MISSOULA COUNTY AIRPORT AUTHORITY

FINANCIAL REPORT

June 30, 2021 and 2020

C O N T E N T S

CONTENTS
(CONTINUED)

MISSOULA COUNTY AIRPORT AUTHORITY
MISSOULA, MONTANA

ORGANIZATION

Board of Commissioners

Matt Doucette	Chairman
Adriane Beck	Vice-Chairman
Larry Anderson	Secretary/Treasurer
Jeffery Roth	Commissioner
Dori Brownlow	Commissioner
Shane Stack	Commissioner
Deb Poteet	Commissioner
Jack Meyer	Honorary
Patrick Boyle	Alternate
Winston Kemis	Alternate

Administration

Brian Ellestad	Acting Director
Teri Norcross	Finance Manager
Lynn Fagan	Administrative Manager
Andrew Bailey	Grounds Handling Manager
Justin Shaffer	Chief of Public Safety
Nate Cole	Airfield Operations Manager
Thad Williams	Facility Operations Manager
Amanda Jacobson	Advertising Manager
Dan Neuman	Business Development
Rick Reeve	Administrative Assistant
Donna Marie Robnett	Office Administrator
Brianna Brewer	Accounting Clerk
Tim Damrow	Project Manager

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Missoula County Airport Authority
Missoula, Montana

Report on the Financial Statements
We have audited the accompanying financial statements, including the Passenger Facility Charge (PFC) quarterly reports, of Missoula County Airport Authority (the Authority) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, the schedule of proportionate share of the PERS net pension liability on page 42 and the schedule of PERS contributions on page 43 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedules of operating revenues, operating expenses, revenue bond coverage, and the schedule of federally funded airport projects listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles,* and *Audit Requirements for Federal Awards,* and is also not a required part of the 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.

These schedules 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The airport operations information, insurance in force schedule, and graphs listed in the accompanying table of contents have not been subjected to the auditing procedures applied in the audits 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 a report dated November 30, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
November 30, 2021

MISSOULA COUNTY AIRPORT AUTHORITY
MISSOULA, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

To Whom It May Concern:

We are pleased to present Missoula County Airport Authority's (the Authority) audited financial statements for the fiscal years ended June 30, 2021 and 2020. Independent Certified Public Accountants have issued an unmodified opinion on these financial statements. The discussion and analysis that follows provides an overview of the Missoula County Airport Authority's financial activities for the fiscal year ended June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority as a whole and about its activities. These statements include all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Revenues and expenses are recorded when they are earned or incurred regardless of when cash is received or paid.

These two statements report the Authority's fund net position and changes in net position. Net position is the difference between assets and deferred outflows, and liabilities and deferred inflows, which is one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's fund net position is one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

As shown on the **Statements of Net Position:**

	2021	2020	Increase (Decrease)	%	2019	Increase (Decrease)	%
Current Assets	$ 10,969,289	$ 11,267,833	$ (298,544)	-2.6%	$ 10,566,277	$ 701,556	6.6%
Restricted Cash	2,214,658	2,581,192	(366,534)	-14.2%	2,093,624	487,568	23.3%
Capital Assets, Net	103,498,574	78,696,359	24,802,215	31.5%	65,468,290	13,228,069	20.2%
Other Assets	1,443,256	2,125,559	(682,303)	-32.1%	2,782,919	(657,360)	-23.6%
Deferred Outflows	948,581	556,634	391,947	70.4%	699,080	(142,446)	-20.4%
Total Assets and Deferred Outflows	119,074,358	95,227,577	23,846,781	25.0%	81,610,190	13,617,387	16.7%
Current Liabilities	6,082,305	2,931,486	3,150,819	107.5%	2,488,648	442,838	17.8%
Long-term Liabilities	15,472,738	3,715,165	11,757,573	316.5%	2,827,318	887,847	
Deferred Inflows	2,291,844	3,014,195	(722,351)	-24.0%	3,850,746	(836,551)	-21.7%
Total Liabilities and Deferred Inflows	23,846,887	9,660,846	14,186,041	146.8%	9,166,712	494,134	5.4%
Net Investment In Capital Assets	92,173,574	78,196,359	13,977,215	17.9%	65,468,290	12,728,069	19.4%
Restricted	2,214,658	2,581,192	(366,534)	-14.2%	2,093,624	487,568	23.3%
Unrestricted	839,239	4,789,180	(3,949,941)	-82.5%	4,881,564	(92,384)	-1.9%
Total Net Position	95,227,471	85,566,731	9,660,740	11.3%	72,443,478	13,123,253	18.1%
Total Liabilities, Deferred Inflows & Net Position	$ 119,074,358	$ 95,227,577	$ 23,846,781	25.0%	$ 81,610,190	$ 13,617,387	16.7%

Total assets and deferred outflows of $119,074,358 includes:

- Current assets and restricted assets consisting of $5,529,144 in cash and cash equivalents, $2,214,658 in restricted cash, $1,133,786 in accounts receivable and $4,306,359 in other current assets which includes grants receivable, passenger facility charges (PFC), prepaid expenses, and the current portion of a concession contract receivable (explained in the notes to the financial statements).
- Net capital assets of $103,498,574.
- Other assets equal to $1,443,256 related to a concession contract receivable as explained in the notes to the financial statements.
- Deferred outflows of resources of $948,581, are related to pension contributions and are explained in the notes to the financial statements.
- Overall assets and deferred outflows increased by 25%.

Total liabilities and equity includes:

- Current liabilities included accounts payable of $5,386,832 and liabilities related to payroll and leave balances of $618,696. An advanced payment of $70,873 and unearned revenue of $5,904 are also included in current liabilities.
- Long-term liabilities include notes payable of $11,325,000, as well as the Authority's share of the unfunded pension liability in the Public Employees Retirement System of $4,147,738.
- Deferred inflows of resources include pension adjustments of $118,590 and the service concession arrangement of $2,173,254 both of which are discussed in the notes to the financial statements.
- The net position of $95,227,471 includes $92,173,574 invested in capital assets net of related debt, $2,214,658 in restricted equity and $839,239 in unrestricted equity.

FINANCIAL HIGHLIGHTS (CONTINUED)

As shown on the **Statements of Revenues, Expenses, and Changes in Net Position:**

Activities	2021	2020	Increase (Decrease)	%	2019	Increase (Decrease)	%
Operating Revenues	$ 7,896,786	$ 8,276,384	$ (379,598)	-5%	$ 9,566,032	$ (1,289,648)	-13%
Operating Expenses	(7,409,555)	(7,001,286)	(408,269)	6%	(6,459,652)	(541,634)	8%
Depreciation	(5,901,648)	(5,434,845)	(466,803)	9%	(5,462,316)	27,471	-1%
Net Non-Operating	(104,776)	(261,802)	157,026	-60%	(2,885,373)	2,623,571	-91%
Capital Contributions	15,179,933	17,544,802	(2,364,869)	-13%	9,792,777	7,752,025	79%
Change in Net Position	$ 9,660,740	$ 13,123,253	$ (3,462,513)		$ 4,551,468	$ 8,571,785	188%

Overall net position increased by $9,660,740 resulting from:

- A net loss from operations of $5,414,417, which is the net of operating income $487,231, less depreciation of $5,901,648.
- Capital contributions of $15,179,933 include $13,058,501 in federal grants, $1,151,242 in PFC collections, $213,620 in state grants, $601,188 from an other transaction agreement, and contributed capital of $155,382.
- Net non-operating revenue/expense includes interest expense of $115,729 and interest income of $10,953.

Net operations before depreciation include:

- Operating revenues of $7,896,786 decreased by 5% from the previous fiscal year. Sources of operating revenue continue to be diversified over air carrier landing fees, terminal rent, car rentals including customer facility charges, parking fees, land leases, ground services, concessions and fuel flowage fees. Revenues for fiscal year 2021 continued to be adversely impacted by the COVID-19 pandemic as explained in the Notes to the Financial Statements.
- Operating expenses of $7,409,555 (before depreciation) increased by $408,269 or 5.8%.
- Detail of operating revenues and expense can be found in the Supplemental Information section of this report.
- At 70% of total operating expenses, employee compensation and related expenses continues to be the single largest operating expense. A current year expense of $5,170,499 increased from last fiscal year by 9.7%.
- Detail of federally funded projects can be found in the Supplemental Information section of this report.
- No local property tax revenues were received by the Airport.

