Bozeman Yellowstone Internal 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.

The view of the airfield and Bridger Mountains from the new B concourse at BZN, which is set to open November 3, 2020.
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A beautiful day in June at BZN. Typically, the parking lot would have been full of cars and the ramp would have been full of planes, but both areas were nearly empty due to COVID-19.
October 30, 2020

TO THE BOARD OF COMMISSIONERS

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Gallatin Airport Authority (Authority), for the year ended June 30, 2020.

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 - Record profits to Dire Straits

After more than 10 years of record growth and unprecedented profitability, FY2020 started off with grounding of the B737 MAX and ended with the sharpest and most profound drop in demand/revenue in aviation history, greater than 9/11 or the 2008-2009 financial crisis.

The B737 Max was grounded in March of 2019 due to Maneuvering Characteristics Augmentation System (MCAS) system failure. Operators of this aircraft including American, Southwest and United were forced to cut thousands of flights from their schedules and lost revenue exceeded $1 billion by the end 2019. Airlines reduce flight schedules, utilize spare aircraft, increase utilization of other aircraft types and deferred discretionary maintenance. Meanwhile, airlines that didn’t operate the MAX (Delta Air Lines, Alaska Airlines and JetBlue) expanded capacity to accommodate demand. Eighteen months have passed since the grounding of the Max and the aircraft has yet to be recertified by the FAA.

Rumors of a deadly new virus coming out of China began circulating in late December, 2019. By February of 2020, the world faced a global pandemic - COVID 19. The pandemic caused commercial air travel to come to a standstill as airlines parked more than 50% of their fleets due to travel restrictions; demand evaporated. By April of 2020 enplanements were less than 5% of April, 2019 enplanements. In an effort to extend a lifeline, Congress passed the CARES act that provided $25 billion in grants and loans to the industry with the intention of keeping personnel employed until Oct. 1, 2020. Despite funding, four regional airlines went out of business (Express Jet, Compass, Miami Air and Ravn Air). Major airlines shored up balance sheets with government and private loans while hemorrhaging daily cash burn in excess of $50M dollars a day. Airlines offered employees unpaid leave, creative work schedules and early-out retirement packages to reduce headcount, While no major U.S. airline appears on the edge of a bankruptcy currently, every airline has racked up significant debt.

Eight months into this pandemic, boarding’s remain down 70% year-over-year and many experts, including Airlines for America, the industry’s trade group, don’t see a full recovery until 2024. Industry analyst Raymond James estimates that without additional government funding, most U.S. airlines have enough cash to weather this crisis through the middle of 2022 barring no further travel recovery.

The COVID-19 global pandemic constitutes a black-swan event that will only be solved once passenger confidence is restored with an effective vaccine.

State of the Region

The first eight months of the fiscal year saw one of the most dramatic growth periods ever for the Bozeman/Gallatin County area. This growth ground to a virtual halt in late March due to COVID 19 but by early June, the region began to recover as interest in Montana and its remoteness gained traction. Unemployment in the area illustrates the dramatic changes going from 2.4% in early March to 13.1% in April to 6.9% in June and by August it decreased further to 4.5%.

<table>
<thead>
<tr>
<th>Metric</th>
<th>2020</th>
<th>2019</th>
<th>2010</th>
<th>Change '10 to '20</th>
<th>Change '19 to '20</th>
</tr>
</thead>
<tbody>
<tr>
<td>BZN total passengers</td>
<td>1,244,011</td>
<td>1,488,011</td>
<td>728,048</td>
<td>-16.4%</td>
<td>70.9%</td>
</tr>
<tr>
<td>Montana State University</td>
<td>16,249</td>
<td>16,766</td>
<td>12,764</td>
<td>-3.1%</td>
<td>27.3%</td>
</tr>
<tr>
<td>enrollment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bozeman population</td>
<td>52,034</td>
<td>48,532</td>
<td>37,284</td>
<td>7.2%</td>
<td>39.6%</td>
</tr>
<tr>
<td>Bozeman unemployment rate</td>
<td>6.9%</td>
<td>2.0%</td>
<td>5.4%</td>
<td>245.0%</td>
<td>27.8%</td>
</tr>
<tr>
<td>Gallatin County population</td>
<td>118,316</td>
<td>115,096</td>
<td>89,599</td>
<td>2.8%</td>
<td>32.1%</td>
</tr>
</tbody>
</table>
AIRPORT HIGHLIGHTS – FISCAL YEAR 2020

Despite the dramatic drop-off in passengers due to COVID 19, BZN still handled 1,244,011 total passengers maintaining its status as Montana's busiest airport for the sixth consecutive year and still the 3rd busiest period in Airport history. BZN ended FY 2020 as the 104th busiest airport in the nation (compared to 108th in FY 2019), and 7th busiest in the Northwest Region which includes Colorado, Utah, Wyoming, Montana, Idaho, Oregon and Washington, up one position from FY 2019.

The local economy and tourism contributed nearly equally during the eight months prior to COVID 19 as passenger traffic increased 12.9%. The next four months, however, saw the largest decline in airport history with 72.3% fewer passengers than the comparable FY 2019 period. When enplanements began to recover in June, however, it became quite clear that inbound tourism would recover at a faster rate due to an exodus of people escaping urban areas to less densely populated areas like Montana while Montanans showed less desire to leave the state during the pandemic. Despite the dramatic impact of the pandemic, Allegiant began non-stop service to Nashville in May and our 8th airline brand was added in June with Sun Country beginning non-stop service to Minneapolis/St. Paul in June. New service continued to be added when JetBlue began the first non-stop service to Boston on July 3, 2020 and New York JFK on August 3, 2020. Unfortunately, planned non-stop service to Philadelphia was delayed until the summer of 2021. The chart below illustrates the dramatic effect on passenger traffic at BZN and the nation with both only recovering to the roughly 25% of normal range by June. Beginning in July, the recovery at BZN began to significantly outpace the nation as a whole with BZN being near 80% of normal in October and the nation still hovering around 35% of normal.
Air Service

BZN currently has year round non-stop service to twelve destinations including Seattle-Tacoma (Alaska – year round, Delta seasonal), Portland (Alaska), San Francisco (United), Los Angeles (United – year round, Alaska – year round beginning 11/19/20, JetBlue – year-round, Delta seasonal, American seasonal, Allegiant seasonal), Las Vegas (Allegiant), Phoenix/Mesa (Allegiant), Salt Lake City (Delta), Denver (United, Frontier), Minneapolis-St Paul (Delta – year round, Sun Country - seasonal), Dallas-Fort Worth (American), Chicago (United – year round, American seasonal) and Nashville (Allegiant). BZN also has seasonal non-stop service to nine additional destinations including Atlanta (Delta), Boston (JetBlue), Charlotte (American), Fort Lauderdale (JetBlue) Houston (United), New York – JFK (JetBlue), New York-LaGuardia (Delta & American), New York-Newark (United) and Philadelphia (American).
AIRPORT HIGHLIGHTS – FISCAL YEAR 2020 (continued)

The following table shows major air traffic activities during the fiscal years ended June 30, 2020 and 2019.

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<th></th>
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<th>2019</th>
<th>Change</th>
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<tbody>
<tr>
<td>Total enplaned and deplaned passengers</td>
<td>1,244,011</td>
<td>1,488,011</td>
<td>-16.4%</td>
</tr>
<tr>
<td>Enplaned passengers</td>
<td>624,562</td>
<td>744,316</td>
<td>-16.1%</td>
</tr>
<tr>
<td>Deplaned passengers</td>
<td>619,449</td>
<td>743,695</td>
<td>-16.7%</td>
</tr>
<tr>
<td>Aircraft operations</td>
<td>95,985</td>
<td>96,405</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Available departing seats</td>
<td>804,868</td>
<td>918,626</td>
<td>-12.4%</td>
</tr>
<tr>
<td>Load factor average</td>
<td>77.6%</td>
<td>80.8%</td>
<td>-4.0%</td>
</tr>
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</table>

The following chart shows airline market share at BZN for the fiscal years ended June 30, 2020.

Passenger Traffic

FY 2020 passenger traffic at BZN decreased 16.4% to 1,244,011. Available seats decreased on an annual basis 12.4% due to COVID 19’s dramatic impact on the March through June period. Load factor for FY2020 decreased 3.6 percentage points to 77.2%. Weekly average departures decreased 12.6% from 160 in FY 2019 to 140 in FY 2020. Average seats per aircraft remained unchanged at 111 seats. Five airline brands serving BZN saw declines in the market for FY 2020. United had the largest decrease (-24%) in traffic primarily due to reliance on major urban markets. In addition, Delta, Allegiant, Alaska, Frontier saw traffic decreases, -10.2%, 6.4%, 4% and 3.5% respectively. American reported a 6.4% increase in the market due to a strong first eight months and a recovery push into leisure market such as BZN. JetBlue had a 4.3% increase and Sun Country, new to the market beginning in June enplaned 463 passengers.
AIRPORT HIGHLIGHTS – FISCAL YEAR 2020 (continued)

Tower Operations

Tower operations (landing or takeoff) were down .4% to 95,985 in FY 2020 compared to 96,405 the record set in FY 2019. Air Carrier operations decreased 12.6% and Military operations were down 15.4% General Aviation (Both local +.6% and Itinerant +3.0%) as well as Air Taxi +3.8% showed increases during FY 2020. BZN further clarifies Itinerant activity to Airline, Cargo, Corporate and General Aviation Itinerant. BZN continues to see peak day operations of over 500 and up to 650 and peak hour operations that exceeded 60.

Cargo

Cargo revenues consists of landing fees from FedEx, UPS and the airlines, and ground rent paid by cargo operators for their facilities. As shown below, total cargo, express and air mail carried by air decreased 8.6% from 3,822,456 lbs. to 3,494,091 lbs. FedEx moved 2,233,691 lbs. in FY 2020, down 7.3% from 2,410,101 lbs. the previous year. UPS carried 914,957 lbs., down 4.9% from 961,810 carried in FY 2019.

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<th>Pounds Moved</th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FedEx</td>
<td>2,233,691</td>
<td>2,410,101</td>
<td>-7.3%</td>
</tr>
<tr>
<td>UPS</td>
<td>914,957</td>
<td>961,810</td>
<td>-4.9%</td>
</tr>
<tr>
<td>Airlines</td>
<td>345,443</td>
<td>450,545</td>
<td>-23.3%</td>
</tr>
<tr>
<td>Total</td>
<td>3,494,091</td>
<td>3,822,456</td>
<td>-8.6%</td>
</tr>
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Customs and Border Protection

The United States Customs and Border Protection facility in BZN handled 122 international arrivals during FY 2020, compared to 127 in FY 2019. Unlike locations at Helena, Great Falls and Kalispell, this location is operated as a user fee facility with approximately 82% of the operating cost paid for by the international arriving aircraft and the remaining 18% split three ways between the Gallatin Airport Authority, the Yellowstone Club and Signature Flight Support.
AIRPORT HIGHLIGHTS – FISCAL YEAR 2020 (continued)

General Aviation

General Aviation activity was up 1.8% to 71,456 operations in FY 2020. General Aviation traffic has recovered faster than other elements as this flying was considered socially distant and one of the few opportunities for more normalcy during the early days of the pandemic. General Aviation operations account for approximately 73% of all airport tower operations. Corporate landings (aircraft 12,500 lbs. and above) were down 3.3% to 5,197. Gallatin College continues to grow at BZN with Summit Aviation now operating over 20 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 73% of the airport operations, it accounted for only 6.7% of the Airport Operating Revenue during FY 2020.

General Aviation Hangar Development

During FY 2020, eighteen hangars were constructed. In addition, the Authority completed construction of taxiways “W”, “Y” and “Z” to provide infrastructure for continued hangar development. In addition, taxiway “SY” was constructed in October 2020. These new taxiways will facilitate the construction of an additional six hangars currently under construction and another 20 planned or under option.

Assent Vision Technologies

Assent Vision Technologies leased approximately six acres east of Airport Road on Airport Authority land to develop their new facility in coordination with Bridger Aerospace.

Fuel Flowage

Total Fuel flowage for the year decreased 12.3% to 10,034,316 gallons. Of this total, Jet A (airline) decreased 15.1% to 6,195,685 gallons, Jet A (non-airline) fuel flowage decreased 5.3% to 3,118,631 gallons, and AvGas decreased 4.6% to 137,924 gallons.

Land Acquisition

The Gallatin Airport Authority continually evaluates potential land acquisitions as opportunities arise. Three parcels of less than 5 acres were purchased during FY 2020, another was purchased in July 2020 and another is currently under contract. In addition, two additional parcels are under consideration.

Requests for Proposals (RFP) and Requests for Qualifications (RFQ)

Insurance Brokerage Services - A request for proposals was issued for insurance brokerage services and Payne West was selected for the five-year period beginning August 2020.
AIRPORT HIGHLIGHTS – FISCAL YEAR 2020 (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. Decreased load factors due to COVID-19 resulted in airline cost per enplanement to operate at BZN in FY 2020 increasing slightly to $2.96.

Airline and Concession revenues are variable dependent upon passenger enplanements. These revenues increased from $15.44 per enplanement in FY 2019 to $16.18 per enplanement in FY 2020. Airline revenues account for $2.95 per enplanement or 18.2%; rental car and parking concessions account for $10.77 per enplanement or 66.6%; food, beverage and gift concessions account for $2.24 per enplanement or 13.8%; and ground transportation accounts for $.22 per enplanement or 1.4%. In FY 2020, total enplanements of 624,562 generated airline and concession revenues of $10,107,980; this compares to FY 2019 with 744,316 total enplanements generating $11,359,650.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline cost</td>
<td>1,841,627</td>
<td>1,907,037</td>
</tr>
<tr>
<td>Enplanements scheduled</td>
<td>621,612</td>
<td>742,228</td>
</tr>
<tr>
<td>Cost per enplaned passenger</td>
<td>$2.96</td>
<td>$2.57</td>
</tr>
</tbody>
</table>

2020 Airline and Concession Revenue Per Enplaned Passenger

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CAPITAL AND LONG-TERM PLANNING

The Gallatin Airport Authority has a comprehensive 15-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 $24.3 million in Capital Improvements during FY 2020, and over the next five years the Gallatin Airport Authority expects to invest over $93 million in capital improvements. A summary of major projects completed in FY 2020 and those planned for FY 2021 – 2025 follows.

<table>
<thead>
<tr>
<th>Project</th>
<th>Est. Cost</th>
<th>Authority</th>
<th>AIP Entitlements</th>
<th>AIP Discretionary</th>
<th>PFC’s and TSA Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminal concourse expansion</td>
<td>27,349,978</td>
<td>2,219,137</td>
<td>14,227,577</td>
<td>3,702,599</td>
<td>7,200,665</td>
</tr>
<tr>
<td>Southeast General Aviation Area</td>
<td>2,445,500</td>
<td>686,180</td>
<td>1,759,320</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Northside General Aviation Area</td>
<td>6,100,300</td>
<td>1,613,890</td>
<td>-</td>
<td>4,486,410</td>
<td>-</td>
</tr>
<tr>
<td>Baggage Handling System Upgrade</td>
<td>25,214,598</td>
<td>2,521,459</td>
<td>-</td>
<td>-</td>
<td>22,693,139</td>
</tr>
<tr>
<td>Apron Rehabilitations</td>
<td>6,135,700</td>
<td>613,570</td>
<td>4,156,684</td>
<td>1,365,446</td>
<td>-</td>
</tr>
<tr>
<td>Airport Road Relocation</td>
<td>2,900,000</td>
<td>290,000</td>
<td>825,536</td>
<td>1,784,464</td>
<td>-</td>
</tr>
</tbody>
</table>

Terminal Concourse Expansion - FY 2020–2021

The Authority began construction of a 4-gate concourse expansion in April 2019 and will open the expansion on November 5, 2020. The concourse will also include additional food, beverage and gift concessions. One relocated gate and two new gates will be part of the initial opening with the remaining gates opening as demand recovers. The total project construction cost was approximately 27,349,978.

Southeast General Aviation Area - FY 2020–2021

Significant demand for new hangars necessitated the acceleration of general aviation area development. This hangar area development is fully leased with 15 hangars constructed in the past year, 22 anticipated to be constructed within the next year and three additional a year later. Five of these hangars are expected to be in the 30,000 to 40,000 square foot range. Overall, this project included over 3,000 additional linear feet of taxiways and associated sewer, water, gas and electricity improvements. The estimated cost to complete this project is $2,445,500 with approximately 72% reimbursable through AIP Entitlements.
CAPITAL AND LONG-TERM PLANNING (continued)

Northside General Aviation Area Improvements - FY 2021–2023

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 will have the added effect of allowing for a re-alignment and re-development of the main General Aviation Front line. This infrastructure will include a new general aviation apron, road access, water, sewer, gas, electricity and security fencing. Overall, this project is estimated to cost approximately $6,100,300. We anticipated applying for $4.4 million in discretionary AIP funding on this project.

Baggage Handling System Upgrade - FY 2021–2024

As we grow into utilizing our four additional gates on a regular basis, we will also need associated baggage system improvements. The space underneath the concourse expansion will allow us to relocate outbound baggage to this area and then expanding baggage screening into the current outbound baggage area. This will be 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. We anticipate the TSA will contribute approximately 50% of this project cost 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 overall cost of this project is estimated at $25,214,598.

Apron Rehabilitations - FY 2022–2023

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 anticipate beginning with the terminal and east aprons in FY 2022 and the west apron in FY 2023. The overall cost of these projects is estimated at 6,135,700.

Airport Road Relocation - FY 2022–2025

The 2020 Master Plan update evaluated the runway protection zone of both runway 12/30 and runway 11/29 as well as potential short extensions to the east. In order to protect for these possibilities, the Airport Authority has acquired land east of the airport to relocate Airport Road. We expect to begin with an environmental analysis of both the road relocation and future northside development in FY 2022. Based on the analysis timing, our expectation is the relocation of Airport Road could begin in FY 2025. The overall cost of this project is estimated at $2,900,000.

OTHER INFORMATION

Independent Audit

For the fiscal year ended June 30, 2020, 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.
OTHER INFORMATION (continued)

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 comprehensive annual financial report for the fiscal year ended June 30, 2019.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual 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 comprehensive annual 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 35 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.
Airport Director

Scott Humphrey, A.A.E.
Deputy Airport Director

Troy Watling, CPA, CM
Assistant Airport Director, Finance
BOARD OF COMMISSIONERS

Kendall Switzer  
Chair

Karen Stelmak  
Vice Chair

Kevin Kelleher  
Secretary

Ted Mathis  
Member

Carl Lehrkind, IV  
Member

SENIOR STAFF

Brian Sprenger, A.A.E.  
Airport Director

Scott Humphrey, A.A.E.  
Deputy Airport Director

Paul Schneider, C.M.  
Assistant Airport Director, Operations

Troy Watling, CPA, CM  
Assistant Airport Director, Finance

Bill Dove  
Public Safety Chief
Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Gallatin Airport Authority
Montana

For its Comprehensive Annual Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill
Executive Director/CEO
The new parking garage (pictured) was completed in July of 2019. The fully covered four level facility has 1,100 stalls. The seven rental car brands occupy 90% and the remaining 10% is pay parking.
FINANCIAL SECTION

- Independent auditor’s report
- Management’s discussion and analysis
- Basic financial statements:
  - Statement of net position
  - Statement of revenues, expenses, and changes in net position
  - Statement of cash flows
  - Notes to the financial statements
  - Required supplementary information – pension schedules
INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gallatin Airport Authority
Belgrade, Montana

Report on the Financial Statements

We have audited the accompanying financial statements, including PFC quarterly reports, of Gallatin Airport Authority (Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gallatin Airport Authority as of June 30, 2020 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

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 56-59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2020 on our consideration of Gallatin Airport Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Gallatin Airport Authority’s internal control over financial reporting and compliance.

Bozeman, Montana
October 30, 2020
The following discussion and analysis provide an overview of the Gallatin Airport Authority’s (Authority) financial statements for the fiscal year ended June 30, 2020 with selected comparative information for the fiscal year ended June 30, 2019. 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 2019 balances have been reclassified to conform to the fiscal year 2020 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, 2020 and 2019:

<table>
<thead>
<tr>
<th></th>
<th>Dollars in 000's</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Current assets</td>
<td>$ 8,631</td>
</tr>
<tr>
<td>Restricted assets - noncurrent</td>
<td>2,555</td>
</tr>
<tr>
<td>Capital assets, net - noncurrent</td>
<td>157,072</td>
</tr>
<tr>
<td>Total assets</td>
<td>168,258</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>498</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>4,768</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>14,676</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>19,444</td>
</tr>
<tr>
<td>Deferred inflows of resources</td>
<td>329</td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>143,731</td>
</tr>
<tr>
<td>Restricted</td>
<td>2,555</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>2,697</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ 148,983</td>
</tr>
</tbody>
</table>

Total assets were up by 10.8% from FY 2019 to FY 2020. Current assets increased by 54.7% mainly due to federal grant receivables. Noncurrent assets increased by 9.1% with the FY 2020 capital additions offset by depreciation.

Current liabilities increased by 20.6% from FY 2019 to FY 2020. The increase was primarily the result of higher construction payables at the end of FY 2020.

Noncurrent liabilities increased by 4.3% from FY 2019 to FY 2020. The increase was due to an increase in 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. Refer to note 8 in the notes to the financial statements for details.

Total net position improved by 11.1% from FY 2019 to FY 2020. 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, 2020 and 2019:

<table>
<thead>
<tr>
<th></th>
<th>Dollars in 000's</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$ 12,947</td>
</tr>
<tr>
<td>Operating expenses, excluding depreciation</td>
<td>(7,120)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(5,535)</td>
</tr>
<tr>
<td>Operating income</td>
<td>292</td>
</tr>
<tr>
<td>Net nonoperating revenues (expenses)</td>
<td>4,028</td>
</tr>
<tr>
<td>Income before contributions</td>
<td>4,320</td>
</tr>
<tr>
<td>Capital contributions</td>
<td>10,556</td>
</tr>
<tr>
<td>Change in net position</td>
<td>14,876</td>
</tr>
<tr>
<td>Net position - beginning</td>
<td>134,107</td>
</tr>
<tr>
<td>Net position - ending</td>
<td>$ 148,983</td>
</tr>
</tbody>
</table>

**Operating Revenues**

The following charts illustrate the principal revenue sources and their percentage of total operating revenues for the year ended June 30, 2020.
Operating Revenues (continued)

The following table shows the operating revenues for the years ended June 30, 2020 and 2019, and the percentage change.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline</td>
<td>$1,842</td>
<td>$1,907</td>
<td>‐3.4%</td>
</tr>
<tr>
<td>Rental car</td>
<td>3,972</td>
<td>4,293</td>
<td>‐7.5%</td>
</tr>
<tr>
<td>Parking</td>
<td>2,860</td>
<td>3,675</td>
<td>‐22.2%</td>
</tr>
<tr>
<td>Other terminal</td>
<td>1,914</td>
<td>1,998</td>
<td>‐4.2%</td>
</tr>
<tr>
<td>General aviation</td>
<td>864</td>
<td>775</td>
<td>11.5%</td>
</tr>
<tr>
<td>Air Cargo</td>
<td>41</td>
<td>41</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>1,454</td>
<td>1,286</td>
<td>13.1%</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>$12,947</td>
<td>$13,975</td>
<td>‐7.4%</td>
</tr>
</tbody>
</table>

Airline revenues decreased by 3.4% and consist primarily of landing fees and airline terminal rents. Landing fee revenues decreased by 11.9% to $747,097. Landing fee rates did not change but air carrier landings decreased by 12.6%. Airline terminal rent increased by 3.2% to $996,386.

Rental car revenues decreased by 7.5% and includes on and off airport concessions fees and rents. The major contributor was on-airport rental car concessions which decreased by 7.6% to $3,828,605. 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) decreased by 13.8% to 540,892 days in FY 2020. The average cost-per-day of an on-airport rental car increased by 5.7% to $70.78.

Parking revenues were down by 22.2% and consists primarily of parking concessions revenues which decreased by 22.3% to $2,841,771. The parking revenues are net of parking management fees which increased by 5.6% to $481,150 in FY 2020. The Authority has contracted with Republic Parking to operate the pay parking lot under a five-year agreement ending September 2021.

Other terminal concessions and rents revenues decreased by 4.2% and consists primarily of food, beverage and gift shop concessions fees; advertising; and space rents. The majority of the decrease is due to food, beverage, and gift shop concessions, which decreased by 5.0% to $1,397,367 due to the reduction in passenger traffic. The Authority has contracted with Sharbert Enterprises to operate terminal food, beverage, and gift concessions under a seven-year agreement ending May 2022.
Operating Revenues (continued)

General aviation revenues increased by 11.5%. General aviation landing fees increased by 1.2% to $200,688. Fuel flowage fees increased by 24.6% to $249,099. Tie down fee and parking fees increased by 15.7% to $79,749. The growth in these areas can be attributed primarily to increases in general aviation operations.

Air cargo revenues decreased slightly to $40,975.

Other operating revenues increased by 13.1% and consist of revenues from the consolidated rental car facility, the customs facility, the law enforcement reimbursement program, and other land/building rents. The increase is primarily due to the revenues from the consolidated rental car facility which rose by 19.9% to $830,681 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 $811,337 in FY 2020. The customs facility was down slightly from FY 2019 to $134,152 in FY 2020. The law enforcement reimbursement program remained flat at $131,760 in FY 2020.

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, 2020.
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 2020 operating expenses (excluding depreciation) increased 7.5% to $7,119,798.

The following table shows the operating expenses for the years ended June 30, 2020 and 2019, and the percentage change.

<table>
<thead>
<tr>
<th></th>
<th>Dollars in 000's</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Personnel</td>
<td>$4,411</td>
</tr>
<tr>
<td>Utilities</td>
<td>771</td>
</tr>
<tr>
<td>Supplies and materials</td>
<td>607</td>
</tr>
<tr>
<td>Outside services</td>
<td>863</td>
</tr>
<tr>
<td>Insurance</td>
<td>214</td>
</tr>
<tr>
<td>Other</td>
<td>254</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5,535</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$12,655</td>
</tr>
</tbody>
</table>

Personnel expenses increased by 13.9%. The increase is due to the addition of two full-time positions, annual wage adjustments, and a rise in employee benefit rates.

Utilities expense increased by 9.1%. The increase is attributed primarily to the addition of the parking garage and construction activities.

Supplies and materials expenses decreased by 20.7%. The decrease is due primarily to the reduction in passenger traffic.

Outside services expenses decreased by 7.4% with fewer large maintenance projects, less snow removal, and the reduction in passenger traffic.

Insurance expense increased by 78.3% due to expanded general coverage, terminal expansion construction coverage, and a rate increase.

Other expense, consisting primarily of overhead costs, increased by 11.9%. The increase is primarily due to additional professional services, employee training and development, and permitting.

Depreciation expense increased by 17.8% and is attributable to new depreciable assets placed in service during FY 2020.
Operating Income (before depreciation)

FY 2020 operating income before depreciation was $5,827,013, down 20.8% compared to FY 2019. Operating revenues decreased by 7.4% while operating expenses (excluding depreciation) increased by 7.5%, as reflected in the chart below.

Nonoperating Revenues and Capital Contributions

Nonoperating revenues decreased by 17.7%, and consist of passenger facility charges, customer facility charges, interest income and non-capital grants.

Passenger facility charges (PFC) revenues decreased by 17.3%. The decrease is directly attributable to the drop in passenger traffic.

Customer facility charges, capital (CFC) revenues decreased by 66.2%. The primary reason for the decrease was $1,150,808 of the CFC billing for the fiscal year was recognized as interest income on the parking garage construction reimbursement which began in FY 2020. See note 12 in the notes to the financial statements for details.

Interest income increased by $994,739 primarily due to the CFC parking garage construction reimbursement. Interest income from bank deposits was down 63.4% to $90,063 in FY 2020 due to market conditions.

Non-capital grants increased by 12.2% and consists of funds from the State of Montana related to the Public Employees Retirement System and pavement preservation. See note 8 in the notes to the financial statements for more information regarding the Public Employees Retirement System.

Capital contributions increased by 217.2% to $10,555,956 in FY 2020, and consists of Airport Improvement Program (AIP) entitlements, discretionary, and CARES Act funds.

Nonoperating Expenses

Interest expense decreased by 11.4% due to the reduced rate 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, 2020 and 2019:

<table>
<thead>
<tr>
<th></th>
<th>Dollars in 000's</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>$ 13,980</td>
</tr>
<tr>
<td>Cash used by operating activities</td>
<td>(7,016)</td>
</tr>
<tr>
<td>Cash from operating activities</td>
<td>6,964</td>
</tr>
<tr>
<td>Cash from noncapital financing activities</td>
<td>22</td>
</tr>
<tr>
<td>Cash from capital and related financing activities</td>
<td>(12,833)</td>
</tr>
<tr>
<td>Cash from investing activities</td>
<td>1,241</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>(4,606)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>12,965</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ 8,359</td>
</tr>
</tbody>
</table>

Cash and cash equivalents decreased by 35.5% primarily due to the purchase of capital assets. Cash from operating activities was down 5.4% which primarily related to the decrease in operating revenues.

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 $2 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 $24,331,252 on capital projects in FY 2020 compared to $25,717,524 in FY 2019. Major capital projects activity in FY 2020 included parking garage construction, terminal expansion, apron expansion, Southeast hangar area development, passenger boarding bridges purchased, and small terminal 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. These bonds were paid first from passenger facility charges and second from other revenues and reserves of the Authority. In FY 2020 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 Director, 850 Gallatin Field Road Suite 6, Belgrade, MT 59714.
### Statement of Net Position

**June 30, 2020**

**Current Assets**

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,959,009</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2,586,475</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>85,366</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,630,850</strong></td>
</tr>
</tbody>
</table>

**Noncurrent Assets**

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents - restricted</td>
<td>2,399,503</td>
</tr>
<tr>
<td>Accounts receivable - restricted</td>
<td>155,375</td>
</tr>
<tr>
<td>Nondepreciable capital assets</td>
<td>40,760,368</td>
</tr>
<tr>
<td>Depreciable capital assets, net</td>
<td>116,311,524</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>159,626,770</strong></td>
</tr>
</tbody>
</table>

**Total Assets**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>168,257,620</strong></td>
</tr>
</tbody>
</table>

**Deferred Outflow of Resources**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana Public Employees Retirement System</td>
<td>497,717</td>
</tr>
</tbody>
</table>

**Current Liabilities**

<table>
<thead>
<tr>
<th>Liability</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>4,020,783</td>
</tr>
<tr>
<td>Deposits</td>
<td>130,667</td>
</tr>
<tr>
<td>Accrued payroll liabilities</td>
<td>386,350</td>
</tr>
<tr>
<td>Prepayments</td>
<td>230,650</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,768,450</strong></td>
</tr>
</tbody>
</table>

**Noncurrent Liabilities**

<table>
<thead>
<tr>
<th>Liability</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pension liability</td>
<td>2,425,315</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>12,250,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,675,315</strong></td>
</tr>
</tbody>
</table>

**Total Liabilities**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>19,443,765</strong></td>
</tr>
</tbody>
</table>

**Deferred Inflow of Resources**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana Public Employees Retirement System</td>
<td>328,484</td>
</tr>
</tbody>
</table>

**Net Position**

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>143,731,430</td>
</tr>
<tr>
<td>Restricted - capital projects and debt service</td>
<td>2,406,698</td>
</tr>
<tr>
<td>Restricted - customs</td>
<td>148,180</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>2,696,780</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td><strong>$148,983,088</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements

- 36 -
<table>
<thead>
<tr>
<th>Operating Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline</td>
<td>$1,841,627</td>
</tr>
<tr>
<td>Rental car concessions</td>
<td>3,971,516</td>
</tr>
<tr>
<td>Parking</td>
<td>2,860,371</td>
</tr>
<tr>
<td>Other terminal concessions and rents</td>
<td>1,913,980</td>
</tr>
<tr>
<td>General aviation</td>
<td>864,463</td>
</tr>
<tr>
<td>Air cargo</td>
<td>40,975</td>
</tr>
<tr>
<td>Other</td>
<td>1,453,879</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>12,946,811</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>4,411,343</td>
</tr>
<tr>
<td>Utilities</td>
<td>771,144</td>
</tr>
<tr>
<td>Supplies and materials</td>
<td>606,927</td>
</tr>
<tr>
<td>Outside services</td>
<td>862,702</td>
</tr>
<tr>
<td>Insurance</td>
<td>213,569</td>
</tr>
<tr>
<td>Other</td>
<td>254,113</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>7,119,798</td>
</tr>
</tbody>
</table>

Operating income before depreciation 5,827,013
Depreciation expense 5,534,767
Operating Income 292,246

<table>
<thead>
<tr>
<th>Nonoperating Revenues (Expenses)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger facility charges</td>
<td>2,460,970</td>
</tr>
<tr>
<td>Customer facility charges</td>
<td>742,312</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,240,871</td>
</tr>
<tr>
<td>Other nonoperating revenue</td>
<td>75,465</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(491,961)</td>
</tr>
<tr>
<td><strong>Total Nonoperating Revenues</strong></td>
<td>4,027,657</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital Contributions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal grants</td>
<td>10,555,956</td>
</tr>
<tr>
<td><strong>Total Capital Contributions</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Net Position</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net position, beginning of year</td>
<td>134,107,229</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>14,875,859</td>
</tr>
</tbody>
</table>

**Net Position, End of Year** 148,983,088
### Statement of Cash Flows

**Year Ended June 30, 2020**

See accompanying notes to financial statements  
- 38 -
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 2020.

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

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. 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.

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.

Operating Revenues and Expenses

Operating revenues include airline, concessions, rents, 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.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

New Pronouncements

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, provides temporary relief to governments in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides. Due to this pronouncement, the Authority decided to postpone implementation of GASB Statement No. 87, Leases. Statement No. 95 postpones the effective date 18 months, requiring implementation in the fiscal year ended June 30, 2022.

NOTE 2. CASH AND INVESTMENTS

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

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>5,959,009</td>
<td>5,959,009</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customs</td>
<td>148,840</td>
<td>148,840</td>
</tr>
<tr>
<td>PFC debt service account</td>
<td>1,004,097</td>
<td>1,004,097</td>
</tr>
<tr>
<td>PFC reserve account</td>
<td>1,246,566</td>
<td>1,246,566</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>$8,358,512</td>
<td>$8,358,512</td>
</tr>
</tbody>
</table>

Custodial Credit Risk – Deposits

At June 30, 2020, the carrying amount of the Authority’s bank deposits was $8,409,211. 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, 2020 was $1,542,648. 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, 2020 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 2020 are disclosed in STIP’s financial statements.

An unaudited copy of the STIP fiscal year 2020 financial statements is available online at the Montana Board of Investments’ website.

NOTE 3.  ACCOUNTS RECEIVABLE

The composition of accounts receivable on June 30, 2020 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted</strong></td>
<td></td>
</tr>
<tr>
<td>Trade accounts receivable, net</td>
<td>$394,515</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>2,191,960</td>
</tr>
<tr>
<td><strong>Total accounts receivable</strong></td>
<td>$2,586,475</td>
</tr>
<tr>
<td><strong>Restricted</strong></td>
<td></td>
</tr>
<tr>
<td>Passenger facility charges receivable</td>
<td>126,802</td>
</tr>
<tr>
<td>Customs receivable</td>
<td>28,573</td>
</tr>
<tr>
<td><strong>Total accounts receivable</strong></td>
<td>$2,741,850</td>
</tr>
</tbody>
</table>
NOTE 4.  CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2020:

<table>
<thead>
<tr>
<th>Nondepreciable capital assets</th>
<th>June 30, 2019</th>
<th>Additions</th>
<th>Reductions</th>
<th>June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 12,296,595</td>
<td>$ 1,085,746</td>
<td>$ -</td>
<td>$ 13,382,341</td>
</tr>
<tr>
<td>Construction in progress *</td>
<td>37,892,579</td>
<td>-</td>
<td>(10,514,554)</td>
<td>27,378,025</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Depreciable capital assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Runways &amp; improvements</td>
<td>69,671,006</td>
<td>114,052</td>
<td>-</td>
<td>69,785,058</td>
</tr>
<tr>
<td>Buildings &amp; equipment</td>
<td>77,745,157</td>
<td>34,935,672</td>
<td>-</td>
<td>112,680,829</td>
</tr>
<tr>
<td>Intangibles</td>
<td>593,147</td>
<td>10,000</td>
<td>-</td>
<td>603,147</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated depreciation</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Runways &amp; improvements</td>
<td>32,980,718</td>
<td>2,781,788</td>
<td>-</td>
<td>35,762,506</td>
</tr>
<tr>
<td>Buildings &amp; equipment</td>
<td>28,012,918</td>
<td>2,723,072</td>
<td>-</td>
<td>30,735,990</td>
</tr>
<tr>
<td>Intangibles</td>
<td>229,107</td>
<td>29,907</td>
<td>-</td>
<td>259,014</td>
</tr>
</tbody>
</table>

| Total                          | 148,009,310   | 35,059,724| -          | 183,069,034   |

| Depreciable capital assets, net| 86,786,567    | 29,524,957| -          | 116,311,524   |

| Total capital assets, net      | $136,795,741  | $ 30,610,703 | (10,514,554)| $157,071,890  |

* Construction in progress at June 30, 2020 consists mainly of costs associated with the terminal building expansion, terminal apron expansion, Southeast hangar area development, passenger boarding bridges and master plan.

NOTE 5.  PREPAYMENTS - RENTS

The Authority reports prepaid rents 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 prepaid rents is removed from the statement of net position and the revenue is recognized.

NOTE 6.  LONG TERM LIABILITIES

The following is a summary of long-term liabilities activity for the year ended June 30, 2020:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue bonds</td>
<td>$ 12,250,000</td>
<td>$ 12,250,000</td>
<td>$ (12,250,000)</td>
<td>$ 12,250,000</td>
<td>$ -</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>2,420,408</td>
<td>4,907</td>
<td>-</td>
<td>2,425,315</td>
<td>-</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 14,670,408</td>
<td>$ 12,254,907</td>
<td>(12,250,000)</td>
<td>$ 14,675,315</td>
<td>$ -</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Interest Amount</th>
<th>Principal and Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>-</td>
<td>3.450%</td>
<td>421,948</td>
<td>421,948</td>
</tr>
<tr>
<td>2022</td>
<td>2,285,338</td>
<td>3.450%</td>
<td>403,145</td>
<td>2,688,483</td>
</tr>
<tr>
<td>2023</td>
<td>2,364,862</td>
<td>3.450%</td>
<td>323,621</td>
<td>2,688,483</td>
</tr>
<tr>
<td>2024</td>
<td>2,446,801</td>
<td>3.450%</td>
<td>241,683</td>
<td>2,688,484</td>
</tr>
<tr>
<td>2025</td>
<td>2,532,576</td>
<td>3.450%</td>
<td>155,908</td>
<td>2,688,484</td>
</tr>
<tr>
<td>2026</td>
<td>2,620,423</td>
<td>3.450%</td>
<td>68,060</td>
<td>2,688,483</td>
</tr>
<tr>
<td></td>
<td>$ 12,250,000</td>
<td></td>
<td>$ 1,614,365</td>
<td>$ 13,864,365</td>
</tr>
</tbody>
</table>

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, 2020.

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.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Member</th>
<th>Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hired before 07/01/11</td>
<td>Hired after 07/01/11</td>
</tr>
<tr>
<td>2020</td>
<td>7.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2019</td>
<td>7.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2018</td>
<td>7.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2017</td>
<td>7.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2016</td>
<td>7.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2015</td>
<td>7.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2014</td>
<td>7.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2012-2013</td>
<td>6.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2010-2011</td>
<td>6.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>6.900%</td>
<td>7.900%</td>
</tr>
<tr>
<td>2000-2007</td>
<td>6.900%</td>
<td>7.900%</td>
</tr>
</tbody>
</table>

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 $33,615,000.
NOTE 8.  PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Net Pension Liability

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, 2019, was determined by taking the results of the June 30, 2018 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The 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, 2019, and 2017, 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 $2,425,315 and the employer’s proportionate share was 0.116027 percent.

<table>
<thead>
<tr>
<th>As of Measurement Date</th>
<th>NPL as of 6/30/2019</th>
<th>NPL as of 6/30/2018</th>
<th>Percent of Collective NPL as of 6/30/2019</th>
<th>Percent of Collective NPL as of 6/30/2018</th>
<th>Changes in Percent of Collective NPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer’s proportionate share</td>
<td>$ 2,425,315</td>
<td>$ 2,420,408</td>
<td>0.1160%</td>
<td>0.1160%</td>
<td>0.0000%</td>
</tr>
<tr>
<td>State of Montana proportionate share associated with employer</td>
<td>795,474</td>
<td>815,227</td>
<td>0.0381%</td>
<td>0.0390%</td>
<td>-0.0010%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,220,789</td>
<td>$ 3,235,635</td>
<td>0.1541%</td>
<td>0.1550%</td>
<td>-0.0010%</td>
</tr>
</tbody>
</table>

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

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

Pension expense: At June 30, 2019 the employer recognized $290,787 for its proportionate share of the Plan’s pension expense and recognized grant revenue of $2,401 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of $51,603 from the State Statutory Appropriation from the General Fund.
NOTE 8.  PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Pension Expense

<table>
<thead>
<tr>
<th>Pension Expense as of 6/30/2019</th>
<th>As of Measurement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer's proportionate share</td>
<td>$ 290,787</td>
</tr>
<tr>
<td>Grant revenue - State of Montana proportionate share for employer</td>
<td>2,401</td>
</tr>
<tr>
<td>Grant revenue - State of Montana State Appropriation for employer</td>
<td>51,603</td>
</tr>
<tr>
<td>Total</td>
<td>$ 344,791</td>
</tr>
</tbody>
</table>

Recognition of Deferred Inflows and Outflows

At June 30, 2019, the employer reported its proportionate share of the Plan’s deferred outflows of resources and deferred inflows of resources from the following sources:

<table>
<thead>
<tr>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected vs. actual experience $ 115,003</td>
<td>$ 114,121</td>
</tr>
<tr>
<td>Projected investment earnings vs. actual investment earnings</td>
<td>29,406</td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>102,962</td>
</tr>
<tr>
<td>Changes in proportion and differences between employer contributions and proportionate share of contributions</td>
<td>-</td>
</tr>
<tr>
<td>Employer contributions subsequent to the measurement date</td>
<td>250,346</td>
</tr>
<tr>
<td>Total</td>
<td>$ 497,717</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>For the Measurement Year Ended June 30:</th>
<th>Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ 32,921</td>
</tr>
<tr>
<td>2021</td>
<td>$(151,364)</td>
</tr>
<tr>
<td>2022</td>
<td>$ 10,939</td>
</tr>
<tr>
<td>2023</td>
<td>$ 26,392</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

| Investment return (net of admin expense) | 7.65% |
| Admin expense as % of payroll            | 0.26% |
| General wage growth (includes inflation at 2.75%) | 3.50% |
| Merit increases                          | 0% to 6.30% |

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%
    - 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 1.50%
  - 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 noprojections
NOTE 8.  PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

The most recent experience study, performed for the period covering the fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Asset Allocation</th>
<th>Long-Term Expected Real Rate of Return Arithmetic Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash equivalents</td>
<td>3.00%</td>
<td>4.09%</td>
</tr>
<tr>
<td>Domestic equity</td>
<td>36.0%</td>
<td>6.05%</td>
</tr>
<tr>
<td>Foreign equity</td>
<td>18.0%</td>
<td>7.01%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>23.0%</td>
<td>2.17%</td>
</tr>
<tr>
<td>Private equity</td>
<td>12.0%</td>
<td>10.53%</td>
</tr>
<tr>
<td>Real estate</td>
<td>8.0%</td>
<td>5.65%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities 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 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

The following presents the employer’s sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

<table>
<thead>
<tr>
<th>As of Measurement Date</th>
<th>1.0% Decrease (6.65%)</th>
<th>Current Discount Rate</th>
<th>1.0% Increase (8.65%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer’s Net Pension Liability</td>
<td>$ 3,484,487</td>
<td>$ 2,425,315</td>
<td>$ 1,535,215</td>
</tr>
</tbody>
</table>
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 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, 2019, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 320 employers that have participants in the PERS-DCRP totaled $714,024.

Stand-Alone Statements

The stand-alone financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan’s fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at http://mpera.mt.gov.
NOTE 9.  NET POSITION

Net position consists of the following as of June 30, 2020:

<table>
<thead>
<tr>
<th>Net investment in capital assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Captial assets</td>
<td>$ 157,071,890</td>
</tr>
<tr>
<td>Less: current liabilities</td>
<td></td>
</tr>
<tr>
<td>Retainage payable for amounts invested in capital assets</td>
<td>(1,090,460)</td>
</tr>
<tr>
<td>Less: long-term liabilities</td>
<td></td>
</tr>
<tr>
<td>Long-term debt for amount invested in capital assets</td>
<td>(12,250,000)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>143,731,430</td>
</tr>
</tbody>
</table>

Restricted net position

| Capital projects and debt service | 2,406,698 |
| Customs                          | 148,180  |

|                                  | 2,554,878 |

Unrestricted net position

|                                  | 2,696,780 |

Total net position

|                                  | $ 148,983,088 |

NOTE 10.  PROPERTY LEASED TO OTHERS

The Authority leases a portion of its property to commercial airlines, car rental companies, concessionaires, fixed base operators who service the aviation industry, private hangar owners and the Federal Aviation Administration. These leases are non-cancelable operating leases. Certain lease agreements, by their terms, require annual redetermination of the rental charge based on predetermined formulas. The minimum future rentals for these leases were determined using the rates in effect at June 30, 2020. Minimum rentals on non-cancelable leases for the next five years ending June 30 are approximately as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$ 4,087,704</td>
</tr>
<tr>
<td>2022</td>
<td>$ 3,890,844</td>
</tr>
<tr>
<td>2023</td>
<td>$ 1,037,971</td>
</tr>
<tr>
<td>2024</td>
<td>$ 239,674</td>
</tr>
<tr>
<td>2025</td>
<td>$ 217,447</td>
</tr>
</tbody>
</table>

The Authority also leases property through contingent rentals in service concession arrangements. The concession agreement is for the purpose of operating the parking facilities at the Airport. Gallatin Airport Authority retains ownership to all assets related to the parking facility and agrees to maintain the parking asphalt, lights and perimeter barriers. The term of the agreement is for a 12-month period and is a revenue sharing agreement requiring a minimum annual guarantee or a percentage of annual receipts, whichever is greater. Contingent rental payments received by the Authority totaled $4,625,910 for the year ended June 30, 2020 and were in excess of the minimum annual guarantee.
**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, 2020 was PFC 09-05-C-00-BZN. The PFC project No. 09-05-C-00-BZN (amended June 19, 2020), 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. 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, 2020 were $652.

Ted Mathis (Board Member) leases a hangar from the Authority on a month-to-month basis. Lease revenues for the year ended June 30, 2020 were $2,100.

No amounts were due to or from any of these related parties as of June 30, 2020.

**NOTE 14. CONCENTRATIONS**

The Gallatin Airport Authority receives a significant portion of its operating revenues from leasing the parking facility. The revenues from this lease accounted for approximately 22% of operating revenues for the year ended June 30, 2020.
NOTE 15.  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 16.  SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2020, the date on which these financial statements were available to be issued.
### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<table>
<thead>
<tr>
<th>As of Measurement Date</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer's proportion of the net pension liability</td>
<td>0.1160%</td>
<td>0.1160%</td>
<td>0.1419%</td>
<td>0.1422%</td>
<td>0.1396%</td>
<td>0.1401%</td>
</tr>
<tr>
<td>Employer's net pension liability</td>
<td>$2,425,315</td>
<td>$2,420,408</td>
<td>$2,763,602</td>
<td>$2,422,514</td>
<td>$1,951,981</td>
<td>$1,745,531</td>
</tr>
<tr>
<td>State's Net Pension Liability</td>
<td>$795,474</td>
<td>$815,227</td>
<td>$41,740</td>
<td>$29,600</td>
<td>$23,977</td>
<td>$21,316</td>
</tr>
<tr>
<td>Total Net Pension Liability</td>
<td>$3,220,789</td>
<td>$3,235,635</td>
<td>$2,805,342</td>
<td>$2,452,114</td>
<td>$1,975,958</td>
<td>$1,766,847</td>
</tr>
<tr>
<td>Employer's covered payroll</td>
<td>$1,914,421</td>
<td>$1,907,151</td>
<td>$1,760,010</td>
<td>$1,703,557</td>
<td>$1,629,621</td>
<td>$1,610,223</td>
</tr>
<tr>
<td>Employer's proportionate share as a percentage as of covered payroll</td>
<td>126.69%</td>
<td>126.91%</td>
<td>157.02%</td>
<td>142.20%</td>
<td>119.78%</td>
<td>111.22%</td>
</tr>
<tr>
<td>Plan fiduciary net position as a percentage Total Pension Liability</td>
<td>73.85%</td>
<td>73.47%</td>
<td>73.75%</td>
<td>74.71%</td>
<td>78.40%</td>
<td>79.87%</td>
</tr>
</tbody>
</table>

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
### SCHEDULE OF CONTRIBUTIONS

<table>
<thead>
<tr>
<th>As of Most Recent FYE (reporting date)</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractually required DB contributions</td>
<td>$192,980</td>
<td>$164,066</td>
<td>$161,536</td>
<td>$147,334</td>
<td>$142,393</td>
<td>$134,287</td>
</tr>
<tr>
<td>Plan Choice Rate required contributions</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$9,383</td>
<td>$15,244</td>
</tr>
<tr>
<td>Contributions in relation to the contractually required contributions</td>
<td>$192,980</td>
<td>$164,066</td>
<td>$161,536</td>
<td>$147,334</td>
<td>$151,776</td>
<td>$149,531</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Employer’s covered payroll</td>
<td>$2,225,832</td>
<td>$1,914,421</td>
<td>$1,907,151</td>
<td>$1,760,010</td>
<td>$1,703,557</td>
<td>$1,629,621</td>
</tr>
<tr>
<td>Contributions as a percentage of covered payroll</td>
<td>8.67%</td>
<td>8.57%</td>
<td>8.47%</td>
<td>8.37%</td>
<td>8.91%</td>
<td>9.18%</td>
</tr>
</tbody>
</table>

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
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.
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 2016 Experience Study:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Wage Growth *</td>
<td>3.50%</td>
</tr>
<tr>
<td>Investment Rate of Return *</td>
<td>7.65%</td>
</tr>
<tr>
<td>* includes inflation at</td>
<td>2.75%</td>
</tr>
<tr>
<td>Merit salary increases</td>
<td>0% to 8.47%</td>
</tr>
<tr>
<td>Asset valuation method</td>
<td>4-year smoothed market</td>
</tr>
<tr>
<td>Actuarial cost method</td>
<td>Entry age Normal</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level percentage of payroll, open</td>
</tr>
<tr>
<td>Remaining amortization period</td>
<td>30 years</td>
</tr>
<tr>
<td>Mortality (healthy members)</td>
<td>For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using BB, males set back 1 year</td>
</tr>
<tr>
<td>Mortality (disabled members)</td>
<td>For males and females: RP 2000 Combined Mortality Table, with no projections</td>
</tr>
<tr>
<td>Admin Expense as % of Payroll</td>
<td>0.26%</td>
</tr>
</tbody>
</table>

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.
The southeast hangar area (pictured) has seen 15 hangars constructed in the past year and 22 more are expected this year to meet the high demand.
STATISTICAL SECTION

- Statistical section introduction
- Net position and changes in net position
- Changes in cash and cash equivalents
- 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
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.

Contents

<table>
<thead>
<tr>
<th>Financial Trends</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>........................................................................</td>
<td>65</td>
</tr>
<tr>
<td><em>These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.</em></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue Capacity</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>........................................................................</td>
<td>67</td>
</tr>
<tr>
<td><em>This schedule contains information to help the reader assess the Authority’s significant revenue sources.</em></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debt Capacity</th>
<th>Page</th>
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<tbody>
<tr>
<td>........................................................................</td>
<td>68</td>
</tr>
<tr>
<td><em>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.</em></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Information</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>........................................................................</td>
<td>69</td>
</tr>
<tr>
<td><em>These schedules present contextual information about the Authority’s operations and resources to help users to understand and assess the Authority’s economic condition.</em></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Demographic and Economic Information</th>
<th>Page</th>
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</thead>
<tbody>
<tr>
<td>........................................................................</td>
<td>74</td>
</tr>
<tr>
<td><em>These schedules contain information to help users understand the socio-economic environment in which the Authority operates.</em></td>
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</tbody>
</table>
## Net Position and Changes in Net Position

Ten Years Ended June 30

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Operating revenues</strong></td>
<td>12,947</td>
<td>13,975</td>
<td>11,888</td>
<td>10,498</td>
<td>9,630</td>
<td>8,918</td>
<td>8,192</td>
<td>7,271</td>
<td>7,021</td>
<td>6,410</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>7,120</td>
<td>6,622</td>
<td>6,120</td>
<td>5,186</td>
<td>4,639</td>
<td>4,434</td>
<td>4,221</td>
<td>3,739</td>
<td>3,753</td>
<td>3,396</td>
</tr>
<tr>
<td><strong>Operating income, before depreciation</strong></td>
<td>5,827</td>
<td>7,353</td>
<td>5,768</td>
<td>5,312</td>
<td>4,991</td>
<td>4,484</td>
<td>3,971</td>
<td>3,532</td>
<td>3,268</td>
<td>3,014</td>
</tr>
<tr>
<td><strong>Less: depreciation</strong></td>
<td>5,535</td>
<td>4,698</td>
<td>4,225</td>
<td>4,182</td>
<td>3,976</td>
<td>3,848</td>
<td>3,839</td>
<td>3,809</td>
<td>3,138</td>
<td>2,804</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>292</td>
<td>2,655</td>
<td>1,543</td>
<td>1,130</td>
<td>1,015</td>
<td>636</td>
<td>132</td>
<td>(277)</td>
<td>130</td>
<td>210</td>
</tr>
<tr>
<td><strong>Net nonoperating revenues (expenses)</strong></td>
<td>4,028</td>
<td>4,586</td>
<td>3,973</td>
<td>2,839</td>
<td>2,409</td>
<td>(839)</td>
<td>(492)</td>
<td>(2,532)</td>
<td>(376)</td>
<td>(261)</td>
</tr>
<tr>
<td><strong>Capital contributions</strong></td>
<td>10,556</td>
<td>3,328</td>
<td>7,976</td>
<td>6,866</td>
<td>3,358</td>
<td>4,688</td>
<td>3,454</td>
<td>5,459</td>
<td>6,171</td>
<td>10,943</td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td>14,876</td>
<td>10,569</td>
<td>13,492</td>
<td>10,835</td>
<td>6,782</td>
<td>4,485</td>
<td>3,094</td>
<td>2,650</td>
<td>5,925</td>
<td>10,892</td>
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</table>

### Net Investment

<table>
<thead>
<tr>
<th></th>
<th>Dollars in 000's</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net investment in capital assets</strong></td>
<td>$ 143,731</td>
</tr>
<tr>
<td>Restricted</td>
<td>2,555</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>2,697</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$ 148,983</td>
</tr>
</tbody>
</table>

Source: Gallatin Airport Authority records
### Changes in Cash and Cash Equivalents

**Ten Years Ended June 30**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>$13,980</td>
<td>13,834</td>
<td>11,646</td>
<td>10,849</td>
<td>8,794</td>
<td>9,133</td>
<td>8,310</td>
<td>6,797</td>
<td>7,375</td>
<td>6,141</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(2,665)</td>
<td>(2,447)</td>
<td>(2,360)</td>
<td>(1,909)</td>
<td>(1,771)</td>
<td>(1,617)</td>
<td>(1,283)</td>
<td>(1,301)</td>
<td>(1,938)</td>
<td>(1,856)</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(4,350)</td>
<td>(4,026)</td>
<td>(3,765)</td>
<td>(3,225)</td>
<td>(2,941)</td>
<td>(2,825)</td>
<td>(2,549)</td>
<td>(2,419)</td>
<td>(1,684)</td>
<td>(1,582)</td>
</tr>
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<tr>
<td><strong>Cash from noncapital financing activities</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>21</td>
<td>(334)</td>
<td>17</td>
<td>7</td>
<td>(79)</td>
<td>(422)</td>
<td>2</td>
<td>(1,763)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash from capital and related financing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant receipts (payments)</td>
<td>8,364</td>
<td>5,884</td>
<td>7,055</td>
<td>5,401</td>
<td>3,362</td>
<td>2,940</td>
<td>3,035</td>
<td>2,676</td>
<td>4,348</td>
<td>6,281</td>
</tr>
<tr>
<td>Passenger fac. charge receipts</td>
<td>2,884</td>
<td>2,902</td>
<td>2,403</td>
<td>2,183</td>
<td>2,022</td>
<td>1,872</td>
<td>1,826</td>
<td>1,684</td>
<td>1,506</td>
<td>1,443</td>
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<tr>
<td>Customer fac. charge receipts</td>
<td>742</td>
<td>2,197</td>
<td>1,936</td>
<td>1,095</td>
<td>878</td>
<td>750</td>
<td>633</td>
<td>582</td>
<td>450</td>
<td>421</td>
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<td>Debt principal payments</td>
<td>0</td>
<td>(585)</td>
<td>(565)</td>
<td>(550)</td>
<td>(535)</td>
<td>(520)</td>
<td>(505)</td>
<td>(490)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt interest payments</td>
<td>(492)</td>
<td>(555)</td>
<td>(574)</td>
<td>(592)</td>
<td>(608)</td>
<td>(624)</td>
<td>(639)</td>
<td>(653)</td>
<td>(653)</td>
<td>(653)</td>
</tr>
<tr>
<td>Other receipts (payments)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>56</td>
<td>-</td>
<td>560</td>
<td>-</td>
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</tr>
<tr>
<td><strong>Cash from investing activities</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Investments purchased</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(23)</td>
<td>(3)</td>
<td>(36)</td>
</tr>
<tr>
<td>Interest received</td>
<td>1,241</td>
<td>246</td>
<td>91</td>
<td>62</td>
<td>93</td>
<td>128</td>
<td>182</td>
<td>269</td>
<td>310</td>
<td>420</td>
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<td>Investment sale proceeds</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>1,149</td>
<td>-</td>
<td>7,456</td>
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<tr>
<td>Reclass of investments</td>
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<td>-</td>
<td>-</td>
<td>23</td>
<td>-</td>
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<tr>
<td><strong>Cash from operating activities</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Change in cash and cash equivalents</strong></td>
<td>(12,833)</td>
<td>(15,875)</td>
<td>(13,253)</td>
<td>(4,219)</td>
<td>417</td>
<td>(287)</td>
<td>(681)</td>
<td>3,014</td>
<td>1,041</td>
<td>(18,846)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, beginning of year</strong></td>
<td>12,965</td>
<td>21,567</td>
<td>29,191</td>
<td>27,626</td>
<td>23,112</td>
<td>18,979</td>
<td>14,998</td>
<td>9,275</td>
<td>4,174</td>
<td>12,477</td>
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<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
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<td></td>
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<td></td>
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<tr>
<td></td>
<td>$8,359</td>
<td>12,965</td>
<td>21,567</td>
<td>29,191</td>
<td>27,626</td>
<td>23,112</td>
<td>18,979</td>
<td>14,998</td>
<td>9,275</td>
<td>4,174</td>
</tr>
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</table>

Source: Gallatin Airport Authority records
## Operating Revenues, Airline Cost Per Enplanement, and Airline Rates

Ten Years Ended June 30

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Airline Revenues</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Landing fees</td>
<td>$747</td>
<td>848</td>
<td>705</td>
<td>624</td>
<td>619</td>
<td>605</td>
<td>573</td>
<td>571</td>
<td>556</td>
<td>521</td>
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<td>Terminal rentals</td>
<td>1,095</td>
<td>1,059</td>
<td>969</td>
<td>895</td>
<td>848</td>
<td>853</td>
<td>818</td>
<td>791</td>
<td>788</td>
<td>737</td>
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<tr>
<td></td>
<td>1,842</td>
<td>1,907</td>
<td>1,674</td>
<td>1,519</td>
<td>1,467</td>
<td>1,458</td>
<td>1,391</td>
<td>1,362</td>
<td>1,344</td>
<td>1,258</td>
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<tr>
<td><strong>Non-airline Revenues</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental car</td>
<td>3,972</td>
<td>4,293</td>
<td>3,685</td>
<td>3,218</td>
<td>2,743</td>
<td>2,624</td>
<td>2,416</td>
<td>2,095</td>
<td>2,071</td>
<td>1,962</td>
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<td>Parking</td>
<td>2,860</td>
<td>3,675</td>
<td>3,150</td>
<td>2,753</td>
<td>2,590</td>
<td>2,396</td>
<td>2,113</td>
<td>1,819</td>
<td>1,674</td>
<td>1,433</td>
</tr>
<tr>
<td>Other terminal</td>
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<td>1,998</td>
<td>1,655</td>
<td>1,465</td>
<td>1,384</td>
<td>1,110</td>
<td>1,030</td>
<td>924</td>
<td>829</td>
<td>626</td>
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<tr>
<td>General aviation</td>
<td>864</td>
<td>775</td>
<td>687</td>
<td>617</td>
<td>570</td>
<td>519</td>
<td>482</td>
<td>462</td>
<td>454</td>
<td>458</td>
</tr>
<tr>
<td>Air cargo</td>
<td>41</td>
<td>41</td>
<td>43</td>
<td>43</td>
<td>41</td>
<td>39</td>
<td>38</td>
<td>38</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Other</td>
<td>1,454</td>
<td>1,286</td>
<td>994</td>
<td>883</td>
<td>834</td>
<td>772</td>
<td>722</td>
<td>571</td>
<td>612</td>
<td>637</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>$12,947</td>
<td>13,975</td>
<td>11,888</td>
<td>10,498</td>
<td>9,629</td>
<td>8,918</td>
<td>8,192</td>
<td>7,271</td>
<td>7,021</td>
<td>6,411</td>
</tr>
<tr>
<td>Scheduled enplanements</td>
<td>622</td>
<td>742</td>
<td>627</td>
<td>572</td>
<td>529</td>
<td>498</td>
<td>456</td>
<td>439</td>
<td>407</td>
<td>385</td>
</tr>
<tr>
<td><strong>Airline cost per enplanement</strong></td>
<td>$2.96</td>
<td>2.57</td>
<td>2.67</td>
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### Airline Rates

- **Landing fee (per 1,000 lbs. over 12,500 GLW)**
  - $1.00

- **Terminal rents**
  - **Finished**
    - $24.00
  - **Unfinished**
    - $12.97

- **Jetway rent (per use)**
  - $10.00

Source: Gallatin Airport Authority records
## Debt Service, Coverages, and Ratios

**Ten Years Ended June 30**

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<td>14,485</td>
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<td>625</td>
<td>744</td>
<td>629</td>
<td>574</td>
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<td>624</td>
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Source: Gallatin Airport Authority records
## Aircraft Operations and Total Passengers
### Ten Years Ended June 30

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**Growth**
-16.4%  18.3%  9.5%  8.3%  6.3%  8.7%  4.6%  7.2%  6.1%  5.9%

**Source:** Gallatin Airport Authority records
### Enplanements and Load Factor by Air Carrier

**Ten Years Ended June 30**

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<td>84.5%</td>
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<td>78.3%</td>
<td>81.7%</td>
<td>79.2%</td>
<td>78.7%</td>
<td>76.2%</td>
</tr>
</tbody>
</table>

| **Charter**           |      |      |      |      |      |      |      |      |      |      |
| Enplanements          | 3    | 2    | 2    | 2    | 1    | 2    | 1    | 2    | 1    | 1    |
| Total enplanements    | 625  | 744  | 629  | 574  | 530  | 500  | 458  | 442  | 408  | 386  |

Source: Gallatin Airport Authority records
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<th>Landside Operations</th>
<th>Public Safety</th>
<th>Administration (includes IT)</th>
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Source: Gallatin Airport Authority's operating budget records
## Insurance Coverage

As of June 30, 2020

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<th>Coverage</th>
<th>Expiration</th>
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<td>Allied World</td>
<td>$1,000,000</td>
<td>8/10/2020</td>
</tr>
</tbody>
</table>

Source: Gallatin Airport Authority records
**Location:** 9 miles northwest of Bozeman, MT

**Area:**
- Fee title: 1,960 acres
- Easement controlled: 1,334 acres
- State lease: 93 acres
- Total: 3,387 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: 152
- Premium garage: 91
- Rental car ready/returns: 1,000
- Employee parking: 271
- Total: 3,434

**Apron areas:**
- 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: 7
- Single engine (piston): 244
- Twin engine (piston): 16
- Single engine (turboprop): 18
- Twin engine (turboprop): 11
- Single engine (jet): 6
- Multi engine (jet): 51
- Helicopter: 25
- Total: 378

**Hangars:** 202

**Fixed based operators:**
- Arlin’s Aircraft
- Yellowstone Jetcenter

**International:** U.S. Customs User Fee Facility

**Source:** Gallatin Airport Authority records
### MONTANA

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Per Capita Personal Income</th>
<th>Personal Income (in 000’s)</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>unavailable</td>
<td>unavailable</td>
<td>unavailable</td>
<td>unavailable</td>
</tr>
<tr>
<td>2019</td>
<td>1,068,778</td>
<td>unavailable</td>
<td>unavailable</td>
<td>3.5%</td>
</tr>
<tr>
<td>2018</td>
<td>1,062,305</td>
<td>47,197</td>
<td>50,137,609</td>
<td>3.7%</td>
</tr>
<tr>
<td>2017</td>
<td>1,050,493</td>
<td>45,112</td>
<td>47,389,840</td>
<td>3.9%</td>
</tr>
<tr>
<td>2016</td>
<td>1,042,646</td>
<td>43,826</td>
<td>45,695,004</td>
<td>4.2%</td>
</tr>
<tr>
<td>2015</td>
<td>1,032,949</td>
<td>42,764</td>
<td>44,173,031</td>
<td>4.1%</td>
</tr>
<tr>
<td>2014</td>
<td>1,023,579</td>
<td>41,039</td>
<td>42,006,659</td>
<td>4.7%</td>
</tr>
<tr>
<td>2013</td>
<td>1,014,864</td>
<td>40,248</td>
<td>40,846,246</td>
<td>5.4%</td>
</tr>
<tr>
<td>2012</td>
<td>1,005,163</td>
<td>39,250</td>
<td>39,452,648</td>
<td>6.1%</td>
</tr>
<tr>
<td>2011</td>
<td>997,661</td>
<td>37,038</td>
<td>36,951,368</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

### GALLATIN COUNTY

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Per Capita Personal Income</th>
<th>Personal Income (in 000’s)</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>unavailable</td>
<td>unavailable</td>
<td>unavailable</td>
<td>unavailable</td>
</tr>
<tr>
<td>2019</td>
<td>114,434</td>
<td>unavailable</td>
<td>unavailable</td>
<td>2.2%</td>
</tr>
<tr>
<td>2018</td>
<td>111,876</td>
<td>53,536</td>
<td>5,989,394</td>
<td>2.5%</td>
</tr>
<tr>
<td>2017</td>
<td>107,810</td>
<td>51,410</td>
<td>5,542,512</td>
<td>2.6%</td>
</tr>
<tr>
<td>2016</td>
<td>104,502</td>
<td>49,764</td>
<td>5,200,438</td>
<td>2.7%</td>
</tr>
<tr>
<td>2015</td>
<td>100,739</td>
<td>47,755</td>
<td>4,810,791</td>
<td>2.9%</td>
</tr>
<tr>
<td>2014</td>
<td>97,308</td>
<td>45,024</td>
<td>4,381,195</td>
<td>2.9%</td>
</tr>
<tr>
<td>2013</td>
<td>94,694</td>
<td>43,036</td>
<td>4,075,251</td>
<td>3.4%</td>
</tr>
<tr>
<td>2012</td>
<td>92,604</td>
<td>40,653</td>
<td>3,764,630</td>
<td>4.4%</td>
</tr>
<tr>
<td>2011</td>
<td>91,333</td>
<td>38,058</td>
<td>3,475,951</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Sources:
- Census Bureau
- Bureau of Economic Analysis
### Principal Employers in Region

**Year Ended June 30, 2020**

<table>
<thead>
<tr>
<th>Private Employers By Class</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bozeman Deaconess Hospital</td>
<td>1,000 +</td>
</tr>
<tr>
<td>Oracle America</td>
<td>500 to 999</td>
</tr>
<tr>
<td>Kenyon Noble Lumber &amp; Hardware</td>
<td>250 to 499</td>
</tr>
<tr>
<td>Town Pump Convenience Stores</td>
<td>250 to 499</td>
</tr>
<tr>
<td>Wal Mart</td>
<td>250 to 499</td>
</tr>
<tr>
<td>Zoot Enterprises</td>
<td>250 to 499</td>
</tr>
<tr>
<td>Albertson’s</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Target</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Bridger Bowl</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Community Food Co-Op</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Costco</td>
<td>100 to 249</td>
</tr>
<tr>
<td>First Security Bank</td>
<td>100 to 249</td>
</tr>
<tr>
<td>First Student</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Reach Inc.</td>
<td>100 to 249</td>
</tr>
<tr>
<td>McDonalds</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Murdoch’s Ranch &amp; Home Supply</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Ressler Motors</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Simms Fishing Products</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Town &amp; Country Foods</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Williams Plumbing &amp; Heating</td>
<td>100 to 249</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Public Employers By Class</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana State University</td>
<td>1,000 +</td>
</tr>
<tr>
<td>Belgrade School District</td>
<td>500 to 999</td>
</tr>
<tr>
<td>Bozeman School District</td>
<td>500 to 999</td>
</tr>
<tr>
<td>Gallatin County</td>
<td>500 to 999</td>
</tr>
<tr>
<td>City of Bozeman</td>
<td>250 to 499</td>
</tr>
</tbody>
</table>

### 2011

<table>
<thead>
<tr>
<th>Private Employers By Class</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bozeman Deaconess Hospital</td>
<td>1,000 +</td>
</tr>
<tr>
<td>Right Now Technologies</td>
<td>250 to 499</td>
</tr>
<tr>
<td>Wal Mart</td>
<td>250 to 499</td>
</tr>
<tr>
<td>Albertson’s</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Bozeman Daily Chronicle</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Community Food Co-Op</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Costco</td>
<td>100 to 249</td>
</tr>
<tr>
<td>First Security Bank</td>
<td>100 to 249</td>
</tr>
<tr>
<td>First Student</td>
<td>100 to 249</td>
</tr>
<tr>
<td>JTL Group</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Kenyon Noble Lumber &amp; Hardware</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Korman Marketing Group</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Lowes</td>
<td>100 to 249</td>
</tr>
<tr>
<td>McDonald’s</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Murdoch’s Ranch &amp; Home Supply</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Ressler Motors</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Town &amp; Country Foods</td>
<td>100 to 249</td>
</tr>
<tr>
<td>Zoot Enterprises</td>
<td>100 to 249</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Public Employers By Class</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana State University</td>
<td>1,000 +</td>
</tr>
<tr>
<td>Bozeman School District</td>
<td>500 to 999</td>
</tr>
<tr>
<td>City of Bozeman</td>
<td>250 to 499</td>
</tr>
<tr>
<td>Gallatin County</td>
<td>250 to 499</td>
</tr>
</tbody>
</table>

*2019 information is presented for current year and is the most recent available
Region is defined as Gallatin County
Source: Montana Department of Labor & Industry*
Photo from the West end of runway 12-30.
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, 2020, 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 October 30, 2020.

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.

Bozeman, Montana
October 30, 2020
INDEPENDENT AUDITOR’S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Gallatin Airport Authority
Belgrade, Montana

Report on Compliance for the Major Federal Program

We have audited Gallatin Airport Authority’s (Authority) compliance with the types of compliance requirements described 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, 2020. 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.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority’s compliance.
October 30, 2020  
Gallatin Airport Authority  
Page two

**Opinion on the Major Federal Program**

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, 2020.

**Report on Internal Control over Compliance**

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

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

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

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

[Signature]

Bozeman, Montana  
October 30, 2020
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<table>
<thead>
<tr>
<th>Federal Source / Program</th>
<th>CFDA Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. DEPARTMENT OF TRANSPORTATION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Aviation Administration -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport Improvement Program (AIP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project No. 3-30-0010-49</td>
<td>20.106</td>
<td>82,816</td>
</tr>
<tr>
<td>Project No. 3-30-0010-50</td>
<td>20.106</td>
<td>321,139</td>
</tr>
<tr>
<td>Project No. 3-30-0010-51</td>
<td>20.106</td>
<td>3,163,840</td>
</tr>
<tr>
<td>Project No. 3-30-0010-52</td>
<td>20.106</td>
<td>1,515,483</td>
</tr>
<tr>
<td>Project No. 3-30-0010-53</td>
<td>20.106</td>
<td>2,309,720</td>
</tr>
<tr>
<td>Project No. 3-30-0010-54</td>
<td>20.106</td>
<td>516,745</td>
</tr>
<tr>
<td>Project No. 3-30-0010-55</td>
<td>20.106</td>
<td>2,646,213</td>
</tr>
<tr>
<td>Total U.S. Dept. of Transportation</td>
<td></td>
<td>$ 10,555,956</td>
</tr>
<tr>
<td>Total expenditures of federal awards</td>
<td></td>
<td>$ 10,555,956</td>
</tr>
</tbody>
</table>

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 2020 totaled $7,016,235.

The schedule of expenditures of federal awards for the year ended June 30, 2020 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 RESULTS

Financial 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
Auditee qualifies as a low-risk auditee?  Yes

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

Board of Commissioners
Gallatin Airport Authority
Belgrade, Montana

Report on Compliance for the Passenger Facility Charge Program

We have audited Gallatin Airport Authority’s (the Authority) compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide) that could have a direct and material effect on its passenger facility charge (PFC) program for the year ended June 30, 2020.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to passenger facility charges program.

Auditor’s Responsibility

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

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

Opinion

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, 2020.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Authority’s internal control over compliance with the requirements that could have a direct and material effect on its PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the PFC program and to test and report on internal control over compliance in accordance with the Passenger Facility Charge Audit Guide for Public Agencies, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over compliance.
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of PFC compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over PFC compliance, such that there is a reasonable possibility that material noncompliance with a type of 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 PFC 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 first paragraph of this section and was not designed to identify all deficiencies that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance with the results of our testing based on the requirements of the Passenger Facility Charge Audit Guide for Public Agencies. Accordingly, this report is not suitable for any other purpose.
## Schedule of Passenger Facility Charge Collections, Interest and Disbursements

**Year Ended June 30, 2020**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>FY 2020 Activity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2019</td>
<td>1st qtr</td>
<td>2nd qtr</td>
</tr>
<tr>
<td>Collections</td>
<td>$ 28,929,417</td>
<td>1,077,160</td>
<td>512,776</td>
</tr>
<tr>
<td>Interest</td>
<td>370,010</td>
<td>3,397</td>
<td>2,006</td>
</tr>
<tr>
<td>Disbursements</td>
<td>(23,647,911)</td>
<td>(4,794,041)</td>
<td>(142,419)</td>
</tr>
<tr>
<td>Cash balance</td>
<td>$ 5,651,516</td>
<td>$(3,713,484)</td>
<td>$ 372,363</td>
</tr>
</tbody>
</table>
Thank you to our major tenants and other partners!

<table>
<thead>
<tr>
<th>AIRLINES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
</tr>
<tr>
<td>allegiant</td>
</tr>
<tr>
<td>American Airlines</td>
</tr>
<tr>
<td>Delta</td>
</tr>
<tr>
<td>Frontier Airlines</td>
</tr>
<tr>
<td>jetBlue Airways</td>
</tr>
<tr>
<td>Sun Country Airlines</td>
</tr>
<tr>
<td>United</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RENTAL CARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alamo</td>
</tr>
<tr>
<td>AVIS</td>
</tr>
<tr>
<td>Budget</td>
</tr>
<tr>
<td>Dollar Rent A Car</td>
</tr>
<tr>
<td>Enterprise</td>
</tr>
<tr>
<td>Hertz</td>
</tr>
<tr>
<td>National</td>
</tr>
<tr>
<td>Thrifty</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIXED-BASE OPERATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlin's Aircraft Service, Inc.</td>
</tr>
<tr>
<td>Jet Aviation</td>
</tr>
<tr>
<td>Yellowstone Jetcenter</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FOOD, BEVERAGE AND GIFT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper Horse Restaurant</td>
</tr>
<tr>
<td>Montana Gift Corral</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PARKING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reef Parking</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CARGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>FedEx</td>
</tr>
<tr>
<td>UPS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>General aviation</td>
</tr>
<tr>
<td>Summit Aviation</td>
</tr>
<tr>
<td>Life Flight</td>
</tr>
<tr>
<td>Bridger Aerospace</td>
</tr>
<tr>
<td>Ridgeline Aviation</td>
</tr>
<tr>
<td>Federal Aviation Administration</td>
</tr>
<tr>
<td>Rocky Mountain Rotors</td>
</tr>
<tr>
<td>Central Copters</td>
</tr>
<tr>
<td>Transportation Security Administration</td>
</tr>
</tbody>
</table>

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