

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, 2015



CONTENTS

	<u>PAGE</u>
Authority Members and Appointed Officers	1
INDEPENDENT AUDITOR’S REPORT	2 through 4
Management’s Discussion and Analysis	5 through 19
FINANCIAL STATEMENTS	
Statement of Net Position	20 and 21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23 and 24
Notes to Financial Statements	25 through 49
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the PERS Net Pension Liability.....	50
Schedule of PERS Contributions.....	51
SUPPLEMENTAL SCHEDULES	
Schedule of Revenues and Expenses - Operating Account - Budget and Actual	52 through 56
Summary/Cost Center Operating Schedule	57
Cost Center Operating Schedules	
Landing Area	58 and 59
Terminal Building.....	60 through 62
Aeronautical Area.....	63
Non-Aeronautical Area.....	64 and 65
Schedule of Allocated Expenses.....	66

CONTENTS (CONTINUED)

	<u>PAGE</u>
Cost Center Operating Schedules	
Administration	67 and 68
Security Services	69
Aircraft Rescue and Fire Fighting	70
Schedule of Insurance Coverage.....	71 and 72
Schedule of Passenger Facility Charges	
Collected and Expended	73

SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74 and 75
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	76 and 77
Schedule of Expenditures of Federal Awards	78
Notes to Schedule of Expenditure of Federal Awards.....	79
Schedule of Findings and Questioned Costs	80
Status of Prior Audit Findings	81

OTHER COMPLIANCE REPORTS

Independent Auditor's Report on Compliance for the Passenger Facility Charges Program and on Internal Control over Compliance Applicable to the Passenger Facility Charge Program	82 and 83
--	-----------

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
JUNE 30, 2015

AUTHORITY MEMBERS AND APPOINTED OFFICERS

<u>Authority Members</u>	<u>Position</u>	<u>Term Expires</u>
Brad Talcott	Chairperson	December 31, 2017
Debra Evans	Vice Chairperson	December 31, 2015
Dan Rooney	Commissioner	December 31, 2015
Debbie Goetze	Commissioner	December 31, 2016
Sean Hoven	Commissioner	December 31, 2016
Michael Buck	Commissioner	December 31, 2017
Richard Swensen	Commissioner	December 31, 2017

Appointed Member

John Faulkner Airport Director

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Great Falls International Airport Authority (the Airport Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Airport Authority, as of June 30, 2015, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Airport Authority's June 30, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19, the schedule of proportionate share of the PERS net pension liability on page 50, and the schedule of PERS contributions on page 51, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport Authority's basic financial statements. The supplemental schedules as listed in the table of contents 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 November 24, 2015, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana

November 24, 2015

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 Montana 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 30th. 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 *Notes to Financial Statements* section providing the reader more detailed data. The Basic Financial Statements are followed by a Supplemental Information section which presents certain comparative data in the form of budget-to-actual information as well as cost center information used by the Airport Authority's management in the operation of the airport.

FINANCIAL POSITION SUMMARY

Total net position serves over time as a useful indicator of the Airport Authority's financial position. The Airport Authority's net position decreased by \$658,397 for the fiscal year.

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

TABLE 1

	2015	2014
ASSETS		
Current	\$ 4,133,142	\$ 2,695,424
Non-current	92,194,329	92,891,312
Total Assets	96,327,471	95,586,736
LIABILITIES		
Current	1,998,425	2,322,816
Non-current	12,764,947	14,697,138
Total Liabilities	14,763,372	17,019,954
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement	4,000,000	500,000
PERS difference – projected vs actual	155,714	-
Total Deferred Inflows of Resources	4,155,714	500,000
NET POSITION		
Invested in capital assets	73,202,993	75,210,371
Restricted	193,889	695,850
Unrestricted	4,011,503	2,160,561
Total Net Position	\$ 77,408,385	\$ 78,066,782

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

FINANCIAL POSITION SUMMARY (CONTINUED)

The largest portion of the Airport Authority's net position (90.5%) represents our investment in capital assets (e.g., land, buildings, improvements, equipment, and net investment in lease). Consequently, these assets are not available for future spending. Although the Airport Authority's investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, lease revenue and PFC funds, since the capital assets cannot be used to liquidate liabilities.

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

**TABLE 2
SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION**

	2014/2015	2013/2014
Operating Revenues (1)	\$ 3,856,638	\$ 3,761,482
Operating Expenses (2)	(2,423,376)	(2,446,900)
Excess before Depreciation and other non-operating revenues and expenses	1,433,262	1,314,582
Depreciation	(1,256,117)	(1,635,576)
Income (loss) before other non-operating revenue and expenses	177,145	(320,994)
Non-operating revenues and (expenses), net	909,510	671,526
Income (loss) before Capital Contributions	1,086,655	350,532
Capital Contributions	2,402,345	2,322,064
Depreciation on federally funded property and equipment	(4,147,397)	(4,208,112)
Change in Net Position	<u>\$ (658,397)</u>	<u>\$ (1,535,516)</u>

(1) Operating revenues increased by \$95,156 or 2.53% in FY2015. See table 3.

(2) Operating expenses decreased by \$23,524 or 0.96% in FY2015. See table 5.

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

FINANCIAL POSITION SUMMARY (CONTINUED)

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, 2015 and the amount and percentage of change in relation to prior year amounts. For more detail, refer to Supplemental Schedules, pages 52-53.

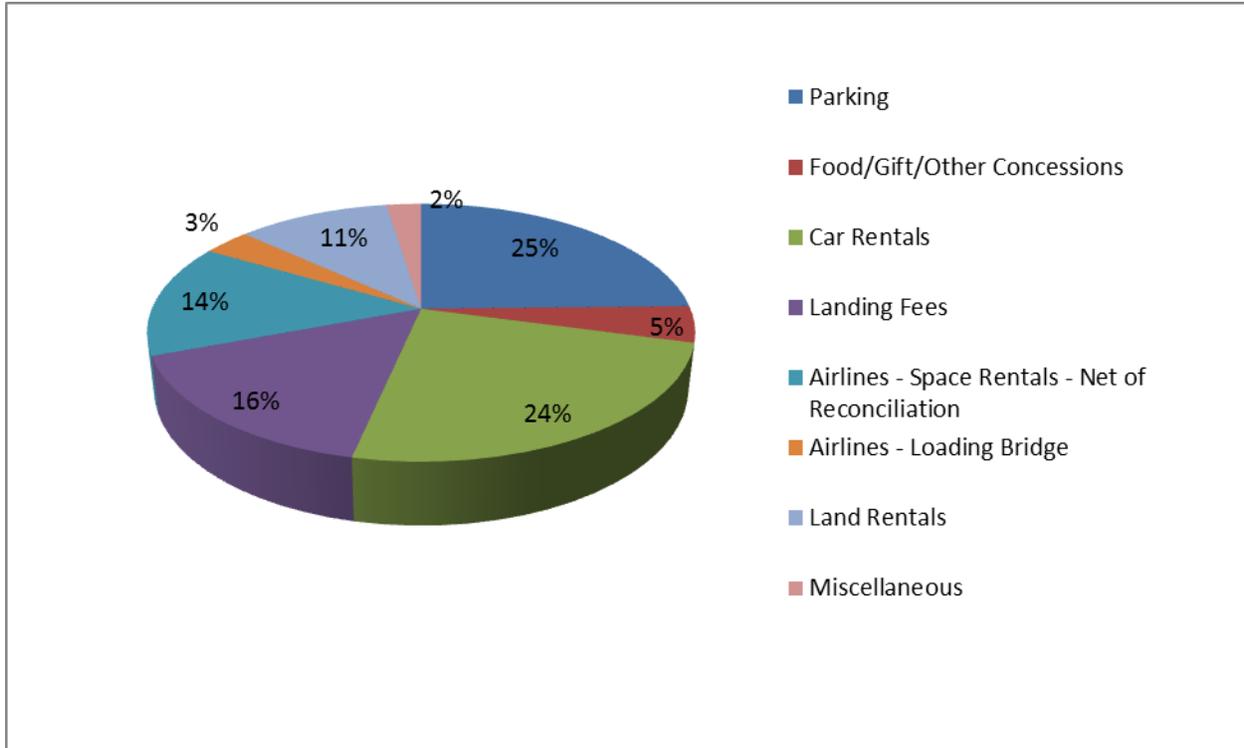
TABLE 3

OPERATING REVENUE SOURCE	FY2015	Percent of Total	FY2014	Percent of Total	Increase (Decrease) from 2014	Percent Increase (Decrease)
Parking	\$ 950,854	25%	\$ 951,953	25%	\$ (1,099)	-0.1%
Food/Gift/Other Concessions	174,992	5%	144,986	4%	30,006	20.7%
Car Rental Concession - MAG	621,762	16%	669,698	18%	(47,936)	-7.2%
Car Rental Concession - CFC	212,760	6%	200,061	5%	12,699	6.3%
Car Rentals - Rent	98,068	3%	100,244	3%	(2,176)	-2.2%
Landing Fees	611,126	16%	578,887	15%	32,239	5.6%
Airlines - Space Rentals - Net of Reconciliation	548,981	14%	536,352	14%	12,629	2.4%
Airlines - Loading Bridge	129,168	3%	115,280	3%	13,888	12.0%
Land Rentals	414,553	11%	378,764	10%	35,789	9.4%
Miscellaneous	94,375	2%	85,260	2%	9,115	10.7%
TOTAL OPERATING REVENUES	\$ 3,856,638	100%	\$3,761,482	100%	\$ 95,156	2.5%

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

FINANCIAL POSITION SUMMARY (CONTINUED)

OPERATING REVENUE SOURCES



- Parking revenue was nearly identical to prior year's numbers.
- Food/Gift/Other concessions revenue grew 20.7% during FY2015 due to increased passenger volume and the enhanced terminal concession services that opened midway through the previous fiscal year.
- Aggregate airline revenues derived from landing fees, space rentals and loading bridge fees increased by \$58,756 or 4.8% in FY2015. This is due to increased terminal rentals and loading bridge revenues as a result of capital cost recovery associated with the Terminal Expansion Project. Landing fees also increased 5.6% due to an increase in FedEx flights due to construction at another west coast location.
- Land rental revenue, which is derived primarily from long-term leases, increased by 9.4% due to the addition of a tenant, I- State Truck Center.
- Miscellaneous revenues increased by 10.7%. This includes revenues collected from FBO fuel flowage, security reimbursements, and income from massage chairs.

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

FINANCIAL POSITION SUMMARY (CONTINUED)

TABLE 4

TOP PRODUCING CUSTOMERS		
TENANT	AMOUNT	AMOUNT
	FY2014-15	FY2013-14
REPUBLIC PARKING	\$ 950,854	\$ 951,953
DELTA (LANDING FEES & SPACE RENT)	382,511	382,921
UNITED/SKYWEST (LANDING FEES & SPACE RENT)	233,292	226,743
HORIZON (LANDING FEES & SPACE RENT)	207,630	193,755
HERTZ (CONCESSION FEES & SPACE RENT)	198,900	206,750
NATIONAL/ALAMO (CONCESSION FEES & SPACE RENT)	188,696	191,405
FEDEX (LANDING FEES)	185,001	174,592
AVIS (CONCESSION FEES & SPACE RENT)	168,791	175,841
TOTAL	\$ 2,515,675	\$ 2,503,960

OPERATING EXPENSES

The following table shows the summary of operating expenses for the year ended June 30, 2015 and the amount and percentage of change in relation to prior year amounts. For more details, refer to Supplemental Schedules, pages 53-55.