CAPITAL ASSETS

- At the end of fiscal year 2021 the Authority has $196,868,425 of capital assets, comprised of $69,006,995 in non-depreciable assets, and $127,861,430 in depreciable assets. Capital assets at fiscal year end include land, airfield and other land improvements, buildings, equipment, vehicles, furniture/fixtures, studies and construction in progress. Additional information can be found in the Notes to the Financial Statements.

CAPITAL ASSETS (CONTINUED)

- Annual depreciation expense was $5,901,648. Estimated useful lives of depreciable existing terminal building assets were adjusted in fiscal year 2021 for the anticipated terminal removal in fiscal year 2022. The adjustments increased depreciation expense in fiscal year 2021 by $650,555.
- The dollar amount of new capital asset investment during the year was $30,703,864.
- Capital asset additions, deletions and depreciation resulted in a net increase to property and equipment of $24,802,215.
- At year end, the amount invested in capital assets, net of related debt, totaled $92,173,574.
- At year end, $11,325,000 of debt existed related to capital assets.

The year end construction in progress balance consisted of expenditures made, or funds obligated, for general aviation improvements, parking modification, construction of a terminal access road and the terminal replacement project.

DEBT

- During fiscal year 2020 the Authority secured financing of $35 million from a local lender, to partially fund the terminal replacement project. Further information regarding the terms and structure of the debt will be found in the notes to the financial statements.
- At fiscal year end the Authority had $11,325,000 in debt related to the terminal replacement project.
- The current coverage ratio exceeds the minimum coverage required by the existing debt agreement of 1.25%.

OTHER ECONOMIC INFORMATION

- In December 2019, the novel coronavirus (COVID-19) was identified in Wuhan, China. In March 2020, with the rapid spread of the virus into all regions of the world, the World Health Organization declared COVID-19 a global pandemic. The pandemic has had deleterious effects on the operations and revenues of the Authority. The implications of the pandemic are discussed more fully in the notes to the financial statements.
- Coronavirus Aid, Relief and Economic Security (CARES) legislation was enacted in late March 2020 that included funds to provide economic relief to U.S. Airports. The Authority received a CARES grant for approximately $5.6 million. It is expected that these funds will assist with operating and project costs for an estimated 3 years. The CARES funds are discussed more fully in the notes to the financial statements.
- In December 2020, the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA) was enacted. The Authority received a CRRSA grant in the amount of $3,293,668.
- The Authority continues to work on the project to replace the existing terminal. The project is estimated to be completed in April 2022.

BUDGETARY VARIANCES

- Actual operating revenues of $7,896,786 (excluding interest) exceeded budgeted amounts of $5,899,048.
- Revenues were over budget with some recovery from fiscal year 2020, which exceeded the conservative budget.
- Actual operating expenses of $7,409,555 exceeded the budgeted amounts of $6,072,332.
- Expenses are over budget due primarily to an unbudgeted pension expense adjustment of $714,198 related to the recognition of the Authority's share of unfunded liability and expense of the Public Employees Retirement System (PERS). This is discussed further in the Notes to the Financial Statements.
- No amounts for depreciation expense are included in the Authority Board approved budget. The approved budget is in the form of a model which is used to calculate rates and charges for the air carriers. These rates and charges include charges for capital expenditures that benefit the areas of the airport in which the air carriers operate but are not otherwise funded with contributions.
- This model also does not include budgets for Federal grants.

This financial report is designed to provide interested parties with a general overview of Missoula Montana Airport finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Finance Manager, at Missoula Montana Airport, 5225 Hwy 10 West, Missoula, MT 59808.

FINANCIAL STATEMENTS

MISSOULA COUNTY AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and investments	$ 5,529,144	$ 6,221,405
Accounts receivable	1,133,786	1,677,150
Grants receivable	3,157,677	2,299,060
Passenger facility charge receivable	250,000	80,941
Current portion of concession contract receivable	729,998	729,998
Prepaid expenses	168,684	259,279
Total current assets	10,969,289	11,267,833
RESTRICTED ASSETS		
Cash	2,214,658	2,581,192
CAPITAL ASSETS		
Land available for sale	1,188,233	1,188,233
Other capital assets, net	102,310,341	77,508,126
Total capital assets, net	103,498,574	78,696,359
OTHER ASSETS		
Long-term portion of concession contract receivable	1,443,256	2,125,559
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	948,581	556,634
Total deferred outflows of resources	948,581	556,634
Total assets and deferred outflows of resources	$ 119,074,358	$ 95,227,577

The Notes to Financial Statements are an integral part of these statements.

MISSOULA COUNTY AIRPORT AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2021 and 2020

	2021	2020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 6,005,528	$ 2,931,486
Advance payment	70,873	-
Unearned revenue	5,904	-
Total current liabilities	6,082,305	2,931,486
LONG TERM LIABILITIES		
Long-term debt	11,325,000	500,000
Pension liability	4,147,738	3,215,165
Total long-term liabilities	15,472,738	3,715,165
Total liabilities	21,555,043	6,646,651
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	118,590	158,638
Service concession arrangement - Republic Parking	2,173,254	2,855,557
Total deferred inflows of resources	2,291,844	3,014,195
NET POSITION		
Net investment in capital assets	92,173,574	78,196,359
Restricted	2,214,658	2,581,192
Unrestricted	839,239	4,789,180
Total net position	95,227,471	85,566,731
Total liabilities, deferred inflows of resources, and net position	$ 119,074,358	$ 95,227,577

The Notes to Financial Statements are an integral part of these statements.

MISSOULA COUNTY AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Landing field	$ 732,681	$ 953,826
Terminal	6,268,114	6,420,767
Fixed base/government	255,691	319,716
Industrial park	640,300	582,075
Total operating revenues	7,896,786	8,276,384
DIRECT OPERATING EXPENSES	(7,409,555)	(7,001,286)
INCOME FROM OPERATIONS BEFORE DEPRECIATION	487,231	1,275,098
DEPRECIATION	(5,901,648)	(5,434,845)
LOSS FROM OPERATIONS	(5,414,417)	(4,159,747)
OTHER INCOME (EXPENSE)		
Interest income	10,953	63,634
Interest expense	(115,729)	(9,953)
Debt issuance costs	-	(315,483)
Total other income (expense)	(104,776)	(261,802)
LOSS BEFORE CONTRIBUTIONS	(5,519,193)	(4,421,549)
CONTRIBUTIONS		
Federal government	10,468,187	13,366,049
CARES Act grants	2,590,314	2,341,101
State grants	-	21,461
Pension revenue – State aid	213,620	71,044
Other transaction agreement, non-operating	601,188	156,303
Contributed capital	155,382	188,085
Passenger facility charges	1,151,242	1,400,759
Total contributions	15,179,933	17,544,802
CHANGE IN NET POSITION	9,660,740	13,123,253
NET POSITION		
Beginning of year	85,566,731	72,443,478
Net position, end of year	$ 95,227,471	$ 85,566,731

The Notes to Financial Statements are an integral part of these statements.

MISSOULA COUNTY AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 8,446,054	$ 8,773,767
Cash paid to suppliers	(1,932,824)	(2,427,751)
Cash paid to employees and employee benefits	(4,669,920)	(4,361,233)
Net cash flows from operating activities	1,843,310	1,984,783
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital assets	(30,703,864)	(18,662,914)
Construction payable incurred	2,929,278	566,946
Interest paid on long-term debt	(115,729)	(9,953)
Proceeds on long-term debt	10,825,000	500,000
Debt issuance costs paid	-	(315,483)
Federal contributions	13,014,692	14,951,329
Capital contributions	155,382	188,085
State grants	-	21,461
Net cash flows from capital and related financing activities	(3,895,241)	(2,760,529)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Passenger facility charges	982,183	1,594,818
Net cash flows from noncapital financing activities	982,183	1,594,818
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment income	10,953	63,634
Net cash flows from investing activities	10,953	63,634
Net change in cash and investments	(1,058,795)	882,706
Cash and investments, beginning of year	8,802,597	7,919,891
Cash and investments, end of year	$ 7,743,802	$ 8,802,597

The Notes to Financial Statements are an integral part of these statements.

