



## **FINANCIAL REPORT**

**June 30, 2020**



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GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
JUNE 30, 2020

**AUTHORITY MEMBERS AND APPOINTED OFFICERS**

<u>Authority Members</u>	<u>Position</u>	<u>Term Expires</u>
Vincent Bakke	Chairperson	December 31, 2022
Debra Evans	Vice Chairperson	December 31, 2021
Richard Gibbs	Commissioner	December 31, 2022
Tony Aretz	Commissioner	December 31, 2020
Casey LaLonde	Commissioner	December 31, 2021
David Smith	Commissioner	December 31, 2020
Todd Timboe	Commissioner	December 31, 2020

Appointed Member

John Faulkner	Airport Director
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## 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, 2020, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 15, the schedule of proportionate share of the PERS net pension liability for the last ten years on page 47, the schedule of PERS contributions for the last ten years on page 48, and the notes to the required supplementary information on pages 49 and 50, 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 schedule of expenditures of federal awards on page 72 and passenger facility charges collected and expended on page 67 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 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.

The supplemental schedules on pages 51 through 66 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, 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  
December 28, 2020



**For the Year Ended June 30, 2020**  
**(With Comparative Totals for the Year Ended June 30, 2019)**



# 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 special purpose entity engaged only in business type-activities. Business-type activities are financed in whole or in part by fees charged to external parties. Revenues are recognized when earned and expenses are recognized when incurred. Fixed assets are capitalized and (except land) depreciated over their useful lives. The three basic financial statements are described as follows:

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

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

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

The Basic Financial Statements include *Notes to Financial Statements* section providing the reader 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.

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

**FINANCIAL STATEMENTS (CONTINUED)**

**FINANCIAL POSITION SUMMARY**

Total net position serves over time as a useful indicator of the Airport Authority's financial position. The Airport Authority's net position has decreased by \$55,207 over the prior fiscal year. This is primarily due to a decrease in investment on capital assets.

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

**TABLE 1**

	<b>2019/2020</b>	<b>2018/2019</b>
<b>ASSETS</b>		
Current	\$ 3,542,898	\$ 3,324,531
Non-current	83,967,645	89,183,139
<b>Total Assets</b>	<b>87,248,043</b>	<b>92,507,670</b>
<b>LIABILITIES</b>		
Current	1,294,552	2,820,471
Non-current	2,285,654	5,299,215
<b>Total Liabilities</b>	<b>3,580,206</b>	<b>8,119,686</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Service Concession Arrangement	937,500	1,537,500
Pension adjustments	120,953	185,893
<b>Total Deferred Inflows of Resources</b>	<b>1,058,453</b>	<b>1,723,393</b>
<b>NET POSITION</b>		
Invested in capital assets	78,930,998	79,769,714
Restricted	207	4,663
Unrestricted	3,678,179	2,890,214
<b>Total Net Position</b>	<b>\$ 82,609,384</b>	<b>\$ 82,664,591</b>

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

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

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

**FINANCIAL POSITION SUMMARY (CONTINUED)**

**TABLE 2**

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

	<b>2019/2020</b>	<b>2018/2019</b>
Operating revenues (1)	\$ 3,642,712	\$ 4,055,707
Operating expenses (2)	(2,490,930)	(2,587,919)
Excess before depreciation and other non-operating revenues and expenses	1,151,782	1,467,788
Depreciation	(1,905,022)	(1,273,905)
Income (loss) before other non-operating revenue and expenses	(753,240)	193,883
Non-operating revenues and (expenses), net	3,741,985	909,360
Income before capital contributions	2,988,745	1,103,243
Capital contributions	1,631,196	2,768,938
Depreciation on federally funded property and equipment	(4,675,148)	(4,744,366)
Change in net position	\$ (55,207)	\$ (872,185)

Operating revenues decreased by \$412,995 or 10% in FY2020. See table 3

Operating expenses decreased by \$96,989 or 3.7% in FY2020. See table 5

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

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

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

**FINANCIAL POSITION SUMMARY (CONTINUED)**

The following table and chart show the summary of operating revenues for the year ended June 30, 2020 and the amount and percentage of change in relation to prior year amounts.

**TABLE 3**

<b>OPERATING REVENUE SOURCE</b>	<b>FY2020</b>	<b>Percent of Total</b>	<b>FY2019</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2019</b>	<b>Percent Increase (Decrease)</b>
Parking	\$ 644,306	18%	\$ 860,324	21%	(\$ 216,018)	-25%
Food/Gift/Other Concessions	158,280	4%	163,820	4%	(5,540)	-3%
Car Rentals	807,254	22%	1,047,896	26%	(240,642)	-23%
Landing Fees	505,317	14%	616,412	15%	(111,095)	-18%
Airlines - Space Rentals - Net of Reconciliation	788,041	22%	750,980	19%	37,061	5%
Airlines - Loading Bridge	60,060	2%	60,492	1%	(432)	-1%
Land Rentals	515,493	14%	447,653	11%	67,840	15%
Miscellaneous	163,961	4%	108,130	3%	70,556	65%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 3,642,712</b>	<b>100%</b>	<b>\$ 4,055,707</b>	<b>100%</b>	<b>(\$ 412,995)</b>	<b>-10%</b>

**OPERATING REVENUE SOURCES**

The Great Falls Airport Authority concluded the 2019-2020 Fiscal year with a decrease in operating revenue of \$412,995 as a direct result of COVID-19 and the impact on the travel industry nationwide with reduced flight schedules and passenger loads compared to fiscal year 2019.

- Parking Revenue declined 25% which was approximately the same as the 26% decrease in passenger boarding for the year.
- Food/Gift and other Concessions were down 12% for the year. Concessions relatively outperformed other passenger related revenues for several reasons including: i.) similar numbers of employees remained working at the terminal and patronizing concessions, ii.) Oakwells started taking to go orders using meal delivery services and encouraging non-airport patrons to eat at the pre-security location with themed family meals iii.) Oakwells in their second year was seeing improved sales in their meeting spaces and two restaurant locations prior to COVID-19.
- Car Rentals declined 23% which was in line with the 26% decline in passenger boarding experienced during the year.
- Landing fees fell 18% during the year. All the passenger airlines cancelled some flights during the last quarter of the fiscal year as COVID-19 took hold. For instance, United Airlines didn't fly their summer Chicago flights which were daily during June of 2019 and Delta discontinued all Minneapolis flights in both May and June which normally has at least one flight every day.
- Airline space rent was up 5% during the year due to a slight increase in the annual rental rate.
- Land rentals continued a long-term trend of growth from new leases that have been recently negotiated including the new large hangar development known as Eagle Jet.

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

**FINANCIAL POSITION SUMMARY (CONTINUED)**

**OPERATING REVENUE SOURCES (CONTINUED)**

Passenger related activity saw the largest downturns in the fourth quarter as volume declined. For example; passenger traffic was down 96% during the fourth quarter of fiscal year 2020 compared to the same period in 2019.

**TABLE 4**

<b>TOP PRODUCING CUSTOMERS</b>		
<b>TENANT</b>	<b>AMOUNT</b>	<b>AMOUNT</b>
	<b>FY2019-20</b>	<b>FY2018-19</b>
REPUBLIC PARKING	\$644,306	\$860,324
DELTA (LANDING FEES & SPACE RENT)	\$441,045	\$450,599
UNITED/SKYWEST (LANDING FEES & SPACE RENT)	\$281,553	\$315,975
HORIZON (LANDING FEES & SPACE RENT)	\$253,757	\$247,923
HERTZ (CONCESSION FEES & SPACE RENT)	\$187,507	\$210,329
NATIONAL/ALAMO (CONCESSION FEES & SPACE	\$182,504	\$201,878
FEDEX (LANDING FEES)	\$189,448	\$220,242
AVIS (CONCESSION FEES & SPACE RENT)	\$173,635	\$194,589
ENTERPRISE (CONCESSION FEES & SPACE RENT)	\$124,583	\$186,751
ALLEGiant (RENT, PER TURN & LANDING FEES)	\$115,112	\$169,627
<b>TOTAL</b>	<b>\$2,593,450</b>	<b>\$3,058,237</b>

**OPERATING EXPENSES**

The following table shows the summary of operating expenses for the year ended June 30, 2020 and the amount and percentage of change in relation to prior year amounts.