TABLE 5

	2015 Amount	Percent of Total	2014 Amount	Percent of Total	Increase (Decrease) from 2014	Percent Increase (Decrease)
Personnel Services						
Salaries & Wages	\$ 689,456	28.5%	\$ 697,625	29%	\$ (8,169)	-1.2%
Employee Benefits	246,976	10.2%	263,210	11%	(16,234)	-6.2%
Contractual Services						
Utilities	502,770	21.7%	490,113	20%	12,657	2.6%
Repairs & Maintenance	71,502	3.0%	87,134	4%	(15,632)	-17.9%
Professional Services	555,241	22.9%	538,656	22%	16,585	3.1%
Other Operating Expenses	93,204	3.8%	103,538	4%	(10,334)	-10.0%
Materials & Supplies	264,227	10.9%	266,624	11%	(2,397)	-0.9%
Total Operating Expenses	\$2,423,376	100.0%	\$2,446,900	100%	\$ (23,524)	-1.0%

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

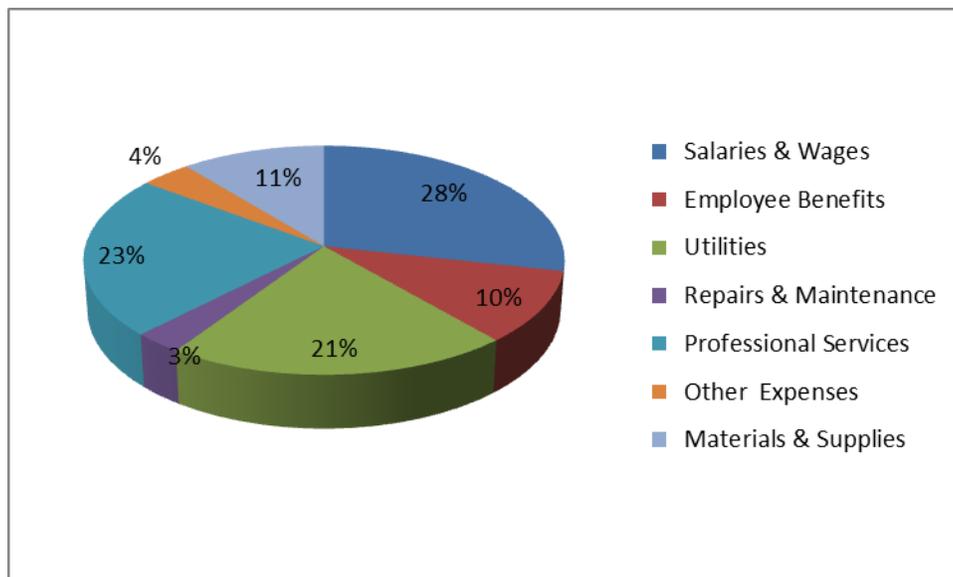
FINANCIAL POSITION SUMMARY (CONTINUED)

OPERATING EXPENSES (CONTINUED)

- Salaries and Wages decreased by 1.2% mostly due to drastic reduction in overtime as a direct result of improved operational scheduling, and a light snow season.
- Employee benefits decreased by 6.2% due to decrease in health insurance cost as a result of changes in employee coverage and premiums, PERS contribution, unemployment, workers' compensation and corresponding FICA and Medicare contribution in relation to base wages.
- Utilities increased by 2.6% as a result of added electricity consumption brought about by the new Snow Removal Equipment Building.
- Equipment repairs and maintenance decreased by 17.9% as staff focused on completing deferred maintenance during the prior year.
- Professional services increased by 3.1% mostly due to aggressive marketing/advertising and promotions.
- Other operating expenses decreased by 10% due to less employee travel and training and educational expenses.
- Materials and Supplies decreased by 0.9% as a result of extra supplies from prior years' reserve.

The following pie chart shows the composition of operating expenses with their corresponding percentages for the year ended June 30, 2015.

OPERATING EXPENSES



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

NOTEWORTHY INFORMATION & DISCLOSURES

The Airport has experienced 25 percent passenger growth and record volumes since 2011. This growth has put significant strain on our landside facilities. To accommodate this growth, the Airport Authority is currently performing significant improvements to our entry and exit roadway infrastructure (Airport Entry/Exit Roadway Project, FAA – AIP 61). Upgrades include mill and overlay to entry and exit roads, relocation of the exit road, new parking toll plaza, new merge lanes at all intersections, expanded left turn bays, new backflow road for employees, formal cell phone waiting lot, and new signage program. Funding sources for this project includes FAA AIP Funding of \$1,647,000, Airline Reimbursements of \$300,000, Tenant Direct Funding of \$200,000 and Car Rental CFC of \$303,000.

The Board approved acquiring an easement from the Montana Department of Transportation for a portion of the entry and exit roads from the I-15 exit to the water tower at \$0 cost but the Authority will take on roadway maintenance responsibility.

Effective July 1st, 2015, a modified way of recording inventory became effective. Purchases are recorded as expense when paid. There is a one-time adjustment to expense gas, diesel, and ALEB inventory to expense the beginning inventory and clear the inventory accounts.

FY2015 is the second year where all capital assets, regardless of funding source, are depreciated thereby drastically increasing the both depreciation and accumulated depreciation. This is also the first year where capital assets inventory was reviewed and updated resulting in mass disposal of assets that are no longer in place, fully depreciated and/or inexistent. Refer to Note 3.

Other Contracts and Projects Approved By the Board in FY2015

- | | |
|--------------------------------------|-------------------------------------|
| ▪ Master Plan Project Contract | ▪ ValuPark Lot Completion |
| ▪ Fatmoose Media Contract Extension | ▪ Car Condo Contract |
| ▪ CFC Rate Change | ▪ PFC Application #5 |
| ▪ Retail Development Plan | ▪ Final Design of Runway 16/34 |
| ▪ Entry/Exit Road Rehabilitation | ▪ 40-year Arndt Land Lease |
| ▪ 3-year Airline Agreement Extension | ▪ FAA Tower Contract Amendment |
| ▪ Farming Contract | ▪ 6-year Parking Contract Extension |

Between July 2003 and January 2015, due to a line and meter change, Northwestern Energy overcharged the Airport approximately \$125,905.60 total. Northwestern Energy was charging the Airport for 49 unmetered light poles for many years. In 2003, these light poles were rerouted to a metered circuit, but the billing was not adjusted. Airport staff conducting an electric meter audit found the issue during this fiscal year. The Airport is currently in negotiation with Northwestern Energy. The airport has proposed for them to convert the parking lot, roadway and ramp lights to LED in exchange for the back billing. This change would produce an approximate 40% energy cost savings to the airport. If Northwestern Energy is interested, this will be brought to the Board for approval.

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

OTHER EVENTS

Capital purchases approved by the Board in FY2015 for purchase in FY2016 include an S570 Bobcat Equipment, a large plow/broom combination snow removal machine, parking lot fog Seal - Phase I, maintenance truck and UTV (Utility Task Vehicle) with plow.

On August 25, 2015 the Board revised and adopted Airport Authority Bylaws and Policies with bylaw revisions and policy revisions as follows:

- Bylaw - Removal of Exhibit A – Board Role and Responsibilities due to duplicative content.
- Bylaw - City or County Board member appointments no longer require Board approval.
- Bylaw - Added: The Vice-Chair of the Board leads the Airport Director's annual review process.
- Bylaw -Added: Draft minutes of all Board meetings must be available online 10 working days after the Board meeting and public notice of all Board meetings must be available online 48 hours prior to the Board meeting.
- Policy 3 Removal – Marketing and Airport Development (restates obvious business practices).
- Policy 4 – Limit on informal vendor selection has been extended from \$10,000 to \$25,000.
- Policy 6 Removal – Organization Structure (duplicative content),
 - Re-numeration of remaining six policies (policies 1, 2, 4, 5, 8, and 9 now listed as 1-6).

On June 30, 2015, the airport adopted GASB pronouncement, Statement 68 – Accounting and Financial Reporting for pensions. This resulted in an increase in airport pension liability. For more details, refer to Note 10.

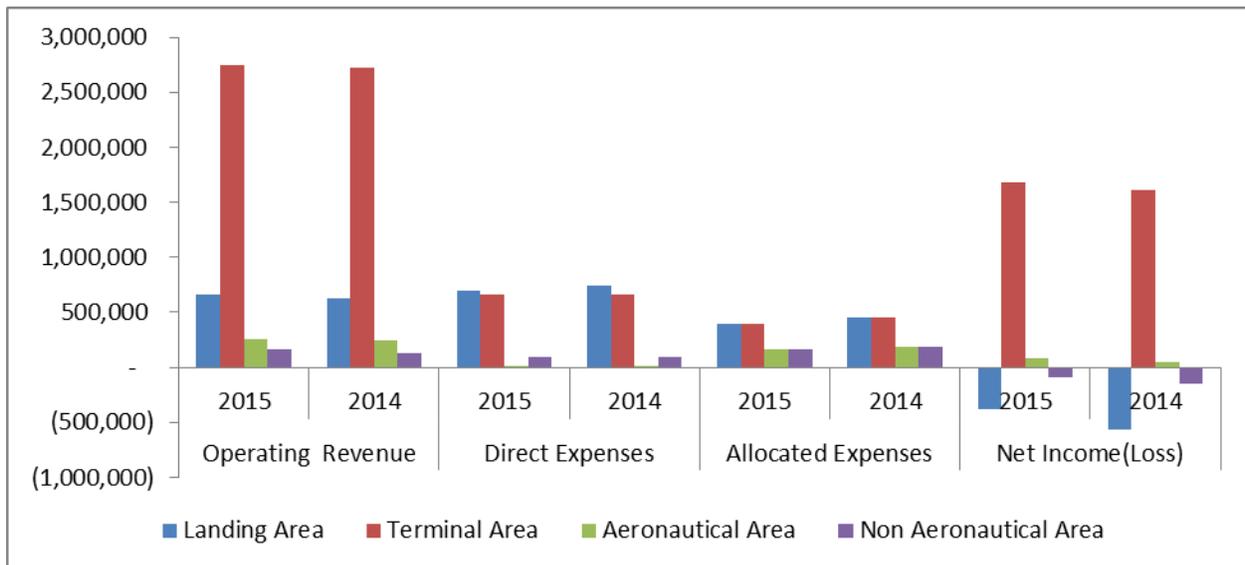
**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

COST CENTERS

The following table and chart shows the cost centers and operating revenues & expenses for the years ended June 30, 2015 and June 30, 2014. For more details, refer to Supplemental Schedules, page 57.

TABLE 6

	Operating Revenue		Direct Expenses		Allocated Expenses		Net Income (Loss) Before Depreciation/Amortization	
	2015	2014	2015	2014	2015	2014	2015	2014
Landing Area	660,407	626,358	650,980	744,654	394,683	449,516	(385,256)	(567,812)
Terminal Area	2,744,069	2,725,475	704,010	666,544	390,972	447,049	1,649,087	1,611,882
Aeronautical Area	251,666	248,219	11,541	12,771	161,854	185,516	78,271	49,932
Non-Aeronautical Area	160,999	128,650	92,733	92,928	163,962	187,952	(95,696)	(152,230)
Total	3,817,141	3,728,702	1,459,264	1,516,897	1,111,471	1,270,033	1,246,406	941,772



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

SUMMARY OF CASH FLOW ACTIVITIES

The following table shows a summary of the major sources and use of cash and cash equivalents for FY2015 and FY2014. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments.