MISSOULA COUNTY AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH AND CASH EQUIVALENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENT OF NET POSITION UNDER THE FOLLOWING CAPTIONS		
Unrestricted cash	$ 5,529,144	$ 6,221,405
Cash restricted for debt reserves	2,214,658	2,581,192
	$ 7,743,802	$ 8,802,597
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from operations	$ (5,414,417)	$ (4,159,747)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	5,901,648	5,434,845
Pension adjustments	500,579	351,102
Change in receivables	1,225,667	1,154,743
Change in prepaid expenses	90,595	(14,692)
Change in unearned revenue, advance payment, and deferred inflow	(605,526)	(657,360)
Change in accounts payable and accrued expenses	144,764	(124,108)
Total adjustments	7,257,727	6,144,530
Net cash flows from operating activities	$ 1,843,310	$ 1,984,783
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Change in pension liability, net	$ 500,579	$ 351,102

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Missoula County Airport Authority (the Authority) was established on December 29, 1980, through adoption of Resolution Number 80-183 by Missoula County, creating a municipal airport authority conferred with all the powers authorized by Title 67, Chapter 11, Montana Code Annotated. On March 23, 2005, the Missoula County Commissioners adopted Resolution Number 2005-033 to expand the Authority governing Board of Commissioners from five to seven members, two of whom are in the employ of Missoula County. The Commissioners of the Authority serve five-year staggered terms and are appointed by the Missoula County Commissioners.

The County Commissioners appoint the Authority's governing board, but cannot impose their will on the Authority, nor does the County derive any benefit or burden from the Authority. Therefore, the Authority is not considered to be a component unit of the County. Under criteria established by the Governmental Accounting Standards Board (GASB), there are no organizations that are considered to be component units of the Authority.

Nature of Operations

The Authority provides airfield, terminal and related facilities to air carriers, charter service operators and other transportation-related concessionaires under various use and lease agreements. These users are granted short-term credit on monthly billings for use fees, rentals and other services. The airport is also open to the public for general aviation use.

Basis of Presentation and Measurement Focus

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, and follow proprietary fund reporting. GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Authority's financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Authority's financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they occur while expenses are recognized in the period incurred, regardless of the timing of related cash flows.

Operating revenues are those revenues that are generated from the primary operations of the Authority. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the Authority. All other expenses are reported as non-operating expenses.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements
The Authority has adopted the provisions of the following GASB pronouncement for the fiscal year 2021:

Statement No. 91*, Conduit Debt Obligations.* This Statement clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The Statement also addressed the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of this Statement have been applied prospectively.

Classification of Net Position

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

Restricted Net Position
These are resources that are expendable only for specified purposes. The Authority's restricted net position amounts are primarily to be used for debt service payments.

Unrestricted Net Position
These are resources over which the governing board has discretionary control.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Authority considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents, including Montana Short-term Investment Pool (STIP) amounts and restricted cash.

Investments
Investments consist of investments in certificates of deposit and debt service reserve amounts on deposit with the revenue bonds trustee. Under the terms of the related revenue bond indenture, bond fund investments are restricted to qualified investments, which generally consist of U.S. government obligations, obligations of U.S. agencies guaranteed by the full faith and credit of the United States, STIP investments, repurchase agreements, certificates of deposit, and institution deposits that are secured by appropriate securities or insurance. Investments are reported at fair value.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets
Capital assets are recorded at cost, including freight and delivery costs incidental to placing the assets into service. Repairs and maintenance are expensed when incurred and betterments costing more than $15,000 are capitalized.

Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets as follows:

Airfield improvements	5–15 years
Building and related improvements	5–30 years
Other land improvements	5–15 years
Equipment	5–15 years
Furniture and fixtures	3–5 years

Costs relating to the construction or expansion of Authority property and equipment are recorded as construction work-in-progress until the project is completed and placed into service.

Estimated useful lives of depreciable existing terminal building assets were adjusted in fiscal year 2021 for the anticipated terminal removal in fiscal year 2022. The adjustments increased depreciation expense and related accumulated depreciation in fiscal year 2021 by $650,555.

Federal Capital Contributions
The Authority receives capital contributions from the U.S. Department of Transportation for airport construction, development and planning.

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

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

The availability of vaccines and decreasing numbers of new COVID-19 cases resulted in a slow recovery during fiscal year 2021. However, total passengers through the terminal for fiscal year 2021 remained only a fraction of prior years, at only 95% of fiscal year 2020 and 54% of fiscal year 2019.

With waves of new COVID-19 variants, the full extent and duration of the impact of COVID-19 on the Authority's operations and financial performance remains unknown.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The CARES Act provides funds to increase the federal share to 100 percent for Airport Improvement Program (AIP) and supplemental discretionary grants for fiscal years 2021 and 2020. Under normal circumstances, AIP grant recipients contribute a matching percentage of the project costs. Providing this additional funding and eliminating the local share will allow critical safety and capacity projects to continue as planned regardless of airport sponsors' current financial circumstances.

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

Under this new CARES Airport Program:

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

The Authority received a grant award totaling $5,616,102 related to the CARES Act. As of June 30, 2021, the Authority has recognized $3,811,685 as grant revenue on the CARES Act grant to reimburse eligible operating and project expenses. Additionally, the federal share of 2020 AIP grants was increased to 100 percent.

During 2021, legislation provided additional economic relief to airports in order to prevent, prepare for and respond to the COVID-19 pandemic. Coronavirus Response and Relief Supplemental Appropriation Act, 2021 (CRRSA) was signed into law on December 27, 2020.

The Authority received $3,293,668 in CRRSA funds to reimburse operating costs, debt service payments, debt defeasance and eligible project costs. No CRRSA revenue was recognized in fiscal year 2021.

Also, to provide economic relief to airports, all 2021 AIP grants were issued for 100% of eligible project costs and required no local match.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Passenger Facility Charges

The Authority is authorized under Federal Aviation Administration (FAA) regulations to charge a passenger facility charge of four dollars and fifty cents ($4.50) per enplaned passenger to fund designated capital projects. The passenger facility charges (PFCs) are collected by air carriers and remitted to the Authority on a monthly basis, net of an administrative fee retained by the carriers. PFCs are accounted for in a manner similar to federal capital contributions. PFC cash and related interest earnings are maintained in a separate bank account until disbursed for a qualified project.

Contributed Capital

The Authority occasionally receives capital contributions from airport tenants for capital improvement projects.

Compensated Absences

Employees of the Authority are compensated for vacation and sick leave absences. Unused vacation benefits are fully accrued and vested sick pay benefits are accrued based on 25 percent of accumulated unused sick leave. Annual vacation leave may be accumulated up to a total not to exceed two times the maximum number of days earned annually as of the end of the first pay period of the next calendar year. There is no maximum accrual for sick leave hours.

Airline Revenues

The Authority has executed airline use agreements with three carriers, while other carriers remain subject to rates and charges established by resolution. The resolution and use agreements specify a combination of compensatory and residual rate-making methods for various cost centers. The effects of differences between estimated and actual amounts in the residual cost center are reconciled and resolved once the annual audit has been substantially completed. The reconciliation revealed no amount due to the airlines at June 30, 2021 and 2020. The airline use agreements were executed effective July 1, 2014, and ended June 30, 2019. A three year extension to the agreements was agreed to by both the Authority and air carriers.

Use of Estimates

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

Marketing

Marketing costs represent expenditures related to air service development. These costs are charged to operations in the year incurred and totaled $119,327 and $210,056, in 2021 and 2020, respectively.

NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30 were as follows:

	2021	2020
Petty cash	$ 300	$ 300
Cash in checking, general	2,201,857	3,074,774
Project checking account	260,696	116
Undeposited funds	3,187	1,983
U.S. Forest Service account	50,001	50,000
Payroll checking account	203,390	211,370
PFC cash account	2,214,658	2,571,237
CFC account	872,746	238,330
STIP	753,114	951,176
Money market accounts	1,056,595	1,575,523
Flex - benefits	1,648	2,187
Contingency account	125,610	125,601
	$ 7,743,802	$ 8,802,597

Cash and investments are presented in the statements of net position as follows:

	2021	2020
Cash and cash equivalents	$ 5,529,144	$ 6,221,405
Restricted assets		
Cash	2,214,658	2,581,192
Total cash and investments	$ 7,743,802	$ 8,802,597

The Authority reports certain investments at fair value in the statements of net position and recognizes the corresponding change in the fair value of investments in the year in which the change occurred in the statements of revenues, expenses, and changes in net position.

