

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





FINANCIAL REPORT

June 30, 2016

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GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
JUNE 30, 2016

AUTHORITY MEMBERS AND APPOINTED OFFICERS

<u>Authority Members</u>	<u>Position</u>	<u>Term Expires</u>
Brad Talcott	Chairperson	December 31, 2017
Debra Evans	Vice Chairperson	December 31, 2018
Dan Rooney	Commissioner	December 31, 2018
Debbie Goetze	Commissioner	December 31, 2016
Sean Hoven	Commissioner	December 31, 2016
Michael Buck	Commissioner	December 31, 2017
Richard Swensen	Commissioner	December 31, 2017

Appointed Member

John Faulkner Airport Director

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Great Falls International Airport Authority (the Airport Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Airport Authority, as of June 30, 2016, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Airport Authority's June 30, 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19, the schedule of proportionate share of the PERS net pension liability on page 52, the schedule of PERS contributions on page 53, and the notes to the required supplementary information on pages 54 through 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport Authority's basic financial statements. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of passenger facility charges collected and expended is required by the *Passenger Facility Charges Audit Guide for Public Agencies* issued by the Federal Aviation Administration and is not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana

November 3, 2016

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS



**For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)**

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT’S DISCUSSION AND ANALYSIS

INTRODUCTION

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

OVERVIEW

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

FINANCIAL STATEMENTS

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

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

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

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL POSITION SUMMARY

Total net position serves over time as a useful indicator of the Airport Authority's financial position. The Airport Authority's net position decreased by less than a million over the prior fiscal year.

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

TABLE 1

	2015/2016	2014/2015
ASSETS		
Current	\$ 4,295,813	\$ 4,133,142
Non-current	88,912,272	92,194,329
Total Assets	93,174,136	95,237,471
LIABILITIES		
Current	2,218,109	1,998,425
Non-current	10,984,302	12,764,947
Total Liabilities	13,202,411	14,763,372
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement	3,450,000	4,000,000
PERS difference – projected vs actual	92,554	155,714
Total Deferred Inflows of Resources	3,542,554	4,155,714
NET POSITION		
Invested in capital assets	72,974,493	73,202,993
Restricted	7,309	193,889
Unrestricted	3,447,369	4,011,503
Total Net Position	\$ 76,429,171	\$ 77,408,385

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest portion of the Airport Authority's net position (95.5%) represents our investment in capital assets (e.g., land, buildings, improvements, equipment, and net investment in lease). Consequently, these assets are not available for future spending. Although the Airport Authority's investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, lease revenue and PFC funds, since the capital assets cannot be used to liquidate liabilities.

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

TABLE 2

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	2015/2016	2014/2015
Operating Revenues (1)	\$ 3,846,018	\$ 3,856,638
Operating Expenses (2)	(2,424,772)	(2,423,376)
Excess before Depreciation and other non-operating revenues and expenses	1,421,246	1,433,262
Depreciation	(1,607,391)	(1,256,117)
Income (loss) before other non-operating revenue and expenses	(186,145)	(177,145)
Non-operating revenues and (expenses), net	967,698	909,510
Income (loss) before Capital Contributions	781,553	1,086,655
Capital Contributions	2,272,579	2,402,345
Depreciation on federally funded property and equipment	(4,033,346)	(4,147,397)
Change in Net Position	\$ (979,214)	\$ (658,397)

Operating revenues decreased by \$10,620 or 0.27% in FY2016. See table 3.
Operating expenses increased by \$1,396 or 0.06% in FY2016. See table 5.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

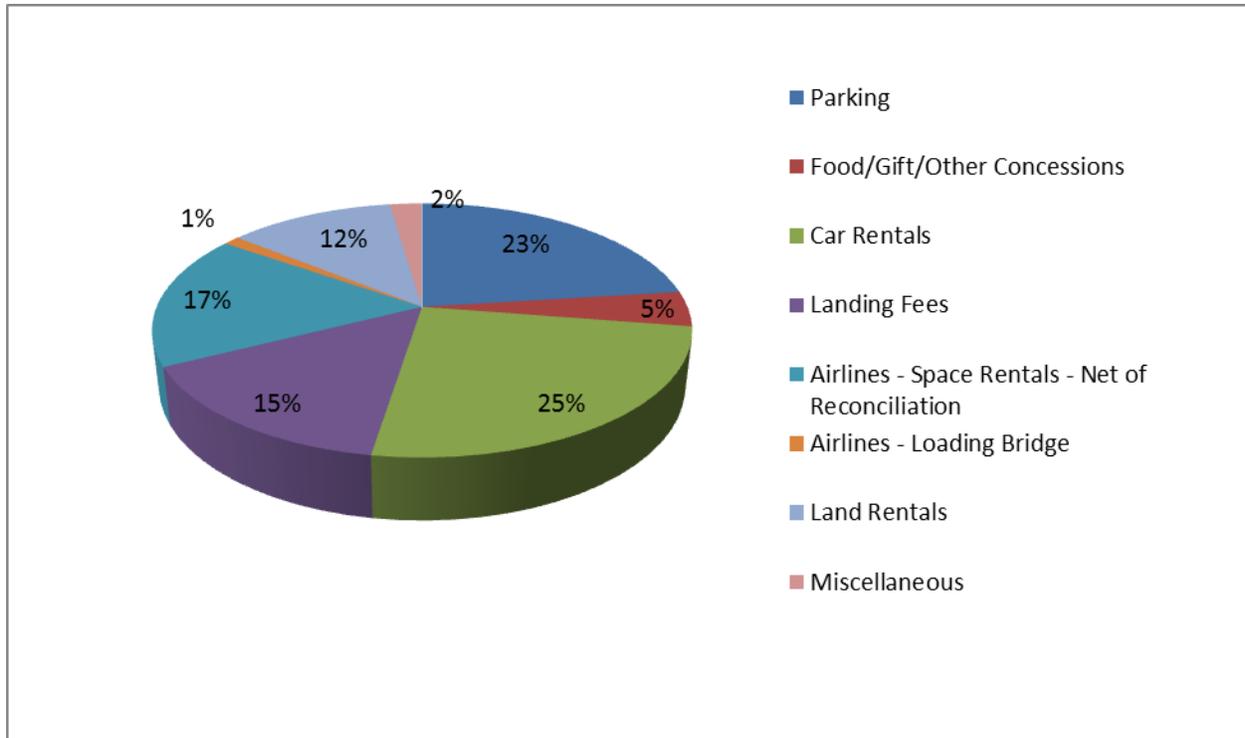
The following table and chart shows the summary of operating revenues for the year ended June 30, 2016 and the amount and percentage of change in relation to prior year amounts. For more detail, refer to Supplemental Schedules, pages 57-58.

TABLE 3

OPERATING REVENUE SOURCE	FY2016	Percent of Total	FY2015	Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease)
Parking	\$885,095	23%	\$950,854	25%	\$(65,759)	-6.9%
Food/Gift/Other Concessions	171,641	4%	174,992	5%	(3,352)	-1.9%
Car Rentals	962,978	25%	932,590	24%	30,388	3.3%
Landing Fees	578,868	15%	611,126	16%	(32,258)	-5.3%
Airlines - Space Rentals - Net of Reconciliation	658,090	17%	548,981	14%	109,109	19.9%
Airlines - Loading Bridge	44,464	1%	42,792	1%	1,672	3.9%
Land Rentals	455,992	12%	500,929	13%	(44,937)	-9.0%
Miscellaneous	88,890	2%	94,375	2%	(5,485)	-5.8%
TOTAL OPERATING REVENUES	\$3,846,018	100%	\$3,856,638	100%	\$(10,620)	-0.3%

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING REVENUE SOURCES



- Parking revenue decreased by 6.9%. This is primarily the result of a weaker Canadian dollar which resulted in less discretionary leisure travel from the Canadians. This trend was particularly pronounced in spring.
- Food/Gift/Other concessions revenue decreased by 1.9% due to decreased passenger volume and fewer events booked in the airport meeting rooms.
- Car Rentals revenue increased by 3.3% due to increased inbound tourism resulting from new Chicago flights that began in June and an increase in seats from Seattle.
- Landing Fees revenue decreased by 5.3% due to lower capital cost recovery since the main project in 2015/16 was a road project.
- Aggregate airline revenues derived from space rentals and loading bridge fees increased by \$109,109 or 19.9% in FY2016. This is due to increased terminal rentals and loading bridge revenues as a result of capital cost recovery associated with the terminal and roadway areas.
- Land rental revenue which is derived primarily from long-term leases decreased by 9.0% due to the loss of a tenant, Transystems, who stored Canadian oil field equipment at the airport.
- Miscellaneous revenues decreased by 5.8% due to reduced revenue collected from fuel flowage, security reimbursements, and income from massage chairs.

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

TABLE 4

TOP PRODUCING CUSTOMERS		
TENANT	AMOUNT	AMOUNT
	FY2015-16	FY2014-15
REPUBLIC PARKING	\$885,095	\$950,854
DELTA (LANDING FEES & SPACE RENT)	\$407,480	\$382,511
UNITED/SKYWEST (LANDING FEES & SPACE RENT)	\$238,075	\$233,292
HORIZON (LANDING FEES & SPACE RENT)	\$195,092	\$207,630
HERTZ (CONCESSION FEES & SPACE RENT)	\$183,849	\$198,900
NATIONAL/ALAMO (CONCESSION FEES & SPACE RENT)	\$178,112	\$188,696
FEDEX (LANDING FEES)	\$188,261	\$185,001
AVIS (CONCESSION FEES & SPACE RENT)	\$178,849	\$168,791
TOTAL	\$2,454,813	\$2,515,675

OPERATING EXPENSES

The following table shows the summary of operating expenses for the year ended June 30, 2016 and the amount and percentage of change in relation to prior year amounts. For more details, refer to Supplemental Schedules, pages 58-60.

TABLE 5

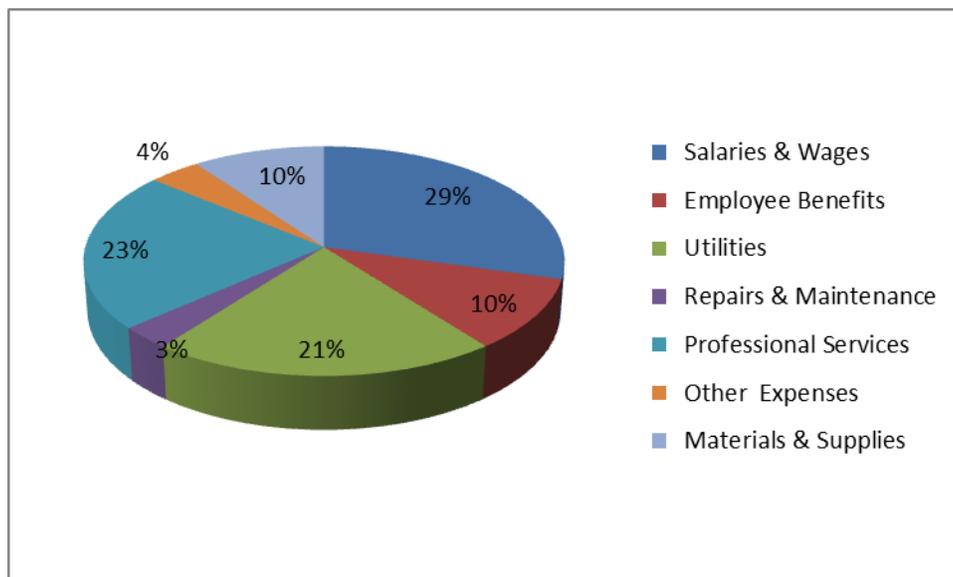
	2016 Amount	Percent of Total	2015 Amount	Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease)
Personnel Services						
Salaries & Wages	709,566	29%	689,456	28%	20,110	2.9%
Employee Benefits	243,825	10%	246,976	10%	(3,151)	-1.3%
Contractual Services						
Utilities	503,485	21%	502,770	21%	715	0.1%
Repairs & Maintenance	75,608	3%	71,502	3%	4,106	5.7%
Professional Services	555,777	23%	555,241	23%	7,838	1.4%
Other Expenses	94,497	4%	93,204	4%	1,293	1.4%
Materials & Supplies	242,014	10%	264,227	11%	(22,213)	-8.4%
Total Operating Expenses	2,424,772	100.0%	2,423,376	100%	(11,384)	-0.5%

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

- Salaries and Wages increased by 2.9% mostly as a result of regular employee adjustments for good performance.
- Employee benefits decreased by 1.3% due to decrease in health insurance cost as a result of changes in employee coverage and premiums, PERS contribution, unemployment, workers' compensation and corresponding FICA and Medicare contribution in relation to base wages.
- Equipment repairs and maintenance increased 5.7% representing repairs due to regular equipment wear and tear.
- Professional services increased 1.4%.
- Other operating expenses increased by 1.4% due to additional board member meeting expenses related to travel and conferences.
- Materials and Supplies decreased by 8.4% as a result of a very warm winter and less consumption of broom fill and plow blades.

The following pie chart shows the composition of operating expenses with their corresponding percentages for the year ended June 30, 2016.

OPERATING EXPENSES



GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

NOTEWORTHY INFORMATION & DISCLOSURES

Runway Projects

The Airport is currently constructing the rehabilitation of Runway 16/34. This project includes construction of a new parallel taxiway, Taxiway C. Runway 16/34 will receive a full mill and overlay, a new lighting system, new grading in the safety area and new edge drains. Once the runway has been reconstructed, it will also receive new airplane approach procedures and the runway designation will be changed to Runway 17/35 due to the movement of magnetic north. Funding sources for this project include FAA AIP Funding of \$9,394,806, Tenant Direct Funding of \$742,088, and PFC Funding of \$850,000.

LED Lighting Conversion

Between July 2003 and January 2015, Northwestern Energy overcharged the Airport by about \$125,000.00. Northwestern Energy was charging the Airport for 49 unmetered light poles for many years. In 2003, these light poles were rerouted to a metered circuit, but the billing was not adjusted. Airport staff conducting an electric meter audit found the issue in 2015. The Airport negotiated with Northwestern Energy to receive a refund of \$125,103.81 in June, 2016.

The Airport Authority Board approved using the refund proceeds to convert the outdoor lighting in the parking lot and on the aircraft ramp to LED lights. The conversion project was completed in spring. In June, Airport Authority Board Authorized a second phase to the LED Lighting Conversion project which converted most of the overhead lighting in the terminal building to LED lights. The terminal project also included installing motion sensing switches on the concourses.

The new LED lights are expected to last six years compared to the existing bulb life of two years. The longer life should reduce future labor and equipment cost because many of the bulbs require a lift rental. As a result of the two LED projects, the Airport expects to reduce its electrical usage by 15% or \$40,000 per year.

Capital Purchase

In FY 2016, the airport purchased MB Companies' combination snow plow Bobcat Broom Combo Unit, a GMC maintenance truck and UTV (Universal Terrain Vehicle) with snowplow.

GFIAA Bylaws & Policies

Also, in FY 2016, the Board revised and adopted Airport Authority Bylaws and Policies with bylaw revisions and policy revisions as follows:

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

- Policy 6 Removal – Organization Structure (duplicative content)
 - Re-numeration of remaining six policies (policies 1, 2, 4, 5, 8, and 9 now listed as 1-6)

GASB 68 – Accounting and Financial Reporting for Pensions

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

Other Contracts and Projects Approved By the Board in FY2016

- Parking Fog Seal Project
- Entry/Exit Road Rehabilitation
- Grazing/Farming Contract
- RS & H Contract
- CH2M Hill Contract Extension
- Car Condo Amendment Contract
- Final Design/Construction of Runway 16/34
- Design and Construction of GA Lift Station
- SRE Yard Paving Project
- Small Capital- FedEx Air Conditioning Replacement
- RFP for 2 Pieces of Outdoor Art

Airport Operations Officer

The airport is adding a new position in FY2017. The airport operations officer, a post-certified law officer in Montana will replace private security contractors on the overnight shift and be available for early morning flights. About half of the cost of the position will be funded from TSA's law enforcement reimbursement program while the remainder will be funded with savings from the private security contract.

Transport Leasing Parcel

While undertaking survey work associated with the Airport's Master Plan Update, the Airport was made aware of a 3-acre parcel of Airport land that is currently occupied by the City of Great Falls Dispatch Center. The parcel of land was purchased with a Federal Aviation Administration grant in 1986. FAA guidelines required the parcel to be transferred to the Airport Authority when the Authority became the official grant sponsor in 2002. The original grant requirements stipulate that the parcel must be retained by the Airport unless the Secretary of Transportation approves the sale of the site; however, the City maintains that they own this parcel. The FAA has been notified and the Airport is engaged with the City in resolving the conflict.

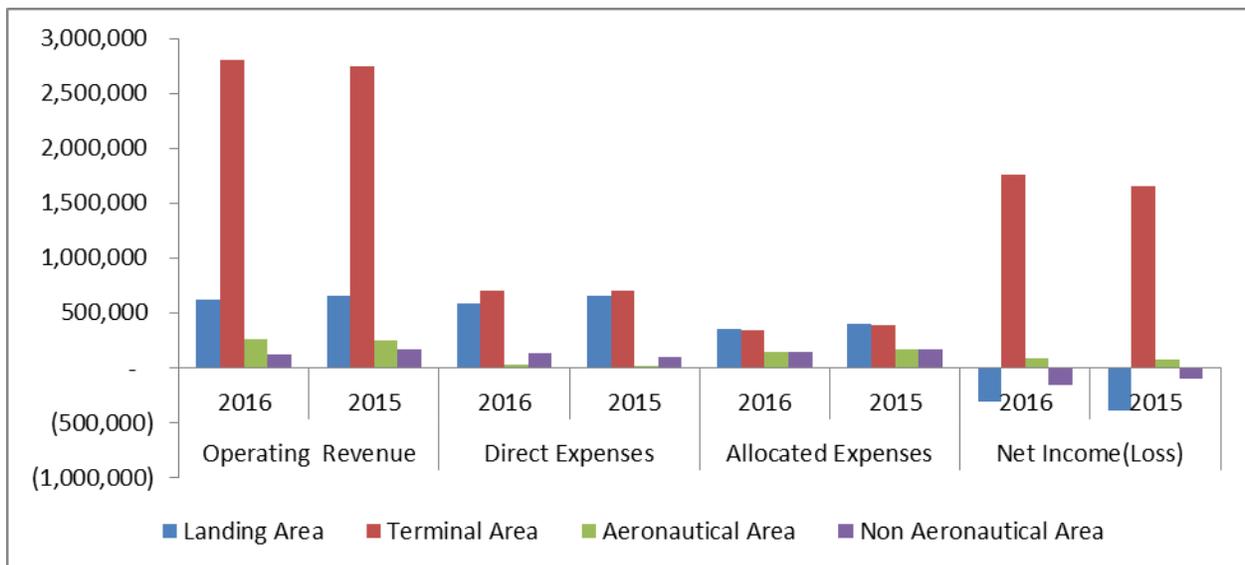
GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

COST CENTERS

The following table and chart shows the cost centers and operating revenues & expenses for the years ended June 30, 2016 and June 30, 2015. For more details, refer to Supplemental Schedules, page 62.

TABLE 6

	Operating Revenue*		Direct Expenses		Allocated Expenses		Net Income (Loss) Before Depreciation/Amortization	
	2016	2015	2016	2015	2016	2015	2016	2015
Landing Area	624,083	660,407	585,956	650,980	349,395	394,683	(311,268)	(385,256)
Terminal Area	2,802,257	2,744,069	699,884	704,010	346,007	390,972	1,756,366	1,649,087
Aeronautical Area	262,823	251,666	32,304	11,541	141,081	161,854	89,438	78,271
Non-Aeronautical Area	119,525	160,999	136,041	92,733	143,911	163,962	(160,427)	(95,696)
Total	3,808,688	3,817,141	1,454,185	1,459,264	980,394	1,111,471	1,374,109	1,246,406



*Less reimbursed security costs.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF CASH FLOW ACTIVITIES

The following table shows a summary of the major sources and use of cash and cash equivalents for FY2016 and FY2015. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments.

TABLE 7

	2015/2016	2014/2015
Cash flows from:		
Operating Activities	\$ 1,572,131	\$ 1,298,517
Non-capital Financing Activities	126,995	16,421
Capital and Related Financing Activities	(2,593,564)	(1,086,937)
Investing Activities	920,083	(820,201)
Net increases / (decreases) in Cash and Cash Equivalents	25,645	(592,200)
Cash and Cash Equivalents:		
Beginning of year	301,865	894,065
End of year	\$ 327,510	\$ 301,865

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL IMPROVEMENT PROJECTS

The Airport Authority expended \$2,669,531 and \$ 1,883,519 on FAA approved Airport Improvement Projects for FY2016 and FY2015, respectively. The table below shows the list of specific capital projects with their corresponding expenditures. Included in the list are airport funded projects amounting to \$4,041,014 and \$2,227,052 for FY2016 and FY2015 respectively.

PROJECT DESCRIPTION	FY2016	FY2015
AIP # 56 - SRE (Snow Removal Equipment) Building	417,512	292,925
AIP # 57- Residential Sound Insulation Project	38,672	390,889
AIP # 58- Master Plan Update	227,301	416,607
AIP # 59- Rehabilitate Runway 16/34	21,486	438,827
AIP # 61- Roadway Improvements	1,838,405	344,271
AIP # 62- Upgrade Runway 16/34, Construct Taxiway	166,513	
FAA Approved Capital Improvement Projects	<u>2,669,531</u>	<u>1,883,519</u>
Fedex Apron		90,494
AvMax Hangar Phase I	3,600	32,200
Design Runway 16/34		64,497
Miscellaneous Projects		2,274
SRE (snow Removal Equipment) Building	81,183	(12,165)
Terminal /Parking Lot Expansion	349	166
Terminal Expansion		166,067
AIP 61 Roadway Improvements - Non-Fed	1,157,878	
AIP 62 Upgrade Runway/Taxiway-Non -Fed	7,202	
LED Lighting	76,174	
General Aviation Taxilane-Southwest	4,739	
Airport Funded Projects	<u>1,331,125</u>	<u>343,533</u>
Total	<u>4,041,014</u>	<u>2,227,052</u>

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

Under the FAA approved Residential Sound Insulation Project (RSIP) which began design in the spring of 2011, to date, a total of 101 homes were completed. The Airport completed an updated Part 150 Noise Compatibility Study which indicated that the Airport is now compatible with surrounding land uses. The FAA approved cancellation of the RSIP Program in March 2015. All noise mitigation related AIP grant has been closed in FY2016.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority expanded the public parking lot and completed construction of a 250 stall overflow in FY2014. As part of the FY2015 capital program, the Airport Authority again expanded the overflow lot to 340 stalls and opened the area as a permanent discount lot. It also opened twelve new short-term parking stalls on the Terminal curb which included a parking meter pay station. Currently, the airport operates 100 short-term stalls and 1,064 long-term stalls or a total of 1,164 parking stalls.

The Airport also rehabilitated and in some cases expanded the roadways serving the Terminal complex. The Airport received a \$ 2,062,829 Grant (AIP 61) to help fund this project. Both the Road Rehabilitation and Parking Lot Expansion are expected to be complete in FY2017.

A 20-year Master Plan Update is currently underway and is expected to be completed in FY2017.

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

LONG – TERM DEBT ADMINISTRATION

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

PASSENGER FACILITY CHARGE (PFC)

Enplanements affect the amount of PFC fees that are collected from the airlines each year. The more ticketed passengers flying from Great Falls, the greater the amount of PFCs collected. These funds can be used by the Airport Authority to pay for certain eligible capital costs. A description of PFCs is included in Note 1, Summary of Significant Accounting Policies. PFC revenue collected by the airport during fiscal years 2016 and 2015 were \$719,313 and \$764,536 respectively. In 2011, the Airport Authority filed a PFC application for \$8.5 million largely to cover the financing of the 2002 Apron Rehabilitation. Because the annual PFC collections are greater than the annual Apron note payments, the airport initiated a new PFC application for \$4.1 million. In April 2012, this application was approved. This application included several projects and assets for which the Airport Authority requested reimbursement in order to absorb the excess collections. The application also allowed the Airport Authority to fund the local share of its Residential Sound Insulation Program from PFC proceeds. The most recent PFC Application # 5 in the amount of \$1,850,000 was approved by the FAA November 2015. This application extends the estimated charge expiration date of collection from October 2021 to September 2023. From the PFC's program inception in November 1992 through June 2014 the Airport Authority has collected about \$11,825,410.40 in PFC fees.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

AIRPORT ACTIVITIES AND HIGHLIGHTS:

The Great Falls Airport Authority concluded its 2015-2016 Fiscal Year with identical results consistent with the prior year. Operating revenues as well as operating expenses decreased by less than half of 1% or \$10,620 and \$11,384 respectively, (Table 2). The same is reflected in Table 1, the Airport's Net Position, Table 3, Revenue Sources, Table 4, Top Producing Customers and Table 5, Operating Expenses.

The slight decline in revenue during the 2015-2016 Fiscal Year was primarily a result of the departure of Frontier Airlines from the market after the 2014-2015 Fiscal Year. Frontier accounted for approximately 4,000 boardings each of the three years they served Great Falls. In addition to the departure of Frontier, the Airport also saw a reduced volume of Canadian passengers during the spring of 2016. The Canadian Dollar was at a multi-year low during January 2016 hindering bookings from Canadians during the popular spring peak season for Phoenix and Las Vegas flights.

In June, United began operating new summer flights directly to their Chicago O'Hare Airport. The flights were very popular and are expected to continue in future years. In addition, Alaska Airlines increased the number of seats on flights to its Seattle hub. As a result, Alaska has gained market share while increasing its monthly passenger volumes by as much as 30 percent over the previous year. The Airport took advantage of the summer seat increase to conduct a tourism marketing campaign in both Seattle and Chicago. Despite downturns in outbound traffic, the airport was able to generate growth in inbound tourism which is evidenced by the 3% increase in rental car revenue.

The Airport was able to realize slightly lower operating costs as a result of less material and supply usage during a light winter. The Airport purchased less broom material and plow blades for the snow fleet. As mentioned in prior sections, the Airport also invested significantly in a LED lighting conversion and hopes to see lower electrical cost in future years.

During the past fiscal year, the Airport began installing infrastructure on a 20-acre parcel at the southeast corner of the airfield. The Airport's master plan dedicates this area for private hangar development for general aviation airplanes. The Airport has seen increasing demand for private hangars in the past five years and two hangar sites were leased in the past fiscal year. When the planned infrastructure is complete, the first phase of the project will provide pads for eight to ten new hangars. Future phases can accommodate dozens more hangar sites. The Airport plans to complete a new taxiway to serve this area and utility installation over the next year and has begun lease discussions with interested parties. The current private hangars in this area will also be given the opportunity to connect to water and sewer infrastructure as part of this project.

The FAA approved PFC Application #5 during Fiscal Year 2015-2016 in the amount of \$1,850,000. This application extends the estimated expiration date of the Airport's PFC collection authority to October 2021. The new projects include funding a portion of the Runway 16/34 Rehabilitation and the purchase of snow equipment.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY MANAGEMENT’S DISCUSSION AND ANALYSIS

The Airport completed several upgrades to its parking facilities during the past fiscal year. Improvements included the addition of a new 340 stall economy lot known as ValuPark. Although parking revenue was down nearly 7%, analysis suggests that the new ValuPark is revenue positive overall, attracting more new long-term transactions than the lot provides in discounts. The Airport also moved and renovated the parking toll plaza. The new plaza is a major upgrade with a cover and two automated parking machines. The two self-pay machines now handle nearly as many transactions as the manned lane. Also of note, the parking lot operator, Republic parking, was acquired by Impark in the past year making the combined entity the largest parking operator in the US. Impark plans to maintain the Republic operating brand at the Airport.

AIRPORT STATISTICS

	2015/2016	2014/2015	2013/2014
Enplanements	182,761	189,829	190,515
Landed Weights:			
Scheduled Airlines	199,142	235,933	244,321
Mail Carriers	185,695	180,248	180,248
Non Scheduled Airlines	20,844	28,171	17,377

CONTACTING THE AIRPORT AUTHORITY’S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2016
(With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash items	\$ 5,432	\$ 16,140
Cash - demand deposits	314,769	91,836
Investments	2,620,194	2,490,656
Accounts receivable	497,712	586,007
Grants receivable	224,569	331,896
Inventories	4,100	41,482
Current portion of concession contract receivable	600,000	550,000
Prepaid expenses	<u>29,037</u>	<u>25,125</u>
Total current assets	<u>4,295,813</u>	<u>4,133,142</u>
NONCURRENT ASSETS		
RESTRICTED CASH AND INVESTMENTS		
Cash - demand deposits	<u>7,309</u>	<u>193,889</u>
Total restricted cash and investments	<u>7,309</u>	<u>193,889</u>
CAPITAL ASSETS		
Property and equipment - net	75,561,191	76,297,493
Construction work in progress	<u>6,061,515</u>	<u>6,514,140</u>
Total capital assets	<u>81,622,706</u>	<u>82,811,633</u>
OTHER ASSETS		
Investments	855,451	1,366,119
Deposits	3,100	1,000
Net investment in lease	3,479,785	4,313,739
Long-term portion of concession contract receivable	2,850,000	3,450,000
Patronage credits	<u>2,238</u>	<u>2,238</u>
Total other assets	<u>7,190,574</u>	<u>9,133,096</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	<u>57,734</u>	<u>55,711</u>
Total deferred outflows of resources	<u>57,734</u>	<u>55,711</u>
Total assets and deferred outflows of resources	<u>\$ 93,174,136</u>	<u>\$ 96,327,471</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, 2016

(With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 75,967	\$ 27,235
Accounts payable - construction	200,426	94,683
Tenant deposits	3,805	3,805
Payroll and payroll taxes payable	26,428	25,576
Interest payable	21,247	23,922
Compensated absences payable	72,716	60,043
Unearned revenue	5,479	3,160
Current portion of long-term debt	<u>1,812,041</u>	<u>1,760,001</u>
Total current liabilities	<u>2,218,109</u>	<u>1,998,425</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	10,349,906	12,162,378
PERS pension liability	<u>634,396</u>	<u>602,569</u>
Total long-term liabilities	<u>10,984,302</u>	<u>12,764,947</u>
Total liabilities	<u>13,202,411</u>	<u>14,763,372</u>
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangement - Republic Parking	3,450,000	4,000,000
Pension adjustments	<u>92,554</u>	<u>155,714</u>
Total deferred inflows of resources	<u>3,542,554</u>	<u>4,155,714</u>
NET POSITION		
Net investment in capital assets	72,974,493	73,202,993
Restricted	7,309	193,889
Unrestricted	<u>3,447,369</u>	<u>4,011,503</u>
Total net position	<u>76,429,171</u>	<u>77,408,385</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 93,174,136</u>	<u>\$ 96,327,471</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, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 3,846,018	\$ 3,856,638
Operating expenses	<u>2,424,772</u>	<u>2,423,376</u>
Excess of operating revenues over operating expenses before depreciation and amortization	1,421,246	1,433,262
Less: Depreciation and amortization	<u>(1,607,391)</u>	<u>(1,256,117)</u>
Income (loss) from operations	<u>(186,145)</u>	<u>177,145</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Investment income	26,359	22,041
Miscellaneous non-operating revenues	126,995	16,421
Interest expense	(213,271)	(225,318)
Investment income from lease investment	512,594	570,224
Interest expense from lease investment	(204,292)	(238,394)
Passenger Facility Charges (PFC), net	<u>719,313</u>	<u>764,536</u>
Total non-operating revenues	<u>967,698</u>	<u>909,510</u>
Income before capital contributions and depreciation on federally funded property and equipment	781,553	1,086,655
Capital contributions	2,272,579	2,402,345
Depreciation on federally funded property and equipment	<u>(4,033,346)</u>	<u>(4,147,397)</u>
CHANGE IN NET POSITION	<u>(979,214)</u>	<u>(658,397)</u>
Net position, beginning of year	77,408,385	78,793,454
Prior period adjustment - pension adjustment	<u>-</u>	<u>(726,672)</u>
Net position, beginning of year, as restated	<u>77,408,385</u>	<u>78,066,782</u>
Net position, end of year	<u>\$ 76,429,171</u>	<u>\$ 77,408,385</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, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from providing services	\$ 3,934,532	\$ 3,891,962
Cash payments to employees	(967,222)	(946,404)
Cash payments to suppliers	<u>(1,395,179)</u>	<u>(1,647,041)</u>
Net cash flows from operating activities	<u>1,572,131</u>	<u>1,298,517</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Miscellaneous non-operating revenues	<u>126,995</u>	<u>16,421</u>
Net cash flows from non-capital financing activities	<u>126,995</u>	<u>16,421</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from grants - FAA	2,333,849	2,217,301
Utility reimbursement from City of Great Falls	40,357	-
Proceeds from grants - MDOT	5,700	8,000
Work-in-progress additions	(3,861,218)	(2,519,199)
Acquisition of property and equipment	(484,849)	(63,421)
Interest paid	(420,238)	(469,216)
Passenger Facility Charges (PFC), net	719,313	764,536
Payment on long-term debt	(1,760,432)	(1,711,893)
Payment received under municipal lease	<u>833,954</u>	<u>686,955</u>
Net cash flows from capital and related financing activities	<u>(2,593,564)</u>	<u>(1,086,937)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	507,640	568,763
Purchase of investments	(773,551)	(1,729,117)
Redemption of investments	<u>1,185,994</u>	<u>340,153</u>
Net cash flows from investing activities	<u>920,083</u>	<u>(820,201)</u>
Net change in cash and cash equivalents	25,645	(592,200)
Cash and cash equivalents, beginning of year	<u>301,865</u>	<u>894,065</u>
Cash and cash equivalents, end of year	<u>\$ 327,510</u>	<u>\$ 301,865</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, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (186,145)	\$ 177,145
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	1,607,391	1,256,117
Pension adjustments	(33,356)	(24,100)
Changes in operating assets and liabilities:		
Accounts receivable	88,295	61,188
Inventories	37,382	(6,236)
Prepaid expenses	(3,912)	(10,679)
Deposits	(2,100)	-
Accounts payable	48,732	(137,182)
Payroll and payroll taxes payable	852	889
Compensated absences payable	12,673	7,239
Unearned revenue	<u>2,319</u>	<u>(25,864)</u>
Net cash flows from operating activities	<u>\$ 1,572,131</u>	<u>\$ 1,298,517</u>
SCHEDULE OF INTEREST		
Interest paid	<u>\$ 420,238</u>	<u>\$ 469,216</u>
SCHEDULE OF CASH AND CASH EQUIVALENTS		
AT END OF YEAR		
Cash items	\$ 5,432	\$ 16,140
Cash - demand deposits (unrestricted)	314,769	91,836
Cash - demand deposits (restricted)	<u>7,309</u>	<u>193,889</u>
	<u>\$ 327,510</u>	<u>\$ 301,865</u>
SCHEDULE OF NONCASH TRANSACTIONS		
Addition of PERS pension liability	\$ 31,827	\$ 602,569
Addition of deferred outflows related to pension liability	(2,023)	(31,611)
Addition (reduction) of deferred inflows related to pension liability	<u>(63,160)</u>	<u>155,714</u>
	<u>\$ (33,356)</u>	<u>\$ 726,672</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation and Basis of Accounting

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

Measurement Focus

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

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

The Airport Authority has adopted the provisions of the following GASB pronouncements for the year ended June 30, 2016:

- Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015.
- Statement No. 82, *Pension Issues, an amendment of GASB No. 67, 68, and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016 with early application encouraged.

Classification of Net Position

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 generally accepted accounting principles.

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Airport Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2016.

Accounts Receivable

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

Grants Receivable

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

Inventory

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

Capital Assets

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

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

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, 2016.

Unearned Revenue

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

Passenger Facility Charges (PFC)

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

Estimates

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 2. CASH AND INVESTMENTS

The composition of cash and investments on June 30, 2016, was as follows:

Cash items	\$ 5,432
Cash in banks:	
Demand deposits	322,078
Savings deposits	221,655
Time deposit	249,697
State Short-Term Investment Pool (S.T.I.P.)	1,987,098
U.S. Government bonds	<u>1,017,195</u>
Total per balance sheet	<u>\$ 3,803,155</u>

Cash Items

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

Cash in Banks

At year-end, the carrying amount of the Airport Authority's deposits was \$793,430, and the bank balance was \$894,517. 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, 2016, the Airport Authority had \$178,472 of bank account deposits in excess of FDIC insurance and \$0 of time deposits in excess of SIPC coverage. As of June 30, 2016, the Airport Authority had \$0 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 State statutes do not specify in whose custody or name the collateral is to be held.

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

June 30, 2016

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investments

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

As of June 30, 2016, the Airport Authority had the following investments and maturities:

Investment Type	Amount	Investment Maturities	
		Less Than 1 Year	1-5 years
Money market	\$ 221,655	\$ 221,655	\$ -
Time deposit	249,697	249,697	-
S.T.I.P.	1,987,098	1,987,098	-
U.S. government bonds	<u>1,017,195</u>	<u>161,744</u>	<u>855,451</u>
	<u>\$ 3,475,645</u>	<u>\$ 2,620,194</u>	<u>\$ 855,451</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 an S.T.I.P. investment may default in making timely principal and interest payments. The Montana Board of Investment's policy requires that S.T.I.P. investments have the highest investment grade rating in the short-term category by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The three NRSRO's recognized by S.T.I.P. include Standard and Poor's (S&P), Moody's, and Fitch. The short-term credit ratings presented below for the Airport Authority's share of S.T.I.P. are provided by S&P's rating services. An A1+ rating is the highest short-term rating by the S&P rating service.

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Credit Quality Ratings as of June 30, 2016:

Investment Type	Amortized Cost	Credit Quality Rating
Treasuries	\$ 53,056	A1+
Asset backed commercial paper	553,406	A1
Corporate commercial paper	184,601	A1
Corporate - variable rate	328,865	A1
Certificates of deposit - fixed rate	17,685	A1
Certificates of deposit - variable rate	351,915	A1
U.S. government agency - fixed rate	169,301	A1+
U.S. government agency - variable rate	185,794	A1+
Money market funds (unrated)	9,339	NR
Money market funds (rated)	133,136	A1+
	<u>\$ 1,987,098</u>	<u>A1</u>

Concentration of Credit Risk

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

The asset-backed securities are collateralized by non-mortgage assets pledged by the issuer, and have one or more forms of credit enhancement to raise the quality of the security. Asset-backed securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar nonasset-backed securities. Asset-backed securities make up 27.85% of the total S.T.I.P. assets at June 30, 2016.

The variable-rate securities are designed to minimize the investors' interest rate risk by periodically resetting the interest rate to either the prime rate or the London Interbank Offering Rate. Variable-rate securities have credit risk identical to similar fixed-rate securities, while their market risk is less volatile than fixed-rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield. Variable-rate securities make up 43.61% of the total S.T.I.P. assets at June 30, 2016.

As previously mentioned, GAAP requires investment in U.S. Government securities to be reported at fair value.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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, 2016 and 2015.

Government bonds – Valued using pricing models maximizing the use of observable inputs for similar securities.

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.

	Cost	Fair Value (Level 2)
U.S. government bonds	<u>\$ 1,033,870</u>	<u>\$ 1,017,195</u>

The net decrease in the fair value of investments during the year ended June 30, 2016 was \$4,954. This amount is netted into investment income on the statement of revenues, expenses, and changes in net position.

Restricted Cash and Investments

Restricted cash and investments at June 30, 2016 consist of \$7,309 in the Passenger Facility Charge and Snow Removal Equipment (SRE) Building bank accounts.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 3. CAPITAL ASSETS

Property and Equipment

A summary of the changes in property and equipment during the year ended June 30, 2016 is as follows:

	Balance, July 1, 2015	Additions	Deletions	Balance, June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 1,501,248	\$ -	\$ -	\$ 1,501,248
Construction in progress	<u>6,514,140</u>	<u>4,000,910</u>	<u>(4,419,586)</u>	<u>6,095,464</u>
Total capital assets, not being depreciated	<u>8,015,388</u>	<u>4,000,910</u>	<u>(4,419,586)</u>	<u>7,596,712</u>
Capital assets, being depreciated:				
Buildings	30,932,920	2,923,626	-	33,856,546
Improvements	107,708,937	1,301,487	-	109,010,424
Furniture, fixtures and equipment	<u>5,895,776</u>	<u>842,047</u>	<u>-</u>	<u>6,737,823</u>
Total capital assets, being depreciated	<u>144,537,633</u>	<u>5,067,160</u>	<u>-</u>	<u>149,604,793</u>
Less accumulated depreciation:				
Buildings	(17,027,002)	(1,077,194)	-	(18,104,196)
Improvements	(48,482,520)	(4,182,055)	-	(52,664,575)
Furniture, fixtures and equipment	<u>(4,231,866)</u>	<u>(381,488)</u>	<u>(162,725)</u>	<u>(4,776,079)</u>
	<u>(69,741,388)</u>	<u>(5,640,737)</u>	<u>(162,725)</u>	<u>(75,544,850)</u>
Capital assets being depreciated, net	<u>74,796,245</u>	<u>(573,577)</u>	<u>(162,725)</u>	<u>74,059,943</u>
Capital assets, net	<u>\$ 82,811,633</u>	<u>\$ 3,427,333</u>	<u>\$ (4,582,311)</u>	<u>\$ 81,656,655</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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, 2016 is as follows:

Project	Balance July 1, 2015	Project Additions	Close-Out/ Deletions	Balance June 30, 2016
AIP 56	\$ 2,452,199	\$ 377,154	\$ (2,829,353)	\$ -
AIP 57	703,007	38,672	(742,357)	(678)
AIP 58	416,607	227,301	(4,500)	639,408
AIP 59	438,827	21,486	(460,313)	-
AIP 61 (NonFed)	48,073	1,157,878	(74,709)	1,131,242
AIP 61 (Fed)	296,198	1,838,405	-	2,134,603
AIP 62 (NonFed)	-	7,202	-	7,202
AIP 62 (Fed)	-	166,513	-	166,513
AVMAX Phase II	154,039	-	-	154,039
AVMAX Phase IV	97,215	-	-	97,215
AVMAX Apron	92,072	-	-	92,072
AVMAX Hangar Phase I	107,334	3,600	-	110,934
Design Runway 16/24	384,855	-	-	384,855
FedEx Apron	90,494	-	-	90,494
LED	-	76,174	-	76,174
Miscellaneous projects	57,717	-	(726)	56,991
Red Horse	-	4,739	-	4,739
SRE	224,977	81,437	(307,628)	(1,214)
Taxiway Fixtures	85,949	-	-	85,949
Terminal/Parking Lot Expansion	844,727	349	-	845,076
TIF program	19,850	-	-	19,850
	<u>\$ 6,514,140</u>	<u>\$ 4,000,910</u>	<u>\$ (4,419,586)</u>	<u>\$ 6,095,464</u>

The Airport Improvement Program (AIP) work in progress project additions include expenditures of \$436,995 from Airport Authority funds and \$2,669,531 from FAA funds. AIP work in progress project close-out/deletions consist of transfers to Capital Assets totaling \$4,419,586.

NOTE 4. NET INVESTMENT IN LEASE

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 4. NET INVESTMENT IN LEASE (CONTINUED)

The lease calls for monthly payments as follows:

Building	\$ 66,182
Ground (increases 3% on each annual anniversary date)	4,823
Ramp	<u>17,976</u>
	<u>\$ 88,981</u>

A schedule of the net investment in lease as of June 30, 2016 is as follows:

Total minimum lease payments receivable	\$ 4,109,807
Less: unearned revenue	<u>(630,022)</u>
Net investment in direct financing lease	<u>\$ 3,479,785</u>

A schedule of minimum lease payments is as follows:

	<u>Building</u>	<u>Ground</u>	<u>Ramp</u>	<u>Total</u>
2017	\$ 794,179	\$ 58,018	\$ 215,715	\$ 1,067,912
2018	794,179	59,759	215,715	1,069,653
2019	794,179	61,551	215,715	1,071,445
2020	<u>645,088</u>	<u>57,970</u>	<u>197,739</u>	<u>900,797</u>
	<u>\$ 3,027,625</u>	<u>\$ 237,298</u>	<u>\$ 844,884</u>	<u>\$ 4,109,807</u>

NOTE 5. LONG-TERM DEBT

On May 19, 2011, long-term financing from U.S. Bank National Association was obtained. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate from 4.19% to 2.46% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$6,595,036. This obligation (Series 2013A) calls for principal of \$6,620,650 to be repaid with variable monthly payments ranging from \$59,000 to \$78,300 for 93 months. The balance of this note payable at June 30, 2016 is \$4,351,120.

On September 4, 2003, long-term financing to be used toward the Apron project was obtained from Wells Fargo Brokerage Services, which was refinanced on July 29, 2013 to reduce the interest rate from 5.38% to 2.46% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$3,191,761. This obligation (Series 2013B) calls for principal of \$3,335,600 to be repaid with variable monthly payments ranging from \$28,250 to \$37,950 for 96 months. The balance of this note payable at June 30, 2016 is \$2,243,900.

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

June 30, 2016

NOTE 5. LONG-TERM DEBT (CONTINUED)

On October 27, 2009, long-term financing to be used toward the construction of a carwash facility was obtained from Wells Fargo Brokerage Services. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate from 6.58% to 4.58% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$1,098,514. This obligation (Series 2013C) calls for principal of \$1,103,800 to be repaid with variable monthly payments ranging from \$4,550 to \$10,550 for 132 months. The balance of this note payable at June 30, 2016 is \$876,750.

On July 29, 2013, new long-term financing to be used for construction of the SRE building was obtained from Wells Fargo Brokerage Services. This obligation (Series 2013D) calls for principal of \$814,200 to be repaid with variable monthly payments ranging from \$5,200 to \$7,800 for 120 months, with interest at 2.73% per annum. The balance of this note payable at June 30, 2016 is \$604,400.

On September 4, 2003, long-term financing to be used toward the Terminal project was obtained from Wells Fargo Brokerage Services, which was refinanced on September 20, 2013 to reduce the interest rate from 5.44% to 2.92% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$3,055,778. This obligation (Series 2013E) calls for principal of \$3,170,300 to be repaid with variable monthly payments ranging from \$21,000 to \$29,600 for 120 months. The balance of this note payable at June 30, 2016 is \$2,423,400.

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, 2016 is \$701,096. This is a tenant-financing loan and as such, the Airport Authority is not liable in the event of tenant payment default.

On October 1, 2008, long-term financing to be used toward the Avmax hangar remodel was obtained from the Montana Board of Investments. This obligation calls for principal of \$1,288,605 to be repaid with monthly payments of \$9,187 for 240 months, with interest at 5.95% per annum. The balance of this note payable at June 30, 2016 is \$961,281. 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, 2016

NOTE 5. LONG-TERM DEBT (CONTINUED)

Long-term Debt Transactions

The following is a summary of long-term debt transactions of the Airport Authority for the fiscal year ended June 30, 2016:

Note payable to:	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Montana Board of Investments	\$ 749,644	\$ -	\$ (48,548)	\$ 701,096	\$ 50,659
Montana Board of Investments	1,012,735	-	(51,454)	961,281	54,382
Wells Fargo-Fedex Note Series 2013A	5,172,100	-	(820,980)	4,351,120	842,250
Wells Fargo-Apron Note Series 2013B	2,638,900	-	(395,000)	2,243,900	405,150
Wells Fargo-Car Rental Note Series 2013C	960,850	-	(84,100)	876,750	88,300
Wells Fargo-SRE Note Series 2013D	680,600	-	(76,200)	604,400	78,350
Wells Fargo-Terminal Note Series 2013E	2,707,550	-	(284,150)	2,423,400	292,950
	<u>\$ 13,922,379</u>	<u>\$ -</u>	<u>\$ (1,760,432)</u>	<u>\$ 12,161,947</u>	<u>\$ 1,812,041</u>

Requirement to Amortize Debt

The annual debt service requirements to maturity for long-term debt outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,812,041	\$ 361,981	\$ 2,174,022
2018	1,864,500	309,447	2,173,947
2019	1,918,489	255,298	2,173,787
2020	1,974,008	199,840	2,173,848
2021	1,953,530	141,838	2,095,368
2022-2026	2,334,399	272,496	2,606,895
2027-2029	304,980	19,636	324,616
	<u>\$ 12,161,947</u>	<u>\$ 1,560,536</u>	<u>\$ 13,722,483</u>

NOTE 6. SERVICE CONCESSION ARRANGEMENT

The Airport Authority has entered into a concession agreement expiring September 30, 2021 with Republic Parking System, Inc. (RPS) to operate the Airport Authority's public parking facility located in and about the main terminal at Great Falls International Airport (the Airport). The 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.

On April 8, 2016, Republic Parking was acquired by Impark. The terms of the contract stay the same.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 6. SERVICE CONCESSION ARRANGEMENT (CONTINUED)

The terms of the agreement include:

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

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

Fiscal Year Ended	Minimum Annual Guarantee	Percentage of Annual Gross Receipts (calculated for the contract years ended September 30)
June 30, 2017	\$600,000	50% of RPS's annual gross receipts >\$ 0 but <\$ 150,000
June 30, 2018	\$600,000	70% of RPS's annual gross receipts >\$ 150,000 but <\$ 200,000
June 30, 2019	\$600,000	80% of RPS's annual gross receipts >\$ 200,000 but <\$ 300,000
June 30, 2020	\$712,500	84% of RPS's annual gross receipts >\$ 300,000 but <\$1,200,000
June 30, 2021	\$750,000	91% of RPS's annual gross receipts >\$1,200,000
June 30, 2022	\$187,500	

The facility is reported by the Airport Authority as a capital asset of \$2,093,307 and is being depreciated over its useful life. For the amount to be received under the previous and new agreement, the Airport Authority has recorded a receivable and deferred inflow of resources in the amount of \$3,450,000. The deferred inflow of resources will be amortized to revenue over the term of the agreement.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 7. PASSENGER FACILITY CHARGES (PFC)

Changes in the passenger facility charges account for the year ended June 30, 2016 are as follows:

Balance at beginning of year	\$ (730,766)
PFC application #5	(1,850,000)
Additions:	
Collections from carriers	719,313
Interest	<u>-</u>
Balance at end of year	<u>\$ (1,861,453)</u>

The PFC account owes the Surplus account \$1,863,247 as of June 30, 2016. These funds will be repaid monthly as PFC revenues are collected. A total of \$721,000 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, 2016

NOTE 8. NET INVESTMENT IN CAPITAL ASSETS

Changes in the net position category of "net investment in capital assets" for the year ended June 30, 2016, are as follows:

Capital assets

Balance at beginning of year	\$ 76,297,493
Additions:	
Transfers from Work in Progress account and acquisition of capital assets	5,067,160
Deductions:	
Deletions from capital assets	(162,725)
Depreciation expense	<u>(5,640,737)</u>
Balance at end of year	<u>75,561,191</u>

Construction work in progress

Balance at beginning of year	6,514,140
Additions:	
Contributions - Airport funds	1,762,520
FAA grants	2,238,390
Deductions:	
Projects closed and transferred to fixed assets	<u>(4,419,586)</u>
Balance at end of year	<u>6,095,464</u>

Net investment in lease

Balance at beginning of year	4,313,739
Deductions:	
Principal payments received	<u>(833,954)</u>
Balance at end of year	<u>3,479,785</u>

Related debt

Balance at beginning of year	(13,922,379)
Deductions:	
Principal payments	<u>1,760,432</u>
Balance at end of year	<u>(12,161,947)</u>

Net investment in capital assets at June 30, 2016	<u>\$ 72,974,493</u>
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GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 9. RESTRICTED NET POSITION

Restricted net position at June 30, 2016 consists of the following:

Restricted for passenger facility charges	\$ 1,795
Restricted bond proceeds held in a Wells Fargo Bank account to be used for Snow Removal Equipment building costs	<u>5,514</u>
	<u><u>\$ 7,309</u></u>

NOTE 10. PENSION PLAN

Plan Description

Public Employees' Retirement System (PERS)

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

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

The PERS-DBRP provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Member's highest average compensation (HAC)

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

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

Compensation Cap

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 10. PENSION PLAN (CONTINUED)

Summary of Benefits (Continued)

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service; or Any age, 30 years of membership service.
Hired on or after July 1, 2011:	Age 65, 5 years of membership services; Age 70, regardless of membership service.

Early retirement

Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- 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.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 10. PENSION PLAN (CONTINUED)

Overview of Contributions

Rates are specified by state law for periodic employer and employee contributions 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 authority to establish and amend contribution rates to the plan. Member and employer rates are shown in the table below.

1. Member contributions to the system:
 - a. Plan member contributions to the system are 7.9% 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 contributes 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.
 - b. Not Special Funding
 - i. The State contributes from the coal tax severance fund and earnings from the coal trust permanent trust fund.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 10. PENSION PLAN (CONTINUED)

Fiscal Year	Member		State &	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Universities Employer	Employer	State	Employer	State
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%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

Stand-Alone Statements

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

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

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

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the total pension liability to June 30, 2015. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the last actuarial experience study, dated June 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Admin Expense as % of Payroll 0.27%
- Investment Return (net of admin expense) 7.75%
- Postretirement Benefit Increases

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 10. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Guaranteed Annual Benefit Adjustment (GABA)

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) 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.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among disabled retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 10. PENSION PLAN (CONTINUED)

Target Allocations (Continued)

These factors included rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015, is summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Great Falls International Airport	\$ 978,101	\$ 634,396	\$ 344,145

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

Pension Amount Totals

GASB Statement 68, paragraph 74 requires that when employees are provided benefits through more than one pension system, whether provided through cost-sharing, single-employer or agent pension plans, the employer must combine the amounts reported as a total or aggregate for all pensions.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 10. PENSION PLAN (CONTINUED)

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable GASB statements.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows, and deferred outflows of resources associated with pensions.

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

The State of Montana also has a funding situation that is not special funding whereby the state general fund provides contributions from the coal severance tax and interest. All employers are required to report the portion of coal tax severance tax and interest attributable to the employer.

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to the measurement date of June 30, 2015. For most employers, their June 30, 2016 reporting will use the 2016 reporting values presented in these notes.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 10. PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

	Net Pension Liability as of <u>June 30,</u> <u>2016</u>	Net Pension Liability as of <u>June 30,</u> <u>2015</u>	Percent of <u>Collective</u> <u>NPL</u> <u>As of</u> <u>June 30,</u> <u>2016</u>	Percent of <u>Collective</u> <u>NPL</u> <u>As of</u> <u>June 30,</u> <u>2015</u>	<u>Change in</u> <u>Percent of</u> <u>Collective</u> <u>NPL</u>
Authority Proportionate Share	\$ 634,396	\$ 602,569	0.045383%	0.48360%	-0.002977%
State of Montana Proportionate Share associated with the Authority	<u>7,793</u>	<u>7,358</u>	<u>0.000557%</u>	<u>0.000591%</u>	<u>-0.000034%</u>
Total	<u>\$ 642,189</u>	<u>\$ 609,927</u>	<u>0.045940%</u>	<u>0.048951%</u>	<u>-0.003011%</u>

The table above displays the Authority's proportionate share of the net pension liability and the Authority's proportion of the NPL for June 30, 2015 and 2016. The Authority's proportion was based on the employer's contributions received by PERS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERS' participating employers. As of the employer's reporting date, the Authority recorded a liability of \$634,396 and the Authority's proportionate share was 0.045383%.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

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

Changes in proportionate share: Between the measurement date of the collective net pension liability and the Authority's reporting date there were some changes in proportion that may have an effect on the Authority's proportionate share of the collective net pension liability.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 10. PENSION PLAN (CONTINUED)

	Pension expense as of <u>June 30, 2016</u>
Authority's Proportionate Share	\$ 31,028
State of Montana Proportionate Share associated with the Airport Authority	<u>484</u>
Total	<u>\$ 31,512</u>

At June 30, 2016, the Authority recognized its proportionate share of the PERS' pension expense of \$31,512. The Authority also recognized grant revenue of \$484 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the Authority and grant revenue of \$15,225 from the coal tax fund.

Deferred Inflows and Outflows

At June 30, 2016, the 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>
Differences between actual and expected experience	\$ -	\$ 3,838
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	-	53,708
Changes in proportion differences between employer contributions and proportionate share of contributions	3,161	35,008
Difference between actual and expected contributions	-	-
#Contributions paid to PERS subsequent to the measurement date – FY2016 Contributions	<u>49,139</u>	<u>-</u>
Total	<u>\$ 52,300</u>	<u>\$ 92,554</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 10. PENSION PLAN (CONTINUED)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Amounts recognized in Pension Expense as an increase or (decrease) to <u>Pension Expense</u>
2017	\$ -	\$ 34,271	\$ (34,271)
2018	\$ -	\$ 34,271	\$ (34,271)
2019	\$ -	\$ 34,271	\$ (34,271)
2020	\$ 13,969	\$ -	\$ 13,969
2021	\$ -	\$ -	\$ -
Thereafter	\$ -	\$ -	\$ -

NOTE 11. RISK MANAGEMENT

The Airport Authority faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability (i.e. errors and omissions), environmental damage, workers' compensation (i.e. employee injuries), and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. During the year ended June 30, 2016, the Airport Authority, based on eligibility, qualified and acquired insurance coverage of \$1,000,000 through the State of Montana Petroleum Release Compensation Fund (PTRCB) for environmental damages. If a claim were to occur, the co-payment liability for the Airport Authority is \$17,500 under the Montana Certificate of Financial Responsibility. The Airport Authority participates in the workers' compensation program administered by the State of Montana. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

NOTE 12. MAJOR CUSTOMERS

During the year ended June 30, 2016, revenue from four air carriers and four concessionaires amounted to \$2,454,814, and represents 64% of total operating revenue. Accounts receivable for these four major air carriers amounted to \$96,116 or 49% of other accounts receivable in aggregate as of June 30, 2016.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 12. MAJOR CUSTOMERS (CONTINUED)

Accounts receivable for the four major concessionaires amounted to \$3,734,918 or 99%, of concessionaires' accounts receivable in aggregate as of June 30, 2016. Of this \$3,734,918, \$3,450,000 or 92%, represents the Republic Parking concession contract receivable (refer to Note 6). Generally, all but one of the four major concessionaires are invoiced monthly and had current balances as of June 30, 2016.

NOTE 13. RELATED PARTIES

During the year ended June 30, 2014, construction of a building was bid for the Airport Authority through a third party consultant, in accordance with the Airport Authority's existing procurement and conflict of interest policies. Part of the project was awarded to the lowest bidder, of which the Airport Authority's Chairman of the Board was the president/owner. Recognizing the related party relationship, the Airport Authority exercised due diligence for all payments and transactions relating to the project. All documents and checks were co-signed by the Vice Chairperson of the Board. The Board Chairman abstained from voting on the consent agenda and related transactions to the project. During the years ended June 30, 2016, the Airport Authority paid the contractor a total of \$170,736 (Refer to Note 3). Project closeout occurred in FY16.

REQUIRED SUPPLEMENTARY INFORMATION

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF PROPORTIONATE SHARE OF THE PERS NET PENSION LIABILITY
 FOR THE LAST TEN FISCAL YEARS
 June 30, 2016

	<u>2016</u>	<u>2015</u>
Schedule of Proportionate Share of the Net Pension Liability for the Last Ten Fiscal Years*		
Employer's proportion of the net pension liability	\$ 634,396	\$ 602,569
Employer's proportionate share of the net pension liability associated with the Employer	0.04538%	0.04836%
State of MT proportionate share of the net pension liability associated with the Employer	<u>7,793</u>	<u>7,358</u>
Total	<u>\$ 642,189</u>	<u>\$ 609,927</u>
Employer's covered-employee payroll	\$ 529,628	\$ 547,433
Employer's proportionate share of the net pension liability as of its covered-employee payroll	119.781%	110.072%
Plan fiduciary net position the total pension liability	78.40%	79.90%

*The amounts presented for each fiscal year were determined as of June 30. 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, 2016

	<u>2016</u>	<u>2015</u>
Schedule of Contributions for the Last Ten Fiscal Years*		
Contractually required contributions	\$ 49,139	\$ 48,633
Contributions in relation to the contractually required contributions	49,139	48,633
Contribution deficiency (excess)	-	-
Employer's covered-employee payroll	557,014	529,628
Contributions of covered-employee payroll	8.822%	9.182%

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

June 30, 2016

Changes of Benefit Terms

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

2013 Legislative Changes:

Working Retirees – House Bill – PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap – House Bill 97, effective July 1, 2013

All PERS members hired on or after July 1, 2013 are subject to 110% annual cap on compensation considered as part of a member's highest or final average compensation.

All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

House Bill 454 – Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

Guaranteed Annual Benefit Adjustment (GABA) – for PERS

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 all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013
 - a. 1.5% 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.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

June 30, 2016

Changes of Benefit Terms (Continued)

2015 Legislative Changes:

General Revisions – House Bill 101, effective January 1, 2016

Second Retirement Benefit - for PERS

- 1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of each member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
- 2) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- 3) For members who retire on or after January 1, 2016 return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- 4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service base on laws in effect at second retirement; and,
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws – House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 June 30, 2016

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as a % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

The following Actuarial Assumptions are from the June 201 Experience Study:

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

SUPPLEMENTAL SCHEDULES

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
OPERATING ACCOUNT - BUDGET AND ACTUAL
Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Landing fees			
Airlines - itinerant - non-signator	\$ 36,000	\$ 39,813	\$ 3,813
Mail carrier/cargo - signator	190,734	188,251	(2,483)
Mail carriers/cargo - non-signatory	65,058	71,561	6,503
Passenger airlines - signator	221,474	200,660	(20,814)
Passenger airlines - non-signatory - scheduled	86,087	78,583	(7,504)
Total landing fees	<u>599,353</u>	<u>578,868</u>	<u>(20,485)</u>
Fuel flowage fees			
Fixed base operators	<u>25,500</u>	<u>19,511</u>	<u>(5,989)</u>
Concession fees			
Advertising	46,000	46,500	500
ATM income	7,200	7,366	166
Auto parking	995,000	885,095	(109,905)
Rental car concessions - MAG	647,900	618,600	(29,300)
CFC income - car rentals	225,000	244,766	19,766
Food and alcoholic beverages	85,006	82,934	(2,072)
Gift shops	27,580	31,241	3,661
Internet kiosk	4,320	3,600	(720)
Total concession fees	<u>2,038,006</u>	<u>1,920,102</u>	<u>(117,904)</u>
Space rentals			
Airlines	612,005	658,090	46,085
Concessionaires	<u>31,200</u>	<u>31,124</u>	<u>(76)</u>
Total space rentals	<u>643,205</u>	<u>689,214</u>	<u>46,009</u>
Miscellaneous rentals			
Agricultural land income	6,000	4,802	(1,198)
Allegiant and Frontier per turn/office space	81,067	72,864	(8,203)
Badge income	5,000	6,345	1,345
Building rental	71,150	77,265	6,115
Fuel farm license fees	25,704	25,704	-
Gate rental	1,284	3,224	1,940
Ground rental	346,121	305,196	(40,925)
Hangar rental	50,986	50,986	-
Loading bridge fees	49,233	43,564	(5,669)
Ramp rental	900	900	-
Total miscellaneous rentals	<u>637,445</u>	<u>590,850</u>	<u>(46,595)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
OPERATING ACCOUNT - BUDGET AND ACTUAL
Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES (CONTINUED)			
Reimbursed security costs	39,500	37,330	(2,170)
Reimbursed utilities costs	8,600	10,143	1,543
Total reimbursed expenses	48,100	47,473	(627)
Total operating revenues	3,991,609	3,846,018	(145,591)
NON-OPERATING REVENUES			
Investment income - operating account	25,000	26,359	1,359
Miscellaneous non-operating revenues	-	126,995	126,995
Total non-operating revenues	25,000	153,354	128,354
Total revenue	4,016,609	3,999,372	(17,237)
OPERATING EXPENSES			
Personnel services			
Salaries and wages			
Director benefit	8,710	7,882	828
Overtime	14,000	6,042	7,958
Regular	714,813	695,642	19,171
Total salaries and wages	737,523	709,566	27,957
Personnel services:			
Employee fringe benefits			
FICA/Medicare	55,754	47,966	7,788
Health and life insurance	136,000	143,834	(7,834)
Public employees retirement	50,042	38,407	11,635
Unemployment	3,400	1,718	1,682
Vehicle lease	7,200	6,000	1,200
Workers' compensation	24,000	5,900	18,100
Total employee fringe benefits	276,396	243,825	32,571
Total personnel services	1,013,919	953,391	60,528

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
OPERATING ACCOUNT - BUDGET AND ACTUAL
Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (CONTINUED)			
Contractual services			
Utilities			
Electricity	320,000	330,913	(10,913)
Gas	115,000	80,632	34,368
Internet services	15,000	14,435	565
Refuse disposal	5,500	5,133	367
Telephone	16,000	14,701	1,299
Water and sewer	33,000	57,671	(24,671)
Total utilities	504,500	503,485	1,015
Repairs and maintenance			
Equipment	52,000	56,772	(4,772)
Jet bridges	9,200	9,500	(300)
Minor equipment and tools	10,000	9,336	664
Total repairs and maintenance	71,200	75,608	(4,408)
Professional services			
Accounting fees	11,500	11,500	-
Consulting fees	45,000	43,288	1,712
Insurance	79,000	72,660	6,340
Janitorial contract	100,000	82,464	17,536
Legal fees	7,000	4,511	2,489
Marketing	155,000	160,948	(5,948)
Other professional fees	9,500	-	9,500
Recruiting	500	-	500
Security services	185,400	180,406	4,994
Total professional services	592,900	555,777	37,123

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
OPERATING ACCOUNT - BUDGET AND ACTUAL
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING EXPENSES (CONTINUED)			
Other expenses			
Advertising and promotional expenses	1,500	313	1,187
Board meeting/member expense	5,000	6,207	(1,207)
Drug tests and physical exams	800	305	495
Dues and subscriptions	5,000	4,535	465
Employee recognition	5,000	3,604	1,396
Equipment rental	2,000	615	1,385
Licenses, permits, and inspection fees	6,000	6,213	(213)
Street maintenance assessments	5,000	5,320	(320)
Travel, training, and education	30,000	17,649	12,351
U.S. Customs building lease	<u>49,736</u>	<u>49,736</u>	<u>-</u>
Total other expenses	<u>110,036</u>	<u>94,497</u>	<u>15,539</u>
 Total contractual services	 <u>1,278,636</u>	 <u>1,229,367</u>	 <u>49,269</u>
Materials and supplies			
Agricultural supplies	5,000	3,983	1,017
Broom fill and poly blades	15,000	30	14,970
Cleaning and janitorial supplies	25,000	20,304	4,696
Electrical, plumbing, and hardware	35,000	33,978	1,022
Equipment, parts, and supplies	30,000	23,252	6,748
Fire fighting supplies	12,300	11,347	953
Fuel, oil, and lubricants	80,000	73,232	6,768
Lawn/landscaping	8,000	6,611	1,389
Minor equipment and tools	8,000	9,244	(1,244)
Office materials and supplies	5,000	6,148	(1,148)
Other materials and supplies	16,000	18,464	(2,464)
Paints, chemicals, and gases	17,500	20,153	(2,653)
Paving supplies	15,000	9,351	5,649
Security supplies	5,000	4,999	1
Uniform allowance	<u>1,000</u>	<u>918</u>	<u>82</u>
Total materials and supplies	<u>277,800</u>	<u>242,014</u>	<u>35,786</u>
 Total operating expenses	 <u>2,570,355</u>	 <u>2,424,772</u>	 <u>145,583</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
OPERATING ACCOUNT - BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
NON-OPERATING EXPENSES			
Depreciation	5,640,737	5,640,737	-
Interest expense	<u>198,918</u>	<u>213,271</u>	<u>(14,353)</u>
Total non-operating expenses	<u>5,839,655</u>	<u>5,854,008</u>	<u>(14,353)</u>
Total expenses	<u>8,410,010</u>	<u>8,278,780</u>	<u>131,230</u>
Net loss	<u>\$ (4,393,401)</u>	<u>\$ (4,279,408)</u>	<u>\$ 113,993</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SUMMARY/COST CENTER OPERATING SCHEDULE
Year Ended June 30, 2016

	<u>Total Airport</u>	<u>Landing Area</u>	<u>Terminal Building</u>	<u>Aeronautical Area</u>	<u>Non-Aeronautical</u>
Operating revenue less reimbursed security costs	\$ 3,808,688	\$ 624,083	\$ 2,802,257	\$ 262,823	\$ 119,525
Expenses					
Direct expenses					
Personnel services	384,490	291,770	44,236	22,000	26,484
Contractual services	874,496	180,933	576,757	10,304	106,502
Materials and supplies	<u>195,199</u>	<u>113,253</u>	<u>78,891</u>	<u>-</u>	<u>3,055</u>
TOTAL DIRECT EXPENSES	<u>1,454,185</u>	<u>585,956</u>	<u>699,884</u>	<u>32,304</u>	<u>136,041</u>
Allocated expenses					
Administration	921,589	322,557	322,556	138,238	138,238
ARFF services	39,344	21,639	11,803	3,148	2,754
Security services	<u>32,241</u>	<u>9,672</u>	<u>16,121</u>	<u>1,612</u>	<u>4,836</u>
TOTAL ALLOCATED EXPENSES	<u>993,174</u>	<u>353,868</u>	<u>350,480</u>	<u>142,998</u>	<u>145,828</u>
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	<u>2,447,359</u>	<u>939,824</u>	<u>1,050,364</u>	<u>175,302</u>	<u>281,869</u>
Net income (loss) before depreciation and amortization	1,361,329	(315,741)	1,751,893	87,521	(162,344)
Depreciation and amortization	<u>(5,640,737)</u>	<u>(3,813,177)</u>	<u>(1,086,163)</u>	<u>(435,301)</u>	<u>(306,096)</u>
NET INCOME (LOSS)	<u>\$ (4,279,408)</u>	<u>\$ (4,128,918)</u>	<u>\$ 665,730</u>	<u>\$ (347,780)</u>	<u>\$ (468,440)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 LANDING AREA
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
REVENUE		
Landing fees		
Airlines - itinerant - non-signator	\$ 39,813	\$ 28,172
Mail carrier/cargo - signator	188,251	185,000
Mail carriers/cargo - non-signatory	71,561	66,896
Passenger airlines - signator	200,660	238,795
Passenger airlines - nonsignatory - scheduled	<u>78,583</u>	<u>92,263</u>
Total landing fees	<u>578,868</u>	<u>611,126</u>
Fuel flowage fees		
Fixed base operators	19,511	23,577
Fuel farm license fees	<u>25,704</u>	<u>25,704</u>
Total fuel flowage fees	<u>45,215</u>	<u>49,281</u>
Total revenue	<u>624,083</u>	<u>660,407</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	107,012	97,832
Salaries and benefits	<u>184,758</u>	<u>267,345</u>
Total personnel expenses	<u>291,770</u>	<u>365,177</u>
Contractual services		
Utilities		
Electricity	50,481	44,728
Gas	5,197	1,933
Telephone	<u>1,160</u>	<u>-</u>
Total utilities	<u>56,838</u>	<u>46,661</u>
Repairs and maintenance		
Equipment	14,483	15,049
Other contractual services	<u>4,808</u>	<u>14,094</u>
Total repairs and maintenance	<u>19,291</u>	<u>29,143</u>
Professional services		
Insurance	47,295	39,808
Security services	<u>56,827</u>	<u>52,483</u>
Total professional services	<u>104,122</u>	<u>92,291</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 LANDING AREA (CONTINUED)
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Other expenses		
Equipment rental	615	-
Licenses, permits, and inspection fees	67	1,618
Travel, training, and education	<u>-</u>	<u>1,200</u>
Total other expenses	<u>682</u>	<u>2,818</u>
Total contractual services	<u>180,933</u>	<u>170,913</u>
Materials and supplies		
Agricultural supplies	3,937	5,040
Electrical, plumbing, and hardware	14,573	23,548
Equipment, parts, and supplies	13,447	50,543
Fuel, oil, and lubricants	59,651	57,429
Minor equipment and tools	2,165	6,911
Other materials and supplies	4,949	4,483
Paints, chemicals, and gases	14,531	11,828
Security supplies	<u>-</u>	<u>7</u>
Total materials and supplies	<u>113,253</u>	<u>159,789</u>
Total direct expenses	<u>585,956</u>	<u>695,879</u>
Allocated expenses		
Administration	322,557	368,361
ARFF services	21,639	18,961
Security services	<u>9,672</u>	<u>7,361</u>
Total allocated expenses	<u>353,868</u>	<u>394,683</u>
Total expenses before depreciation	<u>939,824</u>	<u>1,090,562</u>
Net loss before depreciation	<u>(315,741)</u>	<u>(430,155)</u>
Depreciation		
Allocated	9,433	39,654
Direct	<u>3,803,744</u>	<u>3,846,356</u>
Total depreciation	<u>3,813,177</u>	<u>3,886,010</u>
Net loss	<u>\$ (4,128,918)</u>	<u>\$ (4,316,165)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 TERMINAL BUILDING
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
REVENUE		
Concession fees		
ATM income	\$ 7,366	\$ 6,905
Advertising	46,500	46,000
Auto parking	885,095	950,854
Rental car concessions - CFC	244,766	212,760
Rental car concessions - MAG	618,600	621,762
Food and alcoholic beverages	82,934	90,004
Gift shops	31,241	28,864
Ground rental	34,288	32,664
Miscellaneous	<u>47,164</u>	<u>45,612</u>
Total concession fees	<u>1,997,954</u>	<u>2,035,425</u>
Space rentals		
Airlines	658,090	548,982
Concessionaires	<u>31,124</u>	<u>31,204</u>
Total space rentals	<u>689,214</u>	<u>580,186</u>
Miscellaneous rentals		
Building rental	42,225	42,082
Office rental	<u>72,864</u>	<u>86,376</u>
Total miscellaneous rentals	<u>115,089</u>	<u>128,458</u>
Total revenue	<u>2,802,257</u>	<u>2,744,069</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	236	615
Salaries and wages	<u>44,000</u>	<u>-</u>
Total personnel services	<u>44,236</u>	<u>615</u>
Contractual services		
Utilities		
Electricity	250,854	260,469
Gas	60,685	82,130
Refuse disposal	5,133	5,037
Water and sewer	<u>18,833</u>	<u>22,210</u>
Total utilities	<u>335,505</u>	<u>369,846</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES (CONTINUED)
 TERMINAL BUILDING
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Repairs and maintenance		
Equipment	\$ 35,327	\$ 34,980
Minor equipment and tools	1,653	91
Other contractual services	4,543	1,589
Radios	<u>9,500</u>	<u>4,088</u>
Total repairs and maintenance	<u>51,023</u>	<u>40,748</u>
Professional services		
Insurance	11,120	19,176
Janitorial contract	82,464	79,168
Security services	<u>96,540</u>	<u>89,435</u>
Total professional services	<u>190,124</u>	<u>187,779</u>
Other expenses		
Equipment rental	-	888
Licenses, permits, and inspection fees	<u>105</u>	<u>258</u>
Total other expenses	<u>105</u>	<u>1,146</u>
Total contractual services	<u>576,757</u>	<u>599,519</u>
Materials and supplies		
Agricultural supplies	46	46
Cleaning and janitorial supplies	18,700	25,193
Electrical, plumbing, and hardware	19,405	11,926
Equipment, parts, and supplies	9,364	4,253
Minor equipment and tools	7,079	148
Other materials and supplies	18,675	12,359
Paints, chemicals, and gases	<u>5,622</u>	<u>5,052</u>
Total materials and supplies	<u>78,891</u>	<u>58,977</u>
Total direct expenses	<u>699,884</u>	<u>659,111</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES (CONTINUED)
 TERMINAL BUILDING
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
EXPENSES (CONTINUED)		
Allocated expenses		
Administration	322,556	368,361
ARFF services	11,803	10,343
Security services	<u>16,121</u>	<u>12,268</u>
Total allocated expenses	<u>350,480</u>	<u>390,972</u>
Total expenses before depreciation	<u>1,050,364</u>	<u>1,050,083</u>
Net income before depreciation	<u>1,751,893</u>	<u>1,693,986</u>
Depreciation		
Allocated	10,877	32,062
Direct	<u>1,075,286</u>	<u>674,526</u>
Total depreciation	<u>1,086,163</u>	<u>706,588</u>
Net income	<u>\$ 665,730</u>	<u>\$ 987,398</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 AERONAUTICAL AREA
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
REVENUE		
Building rental	\$ 840	\$ 840
Gate rental	3,224	856
Ground rental	196,730	189,484
Hangar rental	50,986	50,986
Ramp rental	900	900
Reimbursed costs - utilities	<u>10,143</u>	<u>8,600</u>
Total revenue	<u>262,823</u>	<u>251,666</u>
EXPENSES		
Direct expenses		
Personnel services		
Salaries and wages	<u>22,000</u>	<u>-</u>
Total personnel services	<u>22,000</u>	<u>-</u>
Contractual services		
Utilities		
Electricity	624	2,289
Repairs & maintenance	-	549
Water and sewer	<u>667</u>	<u>372</u>
Total utilities	<u>1,291</u>	<u>3,210</u>
Professional services		
Security services	<u>9,013</u>	<u>8,331</u>
Total professional services	<u>9,013</u>	<u>8,331</u>
Total contractual services	<u>10,304</u>	<u>11,541</u>
Total direct expenses	<u>10,304</u>	<u>11,541</u>
Allocated expenses		
Administration	138,238	157,869
ARFF services	3,148	2,758
Security services	<u>1,612</u>	<u>1,227</u>
Total allocated expenses	<u>142,998</u>	<u>161,854</u>
Total expenses before depreciation	<u>153,302</u>	<u>173,395</u>
Net income before depreciation	<u>109,521</u>	<u>78,271</u>
Depreciation		
Allocated	3,477	11,091
Direct	<u>431,824</u>	<u>493,248</u>
Total depreciation	<u>435,301</u>	<u>504,339</u>
Net loss	<u>\$ (325,780)</u>	<u>\$ (426,068)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 NON-AERONAUTICAL AREA
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
REVENUE		
Agricultural land income	\$ 4,802	\$ 8,312
Badge income	6,345	5,094
Building rental	34,200	34,200
Car rental		
Ground rental	<u>74,178</u>	<u>113,393</u>
Total revenue	<u>119,525</u>	<u>160,999</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	4,484	11,685
Salaries and wages	<u>22,000</u>	<u>-</u>
Total personnel services	<u>26,484</u>	<u>11,685</u>
Contractual services		
Utilities		
Electricity	28,954	29,119
Gas	14,750	18,874
Water and sewer	<u>38,171</u>	<u>6,036</u>
Total utilities	<u>81,875</u>	<u>54,029</u>
Professional services		
Insurance	4,700	5,338
Security services	<u>18,026</u>	<u>16,661</u>
Total professional services	<u>22,726</u>	<u>21,999</u>
Other expenses		
Drug tests and physical exams	305	485
Licenses, permits, and inspection fees	<u>1,596</u>	<u>1,338</u>
Total other expenses	<u>1,901</u>	<u>1,823</u>
Total contractual services	<u>106,502</u>	<u>77,851</u>
Materials and supplies		
Other materials and supplies	<u>3,055</u>	<u>3,197</u>
Total materials and supplies	<u>3,055</u>	<u>3,197</u>
Total direct expenses	<u>136,041</u>	<u>92,733</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES (CONTINUED)
 NON-AERONAUTICAL AREA
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Allocated expenses		
Administration	138,238	157,869
ARFF services	2,754	2,413
Security services	<u>4,836</u>	<u>3,680</u>
Total allocated expenses	<u>145,828</u>	<u>163,962</u>
Total expenses before depreciation	<u>281,869</u>	<u>256,695</u>
Net loss before depreciation	<u>(162,344)</u>	<u>(95,696)</u>
Depreciation		
Allocated	4,198	11,319
Direct	<u>301,898</u>	<u>295,258</u>
Total depreciation	<u>306,096</u>	<u>306,577</u>
Net loss	<u>\$ (468,440)</u>	<u>\$ (402,273)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 SCHEDULE OF ALLOCATED EXPENSES
 Year Ended June 30, 2016

	<u>Total Airport</u>	<u>Landing Area</u>	<u>Terminal Building</u>	<u>Aeronautical Area</u>	<u>Non-Aeronautical</u>
Operating revenue less reimbursed security costs	\$ 3,808,688	\$ 624,083	\$ 2,802,257	\$ 262,823	\$ 119,525
Expenses					
Direct expenses					
Personnel services	384,490	291,770	44,236	22,000	26,484
Contractual services	874,496	180,933	576,757	10,304	106,502
Materials and supplies	<u>195,199</u>	<u>113,253</u>	<u>78,891</u>	<u>-</u>	<u>3,055</u>
TOTAL DIRECT EXPENSES	<u>1,454,185</u>	<u>585,956</u>	<u>699,884</u>	<u>32,304</u>	<u>136,041</u>
Allocated expenses					
Administration	921,589	322,557	322,556	138,238	138,238
ARFF services	39,344	21,639	11,803	3,148	2,754
Security services	<u>32,241</u>	<u>9,672</u>	<u>16,121</u>	<u>1,612</u>	<u>4,836</u>
TOTAL ALLOCATED EXPENSES	<u>993,174</u>	<u>353,868</u>	<u>350,480</u>	<u>142,998</u>	<u>145,828</u>
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	<u>2,447,359</u>	<u>939,824</u>	<u>1,050,364</u>	<u>175,302</u>	<u>281,869</u>
Net income (loss) before depreciation and amortization	1,361,329	(315,741)	1,751,893	87,521	(162,344)
Depreciation and amortization	<u>(5,640,737)</u>	<u>(3,813,177)</u>	<u>(1,086,163)</u>	<u>(435,301)</u>	<u>(306,096)</u>
NET INCOME (LOSS)	<u>\$ (4,279,408)</u>	<u>\$ (4,128,918)</u>	<u>\$ 665,730</u>	<u>\$ (347,780)</u>	<u>\$ (468,440)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 ADMINISTRATION
 Year Ended June 30, 2016
 (With comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 105,351	\$ 108,759
Salaries and wages	<u>380,178</u>	<u>366,139</u>
Total personnel services	<u>485,529</u>	<u>474,898</u>
Contractual services		
Utilities		
Internet services	14,435	14,858
Telephone	<u>13,541</u>	<u>14,690</u>
Total utilities	<u>27,976</u>	<u>29,548</u>
Repairs and maintenance		
Equipment	6,962	8,509
Minor equipment and tools	<u>7,683</u>	<u>8,236</u>
Total repairs and maintenance	<u>14,645</u>	<u>16,745</u>
Professional services		
Accounting fees	11,500	11,500
Consulting fees	204,236	218,806
Insurance	7,929	7,942
Legal fees	<u>4,511</u>	<u>5,045</u>
Total professional services	<u>228,176</u>	<u>243,293</u>
Other expenses		
Advertising and promotional expenses	313	1,072
Board meeting/member expense	6,207	2,191
Dues and subscriptions	4,535	4,260
Employee recognition	3,604	4,160
Licenses, permits, and inspection fees	4,445	971
Postage and freight	3,325	2,756
Street maintenance assessments	5,320	4,835
Travel, training, and education	17,649	20,194
U.S. Customs building lease	49,736	49,736
Vehicle lease	<u>6,000</u>	<u>6,000</u>
Total other expenses	<u>101,134</u>	<u>96,175</u>
Total contractual services	<u>371,931</u>	<u>385,761</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES (CONTINUED)
 ADMINISTRATION
 Year Ended June 30, 2016
 (With comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
EXPENSES (CONTINUED)		
Materials and supplies		
Equipment, parts, and supplies	471	120
Minor equipment and tools	-	551
Office materials and supplies	2,823	4,118
Other materials and supplies	<u>918</u>	<u>156</u>
Total material and supplies	<u>4,212</u>	<u>4,945</u>
 Total expenses before depreciation and amortization	 <u>861,672</u>	 <u>865,604</u>
 NON-OPERATING (REVENUE) AND EXPENSES		
Interest expense	213,271	225,318
Interest on investments - operating account	(26,359)	(22,041)
Miscellaneous non-operating (revenue) expense	<u>(126,995)</u>	<u>(16,421)</u>
Total non-operating (revenue) and expenses	<u>59,917</u>	<u>186,856</u>
 Net expense before depreciation and amortization allocated to primary cost centers	 <u>\$ 921,589</u>	 <u>\$ 1,052,460</u>
 Depreciation and amortization allocated to primary cost centers	 <u>\$ 20,772</u>	 <u>\$ 53,345</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 SECURITY SERVICES
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 14,733	\$ 16,013
Salaries and wages	<u>39,641</u>	<u>39,180</u>
Total personnel services	<u>54,374</u>	<u>55,193</u>
Contractual services		
Professional services:		
Insurance	<u>1,616</u>	<u>1,547</u>
Total professional services	<u>1,616</u>	<u>1,547</u>
Total contractual expenses	<u>1,616</u>	<u>1,547</u>
Materials and supplies		
Fuel, oil, and lubricants	<u>13,581</u>	<u>7,293</u>
Total materials and supplies	<u>13,581</u>	<u>7,293</u>
Total expenses before depreciation	<u>69,571</u>	<u>64,033</u>
Less reimbursed security costs	<u>(37,330)</u>	<u>(39,497)</u>
Net expense before depreciation allocated to primary care cost centers	<u>\$ 32,241</u>	<u>\$ 24,536</u>
Depreciation allocated to primary care cost centers	<u>\$ 7,213</u>	<u>\$ 5,781</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 AIRCRAFT RESCUE AND FIRE FIGHTING
 Year Ended June 30, 2016
 (With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 6,009	\$ 6,072
Salaries and wages	<u>16,989</u>	<u>16,792</u>
Total personnel services	<u>22,998</u>	<u>22,864</u>
Materials and supplies		
Firefighting supplies	11,347	6,809
Security supplies	<u>4,999</u>	<u>4,802</u>
Total materials and supplies	<u>16,346</u>	<u>11,611</u>
Total expenses before depreciation	<u>39,344</u>	<u>34,475</u>
Net expense before depreciation allocated to primary cost centers	<u>\$ 39,344</u>	<u>\$ 34,475</u>
Depreciation allocated to primary cost centers	<u>\$ -</u>	<u>\$ 35,000</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
Year Ended June 30, 2016

Basic Property Coverage

Airport Authority properties are covered under Policy No. EPP0261093 by Cincinnati Insurance Company through July 1, 2016, covering property, machinery and boilers, contractors' equipment, and automobile liability up to the following amounts:

Fire and Extended Coverage

The Airport Authority's real and personal property is covered on a blanket basis in the aggregate amount of \$43,462,849 as per the schedule on file in the policy with a \$50,000 per loss deductible. The properties are covered for replacement coverage.

Earthquake

The Airport Authority's real and personal property are covered by a sub-limit of \$5,000,000 for the perils of earthquake and volcanic eruption, subject to a \$10,000 deductible.

Equipment Coverage

Equipment, as listed in the schedule on file with the company, is covered on a broad perils basis, including replacement cost coverage, with a \$43,462,849 limit per accident and \$50,000 per loss deductible.

Contractors' Equipment

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

Automobile Liability

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

Comprehensive General Liability

The Airport Authority's comprehensive general liability coverage is provided by Phoenix Aviation Managers under Policy No. PR00260602 through July 1, 2016. The policy provides premises and operations liability coverage with an occurrence limit of liability of \$50,000,000.

Employee Accident

Workers' compensation coverage for employees' injuries is carried with the Montana State Fund under Policy No. 03-057374-5 through July 1, 2016.

Directors and Officers Liability

The Airport Authority's directors and officers liability coverage is provided by Cincinnati Insurance Company under Policy No. BCP0008777 through July 1, 2016. The policy provides a \$1,000,000 limit of liability in the aggregate subject to a \$10,000 deductible.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)
Year Ended June 30, 2016

Police Professional Liability

The Airport Authority's police professional liability coverage is provided by Scottsdale under Policy No. PKI0002528 through July 1, 2016. The policy provides a \$1,000,000 limit of liability per person/occurrence and a \$1,000,000 annual aggregate subject to a \$10,000 per occurrence deductible.

Fine Arts

The Airport Authority's fine arts (exhibition coverage for expedition in Great Falls series) coverage is provided by Ironshore Indemnity, Inc. under Policy No. HTB002330000 through August 3, 2016. The policy provides for exhibition coverage with a limit of \$30,000 and is not subject to a deductible.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year Ended June 30, 2016

PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

Revenues	<u>\$ 719,313</u>
Interest Income	<u>\$ -</u>
Expenditures	<u>\$ 721,000</u>

SINGLE AUDIT SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Great Falls International Airport Authority (the Airport Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements, and have issued our report thereon dated November 3, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana

November 3, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Great Falls International Airport Authority's (the Airport Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Airport Authority's major federal program for the year ended June 30, 2016. The Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Airport Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirement of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Airport Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, that we consider to be significant deficiencies.

The Airport Authority's response to the internal control over compliance findings 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Zur Muehlen & Co., P.C.

Great Falls, Montana
November 3, 2016

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2016

Program Title	Award Amount	Federal Funds Received as of 6/30/15	Federal Funds Received During Current Year	Federal Funds Receivable as of 6/30/16	Federal Funds Recognized as of 6/30/16	Federal Expenditures as of 6/30/15	Federal Expenditures During Current Year	Federal Expenditures as of 6/30/16	Cumulative Airport Expenditures	Total Program Expenditures
Airport Improvement Program										
CFDA # 20.106										
AIP 3-30-0036-56	\$ 2,148,001	\$ 2,201,960	\$ 139,731	\$ -	\$ 2,341,691	\$ 2,201,960	\$ 139,731	\$ 2,341,691	\$ 454,357	\$ 2,796,048
AIP 3-30-0036-57	738,000	587,159	72,874	-	660,033	628,771	31,262	660,033	77,711	737,744
AIP 3-30-0036-58	579,516	305,052	212,535	61,929	579,516	374,946	204,570	579,516	64,391	643,907
AIP 3-30-0036-59	415,764	394,944	19,337	-	414,281	394,944	19,337	414,281	46,032	460,313
AIP 3-30-0036-61	2,062,829	50,124	1,870,924	-	1,921,048	266,578	1,654,470	1,921,048	213,555	2,134,603
AIP 3-30-0036-62	<u>8,934,570</u>	<u>-</u>	<u>-</u>	<u>149,860</u>	<u>149,860</u>	<u>-</u>	<u>149,860</u>	<u>149,860</u>	<u>13,256</u>	<u>163,116</u>
TOTAL CFDA # 20.106	<u>14,878,680</u>	<u>3,539,239</u>	<u>2,315,401</u>	<u>211,789</u>	<u>6,066,429</u>	<u>3,867,199</u>	<u>2,199,230</u>	<u>6,066,429</u>	<u>869,302</u>	<u>6,935,731</u>
Small Community Air Service Development Program										
CFDA # 20.930										
DOT-OST-2015-0126-0027	<u>385,000</u>	<u>-</u>	<u>-</u>	<u>12,780</u>	<u>12,780</u>	<u>-</u>	<u>12,780</u>	<u>12,780</u>	<u>-</u>	<u>12,780</u>
TOTAL	<u>\$ 15,263,680</u>	<u>\$ 3,539,239</u>	<u>\$ 2,315,401</u>	<u>\$ 224,569</u>	<u>\$ 6,079,209</u>	<u>\$ 3,867,199</u>	<u>\$ 2,212,010</u>	<u>\$ 6,079,209</u>	<u>\$ 869,302</u>	<u>\$ 6,948,511</u>

See accompanying notes to schedule.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
June 30, 2016

NOTE 1. REPORTING ENTITY

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditure of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Airport Authority's financial statements. 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* and OMB Circular A-87.

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*.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

Summary of Auditor Results:

Financial Statements:

Type of auditor report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No

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

Noncompliance material to financial statements? No

Federal Awards:

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? Yes

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(A)? None

The major program for the year ended June 30, 2016, was as follows:

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

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

Auditee qualified as low-risk auditee? Yes

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2016

Findings Related to Federal Awards:

Finding #2016-001

Criteria: The Airport Authority's responsibility is to prepare its schedule of expenditures of federal awards in accordance with the requirements of Uniform Guidance.

Condition: Expenditures related to a prior fiscal year were included in the schedule of federal expenditures of federal awards for the year ended June 30, 2016. An audit adjusting journal entry was also posted for the year ended June 30, 2016 to accrue federal expenditures.

Cause: The Airport Authority is recording federal expenditures when the request for reimbursement is received from their contracted engineering firm instead of accruing the expenditure based on the date that the activity related to the federal award occurred.

Effect: Inaccurate reporting of expenditures included in the schedule of expenditures of federal awards.

Recommendation: The Airport Authority should follow the accrual basis of accounting in order to be in compliance with the requirements of the Uniform Guidance for reporting expenditures on the schedule of expenditures of federal awards. The Airport Authority should coordinate with the contracted engineering firm to ensure that all expenditures are properly recorded in the appropriate fiscal year.

Management Response: We agree with the auditors' finding regarding the reporting of federal awards. It has always been management's practice to record federal expenditures on accrual basis and on occurrence. In this instance, expenditure occurrence was determined during request for reimbursement. In addition to coordinating with our contracted engineering firm to ensure expenditures are properly recorded, and in order to comply with the requirements of Uniform Guidance for reporting expenditures on the schedule of expenditures of federal awards, the Airport Authority plans to adapt a modified cash/accrual basis of accounting on projects where costs and timing could not be appropriately determined or estimated.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

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

OTHER COMPLIANCE REPORTS

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

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

Report on Compliance for the Passenger Facility Charge Program

We have audited Great Falls International Airport Authority's (the Airport Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide) that could have a direct and material effect on its passenger facility charge (PFC) program for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Passenger Facility Charge Program

In our opinion, the Airport Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
November 3, 2016



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