TABLE 7

	2014/2015	2013/2014
Cash Flows From:		
Operating Activities	\$ 1,298,517	\$ 1,413,477
Non-Capital Financing Activities	16,421	20,075
Capital and Related Financing Activities	(1,086,937)	(2,228,845)
Investing Activities	(820,201)	1,486,497
Net Change in Cash and Cash and Cash Equivalents	(592,200)	691,204
Cash and Cash Equivalents:		
Beginning of year	894,065	202,861
End of year	\$ 301,865	\$ 894,065

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

CAPITAL IMPROVEMENT PROJECTS

The Airport Authority expended \$1,883,519 and \$2,535,689 on FAA approved Airport Improvement Projects for FY2015 and FY2014, 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 \$343,532 and \$1,767,075 for FY2015 and FY2014 respectively.

PROJECT DESCRIPTION	FY2015	FY2014
AIP # 51, # 52 – Residential Sound Insulation Project	\$ -	\$ 28,847
AIP # 53 – SW Airfield Drainage Improvements	-	-
AIP # 54 – Terminal Expansion	-	310,887
AIP # 56 - SRE (Snow Removal Equipment) Building	292,925	1,883,837
AIP # 57- Residential Sound Insulation Project	390,889	312,118
AIP # 58- Master Plan Update	416,607	-
AIP # 59- Rehabilitate Runway 16/34	438,827	-
AIP # 61- Roadway Improvements	344,271	-
FAA Approved Capital Improvement Projects	<u>\$ 1,883,519</u>	<u>\$ 2,535,689</u>
Fedex Apron	\$ 90,494	\$ -
AvMax Hangar Phase I	32,200	75,134
Design Runway 16/34	64,497	320,358
Miscellaneous Projects	2,274	39,905
SRE (snow Removal Equipment) Building	(12,165)	218,918
Terminal /Parking Lot Expansion	166	138,577
Terminal Expansion	166,066	974,183
Airport Funded Projects	<u>\$ 343,532</u>	<u>\$ 1,767,075</u>
Total	<u>\$ 2,227,051</u>	<u>\$ 4,302,764</u>

The Airport Authority began construction of the Terminal Expansion which included the expanded and centralized security check point, expanded restroom capacity and a new restaurant and gift shop inside the security checkpoint in August of FY2012. The project was officially opened to the public at the end of October 2013. The official FAA closeout for the project was in May 2015. In FY2015, Terminal Expansion has been added in the Buildings Capital Assets.

On August 1, 2013, the Airport Authority received a \$2,486,001 grant from FAA to construct a Snow Removal Equipment (SRE) Building. The project commenced on August 19, 2013 and officially opened on August 20, 2014. Grant closeout is expected in FY2016.

Under the FAA approved Residential Sound Insulation Project (RSIP) which began design in the spring of 2011, to date, a total of 101 homes were completed. The Airport completed an updated Part 150 Noise Compatibility Study which indicated that the Airport is now compatible with surrounding land uses. The FAA approved cancellation of the RSIP Program in March 2015.

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

CAPITAL IMPROVEMENT PROJECTS (CONTINUED)

The Authority expanded the public parking lot by 25% in 2012. Due to continued growth and demand, the Airport Authority started construction of a 250 stall overflow lot during FY2014. The overflow economy lot was completed in 2014. As part of the FY2015 capital program, the Airport Authority is expanding the overflow lot to 340 stalls and opening this lot as a discount parking lot. The Airport is also opening twelve new short-term parking stalls on the Terminal curb that will include a parking meter pay station.

At the end of the project, the Airport Authority will operate 100 short-term stalls and 1,064 long-term stalls for a total of 1,164 parking stalls. This project will relocate and expand the parking toll plaza.

The Airport is also rehabilitating and in some cases expanding the roadways serving the Terminal complex. The Airport received a \$2,062,289 Grant (AIP 61) to help fund this project. Both the Road Rehabilitation and Parking Lot Expansion are expected to be complete in FY2016.

Joint seal replacement for approximately half of the FedEx ramp and Avmax roof repairs were completed in FY2015.

A 20-year Master Plan Update is currently underway and is expected to be completed in FY2016.

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

LONG – TERM DEBT ADMINISTRATION

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

PASSENGER FACILITY CHARGE (PFC)

Enplanements affect the amount of PFC fees that are collected from the airlines each year. The more ticketed passengers flying from Great Falls, the greater the amount of PFCs collected. These funds can be used by the Airport Authority to pay for certain eligible capital costs. A description of PFCs is included in Note 1, Summary of Significant Accounting Policies. PFC revenue collected by the airport during fiscal years 2015 and 2014 were \$764,536 and \$778,947 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.

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

PASSENGER FACILITY CHARGE (PFC) (CONTINUED)

From the PFC's program inception in November 1992 through June 2014 the Airport Authority has collected about \$11,106,097 in PFC fees. A new PFC application # 5 in the amount of \$1,850,000 is underway and expected to be approved by FAA in FY2016. This will extend the estimated charge expiration date of collection from October 2021 to September 2023.

AIRPORT ACTIVITIES AND HIGHLIGHTS

The Great Falls Airport Authority concluded its 2014-2015 Fiscal Year with record passenger levels. This marked the sixth consecutive fiscal year in which the Airport achieved record volumes. In total, 384,806 passengers used the Airport during Fiscal Year 2014-2015. This was an increase of nearly 3,600 passengers or about 1 percent over the previous year. Most of the growth was due to the addition of direct Los Angeles service from Allegiant Airlines during the summer. Allegiant has elected not to continue those flights at the present time. Over the past six years, airport traffic has increased by an average of 4.7% annually.

Coinciding with record passengers, the Airport Authority also booked record operating revenue in Fiscal Year 2014-15 with growth of \$95,156 or 2.5% over the prior year. This was the third consecutive year of record operating revenue driven primarily by concession income from auto rentals, parking, food & beverages and gift shop increased respectively. During fiscal year 2014-2015 the standout performer was food/beverage and news/gift revenue which grew a remarkable 20% over the prior year. In addition to more sales derived from passenger growth, the Airport Authority has been able to realize increased sales per passenger since the new restaurant and gift shop opened inside security in October 2013.

Parking revenue was nearly unchanged in FY2015, but it remained 25% of the Airport Authority's total operating revenue. The Airport worked to expand its parking offerings and improve service in the current year. The Airport negotiated a six-year contract extension with Republic Parking. In exchange, Republic will be investing approximately \$400,000 to relocate and expand the parking lot toll plaza. The toll plaza will feature two always-open automated lane and a new canopy to keep payers out of the weather.

This relocation allows the airport to use the toll plaza to convert the overflow parking into a remote discount lot, named ValuPark. The overflow lot was constructed last year with 250 stalls and expanded during the current fiscal year to 348 stalls. Management believes this new lot will attract value-minded leisure travelers being dropped off at the terminal currently. This new product is planned to open in November 2015. It will be priced at the same daily rate but with a weekly cap well below the current long-term lot price to attract vacationers rather than business travelers.

At the time ValuPark opens, the Airport will also open twelve new curbside parking meter positions with a pay station. The metered positions are projected to grow over the next three years to a total annual revenue exceeding \$11,000. Both new lots are part of the Airport Authority strategy to offer several levels of parking services based on convenience at escalating price points and encouraging passengers to decide based on price versus proximity.

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

AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

At the end of the FY2015, the Airport Authority submitted a Small Community Air Service Development Grant (“SCASD Grant”) application in the amount of \$385,000 to support a new summer route to Chicago. Shortly after the year end, the Airport Authority received an award notification for the requested funds. This is the first SCASD Grant the Authority has ever received for new route development. Chicago is the fastest growing summer market in Great Falls’ top-ten city pairs with 38 percent growth since 2011. New service is likely to start in 2016 or 2017.

The Airport hosted an exceptional Airshow event in July 2015. The senior Russian Ambassador to the US was in attendance. More than 4,000 people participated in the three day event. Historic WWII aircraft assembled commemorating Great Falls’ contribution to victory during World War II. Three World War II veterans were also honored.

In 2015, Holman Aviation’s lease was extended by three years to May 31, 2041 based on their investment to cap the aircraft ramp near the US Customs hangar and a similar repair on the public ramp. Holman has invested over \$150,000 to put an asphalt cap on these surfaces. The useful life of these areas should be extended by ten to fifteen years. Airport Management believes that encouraging tenant investment in exchange for lease extensions is the optimal structure for funding future pavement replacements in the tenant area.

AIRPORT STATISTICS

	2014/2015	2013/2014	2012/2013
Enplanements	192,240	190,515	185,349
Landed Weights:			
Scheduled Airlines	235,933	244,321	240,287
Mail Carriers	180,693	180,248	162,220
Non Scheduled Airlines	28,171	17,377	30,798

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

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

FINANCIAL STATEMENTS

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION

June 30, 2015

(With Comparative Totals for June 30, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash items	\$ 16,140	\$ 23,000
Cash - demand deposits	91,836	175,215
Investments	2,490,656	1,245,470
Accounts receivable	586,007	647,195
Grants receivable	331,896	154,852
Inventories	41,482	35,246
Current portion of concession contract receivable	550,000	400,000
Prepaid expenses	<u>25,125</u>	<u>14,446</u>
Total current assets	<u>4,133,142</u>	<u>2,695,424</u>
NONCURRENT ASSETS		
RESTRICTED CASH AND INVESTMENTS		
Cash - demand deposits	<u>193,889</u>	<u>695,850</u>
Total restricted cash and investments	<u>193,889</u>	<u>695,850</u>
CAPITAL ASSETS		
Property and equipment - net	76,297,493	75,254,360
Construction work in progress	<u>6,514,140</u>	<u>10,589,589</u>
Total capital assets	<u>82,811,633</u>	<u>85,843,949</u>
OTHER ASSETS		
Investments	1,366,119	1,198,144
Deposits	1,000	1,000
Net investment in lease	4,313,739	5,000,694
Long-term portion of concession contract receivable	3,450,000	100,000
Patronage credits	<u>2,238</u>	<u>2,933</u>
Total other assets	<u>9,133,096</u>	<u>6,302,771</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	<u>55,711</u>	<u>-</u>
Total deferred outflows of resources	<u>55,711</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 96,327,471</u>	<u>\$ 95,537,994</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2015
(With Comparative Totals for June 30, 2014)

