

2022

Annual Comprehensive **FINANCIAL REPORT**

Gallatin Airport Authority

Belgrade, Montana

Fiscal Year Ended June 30, 2022

Bozeman Yellowstone International Airport (BZN) connects Bozeman, Southwest Montana and Yellowstone National Park with the rest of the world.

BZN is owned and operated by the Gallatin Airport Authority.



Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2022

Gallatin Airport Authority
Belgrade, MT

Prepared by:
Gallatin Airport Authority
Finance and Administration



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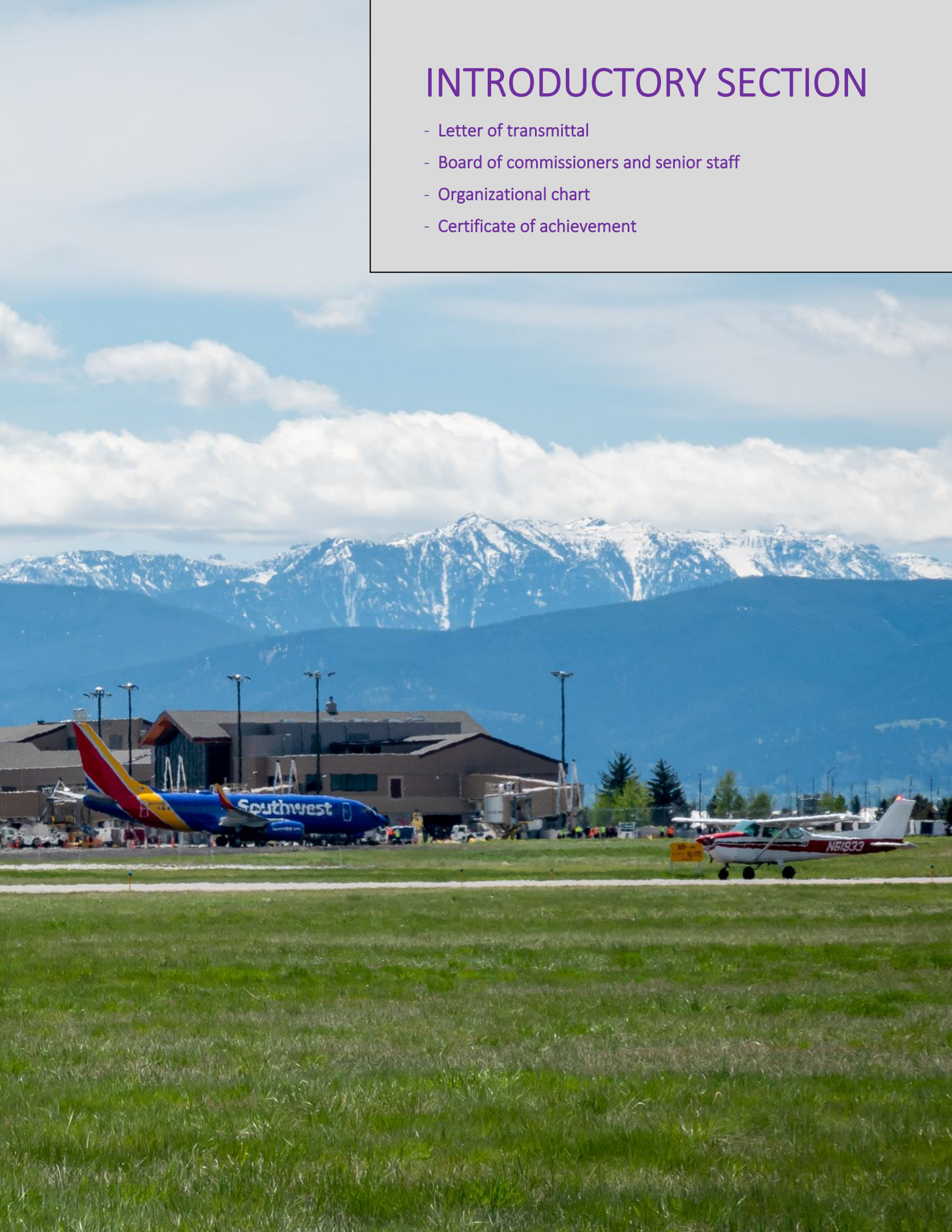
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INTRODUCTORY SECTION

- Letter of transmittal
- Board of commissioners and senior staff
- Organizational chart
- Certificate of achievement





November 1, 2022

TO THE BOARD OF COMMISSIONERS

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Gallatin Airport Authority (Authority), for the year ended June 30, 2022.

Responsibility for the accuracy of the reported data, for its completeness, and for the fairness of its presentation, rests with the Authority's management. To the best of our knowledge and belief, the enclosed information is accurate and complete in all material respects and reported in a manner designed to present fairly the financial position, changes in net position, and cash flows in accordance with Generally Accepted Accounting Principles (GAAP).

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE AUTHORITY

The Gallatin Airport Authority is a public body, corporate and politic, established to own and operate the Bozeman Yellowstone International Airport (BZN). The Authority was created on November 22, 1972 by resolution of the Board of Commissioners of Gallatin County, Montana.

The Authority is governed by a five-member Board appointed by the Gallatin County Commissioners to serve five-year terms. The Board is given broad powers to plan, establish, acquire, develop, construct, enlarge, improve, maintain, equip, operate and regulate the Bozeman Yellowstone International Airport. The Gallatin Airport Authority Board has established the following mission:

The function of the Gallatin Airport Authority is to plan for, provide, operate and safely maintain an aviation facility adequate to the needs of the flying public and to keep it self-sustaining.

The Authority has been 100% self-sustaining for over 25 years and has not utilized any local tax funds during this period. While the Authority operates 100% on user fees, the businesses serving BZN contribute nearly \$1 million in local taxes for Gallatin County, Belgrade Schools and the Central Valley Fire District.

You may refer to note 1 in the notes to the financial statements for more information regarding the profile of the Authority.

ECONOMIC CONDITIONS AND OUTLOOK

State of the Industry - Steady Improvements in Uncertain Times

The worst of the pandemic seems to be behind us based on current demand and while traffic hasn't fully recovered, it's come close during popular travel periods. Load factors (as a percentage of seats filled) significantly improved while increased yields, profit margins and net income have been more elusive. Leisure travel has seen a strong recovery, business travel still lags. According to the U.S. Travel Association, a nonprofit organization representing the travel industry, overall business travel spending is still down 24% in 2022 compared to 2019 levels.

The recovery comes with a cost; increased flight delays, cancellations and sub-par service due to labor shortages. The most immediate challenge facing the industry is the labor shortage including a lack of qualified pilots, mechanics and air traffic controllers. Airlines offered buyouts, furloughed or laid employees off during the pandemic. Getting pilots and mechanics re-qualified takes an incredible amount of time and training. Many airline staff moved on to less volatile careers and wooing them back or replacing them is proving difficult.

Fuel prices have soared with the conflict in Ukraine and sanctions placed on Russian energy exports. To compound this, domestic refining capacity has fallen to its lowest point in over eight years. According to the Bureau of Transportation Statistics as of April 2022, the average cost per gallon for airlines increased 103.3% year-over-year and was the highest increase since record keeping began in 2000.

Return to profitability is underway as the industry defied predictions for widespread bankruptcies and failures. Airlines are facing the same employment issues as other sectors but the impact has been more acute because employees generally can't work from home. Rising fuel prices, labor shortages and wage pressure will require airlines to rethink networks and adjust schedules. Airlines have scaled back recovery efforts in order to restore reliability and improve customer satisfaction. Reduced flight schedules have kept fares elevated which is bad news for travelers but helps airlines pass along increased cost. As of right now, higher airfares are not deterring travelers, and while painful, across the board improvements to "the bottom line" are critical to keep this recovery on track.

State of the Region

The recovery continued in southwest Montana during FY 2022 with increased tourism and local travelers returning to the skies. Unemployment continued to drop creating the separate issue of an employee shortage. The shortage of employees was most pronounced in the summer of 2021, but easing some as employers responded with increased pay to attract workers but continues in our market. Supply chain issues also contributed to challenges such as fuel shortages and construction delays. While FY 2022 had significant challenges, the consumer demand for travel to Montana exceeded all expectations. In addition, the growth in population in southwest Montana also continued as many people looked for high quality of life locations to live after dealing with the challenges of COVID. This created a near perfect storm of increased inbound leisure passengers at the same time as a significantly increased local population, with both using BZN for access to or from the world.

	2022	2021	2010	Change '21 to '22	Change '10 to '22
BZN total passengers	2,241,509	1,241,672	728,048	80.5%	207.9%
Montana State University enrollment	16,766	16,841	12,764	-0.4%	31.4%
Bozeman population	56,250	53,323	37,284	5.5%	50.9%
Bozeman unemployment rate	1.8%	2.9%	5.4%	-37.9%	-66.7%
Gallatin County population	124,850	122,713	89,599	1.7%	39.3%

ECONOMIC CONDITIONS AND OUTLOOK (continued)

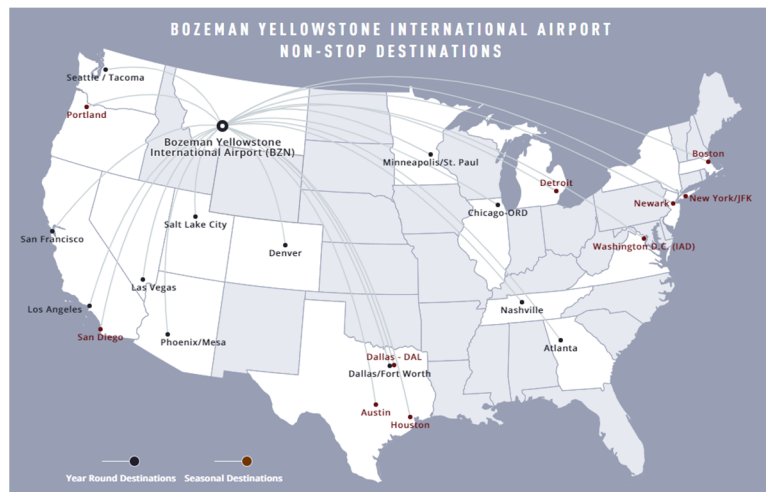
BZN handled 2,241,509 total passengers in FY 2022 maintaining its status as Montana's busiest airport for the eighth consecutive year and the busiest period in Airport history. BZN ended FY 2022 as the 90th busiest airport in the nation, matching the rank during FY 2021 and compared to 104th in FY 2020. Regionally, BZN was the 7th busiest in the Northwest Region which includes Colorado, Utah, Wyoming, Montana, Idaho, Oregon and Washington.

AIRPORT HIGHLIGHTS – FISCAL YEAR 2022

The travel recovery at BZN continued throughout FY 2022 with the fiscal year ending with fifteen consecutive months of record monthly traffic. While tourism contributed to early COVID recovery, we are now seeing strong performance in both inbound leisure as well as outbound local originating traffic. In addition, we have seen our airline partners better structure their service into BZN to both meet demand as well as increase load factors. This has resulted in a maturing of the market in our new passenger threshold. The addition of Southwest in May 2021 added to the market the remaining top four carrier in market size that did not serve BZN. The Southwest addition was the largest single airline expansion at BZN in our history with six daily 143-seat flight per day. Anytime there is a significant positive increase in service to a market, there are often competitive adjustments by the other airlines. The most significant adjustment was the loss of Frontier service at BZN due to their small size in the Denver/Bozeman market (3-4 flights per week) competing against United and Southwest both providing four or more daily flights. Also significant during the summer of 2021 was a shortage of rental cars and lodging in the market due to the significant growth in tourism in southwest Montana. These shortages contributed to Avelo Airlines leaving the market after a service announcement that occurred well after most summer plans were made. Additionally, during the summer of 2021, nearly every airline elected to try new markets from BZN since many other markets in the nation were still not yet recovered from COVID. Many of the new markets were successful like San Diego, Austin and Washington, D.C. Others were not due to the nearly 100% increase in seats and resulting competition. We expect some of the markets that did not return in 2022, like Phoenix – Sky Harbor and Charlotte will see success in future years from BZN. Other markets, like Fort Lauderdale, may take longer to return. Air Service is often a two or three step forward and one step back as each airline makes their own competitive decisions. In our case, while we saw the loss of two airlines and several trial non-stop markets, we handled 50.7% more passengers in FY 2022 versus any previous fiscal year. All in all, a very positive performance at a time when air service throughout the nation is still recovering.

Air Service

BZN currently has year-round non-stop service to thirteen destinations including Seattle-Tacoma, Portland (although temporarily suspended due to crew/aircraft shortages), San Francisco, Los Angeles, Las Vegas, Phoenix/Mesa, Salt Lake City, Denver, Minneapolis-St Paul, Dallas-Fort Worth, Chicago – O'Hare, Nashville and Atlanta. BZN also has seasonal non-stop service to nine additional destinations including, San Diego, Austin, Dallas – Love, Houston, Detroit, Boston, New York – JFK, New York – Newark and Washington, D.C.

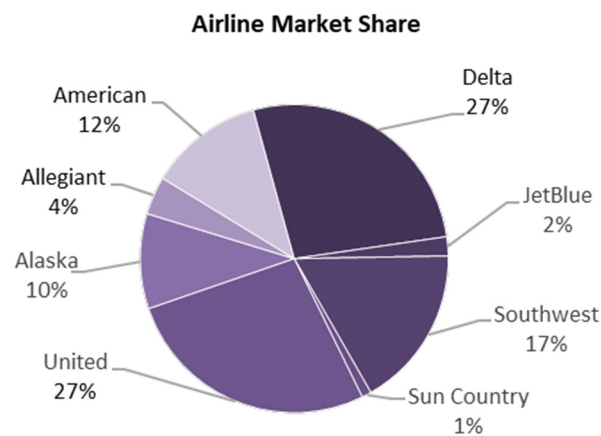


AIRPORT HIGHLIGHTS – FISCAL YEAR 2022 (continued)

The following table shows major air traffic activities during the fiscal years ended June 30, 2022 and 2021.

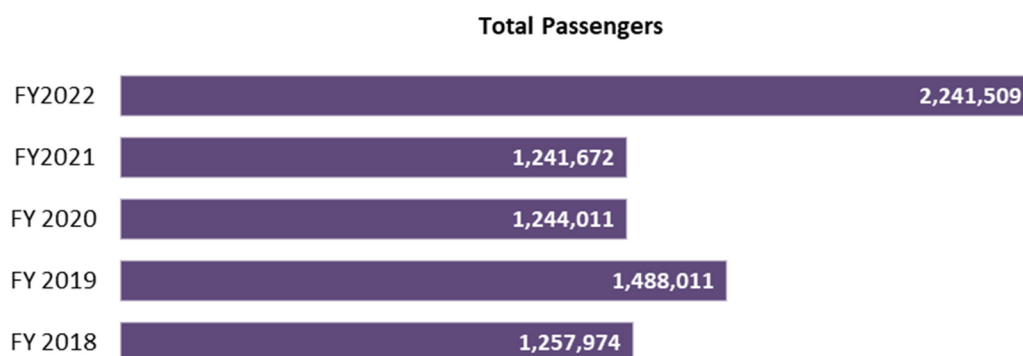
	2022	2021	Change
Enplaned passengers	1,124,292	618,964	81.6%
Deplaned passengers	1,117,217	622,708	79.4%
Enplaned and deplaned passengers	2,241,509	1,241,672	80.5%
Aircraft operations	113,872	116,452	-2.2%
Available departing seats	1,496,169	1,072,129	39.6%
Load factor average	75.1%	57.7%	30.2%

The following chart shows airline market share at BZN for the fiscal year ended June 30, 2022.



Passenger Traffic

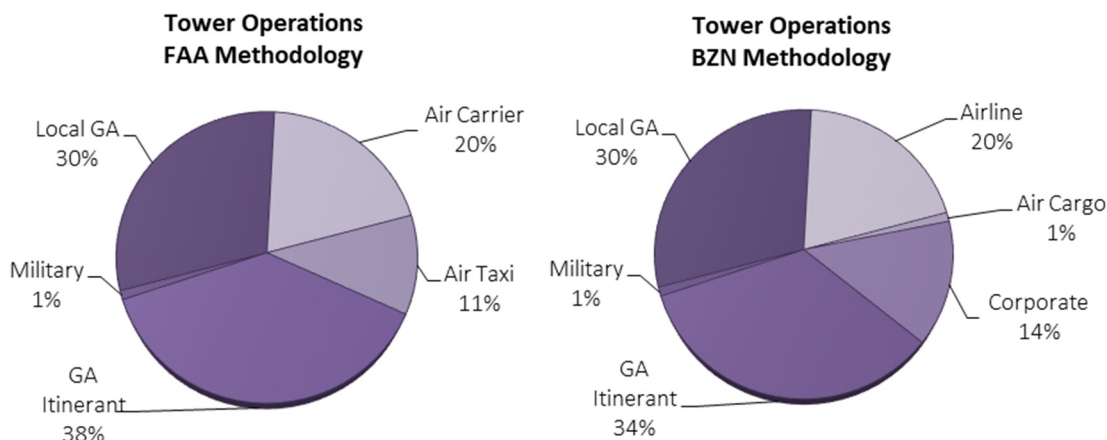
FY 2022 passenger traffic at BZN increased 80.6% to 2,241,509. Available seats increased 39.6% on an annual basis resulting in load factor increasing from 57.7% to 75.1% which is more in-line with pre-COVID load factors. Weekly average departures decreased 2% from 175 in FY 2021 to 171 in FY 2022. Average seats per aircraft increased from 118 to 130. Four airline brands serving BZN saw increases in market share for FY 2022, JetBlue (.61 points), Southwest (15.06 points), United (.14 points) and Sun Country (.24 points). Four brands saw decreases, Alaska (-3.13 points), Allegiant (-1.10 points), American (-7.04 points) and Delta (-2.33 points). Avelo and Frontier both left the market in September 2021.



AIRPORT HIGHLIGHTS – FISCAL YEAR 2022 (continued)

Tower Operations

Montana was considered by many to be a “safe haven” during the COVID-19 Pandemic. This resulted in tower operations (landing or takeoff) decreasing from the record 116,452 set in FY 2021 to 113,872, down 2.2%. Air carrier and Air Taxi operations increased 24.6% and 7.3% respectively during FY 2022. General Aviation Itinerant (-4.9%), Military (-15.6%) and Local General Aviation (-13.8%) operations declined. BZN further clarifies Itinerant activity to Airline, Cargo, Corporate and General Aviation Itinerant. BZN continues to see peak day operations of over 500 and peak hour operations that exceed 60.



Cargo

Cargo revenues consists of landing fees from FedEx and UPS and airlines, and ground rent paid by cargo operators for their facilities. As shown below, total cargo, express and air mail carried by air decreased 6.7% from 3,692,836 lbs. to 3,445,780 lbs. FedEx moved 2,442,180 lbs. in FY 2022, down 3.7% from 2,537,720 lbs. the previous year. UPS carried 640,112 lbs., down 18.6% from 786,752 carried in FY 2021.

	Pounds Moved		
	2022	2021	Change
FedEx	2,442,180	2,537,720	-3.8%
UPS	640,112	786,752	-18.6%
Airlines	363,488	368,364	-1.3%
Total	3,445,780	3,692,836	-6.7%

Customs and Border Protection

The United States Customs and Border Protection facility in BZN handled 167 international arrivals during FY 2022, compared to 70 in FY 2021. Unlike locations at Helena, Great Falls and Kalispell, this location is operated as a user fee facility with the majority of the operating cost paid for by the international arriving aircraft and the remaining split three ways between the Yellowstone Club and Signature Flight Support and Jet Aviation.

AIRPORT HIGHLIGHTS – FISCAL YEAR 2022 (continued)

General Aviation

General Aviation activity was down 9.0% to 78,508 operations in FY 2022. General Aviation traffic recovered faster than other elements during COVID as this flying was considered socially distant and one of the few opportunities for more normalcy during the early days of the pandemic. However, last year’s 20.7% increase was partly offset by this year’s 9.0% decrease. General Aviation operations account for approximately 69% of all airport tower operations. Corporate landings (aircraft 12,500 lbs. and above) continued the upward trajectory up 15.6% to 8,196. Gallatin College continues to grow at BZN with Summit Aviation operating 29 aircraft in conjunction with the aviation instruction program and charter operation. In addition, Ridgeline Aviation also continues to expand their flight school program. While General Aviation contributes 69% of the airport operations, it accounted for only 5.7% of the Airport Operating Revenue during FY 2022.

The following summarizes the fleets of our top 5 operators for FY 2022.

Summit Aviation	29
Bridger Aerospace	29
Central Copters	13
Ridgeline Aviation	9
Rocky Mountain Rotors	9
Total	89

General Aviation Hangar Development

During FY 2022, nine hangars were constructed and another seven hangars were under construction. In addition, land has been leased for an additional three hangars to be constructed in the next two fiscal years. Twelve current hangars are also in various stages of being redeveloped into larger and/or new hangars. The pace of development post COVID outpaced our ability to provide infrastructure despite having leased over 60 acres since the start of COVID. Planning is in process for future development but we do not anticipate having the infrastructure in place until 2025 due to FAA planning requirements.



Fuel Flowage

Total Fuel Flowage for the year increased 37.6% to 16,829,179 gallons. Of this total, Jet A (airline) increased 58.4% to 11,002,011 gallons, Jet A (non-airline) fuel flowage increased 11.2% to 5,684,021 gallons, and AvGas decreased 17.1% to 143,147 gallons.

Land Acquisition

The Gallatin Airport Authority continually evaluates potential land acquisitions as opportunities arise. Two 2-acre parcels were purchased during FY 2022.

AIRPORT HIGHLIGHTS – FISCAL YEAR 2022 (continued)

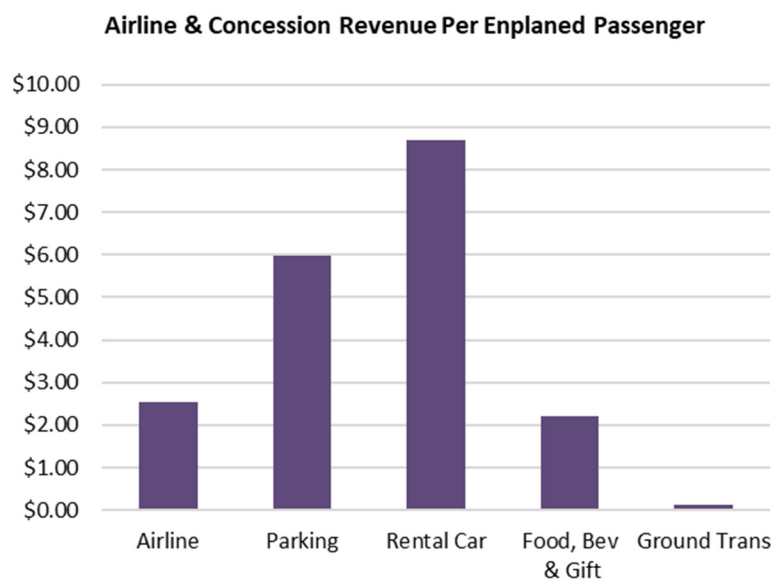
Financial

Financially, the Authority depends on our passengers with over 90% of the Authority's operating revenues generated from the businesses that utilize the airline terminal building through rents and concession fees. However, we are dependent upon the airlines providing seats into our market and we compete with every airport in the country for those seats. While the market is the primary driver of airline decisions, there is one factor that we control, the airline cost of using our airport. Consequently, it is our philosophy that by maintaining one of the lowest airline costs per passenger in the industry we help make our market more profitable, which in turn makes us more likely to attract additional airline seats.

The Authority has diligently controlled the costs passed on to the airlines through strict cost controls, a highly professional and cross utilized staff, and a fiscally conservative capital improvement program. Increased load factors based on travel recovery resulted in airline cost per enplanement to operate at BZN in FY 2022 decreasing to \$2.54 as airline costs were divided by more passengers.

	2022	2021
Airline cost	\$ 2,850,278	\$ 2,016,537
Enplanements (scheduled)	1,121,037	618,547
Cost per enplaned passenger	\$ 2.54	\$ 3.26

Airline and Concession revenues are variable dependent upon passenger enplanements. These revenues increased from \$17.77 per enplanement in FY 2021 to \$19.55 per enplanement in FY 2022. Airline revenues account for \$2.54 per enplanement or 13.0%; rental car and parking concessions account for \$14.66 per enplanement or 75.0%; food, beverage and gift concessions account for \$2.21 per enplanement or 11.3%; and ground transportation accounts for \$.14 per enplanement or .7%. In FY 2022, total enplanements of 1,124,292 generated airline and concession revenues of \$21,971,863; this compares to FY 2021 with 618,964 total enplanements generating \$10,995,179.



CAPITAL AND LONG-TERM PLANNING

The Gallatin Airport Authority has a comprehensive 10-year Capital Improvement Plan. This plan is designed to accommodate the future capital needs of BZN within the financial capability of the Authority. Projects in the first five years of the plan are more defined with the projects in the later ten years more fluid due to future unknowns. The Gallatin Airport Authority invested \$11.3 million in Capital Improvements during FY 2022, and over the next five years the Gallatin Airport Authority expects to invest over \$220 million in capital improvements. A summary of major projects completed in FY 2022 and those planned for FY 2023 – 2027 follows.

Project	Est. Cost	Authority	Funding		
			AIP Entitlements	AIP Discretionary	PFC's and TSA Grant
Northside General Aviation Area	5,437,332	954,796	-	4,482,536	-
Baggage Handling System Upgrade	21,644,317	2,164,432	-	-	19,479,885
Pay Parking Economy/Rental Car Lot	9,295,186	9,295,186			
Apron Rehabilitations / Expansion	15,167,699	1,042,445	7,404,481	6,720,773	
Taxiway F & G	4,632,000	463,200		4,168,800	
Taxiway B	10,359,700	1,035,970	3,751,261	5,572,469	
Taxiway C Relocation/Extension	8,714,000	871,400	3,751,261	4,091,339	
Airport Rd Relocation	4,168,068	416,807	3,751,261	-	
Snow Removal/ARFF Equipment	3,377,770	337,777	1,000,000	2,039,993	
East Terminal Expansion	138,346,035	13,834,604		40,000,000	84,511,431

Northside General Aviation Area Improvements - FY 2021–2022

Runway 11/29 was completed in November 2017 and has resulted in a significant increase in flight school traffic at BZN. To facilitate and support this growth, the Authority plans to begin development of the north side of the airport to allow for relocation of flight school programs closer to the runway they primarily use. This project began construction in October 2021 and will have the added effect of allowing for a re-alignment and re-development of the main General Aviation Front line. This infrastructure includes a new general aviation apron, road access, water, sewer, gas, electricity and security fencing. Overall, this project is estimated to cost approximately \$5,437,332. We received an AIP discretionary grant in the amount of \$4,482,536 which fully funded the AIP eligible portion of this project.

Baggage Handling System Upgrade - FY 2021–2023

The space underneath the 2021 concourse expansion has allowed us to begin the expansion and improvements for our outbound baggage system. This is a significant change in baggage handling at BZN with the new fully inline system similar to what is being used at larger airports albeit on a smaller scale. The TSA is contributing \$14,260,135 toward the baggage screening portion of the project with the remainder coming from passenger facility charges and an increase in airline rates and charges as they will benefit from the much more efficient system. The first phase of this project began construction in early 2022 with the second phase beginning in October 2022. The overall cost of this project is estimated at \$21,644,317 and is expected to be substantially complete before the winter season 2023/24.



CAPITAL AND LONG-TERM PLANNING (continued)

Economy Pay Parking and Rental Car Parking Expansion - FY 2022–2023

Due to the significant growth in passengers, our parking lots have been overflowing during peak days. We are adding 1,400 additional pay parking stalls. We will also be paving overflow parking for our rental car companies. Overall, the cost of these improvements is estimated at \$9,295,186.

Apron Rehabilitations / Expansion - FY 2022–2027

Over the past several years we have rehabilitated all of our taxiways as well as runway 12/30 and runway 3/21. The oldest remaining pavement is now our three major aprons, the terminal apron, west general aviation apron and the east general aviation apron. We began with the terminal apron in FY 2022 including an expansion to the west. The west apron and east apron are anticipated to be rehabilitated in FY 2023. We also expect an east terminal apron project associated with the east terminal expansion in the FY 2024-2026 time-frame. The overall cost of these projects is estimated at \$15,167,699.

Taxiway F relocation and Taxiway G - FY 2023

The increase in General and Business Aviation traffic, development of the Southeast General Aviation to more efficiently and safely move aircraft traffic from these areas. These improvements include the addition of Taxiway G to the west and the relocation of Taxiway F to allow for a separate service road. The overall cost of the projects is estimated at \$4,632,000.

Taxiway B – FY 2023-2026

Taxiway B will be located between our two parallel runways and will improve runway efficiency and will be a necessary component as we begin the process of extending and widening runway 11/29. This project will be phased with the first section providing access to our crosswind runway 3/21 from both taxiway C1 and C2. The second phase will extend the taxiway from C2 to the end of runway 12. The total estimated cost of both phases is \$10,359,700.

Airport Road Relocation – FY 2025

As we develop the northside of the airport, we will need to relocate Airport Road to the east and extend to Jetway Drive providing a single road access from the Frontage Road to our new Northside Development. This will also allow for navigational aid improvements on runway 30 and a future extension of runway 29. The expected cost of this project is approximately \$4,168,068.

Taxiway C Relocation and Extension – FY 2027

The Taxiway C Relocation is necessary to provide the separation from runway 11/29 when that runway is lengthened to 7,480' and widened to 150' making it air carrier capable. This project will need to be completed before we begin the runway project. Overall, we estimate the cost of the Taxiway C Relocation and Extension to be \$8,714,000.

CAPITAL AND LONG-TERM PLANNING (continued)

East Terminal Expansion - FY 2023–2027

We have started design of our East Terminal Expansion. The expansion will include greatly expanding our baggage claim, increased hold room areas for our oldest three gates, a second passenger screening checkpoint, concessions and an expanded airport administration area. While there are still some phasing decisions to be made, we are currently budgeting approximately \$138,346,035 for this project.



OTHER INFORMATION

Independent Audit

For the fiscal year ended June 30, 2022, the annual financial statements of the Authority have been audited by Holmes & Turner, PC, a firm of independent Certified Public Accountants. As part of the annual audit, the auditors perform procedures in accordance with the Uniform Guidance and the provisions of grant agreements. The auditors also perform procedures to help ensure the Authority's compliance with FAA regulations related to the Passenger Facility Charge program. The independent auditor's report on the financial statements is included in the financial section of this report, and the reports relating to the single audit and the passenger facility charge program are located in the compliance section.

Internal Controls

The Authority is responsible for establishing and maintaining internal accounting controls designed to ensure that its assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for preparations of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, rather than absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the control and that the control and the evaluation of costs and benefits require estimates and judgements by management.

As a recipient of federal and state financial assistance, the Authority is also responsible for ensuring that adequate internal controls are in place for documenting compliance with applicable laws and regulations related to these programs. The internal controls are subject to periodic evaluation by management and external independent auditors.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its annual comprehensive financial report for the fiscal year ended June 30, 2021.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

Success in any organization is dependent upon people. We are fortunate to have a dedicated and knowledgeable Authority Board that understands the business of airports. We also have an exceptional staff of 49 experienced and customer friendly professionals that keep the airport in top condition, financially sound and prepared for any challenge. We are proud to serve the flying public and hope that this report will provide valuable information on the status of your airport. We welcome and value your input on how we can better serve you at Bozeman Yellowstone International Airport.

Respectfully submitted,



Brian Sprenger, A.A.E.
President / CEO



Scott Humphrey, A.A.E.
Vice President / COO



Troy Watling, CPA, CM
Director of Finance &
Administration / CFO

BOARD OF COMMISSIONERS



Karen Stelmak
Chair



Kevin Kelleher
Vice Chair



Ted Mathis
Secretary



Carl Lehrkind, IV
Member



Kendall Switzer
Member

SENIOR STAFF

Brian Sprenger, A.A.E.....President / CEO

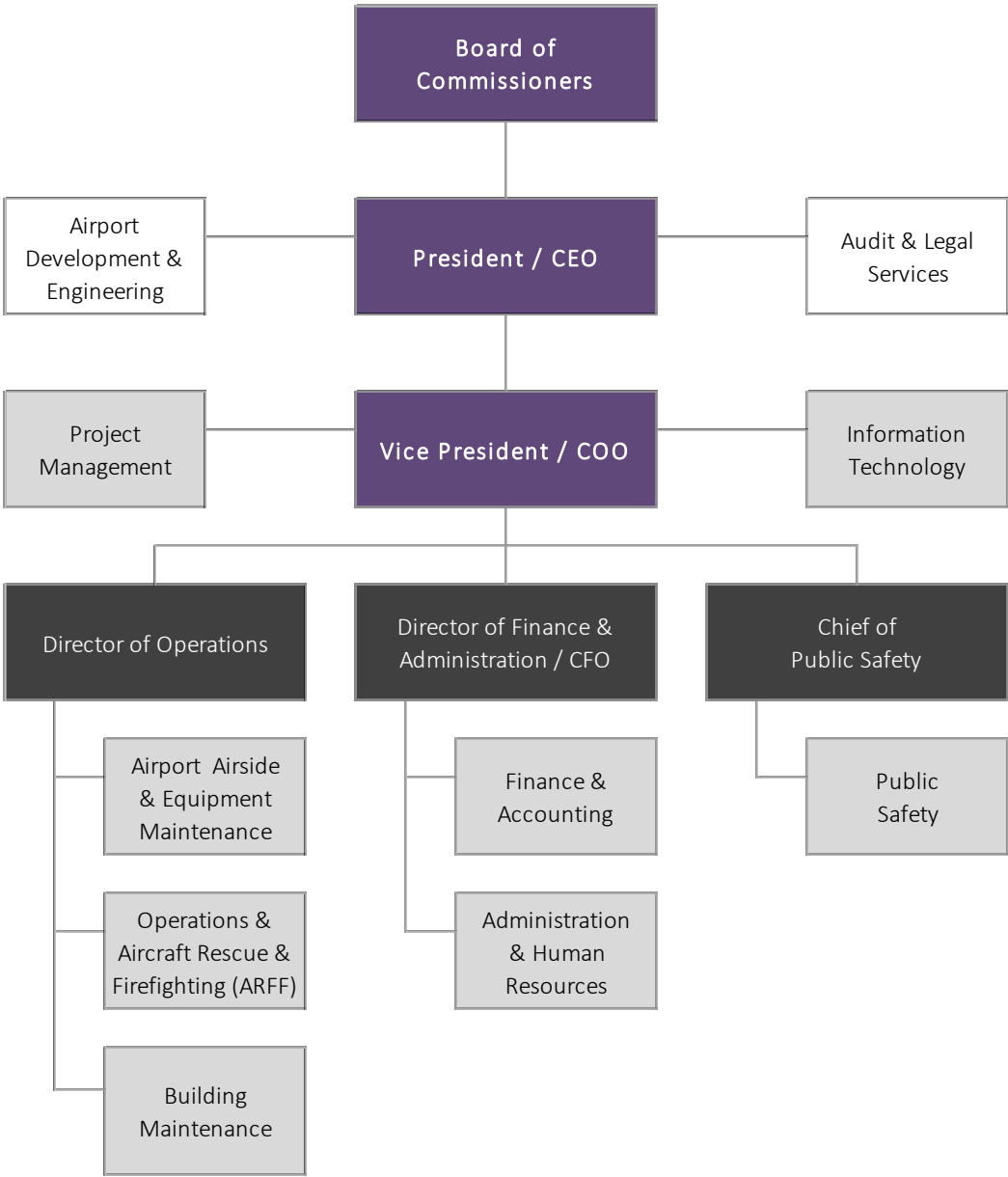
Scott Humphrey, A.A.E. Vice President / COO

Paul Schneider, C.M.....Director of Operations

Troy Watling, CPA, CMDirector of Finance & Administration / CFO

Bill Dove Chief of Public Safety

Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Gallatin Airport Authority
Montana**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

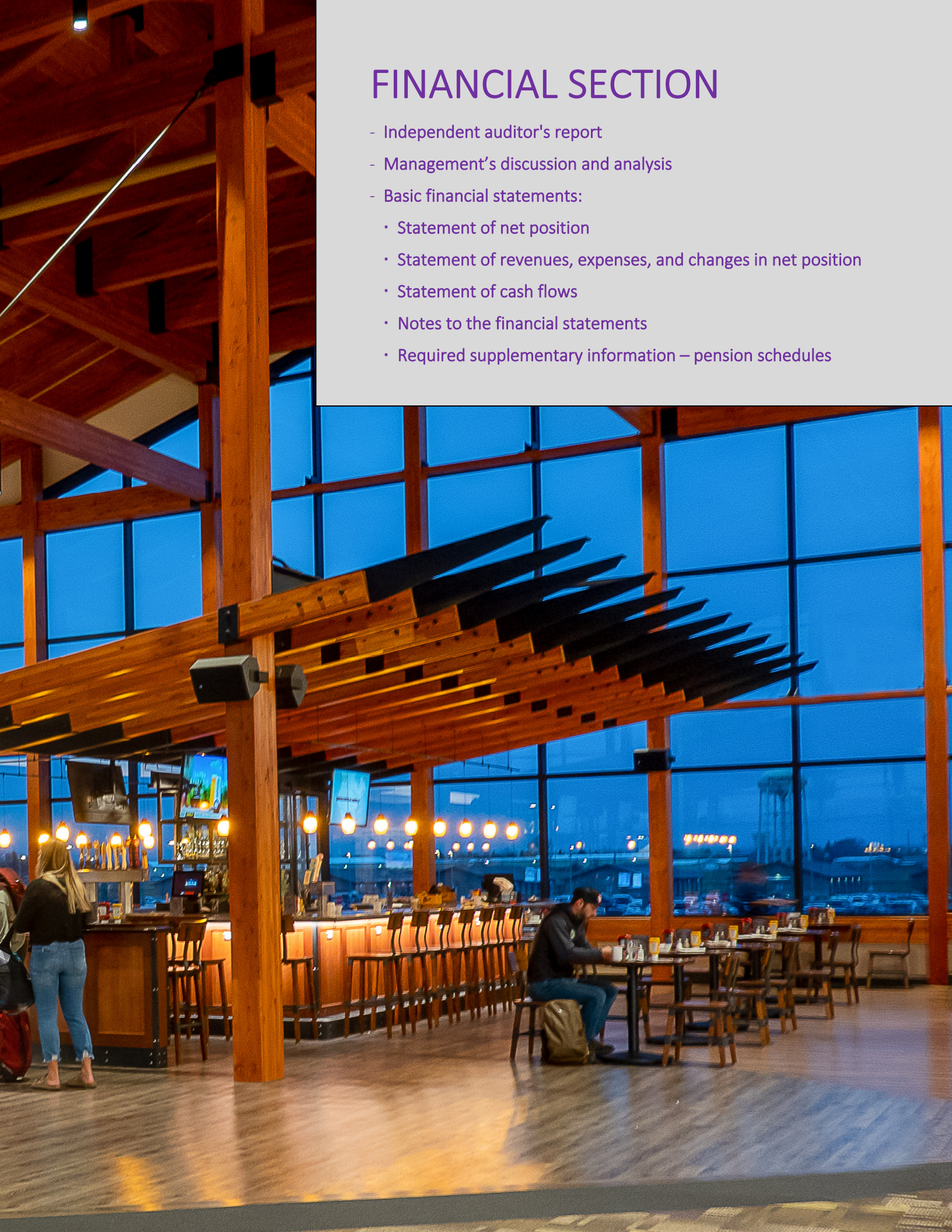
Christopher P. Morrell

Executive Director/CEO



FINANCIAL SECTION

- Independent auditor's report
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- Basic financial statements:
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gallatin Airport Authority
Belgrade, Montana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements, including the PFC quarterly reports, of the Gallatin Airport Authority (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 27-35 and 57-59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Holmes + Turner" followed by a long, sweeping horizontal flourish.

Bozeman, Montana
November 1, 2022

The following discussion and analysis provide an overview of the Gallatin Airport Authority's (Authority) financial statements for the fiscal year ended June 30, 2022 with selected comparative information for the fiscal year ended June 30, 2021. This discussion and analysis has been prepared by management and should be read in conjunction with the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is structured as an enterprise fund and the financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated over their useful lives, except for land and assets held for future use. See the notes to the financial statements for a summary of the Authority's significant accounting practices and policies.

The Authority's basic financial statements includes three statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position - presents information on the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Total net position serves as a useful indicator of the Authority's financial position and is a measurement of the financial condition of the Authority at a specific point in time.

Statement of Revenues, Expenses and Changes in Net Position - presents information related to revenue and expense activity. The difference between revenues and expenses will either increase or decrease total net position. The resulting ending net position balance is reflected on the Statement of Net Position. The change in net position serves as a useful indicator of whether the overall financial condition of the Authority has improved or declined during the year.

Statement of Cash Flows - presents information related to the flows of cash and cash equivalents. Consequently, only transactions that affect the Airport's cash and cash equivalent accounts are recorded in this statement. A reconciliation is included at the bottom of this statement to assist in the understanding of the difference between operating income and cash flows from operating activities.

The basic financial statements also include the notes to the financial statements that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by required supplementary information and statistical schedules that further explain and support the information in the basic financial statements.

Certain fiscal year 2021 balances have been reclassified to conform to the fiscal year 2022 presentation.

FINANCIAL HIGHLIGHTS

Statement of Net Position

The following table represents a condensed summary of the Authority's statement of net position at June 30, 2022 and 2021.

	Dollars in 000's	
	2022	2021
Current assets	\$ 39,724	\$ 19,226
Noncapital noncurrent assets	6,031	6,052
Capital assets, net - noncurrent	171,574	163,505
Total assets	217,329	188,783
Deferred outflows of resources	707	980
Current liabilities	6,826	3,520
Noncurrent liabilities	9,846	13,604
Total liabilities	16,672	17,124
Deferred inflows of resources	4,797	4,694
Net investment in capital assets	150,471	151,061
Restricted	2,840	2,183
Unrestricted	43,256	14,701
Total net position	\$ 196,567	\$ 167,945

Total assets were up by 15.1% from FY 2021 to FY 2022. Current assets increased by 107% mainly due to higher cash balances. Noncurrent assets increased by 4.7% with the FY 2022 capital additions offset by depreciation.

Current liabilities increased by 93.9% from FY 2021 to FY 2022. The increase was primarily the result of higher construction payables at the end of FY 2022.

Noncurrent liabilities decreased by 27.6% from FY 2021 to FY 2022. The decrease was mainly due to principal payments on the bank loan and a reduction in the net pension liability.

Changes in deferred outflows of resources and deferred inflows of resources relate to the Authority's retirement plan with the State of Montana's Public Employees' Retirement System and its lease arrangements. Refer to notes 8 and 10 in the notes to the financial statements for details.

Total net position improved by 17% from FY 2021 to FY 2022. A summary of the changes in net position follows.

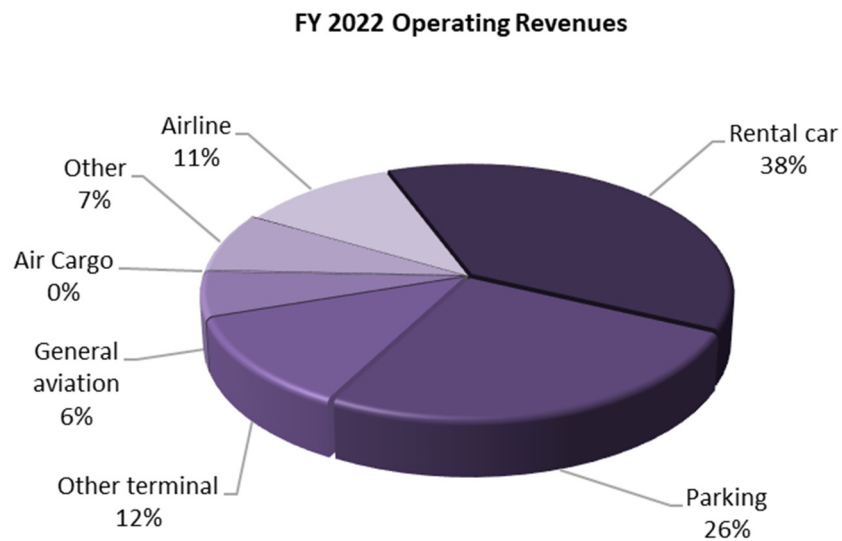
Statement of Revenues, Expenses, and Change in Net Position

The following table represents a condensed summary of the statement of revenues, expenses and changes in net position for the years ended June 30, 2022 and 2021.

	Dollars in 000's	
	2022	2021
Operating revenues	\$ 26,147	\$ 14,304
Operating expenses, excluding depreciation	(9,461)	(7,620)
Depreciation	(6,300)	(5,351)
Operating income	10,386	1,333
Net nonoperating revenues (expenses)	4,259	4,960
Income before contributions	14,645	6,293
Capital contributions	13,977	12,645
Change in net position	28,622	18,938
Net position - beginning (2021 restated)	167,945	149,007
Net position - ending	\$ 196,567	\$ 167,945

Operating Revenues

The following charts illustrate the principal revenue sources and their percentage of total operating revenues for the year ended June 30, 2022.



Operating Revenues (continued)

The following table shows the operating revenues for the years ended June 30, 2022 and 2021, and the percentage change.

	Dollars in 000's		
	2022	2021	Change
Airline	\$ 2,850	\$ 2,017	41.3%
Rental car	9,873	5,135	92.3%
Parking	6,749	2,438	176.8%
Other terminal	3,158	1,647	91.7%
General aviation	1,475	1,308	12.8%
Air Cargo	48	49	-2.0%
Other	1,994	1,710	16.6%
Total operating revenues	\$ 26,147	\$ 14,304	82.8%

Airline revenues increased by 41.3% and consist primarily of landing fees and airline terminal rents. Landing fee revenues increased by 43.1% to \$1,259,465. Landing fee rates did not change but air carrier landings increased by 26.4%. Airline terminal rent increased by 42.2% to \$1,434,854.

Rental car revenues increased by 92.3% and include on and off airport concessions fees and rents. The major contributor was on-airport rental car concessions which increased by 76.7% to \$8,778,597. On-airport rental agencies pay the Authority the greater of a minimum annual guarantee or 10% commission fee, plus rent for office space and parking stalls. Transaction days (the number of days a vehicle is rented) increased by 60.3% to 919,644 days in FY 2022. The average cost-per-day of an on-airport rental car increased by 5.9% to \$95.85.

Parking revenues were up by 176.8% and consist primarily of parking concessions revenues which increased by 178.2% to \$6,720,956. The parking revenues are net of parking management fees which were \$528,168 in FY 2022. The Authority has contracted with Reef Parking to operate the pay parking lot under a six-year agreement ending September 2023.

Other terminal concessions and rents revenues decreased by 91.7% and consist primarily of food, beverage and gift shop concessions fees; advertising; and space rents. The majority of the increase is due to food, beverage, and gift shop concessions, which increased by 116.7% to \$2,481,463 due primarily to the rise in passenger traffic. The Authority has contracted with Sharbert Enterprises to operate terminal food, beverage, and gift concessions under a nine-year agreement ending May 2024.

Operating Revenues (continued)

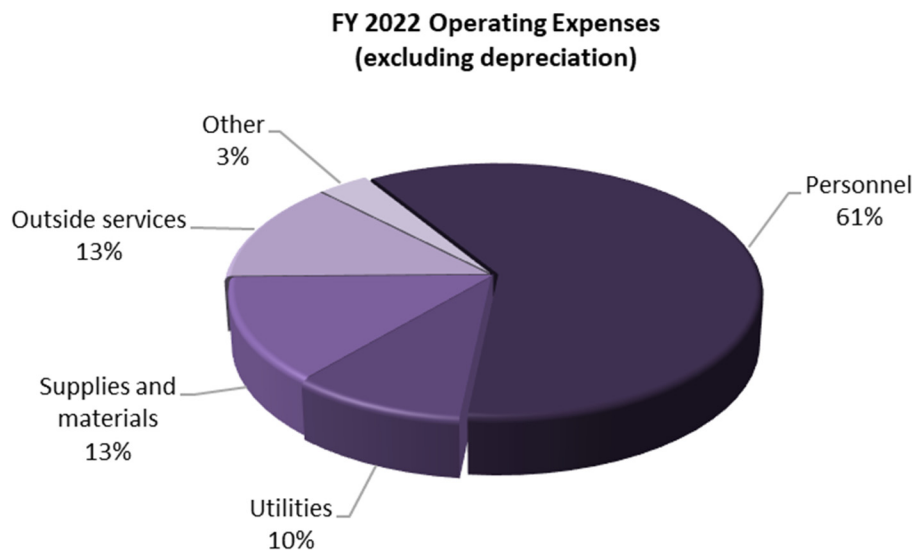
General aviation revenues increased by 12.7%. General aviation landing fees increased by 23.8% to \$353,830. Fuel flowage fees increased by 13.7% to \$456,477. Tie down fee and parking fees increased by 6.2% to \$117,133. The growth in these areas can be attributed primarily to the increase in large non-commercial aircraft.

Air cargo revenues decreased slightly to \$48,120.

Other operating revenues increased by 16.6% and consist of revenues from the consolidated rental car facility, the customs facility, the law enforcement reimbursement program, and other land/building rents. The consolidated rental car facility revenue rose by 45.5% to \$1,280,197 and is directly related to the rental car activity. The majority of the consolidated rental car facility revenues is from the operating portion of the customer facility charges which totaled \$1,249,284 in FY 2022. The customs facility user fees were up from FY 2021 to \$164,827 in FY 2022. The law enforcement reimbursement was down slightly to \$116,800 in FY 2022.

Operating Expenses

The following charts illustrate the principal operating expenses (excluding depreciation) and their percentage of total operating expenses for the year ended June 30, 2022.



Operating Expenses (continued)

Controlling operating cost in any environment is important, but during long periods of growth as we have experienced, it becomes essential in order to ensure the organization does not grow beyond its need. FY 2022 operating expenses (excluding depreciation) increased 24.2% to \$9,461,165.

The following table shows the operating expenses for the years ended June 30, 2022 and 2021, and the percentage change.

	Dollars in 000's		
	2022	2021	Change
Personnel	\$ 5,732	\$ 4,941	16.0%
Utilities	917	807	13.6%
Supplies and materials	1,263	667	89.4%
Outside services	1,219	881	38.4%
Insurance	184	211	-12.8%
Other	146	113	29.2%
	9,461	7,620	24.2%
Depreciation	6,300	5,351	17.7%
Total operating expenses	\$ 15,761	\$ 12,971	21.5%

Personnel expenses increased by 16.0%. The increase is due to the addition of twelve full-time positions, annual wage adjustments, and a rise in employee benefit rates.

Utilities expense increased by 13.6%. The increase is attributed primarily to the additional terminal space and construction activities.

Supplies and materials expenses increased by 89.4% which is mainly due to the additional terminal space, passengers, and material costs.

Outside services expenses increased by 38.4% due largely to the increases in customs staffing rates and activity and major maintenance performed by others.

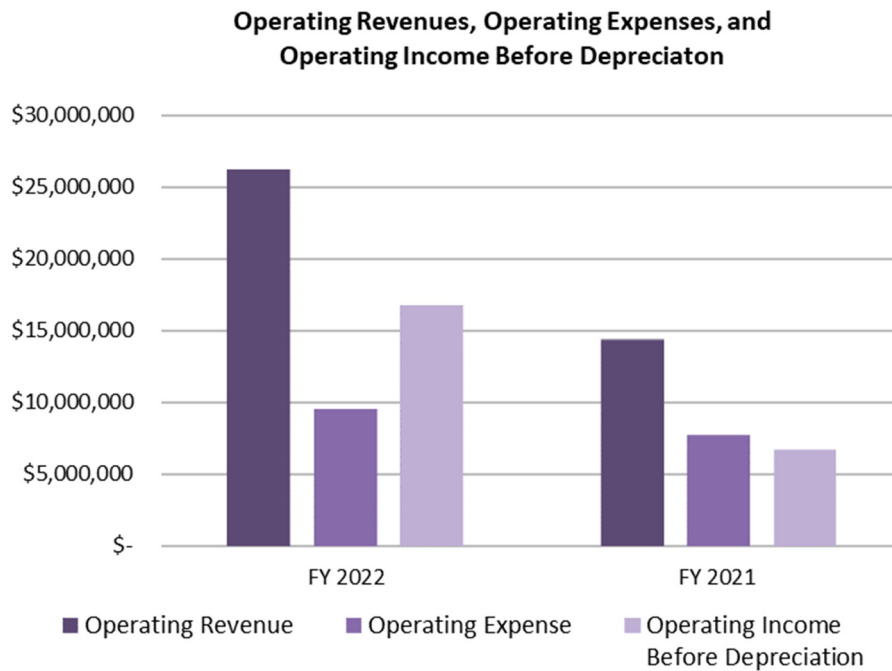
Insurance expense decreased by 12.8% due primarily to the reduction in builders risk coverage on construction projects.

Other expense, consisting primarily of overhead costs, increased by 29.2%. The increase is primarily due to a rise in professional services and employee training.

Depreciation expense decreased by 17.7% and is attributable primarily to the constructed assets placed in service during the fiscal year.

Operating Income (before depreciation)

FY 2022 operating income before depreciation was \$16,685,580, up 149.7% compared to FY 2021. Operating revenues increased by 82.8% while operating expenses (excluding depreciation) increased by 24.2%, as reflected in the chart below.



Nonoperating Revenues and Capital Contributions

Nonoperating revenues decreased by 14.1%, and consist of passenger facility charges, customer facility charges, interest income, and non-capital grants.

Passenger facility charges (PFC) revenues increased by 41.7%. The increase is directly attributable to the rise in passenger traffic.

Customer facility charges, capital (CFC) revenues increased by 119.3%. This increase is also due to the rise in passenger traffic.

Interest income increased slightly and is primarily from the CFC parking garage construction reimbursement.

Non-capital grants increased by 8.0% and consist primarily of funds from the State of Montana related to the Public Employees Retirement System. See note 8 in the notes to the financial statements for more information regarding the Public Employees Retirement System.

Capital contributions increased by 10.5% to \$13,977,073 in FY 2022, and consist of Airport Improvement Program (entitlements, discretionary, and CARES Act) and Transportation Security Administration Grant funds.

Nonoperating Expenses

Interest expense decreased by 4.6% due to the terms on long-term borrowing. See note 7 in the notes to the financial statements for details.

Statement of Cash Flows

The following table represents a condensed summary of the statement of cash flows for the fiscal years ended June 30, 2022 and 2021.

	Dollars in 000's	
	2022	2021
Cash provided by operating activities	\$ 26,214	\$ 11,734
Cash used by operating activities	(9,541)	(6,545)
Cash from operating activities	16,673	5,189
Cash from noncapital financing activities	(3,000)	-
Cash from capital and related financing activities	10,171	(2,523)
Cash from investing activities	1,315	1,310
Change in cash and cash equivalents	25,159	3,976
Cash and cash equivalents, beginning of year	12,335	8,359
Cash and cash equivalents, end of year	\$ 37,494	\$ 12,335

Cash and cash equivalents increased by 204.0% primarily due to an increase in operating revenue and contributed capital. Cash from operating activities was up 123.4% which primarily related to the increase in passenger traffic.

The Authority has been purposeful in building cash reserves in anticipation of several upcoming major capital improvements that will require significant Authority funding. The Authority intends to maintain \$10 million cash on hand in order to provide for contingencies as well as flexibility in completing projects that are dependent upon FAA funding and appropriations.

Notes 1 and 2 in the notes to the financial statements provides additional details regarding cash and cash equivalents.

CAPITAL PROJECTS

The Authority expended \$11,319,024 on capital projects in FY 2022 compared to \$15,571,589 in FY 2021. Major capital projects activity in FY 2022 included terminal apron expansion, north side apron and utilities, parking lot improvements, baggage handling system, east terminal expansion and small terminal and airfield projects.

Note 4 in the notes to the financial statements and the letter of transmittal provide further details regarding capital asset activities.

DEBT ADMINISTRATION

The Authority approved the issuance of revenue bonds in 2009 to partially fund the terminal expansion completed in 2011. In FY 2021 the bonds were refinanced with a bank loan in order to significantly reduce future interest expense.

Note 7 in the notes to the financial statements describes the debt in greater detail.

REQUEST FOR INFORMATION

This financial report is designed to provide all interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Airport President/CEO, 850 Gallatin Field Road Suite 6, Belgrade, MT 59714.

Statement of Net Position

June 30, 2022

Current Assets	
Cash and cash equivalents	\$ 35,379,015
Accounts receivable	4,325,950
Prepaid expenses	19,528
	39,724,493
Noncurrent Assets	
Cash and cash equivalents - restricted	2,115,090
Accounts receivable	3,190,922
Accounts receivable - restricted	725,491
Nondepreciable capital assets	29,424,394
Depreciable capital assets, net	142,149,553
	177,605,450
Total Assets	217,329,943
Deferred Outflow of Resources	
Montana Public Employees Retirement System	706,780
Current Liabilities	
Accounts payable	3,486,090
Deposits	190,000
Accrued payroll liabilities	535,010
Unearned revenue	110,880
Current portion of noncurrent liabilities	2,504,482
	6,826,462
Noncurrent Liabilities	
Net pension liability	2,246,159
Bank loan, net of current portion	7,599,800
	9,845,959
Total Liabilities	16,672,421
Deferred Inflow of Resources	
Montana Public Employees Retirement System	949,005
Leases	3,848,049
	4,797,054
Net Position	
Net investment in capital assets	161,044,203
Restricted - capital projects and debt service	2,691,687
Restricted - customs	148,894
Unrestricted	32,682,464
Total Net Position	\$ 196,567,248

See accompanying notes to financial statements

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2022

Operating Revenues	
Airline	\$ 2,850,278
Rental car	9,873,316
Parking	6,749,116
Terminal	3,157,801
General aviation	1,474,579
Air cargo	48,120
Other	1,993,533
	26,146,743
Operating Expenses	
Personnel	5,731,503
Utilities	917,180
Supplies and materials	1,262,751
Outside services	1,219,102
Insurance	184,037
Other	146,590
	9,461,163
Operating income before depreciation	16,685,580
Depreciation expense	6,299,641
Operating Income	10,385,939
Nonoperating Revenues (Expenses)	
Passenger facility charges	4,357,748
Customer facility charges	1,798,571
Interest income	1,314,862
Other nonoperating revenue	195,807
Payments to other agencies	(3,000,000)
Interest expense	(407,452)
	4,259,536
Capital Contributions	
Federal grants	13,977,073
Change in Net Position	28,622,548
Net position, beginning of year	167,944,700
Net Position, End of Year	\$ 196,567,248

See accompanying notes to financial statements

Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows From Operating Activities	
Operating cash receipts from customers	\$ 26,214,110
Cash payments to suppliers for goods and services	(3,899,554)
Cash payments to employees for services	(5,641,414)
	16,673,142
Cash Flows From Noncapital Financing Activities	
Payments to other agencies	(3,000,000)
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(11,319,024)
Federal grant receipts	17,844,387
Passenger facility charge receipts	4,539,990
Customer facility charge receipts	1,798,571
Debt payments	(2,692,790)
	10,171,134
Cash Flows from Investing Activities	
Interest received	1,314,862
Net Increase In Cash and Cash Equivalents	
	25,159,138
Cash and cash equivalents, beginning of year	12,334,967
Cash and Cash Equivalents, End of Year	\$ 37,494,105
Reconciliation of operating income to cash flows from operating activities	
Operating income	\$ 10,385,939
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	6,299,641
Changes in current assets and liabilities:	
Receivables	(18,840)
Prepaid expenses	5,924
Accounts payable	(175,818)
Deposits	45,333
Unearned revenues	40,874
Accrued payroll liabilities	90,089
Cash flows from operating activities	\$ 16,673,142

See accompanying notes to financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Gallatin Airport Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Gallatin Airport Authority was established by Resolution No. 1553 dated November 22, 1972, of the Board of County Commissioners of Gallatin County, Montana, pursuant to the statutory authority granted in Title 67, Chapter 11, parts 1-3, Montana Code Annotated.

The Authority was established to assume ownership and responsibility for the improvements, equipment and operation of Gallatin Field, with all powers granted to municipal airport authorities by state law and resolved in Resolution 1553. The powers and duties of the Authority are vested in the Board of Commissioners consisting of five members appointed by the Board of County Commissioners of Gallatin County. Pursuant to said Resolution No. 1553, the Authority has assumed ownership and responsibility for the improvements, equipment and operations of Gallatin Field, and all right, title and interest of the City of Bozeman, Gallatin County, and the Authority Board has been granted, conveyed, and transferred to the Authority. The name of the airport known as Gallatin Field was changed to Bozeman Yellowstone International Airport at Gallatin Field by an act of the Gallatin Airport Authority Board at their regular meeting held December 8, 2011.

The Authority, governed by its Board of Commissioners and operated by its employees, is an independent political entity with the authority to contract, own property, incur debt, and generally operate the Airport.

Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the Authority's financial statements. The Authority operates as an enterprise fund and its financial statements have been prepared using the economic resources measurement focus. The enterprise fund operates in a manner similar to private business enterprises, where the intent of the Authority is that the expenses of meeting its organizational purpose be financed or recovered primarily through user charges.

The term basis of accounting is used to determine when a transaction or event is recognized on the Authority's financial statements. The Authority uses the accrual basis of accounting. Non-exchange revenues, including grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased are considered to be cash equivalents.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Authority is authorized by statute to invest in time and savings deposits with a bank, savings and loan association, or credit union in the state. In addition, it may also invest in obligations of the United States Government, securities issued by agencies of the United States, repurchase agreements, and the State Short-Term Investment Pool (STIP).

Investments are 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. Fair value is determined annually, and requires the use of valuation techniques, a specific method or combination of methods using one or more of three approaches: market, cost or income approach.

Inventories

Purchases of supplies are recognized as expenses at the time of purchase. Items on hand at year-end were immaterial.

Accounts Receivable

Accounts receivable represents unpaid billings to outside parties. Due to the nature of the receivables consisting of primarily collected user fees and leases, the Authority considers the majority of these receivables as collectible. A provision for uncollectible receivables in the amount of \$6,200 was established for 2022.

Capital Assets

The Authority's capital assets are capitalized at historical cost. Contributions of capital assets are recorded at acquisition value. The Authority has set the capitalization threshold for reporting capital assets at \$5,000. Depreciation of capital assets is calculated using the straight-line method with estimated useful lives as follows:

Runways and improvements	5-20 years
Buildings and equipment	3-40 years
Intangibles	20 years

Maintenance and repair costs are expensed as incurred. Replacements, which improve or extend the life of a fixed asset, are capitalized.

Compensated Absences

Vested vacation leave is recorded as an expense and liability as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave pay benefits that is estimated will be taken when an employee leaves employment.

Net Pension Liability and Deferred Outflows/Inflows of Resources

The Authority recognizes net pension liability for the pension plan in which it participates. Changes in the net pension liability during the year are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investment earnings are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense.

Leases

For lessee lease arrangements that are reported under GASB 87:

- A lease liability and a lease asset are recognized at the commencement of the lease term.
- For the measurement of an initial lease liability (1) the interest rate stated in the lease is used as the discount rate, (2) the lease term includes the noncancellable periods of the lease, and (3) the lease payments are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.
- The lease liability is reduced as payments are made and interest expense is recognized.
- The leased asset is depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

For lessor lease arrangements that are reported under GASB 87:

- A lease receivable and a deferred inflow of resources are recognized at the commencement of the lease term.
- For the measurement of an initial lease receivable (1) the Authority's incremental borrowing rate is used as the discount rate, (2) the lease term includes the noncancellable periods of the lease, and (3) the lease payments are composed of fixed payments from the lease.
- The lease receivable is reduced as payments are made and interest income is recognized.
- The deferred revenue is reduced and lease revenue is recognized in a systematic and rational manner over the lease term.

For leases that are excluded from GASB 87 reporting, lease revenues or expenses are recognized according to the scheduled payment terms provided in the lease arrangement.

Net Position

Net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position– consists of assets that are restricted as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – all other net position is reported in this category.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

Operating revenues include airline, concessions, and other revenues. Concessions and other revenues consist primarily of rental car, parking, and other ancillary services revenues. Such revenue is generally based on a fixed percentage of tenant revenues subject to certain minimum monthly fees or a fixed fee schedule. Concessions and other revenues are recognized when earned.

Operating expenses include personnel costs, utilities, supplies and materials, outside services, other expenses, and depreciation.

Budget

The Authority annually adopts a non-legally binding budget.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

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

	Cost	Fair Value
Unrestricted	\$ 35,379,015	\$ 35,379,015
Restricted		
Customs	148,894	148,894
Passenger facility charge	1,966,196	1,966,196
	2,115,090	2,115,090
Total cash and cash equivalents	\$ 37,494,105	\$ 37,494,105

Custodial Credit Risk – Deposits

At June 30, 2022, the carrying amount of the Authority's bank deposits was \$10,878,838. Accounts balances are covered by the Federal Deposit Insurance Corporation (FDIC") up to \$250,000 per bank, per depositor. The remaining balances are covered by collateral held by the pledging bank's agent in the Authority's name.

Investments at Fair Value

The Authority voluntarily participates in the Short-Term Investment Program (STIP) administered by the Montana Board of Investments (MBOI). STIP was created by the State of Montana Board of Investments to allow qualifying funds, per sections 17-6-201, 202 and 204, MCA, to participate in a diversified pool. The carrying amount of this investment as of June 30, 2022 was \$26,604,676. This investment in STIP is considered a cash equivalent.

NOTE 2. CASH AND INVESTMENTS (continued)

A local government's STIP ownership is represented by shares, the price of which are fixed at \$1.00 per share, and participants may buy or sell shares with one business days' notice. STIP administrative expenses are charged daily against the STIP income, which is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares.

The STIP is not registered with the Securities and Exchange Commission. STIP is not FDIC-insured or otherwise insured or guaranteed by the federal government, the State of Montana, the MBOI or any other entity against investment losses, and there is no guaranteed rate of return on funds invested in STIP shares. The MBOI maintains a reserve fund to offset possible losses and limit fluctuations in STIP's valuation.

Information on investments held in the STIP can be found in the Annual Report on the MBOI website at <http://investmentmt.com/AnnualReportsAudits>.

Risks Related to STIP

Effective June 30, 2005, the State of Montana Board of Investments implemented the provisions of GASB Statement No. 40 – Deposit and Investment Risk Disclosures. The unaudited financial statements as of June 30, 2022 have disclosures pertaining to STIP's exposure to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and legal and credit risk. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

Security Lending

STIP is eligible to participate in securities lending. Securities lending transactions for fiscal year 2022 are disclosed in STIP's financial statements.

An unaudited copy of the STIP fiscal year 2022 financial statements is available online at the Montana Board of Investments' website.

NOTE 3. ACCOUNTS RECEIVABLE

The composition of accounts receivable on June 30, 2022 was as follows:

Current	
Trade accounts receivable, net	\$ 2,717,769
Leases receivable	911,291
Grants receivable	696,890
	4,325,950
Noncurrent	
Leases receivable	3,190,922
Passenger facility charges receivable - restricted	637,466
Customs receivable - restricted	88,025
	3,916,413
Total accounts receivable	\$ 8,242,363

NOTE 4. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2022:

	June 30, 2021	Additions	Reductions	June 30, 2022
Nondepreciable capital assets				
Land	\$ 14,688,003	\$ 1,409,910	\$ -	\$ 16,097,913
Construction in progress *	37,683,886	12,415,095	(36,772,500)	13,326,481
	52,371,889	13,825,005	(36,772,500)	29,424,394
Depreciable capital assets				
Runways & improvements	69,799,983	8,147,227	-	77,947,210
Buildings & equipment	112,710,469	29,105,900	(9,457)	141,806,912
Right to use asset	269,830	-	-	269,830
Intangibles	603,147	62,800	-	665,947
	183,383,429	37,315,927	(9,457)	220,689,899
Accumulated depreciation				
Runways & improvements	(38,338,883)	(2,729,918)	-	(41,068,801)
Buildings & equipment	(33,427,727)	(3,484,915)	9,457	(36,903,185)
Right to use asset	(194,631)	(53,081)	-	(247,712)
Intangibles	(288,921)	(31,727)	-	(320,648)
	(72,250,162)	(6,299,641)	9,457	(78,540,346)
Depreciable capital assets, net	111,133,267	31,016,286	-	142,149,553
Total capital assets, net	\$ 163,505,156	\$ 44,841,291	\$ (36,772,500)	\$ 171,573,947

* Construction in progress at June 30, 2022 consists mainly of costs associated with the terminal apron expansion, north side apron and utilities, parking lot improvements, baggage handling system, and east terminal expansion.

NOTE 5. UNEARNED REVENUE

The Authority reports unearned revenue on its statement of net position when revenues have been received but not yet earned. In subsequent periods, when revenue recognition criteria are met, the liability for unearned revenue is removed from the statement of net position and the revenue is recognized.

NOTE 6. NONCURRENT LIABILITIES

The following is a summary of noncurrent liabilities activity for the year ended June 30, 2022:

	June 30, 2021	Additions	Reductions	June 30, 2022	Current Portion	Noncurrent Portion
Leases payable	\$ 168,835	\$ -	\$ (29,215)	\$ 139,620	\$ 139,620	\$ -
Bank loan	12,250,000	-	(2,285,338)	9,964,662	2,364,862	7,599,800
Net pension liability	3,499,882	-	(1,253,723)	2,246,159	-	2,246,159
Totals	\$ 15,918,717	\$ -	\$ (3,568,276)	\$ 12,350,441	\$ 2,504,482	\$ 9,845,959

NOTE 7. DEBT

In July of 2019, the Authority approved a resolution to refund the outstanding revenue bonds in the amount of \$12,250,000 and replace the bonds with a bank loan for the same principal amount. The financing pays a portion of the costs to expand, improve, construct, reconstruct and equip the airline terminal building. Maturity dates began December 2019 and will end June 2026. The loan interest rate is 3.45% and is secured by a first lien upon the net revenues of the Authority. Interest is payable semiannually June 1 and December 1. The following table summarizes the annual debt service through the loan payoff.

Fiscal Year	Principal Amount	Interest Rate	Interest Amount	Principal and Interest
2023	2,364,862	3.450%	323,621	2,688,483
2024	2,446,801	3.450%	241,683	2,688,484
2025	2,532,576	3.450%	155,908	2,688,484
2026	2,620,423	3.450%	68,060	2,688,483
	\$ 9,964,662		\$ 789,272	\$ 10,753,934

In July 2019, the Authority also approved a resolution to open a three-year line of credit. The line of credit has a maximum borrowing limit of \$6.5 million and an interest rate of 4.5%. The line of credit ends July 2022. There is no amount outstanding on the line of credit as of June 30, 2022.

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions.

Plan Description

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 the Legislature.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they 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.

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.

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

Summary of Benefits

Service retirement:

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

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 a part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 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.

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

Special Funding

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

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

Fiscal Year	Member		Local Government	
	Hired < 07/01/11	hired after > 07/01/11	Employer	State of Montana
2022	7.900%	7.900%	8.870%	0.100%
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012-2013	6.900%	7.900%	7.070%	0.100%
2010-2011	6.900%		7.070%	0.100%
2008-2009	6.900%		6.935%	0.100%
2000-2007	6.900%		6.800%	0.100%

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 actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions 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 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 the member accounts.
3. Non-Employer Contributions:
 - a. Special Funding
 - i. The State contributed 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
 - iii. The state contributed a Statutory Appropriation from the General Fund of \$34,290,660.

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The updated procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (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, 2021, and 2020, 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 a particular employer to the total state contributions paid. The employer recorded a liability of \$2,246,159 and the employer's proportionate share was 0.123877 percent. Pension contributions made after the measurement date of the net pension liability are recognized as a reduction of the net pension liability in the subsequent fiscal year.

As of Measurement Date	NPL as of 6/30/2021	NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Changes in Percent of Collective NPL
Employer's proportionate share	\$ 2,246,159	\$ 3,499,882	0.1239%	0.1327%	-0.0088%
State of Montana proportionate share associated with employer	668,011	1,108,996	0.0368%	0.0420%	-0.0052%
Total	\$ 2,914,170	\$ 4,608,878	0.1607%	0.1747%	-0.0140%

Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

- The discount rate was lowered from 7.34% to 7.06%
- The investment rate of return was lowered from 7.34% to 7.06%

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

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

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

Pension Expense

At June 30, 2021 the employer recognized pension expense of \$146,882 for its proportionate share of the Plan's pension expense. The employer also recognized grant revenue of \$195,807 for the support provided by the state of Montana for its proportionate share of the pension expense associated with the employer.

As of Measurement Date	Pension Expense as of 6/30/2021
Employer's proportionate share	\$ 146,882
State of Montana Proportionate Share associated with the Employer	195,807
Total	\$ 342,689

Recognition of Deferred Inflows and Outflows

At June 30, 2021, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	\$ 23,971	\$ 16,260
Projected investment earnings vs. actual investment earnings	-	909,942
Changes in assumptions	332,698	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	22,803
Employer contributions subsequent to the measurement date	350,111	-
Total	\$ 706,780	\$ 949,005

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

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

For the Measurement Year Ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2022	\$ 53,923
2023	\$ (136,009)
2024	\$ (219,774)
2025	\$ (290,476)
Thereafter	\$ -

Actuarial Assumptions

The total pension liability as of June 30, 2021, was determined on the results of an actuarial valuation date of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

Investment return (net of admin expense)	7.06%
Admin expense as % of payroll	0.28%
General wage growth (includes inflation at 2.4%)	3.50%
Merit increases	0% to 4.80%
Postretirement benefit increases: 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 (provided below) each January, inclusive of all other adjustments to the member's benefit.	
- Members hired prior to July 1, 2007	3.00%
- Members hired between July 1, 2007 & June 30, 2013	1.50%
- Members hired on or after July 1, 2013	
▪ For each year PERS is funded at or above 90%	1.50%
The 1/5% is reduced by 0.1% for each 2.0%	
PERS is funded below 90%	
▪ 0% whenever the amortization period for PERS is 40 years or more	0.00%
Mortality: Contributing members, service retired members & beneficiaries	RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males
Disabled members	RP-2000 Combined Mortality Tables, with no projections

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which establishes the contractually required rates under the Montana Code Annotated. The State contributes 0.10% of the salaries paid by local governments. 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 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocation

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.00%	-0.33%
Domestic equity	30.0%	5.90%
International equity	17.0%	7.14%
Private investments	15.0%	9.13%
Real assets	5.0%	4.03%
Real estate	9.0%	5.41%
Core fixed income	15.0%	1.14%
Non-core fixed income	6.0%	3.02%
Total	100.0%	

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

As of Measurement Date	1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
Employer's Net Pension Liability	\$ 3,565,427	\$ 2,246,159	\$ 1,139,599

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

Summary of Significant Accounting Policies

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

PERS Disclosure for the Defined Contribution Plan

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

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

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The 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 the individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2021, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

The stand-alone financial statements of the Montana Public Employees Retirement Board (PERB) *Annual Comprehensive Financial Report (ACFR)* 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 59620a-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov>.

NOTE 9. NET POSITION

Net position consists of the following as of June 30, 2022:

Net investment in capital assets	
Capital assets	\$ 171,573,947
Less: current liabilities	
Retainage payable for amounts invested in capital assets	(425,462)
Current portion of noncurrent liabilities for amount invested in capital assets	(2,504,482)
Less: noncurrent liabilities	
Noncurrent liabilities for amount invested in capital assets	(7,599,800)
	161,044,203
Restricted net position	
Capital projects and debt service	2,691,687
Customs	148,894
	2,840,581
Unrestricted net position	32,682,464
Total net position	\$ 196,567,248

NOTE 10. LEASES

GASB Statement No. 87, Leases

GASB Statement No. 87, Leases, issued by the Governmental Accounting Standards Board (GASB) was adopted by the Authority in the year ended June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

This Statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement.

NOTE 10. LEASES (continued)

Lessor Lease Arrangements Subject to GASB 87 Reporting

Authority lessor arrangements that are subject to GASB 87 reporting include property leased to car rental companies, concessionaires, governmental agencies, car condos, and others. The primary assets related to these leases are the terminal building, parking garage, and land. An interest rate of 3% was used as the discount rate for the lease receivable.

The following is a summary by category of the balances, inflows and scheduled payments for the lessor lease arrangements subject to GASB 87 reporting for the year ended June 30, 2022.

Category	Lease Receivable	Deferred Inflows	Lease Revenue	Interest Revenue	Scheduled Payments
Rental car space	\$ 190,013	\$ 173,989	\$ 87,186	\$ 6,905	\$ 80,712
Terminal food, bev, gift & other	2,211,994	2,015,770	663,413	76,564	700,995
Land and other buildings	1,700,206	1,658,292	229,900	51,199	231,710
	\$ 4,102,213	\$ 3,848,051	\$ 980,499	\$ 134,668	\$ 1,013,417

Lessee Lease Arrangements Subject to GASB 87 Reporting

The Authority only has one lessee lease arrangement and it is subject to GASB 87 reporting. This lease is for a Volvo loader utilized primarily for snow removal. The lease includes an interest rate of 3.22% and matures November 2022.

The following is a summary of the balances, outflows and scheduled payments for the lessee lease arrangement subject to GASB 87 reporting for the year ended June 30, 2022.

Category	Right-To-Use Asset	Accum Depr	Lease Liability	Depr Expense	Interest Expense	Scheduled Payments
Equipment	\$ 269,830	\$ 247,713	\$ 139,620	\$ 53,081	\$ 4,308	\$ 33,522

Remaining principal and interest payments on this arrangement are as follows.

Fiscal Year	Principal	Interest	Total
2023	\$ 139,620	\$ 1,554	\$ 141,174

Lease Arrangements Excluded from GASB 87 Reporting

The Authority has lease arrangements that are exempt from GASB 87 reporting because they are regulated or short-term. The regulated leases are those that are aviation related and regulated by the Federal Aviation Administration. The short-term leases are those that have an original lease term of twelve months or less.

Total lease revenue from these leases for the year ended June 30, 2022 was \$845,493.

NOTE 10. LEASES (continued)

The following is a schedule of the expected future minimum lease payments to be received from lease arrangements excluded from GASB 87 reporting.

Fiscal Year	Amount
2023	\$ 784,152
2024	\$ 415,399
2025	\$ 376,258
2026	\$ 343,401
2027	\$ 312,902
2028-2032	\$ 1,343,057
2033-2037	\$ 881,352
2038-2042	\$ 416,755
2043-2047	\$ 22,080

NOTE 11. PASSENGER FACILITY CHARGE PROGRAM

In 1990, the United States Congress enacted the Aviation Safety and Capacity Expansion Act ("ASCEA") of 1990, which allows public agencies controlling commercial service airports to charge eligible enplaning passengers at the airport a \$1, \$2 or \$3 passenger facility charge, or PFC. In 2000, the U.S. Congress passed the Aviation Investment and Reform Act for the 21st Century ("AIR-21"), which allowed airports to levy a PFC of \$4.00 or \$4.50 per eligible enplaned passenger. Gallatin Airport Authority was authorized to impose the PFC beginning August 1, 1993. The Authority will continue to impose the PFC until "the total net PFC revenues collected plus interest thereon equals the allowable cost of the approved projects."

Proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers.

The active PFC approved project during the year ended June 30, 2022 was PFC 09-05-C-00-BZN. The PFC project No. 09-05-C-00-BZN (amended June 19, 2019), provides for a charge of \$4.50 per enplaned passenger and total project expenditures of \$26,700,000. This project expires April 1, 2023.

NOTE 12. CUSTOMER FACILITY CHARGES

Customer facility charges (CFCs) are levied by the Authority pursuant to an agreement with the rental car companies serving the Authority. The CFC rate per contract rental day was increased from \$4.25 to \$5.00 effective January 1, 2019.

NOTE 13. RISK MANAGEMENT

Significant losses for public officials, automobiles, property, and general liability are covered by commercial insurance policies. There have been no significant reductions in insurance coverage. Insurance coverage for potential losses due to environmental damages is not available. Therefore, the Authority has no coverage for such potential losses. There have been no settlements in excess of the insurance coverage in any of the three prior years.

NOTE 14. RELATED PARTIES

Karen Stelmak (Board Member) and Tom Stelmak entered into a 10-year lease with the Authority beginning September 1, 1999. An option for a 10-year renewal was taken. Lease revenues for the year ended June 30, 2022 were \$768.

Ted Mathis (Board Member) leases a hangar from the Authority on a month-to-month basis. Lease revenues for the year ended June 30, 2022 were \$2,400.

The related party leases are regulated lease arrangements and are excluded from GASB 87 reporting. No amounts were due to or from any of these related parties as of June 30, 2022.

NOTE 15. COMMITMENT

The Authority entered into an agreement with the City of Belgrade for the upgrade of the Belgrade Waste Water Treatment Plant and future Airport water and sewer service. The Authority had committed funding not-to-exceed \$3,000,000 for the upgrade project. As of June 30, 2022, this commitment had been met. The ongoing expense related to the water and sewer service for the fiscal year 2022 has not been determined.

NOTE 16. CONCENTRATIONS

The Authority receives a significant portion of its operating revenues from leasing the parking facility. The revenues from this lease accounted for approximately 26% of operating revenues for the year ended June 30, 2022.

NOTE 17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 1, 2022, the date on which these financial statements were available to be issued.

Required Supplementary Information – Pension Schedules

Year Ended June 30, 2022

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of Measurement Date	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability	0.1239%	0.1327%	0.1160%	0.1160%	0.1419%	0.1422%	0.1396%	0.1401%
Employer's net pension liability	\$ 2,246,159	\$ 3,499,882	\$ 2,425,315	\$ 2,420,408	\$ 2,763,602	\$ 2,422,514	\$ 1,951,981	\$ 1,745,531
State's Net Pension Liability	\$ 668,011	\$ 1,108,996	\$ 795,474	\$ 815,227	\$ 41,740	\$ 29,600	\$ 23,977	\$ 21,316
Total Net Pension Liability	\$ 2,914,170	\$ 4,608,878	\$ 3,220,789	\$ 3,235,635	\$ 2,805,342	\$ 2,452,114	\$ 1,975,958	\$ 1,766,847
Employer's covered payroll	\$ 2,188,135	\$ 2,225,832	\$ 1,914,421	\$ 1,907,151	\$ 1,760,010	\$ 1,703,557	\$ 1,629,621	\$ 1,610,223
Employer's proportionate share as a % as of covered payroll	102.65%	157.24%	126.69%	126.91%	157.02%	142.20%	119.78%	111.22%
Plan fiduciary net position as a % of Total Pension Liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

SCHEDULE OF CONTRIBUTIONS

As of Most Recent FYE (reporting date)	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required DB contributions	\$ 252,806	\$ 193,911	\$ 195,013	\$ 164,653	\$ 161,536	\$ 147,334	\$ 142,393	\$ 134,287
Plan Choice Rate required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,383	\$ 15,244
Contributions in relation to the contractually required contributions	\$ 252,806	\$ 193,911	\$ 195,013	\$ 164,653	\$ 161,536	\$ 147,334	\$ 151,776	\$ 149,531
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,850,124	\$ 2,188,135	\$ 2,225,832	\$ 1,914,421	\$ 1,907,151	\$ 1,760,010	\$ 1,703,557	\$ 1,629,621
Contributions as a % of covered payroll	8.87%	8.86%	8.76%	8.60%	8.47%	8.37%	8.91%	9.18%

* The above schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.

Notes to Required Supplementary Information – Pension Schedules

Year Ended June 30, 2022

CHANGES IN BENEFIT TERMS

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

2017 Legislative Changes:

Working Retiree Limitations – for PERS

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

Refunds

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

Interest Credited to Member Accounts

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

Lump-sum Payouts

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

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became 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 membered hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Notes to Required Supplementary Information – Pension Schedules

Year Ended June 30, 2022

CHANGE IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 2019 actuarial valuation:

General Wage Growth *	3.50%
Investment Rate of Return *	7.65%
* includes inflation at	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2021 using BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.28%

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





STATISTICAL SECTION

- Statistical section introduction
- Net position and changes in net position
- Changes in cash and cash equivalents
- Operating and nonoperating expenses
- Operating revenues, airline cost per enplanement, and airline rates
- Debt service, coverages, and ratios
- Aircraft operations and total passengers
- Enplanements and load factor by air carrier
- Budgeted employees by department
- Insurance coverage
- Airport information
- Demographic and economic statistics
- Principal employers in region

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Statistical Section Introduction

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health. Unless otherwise noted, the information in these schedules is derived from the financial statements for the relevant year.

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Financial Trends	64
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These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity	67
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This schedule contains information to help the reader assess the Authority's significant revenue sources.

Debt Capacity	68
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This schedule presents information to help the users understand and assess the Authority's outstanding debt and its ability to cover and issue additional debt.

Operating Information	69
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These schedules present contextual information about the Authority's operations and resources to help users to understand and assess the Authority's economic condition.

Demographic and Economic Information	74
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These schedules contain information to help users understand the socio-economic environment in which the Authority operates.

Net Position and Changes in Net Position

Ten Years Ended June 30

	Dollars in 000's									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating revenues	\$ 26,147	14,304	12,947	13,975	11,888	10,498	9,630	8,918	8,192	7,271
Operating expenses	9,461	7,620	7,120	6,622	6,120	5,186	4,639	4,434	4,221	3,739
Operating income, before depreciation	16,686	6,684	5,827	7,353	5,768	5,312	4,991	4,484	3,971	3,532
Less: depreciation	6,300	5,351	5,535	4,698	4,225	4,182	3,976	3,848	3,839	3,809
Operating income (loss)	10,386	1,333	292	2,655	1,543	1,130	1,015	636	132	(277)
Net nonoperating revenues (expenses)	4,259	4,960	4,028	4,586	3,973	2,839	2,409	(839)	(492)	(2,532)
Capital contributions	13,977	12,645	10,556	3,328	7,976	6,866	3,358	4,688	3,454	5,459
Change in net position	\$ 28,622	18,938	14,876	10,569	13,492	10,835	6,782	4,485	3,094	2,650
Net investment in capital assets	\$ 150,471	151,061	143,731	123,161	104,192	82,435	72,958	71,296	70,700	68,139
Restricted	2,840	2,183	2,555	9,308	7,217	5,847	4,672	3,824	3,890	3,689
Unrestricted	43,256	14,701	2,697	1,638	12,129	21,764	21,581	17,309	15,427	15,095
Total net position	\$ 196,567	167,945	148,983	134,107	123,538	110,046	99,211	92,429	90,017	86,923

Source: Gallatin Airport Authority records

Changes in Cash and Cash Equivalents

Ten Years Ended June 30

	Dollars in 000's									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Cash from operating activities										
Receipts from customers	\$ 26,214	11,734	13,980	13,834	11,646	10,849	8,794	9,133	8,310	6,797
Payments to suppliers	(3,900)	(2,170)	(2,665)	(2,447)	(2,360)	(1,909)	(1,771)	(1,617)	(1,283)	(1,301)
Payments to employees	(5,641)	(4,375)	(4,350)	(4,026)	(3,765)	(3,225)	(2,941)	(2,825)	(2,549)	(2,419)
	16,673	5,189	6,965	7,361	5,521	5,715	4,082	4,691	4,478	3,077
Cash from noncapital financing activities										
	(3,000)	-	21	(334)	17	7	(79)	(422)	2	(1,763)
Cash from capital and related financing activities										
Capital asset purchases	(11,319)	(15,572)	(24,331)	(25,718)	(23,508)	(11,756)	(4,702)	(4,705)	(5,087)	(785)
Grant receipts (payments)	17,844	10,273	8,364	5,884	7,055	5,401	3,362	2,940	3,035	2,676
Passenger fac. charge receipts	4,540	2,383	2,884	2,902	2,403	2,183	2,022	1,872	1,826	1,684
Customer fac. charge receipts	1,798	820	742	2,197	1,936	1,095	878	750	633	582
Debt principal payments	(2,285)	-	-	(585)	(565)	(550)	(535)	(520)	(505)	(490)
Debt interest payments	(407)	(427)	(492)	(555)	(574)	(592)	(608)	(624)	(639)	(653)
Other receipts (payments)	-	-	-	-	-	-	-	-	56	-
	10,171	(2,523)	(12,833)	(15,875)	(13,253)	(4,219)	417	(287)	(681)	3,014
Cash from investing activities										
Investments purchased	-	-	-	-	-	-	-	-	-	(23)
Interest received	1,315	1,310	1,241	246	91	62	93	128	182	269
Investment sale proceeds	-	-	-	-	-	-	-	-	-	1,149
Reclass of investments	-	-	-	-	-	-	-	23	-	-
	1,315	1,310	1,241	246	91	62	93	151	182	1,395
Change in cash and cash equivalents										
	25,159	3,976	(4,606)	(8,602)	(7,624)	1,565	4,513	4,133	3,981	5,723
Cash and cash equivalents, beginning of year										
	12,335	8,359	12,965	21,567	29,191	27,626	23,112	18,979	14,998	9,275
Cash and cash equivalents, end of year										
	\$ 37,494	12,335	8,359	12,965	21,567	29,191	27,626	23,112	18,979	14,998

Source: Gallatin Airport Authority records

Operating and Nonoperating Expenses

Ten Years Ended June 30

	Dollars in 000's									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating Expenses										
Personnel	\$ 5,732	4,941	4,411	3,871	3,712	3,237	2,941	2,845	2,578	2,437
Utilities	917	807	771	707	682	629	654	644	629	592
Supplies and materials	1,263	667	607	765	497	536	347	381	368	348
Outside services	1,219	881	863	932	936	509	437	341	363	354
Insurance	184	211	214	120	99	98	92	89	88	76
Other	146	113	254	227	194	178	168	135	145	190
Depreciation expense	6,300	5,351	5,535	4,699	4,225	4,182	3,976	3,848	3,839	3,853
	15,761	12,971	12,655	11,321	10,345	9,368	8,615	8,282	8,010	7,850
Nonoperating Expenses										
Interest Expense	407	427	492	555	574	592	608	624	639	653
Payments to other agencies	3,000	-	-	347	-	-	84	400	85	1,887
Other	-	-	-	-	-	-	-	44	-	-
	3,407	427	492	902	574	592	692	1,068	724	2,540
Total expenses	\$ 19,168	13,398	13,147	12,223	10,919	9,960	9,307	9,350	8,734	10,390

Source: Gallatin Airport Authority records

Operating Revenues, Airline Cost Per Enplanement, and Airline Rates

Ten Years Ended June 30

	Revenues and Enplanements in 000's									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Airline Revenues										
Landing fees	\$ 1,259	880	747	848	705	624	619	605	573	571
Terminal rentals	1,591	1,137	1,095	1,059	969	895	848	853	818	791
	2,850	2,017	1,842	1,907	1,674	1,519	1,467	1,458	1,391	1,362
Non-airline Revenues										
Rental car	9,873	5,135	3,972	4,293	3,685	3,218	2,743	2,624	2,416	2,095
Parking	6,749	2,438	2,860	3,675	3,150	2,753	2,590	2,396	2,113	1,819
Other terminal	3,158	1,647	1,914	1,998	1,655	1,465	1,384	1,110	1,030	924
General aviation	1,475	1,308	864	775	687	617	570	519	482	462
Air cargo	48	49	41	41	43	43	41	39	38	38
Other	1,994	1,710	1,454	1,286	994	883	834	772	722	571
Total operating revenues	\$ 26,147	14,304	12,947	13,975	11,888	10,498	9,629	8,918	8,192	7,271
Scheduled enplanements	1,121	619	622	742	627	572	529	498	456	439
Airline cost per enplanement	\$ 2.54	3.26	2.96	2.57	2.67	2.66	2.77	2.93	3.05	3.11
Airline Rates										
Landing fee (per 1,000 lbs. over 12,500 GLW)	\$ 1.00	1.00	1.00	1.00	1.00	1.02	1.06	1.06	1.14	1.11
Terminal rents (per sq. ft. per year):										
Finished	\$ 24.00	24.00	24.00	24.00	24.00	22.27	22.27	22.27	22.27	22.27
Unfinished	\$ 12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97
Jetway rent (per use)	\$ 10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

Source: Gallatin Airport Authority records

Debt Service, Coverages, and Ratios

Ten Years Ended June 30

	Dollars and Enplanements in 000's									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Outstanding debt										
2009 revenue bonds	\$ -	-	-	12,250	12,835	13,400	13,950	14,485	15,005	15,510
Long-term debt	9,965	12,250	12,250	-	-	-	-	-	-	-
Total outstanding debt	9,965	12,250	12,250	12,250	12,835	13,400	13,950	14,485	15,005	15,510
Enplaned passengers	1,124	619	625	744	629	574	531	500	458	440
Outstanding debt per enplaned passenger	\$ 8.87	19.79	19.60	16.47	20.41	23.34	26.27	28.97	32.76	35.25
Principal	\$ 2,285	-	-	585	565	550	535	520	505	490.00
Interest	407	427	492	555	574	592	608	624	639	653
Total debt service	\$ 2,692	427	492	1,140	1,139	1,142	1,143	1,144	1,144	1,143
Net revenues available for debt service	\$ 20,945	11,644	9,855	11,939	9,741	8,151	7,400	5,584	5,245	2,713
Debt service	2,692	427	492	1,140	1,139	1,142	1,143	1,144	1,144	1,143
Debt service coverage	\$ 7.78	27.27	20.03	10.47	8.55	7.14	6.47	4.88	4.59	2.37

Source: Gallatin Airport Authority records

Aircraft Operations and Total Passengers

Ten Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Aircraft Operations										
Air carrier	22,494	18,054	13,607	15,574	11,861	10,735	9,990	10,388	8,642	8,708
Air taxi	12,335	11,499	10,379	9,996	9,834	9,009	8,923	8,336	9,454	9,222
GA itinerant	44,224	46,495	36,691	35,633	30,298	31,108	30,456	30,135	28,178	27,875
Military	535	634	543	642	274	297	340	220	315	262
Total itinerant	79,588	76,682	61,220	61,845	52,267	51,149	49,709	49,079	46,589	46,067
GA local	34,284	39,770	34,765	34,560	26,052	25,794	30,920	30,653	31,893	30,770
Total aircraft operations	113,872	116,452	95,985	96,405	78,319	76,943	80,629	79,732	78,482	76,837
Total Passengers										
Enplanements	1,124,292	618,964	624,562	744,316	628,533	573,767	530,903	499,977	457,716	440,203
Deplanements	1,117,217	622,708	619,449	743,695	629,441	574,580	529,829	497,664	459,844	437,043
Total passengers	2,241,509	1,241,672	1,244,011	1,488,011	1,257,974	1,148,347	1,060,732	997,641	917,560	877,246
Growth	80.5%	-0.2%	-16.4%	18.3%	9.5%	8.3%	6.3%	8.7%	4.6%	7.2%

Source: Gallatin Airport Authority records

Enplanements and Load Factor by Air Carrier

Ten Years Ended June 30

	Enplanements in 000's									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Delta										
Enplanements	297	178	211	255	233	214	223	202	188	169
Load factor	82.8%	52.9%	76.4%	83.1%	85.0%	85.9%	85.3%	82.8%	86.8%	86.5%
United										
Enplanements	297	163	203	266	225	208	177	160	150	137
Load factor	79.9%	64.0%	79.0%	78.7%	78.6%	82.6%	83.2%	80.3%	87.3%	85.8%
Alaska										
Enplanements	113	82	82	91	86	89	82	70	53	48
Load factor	71.4%	52.3%	74.5%	79.1%	86.4%	86.3%	84.7%	82.7%	84.5%	81.0%
Frontier										
Enplanements	3	17	23	25	8	14	16	37	36	48
Load factor	57.0%	65.7%	82.1%	86.2%	87.2%	83.9%	86.6%	89.7%	87.4%	81.4%
Allegiant										
Enplanements	49	34	30	34	29	29	29	29	30	38
Load factor	72.9%	56.1%	78.9%	82.9%	87.5%	88.2%	86.6%	86.5%	89.9%	92.0%
American										
Enplanements	133	117	69	66	46	19	2	-	-	-
Load factor	83.1%	68.5%	79.3%	81.5%	81.9%	81.2%	90.7%	-	-	-
JetBlue										
Enplanements	22	8	4	5						
Load factor	51.9%	34.5%	57.1%	71.4%	-	-	-	-	-	-
Sun Country										
Enplanements	8	4	-	-	-	-	-	-	-	-
Load factor	62.2%	52.7%	35.7%	-	-	-	-	-	-	-
Southwest										
Enplanements	195	14	-	-	-	-	-	-	-	-
Load factor	62.2%	47.8%	-	-	-	-	-	-	-	-
Avelo										
Enplanements	4	2	-	-	-	-	-	-	-	-
Load factor	51.3%	30.4%	-	-	-	-	-	-	-	-
Total available seats	1,498	1,072	804	918	792	708	659	636	559	556
Total scheduled										
enplanements	1,121	619	622	742	627	572	529	498	457	440
Average load factor	74.8%	57.7%	77.4%	80.8%	79.2%	80.8%	80.3%	78.3%	81.7%	79.2%
Charter										
Enplanements	3	-	3	2	2	2	1	2	1	2
Total enplanements	1,124	619	625	744	629	574	530	500	458	442

Source: Gallatin Airport Authority records

Budgeted Employees by Department

Ten Years Ended June 30

Year	Number of Employees				Total
	Maintenance & Airside Operations	Landside Operations	Public Safety	Administration (includes IT)	
2022	28	14	10	9	61
2021	21	11	9	8	49
2020	18	10	9	8	45
2019	18	10	8	7	43
2018	17	9	8	5	39
2017	15	8	7	5	35
2016	12	8	7	5	32
2015	12	7	7	5	31
2014	12	7	7	5	31
2013	11	7	7	5	30

Source: Gallatin Airport Authority's operating budget records

Insurance Coverage

As of June 30, 2022

Policy Type	Insurer	Coverage	Expiration
Buildings	Cincinnati Insurance	\$ 102,794,346	8/10/2022
Business Personal Property	Cincinnati Insurance	\$ 1,226,933	8/10/2022
Automobile	Cincinnati Insurance	\$ 1,000,000	8/10/2022
General Liability	Ace Property and Casualty	\$ 100,000,000	8/10/2022
Mobile Equipment	Cincinnati Insurance	\$ 1,879,899	8/10/2022
Employee Theft	Cincinnati Insurance	\$ 50,000	8/10/2022
Employment Practices	Cincinnati Insurance	\$ 1,000,000	8/10/2022
Directors & Officers	Cincinnati Insurance	\$ 1,000,000	8/10/2022
Aviation	Ace Property and Casualty	\$ 100,000,000	8/10/2022
Law Enforcement	Allied World	\$ 1,000,000	8/10/2022

Source: Gallatin Airport Authority records

Airport Information

Year Ended June 30, 2022

Location:	9 miles northwest of Bozeman, MT		
Area:	Fee title	1,964	acres
	Easement controlled	1,334	acres
	State lease	93	acres
	Total	3,391	acres
Airport code:	BZN		
Elevation:	4,475'		
Runways:	12/30	Paved	8,994' x 150'
	03/21	Paved	2,650' x 75'
	11/29	Turf	3,197' x 80'
	11/29	Paved	5,050' x 75'
Terminal:	215,000 sq. ft.		
Parking spaces:	Pay parking long-term	1,564	
	Pay parking short-term	356	
	Credit card lot	276	
	Premium garage	91	
	Rental car ready/returns	1,000	
	Employee parking	433	
	Total	3,720	
Apron areas:	Terminal	755,765	sq. ft.
	Old terminal	66,829	sq. ft.
	General aviation	621,870	sq. ft.
	Tie-down	125,985	sq. ft.
	East ramp	610,385	sq. ft.
	Total	2,180,834	sq. ft.
Based aircraft:	Sailplane	10	
	Single engine (piston)	263	
	Twin engine (piston)	16	
	Single engine (turboprop)	19	
	Twin engine (turboprop)	12	
	Single engine (jet)	6	
	Multi engine (jet)	56	
	Helicopter	25	
	Total	407	
Hangars:	227		
Fixed based operators:	Jet Aviation Yellowstone Jetcenter		
International:	U.S. Customs User Fee Facility		

Airport Employees:	Airport Authority	61
	Airlines / Ground Handling	317
	Rental Car / Ground Trans / Parking	325
	Retail / Food & Bev Concessions	158
	Federal Govt / Tower / Screening	120
	Fixed Based Operators	75
	Flight School	65
	Air Ambulance	44
	Air Cargo	33
	Rotorcraft Operation	31
	Aerial Firefighting	192
	Aviation Business	56
	Engineering / Architecture Support	19
	Total	1,496

Source: Gallatin Airport Authority records

Demographic and Economic Statistics

Ten Years Ended June 30

GALLATIN COUNTY				
Year	Population	Per Capita Personal Income	Personal Income (in 000's)	Unemployment Rate
2022	unavailable	unavailable	unavailable	unavailable
2021	122,713	unavailable	unavailable	2.0%
2020	118,960	63,432	7,545,871	6.9%
2019	114,434	58,195	6,659,487	2.2%
2018	111,876	53,536	5,989,394	2.5%
2017	107,810	51,410	5,542,512	2.6%
2016	104,502	49,764	5,200,438	2.7%
2015	100,739	47,755	4,810,791	2.9%
2014	97,308	45,024	4,381,195	2.9%
2013	94,694	43,036	4,075,251	3.4%

MONTANA				
Year	Population	Per Capita Personal Income	Personal Income (in 000's)	Unemployment Rate
2022	unavailable	unavailable	unavailable	unavailable
2021	1,104,271	unavailable	unavailable	2.6%
2020	1,084,225	54,106	58,663,078	7.6%
2019	1,068,778	50,099	53,544,709	3.5%
2018	1,062,305	47,197	50,137,609	3.7%
2017	1,050,493	45,112	47,389,840	3.9%
2016	1,042,646	43,826	45,695,004	4.2%
2015	1,032,949	42,764	44,173,031	4.1%
2014	1,023,579	41,039	42,006,659	4.7%
2013	1,014,864	40,248	40,846,246	5.4%

Sources:

Census Bureau

Bureau of Economic Analysis

Principal Employers in Region

Year Ended June 30, 2022

Current Year *		2013	
Private Employers By Class	Number of Employees	Private Employers By Class	Number of Employees
Bozeman Health	1,000 +	Bozeman Deaconess Hospital	1,000 +
Oracle America	250 to 499	Oracle	250 to 499
Kenyon Noble Lumber & Hardware	250 to 499	Wal Mart	250 to 499
Town Pump Convenience Stores	250 to 499	Albertson's	100 to 249
Wal Mart	250 to 499	Community Food Co-Op	100 to 249
Zoot Enterprises	100 to 249	Costco	100 to 249
Albertson's	100 to 249	Croakies	100 to 249
Target	100 to 249	First Security Bank	100 to 249
Bridger Bowl	100 to 249	Gibson Guitar	100 to 249
Community Food Co-Op	100 to 249	Kenyon Noble Lumber & Hardware	100 to 249
Costco	100 to 249	Lowes	100 to 249
Glacier Bancorp	100 to 249	Luzenac America	100 to 249
First Student	100 to 249	Martel Construction	100 to 249
McDonalds	100 to 249	McDonalds	100 to 249
Murdoch's Ranch & Home Supply	100 to 249	Murdoch's Ranch & Home Supply	100 to 249
Ressler Motors	100 to 249	Ressler Motors	100 to 249
Rosauers Food & Drug	100 to 249	Rosauers Food & Drug	100 to 249
Town & Country Foods	100 to 249	Town & Country Foods	100 to 249
UPS	100 to 249	Town Pump	100 to 249
Williams Plumbing & Heating	100 to 249	Zoot Enterprises	100 to 249
Public Employers By Class	Number of Employees	Public Employers By Class	Number of Employees
Montana State University	1,000 +	Montana State University	1,000 +
Belgrade School District	500 to 999	Bozeman School District	500 to 999
Bozeman School District	500 to 999	City of Bozeman	250 to 499
Gallatin County	500 to 999	Gallatin County	250 to 499
City of Bozeman	250 to 499		

* 2021 information is presented for current year and is the most recent available

Region is defined as Gallatin County

Source: Montana Department of Labor & Industry



An aerial photograph of an airport tarmac. In the upper left, a blue and white fighter jet is parked. In the lower right, a white private jet is taxiing. At the bottom of the frame, the tops of several white ground support vehicles are visible. The background shows a green field and distant buildings under a clear sky.

COMPLIANCE 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
- Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance
- Schedule of expenditures of federal awards
- Schedule of findings and questioned costs
- Independent auditor's report on compliance with requirements that could have a direct and material effect on the passenger facility charge program and on internal control over compliance applicable to the passenger facility charge program
- Schedule of passenger facility charge collections, interest and disbursements

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 Commissioners
Gallatin Airport Authority
Belgrade, 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 Gallatin Airport Authority (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Gallatin Airport Authority's basic financial statements, and have issued our report thereon dated November 1, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Holmes + Turner" followed by a long, sweeping horizontal line.

Bozeman, Montana

November 1, 2022

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 Commissioners
Gallatin Airport Authority
Belgrade, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Bozeman, Montana
November 1, 2022

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Source / Program	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
Federal Aviation Administration - Airport Improvement Program (AIP)		
Project No. 3-30-0010-50	20.106	169,158
Project No. 3-30-0010-52	20.106	864,913
Project No. 3-30-0010-53	20.106	442,302
Project No. 3-30-0010-54	20.106	34,450
Project No. 3-30-0010-55	20.106	6,294,880
Project No. 3-30-0010-57	20.106	3,336,517
Project No. 3-30-0010-58	20.106	168,252
Project No. 3-30-0010-59	20.106	49,094
Project No. 3-30-0010-61	20.106	2,351,365
Total U.S. Dept. of Transportation		\$ 13,710,931
U.S. DEPARTMENT OF HOMELAND SECURITY		
Transportation Security Administration Electronic Baggage Screening Program		
	unavailable	\$ 266,142
Total expenditures of federal awards		\$ 13,977,073

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Summary of Significant Accounting Policies

This schedule was prepared on the same basis of accounting as the financial statements (see Note 1).

For this schedule, Airport Improvement Program (AIP) funds are considered expended when eligible for reimbursement by the Federal Aviation Administration. Eligibility includes having an AIP grant agreement in place specific to the costs incurred, reaching certain project milestones, and other criteria.

Federal expenditures reported above that were incurred in fiscal year 2022 totaled \$12,146,870.

The schedule of expenditures of federal awards for the year ended June 30, 2022 has been subjected to the applicable compliance testing requirements prescribed by the Uniform Guidance.

The Authority has not elected to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

I. SUMMARY OF AUDITOR'S RESULTSFinancial Statements

Type of audit report issued:	Unmodified
------------------------------	------------

Internal control over financial reporting:	
--	--

- | | |
|-------------------------------------|----|
| ▪ Significant deficiency disclosed? | No |
| ▪ Material weaknesses disclosed? | No |
| ▪ Material noncompliance disclosed? | No |

Federal Awards

Type of auditor's report on compliance for the major federal program:	Unmodified
---	------------

Internal control over the major program:	
--	--

- | | |
|-------------------------------------|----|
| ▪ Significant deficiency disclosed? | No |
| ▪ Material weaknesses disclosed? | No |

Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
--	----

Identification of major program:	Airport Improvement Program (AIP) CFDA 20.106
----------------------------------	---

Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualifies as a low-risk auditee?	Yes
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II. FINANCIAL STATEMENT FINDINGS

None reported

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON THE PASSENGER FACILITY CHARGE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE PASSENGER FACILITY CHARGE
PROGRAM

To the Board of Commissioners
Gallatin Airport Authority
Belgrade, Montana

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited Gallatin Airport Authority's (Authority) compliance with the types of compliance requirements identified as subject to audit in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (PFC Audit Guide) that could have a direct and material effect on the Authority's passenger facility charge (PFC) program for the year ended June 30, 2022.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2022.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Passenger Facility Charge Audit Guide for Public Agencies (PFC Audit Guide). Our responsibilities under those standards and the PFC Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws and regulations applicable to the Authority's PFC program.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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



Bozeman, Montana
November 1, 2022

Schedule of Passenger Facility Charge Collections, Interest and Disbursements

Year Ended June 30, 2022

	Total June 30, 2021	FY 2022 Activity				Total June 30, 2022
		1st qtr	2nd qtr	3rd qtr	4th qtr	
Collections	\$ 34,195,902	1,204,321	994,408	1,070,315	1,270,945	\$ 38,735,891
Interest	378,704	350	535	359	729	380,677
Disbursements	(33,461,870)	-	(1,344,251)	-	(2,344,252)	(37,150,373)
Cash balance	\$ 1,112,736	\$ 1,204,671	\$ (349,308)	\$ 1,070,674	\$ (1,072,578)	\$ 1,966,195

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AIRLINES



RENTAL CARS



FIXED-BASE OPERATORS



FOOD, BEVERAGE AND GIFT



PARKING



CARGO



OTHERS

General aviation

Bridger Aerospace

Rocky Mountain Rotors

Billings Clinic

Summit Aviation

Ridgeline Aviation

Central Copters

Life Flight

Federal Aviation Administration

Transportation Security Administration

A special thanks to Rex Connell for providing many of the photos in this report.

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