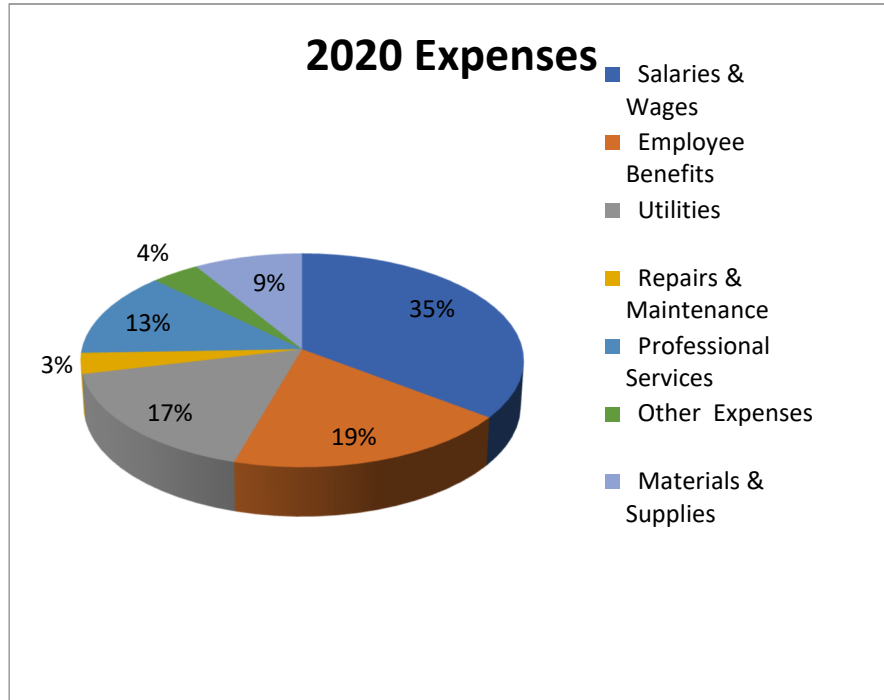
**TABLE 5**

	<b>2020 Amount</b>	<b>Percent of Total</b>	<b>2019 Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2019</b>	<b>Percent Increase (Decrease)</b>
<b>Personnel Services</b>						
Salaries & Wages	898,577	36%	820,462	32%	78,115	9.5%
Employee Benefits	467,310	19%	387,394	15%	79,916	20.6%
<b>Contractual Services</b>						
Utilities	419,105	17%	414,392	16%	4,713	1.1%
Repairs & Maintenance	78,290	3%	83,865	3%	(5,575)	-6.6%
Professional Services	320,370	13%	511,935	20%	(191,565)	-37.4 %
Other Expenses	82,964	3%	90,881	4%	(7,917)	-8.7%
Materials & Supplies	224,314	9%	278,990	11%	(54,676)	-19.6%
<b>Total Operating Expenses</b>	<b>2,490,930</b>	<b>100%</b>	<b>2,587,919</b>	<b>100%</b>	<b>(96,989)</b>	<b>-3.7%</b>

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

**FINANCIAL POSITION SUMMARY (CONTINUED)**

**OPERATING EXPENSES (CONTINUED)**



Operating expenses during the 2020 fiscal year were approximately \$97,000 less than 2019. This reduction in expenses is comprised mostly of a reduction in professional fees and repairs and maintenance expenses.

Salaries and wages increase of 9.5% over 2019 is related to employee annual increases and filling of vacant positions. The increase in employee benefits of 24.9% is due to an increase in the pension liability and other fringe benefits.

The professional services decrease of 37.4% is related reduced marketing and other professional services. With the onset of COVID-19, in March of 2020, the Airport was able to curtail expenditures in this category during the remainder of the fiscal year, which is the highpoint for spending in this category.

Material, supplies and other expense reductions are a result of lower operating expenses due to reduced passenger loads. Record snowfall during fiscal year 2019 increased expenses in material and supply. Snow removal expenses in fiscal year 2020 were less than the prior year.

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

**NOTEWORTHY INFORMATION & DISCLOSURES**

**Contracts Approved by the Board in FY2020**

Electric City aero lease assignment  
Proposed sale and lease amendments for FedEx Building  
Anderson ZurMuehlen audit contract

**Projects Approved by the Board in FY2020**

New Lighting Fixtures-Restaurant  
Landside Improvements North of Terminal to Federal Express  
Purchase of used runway snow broom  
Purchase of new runway plow/broom unit  
Centralized deicing facility design  
Repair of front stairwell roof  
TIF application for utilities Great Falls Aviation Park  
Terminal bathroom remodel  
Terminal roof replace western portion

**COST CENTERS**

The following table show the cost centers and operating revenues & expenses for the years ended June 30, 2020 and June 30, 2019. For more details, refer to supplemental schedules.

	<b>Operating Revenue*</b>		<b>Direct Expenses</b>		<b>Allocated Expenses</b>		<b>Net Income(Loss) Before Depreciation/Amortization</b>	
	2020	2019	2020	2019	2020	2019	2020	2019
Landing Area	536,424	663,741	679,530	621,444	344,924	414,431	(488,030)	(372,134)
Terminal Area	2,563,159	2,887,283	588,627	674,665	353,042	417,376	1,621,490	1,795,242
Aeronautical Area	277,414	295,399	5,558	4,509	123,080	156,463	148,776	134,427
Non Aeronautical Area	221,025	152,913	80,226	79,806	136,901	166,990	3,898	(93,883)
Total	3,598,022	3,999,336	1,353,941	1,380,424	957,947	1,155,260	1,286,134	1,463,652

\*Less reimbursed security costs

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

**SUMMARY OF CASH FLOW ACTIVITIES**

The following table shows a summary of the major sources and use of cash and cash equivalents for fiscal year 2020 and 2019. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments.

**TABLE 7**

	<b>2019-2020</b>	<b>2018/2019</b>
Cash flows from:		
Operating Activities	\$ 1,330,316	\$ 1,310,861
Non-capital Financing Activities	2,770,324	8,871
Capital and Related Financing Activities	(3,840,698)	(1,700,480)
Investing Activities	447,925	525,322
Net increases / (decreases) in Cash and Cash and Cash Equivalents	707,867	144,574
Cash and Cash Equivalents:		
Beginning of year	236,286	91,712
End of year	\$ 944,153	\$ 236,286

**CAPITAL IMPROVEMENT PROJECTS**

The Airport Authority expended \$1,433,660 and \$2,647,057 on FAA approved Airport Improvement Projects for fiscal years 2020 and 2019, 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 \$1,080,509 and \$1,166,691 for fiscal years 2020 and 2019, respectively.

<b>PROJECT DESCRIPTION</b>	<b>FY2020</b>	<b>FY2019</b>
AIP #64 - Construct Taxiway A4/B4; Remove Hot Spot 2	54,843	297,114
AIP #65 - SRE Phase II/Taxilane Improvements	-	1,994,790
AIP #66 - SRE Phase II/Airside Improvements	1,362,039	355,153
AIP #67 – Rehabilitate Access Road	16,778	-
<b>FAA Approved Capital Improvement Projects</b>	<b><u>1,433,660</u></b>	<b><u>2,647,057</u></b>
Miscellaneous Projects	96,703	72,187
LED Lighting	879	37,008
AIP #64 - Construct Taxiway A4/B4; Remove Hot Spot 2	6,094	265,238
AIP #65 - SRE Phase II/Taxilane Improvements	5,500	752,797
AIP #66 - SRE Phase II/Airside Improvements	968,133	39,461
AIP #68 – Central De-Icing Facility	3,200	-
<b>Airport Funded Projects</b>	<b><u>1,080,509</u></b>	<b><u>1,166,691</u></b>
<b>Total</b>	<b><u>2,514,169</u></b>	<b><u>3,813,748</u></b>



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

## **CAPITAL IMPROVEMENT PROJECTS (CONTINUED)**

During fiscal year 2020, the airport completed a Runway Weather Information System (RWIS) on Runway 17-35. The project placed flush mounted pavement sensors for collection of real time pavement and weather conditions. This project will help the Airport respond to snow events by allowing staff to monitor conditions remotely and determine the appropriate time to call in staff as opposed to preemptively scheduling staff. The sensor will also help staff determine the appropriate time to use chemical deicing agents.

The Airport completed Phase II of the Snow Removal Equipment (SRE) storage and maintenance facility. This facility has three 30 foot and one 25-foot bays, including a storage mezzanine. The project was started in fiscal year 2018 and completed in the fall of 2019.

## **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 CHARGES (PFC)**

Enplanements impact the amount of PFC fees that are collected by the airlines each year. As passenger loads increase at Great Falls, the PFC fee also increases. These PFC funds may be used by the Airport Authority to pay for approved capital expenditures. A description of PFCs is included in note 1 of, Summary of Significant Accounting policies. PFC revenues collected by the airport during fiscal years ending June 30, 2020 and 2019 were \$618,544 and \$735,111 respectively. The most recent PFC application #5 in the amount of \$1,850,000 was approved by the FAA in November 2015. This application extends the estimated charge date of collection from October 2021 to September 2023 and brings the total approved for collection to \$17,776,328. The new projects include funding a portion of the Runway 16/34 Rehabilitation and the purchase of snow equipment. From the inception of the PFC program in November 1992 through June 2020 the Airport Authority has collected about \$14,559,823 in PFC fees. The purchase of snow equipment has been approved for a change of description only. The Airport plans to purchase a plow/broom combination unit in fiscal year 2021, rather than the snow blower outlined in the original application.

## **CARES FUNDING**

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

During fiscal year 2020, the authority utilized approximately 2.6 million dollars to retire airport authority debt and cover other operating expenses. The retirement of over 2 million dollars of airport debt, allowed the authority to reduce rent and landing fees to airlines and concession tenants as they work to recover from the decreased travel in future years. As a result, despite a decline in passenger related revenue which would normally offset airport costs in the cost-recovery calculations used to determine airline rates; the Airport has been able to reduce the actual rates charged to the airlines by 25% to 33% over the next three years as they recover.

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

## YEAR-END SUMMARY

Like other airports, the impact of COVID headlined the Airport Authority's operating results for the year even though it occurred largely in the fourth quarter. Passenger related revenue was nearly nonexistent in the fourth quarter and as a result operating revenue fell 10 percent over the previous year. Most of the decline was comprised of rental car and parking revenue. Thanks to subsidies from the CARES program, airlines continued to fly most of their flights to the airport, although with less frequency, so airline charges declined less as a percentage over the previous year's totals.