	<u>2015</u>	<u>2014</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 27,235	\$ 164,417
Accounts payable - construction	94,683	306,105
Tenant deposits	3,805	3,805
Payroll and payroll taxes payable	25,576	24,687
Interest payable	23,922	29,426
Compensated absences payable	60,043	52,804
Unearned revenue	3,160	29,024
Current portion of long-term debt	<u>1,760,001</u>	<u>1,712,548</u>
Total current liabilities	<u>1,998,425</u>	<u>2,322,816</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	12,162,378	13,921,724
PERS pension liability	<u>602,569</u>	<u>-</u>
Total long-term liabilities	<u>12,764,947</u>	<u>13,921,724</u>
Total liabilities	<u>14,763,372</u>	<u>16,244,540</u>
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangement - Republic Parking	4,000,000	500,000
Pension adjustments	<u>155,714</u>	<u>-</u>
Total deferred inflows of resources	<u>4,155,714</u>	<u>500,000</u>
NET POSITION		
Net investment in capital assets	73,202,993	75,210,371
Restricted	193,889	695,850
Unrestricted	<u>4,011,503</u>	<u>2,887,233</u>
Total net position	<u>77,408,385</u>	<u>78,793,454</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 96,327,471</u>	<u>\$ 95,537,994</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 3,856,638	\$ 3,761,482
Operating expenses	<u>2,423,376</u>	<u>2,446,900</u>
Excess of operating revenues over operating expenses before depreciation and amortization	1,433,262	1,314,582
Less: Depreciation and amortization	<u>(1,256,117)</u>	<u>(1,635,576)</u>
Income (loss) from operations	<u>177,145</u>	<u>(320,994)</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Investment income	22,041	42,977
Miscellaneous non-operating revenues	16,421	20,075
Interest expense	(225,318)	(435,862)
Investment income from lease investment	570,224	619,798
Interest expense from lease investment	(238,394)	(354,409)
Passenger Facility Charges (PFC), net	<u>764,536</u>	<u>778,947</u>
Total non-operating revenues	<u>909,510</u>	<u>671,526</u>
Income before capital contributions and depreciation on federally funded property and equipment	1,086,655	350,532
Capital contributions	2,402,345	2,322,064
Depreciation on federally funded property and equipment	<u>(4,147,397)</u>	<u>(4,208,112)</u>
CHANGE IN NET POSITION	<u>(658,397)</u>	<u>(1,535,516)</u>
Net position, beginning of year	78,793,454	80,328,970
Prior period adjustment - pension adjustment	<u>(726,672)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>78,066,782</u>	<u>80,328,970</u>
Net position, end of year	<u>\$ 77,408,385</u>	<u>\$ 78,793,454</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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from providing services	\$ 3,891,962	\$ 3,748,338
Cash payments to employees	(946,404)	(958,672)
Cash payments to suppliers	<u>(1,647,041)</u>	<u>(1,376,189)</u>
Net cash flows from operating activities	<u>1,298,517</u>	<u>1,413,477</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Miscellaneous non-operating revenues	<u>16,421</u>	<u>20,075</u>
Net cash flows from non-capital financing activities	<u>16,421</u>	<u>20,075</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from grants - FAA	2,217,301	2,578,631
Proceeds from grants - MDOT	8,000	10,000
Work-in-progress additions	(2,519,199)	(4,588,048)
Acquisition of property and equipment	(63,421)	(421,596)
Interest paid	(469,216)	(855,912)
Debt issuance costs paid	-	(114,917)
Passenger Facility Charges (PFC), net	764,536	778,948
Proceeds from borrowings	-	814,250
Payment on long-term debt	(1,711,893)	(1,067,544)
Payment received under municipal lease	<u>686,955</u>	<u>637,343</u>
Net cash flows from capital and related financing activities	<u>(1,086,937)</u>	<u>(2,228,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	568,763	638,688
Purchase of investments	(1,729,117)	(328,040)
Redemption of investments	<u>340,153</u>	<u>1,175,849</u>
Net cash flows from investing activities	<u>(820,201)</u>	<u>1,486,497</u>
Net change in cash and cash equivalents	(592,200)	691,204
Cash and cash equivalents, beginning of year	<u>894,065</u>	<u>202,861</u>
Cash and cash equivalents, end of year	<u>\$ 301,865</u>	<u>\$ 894,065</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ 177,145	\$ (320,994)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	1,256,117	1,454,845
Amortization	-	180,731
Pension adjustments	(24,100)	-
Changes in operating assets and liabilities:		
Accounts receivable	61,188	(31,147)
Inventories	(6,236)	471
Prepaid expenses	(10,679)	(1,871)
Accounts payable	(137,182)	117,276
Payroll and payroll taxes payable	889	(564)
Compensated absences payable	7,239	(3,273)
Unearned revenue	(25,864)	18,003
Net cash flows from operating activities	<u>\$ 1,298,517</u>	<u>\$ 1,413,477</u>
SCHEDULE OF INTEREST		
Interest paid	<u>\$ 469,216</u>	<u>\$ 855,912</u>
SCHEDULE OF CASH AND CASH EQUIVALENTS		
AT END OF YEAR		
Cash items	\$ 16,140	\$ 23,000
Cash - demand deposits (unrestricted)	91,836	175,215
Cash - demand deposits (restricted)	<u>193,889</u>	<u>695,850</u>
	<u>\$ 301,865</u>	<u>\$ 894,065</u>
SCHEDULE OF NONCASH TRANSACTIONS		
Addition of PERS pension liability	\$ 602,569	\$ -
Addition of deferred outflows related to pension liability	(31,611)	-
Addition of deferred inflows related to pension liability	<u>155,714</u>	<u>-</u>
	<u>\$ 726,672</u>	<u>\$ -</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation and Basis of Accounting

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

Measurement Focus

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

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

The Airport Authority has adopted the provisions of the following GASB pronouncements for the year ended June 30, 2015:

- Statement No. 68 – *Accounting and Financial Reporting for Pensions*, addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This Statement establishes standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for fiscal years beginning after June 15, 2014. The effect of adopting the Standard is an increase in pension liability of \$602,569 at June 30, 2015.
- Statement No. 71 – *Pension Contributions Made Subsequent to the Measurement Date*. This statement addresses a transition issue related to GASB Statement No. 68 and is also effective for the Authority’s fiscal year ended June 30, 2015. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The statement specifies that these contributions be reported as deferred cash outflows.

Classification of Net Position

Net Investment in Capital Assets

This is the Authority’s investment in capital assets, net of depreciation and related bonds and notes payable, as well as deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets and related debt.

Restricted Net Position

These are resources that are expendable only for specified purposes. The Authority’s restricted net position amounts are primarily to be used for passenger facility charges and Snow Removal Equipment building costs.

Unrestricted Net Position

These are resources over which the governing body has discretionary control.

Cash and Investments

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (Continued)

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Airport Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2015.

Accounts Receivable

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

Grants Receivable

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

Inventory

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

Capital Assets

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

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

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

Construction Work 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.

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

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences Payable

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, 2015.

Unearned Revenue

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

Passenger Facility Charges (PFC)

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

Estimates

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

NOTE 2. CASH AND INVESTMENTS

The composition of cash and investments on June 30, 2015, was as follows:

Cash items	\$ 16,140
Cash in banks:	
Demand deposits	285,725
Savings deposits	69,943
Time deposit	251,807
State Short-Term Investment	
Pool (S.T.I.P.)	2,378,955
U.S. Government securities	<u>1,156,070</u>
Total per balance sheet	<u>\$ 4,158,640</u>

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

June 30, 2015

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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.

Cash in Banks

At year-end, the carrying amount of the Airport Authority's deposits was \$608,475, and the bank balance was \$691,702. 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, 2015, the Airport Authority had \$119,952 of bank account deposits in excess of FDIC insurance and \$1,807 of time deposits in excess of SIPC coverage. As of June 30, 2015, the Airport Authority had \$69,943 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, 2015, the Airport Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities	
		Less Than 1 Year	1-5 years
Money market	\$ 69,943	\$ 69,943	\$ -
Time deposit	251,807	-	251,807
S.T.I.P.	2,378,955	2,378,955	-
U.S. agencies	1,156,070	41,758	1,114,312
	<u>\$ 3,856,775</u>	<u>\$ 2,490,656</u>	<u>\$ 1,366,119</u>

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

June 30, 2015

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk

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

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

Credit Quality Ratings as of June 30, 2015:

Investment Type	Fair Value	Credit Quality Rating
Asset backed commercial paper	\$ 730,577	A1
Corporate commercial paper	94,920	A1
Corporate - variable rate	535,741	A1+
Certificates of deposit - fixed rate	140,358	A1
Certificates of deposit - variable rate	421,550	A1+
Other asset backed investments	26,169	NR
U.S. government agency - fixed rate	51,148	A1+
U.S. government agency - variable rate	224,098	A1+
Money market funds (unrated)	151,539	NR
Money market funds (rated)	2,855	A1+
	<u>\$ 2,378,955</u>	<u>A1</u>

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

June 30, 2015

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

The asset-backed securities are collateralized by non-mortgage assets pledged by the issuer, and have one or more forms of credit enhancement to raise the quality of the security. Asset-backed securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar nonasset-backed securities. Asset-backed securities make up 31.81% of the total S.T.I.P. assets at June 30, 2015.

The variable-rate securities are designed to minimize the investors' interest rate risk by periodically resetting the interest rate to either the prime rate or the London Interbank Offering Rate. Variable-rate securities have credit risk identical to similar fixed-rate securities, while their market risk is less volatile than fixed-rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield. Variable-rate securities make up 49.66% of the total S.T.I.P. assets at June 30, 2015.

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

	Cost	Fair Value
Money market	\$ 69,943	\$ 69,943
Time deposit	247,000	251,807
S.T.I.P.	2,378,955	2,378,955
U.S. agencies	<u>1,169,900</u>	<u>1,156,070</u>
	<u>\$ 3,865,798</u>	<u>\$ 3,856,775</u>

The net decrease in the fair value of investments during the year ended June 30, 2015 was \$1,461. 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, 2015 consist of \$193,889 in the Passenger Facility Charge and Snow Removal Equipment (SRE) Building bank accounts.

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

June 30, 2015

NOTE 3. CAPITAL ASSETS

Property and Equipment

A summary of the changes in property and equipment during the year ended June 30, 2015 is as follows:

	Balance, July 1, 2014	Additions	Deletions	Balance, June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 1,501,248	\$ -	\$ -	\$ 1,501,248
Construction in progress	<u>10,589,589</u>	<u>2,227,051</u>	<u>(6,302,500)</u>	<u>6,514,140</u>
Total capital assets, not being depreciated	<u>12,090,837</u>	<u>2,227,051</u>	<u>(6,302,500)</u>	<u>8,015,388</u>
Capital assets, being depreciated:				
Buildings	24,630,420	6,302,500	-	30,932,920
Improvements	107,700,837	8,100	-	107,708,937
Furniture, fixtures and equipment	<u>6,339,070</u>	<u>55,321</u>	<u>(498,615)</u>	<u>5,895,776</u>
Total capital assets, being depreciated	<u>138,670,327</u>	<u>6,365,921</u>	<u>(498,615)</u>	<u>144,537,633</u>
Less accumulated depreciation:				
Buildings	(16,197,173)	(829,829)	-	(17,027,002)
Improvements	(44,138,703)	(4,343,817)	-	(48,482,520)
Furniture, fixtures and equipment	<u>(4,581,339)</u>	<u>(229,868)</u>	<u>579,341</u>	<u>(4,231,866)</u>
	<u>(64,917,215)</u>	<u>(5,403,514)</u>	<u>579,341</u>	<u>(69,741,388)</u>
Capital assets being depreciated, net	<u>73,753,112</u>	<u>962,407</u>	<u>80,726</u>	<u>74,796,245</u>
Capital assets, net	<u>\$ 85,843,949</u>	<u>\$ 3,189,458</u>	<u>\$ (6,221,774)</u>	<u>\$ 82,811,633</u>

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

June 30, 2015

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, 2015 is as follows:

Project	Balance July 1, 2014	Project Additions	Close-Out/ Deletions	Balance June 30, 2015
AIP 54	\$ 4,541,638	\$ -	\$ (4,541,638)	\$ -
AIP 56	2,159,274	292,925	-	2,452,199
AIP 57	312,118	390,889	-	703,007
AIP 58	-	416,607	-	416,607
AIP 59	-	438,827	-	438,827
AIP 61	-	344,271	-	344,271
AVMAX Phase II	154,039	-	-	154,039
AVMAX Phase IV	97,215	-	-	97,215
AVMAX Apron	92,072	-	-	92,072
AVMAX Hangar Phase I	75,134	32,200	-	107,334
Design Runway 16/24	320,358	64,497	-	384,855
FedEx Apron	-	90,494	-	90,494
Miscellaneous projects	55,443	2,274	-	57,717
SRE	237,142	(12,165)	-	224,977
Taxiway Fixtures	85,949	-	-	85,949
Terminal Expansion	1,594,796	166,066	(1,760,862)	-
Terminal/Parking Lot Expansion	844,561	166	-	844,727
TIF program	19,850	-	-	19,850
	<u>\$ 10,589,589</u>	<u>\$ 2,227,051</u>	<u>\$ (6,302,500)</u>	<u>\$ 6,514,140</u>

The Airport Improvement Program (AIP) work in progress project additions include expenditures of \$160,373 from Airport Authority funds and \$1,443,364 from FAA funds. AIP work in progress project close-out/deletions consist of transfers to Capital Assets totaling \$6,302,500.

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.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 4. NET INVESTMENT IN LEASE (CONTINUED)

The lease calls for monthly payments as follows:

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

A schedule of the net investment in lease as of June 30, 2015 is as follows:

Total minimum lease payments receivable	\$ 5,262,073
Less: unearned revenue	<u>(948,334)</u>
Net investment in direct financing lease	<u>\$ 4,313,739</u>

A schedule of minimum lease payments is as follows:

	<u>Building</u>	<u>Ground</u>	<u>Ramp</u>	<u>Total</u>
2015	\$ 794,179	\$ 56,328	\$ 215,715	\$ 1,066,222
2016	794,179	58,018	215,715	1,067,912
2017	794,179	59,759	215,715	1,069,653
2018	794,179	61,551	215,715	1,071,445
2019	731,132	57,970	197,739	986,841
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,907,848</u>	<u>\$ 293,626</u>	<u>\$ 1,060,599</u>	<u>\$ 5,262,073</u>

NOTE 5. LONG-TERM DEBT

On May 19, 2011, long-term financing from U.S. Bank National Association was obtained. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate from 4.19% to 2.46% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$6,595,036. This obligation (Series 2013A) calls for principal of \$6,620,650 to be repaid with variable monthly payments ranging from \$59,000 to \$78,300 for 93 months. The balance of this note payable at June 30, 2015 is \$5,172,100.

On September 4, 2003, long-term financing to be used toward the Apron project was obtained from Wells Fargo Brokerage Services, which was refinanced on July 29, 2013 to reduce the interest rate from 5.38% to 2.46% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$3,191,761. This obligation (Series 2013B) calls for principal of \$3,335,600 to be repaid with variable monthly payments ranging from \$28,250 to \$37,950 for 96 months. The balance of this note payable at June 30, 2015 is \$2,638,900.

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

June 30, 2015

NOTE 5. LONG-TERM DEBT (CONTINUED)

On October 27, 2009, long-term financing to be used toward the construction of a carwash facility was obtained from Wells Fargo Brokerage Services. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate from 6.58% to 4.58% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$1,098,514. This obligation (Series 2013C) calls for principal of \$1,103,800 to be repaid with variable monthly payments ranging from \$4,550 to \$10,550 for 132 months. The balance of this note payable at June 30, 2015 is \$960,850.

On July 29, 2013, new long-term financing to be used for construction of the SRE building was obtained from Wells Fargo Brokerage Services. This obligation (Series 2013D) calls for principal of \$814,200 to be repaid with variable monthly payments ranging from \$5,200 to \$7,800 for 120 months, with interest at 2.73% per annum. The balance of this note payable at June 30, 2015 is \$680,600.

On September 4, 2003, long-term financing to be used toward the Terminal project was obtained from Wells Fargo Brokerage Services, which was refinanced on September 20, 2013 to reduce the interest rate from 5.44% to 2.92% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$3,055,778. This obligation (Series 2013E) calls for principal of \$3,170,300 to be repaid with variable monthly payments ranging from \$21,000 to \$29,600 for 120 months. The balance of this note payable at June 30, 2015 is \$2,707,550.

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, 2015 is \$749,644. This is a tenant-financing loan and as such, the Airport Authority is not liable in the event of tenant payment default.

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, 2015 is \$1,012,735. This is a tenant-financing loan and as such, the Airport Authority is not liable in the event of tenant payment default.

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

June 30, 2015

NOTE 5. LONG-TERM DEBT (CONTINUED)

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, 2015:

Note payable to:	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Montana Board of Investments	\$ 795,782	\$ -	\$ (46,138)	\$ 749,644	\$ 48,153
Montana Board of Investments	1,061,140	-	(48,405)	1,012,735	51,248
Wells Fargo-Fedex Note Series 2013A	5,973,450	-	(801,350)	5,172,100	821,250
Wells Fargo-Apron Note Series 2013B	3,024,350	-	(385,450)	2,638,900	394,950
Wells Fargo-Car Rental Note Series 2013C	1,041,200	-	(80,350)	960,850	84,100
Wells Fargo-SRE Note Series 2013D	754,700	-	(74,100)	680,600	76,150
Wells Fargo-Terminal Note Series 2013E	2,983,650	-	(276,100)	2,707,550	284,150
	<u>\$ 15,634,272</u>	<u>\$ -</u>	<u>\$ (1,711,893)</u>	<u>\$ 13,922,379</u>	<u>\$ 1,760,001</u>

Requirement to Amortize Debt

The annual debt service requirements to maturity for long-term debt outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,760,001	\$ 413,783	\$ 2,173,784
2017	1,812,041	361,981	2,174,022
2018	1,864,500	309,447	2,173,947
2019	1,918,489	255,298	2,173,787
2020	1,974,008	199,840	2,173,848
2021-2025	4,116,561	391,420	4,507,981
2026-2030	476,779	42,550	519,329
	<u>\$ 13,922,379</u>	<u>\$ 1,974,319</u>	<u>\$ 15,896,698</u>

NOTE 6. SERVICE CONCESSION ARRANGEMENT

The Airport Authority has entered into a concession agreement expiring September 30, 2021 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 previous agreement expired September 30, 2015. 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.

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

June 30, 2015

NOTE 6. SERVICE CONCESSION ARRANGEMENT (CONTINUED)

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.

Under the terms of the new 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, 2016	\$450,000	50% of RPS's annual gross receipts >\$ 0 but <\$ 150,000
June 30, 2017	\$600,000	70% of RPS's annual gross receipts >\$ 150,000 but <\$ 200,000
June 30, 2018	\$600,000	80% of RPS's annual gross receipts >\$ 200,000 but <\$ 300,000
June 30, 2019	\$600,000	84% of RPS's annual gross receipts >\$ 300,000 but <\$1,200,000
June 30, 2020	\$712,500	91% of RPS's annual gross receipts >\$1,200,000
June 30, 2021	\$750,000	
June 30, 2022	\$187,500	

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 previous and new agreement, the Airport Authority has recorded a receivable and deferred inflow of resources in the amount of \$4,000,000. 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, 2015 are as follows:

Balance at beginning of year	\$ (1,495,302)
Additions:	
Collections from carriers	764,536
Interest	-
Balance at end of year	<u>\$ (730,766)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

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

The PFC account owes the Surplus account \$734,247 as of June 30, 2015. These funds will be repaid monthly as PFC revenues are collected. A total of \$770,000 was repaid to the Surplus account during the current fiscal year. The inter-account balances have been eliminated in the accompanying financial statements.

NOTE 8. NET INVESTMENT IN CAPITAL ASSETS

Changes in the net position category of "net investment in capital assets" for the year ended June 30, 2015, are as follows:

Capital assets

Balance at beginning of year	\$ 75,254,360
Additions:	
Transfers from Work in Progress account and acquisition of capital assets	6,365,921
Deductions:	
Deletions from capital assets	80,726
Depreciation expense	<u>(5,403,514)</u>
Balance at end of year	<u>76,297,493</u>

Construction work in progress

Balance at beginning of year	10,589,589
Additions:	
Contributions - Airport funds	58,282
FAA grants	2,168,769
Deductions:	
Projects closed and transferred to fixed assets	<u>(6,302,500)</u>
Balance at end of year	<u>6,514,140</u>

Net investment in lease

Balance at beginning of year	5,000,694
Deductions:	
Principal payments received	<u>(686,955)</u>
Balance at end of year	<u>4,313,739</u>

Related debt

Balance at beginning of year	(15,634,272)
Deductions:	
Principal payments	<u>1,711,893</u>
Balance at end of year	<u>(13,922,379)</u>

Net investment in capital assets at June 30, 2015	<u>\$ 73,202,993</u>
---	----------------------

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 9. RESTRICTED NET POSITION

Restricted net position at June 30, 2015 consists of the following:

Restricted for passenger facility charges	\$ 3,482
Restricted bond proceeds held in a Wells Fargo Bank account to be used for Snow Removal Equipment building costs	<u>190,407</u>
	<u>\$ 193,889</u>

NOTE 10. RETIREMENT PLANS

The Airport Authority participates in the following retirement plan:

Plan Description

Public Employees' Retirement System (PERS)

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 10. RETIREMENT PLANS (CONTINUED)

Summary of Benefits (Continued)

Eligibility for Benefit

Service retirement:

Hired prior to July 1, 2011: Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011: Age 65, 5 years of membership services;
Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011: Age 50, 5 years of membership service; or
Any age, 25 years of membership service.

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Vesting – 5 years of membership service

Monthly Benefit Formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)*

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

*At this time, as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013, is pending.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 10. RETIREMENT PLANS (CONTINUED)

Summary of Benefits (Continued)

Total number of members (employees) covered by benefit terms as of June 30, 2015:

1. Active plan members: 28,237
2. Inactive members entitled to but not yet receiving benefits or a refund:
 - Vested: 2,925
 - Non-vested: 8,839
3. Inactive members and beneficiaries currently receiving benefits:
 - Service Retirements: 20,080
 - Disability Retirements: 176
 - Survivor Benefits: 425

Overview of Contributions

1. Rates are specified by state law for periodic employer and employee contributions
The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. State and University System employers are required to contribute 8.27% of members' compensation.
 - b. Local government entities are required to contribution 8.17% of members' compensation.
 - c. School district employers contributed 7.90% of members' compensation.
 - d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
 - e. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.

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

June 30, 2015

NOTE 10. RETIREMENT PLANS (CONTINUED)

Overview of Contributions (Continued)

3. Employer contributions to the system (Continued):
 - f. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - i. The State contributes from the Coal Tax Severance fund
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding

Stand-Alone Statements

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena, MT 59620-0131, 406-444-3154.

CAFR information including our stand alone financial statements can be found on our website at <http://mpera.mt.gov/annualReports.shtml>.

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialValuations.asp>.

Actuarial Assumptions

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
*includes inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 10. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

- Postretirement Benefit Increases
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired on or after July 1, 2007
 - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

*At this time as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 10. RETIREMENT PLANS (CONTINUED)

Target Allocations

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

Sensitivity Analysis

	1.0% Decrease <u>(6.75%)</u>	Current Discount <u>Rate</u>	1.0% Increase <u>(8.75%)</u>
PERS' Net Pension Liability	\$1,982,274,732	\$1,246,010,898	\$625,044,646
Great Falls International Airport Authority's Net Pension Liability	\$958,625	\$602,059	\$302,271

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 10. RETIREMENT PLANS (CONTINUED)

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA.