Fair Value Measurements
The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 input are quoted prices in active markets for identical assets (these assets are valued using quoted prices in active markets); Level 2 inputs are significant other observable inputs (these investments are valued using matrix pricing); Level 3 inputs are significant unobservable inputs (these investments are valued using consensus pricing). All of the Authority’s investments are valued using Level 1 inputs.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Deposits

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires that all deposits are insured by an agency of the United States Government and deposits in excess of insurance require pledged securities in compliance with Section 7-6-207 of the Montana Code Annotated (MCA). Third-party safekeeping of collateral is mandatory and pledged securities are valued at market rather than face value. All deposits were insured or collateralized at June 30, 2021 and 2020.

Custodial credit risk for deposits is not formally addressed by bond indentures or pension trust policy. Indentures require that the trustee bank specified in the indenture maintain restricted deposits.

Investment Policies

Credit Risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. Investing is performed in accordance with investment policies adopted by the Authority's Commissioners complying with State Statutes and any applicable Attorney General, County Attorney and Airport Authority-retained counsel's opinions. Authority funds may be invested in obligations of the U.S. Treasury and U.S. Government Agencies, interest-bearing certificates of deposit and repurchase agreements. Statutes require that securities underlying repurchase agreements must have a market value of at least 100% of the cost of the repurchase agreement.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy requires the Authority's investment portfolio to be diversified in instruments, institutions, and maturity dates to preclude losses due to defaults or market price changes. The Authority may diversify by investing with local financial institutions, STIP, or by purchasing qualified U.S. government securities to the extent it is consistent with the policy objectives on safety of capital and return on investment.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Authority's investments in a single issuer. The Authority's investment policy requires that investments be diversified in instruments, institutions, and maturity dates.

External Investment Pool

STIP is managed by a State agency, the Montana Board of Investments, and invests in short-term, highly liquid investments. Amounts invested may be redeemed at any date at the carrying value on that date. The STIP unit value is fixed at $1 for both purchases and redemption. A purchased unit earns income on the purchase date and ceases to earn income on the day before the unit is sold. Income is distributed on the first calendar day of each month and is generally reinvested in additional units.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

External Investment Pool (Continued)

STIP is not registered with the Securities and Exchange Commission (SEC), but it operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940 (similar to a money market fund). The fair value of the pooled investments is determined annually and is based on year-end market prices.

Credit risk reflects the security quality rating, by investment security type. If a security type is not rated, the quality type is indicated by NR (not rated). Although the individual investment types in STIP have been rated, STIP, as an external investment pool, has not been rated by the Nationally Recognized Statistical Rating Organizations (NRSRO). The NRSRO consists of Standard and Poor (S&P), Moody's, Duff and Phelps, Fitch, IBCA, and Thompson's Bank Watch. The S&P rating service provides the short-term credit ratings. If an S&P rating is not available, a Moody's rating has been used. An Al+ rating is the highest short-term rating by the S&P rating service.

Audited financial statements for STIP may be obtained from: the State of Montana's Board of Investments, P.O. Box 200126, Helena, MT 59620-0126.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable include amounts due from air carriers, car rentals, and parking facilities. These receivables are due within one year. It is the Authority's policy to charge off receivables when management determines the receivable will not be collected. Based upon management's analysis, an allowance for uncollectible accounts is not considered necessary.

At June 30, accounts receivable consisted of the following:

	2021	2020
Trade	$ 896,433	$ 1,582,907
Advertising	7,682	278
Ground handling	225,310	88,544
Non-based landing fees	4,361	5,421
	$ 1,133,786	$ 1,677,150

NOTE 4. CAPITAL ASSETS

A summary of capital assets at June 30, 2021, follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 11,494,266	$ -	$ -	$ 11,494,266
Land available for sale	1,188,233	-	-	1,188,233
Construction in progress	27,230,356	30,703,864	(1,609,724)	56,324,496
Total capital assets not being depreciated	39,912,855	30,703,864	(1,609,724)	69,006,995
Capital assets being depreciated:				
Land improvements	12,502,391	-	(90,234)	12,412,157
Buildings	27,956,332	-	(475,595)	27,480,737
Runways, taxiways, apron	69,489,979	1,381,105	(56,338)	70,814,746
Air traffic control tower	6,513,530	-	-	6,513,530
Studies	2,162,444	30,000	(267,037)	1,925,407
Machinery and equipment	3,077,605	87,274	(85,667)	3,079,212
Office equipment	7,175	-	(7,175)	-
Vehicles	5,470,262	111,345	-	5,581,607
Furniture and fixtures	112,602	-	(58,568)	54,034
Total capital assets being depreciated	127,292,320	1,609,724	(1,040,614)	127,861,430
Less accumulated depreciation	(88,508,816)	(5,901,648)	1,040,613	(93,369,851)
Capital assets, net	$ 78,696,359	$ 26,411,940	$ (1,609,725)	103,498,574
Less related debt				(11,325,000)
Net investment in capital assets				$ 92,173,574

NOTE 4. CAPITAL ASSETS (CONTINUED)

A summary of capital assets at June 30, 2020, follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	$ 11,494,266	$ -	$ -	$ 11,494,266
Land available for sale	1,188,233	-	-	1,188,233
Construction in progress	8,927,536	18,621,057	(272,829)	27,230,356
Total capital assets not being depreciated	21,610,035	18,621,057	(272,829)	39,912,855
Capital assets being depreciated:				
Land improvements	12,464,891	37,500	-	12,502,391
Buildings	27,744,586	211,746	-	27,956,332
Runways, taxiways, apron	69,489,741	238	-	69,489,979
Air traffic control tower	6,513,530	-	-	6,513,530
Studies	2,162,444	-	-	2,162,444
Machinery and equipment	2,996,582	81,023	-	3,077,605
Office equipment	7,175	-	-	7,175
Vehicles	5,440,675	29,587	-	5,470,262
Furniture and fixtures	112,602	-	-	112,602
Total capital assets being depreciated	126,932,226	360,094	-	127,292,320
Less accumulated depreciation	(83,073,971)	(5,434,845)	-	(88,508,816)
Capital assets, net	$ 65,468,290	$ 13,546,306	$ (272,829)	78,696,359
Less related debt				(500,000)
Net investment in capital assets				$ 78,196,359

Land in the amount of $1,188,233 at June 30, 2021 and 2020, is available for sale as described in Note 12.

NOTE 5. LONG-TERM DEBT

Long-term debt from direct borrowings at June 30 consisted of the following:

	2021
Airport revenue note - series 2019A	$ 8,945,450
Airport revenue note - series 2019B	2,379,550
	11,325,000
Current portion of long-term debt	-
	$ 11,325,000

NOTE 5. LONG-TERM DEBT (CONTINUED)

The Authority's outstanding notes from direct borrowings of $11,325,000 are secured by net revenues, passenger facility charges and customer facility charges. The outstanding notes from direct borrowings require, among other things, that net operating revenues equal at least 125 percent of the debt service requirement (the rate covenant), minimum levels of insurance coverage, and compliance with PFC regulations. The notes are subject to redemption and prepayment in whole or in part at the option of the Authority on any date on or after July 1, 2022.

Airport Revenue Note Series 2019A was issued in August 2019 as a draw down obligation for $27,500,000 with the principal amounts advanced as requested by the Authority. Interest on the unpaid principal is calculated on the basis of actual number of days elapsed in a 365 or 366 day year at a fixed annual interest rate of 3.98%. Interest is due and payable on the 1st day of each calendar quarter, beginning July 1, 2020. Principal is due and payable on the 1st day of each calendar quarter, beginning July 1, 2029. All unpaid principal and accrued interest is due and payable on July 1, 2044.