Prior to the current fiscal year, the Airport Authority had achieved record operating revenue in the previous five years. This strong revenue growth was due to new leasehold revenue from developments that were not related to commercial passenger service. The Airport Authority has been pursuing a revenue diversification strategy for the past six years. During this period, the Authority leased several existing buildings to Avmax and Fleet Maintenance Services. The Airport also attracted an I-State Trucking Center, and Montana's largest private hangar, the Eagle Jet hangar which began paying rent in the current fiscal year. The Authority also attracted a Love's Travel Stop, which began paying rent in the current fiscal year, but will not start construction until the summer of 2021. As a result of these new developments, land rent continued to climb by 13 percent during the past fiscal year. Despite the aforementioned COVID losses, operating revenue still exceeded \$3.6 million; a mark the Authority had not achieved since prior to 2013.

In an effort to continue revenue diversification efforts and to provide development sites to the general aviation community; the Authority extended utilities to a new hangar development area referred to as the Great Falls Aviation Park. The first phase of this project contains nine available hangar pads. Road access will be added in the summer of 2020, making these sites fully available for construction. Future phases of this development can accommodate a dozen or more additional hangars. These sites represent, revenue growth potential in future years.

In response to the COVID downturn, the Authority did forego marketing and consulting expenses that were scheduled in the fourth quarter. However, with most of the year's labor costs and utilities expenses already incurred, the Authority only reduced expenses by 3.7 percent for the full year.

The Authority used \$2.0 million of CARES fund receipts to repay debt. This reduced the amount of cost that needed to be collected from the airlines under the cost recovery formula used to determine their rates. The debt prepayment will have a similar reducing impact to airline rates over the next two years as airline volume returns. Accordingly, it is likely that airline revenue will remain at lower levels for several years.

Passenger boarding finished the fiscal year down 26% with 133,172 boarding. The last year that saw boarding this low was 2004. Boarding is projected to decline another 30% in the next fiscal year unless vaccines and treatments are readily available early in 2021 and encourage more normal air traffic levels.

	<b>2019/2020</b>	<b>2018/2019</b>	<b>2017/2018</b>
Enplanements	133,172	180,063	173,051

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

**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, 2020  
(With Comparative Totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash - demand deposits	\$ 948,111	\$ 234,868
Investments	1,072,662	1,153,426
Accounts receivable	380,524	483,121
Grants receivable	279,865	733,559
Inventories	4,100	4,100
Current portion of concession contract receivable	750,000	600,000
Prepaid expenses	<u>107,636</u>	<u>115,457</u>
Total current assets	<u>3,542,898</u>	<u>3,324,531</u>
NONCURRENT ASSETS		
RESTRICTED CASH AND INVESTMENTS		
Cash - demand deposits	<u>207</u>	<u>4,663</u>
Total restricted cash and investments	<u>207</u>	<u>4,663</u>
CAPITAL ASSETS		
Property and equipment - net	77,901,974	73,238,085
Construction work in progress	<u>3,669,819</u>	<u>12,270,669</u>
Total capital assets	<u>81,571,793</u>	<u>85,508,754</u>
OTHER ASSETS		
Investments	1,807,075	1,618,720
Deposits	5,600	3,100
Net investment in lease	-	830,629
Long-term portion of concession contract receivable	187,500	1,050,000
Patronage credits	<u>1,384</u>	<u>1,384</u>
Total other assets	<u>2,001,559</u>	<u>3,503,833</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	<u>131,586</u>	<u>165,889</u>
Total deferred outflows of resources	<u>131,586</u>	<u>165,889</u>
Total assets and deferred outflows of resources	<u>\$ 87,248,043</u>	<u>\$ 92,507,670</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, 2020  
(With Comparative Totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 120,704
Accounts payable - construction	13,970	609,247
Cash items	4,165	3,245
Tenant deposits	3,805	3,805
Payroll and payroll taxes payable	63,424	31,464
Interest payable	9,148	14,150
Compensated absences payable	71,853	63,061
Unearned revenue	(3,943)	787
Current portion of long-term debt	<u>1,132,130</u>	<u>1,974,008</u>
Total current liabilities	<u>1,294,552</u>	<u>2,820,471</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	1,508,665	4,595,661
PERS pension liability	<u>776,989</u>	<u>703,554</u>
Total long-term liabilities	<u>2,285,654</u>	<u>5,299,215</u>
Total liabilities	<u>3,580,206</u>	<u>8,119,686</u>
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangement - Reef Parking	937,500	1,537,500
Pension adjustments	<u>120,953</u>	<u>185,893</u>
Total deferred inflows of resources	<u>1,058,453</u>	<u>1,723,393</u>
NET POSITION		
Net investment in capital assets	78,930,998	79,769,714
Restricted	207	4,663
Unrestricted	<u>3,678,179</u>	<u>2,890,214</u>
Total net position	<u>82,609,384</u>	<u>82,664,591</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 87,248,043</u>	<u>\$ 92,507,670</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, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ <u>3,642,712</u>	\$ <u>4,055,707</u>
Operating expenses	<u>2,490,930</u>	<u>2,587,919</u>
Excess of operating revenues over operating expenses before depreciation	1,151,782	1,467,788
Less: Depreciation	<u>(1,905,022)</u>	<u>(1,273,905)</u>
Income (loss) from operations	<u>(753,240)</u>	<u>193,883</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Investment income	118,729	115,230
Miscellaneous non-operating revenues	115,443	8,871
Interest expense	(99,820)	(128,237)
CARES Act grant revenue	2,654,881	-
Investment income from lease investment	436,787	309,754
Interest expense from lease investment	(102,579)	(131,370)
Passenger Facility Charges (PFC), net	<u>618,544</u>	<u>735,112</u>
Total non-operating revenues	<u>3,741,985</u>	<u>909,360</u>
Income before capital contributions and depreciation on federally funded property and equipment	2,988,745	1,103,243
Capital contributions	1,631,196	2,768,938
Depreciation on federally funded property and equipment	<u>(4,675,148)</u>	<u>(4,744,366)</u>
CHANGE IN NET POSITION	(55,207)	(872,185)
Net position, beginning of year	<u>82,664,591</u>	<u>83,536,776</u>
Net position, end of year	<u>\$ 82,609,384</u>	<u>\$ 82,664,591</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, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from providing services	\$ 3,850,579	\$ 3,962,684
Cash payments to employees	(1,276,337)	(1,226,507)
Cash payments to suppliers	<u>(1,243,926)</u>	<u>(1,425,316)</u>
Net cash flows from operating activities	<u>1,330,316</u>	<u>1,310,861</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Miscellaneous non-operating revenues	<u>2,770,324</u>	<u>8,871</u>
Net cash flows from non-capital financing activities	<u>2,770,324</u>	<u>8,871</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from grants - FAA	2,063,429	2,824,473
Proceeds from grants - MDOT	21,461	12,857
Work-in-progress additions	(3,109,445)	(3,832,029)
Acquisition of property and equipment	(129,041)	(221,481)
Interest paid	(207,401)	(260,988)
Passenger Facility Charges (PFC), net	618,544	735,112
Payment on long-term debt	(3,928,874)	(1,914,552)
Payment received under municipal lease	<u>830,629</u>	<u>956,128</u>
Net cash flows from capital and related financing activities	<u>(3,840,698)</u>	<u>(1,700,480)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	555,516	424,985
Purchase of investments	(923,095)	(417,288)
Redemption of investments	<u>815,504</u>	<u>517,625</u>
Net cash flows from investing activities	<u>447,925</u>	<u>525,322</u>
Net change in cash and cash equivalents	707,867	144,574
Cash and cash equivalents, beginning of year	<u>236,286</u>	<u>91,712</u>
Cash and cash equivalents, end of year	<u>\$ 944,153</u>	<u>\$ 236,286</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, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income from operations	\$ (753,240)	\$ 193,883
Adjustments to reconcile operating loss to net cash flows from operating activities		
Depreciation	1,905,022	1,273,905
Pension adjustments	42,798	(21,553)
Changes in operating assets and liabilities:		
Accounts receivable	215,097	(93,572)
Prepaid expenses	7,821	(3,960)
Accounts payable	(120,704)	(35,293)
Payroll and payroll taxes payable	31,960	1,101
Compensated absences payable	8,792	(4,199)
Unearned revenue	(4,730)	549
Net cash flows from operating activities	<u>\$ 1,330,316</u>	<u>\$ 1,310,861</u>
 SCHEDULE OF INTEREST		
Interest paid	<u>\$ 207,401</u>	<u>\$ 260,988</u>
 SCHEDULE OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash items	\$ (4,165)	\$ (3,245)
Cash - demand deposits (unrestricted)	948,111	234,868
Cash - demand deposits (restricted)	207	4,663
	<u>\$ 944,153</u>	<u>\$ 236,286</u>
 SCHEDULE OF NONCASH TRANSACTIONS		
Addition of PERS pension liability	\$ 73,435	\$ (290,946)
Addition (reduction) of deferred outflows related to pension liability	34,303	91,619
(Reduction) of deferred inflows related to pension liability	(64,940)	177,774
	<u>\$ 42,798</u>	<u>\$ (21,553)</u>

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**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, 2020

**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.

***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, 2020.

**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, 2020

**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, 2020.

**Unearned Revenue**

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

**COVID-19**

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

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

**COVID-19 (Continued)**

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

In March 2020, total passengers through the airport were approximately 53% for the same time period in 2019. For the entire fiscal year 2020, passenger traffic was 26% of fiscal year 2019.

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

**CARES Act Grants**

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

The CARES Act provides funds to increase the federal share to 100 percent for Airport Improvement Program (AIP) and supplemental discretionary grants already planned for fiscal year 2020. Under normal circumstances, AIP grant recipients contribute a matching percentage of the project costs. Providing this additional funding and eliminating the local share will allow critical safety and capacity projects to continue as planned regardless of airport sponsors' current financial circumstances.

Additionally, the CARES Act provides new funds distributed by various formulas for all airports that are part of the national airport system. This includes all commercial service airports, all reliever airports and some public-owned general aviation airports.

Under this new CARES Airport Program:

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

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

**CARES Act Grants (Continued)**

The Authority received a grant award totaling \$2,853,060 related to the CARES Act. As of June 30, 2020, the Authority has recognized \$2,654,881 as grant revenue on the CARES Act grant to reimburse eligible operating expenses. Additionally, the federal share of 2020 AIP grants was increased to 100 percent totaling \$1,678.

**Passenger Facility Charges (PFC)**

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

**Estimates**

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

**Subsequent Events**

Management has evaluated subsequent events through December 28, 2020, the date on which the financial statements were available to be issued.

**NOTE 2. CASH AND INVESTMENTS**

The composition of cash and investments on June 30, 2020, was as follows:

Cash items	\$ (4,165)
Cash in banks:	
Demand deposits	948,318
Savings deposits	55,364
Time deposit	515,353
State Short-Term Investment	
Pool (S.T.I.P.)	1,017,298
U.S. Government bonds	<u>1,291,722</u>
	<u>\$ 3,823,890</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

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

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

Cash items	\$ (4,165)
Cash - demand deposits, current	948,111
Investments, current	1,072,662
Cash - demand deposits, restricted	207
Investments, long-term	<u>1,807,075</u>
	<u><u>\$ 3,823,890</u></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.

**Restricted Cash and Investments**

Restricted cash and investments at June 30, 2020 consist of \$207 in the Passenger Facility Charge bank account.

**Cash in Banks**

At year-end, the carrying amount of the Airport Authority's deposits was \$1,497,682 and the bank balance was \$1,592,712. These deposits include demand, savings, and time deposits. The Airport Authority's bank account deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and its time deposits are covered up to \$250,000 in cash claims by Securities Investor Protection Corporation (SIPC).

From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. As of June 30, 2020, the Airport Authority had \$793,348 of bank account deposits in excess of FDIC insurance and \$244,000 of time deposits in excess of SIPC coverage.

As of June 30, 2020, the Airport Authority had \$55,364 in money market funds not covered by FDIC or SIPC insurance. Money market funds are invested in a government obligations money market fund that invests in short-term U.S. government securities and repurchase agreements secured by U.S. government securities.

Montana statutes require that the Airport Authority obtain pledged securities for the uninsured portion of the deposits as follows: 1) Securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2) Securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. The statutes do not specify in whose custody or name the collateral is to be held.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

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

**Investments**

As described in Note 1 to the financial statements, statutes authorize the Airport Authority to invest in direct obligations of the United States Government and securities issued by agencies of the United States if the investment is a direct obligation of the agency, time deposits, the State Short-Term Investment Pool (S.T.I.P.), and repurchase agreements. The Airport Authority is in compliance with the state statutes described in Note 1.

The Airport Authority has no investment policy that would further limit its investment choices. As of June 30, 2020, the Airport Authority had the following investments and maturities:

Investment Type	Amount	Investment Maturities	
		Less Than 1 Year	1-5 years
Money market	\$ 55,364	\$ 55,364	\$ -
Time deposit	515,353	-	515,353
S.T.I.P.	1,017,298	1,017,298	-
U.S. government bonds	1,291,722	-	1,291,722
	<u>\$ 2,879,737</u>	<u>\$ 1,072,662</u>	<u>\$ 1,807,075</u>

**Interest Rate Risk**

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

**Credit Risk**

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



GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

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

**Credit Risk (Continued)**

Credit Quality Ratings as of June 30, 2020:

Investment Type	Amortized Cost	Credit Quality Rating
Agency or government related	\$ 60,128	A1+
Asset backed commercial paper	745,567	A1+
Corporate commercial paper	190,336	A1+
Certificates of deposit	<u>21,267</u>	<u>A1+</u>
	<u>\$ 1,017,298</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.

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

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

**Market Fluctuations**

During the year ended June 30, 2020, the global financial system experienced substantial volatility related to the COVID-19 pandemic. These economic events have had a significant impact on the investment portfolio. As a result, it is possible the Airport Authority's investments have incurred a decline in fair value. Because of the uncertainty of future market conditions management is uncertain whether any decline in fair value is permanent or temporary.

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

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

**Market Fluctuations (Continued)**

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, 2020.

*Government bonds* – Valued using matrix pricing.

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

Level 1: quoted prices in active markets as of the measurement date.

Level 2: quoted prices that are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability.

Level 3: significant unobservable prices or inputs for which there is little or no market activity for the asset or liability at the measurement date.

Investments, stated at fair value, are as follows:

	<u>Cost</u>	<u>(Level 2)</u>
U.S. government bonds	<u>\$ 1,239,537</u>	<u>\$ 1,291,722</u>

The net increase in the fair value of investments during the year ended June 30, 2020 was \$64,870. 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, 2020

**NOTE 3. CAPITAL ASSETS**

**Construction Work in Progress**

A summary of the changes in construction work in progress during the year ended June 30, 2020 is as follows:

Project	Balance July 1, 2019	Project Additions	Close-Out/ Deletions	Transfers	Balance June 30, 2020
AIP 57	\$ (678)	\$ -	\$ -	\$ -	\$ (678)
AIP 58	643,908	-	-	-	643,908
AIP 64 (NonFed)	882,237	6,094	(729,557)	(158,774)	-
AIP 64 (Fed)	4,902,469	54,842	(5,116,085)	158,774	-
AIP 65 (NonFed)	865,888	5,500	(252,930)	(178)	618,280
AIP 65 (Fed)	2,277,974	-	(2,276,373)	(1,601)	-
AIP 66 (NonFed)	39,461	968,133	(1,007,772)	178	-
AIP 66 (Fed)	355,153	1,362,039	(1,718,793)	1,601	-
AIP 67 (Fed)	-	16,778	-	-	16,778
AIP 68 (NonFed)	-	3,200	-	-	3,200
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	15,565	-	-	(6,305)	9,260
FedEx Apron	90,494	-	-	-	90,494
Red Horse	82,030	-	-	-	82,030
LED	155,703	879	(13,508)	6,305	149,379
Special Projects	73,673	96,703	-	-	170,376
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>\$ 12,270,669</u>	<u>\$ 2,514,168</u>	<u>\$ (11,115,018)</u>	<u>\$ -</u>	<u>\$ 3,669,819</u>

The Airport Improvement Program (AIP) work in progress project additions include expenditures of \$982,927 from Airport Authority funds and \$1,443,659 from FAA funds. AIP work in progress project close-out/deletions consist of transfers to capital assets during the year ended June 30, 2020 totaling \$9,111,251.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 3. CAPITAL ASSETS (CONTINUED)**

**Property and Equipment**

A summary of the changes in property and equipment during the year ended June 30, 2020 is as follows:

	Balance, July 1, 2019	Additions	Deletions	Balance, June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 1,501,248	\$ -	\$ -	\$ 1,501,248
Construction in progress	<u>12,270,669</u>	<u>2,514,168</u>	<u>(11,115,018)</u>	<u>3,669,819</u>
Total capital assets, not being depreciated	<u>13,771,917</u>	<u>2,514,168</u>	<u>(11,115,018)</u>	<u>5,171,067</u>
Capital assets, being depreciated:				
Buildings	33,939,306	2,588,471	-	36,527,777
Improvements	124,069,931	8,609,025	-	132,678,956
Furniture, fixtures and equipment	<u>7,326,154</u>	<u>46,563</u>	<u>-</u>	<u>7,372,717</u>
Total capital assets, being depreciated	<u>165,335,391</u>	<u>11,244,059</u>	<u>-</u>	<u>176,579,450</u>
Less accumulated depreciation:				
Buildings	(21,958,763)	(1,287,237)	-	(23,246,000)
Improvements	(66,202,341)	(5,029,369)	-	(71,231,710)
Furniture, fixtures and equipment	<u>(5,437,450)</u>	<u>(263,564)</u>	<u>-</u>	<u>(5,701,014)</u>
	<u>(93,598,554)</u>	<u>(6,580,170)</u>	<u>-</u>	<u>(100,178,724)</u>
Capital assets being depreciated, net	<u>71,736,837</u>	<u>4,663,889</u>	<u>-</u>	<u>76,400,726</u>
Capital assets, net	<u>\$ 85,508,754</u>	<u>\$ 7,178,057</u>	<u>\$ (11,115,018)</u>	<u>\$ 81,571,793</u>

**NOTE 4. LONG-TERM DEBT**

*Direct Borrowings*

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, 2020 is \$43,250.

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, 2020 is \$481,255. 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, 2020

**NOTE 4. LONG-TERM DEBT (CONTINUED)**

*Direct Borrowings (Continued)*

On October 1, 2008, long-term financing to be used toward the Avmax hangar remodel was obtained from the Montana Board of Investments. This obligation calls for principal of \$1,288,605 to be repaid with monthly payments of \$9,187 for 240 months, with interest at 5.95% per annum. The balance of this note payable at June 30, 2020 is \$721,070. This is a tenant-financing loan and as such, the Airport Authority is not liable in the event of tenant payment default.

On October 27, 2009, long-term financing to be used toward the construction of a carwash facility was obtained from Wells Fargo Brokerage Services. This debt was refinanced through Wells Fargo Bank, N.A. on July 29, 2013 to reduce the interest rate from 6.58% to 4.58% per annum. The balance of this note payable at June 30, 2013 prior to refinancing was \$1,098,514. This obligation (Series 2013C) calls for principal of \$1,103,800 to be repaid with variable monthly payments ranging from \$4,550 to \$10,550 for 132 months. The balance of this note payable at June 30, 2020 is \$518,050.

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, 2020 is \$877,170.

During the year ended June 30, 2020, the Airport Authority received federal CARES Act funds. The Airport used a portion of those funds to retire long-term debt in the amount of \$2,036,631 in May 2020. Subsequent to year-end, the Airport Authority noted that an incorrect application of principal was used to retire the Wells Fargo Series 2013C instead of the Series 2013B in the amount of \$518,050. This was corrected in July 2020. The schedules in Note 4 reflect the correct application of this payment and future long-term debt obligations.

The following is a summary of changes in long-term debt from direct borrowings of the Airport Authority for the fiscal year ended June 30, 2020:

Note payable to:	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Montana Board of Investments	\$ 540,068	\$ -	\$ (58,813)	\$ 481,255	\$ 61,576
Montana Board of Investments	786,381	-	(65,311)	721,070	68,954
Wells Fargo-Fedex Note Series 2013A	1,762,170	-	(885,000)	877,170	852,150
Wells Fargo-Apron Note Series 2013B	997,800	-	(954,550)	43,250	43,250
Wells Fargo-Car Rental Note Series 2013C	601,100	-	(83,050)	518,050	106,200
Wells Fargo-SRE Note Series 2013D	363,950	-	(363,950)	-	-
Wells Fargo-Terminal Note Series 2013E	1,518,200	-	(1,518,200)	-	-
	<u>\$ 6,569,669</u>	<u>\$ -</u>	<u>\$ (3,928,874)</u>	<u>\$ 2,640,795</u>	<u>\$ 1,132,130</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 4. LONG-TERM DEBT (CONTINUED)**

*Direct Borrowings (Continued)*

The annual debt service requirements to maturity for long-term debt outstanding as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,132,130	\$ 97,999	\$ 1,230,129
2022	249,026	72,303	321,329
2023	262,034	59,321	321,355
2024	275,693	45,694	321,387
2025	204,228	32,411	236,639
2026-2029	<u>517,684</u>	<u>42,550</u>	<u>560,234</u>
	<u>\$ 2,640,795</u>	<u>\$ 350,278</u>	<u>\$ 2,991,073</u>

**NOTE 5. SERVICE CONCESSION ARRANGEMENT**

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

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

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 5. SERVICE CONCESSION ARRANGEMENT (CONTINUED)**

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 \$937,500. The deferred inflow of resources will be amortized to revenue over the term of the agreement.

**NOTE 6. PASSENGER FACILITY CHARGES (PFC)**

Changes in the passenger facility charges account for the year ended June 30, 2020 are as follows:

Balance at beginning of year	\$ 254,415
Additions:	
Collections from carriers	<u>618,544</u>
Balance at end of year	<u><u>\$ 872,959</u></u>

The PFC account owes the Surplus account \$872,753 as of June 30, 2020. A total of \$623,000 was repaid to the Surplus account during the current fiscal year. The inter-account balances have been eliminated in the accompanying financial statements.

**NOTE 7. RESTRICTED NET POSITION**

Restricted net position at June 30, 2020 consists of the following:

Restricted for passenger facility charges	<u><u>\$ 207</u></u>
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GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**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, 2020, are as follows:

**Capital assets**

Balance at beginning of year	\$ 73,238,085
Additions:	
Transfers from Work in Progress account and acquisition of capital assets	11,244,059
Deductions:	
Depreciation expense	<u>(6,580,170)</u>
Balance at end of year	<u>77,901,974</u>

**Construction work in progress**

Balance at beginning of year	12,270,669
Additions:	
Contributions - Airport funds	1,080,509
FAA grants	1,433,659
Deductions:	
Projects closed and transferred to fixed assets	<u>(11,115,018)</u>
Balance at end of year	<u>3,669,819</u>

**Net investment in lease**

Balance at beginning of year	830,629
Deductions:	
Principal payments received	<u>(830,629)</u>
Balance at end of year	<u>-</u>

**Related debt**

Balance at beginning of year	(6,569,669)
Deductions:	
Principal payments	<u>3,928,874</u>
Balance at end of year	<u>(2,640,795)</u>

Net investment in capital assets at June 30, 2020	<u><u>\$ 78,930,998</u></u>
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GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 9. PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**Plan Description**

***Public Employees' Retirement System (PERS)***

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System and school districts. Benefits are established by state law and can only be amended by Legislature.

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

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 9. PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

***Public Employees' Retirement System (PERS)***

**Summary of Benefits**

**Eligibility for Benefit**

Service retirement:

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

**Early Retirement**

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

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

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

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

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

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 9. PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

***Public Employees' Retirement System (PERS)***

**Summary of Benefits (Continued)**

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

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

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

**Member's Highest Average Compensation (HAC)**

- Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

**Compensation Cap**

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

**Monthly Benefit Formula**

1) Members hired prior to July 1, 2011:

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

2) Members hired on or after July 1, 2011:

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

**Guaranteed Annual Benefit Adjustment (GABA)**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 9. PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

***Public Employees' Retirement System (PERS)***

**Summary of Benefits (Continued)**

**Guaranteed Annual Benefit Adjustment (GABA) (Continued)**

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

**Contributions**

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

**Special Funding**

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

**Not Special Funding**

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

**Overview of Contributions**

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

Fiscal Year	<u>Member</u>		<u>State &amp;</u>	<u>Local Government</u>		<u>School Districts</u>	
	<u>Hired</u> <07/01/11	<u>Hired</u> >07/01/11	<u>Universities</u> Employer	<u>Employer</u>	<u>State</u>	<u>Employer</u>	<u>State</u>
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
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, 2020

**NOTE 9. PENSION PLAN (CONTINUED)**

***Public Employees' Retirement System (PERS) (Continued)***

**Overview of Contributions (Continued)**

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contribution rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non Employer Contributions
  - a. Special Funding
    - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
    - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
    - iii. The State contributed a Statutory Appropriation from the General Fund of \$33,615,000.

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

GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's total pension liability (TPL). The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll-forward procedures. The roll-forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll-forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 9. PENSION PLAN (CONTINUED)**

***Public Employees' Retirement System (PERS) (Continued)***

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

The TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2019, and 2018, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$776,989 and the employer's proportionate share 0.037171%.

	Net Pension Liability as of <u>June 30, 2019</u>	Net Pension Liability as of <u>June 30, 2018</u>	Percent of Collective NPL As of June 30, <u>2019</u>	Percent of Collective NPL As of June 30, <u>2018</u>	Change in Percent of Collective <u>NPL</u>
Airport Authority					
Proportionate Share	\$ 776,989	\$ 703,554	0.03717%	0.0337%	0.00346%
State of Montana					
Proportionate Share					
associated with the					
Authority	<u>254,856</u>	<u>237,072</u>	<u>0.01219%</u>	<u>0.0456%</u>	<u>0.00083%</u>
Total	<u>\$ 1,031,846</u>	<u>\$ 940,626</u>	<u>0.04936%</u>	<u>0.0793%</u>	<u>0.00430%</u>

\* To be consistent with this year's calculation of the State of Montana Proportionate Share Associated with Employer Percent of Collective NPL, the June 30, 2018 percentage has been recalculated using the actual State percentage presented on the allocation instead of the 100% displayed last year. This does not change the dollar amount of the NPL as of June 30, 2018, just the percentage.

***Changes in Actuarial Assumptions and Methods:***

There were no changes in assumptions or other inputs that affected the measurement of the TPL.

***Changes in Benefit Terms:***

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

**Pension Expense**

At June 30, 2019, the Authority recognized \$95,322 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$770 for the State of Montana proportionate share of the pension expense associated with the Authority. Additionally, the Authority recognized grant revenue of \$16,532 from the State Statutory Appropriation from the General Fund.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 9. PENSION PLAN (CONTINUED)**

***Public Employees' Retirement System (PERS) (Continued)***

**Pension Expense (Continued)**

	Pension expense as of June 30, 2019
Authority's Proportionate Share	\$ 95,322
Grant Revenue-State of Montana Proportionate Share	<u>17,302</u>
Total	<u>\$ 112,624</u>

**Recognition of Deferred Inflows and Outflows**

At June 30, 2019, the Authority reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected versus actual experience	\$ 36,843	\$ 36,560
Projected investment earnings versus actual investment earnings	9,421	-
Changes in assumptions	32,986	-
Changes in proportion differences between employer contributions and proportionate share of contributions	-	84,392
Contributions paid to PERS subsequent to the measurement date – FY2020	<u>52,336</u>	<u>-</u>
Total	<u>\$ 131,586</u>	<u>\$ 120,953</u>

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

	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2020	\$ 11,564
2021	\$ (65,327)
2022	\$ 3,505
2023	\$ 8,455
2024	\$ -
Thereafter	\$ -

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 9. PENSION PLAN (CONTINUED)**

***Public Employees' Retirement System (PERS) (Continued)***

**Actuarial Assumptions**

The TPL in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth\* 3.50%  
    \*includes Inflation at 2.75%
- Merit Increases 0% to 6.30%
- Postretirement Benefit Increases:
  1. Guaranteed Annual Benefit Adjustment (GABA) each January
    - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
      - 3% for members hired prior to July 1, 2007
      - 1.5% for members hired between July 1, 2007 and June 30, 2013
      - Members hired on or after July 1, 2013:
        - (a) 1.5% for each year PERS is funded at or above 90%;
        - (b) The 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%;
        - (c) 0% whenever the amortization period for PERS is 40 years or more.

**Mortality**

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

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, was outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption 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.



GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 9. PENSION PLAN (CONTINUED)**

**Actuarial Assumptions (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the TPL was 7.65%. 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 established the contractually required rates under Montana Code Annotated. The state contributed 0.10% of salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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

The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, 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.

	<u>1.0% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1.0% Increase (8.65%)</u>
Great Falls International Airport	<u>\$ 1,116,312</u>	<u>\$ 776,989</u>	<u>\$ 491,831</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020

**NOTE 9. PENSION PLAN (CONTINUED)**

***Public Employees' Retirement System (PERS) (Continued)***

**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 state Legislature has the authority to establish and amend contribution rates.

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

At the plan level for the measurement period ended June 30, 2019, 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 320 employers that have participants in the PERS-DCRP totaled \$714,024.

The standalone 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 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, 2020

**NOTE 10. RISK MANAGEMENT**

The Airport Authority faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability (i.e. errors and omissions), environmental damage, workers' compensation (i.e. employee injuries), and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities.

During the year ended June 30, 2020, 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 11. COMMITMENTS AND CONTINGENCIES**

The Airport Authority has active construction projects as of June 30, 2020, for various Airport Improvement Program projects. The Airport Authority signed construction contracts in the amount of \$1,408,027. The outstanding balance of the contract for work to be completed and paid in fiscal year 2021 is \$1,408,027.

**NOTE 12. MAJOR CUSTOMERS**

During the year ended June 30, 2020, revenue from five air carriers and five concessionaires amounted to \$2,593,452 and represents 67% of total operating revenue. Accounts receivable for these four major air carriers amounted to \$201,841 or 71% of other accounts receivable in aggregate as of June 30, 2020.

Accounts receivable for the five major concessionaires amounted to \$1,023,697 or 99%, of concessionaires' accounts receivable in aggregate as of June 30, 2020. Of this \$1,023,697, \$1,004,978 or 98%, 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, 2020.

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, 2020

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

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF PERS CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS  
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Schedule of Contributions for the Last Ten Fiscal Years*</b>						
Contractually required contributions	\$ 52,336	\$ 52,749	\$ 46,955	\$ 53,019	\$ 46,558	\$ 43,644
Plan choice rate required contributions	-	-	-	-	2,767	4,989
Contributions in relation to the contractually required contributions	52,336	52,749	46,955	53,019	49,325	48,633
Contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered payroll	603,646	613,687	554,362	625,945	557,014	529,628
Contributions of covered payroll	8.67%	8.60%	8.47%	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, 2020

**Changes of Benefit Terms**

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

**2017:**

**Working Retiree Limitation – for PERS**

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

**Refunds**

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

**Interest Credited to Member Accounts**

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

**Lump-Sum Payouts**

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

**Disabled PERS Defined Contribution (DC) Members**

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
June 30, 2020

**Changes of Benefit Terms (Continued)**

**Changes in Actuarial Assumptions and Methods**

**Method and assumptions used in calculations of actuarially determined contributions**

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table
Admin expenses as % of payroll	0.26%

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



## SUPPLEMENTAL SCHEDULES

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY/COST CENTER OPERATING SCHEDULE  
Year Ended June 30, 2020

	<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	\$ 3,598,022	\$ 536,424	\$ 2,563,159	\$ 277,414	\$ 221,025
<b>EXPENSES</b>					
Direct expenses					
Personnel services	459,283	441,254	901	-	17,128
Contractual services	685,484	148,291	468,537	5,558	63,098
Materials and supplies	<u>209,174</u>	<u>89,985</u>	<u>119,189</u>	<u>-</u>	<u>-</u>
<b>TOTAL DIRECT EXPENSES</b>	<u>1,353,941</u>	<u>679,530</u>	<u>588,627</u>	<u>5,558</u>	<u>80,226</u>
Allocated expenses					
Administration	726,370	254,230	254,230	108,955	108,955
ARFF services	84,883	46,686	25,465	6,790	5,942
Security services	<u>146,694</u>	<u>44,008</u>	<u>73,347</u>	<u>7,335</u>	<u>22,004</u>
<b>TOTAL ALLOCATED EXPENSES</b>	<u>957,947</u>	<u>344,924</u>	<u>353,042</u>	<u>123,080</u>	<u>136,901</u>
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<u>2,311,888</u>	<u>1,024,454</u>	<u>941,669</u>	<u>128,638</u>	<u>217,127</u>
Net income (loss) before depreciation and amortization	1,286,134	(488,030)	1,621,490	148,776	3,898
Depreciation and amortization	<u>(6,580,170)</u>	<u>(4,324,019)</u>	<u>(926,219)</u>	<u>(924,073)</u>	<u>(405,859)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (5,294,036)</u>	<u>\$ (4,812,049)</u>	<u>\$ 695,271</u>	<u>\$ (775,297)</u>	<u>\$ (401,961)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
COST CENTER OPERATING SCHEDULES  
LANDING AREA  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
REVENUE		
Landing fees		
Airlines - itinerant - non-signator	\$ 36,110	\$ 41,566
Mail carrier/cargo - signator	189,448	220,240
Mail carriers/cargo - non-signatory	72,175	78,902
Passenger airlines - signator	158,988	206,854
Passenger airlines - nonsignatory - scheduled	<u>48,596</u>	<u>68,851</u>
Total landing fees	<u>505,317</u>	<u>616,413</u>
Fuel flowage fees		
Fixed base operators	24,545	27,991
Fuel farm license fees	<u>6,562</u>	<u>19,337</u>
Total fuel flowage fees	<u>31,107</u>	<u>47,328</u>
Total revenue	<u>536,424</u>	<u>663,741</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	156,314	141,192
Salaries and benefits	<u>284,940</u>	<u>200,205</u>
Total personnel expenses	<u>441,254</u>	<u>341,397</u>
Contractual services		
Utilities		
Electricity	46,483	40,804
Gas	1,336	1,472
Telephone	<u>1,963</u>	<u>1,820</u>
Total utilities	<u>49,782</u>	<u>44,096</u>
Repairs and maintenance		
Buildings and structures	-	(60)
Equipment	4,693	15,506
Other contractual services	6,071	6,162
Radios	<u>-</u>	<u>385</u>
Total repairs and maintenance	<u>10,764</u>	<u>21,993</u>
Professional services		
Insurance	60,180	60,180
Security services	<u>25,577</u>	<u>29,375</u>
Total professional services	<u>85,757</u>	<u>89,555</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
COST CENTER OPERATING SCHEDULES  
LANDING AREA (CONTINUED)  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Other expenses		
Equipment rental	-	525
Licenses, permits, and inspection fees	<u>1,988</u>	<u>1,613</u>
Total other expenses	<u>1,988</u>	<u>2,138</u>
Total contractual services	<u>148,291</u>	<u>157,782</u>
Materials and supplies		
Agricultural supplies	2,008	3,488
Electrical, plumbing, and hardware	15,466	22,831
Equipment, parts, and supplies	29,735	31,562
Fuel, oil, and lubricants	24,838	46,286
Minor equipment and tools	5,236	2,127
Other materials and supplies	2,270	2,987
Paints, chemicals, and gases	<u>10,432</u>	<u>12,984</u>
Total materials and supplies	<u>89,985</u>	<u>122,265</u>
Total direct expenses	<u>679,530</u>	<u>621,444</u>
Allocated expenses		
Administration	254,230	337,184
ARFF services	46,686	43,304
Security services	<u>44,008</u>	<u>33,943</u>
Total allocated expenses	<u>344,924</u>	<u>414,431</u>
Total expenses before depreciation	<u>1,024,454</u>	<u>1,035,875</u>
Net loss before depreciation	<u>(488,030)</u>	<u>(372,134)</u>
Depreciation		
Allocated	9,727	9,501
Direct	<u>4,314,292</u>	<u>4,132,334</u>
Total depreciation	<u>4,324,019</u>	<u>4,141,835</u>
Net loss	<u>\$ (4,812,049)</u>	<u>\$ (4,513,969)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
COST CENTER OPERATING SCHEDULES  
TERMINAL BUILDING  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
REVENUE		
Concession fees		
ATM income	\$ 3,044	\$ 3,707
Advertising	40,000	40,000
Auto parking	644,306	860,324
Rental car concessions - CFC	211,275	252,790
Rental car concessions - MAG	551,843	680,892
Food and alcoholic beverages	93,745	90,682
Gift shops	17,891	25,411
Ground rental	44,136	40,106
Miscellaneous	<u>63,660</u>	<u>64,512</u>
Total concession fees	<u>1,669,900</u>	<u>2,058,424</u>
Space rentals		
Airlines	755,332	664,943
Concessionaires	<u>32,709</u>	<u>32,709</u>
Total space rentals	<u>788,041</u>	<u>697,652</u>
Miscellaneous rentals		
Building rental	45,560	45,170
Office rental	<u>59,658</u>	<u>86,037</u>
Total miscellaneous rentals	<u>105,218</u>	<u>131,207</u>
Total revenue	<u>2,563,159</u>	<u>2,887,283</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	901	730
Salaries and wages	<u>-</u>	<u>69,710</u>
Total personnel services	<u>901</u>	<u>70,440</u>
Contractual services		
Utilities		
Electricity	192,328	181,136
Gas	75,314	87,057
Refuse disposal	4,438	3,817
Water and sewer	<u>22,120</u>	<u>19,610</u>
Total utilities	<u>294,200</u>	<u>291,620</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
COST CENTER OPERATING SCHEDULES  
TERMINAL BUILDING (CONTINUED)  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
EXPENSES (CONTINUED)		
Direct expenses (continued)		
Contractual services (continued)		
Repairs and maintenance		
Equipment	\$ 43,849	\$ 36,238
Minor equipment and tools	7,266	5,625
Other contractual services	<u>537</u>	<u>2,660</u>
Total repairs and maintenance	<u>51,652</u>	<u>44,523</u>
Professional services		
Insurance	11,047	11,047
Janitorial contract	65,800	73,336
Security services	<u>43,441</u>	<u>49,891</u>
Total professional services	<u>120,288</u>	<u>134,274</u>
Other expenses		
Equipment rental	1,930	100
Licenses, permits, and inspection fees	<u>467</u>	<u>1,749</u>
Total other expenses	<u>2,397</u>	<u>1,849</u>
Total contractual services	<u>468,537</u>	<u>472,266</u>
Materials and supplies		
Agricultural supplies	93	4
Cleaning and janitorial supplies	25,444	24,625
Electrical, plumbing, and hardware	32,256	21,534
Equipment, parts, and supplies	16,499	11,182
Fuel, oil, and lubricants	21,481	47,112
Minor equipment and tools	1,311	2,915
Other materials and supplies	17,053	19,431
Paints, chemicals, and gases	<u>5,052</u>	<u>5,156</u>
Total materials and supplies	<u>119,189</u>	<u>131,959</u>
Total direct expenses	<u>588,627</u>	<u>674,665</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 TERMINAL BUILDING (CONTINUED)  
 Year Ended June 30, 2020  
 (With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
EXPENSES (CONTINUED)		
Allocated expenses		
Administration	254,230	337,184
ARFF services	25,465	23,620
Security services	<u>73,347</u>	<u>56,572</u>
Total allocated expenses	<u>353,042</u>	<u>417,376</u>
Total expenses before depreciation	<u>941,669</u>	<u>1,092,041</u>
Net income before depreciation	<u>1,621,490</u>	<u>1,795,242</u>
Depreciation		
Allocated	10,159	10,058
Direct	<u>916,060</u>	<u>953,014</u>
Total depreciation	<u>926,219</u>	<u>963,072</u>
Net income	<u><u>\$ 695,271</u></u>	<u><u>\$ 832,170</u></u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
COST CENTER OPERATING SCHEDULES  
AERONAUTICAL AREA  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
REVENUE		
Building rental	\$ 840	\$ 840
Gate rental	2,470	2,570
Ground rental	211,831	230,049
Hangar rental	50,986	50,986
Reimbursed costs - utilities	<u>11,287</u>	<u>10,954</u>
Total revenue	<u>277,414</u>	<u>295,399</u>
EXPENSES		
Direct expenses		
Contractual services		
Utilities		
Electricity	495	(493)
Water and sewer	<u>1,003</u>	<u>339</u>
Total utilities	<u>1,498</u>	<u>(154)</u>
Professional services		
Security services	<u>4,060</u>	<u>4,663</u>
Total professional services	<u>4,060</u>	<u>4,663</u>
Total contractual services	<u>5,558</u>	<u>4,509</u>
Total direct expenses	<u>5,558</u>	<u>4,509</u>
Allocated expenses		
Administration	108,955	144,507
ARFF services	6,790	6,299
Security services	<u>7,335</u>	<u>5,657</u>
Total allocated expenses	<u>123,080</u>	<u>156,463</u>
Total expenses before depreciation	<u>128,638</u>	<u>160,972</u>
Net income before depreciation	<u>148,776</u>	<u>134,427</u>
Depreciation		
Allocated	4,000	3,853
Direct	<u>920,073</u>	<u>611,468</u>
Total depreciation	<u>924,073</u>	<u>615,321</u>
Net loss	<u><u>\$ (775,297)</u></u>	<u><u>\$ (480,894)</u></u>



GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
COST CENTER OPERATING SCHEDULES  
NON-AERONAUTICAL AREA  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
REVENUE		
Agricultural land income	\$ 2,966	\$ 5,527
Badge income	14,749	4,429
Building rental	93,408	63,467
Ground rental	<u>109,902</u>	<u>79,490</u>
Total revenue	<u>221,025</u>	<u>152,913</u>
EXPENSES		
Direct expenses		
Personnel services		
Employee fringe benefits	<u>17,128</u>	<u>13,870</u>
Total personnel services	<u>17,128</u>	<u>13,870</u>
Contractual services		
Utilities		
Electricity	28,794	27,348
Gas	12,522	12,625
Water and sewer	<u>7,997</u>	<u>9,542</u>
Total utilities	<u>49,313</u>	<u>49,515</u>
Professional services		
Insurance	5,300	5,300
Security services	<u>8,120</u>	<u>9,325</u>
Total professional services	<u>13,420</u>	<u>14,625</u>
Other expenses		
Drug tests and physical exams	365	458
Licenses, permits, and inspection fees	<u>-</u>	<u>1,338</u>
Total other expenses	<u>365</u>	<u>1,796</u>
Total contractual services	<u>63,098</u>	<u>65,936</u>
Total direct expenses	<u>80,226</u>	<u>79,806</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 NON-AERONAUTICAL AREA (CONTINUED)  
 Year Ended June 30, 2020  
 (With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
EXPENSES (CONTINUED)		
Allocated expenses		
Administration	108,955	144,507
ARFF services	5,942	5,511
Security services	<u>22,004</u>	<u>16,972</u>
Total allocated expenses	<u>136,901</u>	<u>166,990</u>
Total expenses before depreciation	<u>217,127</u>	<u>246,796</u>
Net income (loss) before depreciation	<u>3,898</u>	<u>(93,883)</u>
Depreciation		
Allocated	4,215	4,132
Direct	<u>401,644</u>	<u>293,911</u>
Total depreciation	<u>405,859</u>	<u>298,043</u>
Net loss	<u>\$ (401,961)</u>	<u>\$ (391,926)</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
COST CENTER OPERATING SCHEDULES  
SCHEDULE OF ALLOCATED EXPENSES  
Year Ended June 30, 2020

	Total Airport		Landing Area		Terminal Building		Aeronautical Area		Non-Aeronautical Area	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Allocated expense before depreciation and amortization										
Administration	\$ 726,370	100%	\$ 254,230	35%	\$ 254,230	35%	\$ 108,955	15%	\$ 108,955	15%
ARFF services	84,883	100%	46,686	55%	25,465	30%	6,790	8%	5,942	7%
Security services	<u>146,694</u>	<u>100%</u>	<u>44,008</u>	<u>30%</u>	<u>73,347</u>	<u>50%</u>	<u>7,335</u>	<u>5%</u>	<u>22,004</u>	<u>15%</u>
Total allocated expense before depreciation and amortization	<u>\$ 957,947</u>	<u>100%</u>	<u>\$ 344,924</u>	<u>36%</u>	<u>\$ 353,042</u>	<u>37%</u>	<u>\$ 123,080</u>	<u>13%</u>	<u>\$ 136,901</u>	<u>14%</u>
Allocated depreciation and amortization										
Administration	25,943	100%	\$ 9,080	35%	\$ 9,080	35%	\$ 3,892	15%	\$ 3,891	15%
Security services	<u>2,158</u>	<u>100%</u>	<u>647</u>	<u>30%</u>	<u>1,079</u>	<u>50%</u>	<u>108</u>	<u>5%</u>	<u>324</u>	<u>15%</u>
Total allocated depreciation and amortization	<u>\$ 28,101</u>	<u>100%</u>	<u>\$ 9,727</u>	<u>35%</u>	<u>\$ 10,159</u>	<u>36%</u>	<u>\$ 4,000</u>	<u>14%</u>	<u>\$ 4,215</u>	<u>15%</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
COST CENTER OPERATING SCHEDULES  
ADMINISTRATION  
Year Ended June 30, 2020  
(With comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 177,994	\$ 141,646
Salaries and wages	<u>456,397</u>	<u>399,214</u>
Total personnel services	<u>634,391</u>	<u>540,860</u>
Contractual services		
Utilities		
Gas	(10)	-
Internet services	12,754	17,193
Telephone	<u>11,568</u>	<u>12,122</u>
Total utilities	<u>24,312</u>	<u>29,315</u>
Repairs and maintenance		
Equipment	5,337	8,305
Minor equipment and tools	<u>10,537</u>	<u>9,044</u>
Total repairs and maintenance	<u>15,874</u>	<u>17,349</u>
Professional services		
Accounting fees	13,500	13,500
Consulting fees	64,980	234,246
Insurance	8,616	8,616
Legal fees	<u>7,889</u>	<u>10,596</u>
Total professional services	<u>94,985</u>	<u>266,958</u>
Other expenses		
Advertising and promotional expenses	522	3,166
Board meeting/member expense	2,354	3,263
Dues and subscriptions	7,158	5,449
Employee recognition	7,140	3,745
Licenses, permits, and inspection fees	1,700	4,042
Postage and freight	2,394	3,623
Travel, training, and education	7,210	12,074
U.S. Customs building lease	49,736	49,736
Vehicle lease	<u>6,000</u>	<u>6,000</u>
Total other expenses	<u>84,214</u>	<u>91,098</u>
Total contractual services	<u>219,385</u>	<u>404,720</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 ADMINISTRATION (CONTINUED)  
 Year Ended June 30, 2020  
 (With comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
EXPENSES (CONTINUED)		
Materials and supplies		
Minor equipment and tools	-	6,123
Office materials and supplies	5,987	3,794
Other materials and supplies	919	1,697
Security supplies	<u>40</u>	<u>2,052</u>
Total material and supplies	<u>6,946</u>	<u>13,666</u>
Total expenses before depreciation and amortization	<u>860,722</u>	<u>959,246</u>
NON-OPERATING (REVENUE) AND EXPENSES		
Realized gain on sale of investments	7,482	-
Interest expense	99,820	128,237
Interest on investments - operating account	(126,211)	(115,230)
Miscellaneous non-operating (revenue) expense	<u>(115,443)</u>	<u>(8,871)</u>
Total non-operating (revenue) and expenses	<u>(134,352)</u>	<u>4,136</u>
Net expense before depreciation and amortization allocated to primary cost centers	<u>\$ 726,370</u>	<u>\$ 963,382</u>
Depreciation and amortization allocated to primary cost centers	<u>\$ 25,943</u>	<u>\$ 24,757</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
 COST CENTER OPERATING SCHEDULES  
 SECURITY SERVICES  
 Year Ended June 30, 2020  
 (With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 77,201	\$ 59,514
Salaries and wages	<u>110,068</u>	<u>105,934</u>
Total personnel services	<u>187,269</u>	<u>165,448</u>
Contractual services		
Professional services:		
Insurance	<u>1,860</u>	<u>1,860</u>
Total professional services	<u>1,860</u>	<u>1,860</u>
Total contractual expenses	<u>1,860</u>	<u>1,860</u>
Materials and supplies		
Fuel, oil, and lubricants	<u>2,255</u>	<u>2,207</u>
Total materials and supplies	<u>2,255</u>	<u>2,207</u>
Total expenses before depreciation	<u>191,384</u>	<u>169,515</u>
Less reimbursed security costs	<u>(44,690)</u>	<u>(56,371)</u>
Net expense before depreciation		
allocated to primary care cost centers	<u>\$ 146,694</u>	<u>\$ 113,144</u>
Depreciation allocated to primary care		
cost centers	<u>\$ 2,158</u>	<u>\$ 2,787</u>

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
COST CENTER OPERATING SCHEDULES  
AIRCRAFT RESCUE AND FIRE FIGHTING  
Year Ended June 30, 2020  
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
EXPENSES		
Personnel services		
Employee fringe benefits	\$ 31,772	\$ 24,442
Salaries and wages	<u>47,172</u>	<u>45,399</u>
Total personnel services	<u>78,944</u>	<u>69,841</u>
Materials and supplies		
Firefighting supplies	4,515	9,146
Security supplies	<u>1,424</u>	<u>(253)</u>
Total materials and supplies	<u>5,939</u>	<u>8,893</u>
Total expenses before depreciation	<u>84,883</u>	<u>78,734</u>
Net expense before depreciation allocated to primary cost centers	<u>\$ 84,883</u>	<u>\$ 78,734</u>
Depreciation allocated to primary cost centers	<u>\$ -</u>	<u>\$ -</u>

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF INSURANCE COVERAGE**  
Year Ended June 30, 2020

**Basic Property Coverage**

Airport Authority properties are covered under Policy No. EBA0261093 by Cincinnati Insurance Company through July 1, 2020, 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 \$46,388,462 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 \$46,388,462 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 National Union Fire Insurance Company under Policy No. AP01503180703 through July 1, 2020. The policy provides premises and operations liability coverage with an occurrence limit of liability of \$50,000,000.

**Directors and Officers Liability**

The Airport Authority's directors and officers liability coverage is provided by Cincinnati Insurance Company under Policy No. EMN0444453 through July GFIAA, 2020. 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, 2020

**Police Professional Liability**

The Airport Authority's police professional liability coverage is provided by Indian Harbor Insurance Company under Policy No. PPL095048001 through July 1, 2020. The policy provides a \$1,000,000 limit of liability per person/occurrence and a \$1,000,000 annual aggregate subject to a \$2,500 per occurrence deductible.

**Fine Arts**

The Airport Authority's fine arts (exhibition coverage for expedition in Great Falls series) coverage is provided by Ironshore Indemnity, Inc. under Policy No. HTB002330004 through July 1, 2020. 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, 2021.

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED**  
**Year Ended June 30, 2020**

**PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED**

Revenues	<u>\$ 618,544</u>
Interest Income	<u>\$ -</u>
Expenditures	<u>\$ 623,000</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, 2020, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements, and have issued our report thereon dated December 28, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**


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

### **Great Falls International Airport Authority's Response to Findings**

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

### **Purpose of this Report**

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

  
Great Falls, Montana  
December 28, 2020

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

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

**Report on Compliance for Each Major Federal Program**

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, 2020. 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, 2020.

### **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  
December 28, 2020

**GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2020**

Department of Transportation Federal Aviation Administration

Program Title	Award Amount	Federal Funds Received as of 6/30/19	Federal Funds Received During Current Year	Federal Funds Receivable as of 6/30/20	Federal Funds Recognized as of 6/30/20	Federal Expenditures as of 6/30/19	Federal Expenditures During Current Year	Federal Expenditures as of 6/30/20	Cumulative Airport Expenditures	Total Program Expenditures	Amount Passed to Subrecipients during the year ended 6/30/20
Airport Improvement Program CFDA # 20.106											
AIP 3-30-0036-64	5,252,590	4,902,469	54,843	158,774	5,116,086	4,902,469	213,617	5,116,086	568,454	5,684,540	-
AIP 3-30-0036-65	2,276,373	1,899,568	376,805	-	2,276,373	2,276,373	-	2,276,373	252,930	2,529,303	-
AIP 3-30-0036-66	1,718,794	-	1,718,794	-	1,718,794	356,754	1,362,040	1,718,794	189,633	1,908,427	-
AIP 3-30-0036-67	1,808,646	-	-	16,778	16,778	-	16,778	16,778	-	16,778	-
COVID-19 AIP 3-30-0036-69	2,853,060	-	2,550,568	104,313	2,654,881	-	2,654,881	2,654,881	-	2,654,881	-
TOTAL CFDA # 20.106	13,909,463	6,802,037	4,701,010	279,865	11,782,912	7,535,596	4,247,316	11,782,912	1,011,017	12,793,929	-
<b>TOTAL</b>	<b>\$ 13,909,463</b>	<b>\$ 6,802,037</b>	<b>\$ 4,701,010</b>	<b>\$ 279,865</b>	<b>\$ 11,782,912</b>	<b>\$ 7,535,596</b>	<b>\$ 4,247,316</b>	<b>\$ 11,782,912</b>	<b>\$ 1,011,017</b>	<b>\$ 12,793,929</b>	<b>\$ -</b>

See Accompanying Notes to Schedule.



GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
June 30, 2020

**NOTE 1. REPORTING ENTITY**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. COST PRINCIPLES**

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

**NOTE 4. INDIRECT COSTS**

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

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

**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? Yes

Noncompliance material to financial statements? No

Federal Awards:

Internal control over major programs:

Material weakness identified? No

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

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

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

The major program for the year ended June 30, 2020, 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, 2020

**Section II – Financial Statement Findings**

**Finding #2020-001**

<i>Criteria:</i>	Management is responsible for the fair presentation of financial statements.
<i>Condition &amp; Context:</i>	As a result of our audit procedures, adjusting entries were proposed that indicate a significant deficiency in the account reconciliation and financial statement closing process.
<i>Cause:</i>	At year end, the Airport Authority was in the middle of a change in key personnel within the finance department.
<i>Effect:</i>	Ineffective account reconciliation and financial closing procedures can leave the Airport Authority more susceptible to error, fraud, or noncompliance. In addition, management and governance may be making decisions based on inaccurate financial information.
<i>Recommendation:</i>	We recommend management develop a system of timely and effective reconciliation of accounts. Strengthening this reconciliation process will allow management to provide timely financial reporting.
<i>Management Response:</i>	We agree with the audit adjustments and recommendations. We will correct the issues identified by re-evaluating the accounting procedures and timelines for year-end accruals.

GREAT FALLS INTERNATIONAL AIRPORT AUTHORITY  
STATUS OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2020

**Section III – Federal Award Findings and Questioned Costs**

None Reported

**Section IV - Summary Schedule of Prior Audit Findings**

<b><u>Finding</u></b>	<b><u>Current Status of Recommendation</u></b>
#2019-001 Depreciation Expense	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, 2020.

**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, 2020.

### **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  
December 28, 2020



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