For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows, and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	Net Pension Liability as of <u>June 30, 2013</u>	Net Pension Liability as of <u>June 30, 2014</u>	Percent of <u>Collective NPL</u>
Employer			
Proportionate Share	\$ 775,414	\$ 602,569	.0483600%
State of Montana Proportionate Share associated with Employer	<u>9,469</u>	<u>7,358</u>	<u>.0614330%</u>
Total	<u>\$ 784,883</u>	<u>\$ 609,927</u>	<u>.1097930%</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 10. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (Continued)

At June 30, 2015, the employer recorded a liability of \$602,569 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers. At June 30, 2014, the employer's proportion was .048360 percent.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

At June 30, 2015, the employer recognized a Pension Expense of \$47,004 for its proportionate share of the PERS' Pension Expense. The employer also recognized grant revenue of \$17,038 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

	<u>Pension expense</u>
Employer's Proportionate Share	\$29,966
State of Montana Proportionate Share associated with the Employer	<u>17,038</u>
Total	<u>\$ 47,004</u>

Recognition of Beginning Deferred Outflow - GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employer's fiscal year 2014 contributions of \$48,742.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 10. RETIREMENT PLANS (CONTINUED)

Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	-	155,694
Changes in proportion differences between employer contributions and proportionate share of contributions	1,645	20
Difference between actual and expected contributions	-	-
#Contributions paid to PERS subsequent to the measurement date – fiscal year 2015	<u>54,066</u>	<u>-</u>
Total	<u>\$ 55,711</u>	<u>\$ 155,714</u>

#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

<u>Year Ended</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Amounts recognized in Pension Expense as an increase or (decrease) to Pension Expense</u>
2016	\$ -	\$ 38,382	\$ (38,382)
2017	\$ -	\$ 38,382	\$ (38,382)
2018	\$ -	\$ 38,923	\$ (38,923)
2019	\$ -	\$ -	\$ -
2020	\$ -	\$ -	\$ -
Thereafter	\$ -	\$ -	\$ -

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 10. RETIREMENT PLANS (CONTINUED)

Funding Policy

Authority to establish and amend contribution rates to the plan:	State legislature
Required plan member contributions:	7.9% of monthly compensation
Required employer contributions:	8.17% of monthly compensation
Required state contributions:	.10% of monthly compensation

Required employer contributions received and % of required amount:

June 30, 2015	\$ 54,066 100%
June 30, 2014	\$ 54,074 100%
June 30, 2013	\$ 44,537 100%

On-behalf payments made by the State of Montana totaled \$662 for the year ended June 30, 2015.

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, 2015, the Airport Authority, based on eligibility, qualified and acquired insurance coverage of \$1,000,000 through the State of Montana Petroleum Release Compensation Fund (PTRCB) for environmental damages. If a claim were to occur, the co-payment liability for the Airport Authority is \$17,500 under the Montana Certificate of Financial Responsibility. The Airport Authority participates in the workers' compensation program administered by the State of Montana. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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

June 30, 2015

NOTE 12. MAJOR CUSTOMERS

During the year ended June 30, 2015, revenue from four air carriers and four concessionaires amounted to \$2,515,676, and represents 67% of total operating revenue. Accounts receivable for these four major air carriers amounted to \$90,608 or 52% of other accounts receivable in aggregate as of June 30, 2015.

Accounts receivable for the four major concessionaires amounted to \$4,393,293 or 98%, of concessionaires' accounts receivable in aggregate as of June 30, 2015. Of this \$4,393,293, \$4,000,000 or 91%, represents the Republic Parking concession contract receivable (refer to Note 6). Generally, all but one of the four major concessionaires are invoiced monthly and had current balances as of June 30, 2015.

NOTE 13. PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2015, the Airport Authority has implemented GASB Statement No. 68, regarding the reporting of pension liabilities, and GASB Statement No. 71, regarding reporting of pension contributions subsequent to the measurement date of June 30, 2014. Accordingly, beginning net position has been restated to reflect the previously unrecognized pension liability as follows:

Beginning net position, as originally reported	\$ 78,793,454
Pension liability, June 30, 2013	(775,414)
Retirement contributions in 2014	<u>48,742</u>
Net restatement	<u>(726,672)</u>
Beginning net position, as restated	<u>\$ 78,066,782</u>

As the pension expense, deferred inflows and deferred outflows related to the net pension liability were not available for the period ending June 30, 2014, the prior year financial statements have not been restated.

NOTE 14. RELATED PARTIES

During the year ended June 30, 2014, construction of a building was bid for the Airport Authority through a third party consultant, in accordance with the Airport Authority's existing procurement and conflict of interest policies. Part of the project was awarded to the lowest bidder, of which the Airport Authority's Chairman of the Board was the president/owner. Recognizing the related party relationship, the Airport Authority exercised due diligence for all payments and transactions relating to the project. All documents and checks were co-signed by the Vice Chairperson of the Board. The Board Chairman abstained from voting on the consent agenda and related transactions to the project. During the years ended June 30, 2015 and 2014, the Airport Authority paid the contractor a total of \$581,311 and \$1,221,521, respectively (Refer to Note 3). Project closeout is expected in FY16.

REQUIRED SUPPLEMENTARY INFORMATION

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF PROPORTIONATE SHARE OF THE PERS NET PENSION LIABILITY
 June 30, 2015

Employer's proportion of the net pension liability	\$ 602,569
Employer's proportionate share of the net pension liability associated with the Employer	0.04836%
State of MT proportionate share of the net pension liability associated with the Employer	<u>7,358</u>
Total	<u>\$ 609,927</u>
Employer's covered-employee payroll	\$ 547,433
Employer's proportionate share of the net pension liability as of its covered-employee payroll	110.072%
Plan fiduciary net position the total pension liability	79.90%

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PERS CONTRIBUTIONS
June 30, 2015

Contractually required contributions	\$ 48,961
Contributions in relation to the contractually required contributions	48,961
Contribution deficiency (excess)	-
Employer's covered-employee payroll	547,433
Contributions of covered-employee payroll	8.9437%

SUPPLEMENTAL SCHEDULES

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
OPERATING ACCOUNT - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Landing fees			
Airlines - itinerant - non-signator	\$ 27,125	\$ 28,172	\$ 1,047
Mail carrier/cargo - signator	184,470	185,000	530
Mail carriers/cargo - non-signatory	70,526	66,896	(3,630)
Passenger airlines - signator	288,530	238,795	(49,735)
Passenger airlines - non-signatory - scheduled	83,184	92,263	9,079
Total landing fees	653,835	611,126	(42,709)
Fuel flowage fees			
Fixed base operators	28,000	23,577	(4,423)
Concession fees			
Advertising	46,000	46,000	-
ATM income	11,000	6,905	(4,095)
Auto parking	1,031,000	950,854	(80,146)
Rental car concessions - MAG/CFC	836,300	834,522	(1,778)
Food and alcoholic beverages	85,000	90,004	5,004
Gift shops	28,000	28,864	864
Internet kiosk	4,320	3,720	(600)
Total concession fees	2,041,620	1,960,869	(80,751)
Space rentals			
Airlines	546,728	548,982	2,254
Concessionaires	35,000	31,204	(3,796)
Total space rentals	581,728	580,186	(1,542)
Miscellaneous rentals			
Agricultural land income	5,080	8,312	3,232
Allegiant and Frontier per turn/office space	85,496	86,376	880
Badge income	5,000	5,094	94
Building rental	74,040	77,122	3,082
Fuel farm license fees	25,704	25,704	-
Gate rental	1,284	856	(428)
Ground rental	341,165	335,541	(5,624)
Hangar rental	50,986	50,986	-
Loading bridge fees	49,433	41,892	(7,541)
Ramp rental	900	900	-
Total miscellaneous rentals	639,088	632,783	(6,305)

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
OPERATING ACCOUNT - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES (CONTINUED)			
Reimbursed security costs	39,500	39,497	(3)
Reimbursed utilities costs	8,600	8,600	-
Total reimbursed expenses	48,100	48,097	(3)
 Total operating revenues	 3,992,371	 3,856,638	 (135,733)
NON-OPERATING REVENUES			
Investment income - operating account	40,000	22,041	(17,959)
Miscellaneous non-operating revenues	-	16,421	16,421
Total non-operating revenues	40,000	38,462	(1,538)
 Total revenue	 4,032,371	 3,895,100	 (137,271)
OPERATING EXPENSES			
Personnel services			
Salaries and wages			
Director benefit	7,900	7,676	224
Overtime	14,000	3,308	10,692
Regular	692,000	678,472	13,528
Total salaries and wages	713,900	689,456	24,444
 Personnel services:			
Employee fringe benefits			
FICA/Medicare	52,403	47,189	5,214
Health and life insurance	148,900	127,702	21,198
Public employees retirement	50,663	47,004	3,659
Unemployment	3,070	3,706	(636)
Vehicle lease	7,200	6,000	1,200
Workers' compensation	22,000	15,375	6,625
Total employee fringe benefits	284,236	246,976	37,260
 Total personnel services	 998,136	 936,432	 61,704

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
OPERATING ACCOUNT - BUDGET AND ACTUAL
Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING EXPENSES (CONTINUED)			
Contractual services			
Utilities			
Electricity	312,000	336,605	(24,605)
Gas	103,000	102,937	63
Internet services	15,000	14,883	117
Refuse disposal	5,900	5,037	863
Telephone	16,000	14,690	1,310
Water and sewer	<u>33,000</u>	<u>28,618</u>	<u>4,382</u>
Total utilities	<u>484,900</u>	<u>502,770</u>	<u>(17,870)</u>
Repairs and maintenance			
Equipment	58,000	58,538	(538)
Jet bridges	9,200	4,088	5,112
Minor equipment and tools	<u>10,880</u>	<u>8,876</u>	<u>2,004</u>
Total repairs and maintenance	<u>78,080</u>	<u>71,502</u>	<u>6,578</u>
Professional services			
Accounting fees	11,500	11,500	-
Consulting fees	59,000	52,792	6,208
Insurance	79,000	73,811	5,189
Janitorial contract	89,280	79,168	10,112
Legal fees	7,000	5,045	1,955
Marketing	145,000	166,014	(21,014)
Other professional fees	9,500	-	9,500
Recruiting	500	-	500
Security services	<u>185,400</u>	<u>166,910</u>	<u>18,490</u>
Total professional services	<u>586,180</u>	<u>555,240</u>	<u>30,940</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
OPERATING ACCOUNT - BUDGET AND ACTUAL
Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING EXPENSES (CONTINUED)			
Other expenses			
Advertising and promotional expenses	1,500	1,072	428
Board meeting/member expense	1,500	2,191	(691)
Drug tests and physical exams	800	485	315
Dues and subscriptions	5,000	4,260	740
Employee recognition	5,000	4,160	840
Equipment rental	2,000	888	1,112
Licenses, permits, and inspection fees	6,000	4,185	1,815
Street maintenance assessments	6,000	4,835	1,165
Travel, training, and education	30,000	21,394	8,606
U.S. Customs building lease	<u>49,736</u>	<u>49,736</u>	<u>-</u>
Total other expenses	<u>107,536</u>	<u>93,206</u>	<u>14,330</u>
 Total contractual services	 <u>1,256,696</u>	 <u>1,222,718</u>	 <u>33,978</u>
Materials and supplies			
Agricultural supplies	5,000	5,086	(86)
Broom fill and poly blades	24,000	24,942	(942)
Cleaning and janitorial supplies	22,500	26,679	(4,179)
Electrical, plumbing, and hardware	35,000	35,474	(474)
Equipment, parts, and supplies	30,000	29,974	26
Fire fighting supplies	9,000	6,784	2,216
Fuel, oil, and lubricants	56,000	64,722	(8,722)
Lawn/landscaping	8,500	4,015	4,485
Minor equipment and tools	10,000	7,610	2,390
Office materials and supplies	5,000	6,874	(1,874)
Other materials and supplies	17,000	14,538	2,462
Paints, chemicals, and gases	12,000	16,880	(4,880)
Paving supplies	15,000	15,683	(683)
Security supplies	5,000	4,809	191
Uniform allowance	<u>1,200</u>	<u>156</u>	<u>1,044</u>
Total materials and supplies	<u>255,200</u>	<u>264,226</u>	<u>(9,026)</u>
 Total operating expenses	 <u>2,510,032</u>	 <u>2,423,376</u>	 <u>86,656</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
OPERATING ACCOUNT - BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
NON-OPERATING EXPENSES			
Depreciation	5,403,514	5,403,514	-
Interest expense	<u>487,722</u>	<u>225,318</u>	<u>262,404</u>
Total non-operating expenses	<u>5,891,236</u>	<u>5,628,832</u>	<u>262,404</u>
Total expenses	<u>8,401,268</u>	<u>8,052,208</u>	<u>349,060</u>
Net loss	<u>\$ (4,368,897)</u>	<u>\$ (4,157,108)</u>	<u>\$ 211,789</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SUMMARY/COST CENTER OPERATING SCHEDULE
Year Ended June 30, 2015