Airport Revenue Note Series 2019B was issued in August 2019 as a draw down obligation for $7,500,000 with the principal amounts advanced as requested by the Authority. Interest on the unpaid principal is calculated on the basis of actual number of days elapsed in a 365 or 366 day year at a fixed annual interest rate of 3.04%. Interest is due and payable on the 1st day of each calendar quarter, beginning July 1, 2020. Principal is due and payable on the 1st day of each calendar quarter, beginning July 1, 2022. All unpaid principal and accrued interest is due and payable on April 1, 2029.

In July 2022, the holder of the Series 2019 Notes will provide the Authority an amortization schedule for each note based upon the principal amount of each note drawn down by the Authority as of July 1, 2022.

Changes in long-term debt were as follows:

2021	Balance July 1, 2020	Proceeds from Borrowing	Payments	Balance June 30, 2021	Amount Due in One Year
Note payable to First Security Bank of Missoula - series 2019A	$ 393,700	$ 8,551,750	$ -	$ 8,945,450	$ -
Note payable to First Security Bank of Missoula - series 2019B	106,300	2,273,250	-	2,379,550	-
	$ 500,000	$ 10,825,000	$ -	$ 11,325,000	$ -

NOTE 6. LEASE OF AIRPORT FACILITIES

The Authority is the lessor of various properties at Missoula International Airport which include a U.S. Forest Service Hangar, concessions, rental car, and airfield facilities. These leases generally provide for fixed rentals plus contingent rentals based on the lessees' gross revenues.

NOTE 6. LEASE OF AIRPORT FACILITIES (CONTINUED)

The public health emergency caused by the COVID-19 pandemic has caused a significant decrease in enplanements nationally and at the Authority. Based on the significant loss of revenue to the Authority's concessionaires caused by the decrease in volume of traffic, the Authority deemed it reasonable to provide for relief to concessionaires.

The Authority also revised the rental car concession agreements as follows: The term of the agreement is redefined to match the fiscal year of the Authority and will run from July 1, 2020 through June 30, 2025. This agreement effectively eliminated the minimum annual guarantee (MAG) for the period of April 1, 2020 through June 30, 2021. The rental car companies will continue to pay 10% of gross revenues and customer facility fees of $4 per contract day.

A schedule of minimum future rentals for non-cancellable leases (excluding air carrier use agreements) as of June 30, 2021, follows:

2022	$ 3,197,987
2023	3,515,118
2024	3,536,197
2025	2,750,607
2026	851,086
	$ 13,850,995

NOTE 7. RESTRICTED NET POSITION

A summary of net position restricted for debt service as required under the First Security Bank Note Agreement, land escrow agreements, and FAA approved capital projects under the Passenger Facility Charge program as of June 30 is as follows:

	2021	2020
Airport fund		
Debt service	$ -	$ 9,955
Other		
Passenger facility charge cash	2,214,658	2,571,237
Total	$ 2,214,658	$ 2,581,192

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

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

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

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

Summary of Benefits

Eligibility for Benefit
Service retirement:

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

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

Summary of Benefits (Continued)

Early Retirement

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

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

1) Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
   - A refund or member's contributions plus return interest (currently 2.02% effective July 1, 2018).
   - No service credit for second employment;
   - Start the same benefit amount the month following termination; and
   - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
   - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
   - GABA starts on the recalculation benefit in January after receiving the new benefit for 12 months.

3) Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
   - The same retirement as prior to the return to service;
   - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
   - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's Highest Average Compensation (HAC)

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

Compensation Cap

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

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

Summary of Benefits (Continued)

Monthly Benefit Formula

1) Members hired prior to July 1, 2011:

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

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

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

Special Funding

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

Not Special Funding

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

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

Overview of Contributions

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

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
   a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contribution rates.
   b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
   c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non Employer Contributions
   a. Special Funding
      i. The State contributes 0.1% of members' compensation on behalf of local government entities.
      ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
      iii. The State contributed a Statutory Appropriation from the General Fund of $33,951,150.

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

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

GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's total pension liability (TPL). The basis for the TPL as of June 30, 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 update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 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 the particular employer to the total state contributions paid. The employer recorded a liability of $4,147,737 and the employer's proportionate share was 0.157218 percent.

	Net Pension Liability as of June 30, 2020	Net Pension Liability as of June 30, 2019	Percent of Collective NPL as of June 30, 2020	Percent of Collective NPL as of June 30, 2019	Change in Percent of Collective NPL
Authority proportionate share	$4,147,738	$ 3,215,165	0.157218%	0.153813%	0.003405%
State of Montana proportionate share associated with the Authority	1,306,207	1,046,472	0.049511%	0.050063%	-0.000552%
Total	$5,453,945	$ 4,261,637	0.206729%	0.203876%	0.002853%

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

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

Changes in Actuarial Assumptions and Methods

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. 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 date.

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. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense

At June 30, 2020, the Authority recognized $730,228 for its proportionate share of the Plan's pension expense and recognized grant revenue of $213,620 for the support provided by the State of Montana for its proportionate share of the pension expense associated with the Authority.

	Pension expense as of 6/30/2020	Pension expense as of 6/30/2019
Authority's proportionate share	$ 730,228	$ 554,419
State of Montana proportionate share associated with the employer	213,620	71,044
Total	$ 943,848	$ 625,463

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

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

Recognition of Deferred Inflows and Outflows

At June 30, 2020, the Authority reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	$ 66,953	$ 118,590
Change in assumptions	287,215	-
Projected vs. actual investment earnings	359,157	-
Changes in proportion share and differences between employer contributions and proportionate share of contributions	8,015	-
Employer contributions subsequent to measurement date	227,241	-
Total	$ 948,581	$ 118,590

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date in the amount of $227,241 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ended June 30:	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to Pension Expense
2021	$ 137,580
2022	249,947
2023	125,492
2024	89,731
Thereafter	-

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

Actuarial Assumptions

The TPL 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* 3.50%

  *includes Inflation at 2.40%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases:
  1. Guaranteed Annual Benefit Adjustment (GABA) each January
     - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
       - 3% for members hired prior to July 1, 2007
       - 1.5% for members hired between July 1, 2007 and June 30, 2013
       - Members hired on or after July 1, 2013:
         (a) 1.5% for each year PERS is funded at or above 90%;
         (b) The 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%;
         (c) 0% whenever the amortization period for PERS is 40 years or more.

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

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, 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%

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

Actuarial Assumptions (Continued)
Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 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	30.00%	6.19%
International Equity	16.00%	6.92%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	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 will be made based on the Board's funding policy, which established the contractually required rates under Montana Code Annotated.

The state contributed 0.10% of salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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.

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease (6.34)%	Current Discount Rate	1.0% Increase (8.34)%
Missoula County Airport Authority's net pension liability	$ 5,709,114	$ 4,147,738	$ 2,836,191

PERS Disclosure for the Defined Contribution Plan

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

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

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

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

At the plan level for the measurement period ended June 30, 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.

NOTE 8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (CONTINUED)

Pension Plan Fiduciary Net Position

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

NOTE 9. OTHER RETIREMENT AND MEDICAL BENEFIT PLANS

Other Retirement Plan

In 2021 and 2020, the Authority contributed 4% of compensation for regular full-time employees as a non-elective contribution to the Authority's 414(h) retirement plan (the Plan). The Authority's profit sharing contribution for 2021 and 2020 was 8% of compensation for all eligible employees. The Authority reserves the right to amend the retirement plan, including the percentage of contributions.

The Authority's contributions to the profit sharing plan for years ended June 30, 2021 and 2020, were $221,905 and $225,141, respectively. Employee contributions to the Authority's 414(h) retirement plan for years ended June 30, 2021 and 2020, were $110,952 and $112,570, respectively.

Deferred Compensation Plan

The Authority sponsors a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to all Authority employees, and permits employees to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The retirement plan assets are held in an irrevocable trust, which will protect the plan assets from any potential future claims by creditors.

Medical Benefit Plan

The Authority participates in the Missoula County Medical Benefit Plan. During 2021 and 2020, the Authority paid $540,667 and $455,418 respectively, to the Plan.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

The Authority participates in the Missoula County Employee Benefits Plan, a self-insured agent multiple-employer plan. To qualify for retiree medical benefits, the employee must have attained the age of 60 plus five years of service, or attained age 65, or completed 30 years of service. An employee may qualify for early retirement by meeting one of the following criteria: attained the age of 50 plus five years of service, or completed 25 years of service.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

These benefits are established and may be amended by Missoula County. The plan issues stand-alone financial statements which can be obtained from Missoula County Risk & Benefits, 200 West Broadway, Missoula, MT 59802.

