



Great Falls, Montana

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION AND INDEPENDENT
AUDITORS' REPORT

June 30, 2022



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AUTHORITY MEMBERS AND APPOINTED OFFICERS

<u>Authority Members</u>	<u>Position</u>	<u>Term Expires</u>
Vincent Bakke	Chairperson	December 31, 2022
Casey LaLonde	Vice Chairperson	December 31, 2024
Richard Gibbs	Commissioner	December 31, 2022
Tony Aretz	Commissioner	December 31, 2023
Sean Hoven	Commissioner	December 31, 2024
David Smith	Commissioner	December 31, 2023
Todd Timboe	Commissioner	December 31, 2023

Appointed Member

John Faulkner Airport Director

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements, including Passenger Facility Charge quarterly reports, of the Great Falls International Airport Authority (the Airport Authority), as of and for the year ended June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Authority, as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Airport Authority adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Airport Authority's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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 6 through 16, the schedule of proportionate share of the net pension liability for the last ten fiscal years on page 49, the schedule of PERS contributions for the last ten fiscal years on page 50 and the notes to the required supplementary information on pages 51 and 52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of passenger facility charges collected and expended is required by the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of passenger facility charges collected and expended are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the supplemental schedule of insurance coverage but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority's 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 Authority's internal control over financial reporting and compliance.

KCoe Jam, LLP

March 28, 2023
Great Falls, Montana



MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

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 (the 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 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. 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, non-capital financing 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.

The Basic Financial Statements include *Notes to Financial Statements* section providing the reader with more detailed data.

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

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 has increased by \$144,776 over the prior fiscal year. This is primarily due to a decrease in investment on capital assets.

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

TABLE 1

	2021/2022	2020/2021
ASSETS		
Current	\$ 11,006,888	\$ 3,551,252
Non-current	76,593,978	79,910,535
Deferred outflows of resources	125,731	205,779
Total Assets	87,726,597	83,667,566
LIABILITIES		
Current	2,407,410	1,181,049
Non-current	1,500,435	2,196,415
Total Liabilities	3,907,845	3,377,464
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement	-	187,500
Leases	3,323,712	-
Pension adjustments	341,487	93,825
Total Deferred Inflows of Resources	3,665,199	281,325
NET POSITION		
Net investment in capital assets	70,857,568	76,474,262
Restricted	471,884	259,722
Unrestricted	8,824,101	3,274,793
Total Net Position	\$ 80,153,553	\$ 80,008,777

The largest portion of the Airport Authority's net position (88.4%) represents our investment in capital assets (e.g., land, buildings, improvements, equipment, and net investment in lease). Consequently, these assets are not available for future spending. Although the Airport Authority's investment in capital assets is reported net of related debt, it is noted that 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.

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

FINANCIAL POSITION SUMMARY (CONTINUED)

TABLE 2

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	2021/2022	2020/2021
Operating revenues (1)	\$ 5,435,487	\$ 4,086,955
Operating expenses (2)	(2,512,641)	(2,813,709)
Excess before depreciation and other non-operating revenues and expenses	2,922,846	1,273,246
Depreciation	(2,347,857)	(2,125,026)
Income (loss) before other non-operating revenue and expenses	574,989	(851,780)
Non-operating revenues and (expenses), net	4,641,816	603,820
Income before capital contributions	5,216,805	(247,960)
Capital contributions	1,395,162	2,620,326
Depreciation on federally funded property and equipment	(5,023,095)	(4,972,973)
Change in net position	\$ 1,588,872	\$ (2,600,607)

Operating revenues increased by \$1,348,532 or 33% in FY2022. See table 3.
Operating expenses decreased by \$301,068 or 11% in FY2022. See table 5.

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

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

FINANCIAL POSITION SUMMARY (CONTINUED)

The following table and chart show the summary of operating revenues for the year ended June 30, 2022 and the amount and percentage of change in relation to prior year amounts.

TABLE 3

OPERATING REVENUE SOURCE	FY2022	Percent of Total	FY2021	Percent of Total	Increase (Decrease) from 2020	Percent Increase (Decrease)
Parking	\$ 831,484	15%	\$ 398,989	10%	\$432,495	108%
Food/Gift/Other Concessions	213,498	4%	150,701	4%	62,797	42%
Car Rentals	1,095,911	20%	811,199	20%	284,712	35%
Landing Fees	560,798	10%	433,345	11%	127,453	29%
Airlines - Space Rentals - Net of	956,471	18%	504,845	12%	451,626	89%
Airlines - Loading Bridge	35,496	1%	41,556	1%	(6,060)	-15%
Land Rentals	1,561,473	29%	1,529,330	37%	32,143	2%
Miscellaneous	180,356	3%	216,990	5%	(36,634)	-17%
TOTAL OPERATING REVENUES	5,435,487	100%	\$ 4,086,955	100%	\$ 1,348,532	33%

OPERATING REVENUE SOURCES

The Airport Authority concluded the 2021-2022 fiscal year with an increase in operating revenue of \$1,348,532 or 33% due to increasing revenue across most categories. Increases in both passengers and more airline flights were the primary drivers for revenue growth.

- Parking Revenue increased 108%. The Airport Authority took over operation of the parking lot in October 2021 and no longer paid a concession fee to the operator during most of the fiscal year. Airport Authority operation combined with a sizable increase in parking activity led to growth of \$432,495 in revenue from parking.
- Food/Gift and Other Concessions climbed 42% during the fiscal year, which mirrored the 41% growth in passenger boardings during the year.
- Car Rentals revenue jumped 35% during the fiscal year, but trailed passenger growth slightly due to continued national shortages of cars available to rent.
- Landing fees increased 29% during the fiscal year. This was due to a slight increase in the landing fee combined with an increase in United and FedEx landing weights.
- Airline space rent surged nearly 90% during the fiscal year due to a one-time increase in FedEx's rent coinciding with repayment of the debt on their building. Future annual revenue from this lease can be expected to decline by about \$250,000 next year. The Airport Authority negotiated a new long-term agreement with FedEx that secures them as a tenant for an additional 10 years.

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

FINANCIAL POSITION SUMMARY (CONTINUED)

OPERATING REVENUE SOURCES (CONTINUED)

Revenue from the Airport Authority's largest customers was largely consistent with the previous years. Most airlines rental car companies saw significant gains over the previous year due to the 41% increase in passenger boardings. Republic Parking revenue declined with the contract ending in October 2021.

TABLE 4

TOP PRODUCING CUSTOMERS		
TENANT	AMOUNT	AMOUNT
	FY2021-22	FY2020-21
FEDEX (LANDING FEES & RENTS)	\$1,237,355	\$1,249,264
REPUBLIC PARKING	\$179,130	\$504,688
DELTA (LANDING FEES & SPACE RENT)	\$448,678	\$372,890
UNITED/SKYWEST (LANDING FEES & SPACE RENT)	\$375,262	\$293,460
HORIZON (LANDING FEES & SPACE RENT)	\$278,432	\$243,371
HERTZ (CONCESSION FEES & SPACE RENT)	\$336,780	\$208,342
NATIONAL/ALAMO (CONCESSION FEES & SPACE RENT)	\$205,322	\$202,943
AVIS (CONCESSION FEES & SPACE RENT)	\$391,799	\$170,859
ENTERPRISE (CONCESSION FEES & SPACE RENT)	\$162,732	\$169,944
ALLEGIANT (RENT, PER TURN & LANDING FEES)	\$120,103	\$140,038
TOTAL	\$3,735,593	\$3,555,799

OPERATING EXPENSES

The following table shows the summary of operating expenses for the year ended June 30, 2022 and the amount and percentage of change in relation to prior year amounts.