	<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	\$ 3,817,141	\$ 660,407	\$ 2,744,069	\$ 251,666	\$ 160,999
Expenses					
Direct expenses					
Personnel services	377,477	320,278	45,514	-	11,685
Contractual services	859,824	170,913	599,519	11,541	77,851
Materials and supplies	<u>221,963</u>	<u>159,789</u>	<u>58,977</u>	<u>-</u>	<u>3,197</u>
TOTAL DIRECT EXPENSES	<u>1,459,264</u>	<u>650,980</u>	<u>704,010</u>	<u>11,541</u>	<u>92,733</u>
Allocated expenses					
Administration	1,052,460	368,361	368,361	157,869	157,869
ARFF services	34,475	18,961	10,343	2,758	2,413
Security services	<u>24,536</u>	<u>7,361</u>	<u>12,268</u>	<u>1,227</u>	<u>3,680</u>
TOTAL ALLOCATED EXPENSES	<u>1,111,471</u>	<u>394,683</u>	<u>390,972</u>	<u>161,854</u>	<u>163,962</u>
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	<u>2,570,735</u>	<u>1,045,663</u>	<u>1,094,982</u>	<u>173,395</u>	<u>256,695</u>
Net income (loss) before depreciation and amortization	1,246,406	(385,256)	1,649,087	78,271	(95,696)
Depreciation and amortization	<u>(5,403,514)</u>	<u>(3,886,010)</u>	<u>(706,588)</u>	<u>(504,339)</u>	<u>(306,577)</u>
NET INCOME (LOSS)	<u>\$ (4,157,108)</u>	<u>\$ (4,271,266)</u>	<u>\$ 942,499</u>	<u>\$ (426,068)</u>	<u>\$ (402,273)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 LANDING AREA
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
REVENUE		
Landing fees		
Airlines - itinerant - non-signator	\$ 28,172	\$ 17,377
Mail carrier/cargo - signator	185,000	174,449
Mail carriers/cargo - non-signatory	66,896	62,773
Passenger airlines - signator	238,795	231,219
Passenger airlines - nonsignatory - scheduled	<u>92,263</u>	<u>93,068</u>
Total landing fees	<u>611,126</u>	<u>578,886</u>
Fuel flowage fees		
Fixed base operators	23,577	21,769
Fuel farm license fees	<u>25,704</u>	<u>25,703</u>
Total fuel flowage fees	<u>49,281</u>	<u>47,472</u>
Total revenue	<u>660,407</u>	<u>626,358</u>
 EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	85,260	103,307
Salaries and benefits	<u>235,018</u>	<u>292,809</u>
Total personnel expenses	<u>320,278</u>	<u>396,116</u>
Contractual services		
Utilities		
Electricity	44,728	43,709
Gas	<u>1,933</u>	<u>2,162</u>
Total utilities	<u>46,661</u>	<u>45,871</u>
Repairs and maintenance		
Equipment	15,049	25,595
Other contractual services	14,094	2,724
Radios	<u>-</u>	<u>5,794</u>
Total repairs and maintenance	<u>29,143</u>	<u>34,113</u>
Professional services		
Insurance	39,808	39,782
Security services	<u>52,483</u>	<u>55,996</u>
Total professional services	<u>92,291</u>	<u>95,778</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 LANDING AREA (CONTINUED)
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Other expenses		
Drug tests and physical exams	-	490
Equipment rental	-	205
Licenses, permits, and inspection fees	1,618	1,993
Travel, training, and education	<u>1,200</u>	<u>1,010</u>
Total other expenses	<u>2,818</u>	<u>3,698</u>
Total contractual services	<u>170,913</u>	<u>179,460</u>
Materials and supplies		
Agricultural supplies	5,040	4,309
Electrical, plumbing, and hardware	23,548	16,798
Equipment, parts, and supplies	50,543	37,243
Fire fighting supplies	-	195
Fuel, oil, and lubricants	57,429	86,698
Minor equipment and tools	6,911	10,069
Other materials and supplies	4,483	6,966
Paints, chemicals, and gases	11,828	6,800
Security supplies	<u>7</u>	<u>-</u>
Total materials and supplies	<u>159,789</u>	<u>169,078</u>
Total direct expenses	<u>650,980</u>	<u>744,654</u>
Allocated expenses		
Administration	368,361	423,699
ARFF services	18,961	17,552
Security services	<u>7,361</u>	<u>8,265</u>
Total allocated expenses	<u>394,683</u>	<u>449,516</u>
Total expenses before depreciation	<u>1,045,663</u>	<u>1,194,170</u>
Net loss before depreciation	<u>(385,256)</u>	<u>(567,812)</u>
Depreciation		
Allocated	39,654	136,978
Direct	<u>3,846,356</u>	<u>3,950,285</u>
Total depreciation	<u>3,886,010</u>	<u>4,087,263</u>
Net loss	<u>\$ (4,271,266)</u>	<u>\$ (4,655,075)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 TERMINAL BUILDING
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
REVENUE		
Concession fees		
ATM income	\$ 6,905	\$ 7,679
Advertising	46,000	45,500
Auto parking	950,854	951,953
Rental car concessions - CFC	212,760	200,061
Rental car concessions - MAG	621,762	669,698
Food and alcoholic beverages	90,004	65,610
Gift shops	28,864	21,937
Ground rental	32,664	32,514
Miscellaneous	<u>45,612</u>	<u>44,856</u>
Total concession fees	<u>2,035,425</u>	<u>2,039,808</u>
Space rentals		
Airlines	548,982	536,352
Concessionaires	<u>31,204</u>	<u>33,530</u>
Total space rentals	<u>580,186</u>	<u>569,882</u>
Miscellaneous rentals		
Building rental	42,082	42,001
Office rental	<u>86,376</u>	<u>73,784</u>
Total miscellaneous rentals	<u>128,458</u>	<u>115,785</u>
Total revenue	<u>2,744,069</u>	<u>2,725,475</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	13,187	699
Salaries and wages	<u>32,327</u>	<u>-</u>
Total personnel services	<u>45,514</u>	<u>699</u>
Contractual services		
Utilities		
Electricity	260,469	242,475
Gas	82,130	90,095
Refuse disposal	5,037	5,175
Water and sewer	<u>22,210</u>	<u>26,145</u>
Total utilities	<u>369,846</u>	<u>363,890</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES (CONTINUED)
 TERMINAL BUILDING
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Repairs and maintenance		
Equipment	\$ 34,980	\$ 36,048
Minor equipment and tools	91	1,106
Other contractual services	1,589	2,134
Radios	<u>4,088</u>	<u>-</u>
Total repairs and maintenance	<u>40,748</u>	<u>39,288</u>
Professional services		
Insurance	19,176	17,864
Janitorial contract	79,168	89,041
Security services	<u>89,435</u>	<u>95,429</u>
Total professional services	<u>187,779</u>	<u>202,334</u>
Other expenses		
Equipment rental	888	-
Licenses, permits, and inspection fees	<u>258</u>	<u>390</u>
Total other expenses	<u>1,146</u>	<u>390</u>
Total contractual services	<u>599,519</u>	<u>605,902</u>
Materials and supplies		
Agricultural supplies	46	280
Cleaning and janitorial supplies	25,193	26,168
Electrical, plumbing, and hardware	11,926	14,965
Equipment, parts, and supplies	4,253	1,634
Minor equipment and tools	148	78
Other materials and supplies	12,359	11,472
Paints, chemicals, and gases	<u>5,052</u>	<u>5,346</u>
Total materials and supplies	<u>58,977</u>	<u>59,943</u>
Total direct expenses	<u>704,010</u>	<u>666,544</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES (CONTINUED)
 TERMINAL BUILDING
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
EXPENSES (CONTINUED)		
Allocated expenses		
Administration	368,361	423,698
ARFF services	10,343	9,574
Security services	<u>12,268</u>	<u>13,777</u>
Total allocated expenses	<u>390,972</u>	<u>447,049</u>
Total expenses before depreciation	<u>1,094,982</u>	<u>1,113,593</u>
Net income before depreciation	<u>1,649,087</u>	<u>1,611,882</u>
Depreciation		
Allocated	32,062	115,008
Direct	<u>674,526</u>	<u>756,954</u>
Total depreciation	<u>706,588</u>	<u>871,962</u>
Net income	<u>\$ 942,499</u>	<u>\$ 739,920</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 AERONAUTICAL AREA
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
REVENUE		
Building rental	\$ 840	\$ 840
Gate rental	856	856
Ground rental	189,484	186,037
Hangar rental	50,986	50,986
Ramp rental	900	900
Reimbursed costs - utilities	<u>8,600</u>	<u>8,600</u>
Total revenue	<u>251,666</u>	<u>248,219</u>
EXPENSES		
Direct expenses		
Contractual services		
Utilities		
Electricity	2,289	3,268
Repairs & maintenance	549	-
Water and sewer	<u>372</u>	<u>940</u>
Total utilities	<u>3,210</u>	<u>4,208</u>
Professional services		
Security services	<u>8,331</u>	<u>8,563</u>
Total professional services	<u>8,331</u>	<u>8,563</u>
Total contractual services	<u>11,541</u>	<u>12,771</u>
Total direct expenses	<u>11,541</u>	<u>12,771</u>
Allocated expenses		
Administration	157,869	181,585
ARFF services	2,758	2,553
Security services	<u>1,227</u>	<u>1,378</u>
Total allocated expenses	<u>161,854</u>	<u>185,516</u>
Total expenses before depreciation	<u>173,395</u>	<u>198,287</u>
Net income before depreciation	<u>78,271</u>	<u>49,932</u>
Depreciation		
Allocated	11,091	44,054
Direct	<u>493,248</u>	<u>493,825</u>
Total depreciation	<u>504,339</u>	<u>537,879</u>
Net loss	<u>\$ (426,068)</u>	<u>\$ (487,947)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 NON-AERONAUTICAL AREA
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
REVENUE		
Agricultural land income	\$ 8,312	\$ 880
Badge income	5,094	5,006
Building rental	34,200	34,200
Car rental		
Ground rental	<u>113,393</u>	<u>88,564</u>
Total revenue	<u>160,999</u>	<u>128,650</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	<u>11,685</u>	<u>13,285</u>
Total personnel services	<u>11,685</u>	<u>13,285</u>
Contractual services		
Utilities		
Electricity	29,119	25,997
Gas	18,874	17,903
Water and sewer	<u>6,036</u>	<u>4,403</u>
Total utilities	<u>54,029</u>	<u>48,303</u>
Professional services		
Insurance	5,338	5,560
Security services	<u>16,661</u>	<u>17,776</u>
Total professional services	<u>21,999</u>	<u>23,336</u>
Other expenses		
Drug tests and physical exams	485	(147)
Licenses, permits, and inspection fees	<u>1,338</u>	<u>1,338</u>
Total other expenses	<u>1,823</u>	<u>1,191</u>
Total contractual services	<u>77,851</u>	<u>72,830</u>
Materials and supplies		
Other materials and supplies	<u>3,197</u>	<u>6,813</u>
Total materials and supplies	<u>3,197</u>	<u>6,813</u>
Total direct expenses	<u>92,733</u>	<u>92,928</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES (CONTINUED)
 NON-AERONAUTICAL AREA
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Allocated expenses		
Administration	157,869	181,585
ARFF services	2,413	2,234
Security services	<u>3,680</u>	<u>4,133</u>
Total allocated expenses	<u>163,962</u>	<u>187,952</u>
Total expenses before depreciation	<u>256,695</u>	<u>280,880</u>
Net income before depreciation	<u>(95,696)</u>	<u>(152,230)</u>
Depreciation		
Allocated	11,319	43,613
Direct	<u>295,258</u>	<u>302,971</u>
Total depreciation	<u>306,577</u>	<u>346,584</u>
Net loss	<u><u>\$ (402,273)</u></u>	<u><u>\$ (498,814)</u></u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 SCHEDULE OF ALLOCATED EXPENSES
 Year Ended June 30, 2015

	<u>Total Airport</u>		<u>Landing Area</u>		<u>Terminal Building</u>		<u>Aeronautical Area</u>		<u>Non-Aeronautical Area</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Allocated expense before depreciation and amortization										
Administration	\$ 1,052,460	100%	\$ 368,361	35%	\$368,361	35%	\$157,869	15%	\$157,869	15%
Security services	24,536	100%	7,361	30%	12,268	50%	1,227	5%	3,680	15%
ARFF services	<u>34,475</u>	<u>100%</u>	<u>18,961</u>	<u>55%</u>	<u>10,343</u>	<u>30%</u>	<u>2,758</u>	<u>8%</u>	<u>2,413</u>	<u>7%</u>
Total allocated expense before depreciation and amortization	<u>\$ 1,111,471</u>	<u>100%</u>	<u>\$ 394,683</u>	<u>35%</u>	<u>\$ 390,972</u>	<u>35%</u>	<u>\$ 161,854</u>	<u>15%</u>	<u>\$ 163,962</u>	<u>15%</u>
Allocated depreciation and amortization										
Administration	53,345	100%	\$ 18,670	35%	\$ 18,671	35%	\$ 8,002	15%	\$ 8,002	15%
Security services	5,781	100%	1,734	30%	2,891	50%	289	5%	867	15%
ARFF services	<u>35,000</u>	<u>100%</u>	<u>19,250</u>	<u>55%</u>	<u>10,500</u>	<u>30%</u>	<u>2,800</u>	<u>8%</u>	<u>2,450</u>	<u>7%</u>
Total allocated depreciation and amortization	<u>\$ 94,126</u>	<u>100%</u>	<u>\$ 39,654</u>	<u>42%</u>	<u>\$ 32,062</u>	<u>34%</u>	<u>\$ 11,091</u>	<u>12%</u>	<u>\$ 11,319</u>	<u>12%</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 ADMINISTRATION
 Year Ended June 30, 2015
 (With comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 108,759	\$ 117,612
Salaries and wages	<u>366,139</u>	<u>355,772</u>
Total personnel services	<u>474,898</u>	<u>473,384</u>
Contractual services		
Utilities		
Electricity	-	225
Internet services	14,858	14,027
Telephone	<u>14,690</u>	<u>13,589</u>
Total utilities	<u>29,548</u>	<u>27,841</u>
Repairs and maintenance		
Equipment	8,509	10,863
Minor equipment and tools	<u>8,236</u>	<u>7,726</u>
Total repairs and maintenance	<u>16,745</u>	<u>18,589</u>
Professional services		
Accounting fees	11,500	10,350
Consulting fees	218,806	185,300
Insurance	7,942	8,030
Legal fees	<u>5,045</u>	<u>3,418</u>
Total professional services	<u>243,293</u>	<u>207,098</u>
Other expenses		
Advertising and promotional expenses	1,072	596
Board meeting/member expense	2,191	696
Drug tests and physical exams	-	50
Dues and subscriptions	4,260	4,500
Employee recognition	4,160	5,960
Licenses, permits, and inspection fees	971	2,807
Postage and freight	2,756	2,282
Street maintenance assessments	4,835	4,720
Travel, training, and education	20,194	18,623
U.S. Customs building lease	49,736	58,025
Vehicle lease	<u>6,000</u>	<u>6,000</u>
Total other expenses	<u>96,175</u>	<u>104,259</u>
Total contractual services	<u>385,761</u>	<u>357,787</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES (CONTINUED)
 ADMINISTRATION
 Year Ended June 30, 2015
 (With comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
EXPENSES (CONTINUED)		
Materials and supplies		
Equipment, parts, and supplies	120	410
Minor equipment and tools	551	100
Office materials and supplies	4,118	5,261
Other materials and supplies	<u>156</u>	<u>815</u>
Total material and supplies	<u>4,945</u>	<u>6,586</u>
 Total expenses before depreciation and amortization	 <u>865,604</u>	 <u>837,757</u>
 NON-OPERATING (REVENUE) AND EXPENSES		
Interest expense	225,318	435,862
Interest on investments - operating account	(22,041)	(42,977)
Miscellaneous non-operating (revenue) expense	<u>(16,421)</u>	<u>(20,075)</u>
Total non-operating (revenue) and expenses	<u>186,856</u>	<u>372,810</u>
 Net expense before depreciation and amortization allocated to primary cost centers	 <u>\$ 1,052,460</u>	 <u>\$ 1,210,567</u>
 Depreciation and amortization allocated to primary cost centers	 <u>\$ 53,345</u>	 <u>\$ 243,204</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 SECURITY SERVICES
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 16,013	\$ 16,244
Salaries and wages	<u>39,180</u>	<u>34,331</u>
Total personnel services	<u>55,193</u>	<u>50,575</u>
Contractual services		
Professional services:		
Insurance	<u>1,547</u>	<u>1,547</u>
Total professional services	<u>1,547</u>	<u>1,547</u>
Total contractual expenses	<u>1,547</u>	<u>1,547</u>
Materials and supplies		
Fuel, oil, and lubricants	<u>7,293</u>	<u>8,211</u>
Total materials and supplies	<u>7,293</u>	<u>8,211</u>
Total expenses before depreciation	<u>64,033</u>	<u>60,333</u>
Less reimbursed security costs	<u>(39,497)</u>	<u>(32,780)</u>
Net expense before depreciation allocated to primary care cost centers	<u>\$ 24,536</u>	<u>\$ 27,553</u>
Depreciation allocated to primary care cost centers	<u>\$ 5,781</u>	<u>\$ 4,757</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 AIRCRAFT RESCUE AND FIRE FIGHTING
 Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 6,072	\$ 6,063
Salaries and wages	<u>16,792</u>	<u>14,713</u>
Total personnel services	<u>22,864</u>	<u>20,776</u>
 Materials and supplies		
Firefighting supplies	6,809	7,831
Security supplies	<u>4,802</u>	<u>3,306</u>
Total materials and supplies	<u>11,611</u>	<u>11,137</u>
 Total expenses before depreciation	<u>34,475</u>	<u>31,913</u>
 Net expense before depreciation allocated to primary cost centers	<u>\$ 34,475</u>	<u>\$ 31,913</u>
 Depreciation allocated to primary cost centers	<u>\$ 35,000</u>	<u>\$ 91,692</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
Year Ended June 30, 2015

Basic Property Coverage

Airport Authority properties are covered under Policy No. EPP0261093 by Cincinnati Insurance Company through July 1, 2015, 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 \$43,943,691 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 \$10,000 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 \$43,943,691 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 Phoenix Aviation Managers under Policy No. PR00260601 through July 1, 2015. 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, 2015.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)
Year Ended June 30, 2015

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, 2015. 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. PKI0000193 through July 1, 2015. 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.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year Ended June 30, 2015

PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

Revenues	<u>\$ 764,536</u>
Interest Income	<u>\$ -</u>
Expenditures	<u>\$ -</u>

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Great Falls International Airport Authority (the Airport Authority), as of and for the year ended June 30, 2015, 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 November 24, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
November 24, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited Great Falls International Airport Authority's (the Airport Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Airport Authority's major federal program for the year ended June 30, 2015. The Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Airport Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

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

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

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

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
November 24, 2015

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

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

<u>Program Title</u>	<u>Award Amount</u>	<u>Federal Funds Received as of 6/30/14</u>	<u>Federal Funds Received During Current Year</u>	<u>Federal Funds Receivable as of 6/30/15</u>	<u>Federal Funds Recognized as of 6/30/15</u>	<u>Federal Expenditures as of 6/30/14</u>	<u>Federal Expenditures During Current Year</u>	<u>Federal Expenditures as of 6/30/15</u>	<u>Cumulative Airport Expenditures</u>	<u>Total Program Expenditures</u>
AIP 3-30-0036-54	\$ 4,145,156	\$ 4,041,688	\$ 725,403	\$ -	\$ 4,767,091	\$ 4,041,688	\$ 725,403	\$ 4,767,091	\$ 529,659	\$ 5,296,750
AIP 3-30-0036-56	2,148,001	1,836,776	365,184	-	2,201,960	1,938,328	263,632	2,201,960	250,238	2,452,198
AIP 3-30-0036-57	738,000	227,606	359,553	45,548	632,707	280,906	351,801	632,707	70,301	703,008
AIP 3-30-0036-58	579,516	-	305,052	69,894	374,946	-	374,946	374,946	41,661	416,607
AIP 3-30-0036-59	415,764	-	394,944	-	394,944	-	394,944	394,944	43,883	438,827
AIP 3-30-0036-61	2,062,829	-	50,124	216,454	266,578	-	266,578	266,578	6,449	273,027
TOTAL	<u>\$ 10,089,266</u>	<u>\$ 6,106,070</u>	<u>\$ 2,200,260</u>	<u>\$ 331,896</u>	<u>\$ 8,638,226</u>	<u>\$ 6,260,922</u>	<u>\$ 2,377,304</u>	<u>\$ 8,638,226</u>	<u>\$ 942,191</u>	<u>\$ 9,580,417</u>

See accompanying notes to schedule.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
June 30, 2015

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, 2015

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 statements? 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, 2015, 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, 2015

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

OTHER COMPLIANCE REPORTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE
PASSENGER FACILITY CHARGE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO THE PASSENGER FACILITY CHARGE PROGRAM

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, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to the PFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's PFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 PFC program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the PFC program. 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 types of compliance requirements referred to above that could have a direct and material effect on the PFC program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the PFC program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over PFC compliance.

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

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

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

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
November 24, 2015



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS