

2021

Comprehensive
ANNUAL FINANCIAL REPORT

Gallatin Airport Authority

Belgrade, Montana

Fiscal Year Ended June 30, 2021

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

BZN is owned and operated by the Gallatin Airport Authority.



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2021

Gallatin Airport Authority
Belgrade, MT

Prepared by:
Gallatin Airport Authority
Finance and Administration



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ROSS PEAK
GRILL

INTRODUCTORY SECTION

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





October 30, 2021

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, 2021.

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

The COVID-19 pandemic has devastated the airline industry, 2020 revenues were 40% of the previous year's or equivalent to revenues posted back in the year 2000. Total losses for U.S. domestic airlines were in excess of \$35 billion for CY2020 which essentially wiped out the past five years of earnings. To cut overhead and improve efficiency, airlines adjusted schedules, reduce unprofitable routes and shrank the overall size of networks. US domestic markets served decreased 32.1% with 23 smaller communities losing commercial air service altogether.

Vaccination campaigns began in earnest early 2021 and as vaccination rates increased, more people became comfortable with air travel again. By June 2021, domestic travel demand recovered to just under 70% of June 2019 numbers with leisure traffic leading the way. Leisure travelers preferred outdoor activities in mountain towns or sunshine states vs. vacationing in larger cities or states with stricter COVID mandates. Business traffic is still struggling to recover which is concerning as premium-class, refundable tickets made up as much as three-quarters of an airlines' pre-pandemic profits while accounting for only 12% of airline seats. While conferences and events have begun live and in hybrid formats, businesses are reevaluating face-to-face interaction based on their impact to the bottom line and how easily these interactions can be replaced by tech platforms.

Travel is resilient and confidence is growing as US airlines are starting to report profits. Although industry experts expect a return to pre-covid profit levels by 2022-2023, the pandemic isn't over; demand could still falter if vaccine efficacy wanes or new covid variants of concern emerge.

State of the Region

The recovery in southwest Montana came earlier than the rest of the nation. Unemployment dropped quickly as businesses re-opened and an influx of out of state tourists appeared. While the highways saw the return of travelers before our airport, it was evident early that there were elements of the U.S. population that were leaving large metropolitan areas for places like southwest Montana. Consequently, not only did we see an increase in leisure travel, we also saw an increase in the local population which has continued since.

	2021	2020	2010	Change '20 to '21	Change '10 to '21
BZN total passengers	1,241,672	1,244,011	728,048	-0.2%	70.5%
Montana State University enrollment	16,841	16,249	12,764	3.6%	31.9%
Bozeman population	53,323	52,034	37,284	2.5%	43.0%
Bozeman unemployment rate	2.9%	6.9%	5.4%	-58.0%	-46.3%
Gallatin County population	119,938	118,316	89,599	1.4%	33.9%

Despite the dramatic drop-off in passengers due to COVID 19, BZN still handled 1,241,672 total passengers maintaining its status as Montana's busiest airport for the seventh consecutive year and still the 4th busiest period in Airport history. BZN ended FY 2021 as the 90th busiest airport in the nation (compared to 104th in FY 2020), and 7th busiest in the Northwest Region which includes Colorado, Utah, Wyoming, Montana, Idaho, Oregon and Washington.

AIRPORT HIGHLIGHTS – FISCAL YEAR 2021

It was quite clear early in the pandemic 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. Beginning in July 2020, 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. Local originating traffic began to recover at BZN by February 2021 and we saw overall passengers at record levels in April 2021. On May 27th, Southwest Airlines added daily non-stop service to BZN from both Denver and Las Vegas cementing the record traffic levels for the end of the fiscal year. In addition, we also saw Avelo add seasonal service to Burbank for the summer. The draw to Montana was evident early in the pandemic with JetBlue beginning the first non-stop service to Boston on July 3, 2020 and New York JFK on August 3, 2020. Winter service saw the addition of Charlotte and Fort Lauderdale to our nonstop markets. Additions for the summer of 2021 included Burbank (Avelo), San Diego (Allegiant and Alaska), Phoenix – Sky Harbor (American and Southwest), Austin (Allegiant), Dallas – Love (Southwest), Chicago – Midway (Southwest), Philadelphia (American) and Washington, D.C. (United). To illustrate the significant recovery that occurred at BZN, June 2021 was up 40.1% over the previous June record set in 2019. This compares to national passenger levels in June of 2021 of only 74% of June 2019 levels.

Air Service

BZN currently has year-round non-stop service to thirteen destinations including Seattle-Tacoma, Portland (although seasonally suspended due to COVID-19), San Francisco, Los Angeles, Las Vegas, Phoenix/Mesa, Salt Lake City, Denver, Minneapolis-St Paul, Dallas-Fort Worth, Chicago – O’Hare, Nashville and Atlanta. BZN also has seasonal non-stop service to seventeen additional destinations including Burbank, Orange County, San Diego, Phoenix – Sky Harbor, Austin, Dallas – Love, Houston, Chicago-Midway, Detroit, Boston, New York – JFK, New York – LaGuardia, New York – Newark, Philadelphia, Washington, D.C., Charlotte and Fort Lauderdale.

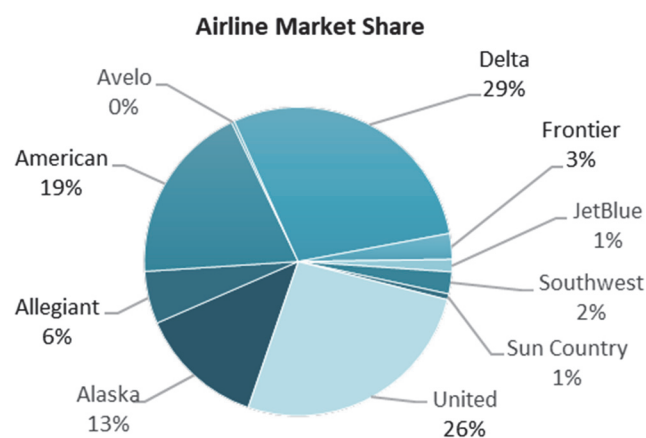


AIRPORT HIGHLIGHTS – FISCAL YEAR 2021 (continued)

The following table shows major air traffic activities during the fiscal years ended June 30, 2021 and 2020.

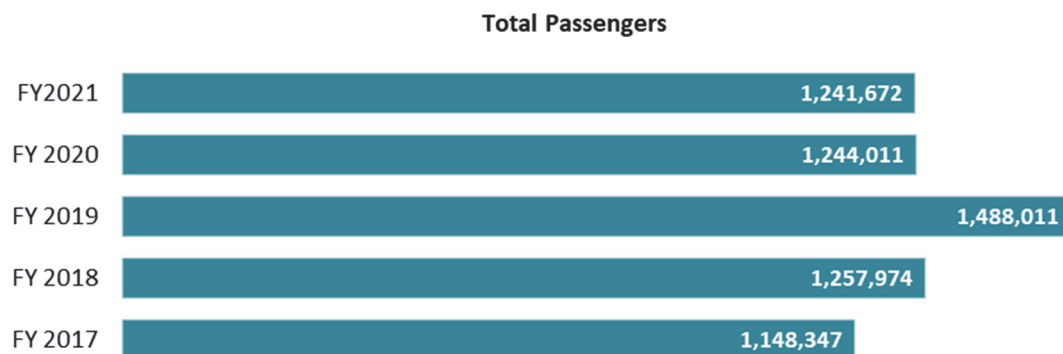
	2021	2020	Change
Enplaned passengers	618,964	624,562	-0.9%
Deplaned passengers	622,708	619,449	0.5%
Enplaned and deplaned passengers	1,241,672	1,244,011	-0.2%
Aircraft operations	116,452	95,985	21.3%
Available departing seats	1,072,129	804,868	33.2%
Load factor average	57.7%	77.6%	-25.6%

The following chart shows airline market share at BZN for the fiscal year ended June 30, 2021.



Passenger Traffic

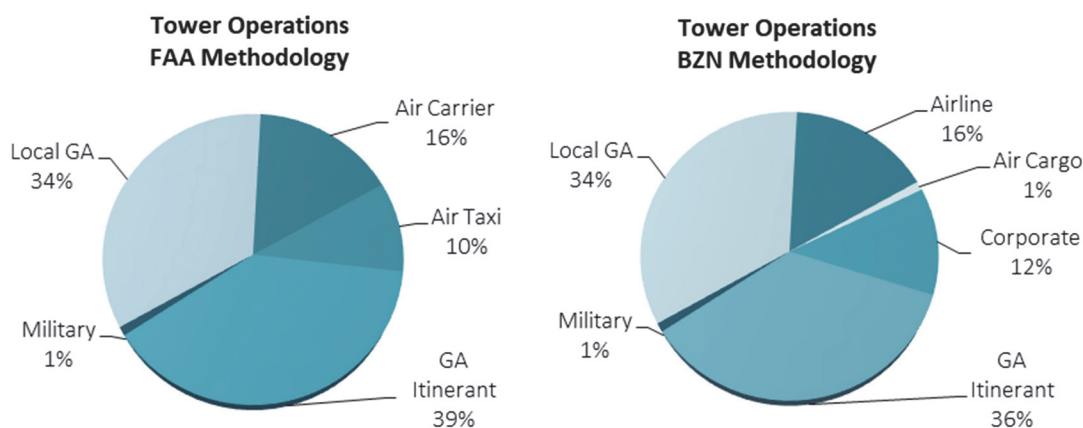
FY 2021 passenger traffic at BZN decreased .2% to 1,241,672. Available seats actually increased 33.2% on an annual basis despite COVID 19's impact but load factors declined from 77.2% to 57.7%. Weekly average departures increased 25% from 140 in FY 2020 to 175 in FY 2021. Average seats per aircraft increased from 111 to 118. Five airline brands serving BZN saw increases in market share for FY 2021, Alaska (.11 points), Allegiant (.70 points), American (7.69 points), JetBlue (.64 points) and Sun Country (.65 points). Delta (-5.16 points), Frontier (-.97 points) and United (-6.34 points) all declined in market share. In addition, Avelo and Southwest were new entrants to our market in April 2021 and May 2021 respectively.



AIRPORT HIGHLIGHTS – FISCAL YEAR 2021 (continued)

Tower Operations

Montana was considered by many to be a “safe haven” during the COVID-19 Pandemic. This resulted in tower operations (landing or takeoff) increasing to a record 116,452 in FY 2021, up 21.3% compared to FY 2020. Operations increased in all facets with Air Carrier operations up 32.7%, Air Taxi operations up 10.8%, and General Aviation (both local +14.4% and Itinerant +26.7%). 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 increased 22.9% from 3,494,091 lbs. to 4,292,836 lbs. FedEx moved 3,137,720 lbs. in FY 2021, up 40.5% from 2,233,691 lbs. the previous year. UPS carried 786,752 lbs., down 14.0% from 914,957 carried in FY 2020.

	Pounds Moved		
	2021	2020	Change
FedEx	3,137,720	2,233,691	40.5%
UPS	786,752	914,957	-14.0%
Airlines	368,364	345,443	6.6%
Total	4,292,836	3,494,091	22.9%

Customs and Border Protection

The United States Customs and Border Protection facility in BZN handled 70 international arrivals during FY 2021, compared to 122 in FY 2020. Unlike locations at Helena, Great Falls and Kalispell, this location is operated as a user fee facility with the majority of the operating cost paid for by the international arriving aircraft and the remaining split three ways between the Gallatin Airport Authority, the Yellowstone Club and Signature Flight Support.

AIRPORT HIGHLIGHTS – FISCAL YEAR 2021 (continued)

General Aviation

General Aviation activity was up 20.7% to 86,265 operations in FY 2021. General Aviation traffic 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 up 36.4% to 7,089. Gallatin College continues to grow at BZN with Summit Aviation now operating 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 9.1% of the Airport Operating Revenue during FY 2021.

The following summarizes the fleets of our top 5 operators for FY 2021.

Summit Aviation	33
Bridger Aerospace	22
Central Copters	14
Ridgeline Aviation	9
Rocky Mountain Rotors	8
Total	86

General Aviation Hangar Development

During FY 2021, eight hangars were constructed and another ten hangars were under construction. In addition, land has been leased for an additional six hangars to be constructed in the next two fiscal years. The pace of development has outpaced our ability to provide infrastructure despite having leased over 60 acres in the last 18 months. Planning has begun for future development but we do not anticipate having the infrastructure in place until 2025 due to FAA planning requirements.

Fuel Flowage

Total Fuel Flowage for the year increased 21.5% to 12,232,892 gallons. Of this total, Jet A (airline) increased by .4% to 6,945,641 gallons, Jet A (non-airline) fuel flowage increased 62.9% to 5,114,559 gallons, and AvGas increased 25.2% to 172,692 gallons.

Land Acquisition

The Gallatin Airport Authority continually evaluates potential land acquisitions as opportunities arise. One parcel of 5.5 acres was purchased during FY 2021.

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

Engineering Services - A request for qualifications was issued for Engineering Services and Morrison Maierle was selected for the five-year period.

AIRPORT HIGHLIGHTS – FISCAL YEAR 2021 (continued)

Planning Services – A request for qualifications was issued for Planning Services and Morrison Maierle was selected for the five-year period.

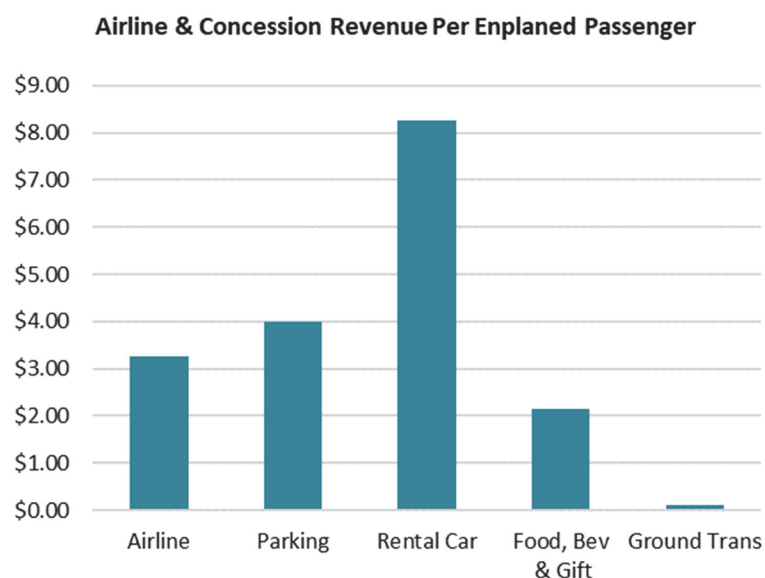
Financial

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 2021 increasing slightly to \$3.26.

	2021	2020
Airline cost	\$ 2,016,537	\$ 1,841,627
Enplanements (scheduled)	618,547	621,612
Cost per enplaned passenger	\$ 3.26	\$ 2.96

Airline and Concession revenues are variable dependent upon passenger enplanements. These revenues increased from \$16.18 per enplanement in FY 2020 to \$17.77 per enplanement in FY 2021. Airline revenues account for \$3.26 per enplanement or 18.4%; rental car and parking concessions account for \$12.25 per enplanement or 69.0%; food, beverage and gift concessions account for \$2.16 per enplanement or 12.2%; and ground transportation accounts for \$.10 per enplanement or .6%. In FY 2021, total enplanements of 618,964 generated airline and concession revenues of \$10,995,179; this compares to FY 2020 with 624,562 total enplanements generating \$10,107,980.



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 \$15.6 million in Capital Improvements during FY 2021, and over the next five years the Gallatin Airport Authority expects to invest over \$150 million in capital improvements. A summary of major projects completed in FY 2021 and those planned for FY 2021 – 2025 follows. Not included in this list are terminal and parking garage projects that are in early conceptional stage.

Project	Est. Cost	Authority	Funding		PFC's and TSA Grant
			AIP Entitlements	AIP Discretionary	
Terminal concourse expansion	27,349,978	2,219,137	14,227,577	3,702,599	7,200,665
Southeast General Aviation Area	2,445,500	686,180	1,759,320	-	-
Northside General Aviation Area	5,437,332	1,115,400	-	4,321,932	-
Baggage Handling System Upgrade	25,214,598	2,521,459	-	-	22,693,139
Apron Rehabilitations / Expansion	10,424,453	1,042,445	5,515,008	-	3,867,000
Taxiway Improvements (F, G, C2)	5,200,000	520,000	1,890,000	-	2,790,000
East Terminal Exp & Parking Garage	96,000,000		-- to be determined --		
Airport Rd Relo & Northside GA Exp	7,111,110	711,110	3,820,000	-	2,580,000

Terminal Concourse Expansion - FY 2021–2021

The Authority began construction of a 4-gate concourse expansion in April 2020 and opened the expansion on November 5, 2020. The concourse also includes additional food, beverage and gift concessions. The total project construction cost was approximately \$27,349,978.



Southeast General Aviation Area - FY 2021–2021

Significant demand for new hangars necessitated the acceleration of general aviation area development. This hangar area development is fully leased. Development continues with 10 hangars currently under construction. An additional 6 hangars are expected to begin construction within the next two years. 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 project will begin construction in October 2021 and will have the added effect of allowing for a re-alignment and re-development of the main General Aviation Front line. This infrastructure will include a new general aviation apron, road access, water, sewer, gas, electricity and security fencing. Overall, this project is estimated to cost approximately \$5,437,332. We received an AIP discretionary grant in the amount of \$4,321,932 which fully funded the AIP eligible portion of 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 expand 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 first phase of this project will begin construction in late 2021. The overall cost of this project is estimated at \$25,214,598.

Apron Rehabilitations / Expansion - FY 2022–2025

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 apron in FY 2022 including expanding the terminal apron to the west, the west apron in FY 2023 and the east apron in FY 2024. The overall cost of these projects is estimated at \$10,424,453.

Taxiway F relocation, Taxiway G and Taxiway C2 connection to Runway 3/21 - FY 2023

The increase in General and Business Aviation traffic, development of the Southeast General Aviation area and the eventual move of flight school traffic to the Northside have necessitated improvements adjacent to Runway 3/21 to more efficiently and safely move aircraft traffic from these areas. These improvements include the addition of Taxiway G to the west, relocation of Taxiway F to allow for a separate service road and the connection between runway 3/21 to taxiway C2. The overall cost of the projects is estimated at \$5,200,000.

East Side Terminal Expansion and Pay Parking Garage - FY 2023–2028

While preliminary, we have begun planning on the East Side Terminal Expansion and the future Pay Parking Garage. We are currently planning on the terminal expansion to begin in FY 2023 and the Parking Garage to begin in FY 2025 depending upon growth rates and funding. The current planning budget for both these projects is \$96,000,000.

CAPITAL AND LONG-TERM PLANNING (continued)

Airport Road Relocation/Northside GA Expansion - FY 2022–2025

The 2021 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 along with an expansion of the Northside GA Area. The overall cost of this project is estimated at \$7,111,110.

OTHER INFORMATION

Independent Audit

For the fiscal year ended June 30, 2021, the annual financial statements of the Authority have been audited by Holmes & Turner, PC, a firm of independent Certified Public Accountants. As part of the annual audit, the auditors perform procedures in accordance with the Uniform Guidance and the provisions of grant agreements. The auditors also perform procedures to help ensure the Authority's compliance with FAA regulations related to the Passenger Facility Charge program. The independent auditor's report on the financial statements is included in the financial section of this report, and the reports relating to the single audit and the passenger facility charge program are located in the compliance section.

Internal Controls

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

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2020.

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.

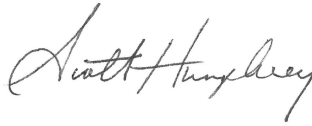
ACKNOWLEDGEMENTS

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 49 experienced and customer friendly professionals that keep the airport in top condition, financially sound and prepared for any challenge. We are proud to serve the flying public and hope that this report will provide valuable information on the status of your airport. We welcome and value your input on how we can better serve you at Bozeman Yellowstone International Airport.

Respectfully submitted,



Brian Sprenger, A.A.E.
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

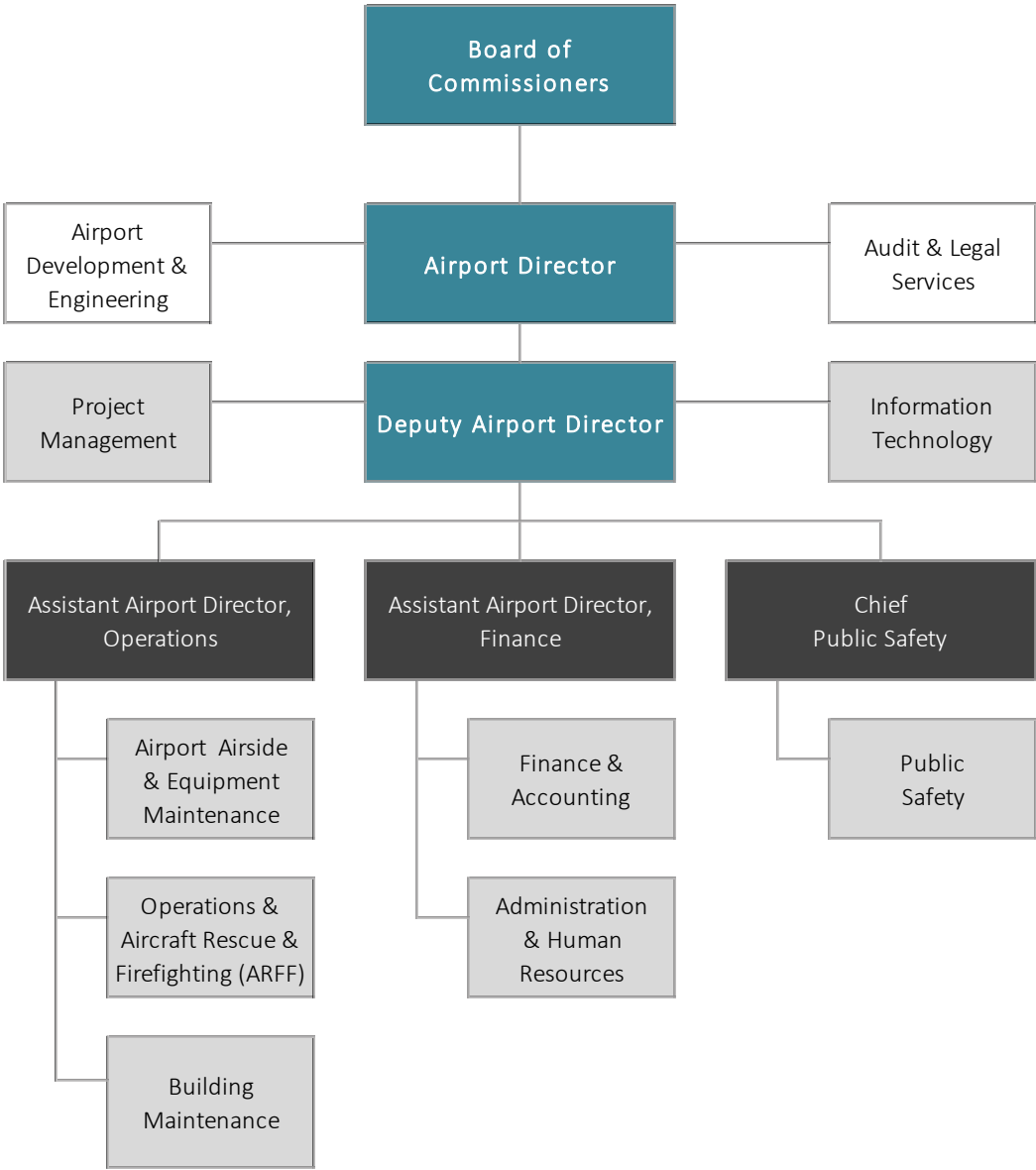
Scott Humphrey, A.A.E. Deputy Airport Director

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

Troy Watling, CPA, CM Assistant Airport Director, Finance

Bill Dove Public Safety Chief

Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
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Presented to

**Gallatin Airport Authority
Montana**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell

Executive Director/CEO



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
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 - 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, 2021, 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, 2021 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

Change in Accounting Principle

As described in Note 16, to the financial statements, in 2021, the Authority adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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.

October 28, 2021
Gallatin Airport Authority
Page three

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 28, 2021 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.

A handwritten signature in cursive script that reads "Holmes + Turner". The signature is written in dark ink and has a fluid, connected style.

Bozeman, Montana
October 28, 2021

The following discussion and analysis provide an overview of the Gallatin Airport Authority's (Authority) financial statements for the fiscal year ended June 30, 2021 with selected comparative information for the fiscal year ended June 30, 2020. 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 2020 balances have been reclassified to conform to the fiscal year 2021 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, 2021 and 2020.

	Dollars in 000's	
	2021	2020
Current assets	\$ 19,226	\$ 8,631
Restricted assets - noncurrent	6,052	2,555
Capital assets, net - noncurrent	163,505	157,072
Total assets	188,783	168,258
Deferred outflows of resources	980	498
Current liabilities	3,520	4,768
Noncurrent liabilities	13,604	14,676
Total liabilities	17,124	19,444
Deferred inflows of resources	4,694	329
Net investment in capital assets	151,061	143,731
Restricted	2,183	2,555
Unrestricted	14,701	2,697
Total net position	\$ 167,945	\$ 148,983

Total assets were up by 12.2% from FY 2020 to FY 2021. Current assets increased by 122.8% mainly due to higher cash balances and trade receivables. Noncurrent assets increased by 6.2% with the FY 2021 capital additions offset by depreciation.

Current liabilities decreased by 26.2% from FY 2020 to FY 2021. The decrease was primarily the result of lower construction payables at the end of FY 2021.

Noncurrent liabilities decreased by 7.3% from FY 2020 to FY 2021. The decrease was mainly due to a portion of the bank loan reported as a current liability at the end of FY 2021.

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

Total net position improved by 12.7% from FY 2020 to FY 2021. A summary of the changes in net position follows.

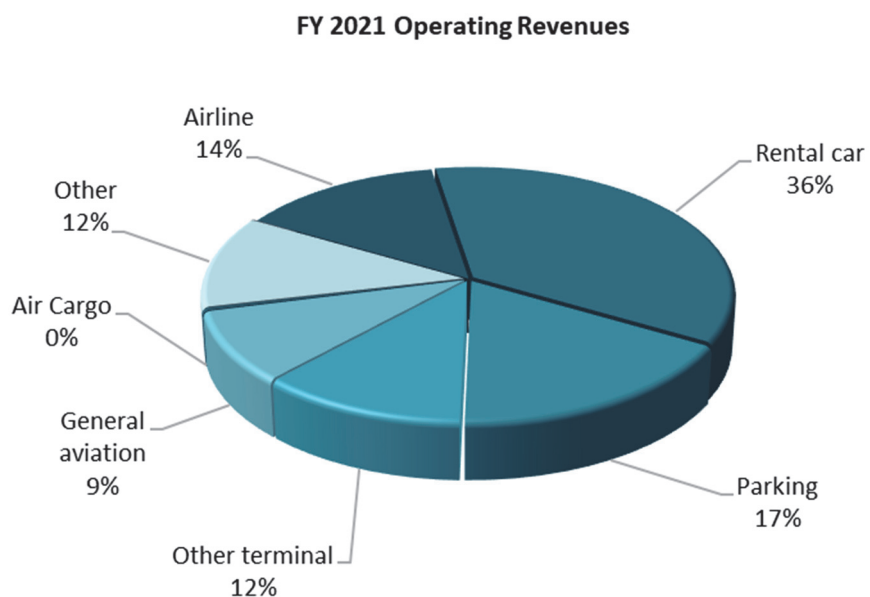
Statement of Revenues, Expenses, and Change in Net Position

The following table represents a condensed summary of the statement of revenues, expenses and changes in net position for the years ended June 30, 2021 and 2020.

	Dollars in 000's	
	2021	2020
Operating revenues	\$ 14,304	\$ 12,947
Operating expenses, excluding depreciation	(7,620)	(7,120)
Depreciation	(5,351)	(5,535)
Operating income	1,333	292
Net nonoperating revenues (expenses)	4,960	4,028
Income before contributions	6,293	4,320
Capital contributions	12,645	10,556
Change in net position	18,938	14,876
Net position - beginning (2021 restated)	149,007	134,107
Net position - ending	\$ 167,945	\$ 148,983

Operating Revenues

The following charts illustrate the principal revenue sources and their percentage of total operating revenues for the year ended June 30, 2021.



Operating Revenues (continued)

The following table shows the operating revenues for the years ended June 30, 2021 and 2020, and the percentage change.

	Dollars in 000's		
	2021	2020	Change
Airline	\$ 2,017	\$ 1,842	9.5%
Rental car	5,135	3,972	29.3%
Parking	2,438	2,860	-14.8%
Other terminal	1,647	1,914	-13.9%
General aviation	1,308	864	51.4%
Air Cargo	49	41	19.5%
Other	1,710	1,454	17.6%
Total operating revenues	\$ 14,304	\$ 12,947	10.5%

Airline revenues increased by 9.5% and consist primarily of landing fees and airline terminal rents. Landing fee revenues increased by 17.8% to \$880,003. Landing fee rates did not change but air carrier landings increased by 25.4%. Airline terminal rent increased by 1.3% to \$1,009,264.

Rental car revenues increased by 29.3% and include on and off airport concessions fees and rents. The major contributor was on-airport rental car concessions which increased by 29.8% to \$4,969,389. On-airport rental agencies pay the Authority the greater of a minimum annual guarantee or 10% commission fee, plus rent for office space and parking stalls. Transaction days (the number of days a vehicle is rented) increased by 6.1% to 573,617 days in FY 2021. The average cost-per-day of an on-airport rental car increased by 27.9% to \$90.52.

Parking revenues were down by 14.8% and consist primarily of parking concessions revenues which decreased by 15.0% to \$2,415,838. The parking revenues are net of parking management fees which were \$394,626 in FY 2021. The Authority has contracted with Republic Parking to operate the pay parking lot under a six-year agreement ending September 2022.

Other terminal concessions and rents revenues decreased by 13.9% and consist 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 18.1% to \$1,145,190 due to the reduction in passenger traffic during the first half of the fiscal year. The Authority has contracted with Sharbert Enterprises to operate terminal food, beverage, and gift concessions under a nine-year agreement ending May 2024.

Operating Revenues (continued)

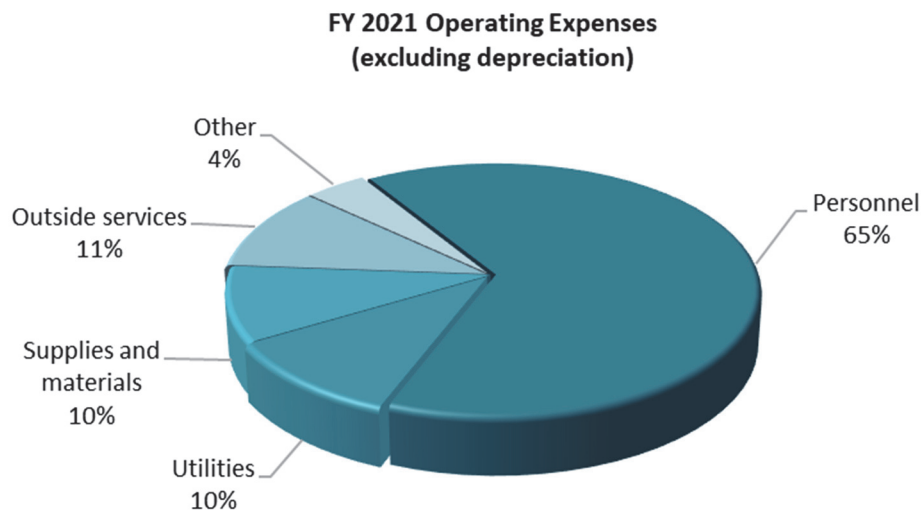
General aviation revenues increased by 51.4%. General aviation landing fees increased by 42.4% to \$285,805. Fuel flowage fees increased by 61.3% to \$401,664. Tie down fee and parking fees increased by 38.4% to \$110,349. The growth in these areas can be attributed primarily to increases in general aviation operations.

Air cargo revenues increased by 19.5% to \$49,317.

Other operating revenues increased by 17.6% and consist of revenues from the consolidated rental car facility, the customs facility, the law enforcement reimbursement program, and other land/building rents. The consolidated rental car facility revenue rose by 5.9% to \$879,613 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 \$860,420 in FY 2021. The customs facility user fees were down from FY 2020 to \$69,889 in FY 2021. The law enforcement reimbursement was down slightly to \$124,160 in FY 2021.

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, 2021.



Operating Expenses (continued)

Controlling operating cost in any environment is important, but during long periods of growth as we have experienced, it becomes essential in order to ensure the organization does not grow beyond its need. FY 2021 operating expenses (excluding depreciation) increased 7.0% to \$7,620,491.

The following table shows the operating expenses for the years ended June 30, 2021 and 2020, and the percentage change.

	Dollars in 000's		
	2021	2020	Change
Personnel	\$ 4,941	\$ 4,411	12.0%
Utilities	807	771	4.7%
Supplies and materials	667	607	9.9%
Outside services	881	863	2.1%
Insurance	211	214	-1.4%
Other	113	254	-55.5%
	7,620	7,120	7.0%
Depreciation	5,351	5,535	-3.3%
Total operating expenses	\$ 12,971	\$ 12,655	2.5%

Personnel expenses increased by 12.0%. The increase is due to the addition of four full-time positions, annual wage adjustments, and a rise in employee benefit rates.

Utilities expense increased by 4.7%. The increase is attributed primarily to the additional terminal space and construction activities.

Supplies and materials expenses increased by 9.9% which is mainly due to the additional terminal space and passengers.

Outside services expenses increased by 2.1% due largely to the increases in customs staffing rates and major maintenance performed by others.

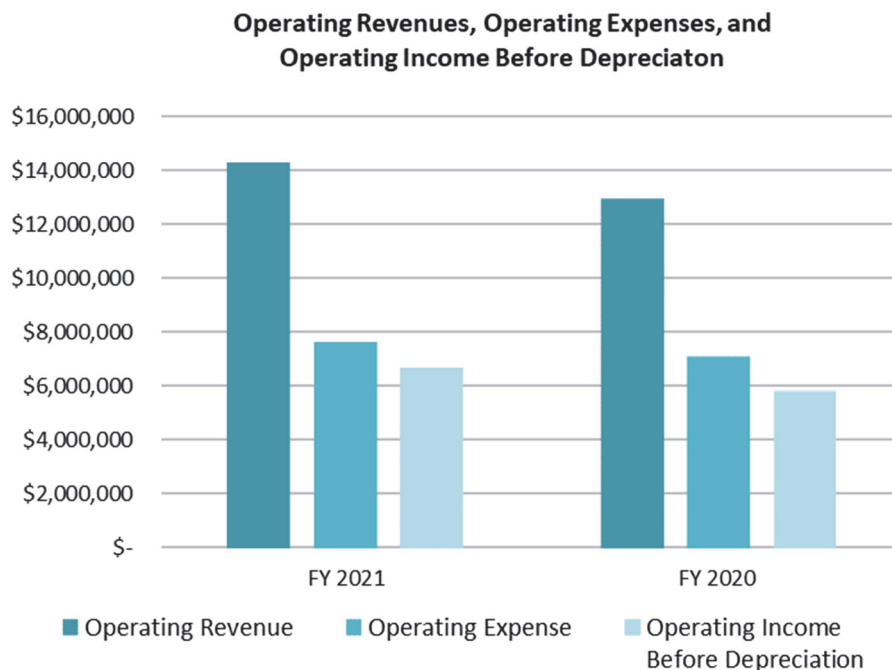
Insurance expense decreased by 1.4% due primarily to the ending of the terminal expansion construction coverage.

Other expense, consisting primarily of overhead costs, decreased by 55.5%. The decrease is primarily due to a reduction in professional services and employee training and travel.

Depreciation expense decreased by 3.3% and is attributable to several large assets that were fully depreciated in FY 2020.

Operating Income (before depreciation)

FY 2021 operating income before depreciation was \$6,683,513, up 14.7% compared to FY 2020. Operating revenues increased by 10.5% while operating expenses (excluding depreciation) increased by 7.0%, as reflected in the chart below.



Nonoperating Revenues and Capital Contributions

Nonoperating revenues increased by 19.2%, and consist of passenger facility charges, customer facility charges, interest income and non-capital grants.

Passenger facility charges (PFC) revenues increased by 25.0%. The increase is directly attributable to the rise in passenger traffic.

Customer facility charges, capital (CFC) revenues increased by 10.5%. This increase is also due to the rise in passenger traffic.

Interest income increased by 5.6% and is primarily from the CFC parking garage construction reimbursement.

Non-capital grants increased by 140.3% and consist primarily of funds from the State of Montana related to the Public Employees Retirement System. See note 8 in the notes to the financial statements for more information regarding the Public Employees Retirement System.

Capital contributions increased by 19.8% to \$12,645,266 in FY 2021, and consist of Airport Improvement Program (entitlements, discretionary, and CARES Act) and Transportation Security Administration Grant funds.

Nonoperating Expenses

Interest expense decreased by 13.2% due to the terms on long-term borrowing. See note 7 in the notes to the financial statements for details.

Statement of Cash Flows

The following table represents a condensed summary of the statement of cash flows for the fiscal years ended June 30, 2021 and 2020.

	Dollars in 000's	
	2021	2020
Cash provided by operating activities	\$ 11,734	\$ 13,980
Cash used by operating activities	(6,545)	(7,016)
Cash from operating activities	5,189	6,964
Cash from noncapital financing activities	-	22
Cash from capital and related financing activities	(2,523)	(12,833)
Cash from investing activities	1,310	1,241
Change in cash and cash equivalents	3,976	(4,606)
Cash and cash equivalents, beginning of year	8,359	12,965
Cash and cash equivalents, end of year	\$ 12,335	\$ 8,359

Cash and cash equivalents increased by 47.6% primarily due to an increase in contributed capital and a decrease in capital spending. Cash from operating activities was down 25.5% which primarily related to the increase in trade receivables at year-end due to timing.

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

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

CAPITAL PROJECTS

The Authority expended \$15,571,589 on capital projects in FY 2021 compared to \$24,331,252 in FY 2020. Major capital projects activity in FY 2021 included 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. 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, 2021

Current Assets	
Cash and cash equivalents	\$ 11,073,337
Accounts receivable	8,127,136
Prepaid expenses	25,452
	19,225,925
Noncurrent Assets	
Cash and cash equivalents - restricted	1,261,630
Accounts receivable	3,868,929
Accounts receivable - restricted	921,294
Nondepreciable capital assets	52,371,889
Depreciable capital assets, net	111,133,267
	169,557,009
Total Assets	188,782,934
Deferred Outflow of Resources	
Montana Public Employees Retirement System	979,864
Current Liabilities	
Accounts payable	583,285
Deposits	144,667
Accrued payroll liabilities	407,276
Unearned revenue	70,006
Current portion of noncurrent liabilities	2,314,553
	3,519,787
Noncurrent Liabilities	
Net pension liability	3,499,882
Lease payable, net of current portion	139,620
Bank loan, net of current portion	9,964,662
	13,604,164
Total Liabilities	17,123,951
Deferred Inflow of Resources	
Montana Public Employees Retirement System	100,067
Leases	4,594,080
	4,694,147
Net Position	
Net investment in capital assets	151,060,900
Restricted	2,182,924
Unrestricted	14,700,876
Total Net Position	\$ 167,944,700

See accompanying notes to financial statements

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2021

Operating Revenues	
Airline	\$ 2,016,537
Rental car concessions	5,135,052
Parking	2,437,438
Other terminal concessions and rents	1,647,406
General aviation	1,308,330
Air cargo	49,317
Other	1,709,924
	14,304,004
Operating Expenses	
Personnel	4,941,417
Utilities	806,525
Supplies and materials	666,812
Outside services	881,009
Insurance	210,952
Other	113,776
	7,620,491
Operating income before depreciation	6,683,513
Depreciation expense	5,351,102
	1,332,411
Nonoperating Revenues (Expenses)	
Passenger facility charges	3,075,520
Customer facility charges	820,316
Interest income	1,309,758
Other nonoperating revenue	181,367
Interest expense	(427,053)
	4,959,908
Capital Contributions	
Federal grants	12,645,266
Change in Net Position	18,937,585
Net position, beginning of year (restated)	149,007,115
Net Position, End of Year	\$ 167,944,700

See accompanying notes to financial statements

Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows From Operating Activities	
Operating cash receipts from customers	\$ 11,734,080
Cash payments to suppliers for goods and services	(2,169,572)
Cash payments to employees for services	(4,375,121)
	5,189,387
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(15,571,589)
Federal grant receipts	10,273,022
Passenger facility charge receipts	2,382,614
Customer facility charge receipts	820,316
Debt interest payments	(427,053)
	(2,522,690)
Cash Flows from Investing Activities	
Interest received	1,309,758
Net Increase In Cash and Cash Equivalents	3,976,455
Cash and cash equivalents, beginning of year	8,358,512
Cash and Cash Equivalents, End of Year	\$ 12,334,967
Reconciliation of operating income to cash flows from operating activities	
Operating income	\$ 1,332,411
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	5,351,102
Changes in current assets and liabilities:	
Receivables	(2,451,697)
Prepaid expenses	59,914
Accounts payable	478,005
Deposits	14,000
Unearned revenues	(160,644)
Accrued payroll liabilities	566,296
Cash flows from operating activities	\$ 5,189,387

See accompanying notes to financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Measurement Focus and Basis of Accounting

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

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

Cash and Cash Equivalents

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined annually, and requires the use of valuation techniques, a specific method or combination of methods using one or more of three approaches: market, cost or income approach.

Inventories

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

Accounts Receivable

Accounts receivable represents unpaid billings to outside parties. Due to the nature of the receivables consisting of primarily collected user fees and leases, the Authority considers the majority of these receivables as collectible. A provision for uncollectible receivables in the amount of \$6,200 was established for 2021.

Capital Assets

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

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

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

Compensated Absences

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

Net Pension Liability and Deferred Outflows/Inflows of Resources

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases

For lessee lease arrangements that are reported under GASB 87:

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

For lessor lease arrangements that are reported under GASB 87:

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

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

Net Position

Net position is divided into three components:

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

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

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

Budget

The Authority annually adopts a non-legally binding budget.

Use of Estimates

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

NOTE 2. CASH AND INVESTMENTS

The composition of cash and investments on June 30, 2021 was as follows:

	Cost	Fair Value
Unrestricted	\$ 11,073,337	\$ 11,073,337
Restricted		
Customs	148,894	148,894
Passenger facility charge	1,112,736	1,112,736
	1,261,630	1,261,630
Total cash and cash equivalents	\$ 12,334,967	\$ 12,334,967

Custodial Credit Risk – Deposits

At June 30, 2021, the carrying amount of the Authority's bank deposits was \$12,471,153. 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, 2021 was \$1,546,014. 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, 2021 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 2021 are disclosed in STIP's financial statements.

An unaudited copy of the STIP fiscal year 2021 financial statements is available online at the Montana Board of Investments' website.

NOTE 3. ACCOUNTS RECEIVABLE

The composition of accounts receivable on June 30, 2021 was as follows:

Current	
Trade accounts receivable, net	\$ 2,685,368
Leases receivable	877,564
Grants receivable	4,564,204
	8,127,136
Noncurrent	
Leases receivable	3,868,929
Passenger facility charges receivable - restricted	819,708
Customs receivable - restricted	101,586
	4,790,223
Total accounts receivable	\$ 12,917,359

NOTE 4. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2021:

	June 30, 2020	Additions	Reductions	June 30, 2021
Nondepreciable capital assets				
Land	\$ 13,382,341	\$ 1,305,662	\$ -	\$ 14,688,003
Construction in progress *	27,378,025	10,336,598	(30,737)	37,683,886
	40,760,366	11,642,260	(30,737)	52,371,889
Depreciable capital assets				
Runways & improvements	69,785,058	14,925	-	69,799,983
Buildings & equipment	112,680,829	29,640	-	112,710,469
Right to use asset	-	269,830	-	269,830
Intangibles	603,147	-	-	603,147
	183,069,034	314,395	-	183,383,429
Accumulated depreciation				
Runways & improvements	35,762,506	2,576,377	-	38,338,883
Buildings & equipment	30,735,990	2,691,737	-	33,427,727
Right to use asset	-	194,631	-	194,631
Intangibles	259,014	29,907	-	288,921
	66,757,510	5,492,652	-	72,250,162
Depreciable capital assets, net	116,311,524	5,807,047	-	111,133,267
Total capital assets, net	\$157,071,890	\$ 17,449,307	\$ (30,737)	\$163,505,156

* Construction in progress at June 30, 2021 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. UNEARNED REVENUE

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

NOTE 6. NONCURRENT LIABILITIES

The following is a summary of noncurrent liabilities activity for the year ended June 30, 2021:

	June 30, 2020	Additions	Reductions	June 30, 2021	Current Portion	Noncurrent Portion
Leases payable	\$ -	\$ 168,835	\$ -	\$ 168,835	\$ 29,215	\$ 139,620
Bank loan	12,250,000	-	-	12,250,000	2,285,338	9,964,662
Net pension liability	2,425,315	1,074,567	-	3,499,882	-	3,499,882
Totals	\$ 14,675,315	\$ 1,243,402	\$ -	\$ 15,918,717	\$ 2,314,553	\$ 13,604,164

NOTE 7. DEBT

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

Fiscal Year	Principal Amount	Interest Rate	Interest Amount	Principal and Interest
2022	\$ 2,285,338	3.450%	\$ 403,145	\$ 2,688,483
2023	2,364,862	3.450%	323,621	2,688,483
2024	2,446,801	3.450%	241,683	2,688,484
2025	2,532,576	3.450%	155,908	2,688,484
2026	2,620,423	3.450%	68,060	2,688,483
	\$ 12,250,000		\$ 1,192,417	\$ 13,442,417

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, 2021.

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

Plan Description

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

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

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

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

Summary of Benefits

Service retirement:

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

Early retirement:

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

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Contributions

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

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

Special Funding

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

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

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

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

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019 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, 2020, and 2019, 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 \$3,499,882 and the employer's proportionate share was 0.132661 percent. Pension contributions made after the measurement date of the net pension liability are recognized as a reduction of the net pension liability in the subsequent fiscal year.

As of Measurement Date	NPL as of 6/30/2020	NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Changes in Percent of Collective NPL
Employer's proportionate share	\$ 3,499,882	\$ 2,425,315	0.1327%	0.1160%	0.0167%
State of Montana proportionate share associated with employer	1,108,996	795,474	0.0420%	0.0381%	0.0039%
Total	\$ 4,608,878	\$ 3,220,789	0.1747%	0.1541%	0.0206%

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

- The discount rate was lowered from 7.65% to 7.34%
- The investment rate of return was lowered from 7.65% to 7.34%
- The inflation rate was reduced from 2.75% to 2.40%

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

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

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

Pension Expense

At June 30, 2020 the employer recognized pension expense of \$574,108 for its proportionate share of the Plan's pension expense. The employer also recognized grant revenue of \$181,367 for the support provided by the state of Montana for its proportionate share of the pension expense associated with the employer.

As of Measurement Date	Pension Expense as of 6/30/2020
Employer's proportionate share	\$ 574,108
State of Montana Proportionate Share associated with the Employer	181,367
Total	\$ 755,475

Recognition of Deferred Inflows and Outflows

At June 30, 2020, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	\$ 56,495	\$ 100,067
Projected investment earnings vs. actual investment earnings	303,059	-
Changes in assumptions	242,353	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	112,518	-
Employer contributions subsequent to the measurement date	265,439	-
Total	\$ 979,864	\$ 100,067

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

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

For the Measurement Year Ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense
2021	\$ 131,228
2022	\$ 301,524
2023	\$ 105,891
2024	\$ 75,715
Thereafter	\$ -

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

Investment return (net of admin expense)	7.34%
Admin expense as % of payroll	0.30%
General wage growth (includes inflation at 2.4%)	3.50%
Merit increases	0% to 4.80%
Postretirement benefit increases: Guaranteed Annual Benefit Adjustment (GABA) each January After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.	
- Members hired prior to July 1, 2007	3.00%
- Members hired between July 1, 2007 & June 30, 2013	1.50%
- Members hired on or after July 1, 2013	
• For each year PERS is funded at or above 90%	1.50%
The 1/5% is reduced by 0.1% for each 2.0%	
PERS is funded below 90%	
• 0% whenever the amortization period for PERS is 40 years or more	0.00%
Mortality: Contributing members, service retired members & beneficiaries	RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males
Disabled members	RP-2000 Combined Mortality Tables, with no projections

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

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. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	2.00%	0.11%
Domestic equity	30.0%	6.19%
International equity	16.0%	6.92%
Private investments	14.0%	10.37%
Natural resources	4.0%	3.43%
Real estate	9.0%	5.74%
Core fixed income	20.0%	1.57%
Non-core fixed income	5.0%	3.97%
Total	100.0%	

Discount Rate

The discount rate used to measure the TPL was 7.34%. 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 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the 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 7.34%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of Measurement Date	1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
Employer's Net Pension Liability	\$ 4,817,380	\$ 3,499,882	\$ 2,393,192

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (continued)

Summary of Significant Accounting Policies

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

PERS Disclosure for the Defined Contribution Plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2020, 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 329 employers that have participants in the PERS-DCRP totaled \$775,195.

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, 2021:

Net investment in capital assets	
Capital assets	\$ 163,505,156
Less: current liabilities	
Retainage payable for amounts invested in capital assets	(25,421)
Current portion of noncurrent liabilities for amount invested in capital assets	(2,314,553)
Less: noncurrent liabilities	
Noncurrent liabilities for amount invested in capital assets	(10,104,282)
	151,060,900
Restricted net position	
Capital projects and debt service	2,034,030
Customs	148,894
	2,182,924
Unrestricted net position	14,700,876
Total net position	\$ 167,944,700

NOTE 10. LEASES

GASB Statement No. 87, Leases

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

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

NOTE 10. LEASES (continued)

Lessor Lease Arrangements Subject to GASB 87 Reporting

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

The following is a summary by category of the balances, inflows and scheduled payments for the lessor lease arrangements subject to GASB 87 reporting for the year ended June 30, 2021.

Category	Lease Receivable	Deferred Inflows	Lease Revenue	Interest Revenue	Scheduled Payments
Rental car space	\$ 98,897	\$ 96,252	\$ 77,002	\$ 4,216	\$ 80,712
Terminal food, bev, gift & other	3,049,269	2,892,027	665,214	101,204	696,232
Land and other buildings	1,598,330	1,605,803	191,891	11,400	214,565
	\$ 4,746,496	\$ 4,594,082	\$ 934,107	\$ 116,820	\$ 991,509

Lessee Lease Arrangements Subject to GASB 87 Reporting

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

The following is a summary of the balances, outflows and scheduled payments for the lessee lease arrangement subject to GASB 87 reporting for the year ended June 30, 2021.

Category	Right-To-Use Asset	Accum Depr	Lease Liability	Depr Expense	Interest Expense	Scheduled Payments
Equipment	\$ 269,830	\$ 194,631	\$ 168,835	\$ 53,081	\$ 5,105	\$ 33,522

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

Fiscal Year	Principal	Interest	Total
2022	\$ 29,215	\$ 4,308	\$ 33,522
2023	\$ 139,620	\$ 1,554	\$ 141,174

Lease Arrangements Excluded from GASB 87 Reporting

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

Total lease revenue from these leases for the year ended June 30, 2021 was \$1,051,638.

NOTE 10. LEASES (continued)

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

Fiscal Year	Amount
2022	\$ 431,402
2023	\$ 335,094
2024	\$ 322,041
2025	\$ 306,072
2026	\$ 273,253
2027-2031	\$ 1,078,031
2032-2036	\$ 735,575
2037-2041	\$ 322,748

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, 2021 was PFC 09-05-C-00-BZN. The PFC project No. 09-05-C-00-BZN (amended June 19, 2019), provides for a charge of \$4.50 per enplaned passenger and total project expenditures of \$26,700,000. This project expires April 1, 2023.

NOTE 12. CUSTOMER FACILITY CHARGES

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

NOTE 13. RISK MANAGEMENT

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

NOTE 14. RELATED PARTIES

Karen Stelmak (Board Member) and Tom Stelmak entered into a 10-year lease with the Authority beginning September 1, 1999. An option for a 10-year renewal was taken. Lease revenues for the year ended June 30, 2021 were \$768.

Ted Mathis (Board Member) leases a hangar from the Authority on a month-to-month basis. Lease revenues for the year ended June 30, 2021 were \$2,400.

The related party leases are regulated lease arrangements and are excluded from GASB 87 reporting. No amounts were due to or from any of these related parties as of June 30, 2021.

NOTE 15. 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 17% of operating revenues for the year ended June 30, 2021.

NOTE 16. PRIOR PERIOD ADJUSTMENT

In the year ended June 30, 2021, the Authority adopted GASB Statement No. 87, Leases, issued by the Governmental Accounting Standards Board (GASB).

The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The implementation of this standard resulted in the restatement of net position as of June 30, 2020 as follows:

Net position at June 30, 2020	\$ 148,983,088
Cummulative effect of change in accounting principle for leases	24,027
Net position at June 30, 2020, restated	\$ 149,007,115

NOTE 17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2021, the date on which these financial statements were available to be issued.

Required Supplementary Information – Pension Schedules

Year Ended June 30, 2021

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

SCHEDULE OF CONTRIBUTIONS

As of Most Recent FYE (reporting date)	2021	2020	2019	2018	2017	2016	2015
Contractually required DB contributions	\$ 194,088	\$ 195,013	\$ 164,066	\$ 161,536	\$ 147,334	\$ 142,393	\$ 134,287
Plan Choice Rate required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,383	\$ 15,244
Contributions in relation to the contractually required contributions	\$ 194,088	\$ 195,013	\$ 164,066	\$ 161,536	\$ 147,334	\$ 151,776	\$ 149,531
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,188,135	\$ 2,225,832	\$ 1,914,421	\$ 1,907,151	\$ 1,760,010	\$ 1,703,557	\$ 1,629,621
Contributions as a % of covered payroll	8.87%	8.76%	8.57%	8.47%	8.37%	8.91%	9.18%

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

Notes to Required Supplementary Information – Pension Schedules

Year Ended June 30, 2021

CHANGES IN BENEFIT TERMS

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

2017 Legislative Changes:

Working Retiree Limitations – for PERS

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

Refunds

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

Interest Credited to Member Accounts

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

Lump-sum Payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Notes to Required Supplementary Information – Pension Schedules

Year Ended June 30, 2021

CHANGE IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

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

General Wage Growth *	3.50%
Investment Rate of Return *	7.65%
* includes inflation at	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.30%

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





STATISTICAL SECTION

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

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

Contents Page

Financial Trends 64

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

Revenue Capacity 67

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

Debt Capacity 68

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

Operating Information 69

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

Demographic and Economic Information 74

These schedules contain information to help users understand the socio-economic environment in which the Authority operates.

Net Position and Changes in Net Position

Ten Years Ended June 30

	Dollars in 000's									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating revenues	\$ 14,304	12,947	13,975	11,888	10,498	9,630	8,918	8,192	7,271	7,021
Operating expenses	7,620	7,120	6,622	6,120	5,186	4,639	4,434	4,221	3,739	3,753
Operating income, before depreciation	6,684	5,827	7,353	5,768	5,312	4,991	4,484	3,971	3,532	3,268
Less: depreciation	5,351	5,535	4,698	4,225	4,182	3,976	3,848	3,839	3,809	3,138
Operating income (loss)	1,333	292	2,655	1,543	1,130	1,015	636	132	(277)	130
Net nonoperating revenues (expenses)	4,960	4,028	4,586	3,973	2,839	2,409	(839)	(492)	(2,532)	(376)
Capital contributions	12,645	10,556	3,328	7,976	6,866	3,358	4,688	3,454	5,459	6,171
Change in net position	\$ 18,938	14,876	10,569	13,492	10,835	6,782	4,485	3,094	2,650	5,925
Net investment in capital assets	\$ 151,061	143,731	123,161	104,192	82,435	72,958	71,296	70,700	68,139	70,951
Restricted	2,183	2,555	9,308	7,217	5,847	4,672	3,824	3,890	3,689	4,321
Unrestricted	14,701	2,697	1,638	12,129	21,764	21,581	17,309	15,427	15,095	9,262
Total net position	\$ 167,945	148,983	134,107	123,538	110,046	99,211	92,429	90,017	86,923	84,534

Source: Gallatin Airport Authority records

Changes in Cash and Cash Equivalents

Ten Years Ended June 30

	Dollars in 000's									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Cash from operating activities										
Receipts from customers	\$ 11,734	13,980	13,834	11,646	10,849	8,794	9,133	8,310	6,797	7,375
Payments to suppliers	(2,170)	(2,665)	(2,447)	(2,360)	(1,909)	(1,771)	(1,617)	(1,283)	(1,301)	(1,938)
Payments to employees	(4,375)	(4,350)	(4,026)	(3,765)	(3,225)	(2,941)	(2,825)	(2,549)	(2,419)	(1,684)
	5,189	6,965	7,361	5,521	5,715	4,082	4,691	4,478	3,077	3,753
Cash from noncapital financing activities										
	-	21	(334)	17	7	(79)	(422)	2	(1,763)	-
Cash from capital and related financing activities										
Capital asset purchases	(15,572)	(24,331)	(25,718)	(23,508)	(11,756)	(4,702)	(4,705)	(5,087)	(785)	(5,170)
Grant receipts (payments)	10,273	8,364	5,884	7,055	5,401	3,362	2,940	3,035	2,676	4,348
Passenger fac. charge receipts	2,383	2,884	2,902	2,403	2,183	2,022	1,872	1,826	1,684	1,506
Customer fac. charge receipts	820	742	2,197	1,936	1,095	878	750	633	582	450
Debt principal payments	-	-	(585)	(565)	(550)	(535)	(520)	(505)	(490)	-
Debt interest payments	(427)	(492)	(555)	(574)	(592)	(608)	(624)	(639)	(653)	(653)
Other receipts (payments)	-	-	-	-	-	-	-	56	-	560
	(2,523)	(12,833)	(15,875)	(13,253)	(4,219)	417	(287)	(681)	3,014	1,041
Cash from investing activities										
Investments purchased	-	-	-	-	-	-	-	-	(23)	(3)
Interest received	1,310	1,241	246	91	62	93	128	182	269	310
Investment sale proceeds	-	-	-	-	-	-	-	-	1,149	-
Reclass of investments	-	-	-	-	-	-	23	-	-	-
	1,310	1,241	246	91	62	93	151	182	1,395	307
Change in cash and cash equivalents										
	3,976	(4,606)	(8,602)	(7,624)	1,565	4,513	4,133	3,981	5,723	5,101
Cash and cash equivalents, beginning of year										
	8,359	12,965	21,567	29,191	27,626	23,112	18,979	14,998	9,275	4,174
Cash and cash equivalents, end of year										
	\$ 12,335	8,359	12,965	21,567	29,191	27,626	23,112	18,979	14,998	9,275

Source: Gallatin Airport Authority records

Operating and Nonoperating Expenses

Ten Years Ended June 30

	Dollars in 000's									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Expenses										
Personnel	\$ 4,941	4,411	3,871	3,712	3,237	2,941	2,845	2,578	2,437	2,323
Utilities	807	771	707	682	629	654	644	629	592	564
Supplies and materials	667	607	765	497	536	347	381	368	348	325
Outside services	881	863	932	936	509	437	341	363	354	295
Insurance	211	214	120	99	98	92	89	88	76	110
Other	113	254	227	194	178	168	135	145	190	120
Depreciation expense	5,351	5,535	4,699	4,225	4,182	3,976	3,848	3,839	3,853	3,182
	12,971	12,655	11,321	10,345	9,368	8,615	8,282	8,010	7,850	6,919
Nonoperating Expenses										
Interest Expense	427	492	555	574	592	608	624	639	653	653
Payments to other agencies	-	-	347	-	-	84	400	85	1,887	-
Other	-	-	-	-	-	-	44	-	-	5
	427	492	902	574	592	692	1,068	724	2,540	658
Total expenses	\$ 13,398	13,147	12,223	10,919	9,960	9,307	9,350	8,734	10,390	7,577

Source: Gallatin Airport Authority records

Operating Revenues, Airline Cost Per Enplanement, and Airline Rates

Ten Years Ended June 30

	Revenues and Enplanements in 000's									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Airline Revenues										
Landing fees	\$ 880	747	848	705	624	619	605	573	571	556
Terminal rentals	1,137	1,095	1,059	969	895	848	853	818	791	788
	2,017	1,842	1,907	1,674	1,519	1,467	1,458	1,391	1,362	1,344
Non-airline Revenues										
Rental car	5,135	3,972	4,293	3,685	3,218	2,743	2,624	2,416	2,095	2,071
Parking	2,438	2,860	3,675	3,150	2,753	2,590	2,396	2,113	1,819	1,674
Other terminal	1,647	1,914	1,998	1,655	1,465	1,384	1,110	1,030	924	829
General aviation	1,308	864	775	687	617	570	519	482	462	454
Air cargo	49	41	41	43	43	41	39	38	38	37
Other	1,710	1,454	1,286	994	883	834	772	722	571	612
Total operating revenues	\$ 14,304	12,947	13,975	11,888	10,498	9,629	8,918	8,192	7,271	7,021
Scheduled enplanements	619	622	742	627	572	529	498	456	439	407
Airline cost per enplanement	\$ 3.26	2.96	2.57	2.67	2.66	2.77	2.93	3.05	3.11	3.30
Airline Rates										
Landing fee (per 1,000 lbs. over 12,500 GLW)	\$ 1.00	1.00	1.00	1.00	1.02	1.06	1.06	1.14	1.11	1.11
Terminal rents (per sq. ft. per year):										
Finished	\$ 24.00	24.00	24.00	24.00	22.27	22.27	22.27	22.27	22.27	22.27
Unfinished	\$ 12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97
Jetway rent (per use)	\$ 10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

Source: Gallatin Airport Authority records

Debt Service, Coverages, and Ratios

Ten Years Ended June 30

	Dollars and Enplanements in 000's									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Outstanding debt										
2009 revenue bonds	\$ -	-	12,250	12,835	13,400	13,950	14,485	15,005	15,510	16,000
Long-term debt	12,250	12,250	-	-	-	-	-	-	-	-
Total outstanding debt	12,250	12,250	12,250	12,835	13,400	13,950	14,485	15,005	15,510	16,000
Enplaned passengers	619	625	744	629	574	531	500	458	440	408
Outstanding debt per enplaned passenger	\$ 19.79	19.60	16.47	20.41	23.34	26.27	28.97	32.76	35.25	39.22
Principal	\$ -	-	585	565	550	535	520	505	490.00	-
Interest	427	492	555	574	592	608	624	639	653	653
Total debt service	\$ 427	492	1,140	1,139	1,142	1,143	1,144	1,144	1,143	653
Net revenues available for debt service	\$ 11,644	9,855	11,939	9,741	8,151	7,400	5,584	5,245	2,713	4,491
Debt service	427	492	1,140	1,139	1,142	1,143	1,144	1,144	1,143	653
Debt service coverage	\$ 27.27	20.03	10.47	8.55	7.14	6.47	4.88	4.59	2.37	6.87

Source: Gallatin Airport Authority records

Aircraft Operations and Total Passengers

Ten Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Aircraft Operations										
Air carrier	18,054	13,607	15,574	11,861	10,735	9,990	10,388	8,642	8,708	7,908
Air taxi	11,499	10,379	9,996	9,834	9,009	8,923	8,336	9,454	9,222	9,470
GA itinerant	46,495	36,691	35,633	30,298	31,108	30,456	30,135	28,178	27,875	28,387
Military	634	543	642	274	297	340	220	315	262	285
Total itinerant	76,682	61,220	61,845	52,267	51,149	49,709	49,079	46,589	46,067	46,050
GA local	39,770	34,765	34,560	26,052	25,794	30,920	30,653	31,893	30,770	36,066
Total aircraft operations	116,452	95,985	96,405	78,319	76,943	80,629	79,732	78,482	76,837	82,116
Total Passengers										
Enplanements	618,964	624,562	744,316	628,533	573,767	530,903	499,977	457,716	440,203	408,199
Deplanements	622,708	619,449	743,695	629,441	574,580	529,829	497,664	459,844	437,043	409,910
Total passengers	1,241,672	1,244,011	1,488,011	1,257,974	1,148,347	1,060,732	997,641	917,560	877,246	818,109
Growth	-0.2%	-16.4%	18.3%	9.5%	8.3%	6.3%	8.7%	4.6%	7.2%	6.1%

Source: Gallatin Airport Authority records

Enplanements and Load Factor by Air Carrier

Ten Years Ended June 30

	Enplanements in 000's									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Delta										
Enplanements	178	211	255	233	214	223	202	188	169	161
Load factor	52.9%	76.4%	83.1%	85.0%	85.9%	85.3%	82.8%	86.8%	86.5%	86.2%
United										
Enplanements	163	203	266	225	208	177	160	150	137	124
Load factor	64.0%	79.0%	78.7%	78.6%	82.6%	83.2%	80.3%	87.3%	85.8%	84.7%
Alaska										
Enplanements	82	82	91	86	89	82	70	53	48	44
Load factor	52.3%	74.5%	79.1%	86.4%	86.3%	84.7%	82.7%	84.5%	81.0%	79.3%
Frontier										
Enplanements	17	23	25	8	14	16	37	36	48	46
Load factor	65.7%	82.1%	86.2%	87.2%	83.9%	86.6%	89.7%	87.4%	81.4%	80.4%
Allegiant										
Enplanements	34	30	34	29	29	29	29	30	38	32
Load factor	56.1%	78.9%	82.9%	87.5%	88.2%	86.6%	86.5%	89.9%	92.0%	89.3%
American										
Enplanements	117	69	66	46	19	2	-	-	-	-
Load factor	68.5%	79.3%	81.5%	81.9%	81.2%	90.7%	-	-	-	-
JetBlue										
Enplanements	8	4	5	-	-	-	-	-	-	-
Load factor	34.5%	57.1%	71.4%	-	-	-	-	-	-	-
Sun Country										
Enplanements	4	-	-	-	-	-	-	-	-	-
Load factor	52.7%	35.7%	-	-	-	-	-	-	-	-
Southwest										
Enplanements	14	-	-	-	-	-	-	-	-	-
Load factor	47.8%	-	-	-	-	-	-	-	-	-
Avelo										
Enplanements	2	-	-	-	-	-	-	-	-	-
Load factor	30.4%	-	-	-	-	-	-	-	-	-
Total available seats	1,072	804	918	792	708	659	636	559	556	517
Total scheduled										
enplanements	619	622	742	627	572	529	498	457	440	407
Average load factor	57.7%	77.4%	80.8%	79.2%	80.8%	80.3%	78.3%	81.7%	79.2%	78.7%
Charter										
Enplanements	-	3	2	2	2	1	2	1	2	1
Total enplanements	619	625	744	629	574	530	500	458	442	408

Source: Gallatin Airport Authority records

Budgeted Employees by Department

Ten Years Ended June 30

Year	Number of Employees				Total
	Maintenance & Airside Operations	Landside Operations	Public Safety	Administration (includes IT)	
2021	21	11	9	8	49
2020	18	10	9	8	45
2019	18	10	8	7	43
2018	17	9	8	5	39
2017	15	8	7	5	35
2016	12	8	7	5	32
2015	12	7	7	5	31
2014	12	7	7	5	31
2013	11	7	7	5	30
2012	11	7	7	5	30

Source: Gallatin Airport Authority's operating budget records

Insurance Coverage

As of June 30, 2021

Policy Type	Insurer	Coverage	Expiration
Buildings	Cincinnati Insurance	\$ 99,984,319	8/10/2021
Business Personal Property	Cincinnati Insurance	\$ 1,192,357	8/10/2021
Automobile	Cincinnati Insurance	\$ 1,000,000	8/10/2021
General Liability	Ace Property and Casualty	\$ 100,000,000	8/10/2021
Mobile Equipment	Cincinnati Insurance	\$ 2,299,455	8/10/2021
Employee Theft	Cincinnati Insurance	\$ 50,000	8/10/2021
Employment Practices	Cincinnati Insurance	\$ 1,000,000	8/10/2021
Directors & Officers	Cincinnati Insurance	\$ 1,000,000	8/10/2021
Aviation	Ace Property and Casualty	\$ 100,000,000	8/10/2021
Law Enforcement	Allied World	\$ 1,000,000	8/10/2021

Source: Gallatin Airport Authority records

Airport Information

Year Ended June 30, 2021

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		276
	Premium garage		91
	Rental car ready/returns		1,000
	Employee parking		433
	Total		3,720
Apron areas:	Terminal	755,765	sq. ft.
	Old terminal	66,829	sq. ft.
	General aviation	621,870	sq. ft.
	Tie-down	125,985	sq. ft.
	East ramp	610,385	sq. ft.
	Total	2,180,834	sq. ft.
Based aircraft:	Sailplane		10
	Single engine (piston)		263
	Twin engine (piston)		16
	Single engine (turboprop)		19
	Twin engine (turboprop)		12
	Single engine (jet)		6
	Multi engine (jet)		56
	Helicopter		25
	Total		407
Hangars:	210		
Fixed based operators:	Jet Aviation		
	Yellowstone Jetcenter		
International:	U.S. Customs User Fee Facility		

Source: Gallatin Airport Authority records

Demographic and Economic Statistics

Ten Years Ended June 30

GALLATIN COUNTY				
Year	Population	Per Capita Personal Income	Personal Income (in 000's)	Unemployment Rate
2021	unavailable	unavailable	unavailable	unavailable
2020	118,960	unavailable	unavailable	6.9%
2019	114,434	58,195	6,659,487	2.2%
2018	111,876	53,536	5,989,394	2.5%
2017	107,810	51,410	5,542,512	2.6%
2016	104,502	49,764	5,200,438	2.7%
2015	100,739	47,755	4,810,791	2.9%
2014	97,308	45,024	4,381,195	2.9%
2013	94,694	43,036	4,075,251	3.4%
2012	92,604	40,653	3,764,630	4.4%

MONTANA				
Year	Population	Per Capita Personal Income	Personal Income (in 000's)	Unemployment Rate
2021	unavailable	unavailable	unavailable	unavailable
2020	1,084,225	unavailable	unavailable	7.6%
2019	1,068,778	50,099	53,544,709	3.5%
2018	1,062,305	47,197	50,137,609	3.7%
2017	1,050,493	45,112	47,389,840	3.9%
2016	1,042,646	43,826	45,695,004	4.2%
2015	1,032,949	42,764	44,173,031	4.1%
2014	1,023,579	41,039	42,006,659	4.7%
2013	1,014,864	40,248	40,846,246	5.4%
2012	1,005,163	39,250	39,452,648	6.1%

Sources:

Census Bureau

Bureau of Economic Analysis

Principal Employers in Region

Year Ended June 30, 2021

Current Year *		2012	
Private Employers By Class	Number of Employees	Private Employers By Class	Number of Employees
Bozeman Deaconess Hospital	1,000 +	Bozeman Deaconess Hospital	1,000 +
Oracle America	500 to 999	Right Now Technologies	250 to 499
Kenyon Noble Lumber & Hardware	250 to 499	Wal Mart	250 to 499
Town Pump Convenience Stores	250 to 499	Albertson's	100 to 249
Wal Mart	250 to 499	Bozeman Daily Chronicle	100 to 249
Zoot Enterprises	250 to 499	Community Food Co-Op	100 to 249
Albertson's	100 to 249	Costco	100 to 249
Target	100 to 249	First Security Bank	100 to 249
Bridger Bowl	100 to 249	First Student	100 to 249
Community Food Co-Op	100 to 249	Grantree Inn	100 to 249
Costco	100 to 249	JTL Group	100 to 249
First Security Bank	100 to 249	Kenyon Noble Lumber & Hardware	100 to 249
First Student	100 to 249	Korman Marketing Group	100 to 249
Reach Inc.	100 to 249	Lowes	100 to 249
McDonalds	100 to 249	McDonald's	100 to 249
Murdoch's Ranch & Home Supply	100 to 249	Murdoch's Ranch & Home Supply	100 to 249
Ressler Motors	100 to 249	Ressler Motors	100 to 249
Simms Fishing Products	100 to 249	Town & Country Foods	100 to 249
Town & Country Foods	100 to 249	Town Pum	100 to 249
Williams Plumbing & Heating	100 to 249	Zoot Enterprises	100 to 249
Public Employers By Class	Number of Employees	Public Employers By Class	Number of Employees
Montana State University	1,000 +	Montana State University	1,000 +
Belgrade School District	500 to 999	Bozeman School District	500 to 999
Bozeman School District	500 to 999	City of Bozeman	250 to 499
Gallatin County	500 to 999	Gallatin County	250 to 499
City of Bozeman	250 to 499		

* 2020 information is presented for current year and is the most recent available

Region is defined as Gallatin County

Source: Montana Department of Labor & Industry



An aerial photograph of a large, modern industrial building with a blue corrugated metal roof and tan-colored walls. The building is situated in a flat, open area with mountains in the background. The sky is blue with some clouds. The building has several large doors and windows. In the foreground, there is a dirt area with some construction equipment and materials. The overall scene suggests a new facility or a major renovation project.

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, 2021, 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 28, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in dark ink, reading "Holmes + Turner" followed by a long, sweeping horizontal line.

Bozeman, Montana
October 28, 2021

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, 2021. 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.

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, 2021.

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.



Bozeman, Montana
October 28, 2021

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Source / Program	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
Federal Aviation Administration - Airport Improvement Program (AIP)		
Project No. 3-30-0010-50	20.106	\$ 56,520
Project No. 3-30-0010-52	20.106	1,765,480
Project No. 3-30-0010-53	20.106	288,923
Project No. 3-30-0010-54	20.106	130,909
Project No. 3-30-0010-55	20.106	6,504,936
Project No. 3-30-0010-56	20.106	3,751,260
Total U.S. Dept. of Transportation		\$ 12,498,028
U.S. DEPARTMENT OF HOMELAND SECURITY		
Transportation Security Administration Electronic Baggage Screening Program	unavailable	\$ 147,238
Total expenditures of federal awards		\$ 12,645,266

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 2021 totaled \$7,912,789.

The schedule of expenditures of federal awards for the year ended June 30, 2021 has been subjected to the applicable compliance testing requirements prescribed by the Uniform Guidance.

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

I. SUMMARY OF AUDITOR'S RESULTSFinancial Statements

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

Internal control over financial reporting:	
--	--

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

Federal Awards

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

Internal control over the major program:	
--	--

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

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

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

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

None reported

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

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

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, 2021.

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, 2021.

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.

Report on Internal Control Over Compliance (Continued)

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.



Bozeman, Montana
October 28, 2021

Schedule of Passenger Facility Charge Collections, Interest and Disbursements

Year Ended June 30, 2021

	Total June 30, 2020	FY 2021 Activity				Total June 30, 2021
		1st qtr	2nd qtr	3rd qtr	4th qtr	
Collections	\$ 31,813,355	238,950	499,296	560,241	1,084,060	\$ 34,195,902
Interest	377,209	342	407	353	393	378,704
Disbursements	(29,939,901)	-	(1,811,324)	(500,000)	(1,210,645)	(33,461,870)
Cash balance	\$ 2,250,663	\$ 239,292	\$ (1,311,621)	\$ 60,594	\$ (126,192)	\$ 1,112,736

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Central Copters

Life Flight

Federal Aviation Administration

Transportation Security Administration

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

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