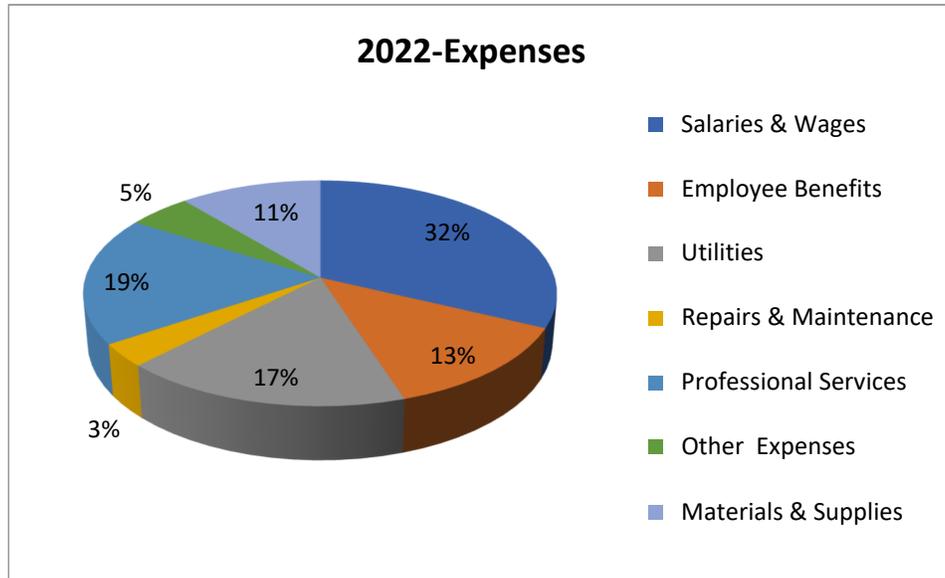
TABLE 5

	2022 Amount	Percent of Total	2021 Amount	Percent of Total	Increase (Decrease) from 2020	Percent Increase (Decrease)
Personnel Services						
Salaries & Wages	805,687	32%	791,689	28%	13,998	1.8%
Employee Benefits	324,377	13%	502,853	18%	(178,476)	-35.5%
Contractual Services						
Utilities	435,397	17%	417,977	15%	17,420	4.2%
Repairs & Maintenance	83,088	3%	69,096	2%	13,992	20.3%
Professional Services	461,466	19%	420,700	15%	40,766	9.7%
Other Expenses	124,479	5%	328,413	12%	(203,934)	-62.1%
Materials & Supplies	278,147	11%	282,981	10%	(4,834)	-1.7%
Total Operating Expenses	2,512,641	100%	2,813,709	100%	(301,068)	-10.7%

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

FINANCIAL POSITION SUMMARY (CONTINUED)

OPERATING EXPENSES (CONTINUED)



Operating expenses for the 2022 fiscal year declined by \$301,068 or 10.7% as the Airport Authority continued to manage expenses aggressively during the pandemic recovery.

Salaries and wages held largely steady with only a 1.8% increase, while employee benefits declined 36% due to GASB 68 and depreciation for the state retirement fund. See Note 9 to the financial statements for detail on how this is calculated.

The Airport Authority deferred significant repair and maintenance to the airport at the end of fiscal year 2021 to match declining revenues during the pandemic. Spending in fiscal year 2022 returned to more normal levels resulting in an increase of 20.3%.

Professional Services increased 9.7% in fiscal year 2022. The Airport Authority rebid contracted cleaning services and saw increased costs due to escalating wages for the companies providing the service.

Other expenses decreased 62.1% due to a reduction in the amount of bad debt written off in fiscal year 2021.

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

NOTEWORTHY INFORMATION & DISCLOSURES

Contracts Approved by the Board in FY2022

Private hangar lease assignment
 Airline Operating Agreement & Terminal Building Lease – Allegiant Air
 Airline Operating Agreement & Terminal Building Lease – Horizon Air
 Airline Operating Agreement & Terminal Building Lease – FedEx
 Airline Operating Agreement & Terminal Building Lease – United Airlines
 Airline Operating Agreement & Terminal Building Lease – Delta Airlines
 Morrison-Maierle Engineering Selection and Contract
 Dick Anderson Construction – General Contractor/Construction Manager Ticket Lobby Expansion & Baggage system upgrade

Projects Approved by the Board in FY2022

Baggage Claim Carpet Replacement
 Street Light Replacement Entry Road and Parking Lots
 Covered Walkway Renovation Design
 Southwest General Aviation Taxiway Extension
 Ticketing Lobby Expansion
 Light Industrial Condo Infrastructure Improvements
 Centralized Deicing Facility Construction
 Snow Blower Acquisition
 Light Industrial Warehouse Condo Unit Construction of 2 Condos
 Front Loader and Snow Scoop

COST CENTERS

The following table shows the cost centers and operating revenues & expenses for the years ended June 30, 2022 and June 30, 2021.

	Operating Revenue*		Direct Expenses		Allocated Expenses		Net Income (Loss) Before Depreciation/Amortization	
	2022	2021	2022	2021	2022	2021	2022	2021
Landing Area	601,352	614,524	736,738	720,329	290,771	369,270	(426,157)	(475,075)
Terminal Area	3,222,706	2,854,872	600,917	620,521	556,656	693,591	2,065,133	1,540,760
Aeronautical Area	404,131	307,934	8,825	5,760	148,394	243,153	246,912	59,021
Non-Aeronautical	496,791	257,124	61,309	96,429	109,029	181,684	326,453	(20,989)
Total	4,724,980	4,034,454	1,407,789	1,443,039	1,104,850	1,487,698	2,212,341	1,103,717

*Less reimbursed security costs

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 fiscal year 2022 and 2021. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments.

TABLE 7

	2021-2022	2020-2021
Cash flows from:		
Operating Activities	\$ 3,913,910	\$ 1,957,065
Non-capital Financing Activities	3,378,823	126,736
Capital and Related Financing Activities	(2,046,718)	(1,611,972)
Investing Activities	174,159	210,302
Net increases in Cash and Cash Equivalents	5,420,174	682,131
Cash and Cash Equivalents:		
Beginning of year	1,626,284	944,153
End of year	\$ 7,046,458	\$ 1,626,284

CAPITAL IMPROVEMENT PROJECTS

PROJECT DESCRIPTION	2021-2022	2020-2021
AIP #67 – Rehabilitate Access Road	\$ -	\$ 1,636,065
AIP #68 – Construct Deicing Pad; Rehab Runway	-	262,627
AIP #72 – Rehabilitate Access Road	844,697	4,400
AIP #75 – Central Deicing Facility	-	-
AIP #76 – SW GA Design	173,949	-
AIP #77 – Rotary Plow	14,884	-
FAA Approved Capital Improvement Projects	1,033,530	1,903,092
Miscellaneous Projects	12,277	19,556
Parking Lot	306,487	29,734
Bathroom Remodel	70,629	432,583
TSA Office Remodel	73,121	224,135
Case Wheel Loader & Artic Snow Pusher	272,858	-
Warehouse Development	501,757	-
Security Cameras	3,903	-
AIP #72 – Rehabilitate Access Road	94,211	-
AIP #75 – Central Deicing Facility	1,170	-
AIP #76 – SW GA Design	24,633	-
AIP #77 – Rotary Plow & Carrier Vehicle	4,605	-
AIP #78 – Terminal Improvements	547,627	-
Airport Funded Projects	1,913,278	706,008
Total	\$ 2,946,808	\$ 2,609,100

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

CAPITAL IMPROVEMENT PROJECTS (CONTINUED)

During fiscal year 2022, the Airport Authority initiated construction on new taxilanes to serve a 20-acre general aviation development site called the Great Falls Aviation Park. This development includes more than twenty private hangar sites. Utilities were constructed in the area as part of the EagleJet Hangar development that was completed in 2018. Additional taxilane construction will be completed in fiscal year 2022 to open access to all the sites in the development and leasing activity has already begun in the development.

The Airport Authority initiated construction on a new deicing pad to the north of the existing terminal ramp referred to as the deicing ramp project. This new ramp expansion will create a centralized deicing location for commercial aircraft, adjacent to the terminal facility. The deicing ramp will reduce the amount of clean snow runoff captured in the airport deicing pond, thus creating significantly more storage capacity. The deicing ramp also allows up to two aircraft to deice while maintaining access on the taxilanes that serve the terminal ramp. Currently, deicing aircraft block access in and out of the terminal area. During the summer months, the deicing ramp also creates storage capacity for several commercial aircrafts that are awaiting another aircraft that may be parked at a terminal gate. This increases gate utilization and capacity during peak summer months without the major expense of adding additional terminal gates.

The Airport Authority commenced development of all major utilities to a 25-acre development site east of the airport exit. This parcel is being developed for Airport Industrial Condomiums. The Airport Authority executed a development agreement with the City of Great Falls to use Tax Increment Funding to reimburse the Airport Authority for up to \$1.1 million in utility infrastructure. The Airport Authority expects to fund an additional \$300,000 in ineligible infrastructure costs for the project.

LONG-TERM DEBT ADMINISTRATION

Please refer to Note 4 – Long-Term Debt, in the notes to the financial statements for a full explanation of our debt administration.

PASSENGER FACILITY CHARGES (PFC)

Enplanements impact the amount of PFC fees that are collected by the airlines each year. As passenger loads increase at Great Falls, the PFC fee also increases. These PFC funds may be used by the Airport Authority to pay for approved capital expenditures. A description of PFCs is included in Note 1 of the financial statements, summary of significant accounting policies. PFC revenues collected by the Airport Authority during fiscal years ending June 30, 2022 and 2021 were \$581,895 and \$358,992, respectively. The most recent PFC application #5 in the amount of \$1,850,000 was approved by the FAA in November 2015. This application extends the estimated charge date of collection from October 2021 to September 2023 and brings the total approved for collection to \$17,776,328. PFC funds during the current fiscal year and most likely the next fiscal year are primarily used to repay the Airport Authority for the cost of the terminal ramp rehabilitation that was approved in the 2001 PFC application.

