

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, 2017





FINANCIAL REPORT

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GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
JUNE 30, 2017

AUTHORITY MEMBERS AND APPOINTED OFFICERS

<u>Authority Members</u>	<u>Position</u>	<u>Term Expires</u>
Debra Evans	Chairperson	December 31, 2018
Dan Rooney	Vice Chairperson	December 31, 2018
Brad Talcott	Commissioner	December 31, 2017
Vincent Bakke	Commissioner	December 31, 2019
Sean Hoven	Commissioner	December 31, 2019
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, including PFC quarterly reports, of the Great Falls International Airport Authority (the Airport Authority), as of and for the year ended June 30, 2017, 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 Airport Authority, as of June 30, 2017, 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, 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18, the schedule of proportionate share of the PERS net pension liability for the last ten years on page 49, the schedule of PERS contributions for the last ten years on page 50, and the notes to the required supplementary information on pages 51 and 52, be presented to supplement the basic financial statements. Such information, 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 on pages 63 through 69 and the schedule of expenditures of federal awards on pages 74 and 75 and passenger facility charges collected and expended on page 69 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 18, 2017, 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.


Great Falls, Montana
November 18, 2017

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



**For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

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 and deferred outflows after liabilities and deferred inflows are deducted.

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

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

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

FINANCIAL STATEMENTS (CONTINUED)

The basic financial statements include *Notes to Financial Statements* section providing the reader more detailed data. The basic financial statements are followed by a Supplemental Information section which presents certain comparative data in the form of 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 has increased by 5.5 million over the prior fiscal year.

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

Table 1

	2016/2017	2015/2016
ASSETS		
Current	\$ 3,813,628	\$ 4,295,813
Non-current	93,248,217	88,878,323
Total Assets	97,061,845	93,174,136
LIABILITIES		
Current	2,912,389	2,218,109
Non-current	9,276,703	10,984,302
Total Liabilities	12,189,092	13,202,411
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangement	2,850,000	3,450,000
PERS adjustments	10,266	92,554
Total Deferred Inflows of Resources	2,860,266	3,542,554
NET POSITION		
Invested in capital assets	79,145,957	72,974,493
Restricted	18,548	7,309
Unrestricted	2,847,982	3,447,369
Total Net Position	\$ 82,012,487	\$ 76,429,171

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

FINANCIAL POSITION SUMMARY (CONTINUED)

The largest portion of the Airport Authority's net position (96.5%) 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 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

	2016/2017	2015/2016
Operating revenues (1)	\$ 3,858,907	\$ 3,846,018
Operating expenses (2)	(2,482,677)	(2,424,772)
Excess before depreciation and other non-operating revenues and expenses	1,376,230	1,421,246
Depreciation	(1,543,161)	(1,607,391)
Income (loss) before other non-operating revenue and expenses	(166,931)	(186,145)
Non-operating revenues and (expenses), net	789,507	967,698
Income (loss) before capital contributions	622,576	781,553
Capital contributions	9,201,789	2,272,579
Depreciation on federally funded property and equipment	(4,241,049)	(4,033,346)
Change in net position	\$ 5,583,316	\$ (979,214)

Operating revenues increased by \$12,889 or 0.034% in FY2017. See Table 3
Operating expenses increased by \$57,905 or 2.39% in FY2017. See Table 5.

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

FINANCIAL POSITION SUMMARY (CONTINUED)

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

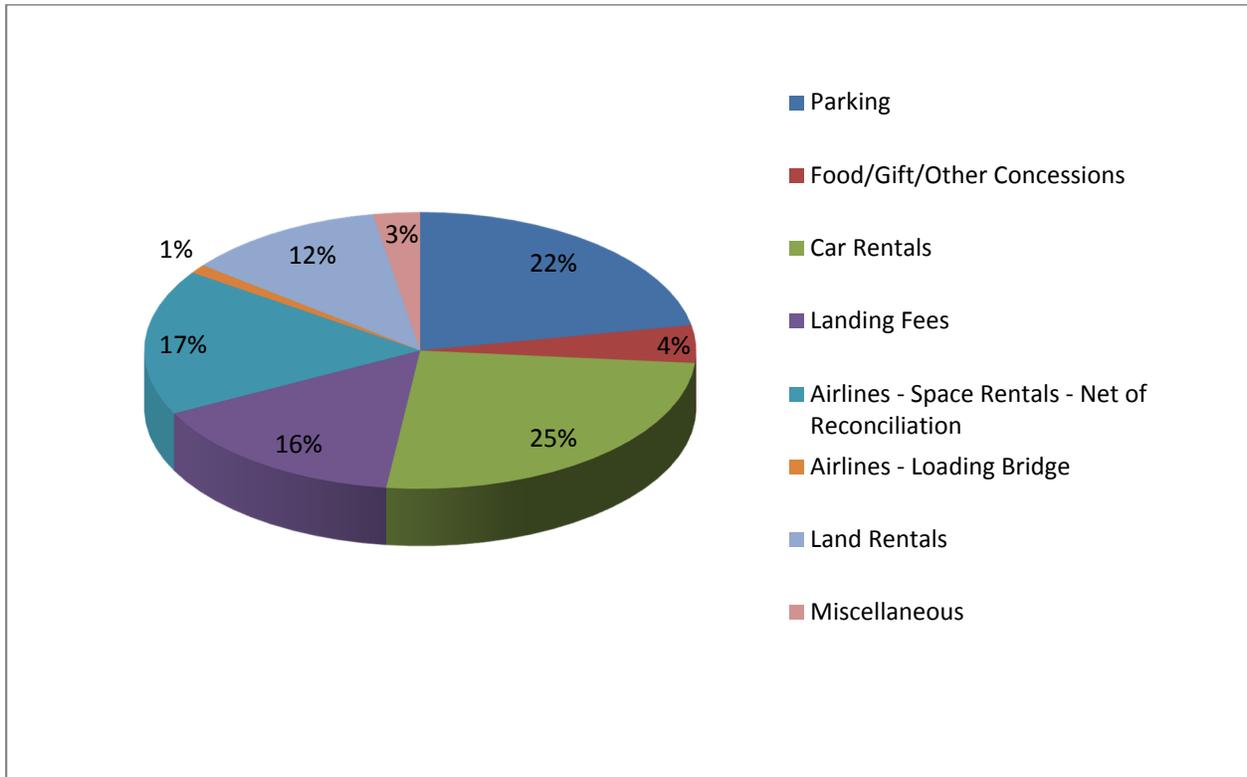
- Passenger related activities including parking, concessions and rental cars
- Airline leases and fees received directly from the airline tenants
- Land and building rentals to non-airline parties

The following table and chart shows the summary of operating revenues for the year ended June 30, 2017 and the amount and percentage of change in relation to prior year amounts.

Table 3

OPERATING REVENUE SOURCE	FY2017	Percent of Total	FY2016	Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease)
Parking	\$ 851,188	22%	\$ 885,095	23%	\$ (33,907)	-3.8%
Food/Gift/Other Concessions	169,165	4%	171,641	5%	(2,476)	-1.4%
Car Rentals	984,866	25%	962,978	25%	21,888	2.3%
Landing Fees	599,651	16%	578,868	15%	20,783	3.6%
Airlines - Space Rentals - Net of Reconciliation	656,385	17%	658,090	17%	(1,705)	-0.3%
Airlines - Loading Bridge	40,176	1%	44,464	1%	(4,288)	-9.6%
Land Rentals	451,541	12%	455,992	12%	(4,451)	-1.0%
Miscellaneous	105,935	3%	88,890	2%	17,045	19.2%
TOTAL OPERATING REVENUES	\$ 3,858,907	100%	\$ 3,846,018	100%	\$ 12,889	0.3%

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



OPERATING REVENUE SOURCES

- Parking revenue decreased by 3.8%. This is primarily the result of a weaker Canadian dollar which resulted in less discretionary leisure travel from the Canadians
- Food/Gift/Other concessions revenue decreased by 1.4% due to fewer events booked in the airport meeting room, specifically wedding traffic was down.
- Car Rentals revenue increased by 2.3% due to aggressive bid results from the rental car concessionaires as we enter the final two years of the contract.
- Landing Fees revenue increased by 3.6% mostly due to increased cargo activity.
- Aggregate airline revenues derived from space rentals and loading bridge fees decreased by \$ 4,288 or 9.6%. This is due to decreased loading bridge revenues associated with less number of Allegiant flights.
- Miscellaneous revenues increased by 19.2% due to increased revenue collected from fuel flowage, security reimbursements, and income from massage chairs. Security increased by \$12,475 or 33% due to the addition of one Law Enforcement Officer subject to reimbursement from TSA under their Law Enforcement Officer Reimbursement Agreement Program.

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

Table 4

TOP PRODUCING CUSTOMERS		
TENANT	AMOUNT	AMOUNT
	FY2016-17	FY2015-16
REPUBLIC PARKING	\$851,188	\$885,095
DELTA (LANDING FEES & SPACE RENT)	\$423,487	\$407,480
UNITED/SKYWEST (LANDING FEES & SPACE RENT)	\$287,154	\$238,075
HORIZON (LANDING FEES & SPACE RENT)	\$251,314	\$195,092
HERTZ (CONCESSION FEES & SPACE RENT)	\$194,556	\$183,849
NATIONAL/ALAMO (CONCESSION FEES & SPACE RENT)	\$192,351	\$178,112
FEDEX (LANDING FEES)	\$188,744	\$188,261
AVIS (CONCESSION FEES & SPACE RENT)	\$194,363	\$178,849
ENTERPRISE (CONCESSION FEES & SPACE RENT)	\$145,881	\$165,421
ALLEGIANT (RENT, PER TURN & LANDING FEES)	\$133,308	\$154,039
TOTAL	\$2,862,346	\$2,774,273

OPERATING EXPENSES

The following table shows the summary of operating expenses for the year ended June 30, 2017 and the amount and percentage of change in relation to prior year amounts.

Table 5

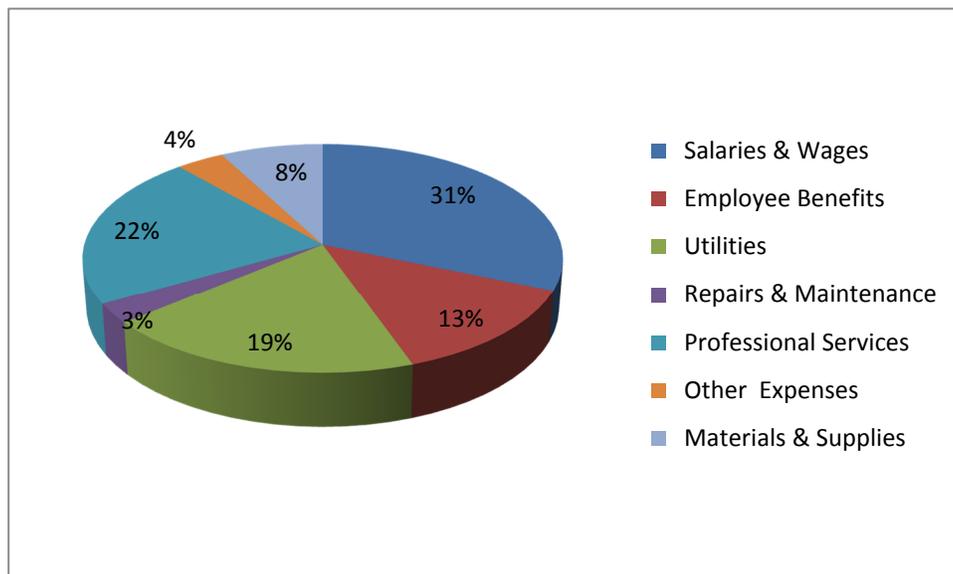
	2017 Amount	Percent of Total	2016 Amount	Percent of Total	Increase (Decrease) from 2016	Percent Increase (Decrease)
Personnel Services						
Salaries & Wages	779,588	31.4%	709,566	29%	70,022	9.9%
Employee Benefits	327,113	13.2%	243,825	10%	83,288	34.2%
Contractual Services						
Utilities	480,071	19.3%	503,485	21%	(23,414)	-4.7%
Repairs & Maintenance	69,498	2.8%	75,608	3%	(6,110)	-8.1%
Professional Services	542,560	21.9%	555,777	23%	(13,217)	-2.4%
Other Expenses	90,446	3.6%	94,497	4%	(4,051)	-4.3%
Materials & Supplies	193,401	7.8%	242,014	10%	(48,613)	-20.1%
Total Operating Expenses	2,482,677	100.0%	2,424,772	100%	57,905	2.4%

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

OPERATING EXPENSES (CONTINUED)

- Salaries and Wages increased by 9.9% as a result of addition of one employee, a law enforcement officer. This cost was partially offset by a reduction in the professional services where contracted private security screening resides.
- Employee benefits increased by 34.2 % due to one additional employee and increase in health insurance premiums. PERS contributions, unemployment, workers’ compensation FICA and Medicare contributions also increased due to the additional employee.
- Equipment repairs and maintenance decreased by 8.1%.
- Professional services decreased 2.4%. This was due to savings in private security costs which were partly offset by increased marketing spending to support new Chicago flights.
- Other operating expenses decreased by 4.3% as a result of less employee recognition and decreased board meeting expenses.
- Materials and Supplies decreased by 20.1% as a result of lower fuel cost and less consumption of fuel, oil, lubricants, paints, chemicals, and gases. Spending was also down on snow consumables including plow blades and broom fill.

The following pie chart shows the composition of operating expenses with their corresponding percentages for the year ended June 30, 2017.



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

NOTEWORTHY INFORMATION & DISCLOSURES

Runway Projects

During FY 2017, the Airport completed the rehabilitation of Runway 16/34. This project included construction of a new parallel taxiway, Taxiway C. Runway 16/34 was milled and overlaid, a new lighting system was installed; safety area and new edge drains were installed. The Federal Aviation Administration also published new approach procedures and the runway designation was changed to Runway 17/35 due to the movement of magnetic north. Total project cost amounts to \$11,361,513 of which \$9,394,906 represents FAA grants.

Also during FY 2017, the Airport designed the final portion of the Runway 16/34 program which is the construction of a new connecting taxiways A4 and B4 which provide access from Taxiway A to the new Taxiway C. The Taxiway A4/B4 project will be constructed in FY 2018.

Federal Awards

In compliance with the requirement of the Part 200 Code of Regulations - Uniform Guidance for reporting expenditures on the schedule of expenditures of federal awards, the Airport Authority adapted a modified cash/accrual basis of accounting on projects where costs and timing could not be appropriately determined or estimated. The airport is also adapting a written policy procedure in FY 2018.

Employee Hand Book Changes

During FY 2017, the Airport Authority adopted adjustments to the Employee Handbook. Updates were made to the call-in pay and overtime policies. A whistleblower policy was also added to bring the policies in line with current standards for public agencies.

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 third year of its implementation.

Other Contracts and Projects Approved By the Board in FY2017

- Petroleum Products & Fuel Dispensing Permit
- Holman Aviation Lease Extension
- FedEx Air Conditioner Repairs
- Ryan Perrin Lease Agreement
- Outdoor Art Contract (Sculpture)
- CH2M Hill Engineering Contract
- Hotel Market Study
- ANG Landing Zone Lighting (MCCA)
- Construction of Runway 16/34
- Emergency Car Wash Repair
- Construction of GA Lift Station
- SRE Yard Paving Project
- Small Capital- Terminal Seating and Carpet
- Capital Project – Cargo /Terminal Ramp Joint Seal

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

NOTEWORTHY INFORMATION & DISCLOSURES (CONTINUED)

Airport Operations Officer

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

Transport Leasing Parcel (911 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 stipulated 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. As part of conflict resolution, the City and Authority reached an agreement on the location of the new road that will provide access to the 911 Center and the parcel to the west of it. The city will not pay rent for the land for the next 30 years, but instead plans to develop a new road to provide access to that area. The City and the Airport Authority ultimately executed a lease agreement after the end of the fiscal year.

COST CENTERS

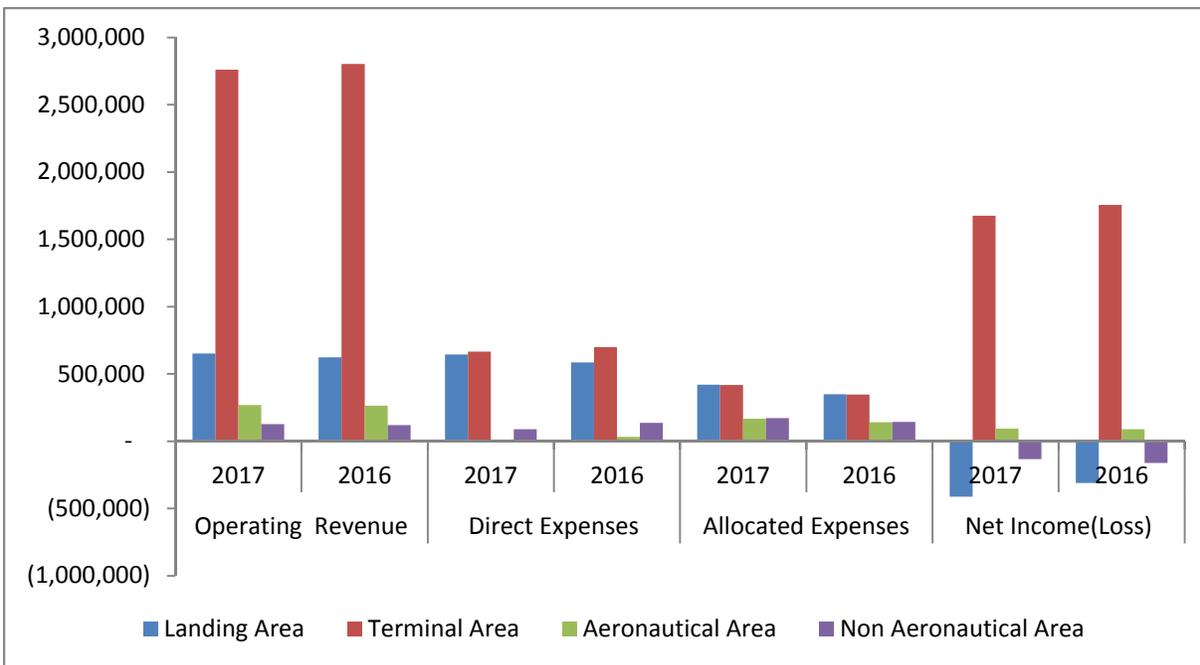
The following table and chart shows the cost centers and operating revenues & expenses for the years ended June 30, 2017 and June 30, 2016. For more details, refer to Supplemental Schedules

	Operating Revenue*		Direct Expenses		Allocated Expenses		Net Income(Loss) Before Depreciation/Amortization	
	2017	2016	2017	2016	2017	2016	2017	2016
Landing Area	652,066	624,083	643,579	585,956	419,814	349,395	(411,327)	(311,268)
Terminal Area	2,760,299	2,802,257	666,437	699,884	418,100	346,007	1,675,762	1,756,366
Aeronautical Area	269,210	262,823	8,492	32,304	166,916	141,081	93,802	89,438
Non Aeronautical Area	127,527	119,525	88,871	136,041	172,253	143,911	(133,597)	(160,427)
Total	3,809,102	3,808,688	1,407,379	1,454,185	1,177,083	980,394	1,224,640	1,374,109

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

COST CENTERS (CONTINUED)

Table 6



*Less reimbursed security costs.

SUMMARY OF CASH FLOW ACTIVITIES

The following table shows a summary of the major sources and use of cash and cash equivalents for FY2017 and FY2016. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments.

Table 7

	2016/2017	2015/2016
Cash flows from:		
Operating Activities	\$ 1,280,246	\$ 1,572,131
Non-capital Financing Activities	4,824	126,995
Capital and Related Financing Activities	(2,295,336)	(2,593,564)
Investing Activities	1,108,144	920,083
Net Change in Cash and Cash and Cash Equivalents	97,878	25,645
Cash and Cash Equivalents:		
Beginning of year	327,510	301,865
End of year	\$ 425,388	\$ 327,510

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

CAPITAL IMPROVEMENT PROJECTS

The Airport Authority expended \$ 10,171,762 and \$ 2,709,889 on FAA approved Airport Improvement Projects for FY2017 and FY2016, 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 \$ 751,583 and \$ 1,331,125 for FY2017 and FY2016 respectively.

PROJECT DESCRIPTION	FY2017	FY2016
AIP # 56 - SRE (Snow Removal Equipment) Building	-	417,512
AIP # 57- Residential Sound Insulation Project	-	38,672
AIP # 58- Master Plan Update	-	227,301
AIP # 59- Rehabilitate Runway 16/34	-	21,486
AIP # 61- Roadway Improvements	233,712	1,838,405
AIP # 62- Upgrade Runway 16/34, Construct Taxiway	9,192,690	166,513
AIP # 63- Rehab Runway 16/34; Install Taxiway C Lighting	472,799	-
AIP# 64- Construct Taxiway A4/B4 ; Remove Hot Spot 2	272,561	-
FAA Approved Capital Improvement Projects	<u>10,171,762</u>	<u>2,709,889</u>
Avmax Hangar Phase 1	-	3,600
Miscellaneous Projects	24,043	-
SRE (Snow Removal Equipment) Building	-	81,183
Terminal /Parking Lot Expansion	-	349
AIP 61 Roadway Improvements - Non-Fed	156,491	1,157,878
AIP 62 Upgrade Runway/Taxiway-Non -Fed	498,759	7,202
LED Lighting	48,461	76,174
General Aviation Taxilane-Southwest/Redhorse	23,829	4,739
Airport Funded Projects	<u>751,583</u>	<u>1,331,125</u>
Total	<u>10,923,345</u>	<u>4,041,014</u>

During 2017, the Airport reconstructed the cross-wind runway, Runway 17/35 with a full mill and overlay of existing pavement. The runway project included the installation of the new full-length parallel Taxiway C, which was required by FAA specifications as a result of a line-of-sight deficiency in the runway. Further, the program included the permanent closure of Runway 7/25. The runway was closed because the wind conditions did not meet FAA criteria funding of two cross-wind runways.

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

CAPITAL IMPROVEMENT PROJECTS (CONTINUED)

Currently, the only access to Taxiway C and ultimately Runway 17/35 is via Runway 7/25 which is now called Taxiway Z. The overall Runway 17/35 program, envisioned two new connecting taxiways that will allow a path from Taxiway A on the east side of Runway 3/21, across Runway 3/21, to the new Taxiway C. The new connector taxiways, A4 and B4, will ultimately provide the only access to Runway 17/35. The new path will be a very direct link from the MANG ramp, which is beneficial because Runway 17/35 is their primary training runway. The new A4/B4 taxi lanes were designed in FY 2017 and will be built in FY2018.

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 2017 and 2016 were \$689,239 and \$719,313 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 \$12,514,649.65 in PFC fees.

AIRPORT ACTIVITIES AND HIGHLIGHTS

The Great Falls Airport Authority concluded its 2016-2017 Fiscal Year with identical results consistent with the prior year. Operating revenues increased by less than half of 1% or \$12,889 in comparison with the prior year's results. This is mostly due to increased rental car revenue and higher landing fees. Miscellaneous revenue also increased significantly due to more TSA reimbursements under their Law Enforcement Officer Reimbursement Agreement Program. Although revenue growth was slight in the past year, the Authority still achieved its fourth consecutive year of record operating revenue.

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

AIRPORT ACTIVITIES AND HIGHLIGHTS (CONTINUED)

The Airport added its second full time law enforcement officer during the 2016-2017 Fiscal Year. Operating expenses increase by 2.39% or \$57,905 in comparison to last year's results. This is attributed to the additional payroll and benefits incurred due to adding the aforementioned officer. The Authority was able to achieve a 4.7% decline in Utilities expenses as a result of an LED lighting conversion program that was completed in the prior fiscal year. Lower fuel prices also helped to produce significant savings in Material and supplies costs.

Table 2 shows the summary of operations and changes in the airport's net position. Table 3 shows the operating revenue sources in comparison with last year's results. Top Producing Customers are listed in Table 4 and Table 5 shows the summary of operating expenses in comparison with last year's results.

Overall, the Airport saw slight declines in passenger volumes as the weak Canadian dollar continued to result in less leisure traffic looking for low cost flights. The passenger declines were particular evident during peak Canadian travel months in the spring when Allegiant Airlines reduced their flying by approximately 20 flights. Overall passenger traffic was down 4.8% during the fiscal year. On a positive note, new summer direct Chicago service started during the 2016-2017 fiscal year. The new Chicago service was extremely successful and was expanded for the next fiscal year.

During the past fiscal year, the Airport installed new 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. 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. Over the past year, two taxiways were constructed to provide aircraft access to this area. Plans are underway to build water and sewer infrastructure next year. 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. This brings the total approved for collection to \$17,776,328 of which \$12,514,649.65 has been collected as of June 30, 2017.

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

AIRPORT STATISTICS

	2016/2017	2015/2016	2014/2015
Enplanements	173,978	182,761	189,829
Landed Weights:			
Scheduled Airlines	200,729	199,142	235,933
Mail Carriers	190,700	185,695	180,248
Non Scheduled Airlines	30,462	20,844	28,171

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, 2017
(With Comparative Totals for June 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash items	\$ 5,715	\$ 5,432
Cash - demand deposits	401,125	314,769
Investments	1,480,069	2,620,194
Accounts receivable	490,881	497,712
Grants receivable	719,287	224,569
Inventories	4,100	4,100
Current portion of concession contract receivable	600,000	600,000
Prepaid expenses	<u>112,451</u>	<u>29,037</u>
Total current assets	<u>3,813,628</u>	<u>4,295,813</u>
NONCURRENT ASSETS		
RESTRICTED CASH AND INVESTMENTS		
Cash - demand deposits	<u>18,548</u>	<u>7,309</u>
Total restricted cash and investments	<u>18,548</u>	<u>7,309</u>
CAPITAL ASSETS		
Property and equipment - net	73,494,276	75,561,191
Construction work in progress	<u>13,332,917</u>	<u>6,061,515</u>
Total capital assets	<u>86,827,193</u>	<u>81,622,706</u>
OTHER ASSETS		
Investments	1,347,450	855,451
Deposits	3,100	3,100
Net investment in lease	2,667,875	3,479,785
Long-term portion of concession contract receivable	2,250,000	2,850,000
Patronage credits	<u>2,238</u>	<u>2,238</u>
Total other assets	<u>6,270,663</u>	<u>7,190,574</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	<u>131,813</u>	<u>57,734</u>
Total deferred outflows of resources	<u>131,813</u>	<u>57,734</u>
Total assets and deferred outflows of resources	<u>\$ 97,061,845</u>	<u>\$ 93,174,136</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, 2017

(With Comparative Totals for June 30, 2016)

	<u>2017</u>	<u>2016</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 66,014	\$ 75,967
Accounts payable - construction	866,661	200,426
Tenant deposits	3,805	3,805
Payroll and payroll taxes payable	28,178	26,428
Interest payable	17,563	21,247
Compensated absences payable	65,564	72,716
Unearned revenue	104	5,479
Current portion of long-term debt	<u>1,864,500</u>	<u>1,812,041</u>
Total current liabilities	<u>2,912,389</u>	<u>2,218,109</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	8,484,611	10,349,906
PERS pension liability	<u>792,092</u>	<u>634,396</u>
Total long-term liabilities	<u>9,276,703</u>	<u>10,984,302</u>
Total liabilities	<u>12,189,092</u>	<u>13,202,411</u>
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangement - Republic Parking	2,850,000	3,450,000
Pension adjustments	<u>10,266</u>	<u>92,554</u>
Total deferred inflows of resources	<u>2,860,266</u>	<u>3,542,554</u>
NET POSITION		
Net investment in capital assets	79,145,957	72,974,493
Restricted	18,548	7,309
Unrestricted	<u>2,847,982</u>	<u>3,447,369</u>
Total net position	<u>82,012,487</u>	<u>76,429,171</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 97,061,845</u>	<u>\$ 93,174,136</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 3,858,907	\$ 3,846,018
Operating expenses	<u>2,482,677</u>	<u>2,424,772</u>
Excess of operating revenues over operating expenses before depreciation and amortization	1,376,230	1,421,246
Less: Depreciation and amortization	<u>(1,543,161)</u>	<u>(1,607,391)</u>
Loss from operations	<u>(166,931)</u>	<u>(186,145)</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Investment income	9,588	26,359
Miscellaneous non-operating revenues	4,821	126,995
Interest expense	(165,999)	(213,271)
Investment income from lease investment	450,433	512,594
Interest expense from lease investment	(198,575)	(204,292)
Passenger Facility Charges (PFC), net	<u>689,239</u>	<u>719,313</u>
Total non-operating revenues	<u>789,507</u>	<u>967,698</u>
Income before capital contributions and depreciation on federally funded property and equipment	622,576	781,553
Capital contributions	9,201,789	2,272,579
Depreciation on federally funded property and equipment	<u>(4,241,049)</u>	<u>(4,033,346)</u>
CHANGE IN NET POSITION	5,583,316	(979,214)
Net position, beginning of year	<u>76,429,171</u>	<u>77,408,385</u>
Net position, end of year	<u>\$ 82,012,487</u>	<u>\$ 76,429,171</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from providing services	\$ 3,860,363	\$ 3,934,532
Cash payments to employees	(1,104,826)	(967,222)
Cash payments to suppliers	<u>(1,475,291)</u>	<u>(1,395,179)</u>
Net cash flows from operating activities	<u>1,280,246</u>	<u>1,572,131</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Miscellaneous non-operating revenues	<u>4,824</u>	<u>126,995</u>
Net cash flows from non-capital financing activities	<u>4,824</u>	<u>126,995</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from grants - FAA	8,674,510	2,321,069
Utility reimbursement from City of Great Falls	-	40,357
Proceeds from grants - MDOT	7,000	5,700
Proceeds from grants - US DOT	25,561	12,780
Work-in-progress additions	(10,261,610)	(3,861,218)
Acquisition of property and equipment	(60,852)	(484,849)
Interest paid	(368,258)	(420,238)
Passenger Facility Charges (PFC), net	689,239	719,313
Payment on long-term debt	(1,812,836)	(1,760,432)
Payment received under municipal lease	<u>811,910</u>	<u>833,954</u>
Net cash flows from capital and related financing activities	<u>(2,295,336)</u>	<u>(2,593,564)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	428,013	507,640
Purchase of investments	(1,170,205)	(773,551)
Redemption of investments	<u>1,850,336</u>	<u>1,185,994</u>
Net cash flows from investing activities	<u>1,108,144</u>	<u>920,083</u>
Net change in cash and cash equivalents	97,878	25,645
Cash and cash equivalents, beginning of year	<u>327,510</u>	<u>301,865</u>
Cash and cash equivalents, end of year	<u>\$ 425,388</u>	<u>\$ 327,510</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (166,931)	\$ (186,145)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	1,543,161	1,607,391
Pension adjustments	1,329	(33,356)
Changes in operating assets and liabilities:		
Accounts receivable	6,831	88,295
Inventories	-	37,382
Prepaid expenses	(83,414)	(3,912)
Deposits	-	(2,100)
Accounts payable	(9,953)	48,732
Payroll and payroll taxes payable	1,750	852
Compensated absences payable	(7,152)	12,673
Unearned revenue	(5,375)	2,319
Net cash flows from operating activities	<u>\$ 1,280,246</u>	<u>\$ 1,572,131</u>
 SCHEDULE OF INTEREST		
Interest paid	<u>\$ 368,258</u>	<u>\$ 420,238</u>
 SCHEDULE OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash items	\$ 5,715	\$ 5,432
Cash - demand deposits (unrestricted)	401,125	314,769
Cash - demand deposits (restricted)	18,548	7,309
	<u>\$ 425,388</u>	<u>\$ 327,510</u>
 SCHEDULE OF NONCASH TRANSACTIONS		
Addition of PERS pension liability	\$ 157,696	\$ 31,827
Addition of deferred outflows related to pension liability	(74,079)	(2,023)
Addition (reduction) of deferred inflows related to pension liability	(82,288)	(63,160)
	<u>\$ 1,329</u>	<u>\$ (33,356)</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Position

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

Cash and Investments

Cash and investments include amounts in demand deposits, savings deposits, time deposits, U.S. Government securities, and the State Short-Term Investment Pool (S.T.I.P.). Investments in U.S. Government securities are 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, 2017.

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.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Construction Work in Progress

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

Compensated Absences Payable

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

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, 2017.

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.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

NOTE 2. CASH AND INVESTMENTS

The composition of cash and investments on June 30, 2017, was as follows:

Cash items	\$ 5,715
Cash in banks:	
Demand deposits	419,673
Savings deposits	15,622
Time deposit	248,047
State Short-Term Investment	
Pool (S.T.I.P.)	1,349,806
U.S. Government bonds	<u>1,214,044</u>
	<u>\$ 3,252,907</u>

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

Cash items	\$ 5,715
Cash- demand deposits, current	401,125
Investments, current	1,480,069
Cash- demand deposits, restricted	18,548
Investments, long-term	<u>1,347,450</u>
	<u>\$ 3,252,907</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 \$682,295, and the bank balance was \$800,234. 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).

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Cash in Banks (Continued)

From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. As of June 30, 2017, the Airport Authority had \$286,565 of bank account deposits in excess of FDIC insurance and \$0 of time deposits in excess of SIPC coverage.

As of June 30, 2017, 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.

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, 2017, the Airport Authority had the following investments and maturities:

Investment Type	Amount	Investment Maturities	
		Less Than 1 Year	1-5 years
Money market	\$ 15,622	\$ 15,622	\$ -
Time deposit	248,047	-	248,047
S.T.I.P.	1,349,806	1,349,806	-
U.S. government bonds	<u>1,214,044</u>	<u>114,641</u>	<u>1,099,403</u>
	<u>\$ 2,827,519</u>	<u>\$ 1,480,069</u>	<u>\$ 1,347,450</u>

Interest Rate Risk

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Credit Risk

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

Credit Quality Ratings as of June 30, 2017:

Investment Type	Amortized Cost	Credit Quality Rating
Treasuries	\$ 56,392	A1+
Asset backed commercial paper	492,549	A1
Corporate commercial paper	160,950	A1
Corporate notes	167,110	A1+
Certificates of deposit	218,796	A1+
U.S. government agency	176,174	A1+
Money market funds (unrated)	10,946	NR
Money market funds (rated)	<u>66,889</u>	<u>A1+</u>
	<u>\$ 1,349,806</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. Concentration risk was within the policies as set by the Montana Board of Investments. Investments of the S.T.I.P. include certain derivative-type investments, such as asset-backed securities and variable-rate securities.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

The asset-backed securities are collateralized by non-mortgage assets pledged by the issuer, and have one or more forms of credit enhancement to raise the quality of the security. Asset-backed securities have less credit risk than do securities not backed by pledged assets, while market risk for asset-backed securities is the same as market risk for similar nonasset-backed securities.

The variable-rate securities are designed to minimize the investors' interest rate risk by periodically resetting the interest rate to either the prime rate or the London Interbank Offering Rate. Variable-rate securities have credit risk identical to similar fixed-rate securities, while their market risk is less volatile than fixed-rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield.

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach. Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

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 1)
U.S. government bonds	\$ 1,251,486	\$ 1,214,044

The net decrease in the fair value of investments during the year ended June 30, 2017 was \$22,417. This amount is netted into investment income on the statement of revenues, expenses, and changes in net position.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Restricted Cash and Investments

Restricted cash and investments at June 30, 2017 consist of \$18,548 in the Passenger Facility Charge and Snow Removal Equipment (SRE) Building bank accounts.

NOTE 3. CAPITAL ASSETS

Property and Equipment

A summary of the changes in property and equipment during the year ended June 30, 2017 is as follows:

	Balance, July 1, 2016	Additions	Deletions	Balance, June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 1,501,248	\$ -	\$ -	\$ 1,501,248
Construction in progress	<u>6,061,515</u>	<u>10,927,845</u>	<u>(3,656,443)</u>	<u>13,332,917</u>
Total capital assets, not being depreciated	<u>7,562,763</u>	<u>10,927,845</u>	<u>(3,656,443)</u>	<u>14,834,165</u>
Capital assets, being depreciated:				
Buildings	33,856,546	29,472	-	33,886,018
Improvements	109,010,424	3,647,524	-	112,657,948
Furniture, fixtures and equipment	<u>6,737,823</u>	<u>40,298</u>	<u>-</u>	<u>6,778,121</u>
Total capital assets, being depreciated	<u>149,604,793</u>	<u>3,717,294</u>	<u>-</u>	<u>153,322,087</u>
Less accumulated depreciation:				
Buildings	(18,104,196)	(1,211,522)	-	(19,315,718)
Improvements	(52,664,575)	(4,357,900)	-	(57,022,475)
Furniture, fixtures and equipment	<u>(4,776,079)</u>	<u>(214,787)</u>	<u>-</u>	<u>(4,990,866)</u>
	<u>(75,544,850)</u>	<u>(5,784,209)</u>	<u>-</u>	<u>(81,329,059)</u>
Capital assets being depreciated, net	<u>74,059,943</u>	<u>(2,066,915)</u>	<u>-</u>	<u>71,993,028</u>
Capital assets, net	<u>\$ 81,622,706</u>	<u>\$ 8,860,930</u>	<u>\$ (3,656,443)</u>	<u>\$ 86,827,193</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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, 2017 is as follows:

Project	Balance July 1, 2016	Project Additions	Close-Out/ Deletions	Balance June 30, 2017
AIP 57	\$ (678)	\$ -	\$ -	\$ (678)
AIP 58	639,408	4,500	-	643,908
AIP 61 (NonFed)	1,205,951	156,491	(1,362,442)	-
AIP 61 (Fed)	2,060,289	233,712	(2,294,001)	-
AIP 62 (NonFed)	7,202	498,759	-	505,961
AIP 62 (Fed)	132,563	9,192,690	-	9,325,253
AIP 63	-	472,799	-	472,799
AIP 64 (Fed)	-	272,561	-	272,561
Engineer Consulting Miscellaneous	40,608	-	-	40,608
Noise Mitigation	369	-	-	369
Metes and Bounds	20,185	-	-	20,185
AVMAX Apron	92,072	-	-	92,072
Holman Apron	9,476	-	-	9,476
Taxiway Fixture Coordination	85,949	-	-	85,949
Terminal/Parking Lot Expansion	871,242	-	-	871,242
Design Runway 16/24	384,854	-	-	384,854
Other	(41,419)	24,043	-	(17,376)
FedEx Apron	90,494	-	-	90,494
Red Horse	4,739	23,829	-	28,568
LED	76,174	48,461	-	124,635
AVMAX Hangar Phase I	110,934	-	-	110,934
AVMAX Phase II	154,038	-	-	154,038
AVMAX Phase IV	97,215	-	-	97,215
TIF Program	19,850	-	-	19,850
	<u>\$ 6,061,515</u>	<u>\$ 10,927,845</u>	<u>\$ (3,656,443)</u>	<u>\$ 13,332,917</u>

The Airport Improvement Program (AIP) work in progress project additions include expenditures of \$1,085,770 from Airport Authority funds and \$9,085,990 from FAA funds. AIP work in progress project close-out/deletions consist of transfers to capital assets totaling \$2,294,001.

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, 2017

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)	4,967
Ramp	<u>17,976</u>
	<u>\$ 89,125</u>

A schedule of the net investment in lease as of June 30, 2017 is as follows:

Total minimum lease payments receivable	\$ 3,041,749
Less: unearned revenue	<u>(373,874)</u>
Net investment in direct financing lease	<u>\$ 2,667,875</u>

A schedule of minimum lease payments is as follows:

	<u>Building</u>	<u>Ground</u>	<u>Ramp</u>	<u>Total</u>
2018	\$ 794,179	\$ 59,759	\$ 215,715	\$ 1,069,653
2019	794,179	61,551	215,715	1,071,445
2020	<u>644,942</u>	<u>57,970</u>	<u>197,739</u>	<u>900,651</u>
	<u>\$ 2,233,300</u>	<u>\$ 179,280</u>	<u>\$ 629,169</u>	<u>\$ 3,041,749</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, 2017 is \$3,508,870.

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, 2017 is \$1,838,750.

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

June 30, 2017

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, 2017 is \$788,450.

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, 2017 is \$526,050.

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, 2017 is \$2,130,450.

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, 2017 is \$650,022. 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, 2017 is \$906,519. 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, 2017

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, 2017:

Note payable to:	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Montana Board of Investments	\$ 701,096	\$ -	\$ (51,073)	\$ 650,023	\$ 53,193
Montana Board of Investments	961,281	-	(54,763)	906,518	57,707
Wells Fargo-Fedex Note Series 2013A	4,351,120	-	(842,250)	3,508,870	863,500
Wells Fargo-Apron Note Series 2013B	2,243,900	-	(405,150)	1,838,750	415,350
Wells Fargo-Car Rental Note Series 2013C	876,750	-	(88,300)	788,450	92,400
Wells Fargo-SRE Note Series 2013D	604,400	-	(78,350)	526,050	80,550
Wells Fargo-Terminal Note Series 2013E	2,423,400	-	(292,950)	2,130,450	301,800
	<u>\$ 12,161,947</u>	<u>\$ -</u>	<u>\$ (1,812,836)</u>	<u>\$ 10,349,111</u>	<u>\$ 1,864,500</u>

Requirement to Amortize Debt

The annual debt service requirements to maturity for long-term debt outstanding as of June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	792,176	98,037	890,213
2023-2027	1,709,157	187,800	1,896,957
2028-2029	137,251	6,294	143,545
	<u>\$ 10,349,111</u>	<u>\$ 1,198,554</u>	<u>\$ 11,547,665</u>

NOTE 6. SERVICE CONCESSION ARRANGEMENT

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 6. SERVICE CONCESSION ARRANGEMENT (CONTINUED)

The terms of the agreement include:

- Impark 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.
- Impark is responsible for parking lot maintenance while the Airport Authority is responsible for structural modifications and substantial repairs.
- The Airport Authority and Impark have mutually agreed to the parking rates charged for use of the facility during the term of the agreement and rate changes shall go into effect only when approved by the Airport Authority.

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

The facility is reported by the Airport Authority as a capital asset of \$2,093,307 and is being depreciated over its useful life. For the amount to be received under the agreement, the Airport Authority has recorded a receivable and deferred inflow of resources in the amount of \$2,850,000. The deferred inflow of resources will be amortized to revenue over the term of the agreement.

NOTE 7. PASSENGER FACILITY CHARGES (PFC)

Changes in the passenger facility charges account for the year ended June 30, 2017 are as follows:

Balance at beginning of year	\$ (1,861,453)
Additions:	
Collections from carriers	689,239
Balance at end of year	\$ (1,172,214)

The PFC account owes the Surplus account \$1,185,247 as of June 30, 2017. These funds will be repaid monthly as PFC revenues are collected. A total of \$678,000 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, 2017

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, 2017, are as follows:

<u>Capital assets</u>	
Balance at beginning of year	\$ 75,561,191
Additions:	
Transfers from Work in Progress account and acquisition of capital assets	3,717,295
Deductions:	
Depreciation expense	<u>(5,784,210)</u>
Balance at end of year	<u>73,494,276</u>
<u>Construction work in progress</u>	
Balance at beginning of year	6,061,515
Additions:	
Contributions - Airport funds	1,773,306
FAA grants	9,154,539
Deductions:	
Projects closed and transferred to fixed assets	<u>(3,656,443)</u>
Balance at end of year	<u>13,332,917</u>
<u>Net investment in lease</u>	
Balance at beginning of year	3,479,785
Deductions:	
Principal payments received	<u>(811,910)</u>
Balance at end of year	<u>2,667,875</u>
<u>Related debt</u>	
Balance at beginning of year	(12,161,947)
Deductions:	
Principal payments	<u>1,812,836</u>
Balance at end of year	<u>(10,349,111)</u>
Net investment in capital assets at June 30, 2017	<u>\$ 79,145,957</u>

NOTE 9. RESTRICTED NET POSITION

Restricted net position at June 30, 2017 consists of the following:

Restricted for passenger facility charges	\$ 13,034
Restricted bond proceeds held in a Wells Fargo Bank account to be used for Snow Removal Equipment building costs	<u>5,514</u>
	<u>\$ 18,548</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

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

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, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Summary of Benefits (Continued)

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.

Overview of Contributions

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The Montana legislature has the authority to establish and amend contribution rates to the plan. Member and employer rates are shown in the table below.

Fiscal Year	Member		State &	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Universities Employer	Employer	State	Employer	State
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Overview of Contributions (Continued)

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 Plan Choice Rate (PCR), that directed a portion of employer contributions for DC members to the PERS defined benefit plan 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 severance tax fund.

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, (406)-444-3154 or the MPERA website at <http://mpera.mt.gov/index.shtml>.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by taking results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the total pension liability to June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2016, 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

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.

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

June 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Discount Rate (Continued)

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 2117. 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 Plan. The experience study, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return Arithmetic Basis</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	<u>8.00%</u>	4.00%	<u>0.32%</u>
Total	100.0%		4.36%
Inflation			<u>3.00%</u>
Portfolio Return Expectation			7.36%

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Great Falls International Airport	\$ 1,149,384	\$ 792,092	\$ 484,320

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The net pension liability was 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 1.00% lower or 1.00% higher than the current rate.

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

PERS Disclosure for the Defined Contribution Plan

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

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans.

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

PERS Disclosure for the Defined Contribution Plan (Continued)

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

At the plan level for the measurement period ended June 30, 2016, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 289 employers that have participants in the PERS-DCRP totaled \$382,656.

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 Defined Benefit Retirement Plan (the Plan). 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.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2016, was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

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.

Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan additional contributions that qualify as *special funding*. Those employers who received *special funding* are counties; cities & towns; school districts & high schools; and other governmental agencies.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Not Special Funding

Per Montana law, state agencies and universities paid their own additional contributions. These employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions. The state of Montana, as the non-employer contributing entity, also paid to the Plan coal tax contributions that are *not* accounted for as special funding for all participating employers.

	Net Pension Liability as of June 30, <u>2017</u>	Net Pension Liability as of June 30, <u>2016</u>	Percent of Collective NPL As of June 30, <u>2017</u>	Percent of Collective NPL As of June 30, <u>2016</u>	Change in Percent of Collective NPL
Authority Proportionate Share	\$ 792,092	\$ 634,396	0.0465%	0.0454%	0.0011%
State of Montana Proportionate Share associated with the Authority	<u>9,678</u>	<u>7,793</u>	<u>0.0006%</u>	<u>0.0006%</u>	<u>0.0000%</u>
Total	<u>\$ 801,770</u>	<u>\$ 642,189</u>	<u>0.0471%</u>	<u>0.0460%</u>	<u>0.0011%</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, 2017 and 2016. The Authority's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The Authority recorded of \$792,092 and the Authority's proportionate share was 0.0465%.

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, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

	<u>Pension expense as of June 30, 2017</u>
Authority's Proportionate Share	\$ 49,101
State of Montana Proportionate Share associated with the Airport Authority	811
State of Montana Coal Tax for employer	<u>13,878</u>
Total	<u>\$ 63,790</u>

At June 30, 2017, the
Authority recognized

\$49,101 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$811 for the State of Montana proportionate share of the pension expense associated with the Authority. Additionally, the Authority recognized grant revenue of \$13,878 from the coal severance tax fund.

Deferred Inflows and Outflows

At June 30, 2017, 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>
Expected versus actual experience	\$ 4,274	\$ 2,622
Projected investment earnings versus actual investment earnings	74,520	-
Changes in assumptions	-	-
Changes in proportion differences between employer contributions and proportionate share of contributions	-	7,644
Contributions paid to PERS subsequent to the measurement date – FY2017 Contributions	<u>53,019</u>	<u>-</u>
Total	<u>\$ 131,813</u>	<u>\$ 10,266</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 10. PENSION PLAN (CONTINUED)

Deferred Inflows and Outflows (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>
2018	\$ 3608	\$ -	\$ 3,608
2019	\$ 3,608	\$ -	\$ 3,608
2020	\$ 42,347	\$ -	\$ 42,347
2021	\$ 26,609	\$ -	\$ 26,609
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, 2017, 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. COMMITMENTS AND CONTINGENCIES

The Airport Authority has active construction projects as of June 30, 2017, for various Airport Improvement Program projects. The Airport Authority signed construction contracts in the amount of \$14,508,100. The outstanding balance of the contract for work to be completed in 2018 is \$5,513,997.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 13. MAJOR CUSTOMERS

During the year ended June 30, 2017, revenue from four air carriers and five concessionaires amounted to \$2,862,347, and represents 74% of total operating revenue. Accounts receivable for these four major air carriers amounted to \$141,676 or 63% of other accounts receivable in aggregate as of June 30, 2017.

Accounts receivable for the five major concessionaires amounted to \$3,112,784 or 99%, of concessionaires' accounts receivable in aggregate as of June 30, 2017. Of this \$3,112,784, \$2,850,000 or 92%, represents the Republic Parking concession contract receivable (refer to Note 6). Generally, all but one of the five major concessionaires are invoiced monthly and had current balances as of June 30, 2017.

NOTE 14. SUBSEQUENT EVENTS

On September 1, 2017, The Airport Authority executed a lease agreement with the City of Great Falls (the City) for a parcel of land where the City's 911 Center is located. The initial lease term is for thirty years ending August 31, 2047. The City will not pay rent for the land during the initial lease term but plans to develop a new road to provide access to that area.

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, 2017

	<u>2017</u>	<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	\$ 792,092	\$ 634,396	\$ 602,569
Employer's proportionate share of the net pension liability associated with the Employer	0.0465%	0.0454%	0.0484%
State of MT proportionate share of the net pension liability associated with the Employer	<u>9,678</u>	<u>7,793</u>	<u>7,358</u>
Total	<u>\$ 801,770</u>	<u>\$ 642,189</u>	<u>\$ 609,927</u>
Employer's covered-employee payroll	\$ 557,014	\$ 529,628	\$ 556,165
Employer's proportionate share of the net pension liability as percentage of its covered-employee payroll	142.20%	119.78%	108.34%
Plan fiduciary net position the total pension liability	74.71%	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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Contributions for the Last Ten Fiscal Years*			
Contractually required contributions	\$ 53,019	\$ 46,558	\$ 43,644
Plan choice rate required contributions	-	2,767	4,989
Contributions in relation to the contractually required contributions	53,019	49,325	48,633
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	625,945	557,014	529,628
Contributions of covered-employee payroll	8.47%	8.86%	9.18%

*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
June 30, 2017

Changes of Benefit Terms

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

2013 Legislative Changes:

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.

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.

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

June 30, 2017

2015 Legislative Changes (Continued):

Second Retirement Benefit - for PERS (Continued):

- 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.

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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There were no changes following the 2013 Economic Experience study.

The following Actuarial Assumptions are from the June 2010 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
SUMMARY/COST CENTER OPERATING SCHEDULE
Year Ended June 30, 2017

	<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	\$ 3,809,102	\$ 652,066	\$ 2,760,299	\$ 269,210	\$ 127,527
Expenses					
Direct expenses					
Personnel services	410,503	384,846	18,203	-	7,454
Contractual services	823,313	163,067	571,189	8,492	80,565
Materials and supplies	<u>173,563</u>	<u>95,666</u>	<u>77,045</u>	<u>-</u>	<u>852</u>
TOTAL DIRECT EXPENSES	<u>1,407,379</u>	<u>643,579</u>	<u>666,437</u>	<u>8,492</u>	<u>88,871</u>
Allocated expenses					
Administration	1,064,463	372,563	372,562	159,669	159,669
ARFF services	53,865	29,625	16,160	4,309	3,771
Security services	<u>58,755</u>	<u>17,626</u>	<u>29,378</u>	<u>2,938</u>	<u>8,813</u>
TOTAL ALLOCATED EXPENSES	<u>1,177,083</u>	<u>419,814</u>	<u>418,100</u>	<u>166,916</u>	<u>172,253</u>
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	<u>2,584,462</u>	<u>1,063,393</u>	<u>1,084,537</u>	<u>175,408</u>	<u>261,124</u>
Net income (loss) before depreciation and amortization	1,224,640	(411,327)	1,675,762	93,802	(133,597)
Depreciation and amortization	<u>(5,784,210)</u>	<u>(3,961,601)</u>	<u>(971,008)</u>	<u>(551,219)</u>	<u>(300,382)</u>
NET INCOME (LOSS)	<u>\$ (4,559,570)</u>	<u>\$ (4,372,928)</u>	<u>\$ 704,754</u>	<u>\$ (457,417)</u>	<u>\$ (433,979)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 LANDING AREA
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
REVENUE		
Landing fees		
Airlines - itinerant - non-signator	\$ 31,116	\$ 39,813
Mail carrier/cargo - signator	188,743	188,251
Mail carriers/cargo - non-signatory	80,109	71,561
Passenger airlines - signator	230,236	200,660
Passenger airlines - nonsignatory - scheduled	<u>69,447</u>	<u>78,583</u>
Total landing fees	<u>599,651</u>	<u>578,868</u>
Fuel flowage fees		
Fixed base operators	26,711	19,511
Fuel farm license fees	<u>25,704</u>	<u>25,704</u>
Total fuel flowage fees	<u>52,415</u>	<u>45,215</u>
Total revenue	<u>652,066</u>	<u>624,083</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	125,306	107,012
Salaries and benefits	<u>259,540</u>	<u>184,758</u>
Total personnel expenses	<u>384,846</u>	<u>291,770</u>
Contractual services		
Utilities		
Electricity	46,025	50,481
Gas	(1,237)	5,197
Telephone	<u>1,408</u>	<u>1,160</u>
Total utilities	<u>46,196</u>	<u>56,838</u>
Repairs and maintenance		
Equipment	11,045	14,483
Other contractual services	2,013	4,808
Radios	<u>3,910</u>	<u>-</u>
Total repairs and maintenance	<u>16,968</u>	<u>19,291</u>
Professional services		
Insurance	50,588	47,295
Security services	<u>47,677</u>	<u>56,827</u>
Total professional services	<u>98,265</u>	<u>104,122</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 LANDING AREA (CONTINUED)
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Other expenses		
Equipment rental	-	615
Licenses, permits, and inspection fees	1,530	67
Travel, training, and education	<u>108</u>	<u>-</u>
Total other expenses	<u>1,638</u>	<u>682</u>
Total contractual services	<u>163,067</u>	<u>180,933</u>
Materials and supplies		
Agricultural supplies	3,539	3,937
Electrical, plumbing, and hardware	14,680	14,573
Equipment, parts, and supplies	18,952	13,447
Fuel, oil, and lubricants	32,081	59,651
Minor equipment and tools	2,720	2,165
Other materials and supplies	14,844	4,949
Paints, chemicals, and gases	<u>8,850</u>	<u>14,531</u>
Total materials and supplies	<u>95,666</u>	<u>113,253</u>
Total direct expenses	<u>643,579</u>	<u>585,956</u>
Allocated expenses		
Administration	372,563	322,557
ARFF services	29,625	21,639
Security services	<u>17,626</u>	<u>9,672</u>
Total allocated expenses	<u>419,814</u>	<u>353,868</u>
Total expenses before depreciation	<u>1,063,393</u>	<u>939,824</u>
Net loss before depreciation	<u>(411,327)</u>	<u>(315,741)</u>
Depreciation		
Allocated	7,908	9,433
Direct	<u>3,953,693</u>	<u>3,803,744</u>
Total depreciation	<u>3,961,601</u>	<u>3,813,177</u>
Net loss	<u>\$ (4,372,928)</u>	<u>\$ (4,128,918)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 TERMINAL BUILDING
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
REVENUE		
Concession fees		
ATM income	\$ 5,414	\$ 7,366
Advertising	47,500	46,500
Auto parking	851,188	885,095
Rental car concessions - CFC	229,981	244,766
Rental car concessions - MAG	647,969	618,600
Food and alcoholic beverages	80,067	82,934
Gift shops	32,584	31,241
Ground rental	38,052	34,288
Miscellaneous	<u>37,140</u>	<u>47,164</u>
Total concession fees	<u>1,969,895</u>	<u>1,997,954</u>
Space rentals		
Airlines	656,385	658,090
Concessionaires	<u>30,964</u>	<u>31,124</u>
Total space rentals	<u>687,349</u>	<u>689,214</u>
Miscellaneous rentals		
Building rental	42,189	42,225
Office rental	<u>60,866</u>	<u>72,864</u>
Total miscellaneous rentals	<u>103,055</u>	<u>115,089</u>
Total revenue	<u>2,760,299</u>	<u>2,802,257</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	5,288	236
Salaries and wages	<u>12,915</u>	<u>44,000</u>
Total personnel services	<u>18,203</u>	<u>44,236</u>
Contractual services		
Utilities		
Electricity	251,942	250,854
Gas	69,898	60,685
Refuse disposal	4,041	5,133
Water and sewer	<u>21,300</u>	<u>18,833</u>
Total utilities	<u>347,181</u>	<u>335,505</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 TERMINAL BUILDING (CONTINUED)
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Repairs and maintenance		
Equipment	\$ 40,477	\$ 35,327
Minor equipment and tools	1,036	1,653
Other contractual services	7,592	4,543
Radios	416	9,500
Total repairs and maintenance	<u>49,521</u>	<u>51,023</u>
Professional services		
Insurance	11,047	11,120
Janitorial contract	80,584	82,464
Security services	81,535	96,540
Total professional services	<u>173,166</u>	<u>190,124</u>
Other expenses		
Equipment rental	1,127	-
Licenses, permits, and inspection fees	194	105
Total other expenses	<u>1,321</u>	<u>105</u>
Total contractual services	<u>571,189</u>	<u>576,757</u>
Materials and supplies		
Agricultural supplies	225	46
Cleaning and janitorial supplies	16,268	18,700
Electrical, plumbing, and hardware	23,140	19,405
Equipment, parts, and supplies	8,290	9,364
Fuel, oil, and lubricants	91	-
Minor equipment and tools	3,083	7,079
Other materials and supplies	21,260	18,675
Paints, chemicals, and gases	4,688	5,622
Total materials and supplies	<u>77,045</u>	<u>78,891</u>
Total direct expenses	<u>666,437</u>	<u>699,884</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 TERMINAL BUILDING (CONTINUED)
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
EXPENSES (CONTINUED)		
Allocated expenses		
Administration	372,562	322,556
ARFF services	16,160	11,803
Security services	<u>29,378</u>	<u>16,121</u>
Total allocated expenses	<u>418,100</u>	<u>350,480</u>
Total expenses before depreciation	<u>1,084,537</u>	<u>1,050,364</u>
Net income before depreciation	<u>1,675,762</u>	<u>1,751,893</u>
Depreciation		
Allocated	8,445	10,877
Direct	<u>962,563</u>	<u>1,075,286</u>
Total depreciation	<u>971,008</u>	<u>1,086,163</u>
Net income	<u>\$ 704,754</u>	<u>\$ 665,730</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 AERONAUTICAL AREA
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
REVENUE		
Building rental	\$ 840	\$ 840
Gate rental	3,416	3,224
Ground rental	202,616	196,730
Hangar rental	50,986	50,986
Ramp rental	900	900
Reimbursed costs - utilities	<u>10,452</u>	<u>10,143</u>
Total revenue	<u>269,210</u>	<u>262,823</u>
EXPENSES		
Direct expenses		
Personnel services		
Salaries and wages	<u>-</u>	<u>22,000</u>
Total personnel services	<u>-</u>	<u>22,000</u>
Contractual services		
Utilities		
Electricity	658	624
Water and sewer	<u>259</u>	<u>667</u>
Total utilities	<u>917</u>	<u>1,291</u>
Professional services		
Security services	<u>7,575</u>	<u>9,013</u>
Total professional services	<u>7,575</u>	<u>9,013</u>
Total contractual services	<u>8,492</u>	<u>10,304</u>
Total direct expenses	<u>8,492</u>	<u>32,304</u>
Allocated expenses		
Administration	159,669	138,238
ARFF services	4,309	3,148
Security services	<u>2,938</u>	<u>1,612</u>
Total allocated expenses	<u>166,916</u>	<u>142,998</u>
Total expenses before depreciation	<u>175,408</u>	<u>175,302</u>
Net income before depreciation	<u>93,802</u>	<u>87,521</u>
Depreciation		
Allocated	3,181	3,477
Direct	<u>548,038</u>	<u>431,824</u>
Total depreciation	<u>551,219</u>	<u>435,301</u>
Net loss	<u>\$ (457,417)</u>	<u>\$ (347,780)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 NON-AERONAUTICAL AREA
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
REVENUE		
Agricultural land income	\$ 4,953	\$ 4,802
Badge income	3,715	6,345
Building rental	37,900	34,200
Ground rental	<u>80,959</u>	<u>74,178</u>
Total revenue	<u>127,527</u>	<u>119,525</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	7,454	4,484
Salaries and wages	<u>-</u>	<u>22,000</u>
Total personnel services	<u>7,454</u>	<u>26,484</u>
Contractual services		
Utilities		
Electricity	29,437	28,954
Gas	15,365	14,750
Water and sewer	<u>12,775</u>	<u>38,171</u>
Total utilities	<u>57,577</u>	<u>81,875</u>
Professional services		
Insurance	5,700	4,700
Security services	<u>15,150</u>	<u>18,026</u>
Total professional services	<u>20,850</u>	<u>22,726</u>
Other expenses		
Drug tests and physical exams	543	305
Licenses, permits, and inspection fees	<u>1,595</u>	<u>1,596</u>
Total other expenses	<u>2,138</u>	<u>1,901</u>
Total contractual services	<u>80,565</u>	<u>106,502</u>
Materials and supplies		
Other materials and supplies	<u>852</u>	<u>3,055</u>
Total materials and supplies	<u>852</u>	<u>3,055</u>
Total direct expenses	<u>88,871</u>	<u>136,041</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 NON-AERONAUTICAL AREA (CONTINUED)
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
EXPENSES (CONTINUED)		
Allocated expenses		
Administration	159,669	138,238
ARFF services	3,771	2,754
Security services	<u>8,813</u>	<u>4,836</u>
Total allocated expenses	<u>172,253</u>	<u>145,828</u>
Total expenses before depreciation	<u>261,124</u>	<u>281,869</u>
Net loss before depreciation	<u>(133,597)</u>	<u>(162,344)</u>
Depreciation		
Allocated	3,448	4,198
Direct	<u>296,934</u>	<u>301,898</u>
Total depreciation	<u>300,382</u>	<u>306,096</u>
Net loss	<u>\$ (433,979)</u>	<u>\$ (468,440)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 SCHEDULE OF ALLOCATED EXPENSES
 Year Ended June 30, 2017

	Total Airport		Landing Area		Terminal Building		Aeronautical Area		Non-Aeronautical Area	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Allocated expense before depreciation and amortization										
Administration	\$ 1,064,463	100%	\$ 372,563	35%	\$ 372,562	35%	\$ 159,669	15%	\$ 159,669	15%
ARFF services	53,865	100%	29,625	55%	16,160	30%	4,309	8%	3,771	7%
Security services	<u>58,755</u>	<u>100%</u>	<u>17,626</u>	<u>30%</u>	<u>29,378</u>	<u>50%</u>	<u>2,938</u>	<u>5%</u>	<u>8,813</u>	<u>15%</u>
Total allocated expense before depreciation and amortization	<u>\$ 1,177,083</u>	<u>100%</u>	<u>\$ 419,814</u>	<u>36%</u>	<u>\$ 418,100</u>	<u>35%</u>	<u>\$ 166,916</u>	<u>14%</u>	<u>\$ 172,253</u>	<u>15%</u>
Allocated depreciation and amortization										
Administration	20,311	100%	\$ 7,108	35%	\$ 7,109	35%	\$ 3,047	15%	\$ 3,047	15%
Security services	<u>2,671</u>	<u>100%</u>	<u>800</u>	<u>30%</u>	<u>1,336</u>	<u>50%</u>	<u>134</u>	<u>5%</u>	<u>401</u>	<u>15%</u>
Total allocated depreciation and amortization	<u>\$ 22,982</u>	<u>100%</u>	<u>\$ 7,908</u>	<u>34%</u>	<u>\$ 8,445</u>	<u>37%</u>	<u>\$ 3,181</u>	<u>14%</u>	<u>\$ 3,448</u>	<u>15%</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 ADMINISTRATION
 Year Ended June 30, 2017
 (With comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 137,689	\$ 105,351
Salaries and wages	<u>405,710</u>	<u>380,178</u>
Total personnel services	<u>543,399</u>	<u>485,529</u>
Contractual services		
Utilities		
Internet services	14,731	14,435
Telephone	<u>13,469</u>	<u>13,541</u>
Total utilities	<u>28,200</u>	<u>27,976</u>
Repairs and maintenance		
Equipment	4,650	6,962
Minor equipment and tools	<u>7,964</u>	<u>7,683</u>
Total repairs and maintenance	<u>12,614</u>	<u>14,645</u>
Professional services		
Accounting fees	12,500	11,500
Consulting fees	202,852	204,236
Insurance	9,129	7,929
Legal fees	<u>6,222</u>	<u>4,511</u>
Total professional services	<u>230,703</u>	<u>228,176</u>
Other expenses		
Advertising and promotional expenses	978	313
Board meeting/member expense	631	6,207
Dues and subscriptions	4,745	4,535
Employee recognition	1,160	3,604
Licenses, permits, and inspection fees	4,464	4,445
Postage and freight	2,502	3,325
Street maintenance assessments	5,320	5,320
Travel, training, and education	18,425	17,649
U.S. Customs building lease	49,736	49,736
Vehicle lease	<u>6,000</u>	<u>6,000</u>
Total other expenses	<u>93,961</u>	<u>101,134</u>
Total contractual services	<u>365,478</u>	<u>371,931</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 ADMINISTRATION (CONTINUED)
 Year Ended June 30, 2017
 (With comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
EXPENSES (CONTINUED)		
Materials and supplies		
Cleaning and janitorial supplies	56	-
Equipment, parts, and supplies	39	471
Minor equipment and tools	30	-
Office materials and supplies	2,745	2,823
Other materials and supplies	1,022	918
Security supplies	<u>104</u>	<u>-</u>
Total material and supplies	<u>3,996</u>	<u>4,212</u>
Total expenses before depreciation and amortization	<u>912,873</u>	<u>861,672</u>
NON-OPERATING (REVENUE) AND EXPENSES		
Interest expense	165,999	213,271
Interest on investments - operating account	(9,588)	(26,359)
Miscellaneous non-operating (revenue) expense	<u>(4,821)</u>	<u>(126,995)</u>
Total non-operating (revenue) and expenses	<u>151,590</u>	<u>59,917</u>
Net expense before depreciation and amortization allocated to primary cost centers	<u>\$ 1,064,463</u>	<u>\$ 921,589</u>
Depreciation and amortization allocated to primary cost centers	<u>\$ 20,311</u>	<u>\$ 20,772</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 SECURITY SERVICES
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 32,184	\$ 14,733
Salaries and wages	<u>70,996</u>	<u>39,641</u>
Total personnel services	<u>103,180</u>	<u>54,374</u>
Contractual services		
Professional services:		
Insurance	<u>1,792</u>	<u>1,616</u>
Total professional services	<u>1,792</u>	<u>1,616</u>
Total contractual expenses	<u>1,792</u>	<u>1,616</u>
Materials and supplies		
Fuel, oil, and lubricants	<u>3,588</u>	<u>13,581</u>
Total materials and supplies	<u>3,588</u>	<u>13,581</u>
Total expenses before depreciation	<u>108,560</u>	<u>69,571</u>
Less reimbursed security costs	<u>(49,805)</u>	<u>(37,330)</u>
Net expense before depreciation allocated to primary care cost centers	<u>\$ 58,755</u>	<u>\$ 32,241</u>
Depreciation allocated to primary care cost centers	<u>\$ 2,671</u>	<u>\$ 7,213</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
 COST CENTER OPERATING SCHEDULES
 AIRCRAFT RESCUE AND FIRE FIGHTING
 Year Ended June 30, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 13,244	\$ 6,009
Salaries and wages	<u>30,427</u>	<u>16,989</u>
Total personnel services	<u>43,671</u>	<u>22,998</u>
 Materials and supplies		
Firefighting supplies	7,732	11,347
Security supplies	<u>2,462</u>	<u>4,999</u>
Total materials and supplies	<u>10,194</u>	<u>16,346</u>
 Total expenses before depreciation	<u>53,865</u>	<u>39,344</u>
 Net expense before depreciation allocated to primary cost centers	<u>\$ 53,865</u>	<u>\$ 39,344</u>
 Depreciation allocated to primary cost centers	<u>\$ -</u>	<u>\$ -</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
Year Ended June 30, 2017

Basic Property Coverage

Airport Authority properties are covered under Policy No. EPP0261093 by Cincinnati Insurance Company through July 1, 2017, covering property, machinery and boilers, contractors' equipment, and automobile liability up to the following amounts:

Property

The Airport Authority's real and personal property are covered in an aggregate amount of \$43,462,853 as per the schedule on file in the policy. The properties are covered for replacement coverage. Coverage is provided for special perils subject to a \$50,000 per loss deductible.

Earthquake

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

Equipment Breakdown

Equipment Breakdown, as listed in the schedule on file with the company, is covered on a broad perils basis, including replacement cost coverage, with a \$43,462,853 limit per accident and a \$50,000 per loss deductible.

Contractors' Equipment

The Airport Authority contractors' equipment, as listed in the policy schedule, is covered on a "special" form basis subject to "actual cash" valuation, a 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 Old Republic Insurance Company under Policy No. PR00260603 through July 1, 2017. 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, 2017.

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, 2017. 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, 2017

Police Professional Liability

The Airport Authority's police professional liability coverage is provided by Scottsdale under Policy No. PKI0002849 through July 1, 2017. 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. HTB002330001 through August 3, 2017. The policy provides for exhibition coverage with a limit of \$30,000 and is not subject to a deductible.

All policies were renewed through July 1, 2018 with the exception of the fine arts policy which was renewed through August 3, 2018.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
Year Ended June 30, 2017

PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

Revenues	<u>\$ 689,239</u>
Interest Income	<u>\$ -</u>
Expenditures	<u>\$ 678,000</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, 2017, 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 18, 2017.

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
Great Falls, Montana
November 18, 2017

Zurmuehlen & Co., P.C.

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, 2017. 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, 2017.

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, material weaknesses may exist that have not been identified.

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


Great Falls, Montana
November 18, 2017

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2017

<u>Program Title</u>	<u>Award Amount</u>	<u>Federal Funds Received as of 6/30/16</u>	<u>Federal Funds Received During Current Year</u>	<u>Federal Funds Receivable as of 6/30/17</u>	<u>Federal Funds Recognized as of 6/30/17</u>	<u>Federal Expenditures as of 6/30/16</u>	<u>Federal Expenditures During Current Year</u>	<u>Federal Expenditures as of 6/30/17</u>	<u>Cumulative Airport Expenditures</u>	<u>Total Program Expenditures</u>
Airport Improvement Program										
CFDA # 20.106										
AIP 3-30-0036-58	\$ 579,516	\$ 517,587	\$ 61,929	\$ -	\$ 579,516	\$ 579,516	\$ -	\$ 579,516	\$ 64,391	\$ 643,907
AIP 3-30-0036-61	2,062,829	1,921,048	141,781	-	2,062,829	1,921,048	141,781	2,062,829	229,315	2,292,144
AIP 3-30-0036-62	9,298,512	-	8,040,378	383,214	8,423,592	149,860	8,273,732	8,423,592	935,609	9,359,201
AIP 3-30-0036-63	460,336	-	334,404	91,115	425,519	-	425,519	425,519	47,280	472,799
AIP 3-30-0036-64	5,252,590	-	-	244,958	244,958	-	244,958	244,958	27,603	272,561
TOTAL CFDA # 20.106	<u>17,653,783</u>	<u>2,438,635</u>	<u>8,578,492</u>	<u>719,287</u>	<u>11,736,414</u>	<u>2,650,424</u>	<u>9,085,990</u>	<u>11,736,414</u>	<u>1,304,198</u>	<u>13,040,612</u>
Small Community Air Service										
Development Program										
CFDA # 20.930										
DOT-OST-2015-0126-0027	385,000	-	38,341	-	38,341	12,780	25,561	38,341	-	38,341
TOTAL	<u>\$ 18,038,783</u>	<u>\$ 2,438,635</u>	<u>\$ 8,616,833</u>	<u>\$ 719,287</u>	<u>\$ 11,774,755</u>	<u>\$ 2,663,204</u>	<u>\$ 9,111,551</u>	<u>\$ 11,774,755</u>	<u>\$ 1,304,198</u>	<u>\$ 13,078,953</u>

See Accompanying Notes to Schedule.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
June 30, 2017

NOTE 1. REPORTING ENTITY

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. COST PRINCIPLES

The accompanying Schedule of Expenditure of Federal Awards is presented using the cost principles from Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles* 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, 2017

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? No

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)? No

The major program for the year ended June 30, 2017, 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, 2017

Section II – Financial Statement Findings

None Reported

Section III – Federal Award Findings and Questioned Costs

None Reported

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY
STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

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.

Status: Implemented.

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, 2017.

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, 2017.

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.


Great Falls, Montana
November 18, 2017



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