311	(10,311)
Lawn/landscaping	11,000	5,472	5,528
Minor equipment and tools	10,000	4,414	5,586
Office materials and supplies	7,200	5,831	1,369
Other materials and supplies	18,000	22,265	(4,265)
Paints, chemicals, and gases	26,300	77,400	(51,100)
Paving supplies	2,500	5,480	(2,980)
Security supplies	3,800	8,926	(5,126)
Uniform allowance	1,200	1,098	102
Total materials and supplies	<u>246,377</u>	<u>316,696</u>	<u>(70,319)</u>
Total operating expenses	<u>2,363,549</u>	<u>2,440,529</u>	<u>(76,980)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENSES  
OPERATING ACCOUNT - BUDGET AND ACTUAL (CONTINUED)  
Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
NON-OPERATING EXPENSES			
Depreciation	\$ 1,690,970	\$ 1,690,970	\$ -
Amortization	8,402	8,402	-
Interest expense	523,521	436,541	86,980
Miscellaneous non-operating expenses	<u>-</u>	<u>43,035</u>	<u>(43,035)</u>
Total non-operating expenses	<u>2,222,893</u>	<u>2,178,948</u>	<u>43,945</u>
 Total expenses	 <u>4,586,442</u>	 <u>4,619,477</u>	 <u>(33,035)</u>
 Net loss	 <u>\$ (840,394)</u>	 <u>\$ (973,267)</u>	 <u>\$ (132,873)</u>



GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY/COST CENTER OPERATING SCHEDULE  
Year Ended June 30, 2013

	<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	\$ 3,559,380	\$ 612,463	\$ 2,573,945	\$ 246,747	\$ 126,225
Expenses					
Direct expenses					
Personnel services	385,914	371,012	656	-	14,246
Contractual services	852,446	178,048	587,344	13,434	73,620
Materials and supplies	<u>273,125</u>	<u>208,962</u>	<u>59,165</u>	<u>-</u>	<u>4,998</u>
<b>TOTAL DIRECT EXPENSES</b>	<u>1,511,485</u>	<u>758,022</u>	<u>647,165</u>	<u>13,434</u>	<u>92,864</u>
Allocated expenses					
Administration	1,269,953	444,483	444,484	190,493	190,493
ARFF services	38,519	21,185	11,556	3,082	2,696
Security services	<u>13,318</u>	<u>3,995</u>	<u>6,659</u>	<u>666</u>	<u>1,998</u>
<b>TOTAL ALLOCATED EXPENSES</b>	<u>1,321,790</u>	<u>469,663</u>	<u>462,699</u>	<u>194,241</u>	<u>195,187</u>
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<u>2,833,275</u>	<u>1,227,685</u>	<u>1,109,864</u>	<u>207,675</u>	<u>288,051</u>
Net income (loss) before depreciation and amortization	726,105	(615,222)	1,464,081	39,072	(161,826)
Depreciation and amortization	<u>(1,699,372)</u>	<u>(336,348)</u>	<u>(660,267)</u>	<u>(84,900)</u>	<u>(617,857)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (973,267)</u>	<u>\$ (951,570)</u>	<u>\$ 803,814</u>	<u>\$ (45,828)</u>	<u>\$ (779,683)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 LANDING AREA  
 Year Ended June 30, 2013  
 (With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
REVENUE:		
Landing fees:		
Mail carriers	\$ 211,458	\$ 231,676
Non-scheduled airlines	122,877	154,928
Scheduled airlines	<u>220,198</u>	<u>248,834</u>
Total landing fees	<u>554,533</u>	<u>635,438</u>
Fuel flowage fees:		
Fixed base operators	32,226	35,303
Fuel farm license fees	<u>25,704</u>	<u>25,704</u>
Total fuel flowage fees	<u>57,930</u>	<u>61,007</u>
 Total revenue	 <u>612,463</u>	 <u>696,445</u>
EXPENSES:		
Direct expenses:		
Personnel services:		
Employee fringe benefits	91,116	78,166
Salaries and benefits	<u>279,896</u>	<u>254,299</u>
Total personnel expenses	<u>371,012</u>	<u>332,465</u>
Contractual services:		
Utilities:		
Electricity	40,868	41,177
Gas	<u>1,636</u>	<u>1,674</u>
Total utilities	<u>42,504</u>	<u>42,851</u>
Repairs and maintenance:		
Equipment	30,635	20,922
Other contractual services	4,377	3,365
Radios	<u>4,600</u>	<u>-</u>
Total repairs and maintenance	<u>39,612</u>	<u>24,287</u>
Professional services:		
Insurance	39,467	38,102
Security services	<u>54,425</u>	<u>49,944</u>
Total professional services	<u>93,892</u>	<u>88,046</u>

	<u>2013</u>	<u>2012</u>
EXPENSES (CONTINUED):		
Direct expenses (continued):		
Contractual services (continued):		
Other expenses:		
Drug tests and physical exams	\$ 384	\$ 340
Equipment rental	332	155
Licenses, permits, and inspection fees	1,240	149
Travel, training, and education	<u>84</u>	<u>-</u>
Total other expenses	<u>2,040</u>	<u>644</u>
Total contractual services	<u>178,048</u>	<u>155,828</u>
Materials and supplies:		
Agricultural supplies	7,368	4,495
Electrical, plumbing, and hardware	18,345	9,247
Equipment, parts, and supplies	42,637	33,880
Fuel, oil, and lubricants	62,880	32,390
Minor equipment and tools	2,158	12,674
Other materials and supplies	10,124	5,615
Paints, chemicals, and gases	65,489	20,008
Paving supplies	31	76
Security supplies	<u>(70)</u>	<u>187</u>
Total materials and supplies	<u>208,962</u>	<u>118,572</u>
Total direct expenses	<u>758,022</u>	<u>606,865</u>
Allocated expenses		
ARFF services	21,185	25,455
Administration	444,483	254,138
Security services	<u>3,995</u>	<u>10,557</u>
Total allocated expenses	<u>469,663</u>	<u>290,150</u>
Total expenses before depreciation	<u>1,227,685</u>	<u>897,015</u>
Net loss before depreciation	<u>(615,222)</u>	<u>(200,570)</u>
Depreciation		
Allocated	8,375	12,198
Direct	<u>327,973</u>	<u>305,925</u>
Total depreciation	<u>336,348</u>	<u>318,123</u>
Net loss	<u>\$ (951,570)</u>	<u>\$ (518,693)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 TERMINAL BUILDING  
 Year Ended June 30, 2013  
 (With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>REVENUE</b>		
Concession fees		
ATM income	\$ 7,858	\$ 7,565
Advertising	44,504	43,500
Auto parking	934,294	916,914
Rental car concession fees	590,793	539,911
Rental car concession - minimum annual guarantee	26,960	77,931
Rental car concession - car facility charges	212,870	181,264
Food and alcoholic beverages	48,391	44,390
Gift shops	16,456	15,252
Ground rental	32,927	23,334
Miscellaneous	<u>24,852</u>	<u>16,761</u>
Total concession fees	<u>1,939,905</u>	<u>1,866,822</u>
Space rentals		
Airlines	471,677	582,539
Concessionaires	<u>34,833</u>	<u>34,119</u>
Total space rentals	<u>506,510</u>	<u>616,658</u>
Miscellaneous rentals		
Building rental	41,962	41,829
Office rental	<u>85,568</u>	<u>84,840</u>
Total miscellaneous rentals	<u>127,530</u>	<u>126,669</u>
Total revenue	<u>2,573,945</u>	<u>2,610,149</u>
<b>EXPENSES</b>		
Direct expenses		
Personnel services		
Employee fringe benefits	656	1,025
Salaries and wages	<u>-</u>	<u>144</u>
Total personnel services	<u>656</u>	<u>1,169</u>
Contractual services		
Utilities		
Electricity	225,645	236,920
Gas	103,550	91,485
Refuse disposal	5,185	4,518
Water and sewer	<u>24,869</u>	<u>15,949</u>
Total utilities	<u>359,249</u>	<u>348,872</u>

	<u>2013</u>	<u>2012</u>
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Repairs and maintenance		
Equipment	\$ 33,772	\$ 32,730
Minor equipment and tools	1,500	1,500
Other contractual services	<u>1,072</u>	<u>44</u>
Total repairs and maintenance	<u>36,344</u>	<u>34,274</u>
Professional services		
Insurance	17,376	18,037
Janitorial contract	81,141	72,856
Marketing	98	-
Security services	<u>92,436</u>	<u>84,631</u>
Total professional services	<u>191,051</u>	<u>175,524</u>
Other expenses		
Equipment rental	700	1,612
Licenses, permits, and inspection fees	<u>-</u>	<u>1,905</u>
Total other expenses	<u>700</u>	<u>3,517</u>
Total contractual services	<u>587,344</u>	<u>562,187</u>
Materials and supplies		
Agricultural supplies	120	1,030
Cleaning and janitorial supplies	17,964	20,074
Electrical, plumbing, and hardware	12,627	16,771
Equipment, parts, and supplies	2,000	2,658
Minor equipment and tools	457	(1,602)
Other materials and supplies	14,086	16,205
Paints, chemicals, and gases	<u>11,911</u>	<u>4,699</u>
Total materials and supplies	<u>59,165</u>	<u>59,835</u>
Total direct expenses	<u>647,165</u>	<u>623,191</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 TERMINAL BUILDING (CONTINUED)  
 Year Ended June 30, 2013  
 (With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
EXPENSES (CONTINUED)		
Allocated expenses		
ARFF services	\$ 11,556	\$ 13,884
Administration	444,484	254,138
Security services	<u>6,659</u>	<u>17,595</u>
Total allocated expenses	<u>462,699</u>	<u>285,617</u>
Total expenses before depreciation	<u>1,109,864</u>	<u>908,808</u>
Net income before depreciation	<u>1,464,081</u>	<u>1,701,341</u>
Depreciation		
Allocated	9,689	12,439
Direct	<u>650,578</u>	<u>653,170</u>
Total depreciation	<u>660,267</u>	<u>665,609</u>
Net income	<u>\$ 803,814</u>	<u>\$ 1,035,732</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 AERONAUTICAL AREA  
 Year Ended June 30, 2013  
 (With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
REVENUE:		
Building rental	\$ 840	\$ 840
Gate rental	1,284	420
Ground rental	184,137	182,383
Hangar rental	50,986	50,986
Ramp rental	900	825
Reimbursed costs - utilities	<u>8,600</u>	<u>8,600</u>
Total revenue	<u>246,747</u>	<u>244,054</u>
EXPENSES:		
Direct expenses:		
Contractual services:		
Utilities:		
Electricity	3,069	2,872
Water and sewer	<u>1,726</u>	<u>272</u>
Total utilities	<u>4,795</u>	<u>3,144</u>
Professional services:		
Security services	<u>8,639</u>	<u>8,678</u>
Total professional services	<u>8,639</u>	<u>8,678</u>
Total contractual services	<u>13,434</u>	<u>11,822</u>
Materials and supplies:		
Other materials and supplies	<u>-</u>	<u>64</u>
Total materials and supplies	<u>-</u>	<u>64</u>
Total direct expenses	<u>13,434</u>	<u>11,886</u>
Allocated expenses:		
ARFF services	3,082	3,702
Administration	190,493	108,916
Security services	<u>666</u>	<u>1,759</u>
Total allocated expenses	<u>194,241</u>	<u>114,377</u>
Total expenses before depreciation	<u>207,675</u>	<u>126,263</u>
Net income (loss) before depreciation	<u>39,072</u>	<u>117,791</u>
Depreciation:		
Allocated	\$ 3,032	\$ 5,092
Direct	<u>81,868</u>	<u>83,896</u>
Total depreciation	<u>84,900</u>	<u>88,988</u>
Net income (loss)	<u>\$ (45,828)</u>	<u>\$ 28,803</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 NON-AERONAUTICAL AREA  
 Year Ended June 30, 2013  
 (With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
REVENUE		
Agricultural land income	\$ 9,316	\$ 880
Badge income	5,662	6,298
Building rental	34,200	35,700
Ground rental	<u>77,047</u>	<u>31,249</u>
Total revenue	<u>126,225</u>	<u>74,127</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	<u>14,246</u>	<u>14,609</u>
Total personnel services	<u>14,246</u>	<u>14,609</u>
Contractual services		
Utilities		
Electricity	26,059	24,730
Gas	19,132	17,423
Water and sewer	<u>3,822</u>	<u>3,209</u>
Total utilities	<u>49,013</u>	<u>45,362</u>
Professional services		
Insurance	5,560	4,629
Security services	<u>17,278</u>	<u>17,356</u>
Total professional services	<u>22,838</u>	<u>21,985</u>
Other expenses		
Drug tests and physical exams	431	416
Licenses, permits, and inspection fees	<u>1,338</u>	<u>1,338</u>
Total other expenses	<u>1,769</u>	<u>1,754</u>
Total contractual services	<u>73,620</u>	<u>69,101</u>
Materials and supplies		
Other materials and supplies	<u>4,998</u>	<u>5,171</u>
Total materials and supplies	<u>4,998</u>	<u>5,171</u>
Total direct expenses	<u>92,864</u>	<u>88,881</u>



	<u>2013</u>	<u>2012</u>
Allocated expenses		
ARFF services	\$ 2,696	\$ 3,240
Administration	190,493	108,916
Security services	<u>1,998</u>	<u>5,278</u>
Total allocated expenses	<u>195,187</u>	<u>117,434</u>
Total expenses before depreciation	<u>288,051</u>	<u>206,315</u>
Net income before depreciation	<u>(161,826)</u>	<u>(132,188)</u>
Depreciation		
Allocated	3,707	5,231
Direct	<u>614,150</u>	<u>288,319</u>
Total depreciation	<u>617,857</u>	<u>293,550</u>
Net loss	<u>\$ (779,683)</u>	<u>\$ (425,738)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 SCHEDULE OF ALLOCATED EXPENSES  
 Year Ended June 30, 2013

	Total Airport		Landing Area		Terminal Building		Aeronautical Area		Non-Aeronautical Area	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Allocated expense before depreciation and amortization										
Administration	\$ 1,269,953	100%	\$ 444,483	35%	\$444,484	35%	\$190,493	15%	\$190,493	15%
Security services	13,318	100%	3,995	30%	6,659	50%	666	5%	1,998	15%
ARFF services	<u>38,519</u>	<u>100%</u>	<u>21,185</u>	<u>55%</u>	<u>11,556</u>	<u>30%</u>	<u>3,082</u>	<u>8%</u>	<u>2,696</u>	<u>7%</u>
Total allocated expense before depreciation and amortization	<u>\$ 1,321,790</u>	<u>100%</u>	<u>\$ 469,663</u>	<u>35%</u>	<u>\$ 462,699</u>	<u>35%</u>	<u>\$ 194,241</u>	<u>15%</u>	<u>\$ 195,187</u>	<u>15%</u>
Allocated depreciation and amortization										
Administration	17,867	100%	\$ 6,254	35%	\$ 6,253	35%	\$ 2,680	15%	\$ 2,680	15%
Security services	6,773	100%	2,031	30%	3,387	50%	339	5%	1,016	15%
ARFF services	<u>163</u>	<u>100%</u>	<u>90</u>	<u>55%</u>	<u>49</u>	<u>30%</u>	<u>13</u>	<u>8%</u>	<u>11</u>	<u>7%</u>
Total allocated depreciation and amortization	<u>\$ 24,803</u>	<u>100%</u>	<u>\$ 8,375</u>	<u>34%</u>	<u>\$ 9,689</u>	<u>39%</u>	<u>\$ 3,032</u>	<u>12%</u>	<u>\$ 3,707</u>	<u>15%</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 ADMINISTRATION  
 Year Ended June 30, 2013  
 (With comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>EXPENSES</b>		
Personnel services		
Employee fringe benefits	\$ 114,817	\$ 105,872
Salaries and wages	<u>358,868</u>	<u>332,541</u>
Total personnel services	<u>473,685</u>	<u>438,413</u>
Contractual services		
Utilities		
Electricity	265	-
Internet services	12,698	14,316
Telephone	<u>12,968</u>	<u>13,912</u>
Total utilities	<u>25,931</u>	<u>28,228</u>
Repairs and maintenance		
Equipment	6,662	5,893
Minor equipment and tools	<u>6,209</u>	<u>3,538</u>
Total repairs and maintenance	<u>12,871</u>	<u>9,431</u>
Professional services		
Accounting fees	11,600	9,350
Consulting fees	172,125	123,779
Insurance	10,472	10,103
Legal fees	<u>7,136</u>	<u>7,489</u>
Total professional services	<u>201,333</u>	<u>150,721</u>
Other expenses		
Advertising and promotional expenses	554	1,632
Board meeting/member expense	1,007	1,034
Dues and subscriptions	4,285	4,808
Employee recognition	5,466	3,785
Licenses, permits, and inspection fees	3,438	2,200
Postage and freight	2,668	2,330
Street maintenance assessments	8,867	5,469
Travel, training, and education	29,899	25,409
U.S. Customs building lease	39,696	40,893
Vehicle lease	<u>6,000</u>	<u>6,000</u>
Total other expenses	<u>101,880</u>	<u>93,560</u>
Total contractual services	<u>342,015</u>	<u>281,940</u>

	<u>2013</u>	<u>2012</u>
EXPENSES (CONTINUED)		
Materials and supplies		
Cleaning and janitorial supplies	\$ 108	\$ -
Equipment, parts, and supplies	121	-
Minor equipment and tools	1,799	-
Office materials and supplies	5,770	3,984
Other materials and supplies	<u>1,103</u>	<u>1,049</u>
Total material and supplies	<u>8,901</u>	<u>5,033</u>
Total expenses before depreciation and amortization	<u>824,601</u>	<u>725,386</u>
NON-OPERATING (REVENUE) AND EXPENSES		
(Gain) loss on sale of assets	(30,805)	(456)
Interest expense	436,541	465,489
Interest on investments - operating account	(3,419)	(37,584)
Miscellaneous non-operating (revenue) expense	<u>43,035</u>	<u>(426,727)</u>
Total non-operating (revenue) and expenses	<u>445,352</u>	<u>722</u>
Net expense before depreciation and amortization allocated to primary cost centers	<u>\$ 1,269,953</u>	<u>\$ 726,108</u>
Depreciation and amortization allocated to primary cost centers	<u>\$ 17,867</u>	<u>\$ 33,387</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 SECURITY SERVICES  
 Year Ended June 30, 2013  
 (With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 15,598	\$ 14,845
Salaries and wages	<u>36,234</u>	<u>26,658</u>
Total personnel services	<u>51,832</u>	<u>41,503</u>
Contractual services		
Professional services:		
Insurance	<u>1,547</u>	<u>5,636</u>
Total professional services	<u>1,547</u>	<u>5,636</u>
Total contractual expenses	<u>1,547</u>	<u>5,636</u>
Materials and supplies		
Fuel, oil, and lubricants	12,431	13,214
Other materials and supplies	25	-
Security supplies	<u>89</u>	<u>1,782</u>
Total materials and supplies	<u>12,545</u>	<u>14,996</u>
Total expenses before depreciation	<u>65,924</u>	<u>62,135</u>
Less reimbursed security costs	<u>(52,606)</u>	<u>(26,946)</u>
Net expense before depreciation allocated to primary care cost centers	<u>\$ 13,318</u>	<u>\$ 35,189</u>
Depreciation allocated to primary care cost centers	<u>\$ 6,773</u>	<u>\$ 1,410</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 AIRCRAFT RESCUE AND FIRE FIGHTING  
 Year Ended June 30, 2013  
 (With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>EXPENSES</b>		
Personnel services		
Employee fringe benefits	\$ 5,841	\$ 5,165
Salaries and wages	<u>15,996</u>	<u>14,891</u>
Total personnel services	<u>21,837</u>	<u>20,056</u>
 Contractual services		
Other expenses		
Travel, training, and education	<u>6</u>	<u>13,800</u>
Total other expenses	<u>6</u>	<u>13,800</u>
 Total contractual expenses	<u>6</u>	<u>13,800</u>
 Materials and supplies		
Firefighting supplies	7,769	6,812
Security supplies	<u>8,907</u>	<u>5,613</u>
Total materials and supplies	<u>16,676</u>	<u>12,425</u>
 Total expenses before depreciation	<u>38,519</u>	<u>46,281</u>
 Net expense before depreciation allocated to primary cost centers	<u>\$ 38,519</u>	<u>\$ 46,281</u>
 Depreciation allocated to primary cost centers	<u>\$ 163</u>	<u>\$ 163</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF INSURANCE COVERAGE  
Year Ended June 30, 2013

**Basic Property Coverage**

Airport Authority properties are covered under Policy No. CPP1070545 by Cincinnati Insurance Company through July 1, 2013, 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 \$40,326,252 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 \$40,326,252 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. N00978863009 through July 1, 2013. 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, 2013.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)  
Year Ended June 30, 2013

**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, 2013. 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. PK10000245 through July 1, 2013. 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.



INTERNAL CONTROL AND COMPLIANCE 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, 2013, 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 December 12, 2013.

**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 opinions 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.".

Great Falls, Montana  
December 12, 2013

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 each of the Airport Authority's major federal programs for the year ended June 30, 2013. The Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each 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 each of its major federal programs for the year ended June 30, 2013.

### **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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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  
December 12, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT ACOULD 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, 2013.

**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, 2013.

### **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 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 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.



Great Falls, Montana  
December 12, 2013

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF**  
**PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED**  
 June 30, 2013

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

Program Title	Award Amount	Federal Funds Received as of 6/30/12	Federal Funds Received During Current Year	Federal Funds Receivable as of 6/30/13	Federal Funds Recognized as of 6/30/13	Federal Expenditures as of 6/30/12	Federal Expenditures During Current Year	Federal Expenditures as of 6/30/13	Cumulative Airport Expenditures	Total Program Expenditures
AIP 3-30-0036-42	\$ 2,000,000	\$ 1,895,523	\$ -	\$ -	\$ 1,895,523	\$ 1,895,523	\$ -	\$ 1,895,523	\$ 73,197	\$ 1,968,720
AIP 3-30-0036-44	694,153	589,777	-	-	589,777	589,777	-	589,777	31,292	621,069
AIP 3-30-0036-46	890,718	890,719	-	-	890,719	890,719	-	890,719	46,879	937,598
AIP 3-30-0036-47	3,500,000	2,518,405	9,799	-	2,528,204	2,518,405	9,799	2,528,204	131,158	2,659,362
AIP 3-30-0036-48	890,718	890,718	-	-	890,718	890,718	-	890,718	49,420	940,138
AIP 3-30-0036-49	1,307,121	1,227,133	-	-	1,227,133	1,227,133	-	1,227,133	64,711	1,291,844
AIP 3-30-0036-50	853,870	824,116	73,351	-	897,467	853,871	43,596	897,467	58,760	956,227
AIP 3-30-0036-51	500,000	351,133	98,866	-	449,999	351,133	98,866	449,999	24,748	474,747
AIP 3-30-0036-52	1,500,000	29,565	1,409,977	-	1,439,542	29,565	1,409,977	1,439,542	73,819	1,513,361
AIP 3-30-0036-53	605,709	181,223	362,053	75,382	618,658	452,343	166,315	618,658	18,293	636,951
AIP 3-30-0036-54	4,145,156	-	3,631,339	99,462	3,730,801	3,135	3,727,666	3,730,801	499,950	4,230,751
AIP 3-30-0036-56	2,148,001	-	-	246,575	246,575	-	246,575	246,575	28,862	275,437
<b>TOTAL</b>	<u>\$ 19,035,446</u>	<u>\$ 9,398,312</u>	<u>\$ 5,585,385</u>	<u>\$ 421,419</u>	<u>\$ 15,405,116</u>	<u>\$ 9,702,322</u>	<u>\$ 5,702,794</u>	<u>\$ 15,405,116</u>	<u>\$ 1,101,089</u>	<u>\$ 16,506,205</u>

**PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED**

Revenues	<u>\$ 755,779</u>
Interest Income	<u>\$ 4</u>
Expenditures	<u>\$ -</u>

See accompanying notes to schedule.



GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
June 30, 2013

**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, 2013

**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, 2013, 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, 2013

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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