CRRSA and ARPA FUNDING

The Airport Authority was a recipient of CARES funding from the FAA as a result of the COVID-19 public health crisis. The Airport Authority received an allocation of \$3.9 million dollars to be expended over fiscal years 2020, 2021 and 2022 to offset the economic impact resulting from reduced passenger airline travel.

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

CRRSA and ARPA FUNDING (CONTINUED)

The Airport Authority received funding for operational costs during the fiscal year from the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA) and the American Rescue Plan Act, 2021 (ARPA). The amounts were \$627,457 and \$ 2,792,194, respectively. The Airport Authority in-turn built reserves in fiscal year 2021 in preparation for the terminal improvements that started in fiscal year 2022, which will substantially draw-down those reserves.

YEAR-END SUMMARY

Overall, fiscal year 2022 was a successful year for the Airport Authority with record revenue, an 11% decline in operating expenses and passenger volume that recovered 41% over the prior fiscal year.

Substantially more income was derived from parking, which the Airport Authority began operating directly during the current fiscal year instead of using a concessionaire. Revenue was also helped by one-time revenue from the FedEx lease resulting from the expiration of the financing and original lease. Approximately \$250,000 of the increased revenue is one-time revenue associated with the event. Although revenue from this source will be lower in the future, net revenue to the Airport Authority will now be higher since proceeds are no longer being used to repay the outstanding debt on the building. The terms of the new FedEx lease commit FedEx as a tenant of the Airport Authority for another 10 years. In addition, the new lease payments are structured as a financing to allow FedEx to eventually own their building and also to fund an expansion of their deicing facilities.

Fiscal year passenger boardings of 142,532 remained substantially below pre-pandemic levels of approximately 175,000 annual boardings mainly due to a seat shortage in the market. Pilot constraints experienced by all U.S. airlines continue to hamper recovery in passenger volume as the Airport saw fewer flights from Alaska Airlines and temporary suspension of Delta's popular Minneapolis flight throughout the year.

Subsequent to the end of the fiscal year, Delta has reinstated daily Minneapolis flying, and future seat capacity at the airport is nearing pre-pandemic levels. Recovering passenger volumes should allow for continued future growth in passenger revenue streams like parking.

The Airport Authority continued efforts to diversify revenue away from substantial dependence on commercial flight activity during the fiscal year. New taxiway infrastructure initiated during the year will allow private development of about twenty hangar sites and a new row of t-hangars. In addition, the Airport Authority initiated development of a 25-acre Airport Industrial Condominium development. Both of these revenue diversification efforts represent opportunities for revenue growth in future years. These projects add to diversification efforts prior to pandemic that included the Love's fuel station and EagleJet hangar developments, which helped lead to five consecutive years of record operating revenue in the pre-pandemic period.

The Airport Authority maintained tight budget control during the year due to uncertainty over the length of recovery from pandemic downturns. Expenses declined nearly 11%, mainly due to a reduction in bad debt written off during the year compared to the prior fiscal year.

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

YEAR-END SUMMARY (CONTINUED)

Increased net cash flow from operations and also from proceeds received from the aforementioned pandemic relief programs allowed the Airport Authority to build significant cash reserves during the fiscal year. These funds were compiled in advance of commencing a significant capital program in the Terminal building, which will be funded from the reserves. The Airport Authority plans to renovate the airline ticketing and baggage screening areas, which have remained largely unchanged over the past fifty years. The baggage screening system in particular is near end-of-life and lacks expansion capacity.

	2021/2022	2020/2021	2019/2020
Enplanements	142,532	101,620	133,172

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 SECTION

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2022
(With Comparative Totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash - demand deposits	\$ 6,596,976	\$ 1,373,447
Investments	1,653,097	1,190,394
Accounts receivable, net	423,223	584,201
Grants receivable	1,498,994	91,235
Interest receivable	37,812	-
Inventories	4,100	4,100
Short-term lease receivable	646,226	-
Current portion of concession contract receivable	-	187,500
Prepaid expenses	<u>146,460</u>	<u>120,375</u>
Total current assets	<u>11,006,888</u>	<u>3,551,252</u>
RESTRICTED CASH AND INVESTMENTS		
Cash - demand deposits	<u>471,884</u>	<u>259,722</u>
Total restricted cash and investments	<u>471,884</u>	<u>259,722</u>
CAPITAL ASSETS		
Property and equipment - net	69,359,039	73,775,461
Construction work-in-progress	<u>2,763,061</u>	<u>4,195,074</u>
Total capital assets	<u>72,122,100</u>	<u>77,970,535</u>
OTHER ASSETS		
Investments	1,140,687	1,675,326
Deposits	3,568	3,568
Long-term lease receivable	2,854,355	-
Patronage credits	<u>1,384</u>	<u>1,384</u>
Total other assets	<u>3,999,994</u>	<u>1,680,278</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	<u>125,731</u>	<u>205,779</u>
Total deferred outflows of resources	<u>125,731</u>	<u>205,779</u>
Total assets and deferred outflows of resources	<u>\$ 87,726,597</u>	<u>\$ 83,667,566</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, 2022
(With Comparative Totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,271,921	\$ 486,865
Accounts payable - construction	233,306	5,995
Cash items	22,402	6,885
Tenant deposits payable	116,194	258,328
Payroll and payroll taxes payable	308	89,931
Interest payable	5,059	5,966
Compensated absences payable	80,368	76,996
Unearned revenue	415,818	1,057
Current portion of long-term debt	<u>262,034</u>	<u>249,026</u>
Total current liabilities	<u>2,407,410</u>	<u>1,181,049</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	1,002,498	1,247,247
PERS pension liability	<u>497,937</u>	<u>949,168</u>
Total long-term liabilities	<u>1,500,435</u>	<u>2,196,415</u>
Total liabilities	<u>3,907,845</u>	<u>3,377,464</u>
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangement - Reef Parking	-	187,500
Leases	3,323,712	-
Pension adjustments	<u>341,487</u>	<u>93,825</u>
Total deferred inflows of resources	<u>3,665,199</u>	<u>281,325</u>
NET POSITION		
Net investment in capital assets	70,857,568	76,474,262
Restricted	471,884	259,722
Unrestricted	<u>8,824,101</u>	<u>3,274,793</u>
Total net position	<u>80,153,553</u>	<u>80,008,777</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 87,726,597</u>	<u>\$ 83,667,566</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, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Facility use fees	\$ 559,754	\$ 589,775
Landing fees	560,798	433,345
Fuel flowage fees	41,639	27,955
Loading bridge and per turn fees	116,494	99,336
Concession fees	993,813	1,084,593
Building and ground rent	2,003,570	1,577,914
Customer facility charge and car wash use fees	229,632	194,205
Parking revenue	831,484	-
Reimbursed expense revenue	<u>98,303</u>	<u>79,832</u>
Total operating revenues	<u>5,435,487</u>	<u>4,086,955</u>
OPERATING EXPENSES		
Salaries and benefits	1,130,064	1,294,542
Utilities	435,397	417,977
Repairs and maintenance	83,088	69,096
Professional services	461,466	420,700
Materials and supplies	278,147	328,413
Other	<u>124,479</u>	<u>282,981</u>
Total operating expenses	<u>2,512,641</u>	<u>2,813,709</u>
Excess of operating revenues over operating expenses before depreciation	2,922,846	1,273,246
Less: Depreciation	<u>(2,347,857)</u>	<u>(2,125,026)</u>
Operating income (loss)	<u>574,989</u>	<u>(851,780)</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 (CONTINUED)
Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Investment and interest income	97,378	2,003
Miscellaneous non-operating revenues	23,363	60,676
Interest expense	(16,718)	(3,206)
CARES/CRRSA/ARP Act grant revenue	3,817,450	66,060
Investment income from lease investment	194,282	194,282
Interest expense from lease investment	(55,834)	(93,287)
Passenger Facility Charges (PFC), net	581,895	358,992
Gain on sale of asset	<u>-</u>	<u>18,300</u>
Total non-operating revenues	<u>4,641,816</u>	<u>603,820</u>
Income (loss) before capital contributions and depreciation on federally funded property and equipment	5,216,805	(247,960)
Capital contributions	1,395,162	2,620,326
Depreciation on federally funded property and equipment	<u>(5,023,095)</u>	<u>(4,972,973)</u>
CHANGE IN NET POSITION	1,588,872	(2,600,607)
Net position, beginning of year	<u>80,008,777</u>	<u>82,609,384</u>
Prior period adjustment - construction work-in-progress adjustment	<u>(1,444,096)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>78,564,681</u>	<u>82,609,384</u>
Net position, end of year	<u>\$ 80,153,553</u>	<u>\$ 80,008,777</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, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from providing services	\$ 5,843,848	\$ 4,144,833
Cash payments to employees	(1,306,332)	(1,136,727)
Cash payments to suppliers	<u>(623,606)</u>	<u>(1,051,041)</u>
Net cash flows from operating activities	<u>3,913,910</u>	<u>1,957,065</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Miscellaneous non-operating revenues	<u>3,378,823</u>	<u>126,736</u>
Net cash flows from non-capital financing activities	<u>3,378,823</u>	<u>126,736</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from grants - FAA	86,836	2,759,649
Tenant capital contribution	329,053	-
Construction work-in-progress additions	(2,719,675)	(2,617,075)
Acquisition of property and equipment	(19,627)	(887,641)
Proceeds from sale of property and equipment	-	18,300
Interest paid	(73,459)	(99,675)
Passenger Facility Charges (PFC), net	581,895	358,992
Payment on long-term debt	<u>(231,741)</u>	<u>(1,144,522)</u>
Net cash flows from capital and related financing activities	<u>(2,046,718)</u>	<u>(1,611,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	102,223	196,285
Purchase of investments	(181,146)	(358,021)
Redemption of investments	<u>253,082</u>	<u>372,038</u>
Net cash flows from investing activities	<u>174,159</u>	<u>210,302</u>
Net change in cash and cash equivalents	5,420,174	682,131
Cash and cash equivalents, beginning of year	<u>1,626,284</u>	<u>944,153</u>
Cash and cash equivalents, end of year	<u>\$ 7,046,458</u>	<u>\$ 1,626,284</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, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 574,989	\$ (851,780)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Depreciation	2,347,857	2,125,026
Pension adjustments	(90,017)	120,165
Changes in operating assets and liabilities:		
Accounts receivable, net	348,478	(203,677)
Lease receivable	(212,744)	-
Prepaid expenses	(26,085)	(12,739)
Deposits	-	2,032
Accounts payable	785,056	486,865
Tenant deposits payable	(142,134)	254,523
Payroll and payroll taxes payable	(89,623)	26,507
Compensated absences payable	3,372	5,143
Unearned revenue	<u>414,761</u>	<u>5,000</u>
Net cash flows from operating activities	<u>\$ 3,913,910</u>	<u>\$ 1,957,065</u>
 SCHEDULE OF INTEREST		
Interest paid	<u>\$ 73,459</u>	<u>\$ 99,675</u>
 SCHEDULE OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash items	\$ (22,402)	\$ (6,885)
Cash - demand deposits (unrestricted)	6,596,976	1,373,447
Cash - demand deposits (restricted)	<u>471,884</u>	<u>259,722</u>
	<u>\$ 7,046,458</u>	<u>\$ 1,626,284</u>
 SCHEDULE OF NONCASH TRANSACTIONS		
Change in PERS pension liability	\$ (451,231)	\$ 73,435
Change in deferred outflows related to pension liability	80,048	34,303
Change in deferred inflows related to pension liability	<u>247,662</u>	<u>(64,940)</u>
	<u>\$ (123,521)</u>	<u>\$ 42,798</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 centers. 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, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

The Airport Authority has adopted the provisions of the following GASB pronouncement for the fiscal year 2022:

Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The Airport Authority retroactively adopted the requirements of this Statement effective July 1, 2021, and has applied the provisions to the beginning of the period of adoption.

Classification of Net Position

Net Investment in Capital Assets

This is the Airport 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 Airport Authority's restricted net position amounts are primarily to be used for passenger facility charge projects and the National Guard Bureau project.

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 required to be shown at fair value and S.T.I.P. is required to be shown at the net asset value (NAV) per share in accordance with GAAP.

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 of America if the investment is a direct obligation of the agency; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union located in Montana; in investments of the S.T.I.P. managed by the Montana Board of Investments; or in repurchase agreements.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Airport Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2022.

Accounts Receivable

Accounts receivable are recorded at cost with an allowance for doubtful accounts. The allowance is management's estimate of the uncollectible amounts contained within the accounts receivable portfolio at June 30, 2022.

Grants Receivable

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

Inventories

Inventories consist 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.

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.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022.

Unearned Revenue

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

COVID-19

In December 2019, the novel coronavirus (COVID-19) was identified in Wuhan, China. In March 2020, with the rapid spread of the virus into all regions of the world, the World Health Organization declared COVID-19 a global pandemic.

Beginning in March 2020, COVID-19 significantly impacted worldwide passenger traffic based on the public health risk, government-imposed quarantines, and restrictions on travel. The Airport Authority saw dramatic decreases in total passengers through the airport which resulted in severely reduced operating revenues.

The full extent and duration of the impact of COVID-19 on the Airport Authority's operations and financial performance is currently unknown, and depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, new information that may emerge concerning the severity of the virus, and the actions to contain the virus or treat its impact, among others.

Federal Economic Relief to Airports Related to COVID-19

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748, Public Law 116-136), signed into law by the President on March 27, 2020, included \$10 billion in funds to be awarded as economic relief to eligible U.S. airports affected by the prevention of, preparation for, and response to the COVID-19 pandemic.

The CARES Act provided funds to increase the federal share to 100 percent for Airport Improvement Program (AIP) and supplemental discretionary. Under normal circumstances, AIP grant recipients contribute a matching percentage of the project costs.

Providing this additional funding and eliminating the local share allowed critical safety and capacity projects to continue as planned regardless of airport sponsors' current financial circumstances. Additionally, the CARES Act provided new funds distributed by various formulas for all airports that are part of the national airport system. This included all commercial service airports, all reliever airports and some public-owned general aviation airports.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Economic Relief to Airports Related to COVID-19 (Continued)

Under the CARES Airport Program:

- Primary commercial service airports, with more than 10,000 annual passenger boardings, received additional funds based on the number of annual boardings, in a similar way to how they currently receive AIP entitlement funds.
- All commercial service airports received funds based on the number of passengers that board aircraft, the amount of debt an airport has, and the amount of money the airport has in reserve.
- General aviation airports received funds based on their airport categories, such as National, Regional, Local, Basic and Unclassified.

The Airport Authority received a grant totaling \$3,960,216 related to the CARES Act. During the year ended June 30, 2022, the Airport Authority recognized \$388,987 of grant revenue on the CARES Act grant to reimburse eligible expenses.

The Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act (Public Law 116-260), signed into law on December 27, 2020, included nearly \$2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the COVID-19 pandemic.

Under the Airport Coronavirus Response Grant Program:

- Primary commercial service airports, those with more than 10,000 annual passenger boardings, shared \$1.75 billion based on the number of annual boardings, in a similar way to how they currently receive Airport Improvement Program (AIP) entitlement funds.
- Primary commercial service airports shared an additional \$200 million based on the number of annual boardings, and these funds are available for these airports to provide relief from rent and minimum annual guarantees to on-airport car rental, on-airport parking, and in-terminal airport concessions. Airports provided this relief to each airport concession based on its proportionate share of the total annual rent and minimum annual guarantees for the airport.
- Non-primary commercial service and general aviation airports will share \$45 million based on their airport categories. Of that \$45 million, airports that participate in the FAA Contract Tower Program will divide \$5 million equally.

The Airport Authority received a grant award totaling \$1,815,781 related to the CRRSA Act. During the year ended June 30, 2022, the Airport Authority has recognized \$1,051,030 as grant revenue to reimburse eligible operating expenses.

The American Rescue Plan Act (ARPA), enacted in March 2021, included funds to provide economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. Under ARPA, the Airport Authority received an Airport Rescue Grant in the amount of \$2,792,194. As of June 30, 2022, the Airport Authority recognized \$2,377,433 as grant revenue to reimburse eligible expenses.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Prior Period Comparative Amounts

The basic financial statements include certain prior year comparative amounts but the notes to the financial statements do not contain the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Airport Authority's financial statements for the year ended June 30, 2021, from which the comparative information is derived.

Subsequent Events

Management has evaluated subsequent events through March 28, 2023, the date on which the financial statements were available to be issued.

NOTE 2. CASH AND INVESTMENTS

The composition of cash and investments on June 30, 2022, was as follows:

Cash items	\$ (22,402)
Cash in banks:	
Demand deposits	7,068,860
Savings deposits	19,940
Time deposit	492,296
S.T.I.P.	1,022,794
U.S. Government bonds	<u>1,258,754</u>
	<u>\$ 9,840,242</u>

Cash and investments are presented on the statement of financial position as follows:

Cash items	\$ (22,402)
Cash - demand deposits, current	6,596,976
Investments, current	1,653,097
Cash - demand deposits, restricted	471,884
Investments, long-term	<u>1,140,687</u>
	<u>\$ 9,840,242</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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.

Restricted Cash and Investments

Restricted cash and investments at June 30, 2022 consist of \$471,884 held for passenger facility charge projects.

Cash in Banks

At year-end, the carrying amount of the Airport Authority's deposits was \$7,581,096 and the bank balance was \$7,639,365. 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, 2022, the Airport Authority had \$6,877,129 of bank account deposits in excess of FDIC insurance and \$242,296 of time deposits in excess of SIPC coverage.

As of June 30, 2022, the Airport Authority had \$19,940 in money market funds not covered by FDIC or SIPC insurance. Money market 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 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 of America 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 is in compliance with the state statutes described in Note 1.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Airport Authority has no investment policy that would further limit its investment choices. As of June 30, 2022, the Airport Authority had the following investments and maturities:

Investment Type	Amount	Investment Maturities	
		Less Than 1 Year	1-5 years
Money market	\$ 19,940	\$ 19,940	\$ -
Time deposit	492,296	247,296	245,000
S.T.I.P.	1,022,794	1,022,794	-
U.S. government bonds	<u>1,258,754</u>	<u>363,067</u>	<u>895,687</u>
	<u>\$ 2,793,784</u>	<u>\$ 1,653,097</u>	<u>\$ 1,140,687</u>

Interest Rate Risk

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

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 a 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, 2022:

Investment Type	Amortized Cost	Credit Quality Rating
Agency or government related	\$ 51,649	A1+
Asset-backed commercial paper	724,320	A1+
Corporate commercial paper	206,530	A1+
Interest Bearing Demand Deposit Account	<u>40,295</u>	<u>N/R</u>
	<u>\$ 1,022,794</u>	<u>A1+</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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. Concentration risk was within the policies as set by the Montana Board of Investments. 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.

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.

Market Fluctuations

During the year ended June 30, 2022, the global financial system continued to experience substantial volatility related to the COVID-19 pandemic. These economic events have had a significant impact on the investment portfolio. As a result, it is possible the Airport Authority's investments have incurred a decline in fair value. Because of the uncertainty of future market conditions, management is uncertain whether any decline in fair value is permanent or temporary.

As previously mentioned, GAAP requires investment in U.S. Government securities to be reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

Government bonds – Valued using matrix pricing.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Market Fluctuations (Continued)

As required under GAAP, investments are classified within the level of lowest significant input considered in determining fair value. GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels as described below.

- Level 1: quoted prices in active markets as of the measurement date.
- Level 2: quoted prices that are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability.
- Level 3: significant unobservable prices or inputs for which there is little or no market activity for the asset or liability at the measurement date.

Investments, stated at fair value, are as follows:

	Cost	Fair Value (Level 2)
U.S. government bonds	\$ 1,331,640	\$ 1,258,754

The net decrease in the fair value of investments during the year ended June 30, 2022 was \$91,149. This amount is included in investment income on the statement of revenues, expenses, and changes in net position.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 3. CAPITAL ASSETS

Property and Equipment

A summary of the changes in property and equipment during the year ended June 30, 2022 is as follows:

	July 1, 2021 (As Restated)	Additions	Deletions	Balance, June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 1,501,248	\$ -	\$ -	\$ 1,501,248
Construction in progress	<u>576,578</u>	<u>2,946,808</u>	<u>(760,325)</u>	<u>2,763,061</u>
Total capital assets, not being depreciated	<u>2,077,826</u>	<u>2,946,808</u>	<u>(760,325)</u>	<u>4,264,309</u>
Capital assets, being depreciated:				
Buildings	37,739,028	407,746	-	38,146,774
Improvements	136,117,661	343,471	-	136,461,132
Furniture, fixtures and equipment	<u>8,815,523</u>	<u>28,735</u>	<u>-</u>	<u>8,844,258</u>
Total capital assets, being depreciated	<u>182,672,212</u>	<u>779,952</u>	<u>-</u>	<u>183,452,164</u>
Less accumulated depreciation:				
Buildings	(24,634,241)	(1,394,843)	-	(26,029,084)
Improvements	(77,395,628)	(5,680,253)	-	(83,075,881)
Furniture, fixtures and equipment	<u>(6,193,552)</u>	<u>(295,856)</u>	<u>-</u>	<u>(6,489,408)</u>
	<u>(108,223,421)</u>	<u>(7,370,952)</u>	<u>-</u>	<u>(115,594,373)</u>
Capital assets being depreciated, net	<u>74,448,791</u>	<u>(6,591,000)</u>	<u>-</u>	<u>67,857,791</u>
Capital assets, net	<u>\$ 76,526,617</u>	<u>\$ (3,644,192)</u>	<u>\$ (760,325)</u>	<u>\$ 72,122,100</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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, 2022 is as follows:

Project	Balance, July 1, 2021 (As Restated)	Project Additions	Close-Out/ Deletions	Transfers	Balance June 30, 2022
AIP 68 (NonFed)	\$ 265,827	\$ -	\$ -	\$ -	\$ 265,827
AIP 72 (Fed)	3,200	850,515	-	(5,817)	847,898
AIP 72 (NonFed)	-	88,394	-	5,817	94,211
AIP 76 (Fed)	-	173,949	-	173,949	347,898
AIP 76 (NonFed)	-	19,328	-	(173,949)	(154,621)
AIP 77 (Fed)	1,200	14,884	-	(120)	15,964
AIP 77 (NonFed)	-	4,605	-	120	4,725
Parking Lot	29,734	306,487	(336,221)	-	-
Security Cameras	-	3,903	(3,903)	-	-
Terminal Improvements	-	547,627	-	-	547,627
Bathroom Remodel	40,040	70,629	(110,669)	-	-
TSA Office Remodel	224,135	73,121	(297,256)	-	-
Warehouse Development	12,442	501,757	-	-	514,199
Snow Plow	-	272,858	-	-	272,858
Design Runway 16/24	-	-	-	-	-
Other	-	-	-	-	-
FedEx Apron	-	-	-	-	-
Red Horse	-	-	-	-	-
LED	-	-	-	-	-
Deicing	-	1,170	-	-	1,170
SW GA	-	5,305	-	-	5,305
Special Projects	-	12,276	(12,276)	-	-
AVMAX Hangar Phase I	-	-	-	-	-
AVMAX Phase II	-	-	-	-	-
AVMAX Phase IV	-	-	-	-	-
TIF Program	-	-	-	-	-
	<u>\$ 576,578</u>	<u>\$ 2,946,808</u>	<u>\$ (760,325)</u>	<u>\$ -</u>	<u>\$ 2,763,061</u>

The Airport Improvement Program (AIP) work in progress project additions include expenditures of \$112,327 from Airport Authority funds and \$1,039,348 from FAA funds.

NOTE 4. LONG-TERM DEBT

Direct Borrowings

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, 2022 is \$354,516. 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, 2022

NOTE 4. LONG-TERM DEBT (CONTINUED)

Direct Borrowings (Continued)

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, 2022 is \$577,966. This is a tenant-financing loan and as such, the Airport Authority is not liable in the event of tenant payment default.

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, 2022 is \$332,050.

The following is a summary of changes in long-term debt from direct borrowings of the Airport Authority for the fiscal year ended June 30, 2022:

Note payable to:	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Montana Board of Investments	\$ 419,432	\$ -	\$ (64,916)	\$ 354,516	\$ 67,889
Montana Board of Investments	651,641	-	(73,675)	577,966	77,645
Wells Fargo-Car Rental Note Series 2013C	<u>425,200</u>	<u>-</u>	<u>(93,150)</u>	<u>332,050</u>	<u>116,500</u>
	<u>\$ 1,496,273</u>	<u>\$ -</u>	<u>\$ (231,741)</u>	<u>\$ 1,264,532</u>	<u>\$ 262,034</u>

The annual debt service requirements to maturity for long-term debt outstanding as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 262,034	\$ 59,321	\$ 321,355
2024	275,693	45,694	321,387
2025	204,228	32,411	236,639
2026	171,368	22,914	194,282
2027	166,934	13,341	180,275
2028-2029	<u>184,275</u>	<u>6,294</u>	<u>190,569</u>
	<u>\$ 1,264,532</u>	<u>\$ 179,975</u>	<u>\$ 1,444,507</u>

NOTE 5. SERVICE CONCESSION ARRANGEMENT

The Airport Authority has entered into a concession agreement which expired on September 30, 2021 with Reef Parking to operate the Airport Authority's public parking facility located in and about the main terminal at Great Falls International Airport (the Airport). The Airport Authority entered into the arrangement as a means to provide parking facilities to members of the public visiting the Airport in a more efficient, cost-effective manner.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 5. SERVICE CONCESSION ARRANGEMENT (CONTINUED)

The terms of the agreement include:

- Reef 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.
- Reef is responsible for parking lot maintenance while the Airport Authority is responsible for structural modifications and substantial repairs.
- The Airport Authority and Reef 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 agreement, Reef paid the Airport Authority as follows:

Fiscal Year Ended	Minimum Annual Guarantee	Percentage of Annual Gross Receipts (calculated for the contract year ended September 30, 2021)
June 30, 2022	\$187,500	50% of Reef's annual gross receipts > \$ 0 but < \$ 150,000 70% of Reef's annual gross receipts > \$ 150,000 but < \$ 200,000 80% of Reef's annual gross receipts > \$ 200,000 but < \$ 300,000 84% of Reef's annual gross receipts > \$ 300,000 but < \$1,200,000 91% of Reef's annual gross receipts > \$1,200,000

The facility is reported by the Airport Authority as a capital asset of \$2,093,307 and is being depreciated over its estimated useful life.

NOTE 6. PASSENGER FACILITY CHARGES

Changes in the passenger facility charges account for the year ended June 30, 2022 are as follows:

Balance at beginning of year	\$ 1,231,951
Additions:	
Net collections from carriers	<u>581,895</u>
Balance at end of year	<u>\$ 1,813,846</u>

The PFC account owes the Surplus account \$1,231,753 as of June 30, 2022. A total of \$359,000 was repaid to the Surplus account during the current fiscal year. The inter-account balances have been eliminated in the accompanying financial statements.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 7. NET INVESTMENT IN CAPITAL ASSETS

Changes in the net position category of "net investment in capital assets" for the year ended June 30, 2022, are as follows:

Capital assets

Balance at beginning of year	\$ 73,775,461
Additions:	
Adjustments as a result of prior period adjustment	2,174,578
Transfers from construction work-in-progress account and acquisition of capital assets	779,952
Deductions:	
Depreciation expense	<u>(7,370,952)</u>
Balance at end of year	<u>69,359,039</u>

Construction work in progress

Balance at beginning of year	4,195,074
Additions:	
Contributions - Airport funds	1,840,455
FAA grants and capital contributions	1,106,531
Deductions:	
Adjustments as a result of prior period adjustment	(3,618,674)
Projects closed and transferred to fixed assets	<u>(760,325)</u>
Balance at end of year	<u>2,763,061</u>

Related debt

Balance at beginning of year	(1,496,273)
Deductions:	
Principal payments	<u>231,741</u>
Balance at end of year	<u>(1,264,532)</u>
Net investment in capital assets at June 30, 2022	<u>\$ 70,857,568</u>

NOTE 8. RESTRICTED NET POSITION

Restricted net position at June 30, 2022 consists of the following:

Restricted for passenger facility charges	<u>\$ 471,884</u>
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GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 9. PENSION PLAN

Summary of Significant Accounting Policies

Montana Public Employee Retirement Administration (MPERA) prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the net pension liability; deferred outflows of resources and deferred inflows of resources related to pensions; pension expense; the fiduciary net position; and additions to or deductions from fiduciary net position. 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 in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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 provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System and school districts. Benefits are established by state law and can only be amended by Legislature.

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).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 9 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits

Eligibility for Benefit

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service; 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

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.

Second Retirement (requires returning to PERS-covered employer or PERS service)

1) Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- A refund or member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- GABA starts on the recalculation benefit in January after receiving the new benefit for 12 months.

3) Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:

- The same retirement as prior to the return to service;
- A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 9 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits (Continued)

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;

Compensation Cap

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

Monthly Benefit Formula

1) 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.

2) 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)

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.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
 - (a) 1.5% for each year PERS is funded at or above 90%
 - (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - (c) 0% whenever the amortization period for PERS is 40 years or more.

Contributions

The state legislature has the Airport Authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2022

NOTE 9 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employees who received special funding are all participating employees.

Not Special Funding

Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions.

Overview of Contributions

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State &	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Universities Employer	Employer	State	Employer	State
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.370%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 9 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions (Continued)

1. Member contributions to the system of 7.9% are 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.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contribution rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. 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.
 - iii. The State contributed a Statutory Appropriation from the General Fund of \$34,290,660.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's total pension liability (TPL). The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll-forward procedures. The roll-forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll-forward procedure will include the effects of any assumption changes and legislative changes. The updated procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 9 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2020, and 2019, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

The employer recorded a liability of \$497,937 and the employer's proportionate share was 0.027461 percent.

As of measurement date	Net Pension Liability as of June 30, <u>2021</u>	Net Pension Liability as of June 30, <u>2020</u>	Percent of Collective NPL as of June 30, <u>2021</u>	Percent of Collective NPL as of June 30, <u>2020</u>	Change in Percent of Collective <u>NPL</u>
Airport Authority Proportionate Share	\$ 497,937	\$ 949,168	0.027461%	0.035978%	(0.008517)%
State of Montana Proportionate Share associated with the Airport Authority	<u>149,142</u>	<u>301,494</u>	<u>0.008225%</u>	<u>0.011428%</u>	<u>(0.003203)%</u>
Total	<u>\$ 647,079</u>	<u>\$ 1,250,662</u>	<u>0.016596%</u>	<u>0.047406%</u>	<u>(0.011720)%</u>

Changes in Actuarial Assumptions and Methods: The following changes in assumptions or other inputs that affected the measurement of the TPL.

1. The discount rate was lowered from 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

Changes in Benefit Terms:

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 9 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Expense

At June 30, 2021, the Airport Authority recognized (\$76,413) for its proportionate share of the Plan's pension expense and recognized grant revenue of \$33,504 for the support provided by the State of Montana for its proportionate share of the pension expense associated with the Airport Authority.

	Pension expense as of <u>June 30, 2021</u>
Authority's Proportionate Share	\$ (76,413)
Grant Revenue-State of Montana Proportionate Share	<u>33,504</u>
Total	<u>\$ (42,909)</u>

Recognition of Deferred Inflows and Outflows

At June 30, 2021, the Airport Authority 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>
Expected versus actual experience	\$ 5,314	\$ 3,605
Projected investment earnings versus actual investment earnings	-	201,719
Changes in assumptions	73,754	-
Changes in proportion differences between employer contributions and proportionate share of contributions	-	136,163
Authority Contributions subsequent to the measurement date	<u>46,663</u>	<u>-</u>
Total	<u>\$ 125,731</u>	<u>\$ 341,487</u>

Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense	
2022	\$	(69,670)
2023	\$	(79,635)
2024	\$	(48,720)
2025	\$	(64,394)
Thereafter	\$	-

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 9 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The TPL in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases:
 1. Guaranteed Annual Benefit Adjustment (GABA) each January
 - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - (a) 1.5% for each year PERS is funded at or above 90%;
 - (b) The 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%;
 - (c) 0% whenever the amortization period for PERS is 40 years or more.

Mortality

- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members are based on RP-2000 Combined Mortality Tables with no projections.

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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.0%	(0.33%)
Domestic Equity	30.0%	5.90%
International Equity	17.0%	7.14%
Private Investments	15.0%	9.13%
Real Assets	5.0%	4.03%
Real Estate	9.0%	5.41%
Core Fixed Income	15.0%	1.14%
Non-Core Fixed Income	6.0%	3.02%
Total	100.0%	

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 9 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under Montana Code Annotated. The State contributed 0.10% of the salaries paid by local governments and 0.37% for school districts. In addition, the State contributed a statutory appropriation the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the *2021 OASDI Trustees Report* used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table at the bottom of page 32.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.06%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
Great Falls International Airport Authority	\$ 790,397	\$ 497,937	\$ 252,631

PERS Disclosure for the Defined Contribution Plan

The Airport Authority contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS 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 participants of both the defined benefit and defined contribution retirement plans.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

N NOTE 9 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Disclosure for the Defined Contribution Plan (Continued)

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the Airport Authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2021, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 329 employers that have participants in the PERS-DCRP totaled \$1,103,889.

Pension Plan Fiduciary Net Position

The stand-alone statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena, MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

NOTE 10. 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, 2022, 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, 2022

NOTE 11. MAJOR CUSTOMERS

During the year ended June 30, 2022, revenue from five air carriers and five concessionaires amounted to \$3,735,592 and represents 81% of total operating revenue. Accounts receivable for the four major air carriers amounted to \$103,674 or 24% of other accounts receivable in aggregate as of June 30, 2022.

Accounts receivable for the five major concessionaires amounted to \$91,486 or 22%, of accounts receivable in aggregate as of June 30, 2022. Generally, all but one of the five major concessionaires are invoiced monthly and had current balances as of June 30, 2022.

NOTE 12. LEASE OF AIRPORT FACILITIES

The Airport Authority receives a significant amount of revenue from rents. These include rent for use of the jetway by the airlines; rental of terminal space to airlines, travel agencies, and other tenants; rental of buildings, land, and hangars to individuals and companies engaged in general aviation; and rental of office buildings to federal government agencies. Certain lease agreements, by their terms, require annual determination of the rental charge based on predetermined formulas.

The Airport Authority also has several leases that require the lessee to remit a percentage of its revenue as the rental charge or a minimum annual guaranteed amount. Amounts in excess of the minimum annual guarantee are considered variable payments and not included in the measurement of the lease receivable. Certain leases are considered regulated leases because the FAA and Department of Transportation (DOT) grant assurances require the Airport Authority to assure that all aeronautical users are entitled to airport access on fair and reasonable terms without unjust discrimination. Aeronautical use of an airport is any activity that involves, makes possible, is required for the safety of, or is otherwise directly related to, the operation of an aircraft. Regulated leases are not included in the measurement of the lease receivable and are recognized as revenue based on the payment provisions of the lease contract.

The following schedule presents a breakdown of these rents for the year ended June 30, 2022:

Lease Revenue	Non-Regulated	Regulated & Short-Term
Building and ground	\$ 1,037,418	\$ 2,373,260
Interest revenue	151,625	-
Variable and other revenue	146,459	-
Total lease and interest revenue	<u>\$ 1,335,502</u>	<u>\$ 2,373,260</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 12. LEASE OF AIRPORT FACILITIES (CONTINUED)

Total rent and concession revenue reconciles to the statement of revenues, expenses, and changes in net position as follows:

\$ 1,335,502	Total non-regulated lease and interest revenue
2,373,260	Total regulated and short-term lease revenue
<u>(151,625)</u>	Interest revenue included in investment and interest income
<u>\$ 3,557,137</u>	
\$ 559,754	Facility use fees
2,003,570	Building and ground rent
<u>993,813</u>	Concession revenue
<u>\$ 3,557,137</u>	

The following is a schedule by year of expected future payments included in the measurement of the lease receivable for the next five years for the years ended June 30:

	Principal	Interest	Total
2023	\$ 646,226	\$ 135,214	\$ 781,440
2024	208,809	109,988	318,797
2025	217,099	101,697	318,796
2026	224,266	93,077	317,343
2027	249,520	83,988	333,508
2028-2032	1,200,684	273,228	1,473,912
2033-2037	395,858	101,817	497,675
2038-2042	178,303	48,814	227,117
2043-2047	134,193	22,623	156,816
2048-2052	<u>45,623</u>	<u>1,422</u>	<u>47,045</u>
	<u>\$ 3,500,581</u>	<u>\$ 971,868</u>	<u>\$ 4,472,449</u>

Future minimum lease payments for regulated leases are as follows:

2023	\$ 952,598
2024	940,762
2025	904,809
2026	904,809
2027	<u>820,268</u>
	<u>\$ 4,523,246</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 13. PRIOR PERIOD ADJUSTMENT

At June 30, 2021, construction work in progress included amounts that should have been expensed as repairs and maintenance or capitalized and placed in service.

The prior period adjustment resulted in the restatement of net position as follows:

Beginning net position at July 1, 2021	\$ 80,008,777
Prior period adjustment for the effects of depreciation expense for construction work in progress not properly capitalized at June 30, 2021	(946,058)
Prior period adjustment for repairs and maintenance expense included in construction work in progress at June 30, 2021	<u>(498,038)</u>
Net position at July 1, 2021, restated	<u>\$ 78,564,681</u>

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION**

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE PERS NET PENSION LIABILITY FOR THE LAST TEN FISCAL YEARS
June 30, 2022

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Schedule of Proportionate Share of the Net Pension Liability for the Last Ten Fiscal Years*								
Employer's proportion of the net pension liability	\$ 497,937	\$ 949,168	\$ 776,989	\$ 703,554	\$ 994,500	\$ 792,092	\$ 634,396	\$ 602,569
Employer's proportionate share of the net pension liability associated with the Employer	2.7461%	3.5978%	0.0372%	0.0337%	0.0511%	0.0465%	0.0454%	0.0484%
State of MT proportionate share of the net pension liability associated with the Employer	<u>149,142</u>	<u>301,494</u>	<u>254,856</u>	<u>237,072</u>	<u>14,535</u>	<u>9,678</u>	<u>7,793</u>	<u>7,358</u>
Total	<u>\$ 647,079</u>	<u>\$ 1,250,662</u>	<u>\$ 1,031,845</u>	<u>\$ 940,626</u>	<u>\$ 1,009,035</u>	<u>\$ 801,770</u>	<u>\$ 642,189</u>	<u>\$ 609,927</u>
Employer's covered payroll	\$ 485,074	\$ 603,646	\$ 613,687	\$ 554,362	\$ 625,945	\$ 557,014	\$ 529,628	\$ 556,165
Employer's proportionate share of the net pension liability as percentage of its covered payroll	102.65%	157.24%	126.61%	126.91%	158.88%	142.20%	119.78%	108.34%
Plan fiduciary net position the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

*The amounts presented for each fiscal year were determined as of June 30, the measurement date. The Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PERS CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Contributions for the Last Ten Fiscal Years*								
Contractually required contributions	\$ 46,663	\$ 42,541	\$ 52,887	\$ 52,749	\$ 46,955	\$ 53,019	\$ 46,558	\$ 43,644
Plan choice rate required contributions	-	-	-	-	-	-	2,767	4,989
Contributions in relation to the contractually required contributions	46,663	42,541	52,887	52,749	46,955	53,019	49,325	48,633
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Employer's covered payroll	526,078	485,074	603,646	613,687	554,362	625,945	557,014	529,628
Contributions of covered payroll	8.87%	8.77%	8.76%	8.60%	8.47%	8.47%	8.86%	9.18%

*The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year. The Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PERS CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS
June 30, 2022

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2017:

Working Retiree Limitation – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be EPRS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving monthly retirement benefit, refund their accumulated contributions in a lump-sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive on lump-sum payment.

Interest Credited to Member Accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-Sum Payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who become disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Change of Benefit Terms (Continued)

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table
Admin expenses as % of payroll	0.28%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year-to-year based on the prior year's actual administrative expenses.

SUPPLEMENTARY INFORMATION

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
Year Ended June 30, 2022

Basic Property Coverage

Airport Authority properties are covered under Policy No. EPP0261093 by Cincinnati Insurance Company through July 1, 2022, covering property, machinery and boilers, contractors' equipment, and automobile liability up to the following amounts:

Property

The Airport Authority's real and personal property are covered in an aggregate amount of \$59,235,565 as per the schedule on file in the policy. The properties are covered for replacement coverage. Coverage is provided for special perils subject to a \$50,000 per loss deductible.

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 Breakdown

Equipment Breakdown, as listed in the schedule on file with the company, is covered on a broad perils basis, including replacement cost coverage, with a \$59,235,565 limit per accident and a \$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 80% co-insurance requirement and a \$1,000 per loss deductible.

Automobile Liability

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

Comprehensive General Liability

The Airport Authority's comprehensive general liability coverage is provided by ACE Property and Casualty Insurance under Policy No. AAPN10691485002 through July 1, 2022. The policy provides premises and operations liability coverage with an occurrence limit of liability of \$35,000,000.

Directors and Officers Liability

The Airport Authority's directors and officers liability coverage is provided by Cincinnati Insurance Company under Policy No. EMN0444453 through July 1, 2022.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)
Year Ended June 30, 2022

Police Professional Liability

The Airport Authority's police professional liability coverage is provided by Indian Harbor Insurance Company under Policy No. PPL095048002 through July 1, 2021. The policy provides a \$1,000,000 limit of liability per person/occurrence and a \$1,000,000 annual aggregate subject to a \$2,500 per occurrence deductible.

Fine Arts

The Airport Authority's fine arts (exhibition coverage for expedition in Great Falls series) coverage is provided by AXIS Insurance Company under Policy No. AX010232001 through July 1, 2022. The policy provides for exhibition coverage with a limit of \$30,000 and is not subject to a deductible.

All policies were renewed through July 1, 2023.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year Ended June 30, 2022

PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

Revenues	<u>\$ 581,895</u>
Interest Income	<u>\$ -</u>
Expenditures	<u>\$ 110,210</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022

Department of Transportation Federal Aviation Administration

Program Title	Award Amount	Federal Funds Received as of 6/30/21	Federal Funds Received During Current Year	Refundable Advance as of 6/30/22	Federal Funds Receivable as of 6/30/22	Federal Funds Recognized as of 6/30/22	Federal Expenditures as of 6/30/21	Federal Expenditures During Current Year	Federal Expenditures as of 6/30/22	Cumulative Airport Expenditures	Total Program Expenditures	Amount Passed to Subrecipients during the year ended 6/30/22
Airport Improvement Program Assistance Listing # 20.106												
COVID-19 AIP 3-30-0036-68	\$ 274,351	\$ 224,406	\$ 49,224	\$ -	\$ -	\$ 273,630	\$ 273,630	\$ -	\$ 273,630	\$ -	\$ 273,630	\$ -
COVID-19 AIP 3-30-0036-69	3,960,216	3,340,253	388,987	-	-	3,729,240	3,340,253	388,987	3,729,240	-	3,729,240	-
COVID-19 AIP 3-30-0036-70	1,815,781	-	589,846	-	461,184	1,051,030	-	1,051,030	1,051,030	-	1,051,030	-
COVID-19 AIP 3-30-0036-71	37,612	-	37,612	-	-	37,612	37,612	-	37,612	-	37,612	-
AIP 3-30-0036-72	4,887,580	-	-	-	847,897	847,897	4,400	844,697	849,097	88,393	937,490	-
COVID-19 AIP 3-30-0036-73	2,792,194	-	2,792,194	(414,761)	-	2,377,433	-	2,377,433	2,377,433	-	2,377,433	-
AIP 3-30-0036-76	1,500,000	-	-	-	173,949	173,949	-	173,949	173,949	193,276	367,225	-
AIP 3-30-0036-77	<u>633,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,964</u>	<u>15,964</u>	<u>-</u>	<u>14,764</u>	<u>14,764</u>	<u>4,605</u>	<u>19,369</u>	<u>-</u>
TOTAL AL # 20.106	<u>15,901,716</u>	<u>3,564,659</u>	<u>3,857,863</u>	<u>(414,761)</u>	<u>1,498,994</u>	<u>8,506,755</u>	<u>3,655,895</u>	<u>4,850,860</u>	<u>8,506,755</u>	<u>286,274</u>	<u>8,793,029</u>	<u>-</u>
TOTAL	<u>\$ 15,901,716</u>	<u>\$ 3,564,659</u>	<u>\$ 3,857,863</u>	<u>\$ (414,761)</u>	<u>\$ 1,498,994</u>	<u>\$ 8,506,755</u>	<u>\$ 3,655,895</u>	<u>\$ 4,850,860</u>	<u>\$ 8,506,755</u>	<u>\$ 286,274</u>	<u>\$ 8,793,029</u>	<u>\$ -</u>

See Accompanying Notes to Schedule.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022

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 modified accrual basis of accounting. Projects where expenditures and timing could not be appropriately determined or estimated will be recorded when they can be reasonably estimated or are known. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some of the amounts presented in this schedule may differ from amounts presented or used in the preparation of the general purpose financial statements.

NOTE 3. COST PRINCIPLES

The accompanying Schedule of Expenditure of Federal Awards is presented using the cost principles from Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*.

NOTE 4. INDIRECT COSTS

The Airport Authority did not elect to use the 10% de minimus indirect cost rate from Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*.

SINGLE AUDIT SECTION

INDEPENDENT AUDITORS' 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, 2022, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements, and have issued our report thereon dated January 25, 2022.

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) as a basis for designing 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 and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2022-001 that we consider to be a material weakness.

INDEPENDENT AUDITORS' 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*

(Continued)

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*.

Great Falls International Airport Authority's Response to Findings

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

Purpose of this Report

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

KCoe Isom, LLP

March 28, 2023
Great Falls, Montana

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Great Falls International Airport Authority's (the Airport Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect the Airport Authority's major federal program for the year ended June 30, 2022. The Airport Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Airport Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Airport Authority's federal programs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

(Continued)

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

(Continued)

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #2022-02 to be a material weakness.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on The Airport Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Airport Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KCoe Jam, LLP

March 28, 2023

Great Falls, Montana

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

Summary of Auditor Results:

Financial Statements:

Type of auditor report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes

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? Yes

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

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(A)? No

The major program for the year ended June 30, 2022, was as follows:

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

Dollar threshold for Type A program: \$750,000

Auditee qualified as low-risk auditee? No

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2022

Section II – Financial Statement Findings

Finding #2022-001

<i>Criteria:</i>	Management is responsible for the fair presentation of financial statements.
<i>Condition & Context:</i>	As a result of our audit procedures, adjusting entries, including a prior period adjustment, were proposed that indicate a material weakness in the account reconciliation and financial statement closing process.
<i>Cause:</i>	Subsequent to year-end, account balances were not reconciled and the financial statement closing process was not completed as a result of turnover in the Airport Accountant position.
<i>Effect:</i>	Ineffective account reconciliation and financial closing procedures can leave the Airport Authority more susceptible to error, fraud, or noncompliance. In addition, management and governance may be making decisions based on inaccurate financial information.
<i>Recommendation:</i>	We recommend management develop a system of timely and effective reconciliation of accounts. Strengthening this reconciliation process will allow management to provide timely financial reporting.
<i>Management Response:</i>	See Corrective Action Plan.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

Finding #2022-002 – Grant Program: Department of Transportation Airport Improvement Program –
Assistance Listing #20.106

Criteria: In accordance with 2 CFR 200.403(f), a cost is not allowable under a federal program if it is included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.

Condition & Context: As a result of our audit procedures, we noted amounts previously reimbursed for February through May 2020 payroll under AIP 69 (CARES Act) in the fiscal year ended June 30, 2020 were also reimbursed under AIP 73 (ARPA) during the year ended June 30, 2022.

Cause: Lack of procedures related to monitoring and review of reimbursement requests.

Effect: \$414,761 of expenditures were removed from the Schedule of Expenditures of Federal Awards. Additionally, an audit adjustment was proposed to adjust the previously reported grant revenue to deferred revenue as of June 30, 2022.

Recommendation: We recommend management develop a system of reviewing and monitoring reimbursement requests to ensure that expenditures previously reimbursed under federal funding with similar allowable activities are not included in future requests.

Management Response: See Corrective Action Plan.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022

Section IV - Summary Schedule of Prior Audit Findings

Finding Current Status of Recommendation

#2021-001

Account Reconciliation and Financial
Statement Closing Process

See Finding #2022-001

#2022-001

Grant Program: Department of Transportation
Airport Improvement Program –
Assistance Listing #20.106
Timely filing of Forms 5100-126 and 5100-127

No exceptions noted in the current year audit



Great Falls International Airport Authority

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Corrective Action Plan

Finding #2022-001

The Great Falls International Airport Authority agrees with the audit adjustments and recommendations. We will correct the issue identified by re-evaluating the monthly and year-end accounting procedures. Monthly bank account reconciliation will continue and new procedures will be put in place to manage accounts payable and accounts receivable processes.

Actions, responsible individuals, and anticipated completion date:

- Operating and PFC bank accounts will be reconciled monthly by Airport Accountant, Chayleen Person.
- Airport Accountant, Chayleen Person, will reconcile the receivables and payables monthly to ensure proper classification of transactions.

Finding #2022-002 – Grant Program: Department of Transportation Airport Improvement Program – Assistance Listing #20.106

The Great Falls International Airport Authority agrees with the audit recommendations. This was a unique program that unlike other grants allowed us to be reimbursed for operating expenses and likely will never be seen again. The Authority normally receives grants for capital projects each year through the Airport Improvement Program ("AIP"). The Airport employee's professional construction managers for these projects, such that the normal process is that a contractor invoice is submitted, reviewed and recommended for payment by our construction manager and then submitted for reimbursement from AIP. The COVID relief grants used to reimburse operating costs did not follow this normal process and controls.

We will correct the issue identified by re-structuring the process of handling and reconciliation of the grant funds. Airport Accountant, Chayleen Person, will be the one handling the federal funding reimbursement requests.

Actions, responsible individuals, and anticipated completion date:

- Airport Accountant, Chayleen Person, will handle the reimbursement requests and the review of the federal funding.
- Airport Accountant, Chayleen Person, will reconcile these funds monthly to ensure the federal account matches our GL account.

OTHER COMPLIANCE REPORTS



INDEPENDENT AUDITORS' 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

Opinion

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 (Guide) that could have a direct and material effect on its passenger facility charge (PFC) program for the year ended June 30, 2022.

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 passenger facility charge program for the year ended June 30, 2022.

Basis for Opinion

We are required to be independent of the Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient to provide a basis for our opinion on compliance for the PFC program. Our audit does not provide a legal determination on the Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the laws, statutes, regulations, and rules applicable to passenger facility charges program.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Passenger Facility Charge Audit Guide for Public Agencies* will always detect material noncompliance when it exists.

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

(Continued)

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport Authority's compliance with the requirements of passenger facility charge program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Passenger Facility Charge Audit Guide for Public Agencies*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Passenger Facility Charge Audit Guide for Public Agencies*, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 the PFC program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 the PFC 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 the PFC program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Passenger Facility Charge Program. Accordingly, this report is not suitable for any other purpose.

KCoe Jam, LLP

March 28, 2023
Great Falls, Montana