Retirees pay into the plan what the Authority and active employees would pay on a monthly basis. Subsequent to retirement, the retiree's relationship is with the benefit plan and the Authority is not required to make any additional contributions for the retired employee.

The Authority has also reviewed the provisions of GASB Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans". In complying with GASB 75, the Authority has estimated the value of the total OPEB liability as of June 30, 2021. That estimation resulted in an immaterial amount; therefore, the liability and additional disclosures related to OPEB, have not been included on the Statement of Net Position or within the notes to the financial statements.

NOTE 11. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and medical insurance costs of employees. Settled claims did not exceed the commercial coverage for the years ended June 30, 2021, 2020 or 2019. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No liability accrual was required at June 30, 2021 and 2020.

The Authority provides workers' compensation coverage for all employees through the Missoula County Workers' Compensation Group Insurance Authority (formerly the Missoula County Workers' Compensation Plan). The Authority's contribution rates were $.009 to $.0625 per $100 of covered salary, depending on employee classification. The Authority's contributions for the years ended June 30, 2021 and 2020 were $97,335 and $97,529, respectively.

As discussed in Notes 8 and 9, employee medical and life insurance is provided through the Authority's participation in the Missoula County self-insured medical plan.

NOTE 12. COMMITMENTS AND CONTINGENCIES

In June 2003, the Authority purchased approximately 759 acres of real property. The terms of the sale provided that $500,000 be deposited in an escrow account that would be used to pay for related land costs. Any interest earned would be paid to the sellers and any balance remaining in the escrow account at the end of three years would be paid to the sellers at that time. Funds deposited in the escrow account were misappropriated by the former Authority Director. On May 2, 2005, the Authority received correspondence from counsel for the sellers of the property requesting rescission of the June 2003 purchase. The Authority vigorously denied that there were grounds for rescission.

The sellers of the property filed a Complaint in Missoula County District Court in December 2005. The Authority filed an Answer to the Complaint. In 2006, the Authority attempted to pay the remaining balance in the escrow account to the sellers. Because of a pending lawsuit, the sellers had refused to accept the escrow funds.

In 2010, a trial was held in the matter. The Judge issued an order which found for the sellers on all their claims against the Authority and ordered the parties to negotiate a partial rescission of the sale. In October 2011, the District Court entered an order approving a settlement agreement entered into between the Authority and the sellers. Under the settlement agreement, the sellers have the option to purchase up to 447 acres from the Authority over a ten-year period. The land subject to the option is broken out into two parcels. The purchase price for the approximately 309 acres in Parcel I is $3,935 per acre. The purchase price for the approximately 138 acres in Parcel II is $6,054 per acre. The purchase price accrues interest at the rate of 4.35%.

In 2013, the sellers exercised their option to purchase 275 acres of Parcel I for $1,116,704. The transaction resulted in the Authority recognizing a loss of $548,146. Thirty-four acres of Parcel I remain available for purchase at $3,935 per acre and 138 acres of Parcel II remain available for purchase at $6,054 per acre.

NOTE 13. SERVICE CONCESSION ARRANGEMENT

The Authority has entered into a concession agreement expiring June 30, 2024, with Republic Parking System, Inc. (RPS) to operate the Authority's public parking facility located on airport property. The Authority entered into the arrangement as a means to provide parking facilities to members of the public visiting the Missoula International Airport (the Airport) in a more efficient, cost-effective manner.

NOTE 13. SERVICE CONCESSION ARRANGEMENT (CONTINUED)

The terms of the agreement include:

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

Under the terms of the agreement, RPS is required to pay the Authority as follows:

Fiscal Year Ended	Net Present Value of Minimum Annual Guarantee	Percentage of Annual Gross Receipts (calculated for the contract years ended June 30)
June 30, 2022	$729,998	50% of RPS's annual gross receipts >$0 but <$200,000
June 30, 2023	710,530	80% of RPS's annual gross receipts >$200,000 but <$500,000
June 30, 2024	691,580	85% of RPS's annual gross receipts >$500,000 but <$1,200,000
		92.5% of RPS's annual gross receipts >$1,200,000

The facility is reported by the Authority as a capital asset and is being depreciated over its useful life. For the amount to be received under the agreement, the Authority has recorded a receivable and deferred inflow of resources in the amount of $2,173,254 and $2,855,557 for fiscal years June 30, 2021 and 2020, respectively. The deferred inflow of resources is amortized to revenue over the term of the agreement.

NOTE 14. CONDUIT DEBT OBLIGATION

In January 2021, the Authority entered into a Loan Agreement (the Agreement) in accordance with the Montana Code Annotated 17-6-309(2) which authorizes the Montana Board of Investments (MBOI) to provide capital financing to purchase certain public improvements on real property owned by the Authority from a private entity. The loan was issued under the authority of the MBOI to make infrastructure loans to enhance economic development and create jobs in the basic sector of the economy, if the loan will result in the creation or expansion of a business estimated to employ at least an additional fifteen people in Montana. The public improvements are pledged as collateral for the loan. There is an underlying lease agreement between the Authority and the private entity on the public improvements. The loan is payable from payments received from the private entity on the lease agreement, and the Authority has committed to maintain the Agreement with MBOI. At June 30, 2021, the conduit debt obligation has an outstanding principal amount payable of $1,968,356. The loan will be paid in full as of January 1, 2041.

NOTE 15. SUBSEQUENT EVENT

Management has evaluated subsequent events through November 30, 2021, the date on which the financial statements were available to be issued.

The sellers referred to in Note 12 gave the airport notice in May 2021 of their intent to exercise their rights under a 2011 Settlement Agreement (see note 12) to purchase 154.2 acres. The price for the property was set in the Settlement Agreement at $3,935.00 per acre for 35.4 acres and $6,054.00 per acre for 118.8 acres, plus 4.35% interest from the settlement date of October 5, 2011.

The sale was executed on November 15, 2021. The sales proceeds for the land were $858,514 as calculated per the terms discussed above. The book value of the land in airport records is $1,065,264. The difference between proceeds and book value will be recognized as a loss of $206.750. The interest earned in the transaction was $455,718.

Subsequent to June 30, 2021, the Authority received an Airport Rescue Grant in the amount of $5,375,923. This grant is subject to the rules and regulations of the Airport Rescue Plan Act.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSOULA COUNTY AIRPORT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE PERS NET PENSION LIABILITY
*FOR THE LAST TEN FISCAL YEARS
June 30, 2021

Schedule of Proportionate Share of the Net Pension Liability for the Last Ten Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability as a percentage	0.1572%	0.1538%	0.1355%	0.1709%	0.1536%	0.1509%	0.1402%
Employer's net pension liability as an amount	$ 4,147,738	$ 3,215,165	$ 2,827,317	$ 3,327,526	$ 2,616,735	$2,110,016	$1,747,437
State of Montana's net pension liability	1,306,207	1,046,472	948,439	46,963	31,973	25,918	21,339
Total	$ 5,453,945	$ 4,261,637	$ 3,775,756	$ 3,374,489	$ 2,648,708	$2,135,934	$1,768,776
Employer's covered payroll **	$ 2,637,849	$ 2,537,886	$ 2,227,772	$ 2,119,084	$ 1,840,137	$1,761,557	$1,610,102
Employer's proportionate share of the net pension liability as a percentage of covered payroll	157.24%	126.69%	126.91%	157.03%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

**The amounts presented for each fiscal year were determined as of June 30, the measurement date.*

*** All employer adjustments made in the current fiscal year 2020 but are adjusting a payroll with a pay date in a prior fiscal year, are considered prior year adjustments and are removed from the covered payroll report before the actuary calculates the employers proportionate share.*

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MISSOULA COUNTY AIRPORT AUTHORITY
SCHEDULE OF PERS CONTRIBUTIONS
*FOR THE LAST TEN FISCAL YEARS
June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Schedule of Contributions for the Last Ten Fiscal Years*							
Contractually required contributions	$ 229,622	$ 231,111	$ 218,276	$ 188,692	$ 177,398	$ 153,809	$ 145,159
Plan choice rate required contributions	-	-	-	-	-	8,830	11,371
Contributions in relation to the contractually required contributions	229,622	231,111	218,276	188,692	177,398	162,639	156,530
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll **	$ 2,591,116	$ 2,637,849	$ 2,537,886	$ 2,227,772	$ 2,119,084	$ 1,840,137	$ 1,761,557
Contributions as a percent of covered-employee payroll	8.86%	8.76%	8.60%	8.47%	8.37%	8.84%	8.89%

**The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year end.*

*** All employer adjustments made in the current fiscal year 2020 but are adjusting a payroll with a pay date in a prior fiscal year, are considered prior year adjustments and are removed from the covered payroll report before the actuary calculates the employers proportionate share.*

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of Benefit Terms
The following changes to the plan provisions were made as identified:

2017:

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

1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
2) Terminating members with accumulated contributions between $200 and $1,000 who wish to rollover their refund must do so within 90 days of termination of service.
3) Trusts, estates, and charitable 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 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 members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 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 pay, 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 Scale BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin expenses 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.

SUPPLEMENTAL INFORMATION

MISSOULA COUNTY AIRPORT AUTHORITY
OPERATING REVENUES
For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
LANDING FIELD			
Landing fees			
Airlines	$ 507,117	$ 785,277	$ (278,160)
Freight carriers	33,817	43,253	(9,436)
Forest service	19,927	19,780	147
Other	72,238	32,931	39,307
Fuel flowage	99,582	72,585	26,997
Total landing field	732,681	953,826	(221,145)
TERMINAL			
Airline rentals	1,083,875	1,084,716	(841)
Non-sig turn fees	223,590	155,810	67,780
Advertising income	166,945	179,904	(12,959)
Land transportation facilities			
Customer facility charges	766,388	761,483	4,905
On-airport car rentals	1,496,072	1,331,572	164,500
Off-airport car rentals	40,295	43,972	(3,677)
Parking lot	1,040,007	1,671,767	(631,760)
Ground services	858,531	544,437	314,094
Restaurant	67,519	97,560	(30,041)
Coffee concession	74,038	86,664	(12,626)
Travel agency	7,093	7,093	-
Gift shops	188,744	165,630	23,114
Telephones and vending	22,407	30,402	(7,995)
Utilities reimbursement	32,986	27,941	5,045
Security reimbursement	107,270	126,570	(19,300)
Other	92,354	105,246	(12,892)
Total terminal	6,268,114	6,420,767	(152,653)
FIXED BASE/GOVERNMENT			
Government office rental	-	62,634	(62,634)
Fixed base operator's rental	255,691	257,082	(1,391)
Total fixed base/government	255,691	319,716	(64,025)
INDUSTRIAL PARK			
Building and ground rental	622,726	562,952	59,774
Agricultural ground rental	13,524	15,084	(1,560)
Fuel farm rental	4,050	4,039	11
Total industrial park	640,300	582,075	58,225
TOTAL OPERATING REVENUES	$ 7,896,786	$ 8,276,384	$ (379,598)

MISSOULA COUNTY AIRPORT AUTHORITY
OPERATING EXPENSES
For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
Accounting and auditing services	$ 31,702	$ 26,102	$ 5,600
Bad debt	6,103	-	6,103
Consulting services	140,249	154,903	(14,654)
Display/visitor information center	3,094	7,716	(4,622)
Insurance	132,510	129,477	3,033
Legal services	9,449	1,410	8,039
Maintenance, repairs and equipment rentals	1,113,677	1,019,429	94,248
Membership and organization dues	17,999	13,200	4,799
Office supplies and equipment	31,361	36,361	(5,000)
Other	60,595	172,381	(111,786)
Petroleum products and tires	62,708	54,730	7,978
Safety supply and equipment	21,405	12,377	9,028
Salaries and related payroll expenses	5,170,499	4,712,335	458,164
Telephone	52,770	46,246	6,524
Training	43,778	33,163	10,615
Travel, meals and public relations	33,652	64,260	(30,608)
Uniforms and laundry	32,314	16,727	15,587
Utilities	445,690	500,469	(54,779)
	$ 7,409,555	$ 7,001,286	$ 408,269

MISSOULA COUNTY AIRPORT AUTHORITY
REVENUE BOND COVERAGE
For the Year Ended June 30, 2021

GROSS REVENUES		
Operating	$	7,896,786
Plus: interest - unrestricted, debt service and debt service reserve		10,953
		7,907,739
OPERATING EXPENSES		7,409,555
NET REVENUE AVAILABLE FOR DEBT SERVICE	$	498,184
FISCAL YEAR DEBT SERVICE REQUIREMENT	$	115,710
COVERAGE RATIO		4.31
MINIMUM DEBT SERVICE COVERAGE REQUIRED BY RATE COVENANT		1.25

MISSOULA COUNTY AIRPORT AUTHORITY
AIRPORT OPERATIONS INFORMATION
For the Years Ended June 30, 2021 and 2020

REVENUE PASSENGERS HANDLED

	2021	2020
Airlines		
Revenue passengers enplaned	268,386	343,022
Revenue passengers deplaned	268,747	337,682
Total	537,133	680,704

TOWER AIRCRAFT OPERATIONS

	2021	2020
Total Traffic	46,072	37,801

MISSOULA COUNTY AIRPORT AUTHORITY
INSURANCE IN FORCE
For the Year Ended June 30, 2021

Insurer	Risk Covered	Coverage
PayneWest Insurance		
Liability	Products/completed operations aggregate limit	$ 50,000,000
	Personal/advertising injury aggregate limit	50,000,000
	Fire damage limit any one fire	1,000,000
	Medical expense limit any one person	5,000
	Hangarkeepers liability each aircraft	50,000,000
	Hangarkeepers liability each occurrence	50,000,000
	Employee benefits liability	1,000,000
	On-airport premises auto liability	50,000,000
	Excess auto liability	25,000,000
	Malpractice aggregate limit	50,000,000
	Non-owned aircraft liability	50,000,000
	Excess employers liability (excess of $1m underlying)	25,000,000
	Passenger baggage liability aggregate limit	250,000
	Passenger baggage liability each occurrence	2,500
	Limited terrorism	5,000,000
Commercial Auto	Combined single limit liability	1,000,000
	Uninsured/underinsured motorist	1,000,000
	Hired/non-owned liability	1,000,000
	Medical payments	5,000
	Comprehensive deductible	1,000
	Collision deductible	1,000
Commercial Property	Blanket building limit	16,352,581
	Terminal buildings limit	23,538,068
	Blanket contents limit	150,909
	Terminal contents	627,328
	Blanket business income limit	1,500,000
	Fencing, gates, and outdoor lighting	257,000
	Scheduled mobile equipment	5,250,884
	Flood coverage	1,000,000
	Crime coverage	125,000
Non-Profit Organization Policy	Directors and officers liability aggregate limit	2,000,000
	Employment practices liability aggregate limit	2,000,000
	Fiduciary liability	1,000,000

MISSOULA COUNTY AIRPORT AUTHORITY
FEDERALLY FUNDED AIRPORT PROJECTS
For the Year Ended June 30, 2021

AIP Funded Projects

Project #	Projects	Percent Complete	Grant Award
63	Terminal Access Road	100%	$ 1,828,910
64	Terminal Final Design, TSA Relocation and Demo/Foundation	100%	8,757,550
65	Terminal Demo/Foundation, Vertical and Core Construction	72%	9,208,268
66	Terminal Access Road	100%	1,000,000
67	West GA Improvements	98%	1,390,243
68	Terminal Core/Shell /Interior	55%	7,490,787
69	Terminal Access Road	100%	268,155
70	CARES Funding	35%	5,616,102
71	VALE	72%	756,995
72	CRRSA	0%	3,293,668
75	CRRSA Concessions Relief	0%	97,182

Passenger Facility Funded Projects

Application #	Projects	Percent Complete	Grant Award
18-09-C-00-MSO	Approved July 9, 2018 Federally eligible terminal projects costs and related debt service Collection authority for approximately 30 years	8%	36,265,589

MISSOULA COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Program Description	CFDA No.	Contract No.	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Direct:				
Administered by the Federal Aviation Administration				
Airport Improvement Program	20.106	3-30-0056-063-2019	$ 84,435	$ -
Airport Improvement Program	20.106	3-30-0056-064-2018	279,254	-
Airport Improvement Program	20.106	3-30-0056-065-2019	2,611,791	-
Airport Improvement Program	20.106	3-30-0056-067-2020	63,116	-
Airport Improvement Program	20.106	3-30-0056-068-2020	5,737,152	-
COVID-19 Airport Improvement Program	20.106	3-30-0056-070-2020	2,124,222	-
COVID-19 Airport Improvement Program	20.106	3-30-0056-071-2020	594,192	-
COVID-19 Airport Improvement Program	20.106	3-30-0056-073-2021	1,043,203	
COVID-19 Airport Improvement Program	20.106	3-30-0056-074-2021	55,044	-
Total U.S. Department of Transportation			12,592,409	-
U.S. Department of the Treasury				
Direct:				
Payroll Support Program	21.018	PSA-2004062373	298,310	-
Passed through the State of Montana:				
Coronavirus Relief Fund	21.019	N/A	161,659	-
Total U.S. Department of the Treasury			459,969	-
U.S. Department of Homeland Security				
Passed through the State of Montana:				
COVID-19 (FEMA) Relief		N/A	6,133	-
Total U.S. Department of Homeland Security			6,133	-
Total Federal Expenditures			$ 13,058,511	$ -

See Notes to Schedule of Expenditures of Federal Awards.

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited as to reimbursement. Reported federal expenditures include capital asset purchases which are capitalized and not reported as expenses in the financial statements.

NOTE 3. AIRPORT IMPROVEMENT PROJECTS

The Authority receives federal contributions totaling 90% of actual expenditures incurred on qualified airport improvement projects, and the Authority provides the remaining match. The CARES Act provides funds to increase the federal share to 100% for Airport Improvement Program grants in 2020 and 2021.

NOTE 4. INDIRECT COST RATE

The Authority has elected not to use the 10% de minimis indirect cost rate described under the Uniform Guidance.

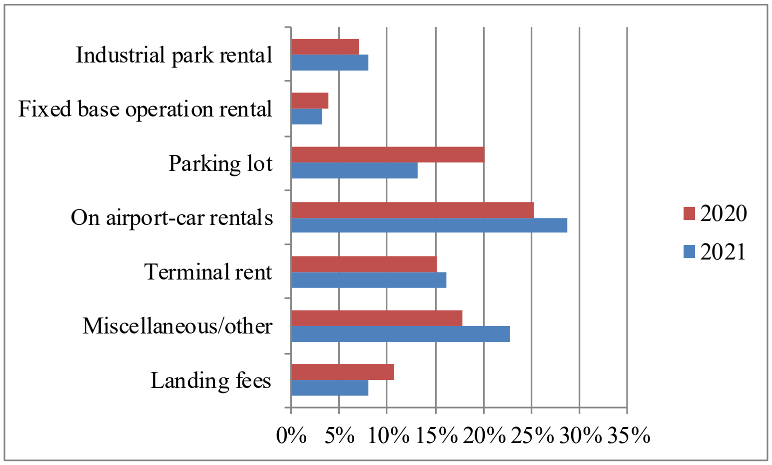
MISSOULA COUNTY AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES (PFC) COLLECTED AND EXPENDED
For the Year Ended June 30, 2021

Application Number: 18-09-C-00-MSO

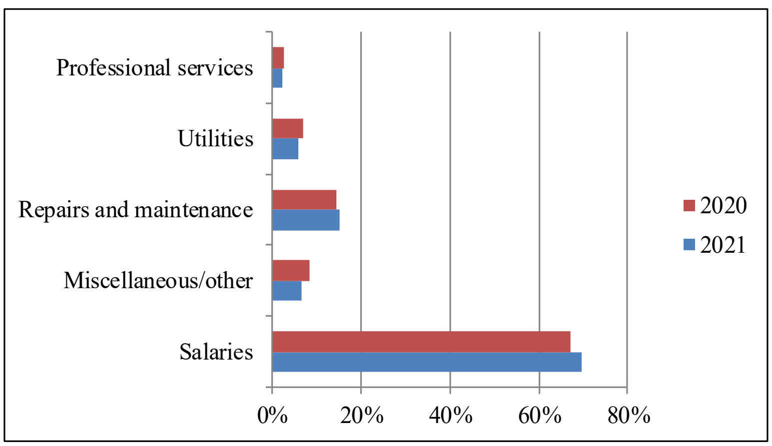
Quarter Ended	PFC Revenue Collected	Interest Earned	Expenditures on PFC Projects
September 2020	$ 139,574	$ 66	$ 29,329
December 2020	229,796	71	26,129
March 2021	193,175	46	833,618
June 2021	419,640	29	449,868
Total	$ 982,184	$ 211	$ 1,338,944

Total PFC collections authorized	$ 59,763,524
Cumulative PFC collections	28,668,915
Remaining PFC collections authorized	$ 31,094,609

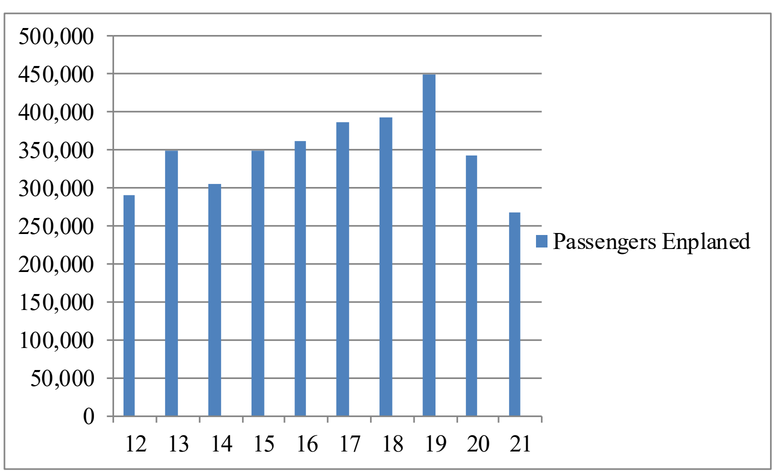
Supplemental Operating Revenue Information



Supplemental Operating Expenses Information



Supplemental Passenger Enplanement Information



SINGLE AUDIT SECTION

1821 SOUTH AVENUE WEST • FIFTH FLOOR • P.O. BOX 2368 • MISSOULA, MONTANA 59806-2368
TEL: 406.721.7800 • FAX: 406.721.4155 • WEB: azworld.com

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*

Board of Commissioners
Missoula County Airport Authority
Missoula, 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 Missoula County Airport Authority (the 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, and have issued our report thereon dated November 30, 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.

Anderson Zurmuehlen + Co., P.C.

Missoula, Montana
November 30, 2021

anderson ZURMUEHLEN

ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1821 SOUTH AVENUE WEST • FIFTH FLOOR • P.O. BOX 2368 • MISSOULA, MONTANA 59806-2368
TEL: 406.721.7800 • FAX: 406.721.4155 • WEB: azworld.com

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

Board of Commissioners
Missoula County Airport Authority
Missoula, Montana

Report on Compliance for Each Major Federal Program
We have audited Missoula County Airport Authority's (the 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 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 its 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.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
November 30, 2021

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statement noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
#20.106	Federal Aviation Administration – Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Awards Findings and Questioned Costs

None reported.

Summary Schedule of Prior Audit Findings

None noted.

OTHER COMPLIANCE REPORTS

anderson ZURMUEHLEN

ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1821 SOUTH AVENUE WEST • FIFTH FLOOR • P.O. BOX 2368 • MISSOULA, MONTANA 59806-2368
TEL: 406.721.7800 • FAX: 406.721.4155 • WEB: azworld.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM

Board of Commissioners
Missoula County Airport Authority
Missoula, Montana

Report on Compliance for the Passenger Facility Charge Program
We have audited Missoula County 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, regulations, contracts, and grants applicable to the PFC 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Passenger Facility Charge Audit Guide for Public Agencies.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Passenger Facility Charge 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 the PFC 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 PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the PFC program and to test and report on internal control over compliance in accordance with the *Passenger Facility Charge Audit Guide for Public Agencies*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of 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 *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Anderson ZurMuehlen & Co., P.C.

Missoula, Montana
November 30, 2021

anderson ZURMUEHLEN

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS